affirm

Annual Report 2024

affirm

OUR MISSION

Deliver honest financial products that improve lives

Fiscal 2024 Performance Highlights

Active Consumers
CAGR 16%

Gross Merchandise Volume
CAGR 31%

Total Revenue
CAGR 33%

Transactions Per Active Consumer

Active consumers—Represents consumers who engaged in at least one transaction on Affirm's platform during the defined 12 month period.
CAGR—Represents the two-year compound annual growth rate calculated as of June 30, 2024.

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended June 30, 2024

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) 960-1518

(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

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes ☐ No ☒

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

As of December 31, 2023, the aggregate market value of the registrant's Class A common stock held by non-affiliates was approximately $12.5 billion. As of August 23, 2024, the number of shares of the registrant's Class A common stock outstanding was 267,435,252 and the number of shares of the registrant's Class B common stock outstanding was 43,681,472.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III of this Report, to the extent not set forth herein, is incorporated herein by reference from the registrant's definitive proxy statement relating to the Annual Meeting of Stockholders to be held in 2024, which definitive proxy statement shall be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year to which this Report relates.

TABLE OF CONTENTS

	Page
Cover	1
Table of Contents	2
Part I	5
Item 1. Business	5
Item 1A. Risk Factors	23
Item 1B. Unresolved Staff Comments	57
Item 1C. Cybersecurity	57
Item 2. Properties	58
Item 3. Legal Proceedings	58
Item 4. Mine Safety Disclosures	58
Part II	59
Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	59
Item 6. [Reserved]	60
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations	61
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	78
Item 8. Financial Statements and Supplementary Data	81
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	149
Item 9A. Controls and Procedures	149
Item 9B. Other Information	152
Item 9C. Disclosure Regarding Foreign Jurisdictions That Prevent Inspections	152
Part III	153
Item 10. Directors, Executive Officers and Corporate Governance	153
Item 11. Executive Compensation	153
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	153
Item 13. Certain Relationships and Related Transactions and Director Independence	153
Item 14. Principal Accountant Fees and Services	153
Part IV	154
Item 15. Exhibits and Financial Statement Schedules	155
Item 16. Form 10-K Summary	158
Signatures	159

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K ("Form 10-K"), 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 regarding 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 new merchant partners and commerce platforms and grow our relationships with existing merchant partners and commerce platforms;
- our ability to compete successfully in a highly competitive and evolving 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 maintain our relationship with existing originating bank partners and card issuing bank partners and engage additional originating bank partners and card issuing bank partners;
- our ability to maintain, renew or replace our existing funding arrangements and build and grow new funding relationships;
- the impact of any of our funding sources becoming unwilling or unable to provide funding to us on terms acceptable to us, or at all;
- 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 sustained profitability in the future;
- our ability, and the ability of our originating bank and other partners, to comply, and remain in compliance with, laws and regulations that currently apply or become applicable to our business or the businesses of such partners;
- 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;
- developments in our regulatory environment;
- the impact of macroeconomic conditions on our business, including the impacts of inflation, an elevated interest rate environment and corresponding increases in negotiated interest rate spreads, ongoing recessionary concerns and the potential for more instability of financial institutions; and
- the size and growth rates of the markets in which we compete.

Forward-looking statements, including statements such as "we believe" and similar statements, are based on our management's current beliefs, opinions and assumptions and on information currently available as of the date of this Report. 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 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-K. Moreover, we operate in a very competitive, heavily regulated and rapidly changing environment. New risks emerge from time to time, and it is not possible for our management to predict all risks that we may face, nor can we assess the impact of all risks on our business or the extent to which any risk, or combination of risks, may cause our 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 as of the date of this Report, we cannot guarantee future results, levels of activity, performance, achievements, events, outcomes, timing of results 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-K and the documents that we have filed as exhibits to this Report with the understanding that our actual future results, levels of activity, performance, outcomes, achievements and timing of results or outcomes may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary 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, conference calls, and social media. 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 only as an inactive textual reference for convenience and do not intend it to be an active link to our website.

PART I

ITEM 1. BUSINESS

Company Overview

Affirm was founded in 2012 with a mission to deliver honest financial products that improve lives. We are building the next generation payment network. We believe that by using modern technology, strong engineering talent, and a mission-driven approach, we can reinvent payments and commerce. Our solutions, which are built on trust and transparency, are designed to make it easier for consumers to spend responsibly and with confidence, easier for merchants and commerce platforms to convert sales and grow, and easier for commerce to thrive.

Our Business

Legacy payment options, archaic systems, and traditional risk and credit underwriting models can be harmful, deceptive, and restrictive to both consumers and merchants. We believe that they are not well-suited for increasingly digital and mobile-first commerce, and are built on legacy infrastructure that does not support the innovation required for modern commerce to evolve and flourish. Our platform is designed to address these problems.

Our company is predicated on the principles of simplicity, transparency, and putting people first. Since our founding, we have charged $0 in late fees for missed payments. We do not profit from consumers' mistakes, and we are transparent in our product offerings. By adhering to these principles, we have built enduring, trust-based relationships with consumers and merchants.

We believe that our technology, underwriting, and risk management are key competitive advantages. Our proprietary technology's ability to price and assess risk at a transaction level provides a unique advantage compared to legacy payment and credit systems. Our approach to risk management is core to our business model and has led to lower fraud rates, higher approval rates compared to traditional credit underwriting models, and lower credit losses. Our models have been built on extensive data points, including data from approximately 215 million loans. Furthermore, our risk management models are designed to continuously improve over time, becoming more precise and efficient with each transaction powered by our platform.

What this means for consumers is increased purchasing power with more control and flexibility. By utilizing our unique risk model predicated on sophisticated machine learning algorithms, proprietary data, and product-level underwriting, we can serve consumers across the credit spectrum and price risk across transaction types. Consumers on our platform represent a broad cross-section of society.

For merchants, Affirm's commerce solutions help drive growth by enhancing demand generation and consumer acquisition. Our platform is explicitly designed and engineered to integrate with a wide range of merchants. This is a point of differentiation for us, as we can accommodate and partner with merchants to serve their payment needs across a wide variety of industries, size, average order value ("AOV"), or consumer profile. As of June 30, 2024, we had approximately 303 thousand active merchants, ranging from small businesses to large enterprises, direct-to-consumer brands, brick-and-mortar stores, and companies with an omni-channel presence. As used herein, "merchants" may reference merchants and/or e-commerce platforms. Our merchants span a diverse range of industries, including sporting goods and outdoors, home and lifestyle, travel and ticketing, electronics, fashion and beauty, equipment and auto, and general merchandise.

We have three main loan product offerings: Pay-in-4, 0% annual percentage rate ("APR") monthly installment loans and interest-bearing monthly installment loans. Pay-in-4 is a short-term payment plan with four biweekly 0% APR installments.

Our business model is designed to align with the interests of both consumers and merchants.

From merchants, we typically earn a fee when we help them convert a sale and facilitate a transaction. 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 fiscal year ended June 30, 2024, Pay-in-4 and 0% APR installment loans represented 15% and 11%, respectively, of total gross merchandise volume ("GMV") facilitated through our platform. For fiscal year ended June 30, 2023, Pay-in-4 and 0% APR installment loans represented 19% and 13%, respectively, of total GMV facilitated through our platform. This revenue model incentivizes us to help our merchants convert sales and increase AOV through the commerce and technology solutions offered by our platform.

From consumers, we earn interest income on the interest bearing installment loans that we originate or purchase from our originating bank partners. Interest rates charged to our consumers vary depending on several factors including 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 consumers are not charged deferred or compounding interest or late fees, we are not incentivized to profit from our consumers' mistakes or misfortunes. For the fiscal years ended June 30, 2024 and 2023, interest-bearing monthly installment loans represented 74% and 68%, respectively, of total GMV.

We also facilitate the issuance of virtual cards directly to consumers through our App, allowing them to shop with merchants that are not integrated with Affirm. Similarly, we also facilitate the issuance of the Affirm Card, a debit card that can be used physically or virtually and which allows consumers to link a bank account to pay in full, or apply to pay over time for their purchase through the Affirm App. Merchants may also elect to use the virtual card as a method to facilitate the offering of installment loans to allow their customers to pay over time. Merchants are charged an interchange fee for each successful card transaction, and a portion of this revenue is shared with us by our card-issuing partners.

For the fiscal year ended June 30, 2024 we have facilitated consumer purchases of $26.6 billion in GMV.

Our Platform

Our business transforms the way consumers and merchants transact by creating a powerful platform built upon honest financial products. We started our business with our foundational pay-over-time solution at checkout, and have since continued to innovate and expand our product suite by building and acquiring solutions that address the evolving needs of both consumers and merchants. Our platform comprises three core elements: point-of-sale payment solutions for consumers, merchant commerce solutions, and a consumer-focused app. The current suite of solutions we provide to our consumers and merchants is outlined below:

Consumer features

- ***Affirm at Checkout.*** When purchasing from one of our partner merchants, consumers can choose Affirm as a payment method, giving them the option to pay over time with terms ranging from weeks to months. We monitor merchants' creditworthiness, consumer complaints and dispute rates, changes in consumer repayment behavior, and other data to give consumers the confidence that merchants integrated with Affirm are committed to delivering honest and delightful experiences.

- ***Consumer first borrowing.*** Our products make it easy for consumers to apply for a loan and be approved instantaneously. Consumers receive either 0% APR bi-weekly or monthly installments, where they pay no interest, or interest-bearing monthly installment loans, where they pay fixed amounts of interest that do not compound. We underwrite each transaction individually and do not charge late fees. Our proprietary risk model has consistently outperformed traditional credit models, enabling us to better help eligible consumers finance their purchases. Under this model, consumers do not pay more than what they agreed to at checkout, even if they miss or are late on a payment.

- ***Affirm Marketplace.*** Our Affirm App and website provide tailored and exclusive offers from merchants based on consumers' preferences. Consumers can apply at affirm.com or via the Affirm App and, upon approval, receive a single-use virtual card to use online or in-store. During the fiscal year ended June 30, 2024, 23% of our transactions occurred on the Affirm marketplace.

- ***Affirm Card.*** Affirm Card allows consumers to link a bank account to pay in full, or apply to pay over time through the Affirm App. Users can take advantage of an in-app post-purchase feature that allows them to instantly apply to convert any eligible debit transaction into an installment loan. Consumers can also apply for a pre-purchase installment loan via the Affirm App and, upon approval, use the Affirm Card online or in-store to complete their purchase. Consumers can transact either via a physical debit card or a virtual debit card.

- ***Affirm Money Account.*** Through the Affirm app and in partnership with Cross River Bank, we offer an FDIC-insured, high-yield savings account, with no minimum deposit requirements or fees.

Merchant features

- ***Affirm at Checkout***. Through our direct application programming interface ("API"), designed for use by developers, merchants can easily incorporate Affirm into their payment and product pages, enabling merchants to achieve incremental sales, expand their target markets and increase customer conversion and loyalty by solving affordability for consumers. We are also able to help merchants increase demand for higher net AOV items.

- ***Flexible offerings that address a wider range of transactions.*** Merchants can offer either one or a combination of 0% APR and interest-bearing pay-over-time offerings. Offering 0% APR financing to their customers is a compelling revenue accelerator for merchants, who are able to solve affordability for their customers without resorting to discounts. Merchants have the ability to subsidize and determine the range of interest rates to be paid by their customers.

- ***Brand-sponsored and other promotional strategies.*** We have the ability to work with manufacturers on brand-specific promotional financing offers. These promotions are funded by suppliers and then made available through our merchants. The suppliers cover the costs of the lowered APR for their products, with no added costs to our merchants. This gives our merchants a powerful alternative to markdowns as they can increase sales with no impact to their margins. At the same time, suppliers can sell through additional volume. We also partner with merchants to reach consumers with other promotional strategies and offers.

- ***Merchant dashboard.*** Our merchant dashboard provides a robust user interface through which each merchant can view transaction data, manage charges, access API keys, and manage and configure the merchant's Affirm account.

- ***Analytics.*** We provide merchants with insightful analytics that help them understand how their various products are performing and other key insights to optimize conversion and consumer acquisition costs.

- ***Client success support.*** Our high-touch client success team partners with our merchants to analyze performance and provides custom recommendations to optimize AOVs and conversion rates.

- ***Affirm app and marketplace.*** Merchants also have access to Affirm's app, which provides a marketplace that allows them to efficiently reach consumers through featured placements and personalized advertisements.

- ***Affirm website and developer documentation.*** Our website contains extensive and engaging developer documentation designed to make it easy for any developer to integrate via our direct API or other integrations, and to maximize the benefit of all that Affirm offers to both merchants and consumers.

- ***Affirm prequalification.*** By giving consumers the ability to prequalify, Affirm's offering can be integrated earlier in the consumer's journey. We believe this results in fewer abandoned carts and higher conversion rates. Prequalification also personalizes the shopping experience for consumers, once they are prequalified they may receive customized offers based on their approval amount.

- ***Simple and compliant solution.*** Our direct API, designed for use by developers, allows for site integration with minimal merchant investment. Merchants can easily incorporate our platform into payment and product pages, and we provide a dedicated integration team to assist with issue resolution. Once a merchant has integrated our API, we handle the regulatory aspect of the loans facilitated through our platform, irrespective of state, province, or jurisdiction.

Our Competitive Advantages

We believe we have a number of competitive advantages that will continue to contribute to our success.

Strong network effects

We benefit from self-reinforcing network effects, which are advantages that compound with each additional consumer and merchant that joins our network:

- As consumers learn about the key benefits of our solutions, we believe more and more will choose to use our platform, and our consumer base will continue to grow.

- The larger our consumer ecosystem, the more valuable it is to merchants, and the more compelling it is for merchants to offer Affirm as a payment option.

- The more merchants integrated into our network, the more reasons consumers have to shop with Affirm.

- Our costs decrease as a percentage of GMV as our consumer ecosystem expands. For example, the additional data we have on repeat consumers enables us to make better underwriting decisions and therefore generally results in lower provision for credit losses and processing and servicing expenses from repeat consumers than from first time consumers. For the fiscal years ended June 30, 2024 and 2023, 92% and 88%, respectively, of the transactions facilitated through our platform were driven by repeat consumers.

- Improved expense efficiency enables us to create even more compelling offers for consumers and merchants, in turn attracting more consumers and merchants to our network.

The net result is that we are building a consumer and merchant ecosystem on our platform that we expect to continue to grow and monetize over time.

Engineering and technology infrastructure

Technology is at the core of everything we do. Our solutions use machine learning, artificial intelligence, cloud-based technologies, and other modern tools to create differentiated and scalable products. We prioritize building our own technology and investing in engineering talent, as we believe these are enduring competitive advantages that are difficult to replicate.

Our direct API also allows merchant partners to easily integrate Affirm. From the smallest direct-to-consumer online brand to the largest merchants running on mainframe computers, the technical aspects of integrating with Affirm are quick and painless. Full integration can be completed very quickly, often within days after signing our merchant agreement.

Data advantages that compound over time

Our expertise in sourcing, aggregating, protecting, and analyzing data has been what we believe to be a core competitive advantage of our platform since our founding. We use data to inform our analysis and decision-making, including risk assessment, in a way that empowers consumers and generates value for our merchants and funding sources.

Our technology is built to handle the immense scale of our data-driven operations — we are capable of processing thousands of checkouts per minute. Our machine learning-based risk models are currently calibrated and validated on an extensive amount of data points, based on a complex set of variables, and are custom built to effectively detect fraud, price risk, and provide customized recommendations. We consider data beyond traditional credit scores, such as transaction history and credit usage, to predict repayment ability, and leverage this with real-time response data. In some cases, we also are able to access and leverage SKU-level data to assess and underwrite risk for individual transactions before extending access to credit.

Better outcomes generated by our proprietary risk models

We believe our risk model informs our ability to better assess risk. Unlike legacy payment and credit systems, we can assess and price risk at a transaction level, rather than relying solely on a static consumer credit score. We believe our proprietary risk model has translated this advantage into the ability to facilitate a greater volume of transactions from a wider and more diverse segment of consumers. The greater accuracy of our risk model also generally benefits our provision for credit losses on loans we retain.

Our continuously learning risk model benefits from increasing scale. As data from new transactions are incorporated into our risk algorithms, we are able to more effectively assess a given credit profile.

Our ability to quickly assess, price, and manage risk enables us to generate high quality assets that attract funding sources and generate predictable servicing and interest income as consumers repay over time. Our risk model is designed to comply with our originating bank partners' credit policies and underwriting procedures and has been proven to lead to lower fraud rates and higher approval rates compared to traditional credit underwriting models.

For more information on how our risk model automates the underwriting process for our originating bank partners, see *"— Regulatory Environment — State and provincial licensing requirements and regulation."*

Deep capital markets expertise

We believe our capital management strategy is a key competitive differentiator, enabling us to effectively scale our network, support GMV growth across our ecosystem, and efficiently recycle equity capital. Our durable funding model consists of three primary channels — warehouse credit facilities, programmatic issuance of term and revolving securitization transactions, and forward flow commitments. Within each channel, we endeavor to maximize our financial flexibility by partnering with a broad spectrum of counterparty profiles including depository institutions, investment banks, strategic investment funds, pension funds, asset managers, and insurance companies. By maintaining access to a diversified array of long-term funding sources and leveraging our proprietary underwriting process at the point-of-sale, we are able to monetize high-quality financial assets at scale.

Our Competition

Our primary competition consists of: legacy payment methods, such as credit and debit cards, including those provided by card issuing banks such as Synchrony, J.P. Morgan Chase, Citibank, Bank of America, Capital One, Bread Financial, and American Express; technology solutions provided by payment companies such as Visa and MasterCard; mobile wallets such as PayPal; and other pay-over-time solutions offered by companies such as Block and Klarna as well as new pay-over-time offerings by legacy financial and payments companies, including those mentioned above. Additionally, some merchants are increasingly offering proprietary pay-over-time options to customers, and in some cases, these are presented parallel to our offerings at checkout.

We believe that we compete favorably based on our competitive advantages and are well-positioned to succeed in the market. However, many of our competitors are substantially larger than we are, which may give those competitors advantages we do not have at present, such as a more diversified product offering, a larger consumer and merchant base, the ability to reach more consumers and potential consumers, operational efficiencies, the ability to cross-subsidize their offerings through their other business lines, more versatile technology platforms, broad-based local distribution capabilities, and lower-cost funding. Our potential competitors may also have longer operating histories, more extensive and broader consumer and merchant relationships, and greater brand recognition and brand loyalty than we have. In addition, other established companies that possess large, existing consumer and merchant bases, substantial financial resources, or established distribution channels could also enter the market.

Our Growth Strategy

Our multi-pronged growth strategy is designed to build upon our momentum and unlock opportunities to create even greater value for consumers and merchants.

Expand solutions for merchants and consumers

- ***Innovate on new consumer product solutions.*** We plan to continue to innovate and bring new financial products to market for consumers.

- ***Increase merchant feature functionality.*** As we continue to help merchants increase conversion rates, AOVs, and customer satisfaction, we plan to build new tools to help them optimize their customer acquisition strategies and achieve even greater results.

Increase Consumer Transaction Frequency and In-store Usage

We have demonstrated how our solutions can successfully enable and accelerate commerce for larger and considered purchases. We aim to continue driving repeat use of our platform as we serve consumers beyond their initial purchase via our consumer-centric tools and offerings, and the increased diversity of merchants on our network. We believe expanding into consumers' daily and in-store spending will be key in driving repeat usage and will position us to increase engagement with both consumers and merchants. Affirm Card is an important component of this strategy because consumers using Affirm Card to date often have a higher transaction frequency per user and greater in-store usage. If successful, we believe that this strategy will lead to increased transaction volume on our platform, as well as the expansion of our consumer and merchant network. As of June 30, 2024, we had approximately 4.9 transactions per active consumer, an increase of approximately 26% compared to June 30, 2023 and an increase of 64% compared to June 30, 2022.

Expand consumer reach

We will continue marketing to increase brand awareness with consumers and highlight the value of our platform. We believe this will attract new consumers to try Affirm as a payment option. As we add more consumers to our network, we expect our models to become more efficient and robust, allowing us to provide our platform (and the loans it facilitates) to a growing spectrum of consumers. The more consumers that we serve, the better our systems understand how to identify responsible consumers, and the more consumers we can acquire and approve.

Expand merchant reach

- ***Deepen penetration with existing merchants.*** Today, Affirm transactions represent a small percentage of the total transaction volume for our merchants. As more consumers become aware of the ease and transparency of using Affirm, and as we proactively build relationships with merchants through our dedicated sales and customer success teams, we believe we can significantly increase our share of existing merchants' overall transaction volumes.

- ***Increase the number of our merchant partnerships.*** We believe we have the opportunity to significantly increase the number of integrated merchants on our network through both our dedicated sales team and platform partner and merchant acquirer partnerships. Additionally, simple, direct API integration means bringing on new merchants can be a seamless process. As we continue to generate results for merchants, we believe more will join our platform in order to offer Affirm as an option to their customers.

Expand to new markets

Our platform is broadly available to merchants and eligible consumers in the United States and Canada. We will continue to evaluate expanding our platform to new markets, including the United Kingdom ("U.K.") where we expect to begin facilitating loans by the end of fiscal 2025. Merchants and consumers anywhere can benefit from a more transparent, fair, and honest way to engage in commerce, and we see an opportunity to generate value in many new markets around the world through our platform.

Our Technology

Our products are built on a cloud-first platform engineered for data aggregation, schematization, management, and decisioning, which enables our products to leverage years of deep behavioral, financial, shopping, and payment data across our platform, from fraud and pricing, to personalization and repayment. Our vertically integrated technology powers a rich data landscape across products, which drives increased efficiency that helps to unlock greater scale. Increasing scale powers a flywheel that further drives incremental data capture and improves the efficiency of each transaction, and that efficiency allows us to more finely price transactions, measure risk, deliver value to our consumers, and personalize consumer experiences.

We invest in technology to create this flywheel effect as we believe it builds an increasing and durable competitive advantage as we operate with higher confidence in our model decisions, lower costs of each transaction, and improve our ability to price transactions with a lower margin of error. The increasing scale is leveraged by our technology as increasing value is delivered to participants in our network of merchants, consumers, and capital partners.

- ***Fraud detection capabilities.*** To assess transaction fraud risk, we first seek to establish the consumer's identity using basic information. The consumer is then evaluated by our fraud model, and we will then either move forward in the approval flow, or request additional data from the consumer. Our sophisticated fraud models utilize approximately 80 other data points in order to make a near-instantaneous decision on whether to block a transaction. There are also secondary rules that, when triggered, are designed to send a transaction to fraud investigators.

- ***Credit check capabilities.*** Our risk model takes five top-of-mind data inputs from the user and turns them into a total of over 500 data points in order to assess the credit risk of new consumers. Our algorithms model out the repayment probability on a month-to-month basis, and combine these probabilities with the term length, purchase size, merchant, and item being purchased, in order to price and score risk. In the vast majority of cases, we can complete these checks and calculations in a matter of seconds, automating the underwriting process pursuant to our originating bank partners' underwriting policies. We use application and transaction data to train our model, including data from approximately 215 million loans.

- ***Modeling improvements.*** Our high cadence for modeling, retraining, and recalibration translates into rapid improvements to our models over time. New data is regularly used to retrain each model, meaning they continue to improve as the numbers of consumers, merchants, transactions, and repayments we power on our platform grow. We also perform periodic larger scale updates to our core model and algorithms. We regularly introduce new data signals to be captured by our risk analysis system and make them available to be incorporated into new model development, training, and validation. Additionally, we explore opportunities to capture data outside of our model approvals, in order to make a breadth of data available to future models. During these updates, new signals are captured, and older data interrogated and re-tested to help our models continue to evolve. We have automated the process of constructing, training, calibrating, validating, and updating our models, which allow our scientists and engineers to focus on research, flexibility, and speed. Our models are designed to enable us to adjust our models quickly and efficiently in response to changes in the environment.

- ***Designed for continued innovation and flexibility.*** Our deep technological talent and capabilities have enabled us to strategically build core systems (including our own ledger) and infrastructure in-house, allowing us to gain what we believe is a significant competitive advantage as we continue to innovate and iterate, and develop new capabilities across multiple disciplines. The flexibility of our custom-built technological infrastructure means we can incorporate new merchants, platforms, data sources, models, capital partnerships, and other elements without necessarily adding significant overhead.

- ***Data privacy and security***. We store and process data while maintaining robust physical, electronic, and procedural safeguards designed to protect that data. We maintain physical security measures designed to guard against unauthorized access to systems and use safeguards such as firewalls and data encryption. We also have deployed physical access controls to our buildings, and our policies authorize access to personal information only for those employees or agents who require it to fulfill the responsibilities of their jobs.

Sales and Marketing

Our marketing strategy includes brand marketing, communications, and co-marketing campaigns that we collaborate on with merchants and partners. We have historically relied on the strength of our merchant relationships and positive user experience to develop our brand and grow our network. We have achieved significant merchant and consumer adoption without investing heavily in sales and marketing. We are focused on the effectiveness of sales and marketing spending. We also utilize dedicated sales teams to grow our merchant base in the United States and Canada, and leverage strategic partnerships with other platforms to expand our merchant and consumer base.

Seasonality

We experience seasonal fluctuations in our business as a result of consumer spending patterns, including Affirm Card, which we expect to mimic the seasonality of our general business in the near term. Historically, our GMV has been the strongest during our fiscal second quarter due to increases in retail commerce during the holiday season and our loan delinquencies are at their lowest during our fiscal third and fourth quarter, as consumer savings benefit from tax refunds. Adverse events that occur during our second fiscal quarter could have a disproportionate effect on our financial results for the fiscal year.

Human Capital Resources

Our employees

As of June 30, 2024, we had a total of 2,006 employees, primarily located in the United States. None of our employees are represented by a labor union. We have not experienced any work stoppages, and we consider our relations with our employees to be good.

Distinctive culture that sets us apart

We believe our culture gives us a long-term, sustainable competitive advantage. Affirm is purpose-built from the ground up, and our employees, who have named themselves "Affirmers," are deeply committed to delivering honest financial products that improve lives. Five core values permeate every part of Affirm — which includes our people, products, and business:

- ***People come first.*** We consider our impact on people's lives before we think about our own interests. This means that we do not and will not take advantage of our consumers. Unlike much of the industry, we do not capitalize on consumer misfortunes through practices such as late fees and deferred or compounding interest. Our success is aligned with our consumers' success. In fact, we depend on it.

- ***No fine print.*** We are transparent and honest — with our consumers and with each other. That is why there are no hidden fees or tricks associated with the loans facilitated through our platform. What you see is what you get.

- ***It's on us.*** We take full accountability for our actions, never shirking responsibility or passing the buck. Affirmers own problems and solutions, and we hold each other accountable.

- ***Simpler is better.*** We make complex things simple and clear. Financial products and payments have traditionally been fraught with complexity. We found a better way, a way that brings consumers the simplicity they need and merchants the results they want.

- ***Push the envelope.*** We never stop innovating, taking smart risks, and raising the bar. Talented people are attracted to Affirm because we empower them to innovate, create robust systems, and take smart risks. This momentum keeps our consumer and merchant network growing and thriving.

These values have helped us to attract, inspire, and harness the collective talent of exceptional technologists and business people.

Diversity, equity, and inclusion

We believe that diversity, equity, and inclusion ("DEI") are important as we scale and build our high-performing team. Our Diversity and Inclusion Steering Committee ("DISC") is an internal committee made up of senior leaders from across Affirm. DISC's overarching purpose is to partner with the DEI team, to advance the DEI mission and strengthen Affirm's culture. This entails creating an environment where individuals from all backgrounds can thrive.

We annually publish our DEI Report, which discloses certain demographic information relating to our team and outlines our DEI goals, our progress toward them, our areas for improvement, and where we expect to focus our efforts. The 2024 report is available at: www.affirm.com/diversity-inclusion. This website has been provided for convenience only, and the contents of the report and information found on, or accessible through, our website are not a part of, and are not incorporated into, this Annual Report on Form 10-K.

Our board of directors' role in human capital resource management

Our board of directors believes that human capital management is an important component of our continued growth and success, and is helpful to our ability to attract, retain, and develop talented and skilled employees. We pride ourselves on a culture that respects co-workers and values concern for others. Management regularly reports to our board of directors on human capital management topics, including corporate culture, safety, diversity and inclusion, employee development, and compensation and benefits. Our board of directors provides input on important decisions, including with respect to safety, talent retention and development.

Employee incentives and benefits

We provide equity incentives to our employees through the grant of stock options and restricted stock units ("RSUs") under our equity incentive plan to align their interests with stockholders as "owners" of our company. We also have adopted an Employee Stock Purchase Plan ("ESPP") pursuant to which eligible employees can purchase shares of our Class A common stock at a discount from the fair market value. We believe these incentive programs allow us to be competitive with comparable companies in our industry by giving us the resources to attract, motivate and retain talented individuals.

We offer comprehensive benefits, including medical, dental, vision, life insurance, paid time off, various voluntary insurance programs, and a 401(k) retirement plan for U.S. employees. Our employee assistance program, financial wellness benefits, legal protection benefits, and identification theft protection benefits offer employees information, referrals, and short-term counseling for personal issues affecting their work or personal life as an added layer of protection. In addition, we offer perks, such as employer-sponsored digital spending wallets, mental health benefits, family & fertility benefits and generous leave and time-off policies, which we believe enhance employee productivity, satisfaction and loyalty.

Regulatory Environment

We operate in a rapidly evolving regulatory environment and are subject to extensive regulation, both directly and indirectly, by way of our partnership with our originating bank partners, under U.S. federal law, the laws of Canada, and the United Kingdom, and the laws of the states and provinces in which we operate, among others. These laws cover all aspects of our business and include privacy laws, consumer protection laws, and contractual obligations. We could become subject to additional legal or regulatory requirements if laws or regulations change in the jurisdictions in which we operate. These could include the need to obtain new and different types of licenses in order to conduct our business, such as for lending, brokering, servicing, collections, or money transmission. For more information on the risks relating to our regulatory environment, see the section titled "*Risk Factors – Risks Related to Our Regulatory Environment*."

Our lending programs are relatively novel and must comply with regulatory regimes applicable to consumer credit transactions. In addition, the regulatory framework for online lending platforms is evolving and uncertain as federal and state governments consider the application of existing laws and adoption of new laws to regulate these structures. Certain banking laws and regulations may also apply to our originating bank partners.

State and provincial licensing requirements and regulation

Our operations must satisfy the laws and standards of each individual U.S. state and territory, Canadian province and U.K. country in which we operate. This means that when individual states, territories or provinces differ in how they allow financing to be provided and used, we must operate consistently in accordance with the most comprehensive requirements.

Our policies and practices approach these requirements with the goal of managing the long-term viability and flexibility of our business model. As such, we have established a business model pursuant to which we may originate loans directly through our platform under our lending, servicing, and brokering licenses across various jurisdictions in the U.S., Canada, and U.K., and we may also purchase loans originated by our originating bank partners through our platform. Substantially all of the loans facilitated through our platform in the U.S. are originated through Celtic Bank, an FDIC-insured Utah state-chartered industrial bank, and Lead Bank, an FDIC-insured Missouri state-chartered bank..

Certain states, provinces, and localities have adopted laws regulating and requiring licensing, registration, notice filing, or other approval by parties that engage in certain activity regarding consumer finance transactions, including facilitating and assisting such transactions in certain circumstances, debt collection or servicing, and/or purchasing or selling consumer loans. We have also received inquiries from regulatory agencies regarding requirements to obtain licenses from or register with those jurisdictions, including in states where we have determined that we are not required to obtain such a license or be registered with the state, and we expect to continue to receive such inquiries. We are also subject to licensing requirements, supervision, and examination by applicable regulatory authorities in the jurisdictions in which we may service loans, solicit or offer loans, or originate loans directly through our platform, and we have obtained or are in the process of obtaining necessary licenses in the jurisdictions in which we do so. Licensing statutes vary from state to state and prescribe different requirements, including but not limited to: restrictions on loan origination and servicing practices (including limits on the type, amount, and manner of fees), solicitation activities, interest rate limits, disclosure requirements, periodic examination requirements, surety bond and minimum specified net worth requirements, periodic financial reporting requirements, notification requirements for changes in principal officers, stock ownership or corporate control, restrictions on advertising, and requirements that loan forms be submitted for review. The application of state and provincial licensing requirements to our business model is not always clear, and while we believe we are in material compliance as of June 30, 2024 with applicable licensing requirements, regulators may request or require that we obtain additional licenses or other authorizations in the future, which may subject our business to additional restrictions or requirements.

State interest rate treatment

We and our originating bank partners may also be subject to state law interest rate limitations on personal consumer loans. Certain states have no such limitations, while other jurisdictions impose a maximum rate on such loans. In some jurisdictions, the maximum rate may be less than the rates applicable to the loans facilitated through our platform. If any of the loans facilitated through our platform were found to impose rates higher than the maximum rate for the applicable state, such loans could be in violation of state interest limitation laws, which could result in such loans being unenforceable or reduce or extinguish the principal and/or interest (paid or to be paid) on such loans, or result in fees, damages, and penalties to us or our originating bank partners. Out of an abundance of caution, however, we have sought to voluntarily cap the maximum interest rate we will propose for a loan to borrowers in certain states so that it is below the maximum interest rate that our originating bank partners would otherwise be permitted to charge under applicable law.

Through our partnerships with our originating bank partners, as well as through our state lending licenses to originate loans directly, where applicable, our risk model automates the underwriting process in accordance with our originating bank partners' underwriting policies, which only our originating bank partners may change and which we must follow in reviewing, approving, and administering loans facilitated by our platform, and our direct lending entity's underwriting policy. When originating loans through our platform, our originating bank partners may contract to charge interest based on authority granted to state-chartered, FDIC-insured banks under federal law (Section 27 of the Federal Deposit Insurance Act) and based upon legal principles detailed in the FDIC's final rule relating to Federal Interest Rate Authority, published in the Federal Register on July 22, 2020. Section 27 allows an FDIC-insured bank such as our originating bank partners to charge interest to consumers on a nationwide basis based on the rates allowed by the state where the bank is located. We rely on our originating bank partners' authority under federal law to establish interest rates and charge interest on the loans our originating bank partners originate through our platform. Cross River Bank generally allows a consumer loan borrower to agree to any annual rate of interest up to 30%, and our other originating bank partners, including Celtic Bank, generally allow a consumer loan borrower to agree to any annual rate of interest up to 36%, in each case calculated in accordance with the FDIC Federal Interest Rate Authority rule discussed above and other applicable law.

However, if the legal structure underlying our relationship with our originating bank partners was successfully challenged, we may be found to be in violation of state licensing requirements and state laws regulating interest rates and other aspects of consumer lending. In the event of such a challenge or if our arrangements with our originating bank partners were to change or end for any reason, we would need to rely on an alternative bank relationship, find an alternative bank relationship, rely on existing state licenses, obtain new state licenses, pursue a federal charter, offer consumer loans, and/or be subject to the interest rate limitations and loan product requirement limitations of certain states. There are two examples of claims that have been raised that could each, separately or jointly, result in this outcome in some or all states.

The FDIC stated that its Federal Interest Rate Authority Rule was promulgated in part to codify the "valid when made" doctrine due to court decisions such as the one in Madden v. Midland Funding, LLC, 786 F.3d 246 (2d Cir. 2015), cert. denied, 136 S.Ct. 2505 (June 27, 2016). In Madden v. Midland Funding, the Second Circuit ruled that federal preemption generally applicable to national banks did not apply to non-bank assignees if the assignee was not acting on behalf of the bank, if the bank no longer had an interest in the loan, or such determination did not significantly interfere with the bank's exercise of its federal banking powers. Under this rationale, the Second Circuit did not preempt state interest rate limitations that might apply to the non-bank assignees. The Second Circuit's holding in the Madden case is binding on federal courts in the states of New York, Connecticut, and Vermont. Following the Madden decision, there have been a number of lawsuits in other parts of the country making similar allegations. Under the Federal Interest Rate Authority Rule promulgated by the FDIC, which is the interest rate authority of state-chartered banks (such as our originating bank partners), the interest rate applicable to a loan originated by a state-chartered bank on the date of origination will carry with the loan irrespective of ownership (i.e., the interest rate is "valid when made"). The OCC issued a similar rule on May 29, 2020 with respect to loans originated by national banks. State attorneys general of the states of California, New York and Illinois have filed a lawsuit against the OCC alleging that the OCC had no statutory authority to issue its May 29, 2020 rule regarding the permissibility of interest rates on loans purchased from a national bank and failed to follow required procedures in promulgating the rule. State attorneys general of the states of California, Illinois, Massachusetts, Minnesota, New Jersey, New York, and North Carolina, together with the District of Columbia, filed a similar lawsuit against the FDIC regarding the FDIC Federal Interest Rate Authority Rule. This lawsuit was decided in favor of the FDIC pursuant to the Northern District of California's decision in California v. FDIC, 2022 U.S. Dist. LEXIS 22719 (N.D. CA, Feb. 8, 2022), in which the court expressly upheld the validity of the FDIC Federal Interest Rate Authority Rule, distinguishing it from the similar rule issued by the OCC. However, it is uncertain whether these or other state attorneys general will file similar suits with respect to any other rule regarding the permissibility of interest rates by the FDIC, OCC or other regulators. Notably, the FDIC and OCC rules underscore that they do not address the question of whether a bank or insured branch of a foreign bank is a real party in interest with respect to a loan or has an economic interest in the loan under state law, e.g. which entity is the "true lender." Federal Interest Rate Authority, 85 Fed. Reg. 44146 (July 22, 2020).

Before and after the Federal Interest Rate Authority went into effect, there have also been both private litigation and governmental enforcement actions seeking to recharacterize a lending transaction, claiming that the named lender was not the true lender, and that instead another entity was the true lender or the de facto lender. These claims are traditionally based upon state lending laws, other statutory provisions, or state common law through which a private litigant or governmental agency could seek to license, regulate, or prohibit the activities of the entity they consider the true lender or de facto lender. Any such litigation or enforcement action with respect to a loan facilitated through our platform against us, any successor servicer, prior owners, or subsequent transferees of such loans (including our originating bank partners) could subject them to claims for damages, disgorgement, or other penalties or remedies. On October 27, 2020, under the Trump Administration, the OCC promulgated a final rulemaking setting forth standards for determining the true lender of a loan issued by a national bank. On June 30, 2021, President Biden signed a Congressional Review Act resolution to repeal the OCC's true lender rule, and the OCC may not issue any substantially similar rule without subsequent statutory authorization.

Further, it is unclear whether these rules will be given effect by courts and regulators in a manner that actually mitigates risks relating to state interest rate limits and related risks to us, our originating bank partners, any other program participant, or the loans facilitated through our platform. While most enforcement and litigation has historically targeted high-interest rate programs (i.e. > 100% APR), which we consider to be inconsistent with our company mission and values, we nonetheless could be subject to litigation, whether private or governmental, or administrative action regarding the above claims. The potential consequences of an adverse determination could include the inability to collect loans at the interest rates contracted for, licensing violations, the loans being found to be unenforceable or void, the reduction of interest or principal, or other penalties or damages. Third-party purchasers of loans facilitated through our platform also may be subject to scrutiny or similar litigation, whether based upon the inability to rely upon the "valid when made" doctrine or because a party other than the originating bank is deemed the true lender.

Money transmission

Through our wholly-owned subsidiary, Affirm Payments, LLC ("Affirm Payments"), we hold licenses to operate as a money transmitter (or its equivalent) in certain states and jurisdictions of the U.S. Affirm Payments is actively seeking additional licenses and certifications of this nature, but there can be no assurance we will be able to obtain them or the timeline with which this will happen. As a licensed money transmitter, we have obligations and restrictions with respect to the investments of consumer funds, recurrent reporting, and bonding. If found to have violated the laws or regulations covered under our licenses, we could be subject to liability and/or additional restrictions. These include, but are not limited to, being forced to cease doing business with residents of certain states or territories, forced to change our business practices, or required to obtain additional licenses or regulatory approvals. Any of the aforementioned scenarios could impose substantial costs and or harm our business.

United Kingdom regulatory oversight

In addition to the U.S. and Canada, we intend to provide a similar service in the U.K. through our U.K. subsidiary, Affirm U.K. Limited (f.k.a. Skytech Capital Ltd). Affirm U.K. Limited is authorized and regulated by the U.K. Financial Conduct Authority ("FCA") and carries out regulated activity in the U.K. The FCA has statutory objectives that direct how it operates. The FCA's strategic objective is to ensure that the relevant markets function well. The FCA's operational objectives are (a) securing an appropriate degree of protection for consumers, (b) protecting and enhancing the integrity of the U.K. financial system, and (c) promoting effective competition in the interests of consumers. The FCA regulates and supervises some or all of Affirm U.K. Limited's consumer credit activities. The FCA adopts a pre-emptive approach to supervision based on making forward-looking judgments about a firm's business model, product strategy and how the business is run. The FCA has a range of supervisory tools available to it, including (but not limited to) meetings with management, desk-based reviews, making recommendations and on-site inspections. The laws and regulations applicable to the industry are subject to interpretation and change and we continue to monitor this on an ongoing basis.

U.S. federal consumer protection requirements

We must comply with various federal consumer protection regimes, both as a service provider to our originating bank partners and as a loan originator with respect to loans we may originate directly, including but not limited to the following laws and regulations:

- the Truth-in-Lending Act and Regulation Z promulgated thereunder, which require certain disclosures to consumers regarding the terms and conditions of their loans and credit transactions;
- Section 5 of the Federal Trade Commission Act, which prohibits unfair and deceptive acts or practices in or affecting commerce, and Section 1031 of the Dodd-Frank Act, which prohibits unfair, deceptive, or abusive acts or practices ("UDAAP") in connection with any consumer financial product or service;
- the Equal Credit Opportunity Act (the "ECOA") and Regulation B promulgated thereunder, which prohibit creditors from discriminating against credit applicants on the basis of race, color, sex, age, religion, national origin, marital status, the fact that all or part of the applicant's income derives from any public assistance program, or the fact that the applicant has in good faith exercised any right under the Federal Consumer Credit Protection Act or any applicable state law. In addition to acts of intentional discrimination, the ECOA has been interpreted by federal regulators and courts to prohibit creditors from maintaining policies

and practices that, while facially neutral, result in a disproportionate, adverse impact on applicants or consumers in protected groups. For this reason, a loan decisioning or credit scoring model must not use any variable that may be deemed a proxy for a protected characteristic such as race, ethnicity, or sex. Further, the variables used in the model must be supported by documented, legitimate business justifications where the model results in a disproportionate effect on applicants or consumers of certain demographic groups;

- the Fair Credit Reporting Act (the "FCRA"), as amended by the Fair and Accurate Credit Transactions Act, and Regulation V promulgated thereunder, which promote the accuracy, fairness, and privacy of information in the files of consumer reporting agencies;
- the Fair Debt Collection Practices Act, Regulation F promulgated thereunder, and the Telephone Consumer Protection Act, each of which provide guidelines and limitations concerning the conduct of certain creditors and third-party debt collectors in connection with the collection of consumer debts;
- the Gramm-Leach-Bliley Act (the "GLBA"), which includes limitations on use and disclosure of nonpublic personal information about a consumer by a financial institution;
- the Bankruptcy Code, which limits the extent to which creditors may seek to enforce debts against parties who have filed for bankruptcy protection;
- the Holder Rule, and equivalent state laws, which make Affirm or any other holder of a consumer credit contract include the required notice and become subject to all claims and defenses that a borrower could assert against the seller of goods or services;
- the Electronic Fund Transfer Act and Regulation E promulgated thereunder, which provide disclosure requirements, guidelines, and restrictions on the electronic transfer of funds from consumers' bank accounts;
- the Electronic Signatures in Global and National Commerce Act and similar state laws, particularly the Uniform Electronic Transactions Act, which authorize the creation of legally binding and enforceable agreements utilizing electronic records and signatures;
- the Military Lending Act and similar state laws, which provide disclosure requirements, interest rate limitations, substantive conduct obligations, and prohibitions on certain behavior relating to loans made to covered borrowers, which include both servicemembers and their dependents;
- the Servicemembers Civil Relief Act and similar state laws, which allows active duty military members to suspend or postpone certain civil obligations so that the military member can devote his or her full attention to military duties; and
- requirements pursuant to the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") enacted in response to the COVID-19 pandemic, including requirements relating to debt collection and credit reporting.

In addition, many states and local jurisdictions have consumer protection laws analogous to, or in addition to, the federal laws listed above, such as usury laws, state debt collection practices laws, and requirements regarding loan disclosures and terms, credit discrimination, credit reporting, money transmission, recordkeeping, the arranging of loans made by third parties, and unfair or deceptive business practices. We are also subject to data protection laws and regulations, such as the EU General Data Protection Regulation ("GDPR"), Canada's Personal Information Protection and Electronic Documents Act, the U.K.'s Data Protection Act of 2018 and similar state laws such as the California Consumer Privacy Act (the "CCPA"), which includes limitations and requirements surrounding the use, disclosure, and other processing of certain personal information about California residents.

We are also subject to regulation by the Consumer Financial Protection Bureau ("CFPB") under the Dodd-Frank Act and other acts described herein, and we are subject to the CFPB's supervision and enforcement authority with respect to our compliance with these requirements as a facilitator, servicer, acquirer, or originator of consumer credit. As such, the CFPB has in the past requested reports concerning our organization, business conduct, markets, and activities, and we expect that the CFPB will continue to do so from time to time in the future. Additionally, the

CFPB's supervision of us enables it, among other things, to conduct comprehensive and rigorous examinations to assess our compliance with consumer financial protection laws, which could result in investigations, enforcement actions, regulatory fines and mandated changes to our business products, policies and procedures.

The CFPB, through its supervision and enforcement authority, could increase our compliance costs, potentially hinder our ability to respond to marketplace changes, impose requirements to alter products and services that would make them less attractive to consumers and impair our ability to offer products and services profitably. The CFPB is authorized to pursue administrative proceedings or litigation for violations of federal consumer financial laws. In these proceedings, the CFPB can obtain cease and desist orders (which can include orders for restitution or rescission of contracts, as well as other kinds of affirmative relief) and monetary penalties which, for 2022, range from $6,323 per day for minor violations of federal consumer financial laws (including the CFPB's own rules) to $31,616 per day for reckless violations and $1,264,622 per day for knowing violations. The CFPB monetary penalty amounts are adjusted annually for inflation.

Also, where a company has violated Title X of the Dodd-Frank Act or CFPB regulations under Title X, the Dodd-Frank Act empowers state attorneys general and state regulators to bring civil actions for the kind of cease and desist orders available to the CFPB (but not for civil penalties). In May 2022, the CFPB issued an Interpretive Rule to clarify the authority of states to enforce federal consumer financial protections laws under the Consumer Financial Protection Act of 2010 ("CFPA"). Specifically, the CFPB confirmed that (1) states can enforce the CFPA, including the provision making it unlawful for covered persons or service providers to violate any provision of federal consumer financial protection law; (2) the enforcement authority of states under section 1042 of the CFPA is generally not subject to certain limits applicable to the CFPB's enforcement authority, such that States may be able to bring actions against a broader cross-section of companies than the CFPB; and (3) state attorneys general and regulators may bring (or continue to pursue) actions under their CFPA authority even if the CFPB is pursuing a concurrent action against the same entity. If the CFPB or one or more state officials find that we have violated the foregoing laws, they could exercise their enforcement powers in ways that would have a material adverse effect on our business.

In addition, the Biden Administration has brought an increased focus on enforcement of federal consumer protection laws and appointed consumer-oriented regulators at federal agencies such as the CFPB, the OCC and the FDIC. It is possible that such regulators could promulgate rulemakings and bring enforcement actions that materially impact our business and the business of our originating bank partners. These regulators may augment requirements that apply to loans facilitated by our platform, or impose new programs and restrictions and could otherwise revise or create new regulatory requirements that apply to us (or our bank partners), impacting our business, operations, and profitability.

On May 22, 2024, the CFPB issued an Interpretive Rule, "Truth in Lending (Regulation Z); Use of Digital User Accounts to Access Buy Now, Pay Later Loans," under the Truth in Lending Act (the "Interpretive Rule") that extended to Buy Now, Pay Later (BNPL) providers certain dispute and refund requirements applicable to credit card providers. The Interpretive Rule is an interpretation of existing law that "does not impose any new or revise any existing recordkeeping, reporting, or disclosure requirements," thereby applying to past operations. The Interpretive Rule may result in operational and compliance challenges and new litigation risks and scrutiny by federal and state regulators. The Interpretive Rule was effective on July 30, 2024. The CFPB has not provided any additional guidance since the Interpretive Rule was issued.

The federal regulatory framework applicable to online marketplaces such as our platform is evolving and uncertain, and additional requirements may apply to our business in the future. While we have developed policies and procedures designed to assist in compliance with these laws and regulations, no assurance is given that our compliance policies and procedures will be effective or will be adequate as laws change or are applied in a new manner.

Other requirements

We have policies and procedures designed to prevent the financing of illegal products. As part of our diligence process when vetting new partners, these policies and procedures instruct that we screen for products that violate the law or are on our prohibited business list in an effort to prevent risk to our business or harm to our consumers, merchants, and the payment system.

We are subject to compliance obligations related to U.S. anti-money laundering ("AML") laws and regulations due, in part, to our partnership with our originating bank partners. With our international footprint, we are also subject to international AML laws and regulations. We have developed and currently operate an enterprise-wide AML program designed to prevent our network from being used to facilitate money laundering, terrorist financing, and other financial crimes, and to enable us to comply with all applicable anti-money laundering and anti-terrorism financing laws and regulations, including the Bank Secrecy Act and the Patriot Act. Our AML program is also designed to prevent our products from being used to facilitate business in certain countries or territories, or with certain individuals or entities, including those on designated lists promulgated by the U.S. Department of the Treasury's Office of Foreign Assets Controls and other U.S. and non-U.S. sanctions authorities. Our AML and sanctions compliance programs include policies, procedures, reporting protocols, and internal controls designed to identify, monitor, manage, and mitigate the risk of money laundering and terrorist financing, including the designation of an AML compliance officer to oversee the programs. We are also required to maintain this program under our agreements with our originating bank partners, and certain state regulatory agencies have intimated they expect the program to be in place and followed.

The U.S. Foreign Corrupt Practices Act ("FCPA") prohibits offering, promising, authorizing or making payments to any foreign government official, government staff member, political party or political candidate to obtain or retain business abroad. Affirm is subject to the FCPA as well as similar laws in other jurisdictions in which we operate. We maintain anti-corruption policies and procedures and have a compliance program in place to ensure compliance with these laws and regulations.

We collect, store, use, disclose, transfer, and otherwise process a wide variety of information, including personal information, for various purposes in our business, including to help provide for the integrity of our services and to provide features and functionality to our consumers and merchants. This aspect of our business, including the collection, storage, use, disclosure, transfer, processing, and protection of the information, including personal information, we acquire in connection with our consumers' and merchants' use of our services, is subject to numerous privacy, cybersecurity, and other laws and regulations in the U.S. and foreign jurisdictions, including the GLBA and its implementing regulations. We are subject to a variety of such laws, rules, directives, and regulations, as well as contractual obligations, both at the state and federal level, relating to the processing of personal information. Accordingly, we publish our privacy policies and terms of service, which describe our practices concerning the collection, storage, use, disclosure, transmission, processing, and protection of information. The regulatory framework for privacy and data protection worldwide is rapidly evolving and, as a result, implementation standards and enforcement practices are likely to continue to evolve for the foreseeable future. Legislators and regulators are increasingly adopting or revising privacy and data protection laws, rules, directives, and regulations that could have a significant impact on our current and planned privacy and data protection-related practices; our processing of consumer or employee information; and our current or planned business activities.

Furthermore, an increasing number of state, federal, and international jurisdictions have enacted, or are considering enacting, privacy laws, such as the CCPA, which became effective on January 1, 2020, and the EU GDPR, which regulates the collection, control, sharing, disclosure and use and other processing of personal information of data subjects in the EU and the European Economic Area. The CCPA gives residents of California expanded rights to access and delete their personal information, opt out of certain personal information sharing, and receive detailed information about how their personal information is used, and also provides for civil penalties for violations and a private right of action for data breaches. Meanwhile, the GDPR provides data subjects with greater control over the collection and use of their personal information (such as the "right to be forgotten") and has specific requirements relating to cross-border transfers of personal information to certain jurisdictions, including to the U.S., with fines for noncompliance of up to the greater of 20 million euros or up to 4% of the annual global revenue of the noncompliant company. In addition, on November 3, 2020, California voters approved a new privacy law, the California Privacy Rights Act ("CPRA"), which significantly modifies the CCPA, including by expanding consumers' rights with respect to certain personal information and creating a new state agency to oversee implementation and enforcement efforts. Many of the CPRA's provisions became effective on January 1, 2023. The CCPA, CPRA, GDPR, and any other applicable state, federal, and international privacy laws, may increase our compliance costs and potential liability.

Various regulatory agencies in the U.S. and in foreign jurisdictions continue to examine a wide variety of issues that are applicable to us and may impact our business. These issues include account management guidelines, anti-discrimination, consumer protection, identity theft, privacy, disclosure rules, electronic transfers, cybersecurity, and marketing. As our business continues to develop and expand, we continue to monitor the additional rules and regulations that may become relevant in order to maintain compliance with applicable law.

The legal and regulatory framework for privacy and security issues worldwide is rapidly evolving, and, although we endeavor to comply with these laws and regulations and our published policies and documentation, we may at times fail to do so or be alleged to have failed to do so. Any actual or perceived failure to comply with legal and regulatory requirements applicable to us, including those relating to privacy or security, or any failure to protect the information that we collect from our consumers and merchants, including personally identifiable information, from cyber-attacks, or any such actual or perceived failure by our originating bank partners, may result in, among other things, revocation of required licenses or registrations, loss of approved status, private litigation, regulatory or governmental investigations, administrative enforcement actions, sanctions, civil and criminal liability, and constraints on our ability to continue to operate.

Our originating bank partners also operate in a highly regulated environment, and many laws and regulations that apply directly to our originating bank partners are directly and indirectly applicable to us as a service provider to our originating bank partners.

Intellectual Property

Intellectual property and proprietary rights are important to the success of our business. We rely on a combination of patent, copyright, trademark, and trade secret laws in the United States and other jurisdictions, as well as license agreements, confidentiality procedures, non-disclosure agreements, and other contractual protections, to establish and protect our intellectual property and proprietary rights, including our proprietary technology, software, know-how, and brand. However, these laws, agreements, and procedures provide only limited protection. As of June 30, 2024, we owned 23 registered trademarks and 2 trademark applications in the United States, 99 registered trademarks and 19 trademark applications in various foreign jurisdictions, and 22 issued patents, 39 pending patent applications in the United States, and 60 pending patent applications in various foreign jurisdictions.

Although we take steps to protect our intellectual property and proprietary rights, we cannot be certain that the steps we have taken will be sufficient or effective to prevent the unauthorized access, use, copying, or the reverse engineering of our technology and other proprietary information, including by third parties who may use our technology or other proprietary information to develop services that compete with ours.

See the section titled "*Risk Factors – Risks Related to Our Intellectual Property and Platform Development*" for a more comprehensive description of risks related to our intellectual property and proprietary rights.

Available Information

Our website address is www.affirm.com. Information found on, or accessible through, our website is not a part of, and is not incorporated into, this Annual Report on Form 10-K. Copies of our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, are available, free of charge, on our website as soon as reasonably practicable after we file such material electronically with, or furnish it to, the SEC. The SEC also maintains a website that contains our SEC filings. The address of the site is www.sec.gov.

Item 1A. Risk Factors

Investing in our Class A common stock involves a high degree of risk. You should consider carefully the material factors, risks and uncertainties described below that make an investment in our Company speculative or risky, together with all of the other information in this Form 10-K, including the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the accompanying notes included elsewhere in this Form 10-K, before deciding whether to invest in shares of our Class A common stock. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties of which we are currently unaware or that we currently deem immaterial may also become important factors that adversely affect our business. If any of the following risks actually occur, our business, financial condition, operating results, and future prospects could be materially and adversely affected. In that event, the market price of our Class A common stock could decline, and you could lose part or all of your investment.

Risk Factor Summary

The risks and uncertainties to which our business is subject, include, but are not limited to, the following:

- If we are unable to attract commercial partners (as defined below), retain our existing commercial partners, and grow and develop our relationships with new and existing commercial partners, our business, results of operations, financial condition, and future prospects would be materially and adversely affected.

- If we are unable to attract new consumers and retain and grow our relationships with our existing consumers, our business, results of operations, financial condition, and future prospects would be materially and adversely affected.

- We operate in a highly competitive industry, and our inability to compete successfully would materially and adversely affect our business, results of operations, financial condition, and future prospects.

- We rely on a small number of commercial partners, and the loss of any of these significant relationships would adversely affect our business, results of operations, financial condition, and future prospects.

- The success of our business depends on our ability to work with originating bank partners to enable effective underwriting of loans facilitated through our platform and accurately price credit risk. We currently rely on Celtic Bank and Lead Bank to originate substantially all of the loans facilitated through our platform. In addition, we currently rely on a single card issuing bank partner, Evolve Bank & Trust, to issue the Affirm Card. If any of our agreements with Celtic Bank, Lead Bank and/or Evolve Bank & Trust are terminated, and we are unable to replace such agreements, our business, results of operations, financial condition, and future prospects would be materially and adversely affected.

- We may not be able to sustain our revenue and GMV growth rates, or our growth rate of related key operating metrics, in the future.

- We rely on a variety of funding sources to support our business model. If our existing funding arrangements are not renewed or replaced or our existing funding sources are unwilling or unable to provide funding to us on terms acceptable to us, or at all, it could have a material adverse effect on our business, results of operations, financial condition, cash flows, and future prospects.

- If loans facilitated through our platform do not perform, or significantly underperform, we may incur financial losses on the loans we purchase, we hold on our balance sheet, or that are subject to certain risk sharing agreements, which may adversely impact our financial condition and results of operations as well as result in the loss of confidence of our funding sources.

- To the extent we seek to execute acquisitions, strategic investments, alliances, divestitures or other transactions, we may be unable to achieve the strategic objectives of these transactions, and such transactions may be disruptive to our ongoing operations.

- Expansion into new international geographies, including the U.K., presents a variety of challenges and risks.

- The loss of the services of our Founder and Chief Executive Officer, as well as our inability to attract and retain highly skilled employees, could materially and adversely affect our business, results of operations, financial condition, and future prospects.

- We have a history of operating losses and may not achieve sustained profitability.

- Our quarterly results may fluctuate significantly and may not fully reflect the underlying performance of our business.

- Litigation, regulatory actions and compliance issues could subject us to fines, penalties, judgments, remediation costs, requirements resulting in increased expenses, and reputational harm.

- Further increases in market interest rates and/or prolonged periods of elevated interest rates could have an adverse effect on our business.

- Our revenue is impacted, to a significant extent, by the general economy, the creditworthiness of the U.S. consumer and the financial performance of our commercial partners.

- If our collection efforts on delinquent loans are ineffective or unsuccessful, the performance of the loans would be adversely affected.

- Any significant disruption in, or errors in, service on our platform or relating to vendors, including events beyond our control, could prevent us from processing transactions on our platform or posting payments and have a material and adverse effect on our business, results of operations, financial condition, and future prospects.

- Our ability to protect our confidential, proprietary or sensitive information, including the confidential information of consumers on our platform, may be adversely affected by cyber-attacks, employee or other internal misconduct, computer viruses, physical or electronic break-ins or similar disruptions.

- Our business is subject to extensive regulation, examination, oversight, and supervision in a variety of areas, all of which are subject to change and uncertain interpretation. Changing federal, state and local laws and regulations, as well as changing regulatory enforcement policies and priorities, including changes that may result from changes in the political landscape, may negatively impact our business, results of operations, financial condition, and future prospects.

- If our originating bank partner model is successfully challenged or deemed impermissible, we could be found to be in violation of licensing, interest rate limit, lending, or brokering laws and face penalties, fines, litigation, or regulatory enforcement.

- The dual class structure of our common stock has the effect of concentrating voting control with those stockholders who hold shares of our Class B common stock, including our executive officers, employees and directors and their affiliates. As a result of our dual class structure of our common stock, the trading price of our Class A common stock may be depressed.

For a more complete discussion of the material risks facing our business, see below.

Risks Related to Our Business and Industry

If we are unable to attract additional merchant partners, e-commerce platforms and payment platforms (collectively, our "commercial partners"), retain our existing commercial partners, and grow and develop our relationships with new and existing commercial 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.

We derive a significant portion of our revenue from our relationships with commercial partners and the transactions they process through our platform, and as more commercial partners are integrated into our network, there are more reasons for consumers to shop with us.

Our ability to retain and grow our relationships with our commercial partners depends on the willingness of commercial partners to partner with us. The attractiveness of our platform to commercial partners depends upon, among other things and as applicable: the size of our consumer base; our brand and reputation; the amount of fees that we charge; our ability to sustain our value proposition to commercial partners for consumer acquisition by demonstrating higher conversion at checkout and increased AOV; the attractiveness to commercial partners of our technology and data-driven platform; services and products offered by competitors; and our ability to perform under, and maintain, our commercial agreements. Furthermore, having a diversified mix of commercial partners is important to mitigate risk associated with changing consumer spending behavior, economic conditions and other factors that may affect a particular type of commercial partner or industry.

Our continued success also is dependent on our ability to successfully grow and develop relationships with our commercial partners, particularly early-stage relationships with large e-commerce retailers and platforms such as Amazon and Apple Pay. 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 commercial partners are non-exclusive and lack any transaction volume commitments. Accordingly, these commercial 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 commercial partners have provided 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. If an exclusivity period with a commercial partner lapses, we may experience a decrease in GMV with the commercial partner, which may adversely impact our results of operations. In addition, our agreements with our commercial partners generally have terms that range from approximately 12 months to 36 months (with a majority auto-renewing), and some of our partners can terminate these agreements without cause upon 30 to 90 days' prior written notice. We may, therefore, be compelled to renegotiate our agreements with commercial partners from time to time, possibly upon terms significantly less favorable to us than the terms included in our existing agreements with those commercial partners.

If we are unable to attract new consumers and retain and grow our relationships with our existing consumers, our business, results of operations, financial condition, and future prospects would be materially and adversely affected.

Our revenue is derived from consumer transaction volume, so our success depends on our ability to generate repeat use and increased transaction volume from existing consumers and to attract new consumers to our platform. Our ability to retain and grow our relationships with consumers depends on the willingness of consumers to use our platform and products. The attractiveness of our platform to consumers depends upon, among other things: the number and variety of commercial partners and the mix of products available through our platform; the manner in which consumers may use our products, including the ease of use relative to competitor products and the extent of information we require consumers to provide to use our products; our brand and reputation; consumer experience and satisfaction, including the trustworthiness of our services; consumer trust and perception of our solutions; technological innovation; and services and products offered by competitors. If we fail to retain our relationship with existing consumers, if we do not attract new consumers to our platform and products, or if we do not continually expand usage and volume from consumers on our platform, our business, results of operations, financial condition, and prospects would be materially and adversely affected.

We operate in a highly competitive industry, and our inability to compete successfully would materially and adversely affect our business, results of operations, financial condition, and future prospects.

We operate in a highly competitive and dynamic industry. Our technology platform faces competition from a variety of players, including those who enable transactions and commerce via digital payments. Our primary competition consists of: legacy payment methods, such as credit and debit cards, including those provided by card issuing banks such as Synchrony, J.P. Morgan Chase, Citibank, Bank of America, Capital One, Bread Financial and American Express; technology solutions provided by payment companies such as Visa and MasterCard; mobile wallets such as PayPal; other pay-over-time solutions offered by companies such as Block and Klarna; and pay-over-time offerings by legacy financial and payments companies, including those mentioned above. Additionally, some merchants are increasingly offering proprietary pay-over-time options to consumers. We expect competition to intensify in the future, especially as the pay-over-time industry has low barriers to entry, both as emerging technologies continue to enter the marketplace and as large financial incumbents increasingly seek to innovate the services that they offer to compete with our platform. Technological advances and the continued growth of e-commerce activities have increased consumers' accessibility to products and services and led to the expansion of competition in digital payment options such as pay-over-time solutions. Our pay-over-time offerings are increasingly be presented alongside competitor options, including merchants' proprietary pay-over-time options, at checkout, and we expect this trend to continue.

Some of our competitors, particularly the credit card issuing banks set forth above, are substantially larger than we are and have longer operating histories than we do, which gives those competitors advantages we do not have, such as more diversified products, a broader consumer and merchant base, greater brand recognition and brand loyalty, the ability to reach more consumers, the ability to cross sell their products, operational efficiencies, the ability to cross-subsidize their offerings through their other business lines, more versatile technology platforms, broad-based local distribution capabilities, and lower-cost funding. In addition, because many of our competitors are large financial institutions that fund themselves through low-cost insured deposits and continue to own the loans that they originate, they have certain revenue and funding opportunities not available to us.

Increased competition could result in the need for us to alter the pricing we offer to commercial partners or consumers. If we are unable to successfully compete, the demand for our platform and products could stagnate or substantially decline, and we could fail to retain or grow the number of consumers or commercial partners using our platform, which would reduce the attractiveness of our platform to other consumers and commercial partners, and which would materially and adversely affect our business, results of operations, financial condition, and future prospects.

We rely on a small number of commercial partners, and the loss of any of these significant relationships would adversely affect our business, results of operations, financial condition, and future prospects.

As discussed in Part II, Item 7 – "Management's Discussion and Analysis of Financial Condition and Results of Operations," and as may be updated from time to time in the Company's future periodic reports and other filings with the SEC, a single commercial partner, or a small number of commercial partners, may represent a disproportionately large amount of our revenue and/or GMV during any given fiscal period. The loss of, or decrease in business with, any one of our significant commercial partner relationships, such as with Amazon or Shopify, due to a lapse in exclusivity or otherwise, would adversely affect our business. To the extent that any commercial partner constitutes a material portion of our total revenue or GMV for a fiscal period for which financial results are being reported in a Quarterly Report on Form 10-Q or Annual Report on Form 10-K, we will disclose the respective percentage contribution in our "Management's Discussion and Analysis of Financial Condition and Results of Operations" for that period.

The concentration of a significant portion of our business and transaction volume with a limited number of commercial partners, or type of partner or industry, exposes us disproportionately to any of those commercial partners choosing to no longer partner with us or choosing to partner with a competitor, to the economic performance of those partners or industry or to any events, circumstances, or risks affecting such partners or industry. In addition, a material modification in the production levels (including supply chain issues impacting component parts of products sold by our commercial partners) and/or financial operations of any significant commercial partner could affect the results of our operations, financial condition, and future prospects.

We currently rely on a small number of originating bank partners, including Celtic Bank and Lead Bank ("Primary Originating Banks"), to originate substantially all of the loans facilitated through our platform and a single issuing bank partner, Evolve Bank & Trust ("Card Issuing Bank"), to issue the Affirm Card. If our relationship with any of our Primary Originating Banks or our Card Issuing Bank terminates, or if any Primary Originating Bank or our Card Issuing Bank were to suspend, limit, or cease its operations or loan origination activities, as applicable, for any reason, and we are unable to engage another originating bank partner or card issuing bank partner on a timely basis or at all, our business, results of operations, financial condition, and future prospects would be materially and adversely affected.

As of the end of fiscal 2024, we relied on two Primary Originating Banks to originate a majority of the loans facilitated through our platform and to comply with various federal, state, and other laws, with the balance of the loans facilitated on our platform being originated directly under our lending, servicing, and brokering licenses in Canada and across various states in the United States through our consolidated subsidiaries. Our Primary Originating Banks originate substantially all partner bank originated loans facilitated through our platform. In addition, as of the end of fiscal 2024, we relied on a single Card Issuing Bank to issue the Affirm Card. During the fourth quarter of fiscal 2024, we began accelerating the execution of an existing strategy of identifying and engaging new card issuing bank partners in order to diversify our sources of card issuances.

Each of our Primary Originating Banks and our Card Issuing Bank handles a variety of consumer and commercial financing programs. The Celtic Bank loan program agreement had an initial three-year term that expired in calendar year 2023. The term automatically renewed for an additional one-year term and will continue to automatically renew in one-year terms thereafter unless either party provides notice of its intent not to renew. The Lead Bank loan program agreement has an initial three-year term which will expire in calendar year 2026. The term will automatically renew for additional one-year terms thereafter unless either party provides notice of its intent not to renew. The Evolve Bank loan program agreement has an initial two-year term that expired in calendar year 2023. The term automatically renewed for an additional one-year term and will continue to automatically renew in one-year terms thereafter unless either party provides notice of its intent not to renew. In addition, upon the occurrence of certain early termination events, either we or any of our Primary Originating Banks or Card Issuing Bank may terminate the respective agreement immediately upon the occurrence of certain termination events.

Our agreements with our Primary Originating Banks and Card Issuing Bank do not prohibit those banks from working with our competitors or from offering competing services, and each of those banks currently offer loan programs or other issuing services, as applicable, through other competing platforms. Each Primary Originating Bank and Card Issuing Bank could decide not to work with us for any reason upon termination of the applicable agreement, could make working with us cost-prohibitive, or could decide to enter into an exclusive or more favorable relationship with one or more of our competitors. In addition, each Primary Originating Bank and Card Issuing Bank may not perform as expected under our respective agreement. We could in the future have disagreements or disputes with our Primary Originating Banks or Card Issuing Bank, which could negatively impact or threaten our relationship with other banks with whom we may seek to partner. For a further discussion of our relationship with our Primary Originating Banks, particularly the regulations applicable to this relationship, see "*Business — Regulatory Environment*."

If any of our Primary Originating Banks or our Card Issuing Bank were to suspend, limit, or cease its operations or loan origination activities, as applicable, for any reason, or if our relationship with any Primary Originating Bank or our Card Issuing Bank were to otherwise terminate for any reason (including, but not limited to, its failure to comply with regulatory actions), we may need to implement an additional substantially similar arrangement with another bank, obtain additional state licenses, or curtail our operations. If we need to enter into alternative arrangements with a different bank to replace our existing arrangement, we may not be able to negotiate a comparable alternative arrangement in a timely manner or at all. In addition, with respect to our Primary Originating Banks, transitioning loan originations to a new bank may result in delays in the issuance of loans or, if our platform becomes inoperable, may result in the inability to facilitate loans through our platform. If we are unable to enter into an alternative arrangement with different banks to fully replace or supplement our relationship with any Primary Originating Bank, we would potentially need to obtain additional state licenses to enable us to originate loans directly, as well as comply with other state and federal laws, which would be costly and time consuming, and there can be no assurances that any such licenses could be obtained in a timely manner or at all. Moreover, with respect to our Card Issuing Bank, transitioning card issuance activities to a new bank may result in the need to replace existing virtual or physical cards, which may disrupt or delay consumer transactions.

We may not be able to sustain our revenue and GMV growth rates, or our growth rate of related key operating metrics, in the future.

There can be no assurance that our revenue and GMV will continue to grow as they have in prior periods, and we expect our revenue and GMV growth rates to decline in future periods. Many factors may contribute to declines in our revenue and GMV growth rates, including increased competition, slowing demand for our products from existing and new consumers, transaction volume and mix (particularly with our significant commercial partners), lower sales by our commercial partners (particularly those with whom we have significant relationships), general economic conditions, a failure by us to continue capitalizing on growth opportunities (including entry into new geographic markets), changes in the regulatory environment and the maturation of our business, among others. The revenue, GMV or key operating metrics for any prior quarterly or annual period should not be relied on as an indication of our future performance. If our revenue and GMV growth rates decline, we may not achieve sustained profitability, and our business, financial condition, results of operations and the price of our Class A common stock would be adversely affected.

The success and growth of our business depends upon our ability to continuously innovate and develop new products and technologies.

Our solution is a technology-driven platform that relies on innovation to remain competitive. The process of developing new technologies and products, such as the Affirm Card, which offers pay-over-time functionality in the Affirm App, is complex, and we seek to build our own technology using the latest in artificial intelligence and machine learning (“AI/ML”), cloud-based technologies, and other tools to differentiate our products and technologies. In addition, our dedication to incorporating technological advancements into our platform requires significant financial and personnel resources and talent. Our development efforts with respect to these initiatives could distract management from current operations and could divert capital and other resources from other growth initiatives important to our business. We operate in an industry experiencing rapid technological change and frequent product introductions. We may not be able to make technological improvements as quickly as demanded by our consumers and commercial partners, or we may not be able to accurately predict the demand or growth of our technological investments, which could harm our ability to attract consumers and commercial partners and have a material and adverse effect on our business, results of operations, financial condition, and future prospects. In addition, we may not be able to effectively implement new technology-driven products and services, including the Affirm Card, as quickly as competitors or be successful in marketing these products and services to consumers and commercial partners. Moreover, the profile of potential consumers using our new products and technologies also may not be as attractive as the profile of the consumers that we currently serve or have served in the past, which may lead to higher levels of delinquencies or defaults than we have historically experienced. If we are unable to successfully and timely innovate and continue to deliver a superior commercial partner and consumer experience, we could experience reputational damage and decreased demand for our products and technologies and our growth, business, results of operations, financial condition, and future prospects could be materially and adversely affected.

Further, we use AI/ML in many aspects of our business, including fraud, credit risk analysis, consumer support and product personalization. The AI/ML models that we use are trained using various data sets. If the AI/ML models are incorrectly designed, the data we use to train them is incomplete, inadequate, or biased in some way, or we do not have sufficient rights to use the data on which our AI/ML models rely, the performance of our products, services, and business, as well as our reputation, could suffer or we could incur liability through the violation of laws, third-party privacy, or other rights, or contracts to which we are a party. For instance, discrepancies between the data signals used in the AI/ML model training data set and our online decisioning environment for our risk model may lead to incorrect decisions and errors in certain scenarios. Steps taken to prevent errors in the future may not be sufficient to prevent other discrepancies from arising in the future.

Our failure to accurately predict the demand or growth of our new products and technologies also could have a material and adverse effect on our business, results of operations, financial condition, and future prospects. New products and technologies are inherently risky, due to, among other things, risks associated with: the product or technology not working, or not working as expected; consumer and commercial partner acceptance; technological outages or failures; increased regulatory scrutiny; and the failure to meet consumer and commercial partner expectations. As a result of these risks, we could experience increased claims, reputational damage, or other adverse effects, which could be material. The profile of potential consumers using our new products and technologies also may not be as attractive as the profile of the consumers that we currently serve or have served in the past, which may lead to higher levels of delinquencies or defaults than we have historically experienced. Additionally, we can provide no assurance that we will be able to develop, commercially market, and achieve acceptance of our new products and technologies. In addition, our investment of resources to develop new products and technologies and make changes or updates to our platform may either be insufficient or result in expenses that exceed the revenue actually generated from these new products. Failure to accurately predict demand or growth with respect to our new products and technologies could have a material and adverse effect on our business, results of operations, financial condition, and future prospects.

We rely on a variety of funding sources to support our business model. If our existing funding arrangements are not renewed or replaced or our existing funding sources are unwilling or unable to provide funding to us on terms acceptable to us, or at all, it could have a material adverse effect on our business, results of operations, financial condition, cash flows, and future prospects.

Our high-velocity, capital efficient funding model is integral to the success of our commerce platform. To support this model and the growth of our business, we must maintain a variety of funding arrangements, including warehouse credit facilities, securities repurchase agreements, securitization trusts, and forward flow arrangements with a diverse set of funding sources. If we are unable to maintain access to, or to expand, our network and diversity of funding arrangements, our business, results of operations, financial condition, and future prospects could be materially and adversely affected.

We cannot guarantee that these funding arrangements will continue to be available on favorable terms or at all, and our funding strategy may change over time and depends on the availability of such funding arrangements. Disruptions in the credit markets or other factors, such as the current inflationary environment, elevated interest rates and increasing recessionary concerns, could adversely affect the availability, diversity, cost, and terms of our funding arrangements.

Since the beginning of March 2023, there have been public reports of instability at certain financial institutions. Despite the steps taken to date by U.S. and foreign agencies and institutions, the follow-on effects of this instability and the potential impact of further instability are unknown and may lead to disruptions to the businesses and operations of our funding sources. Although we are not substantially dependent on a single financing source, if multiple financing sources were to be unable to fulfill their funding obligations to us, it could have a material adverse effect on our financial condition, results of operations and cash flows.

In addition, our funding sources may reassess their exposure to our industry and either curtail access to uncommitted financing capacity, fail to renew or extend facilities, or impose higher costs to access our funding. Further, our debt financing and loan sale forward flow facilities are generally fixed term in nature, with term lengths ranging between one to three years, during which we have access to committed and uncommitted capital pursuant to such facilities. If our existing funding arrangements are not renewed or replaced or our existing funding sources are unwilling or unable to provide funding to us on terms acceptable to us, or at all, we would need to secure additional sources of funding or reduce our operations significantly. The availability and diversity of our funding arrangements depends on various factors and are subject to numerous risks, many of which are outside of our control.

The agreements governing our funding arrangements require us to comply with certain covenants. A breach of such covenants or other events of default under our funding agreements could result in the reduction or termination of our access to such funding, could increase our cost of such funding or, in some cases, could give our lenders the right to require repayment of the loans prior to their scheduled maturity. Certain of these covenants are tied to our consumer default rates, which may be significantly affected by factors, such as economic downturns, inflationary conditions, elevated interest rates and/or general economic conditions, that are beyond our control and beyond the control of individual consumers. In addition, our revolving credit facility contains (a) certain covenants and restrictions that limit our and our subsidiaries' ability to, among other things: incur additional debt; create liens on certain assets; pay dividends on or make distributions in respect of their capital stock or make other restricted payments; consolidate, merge, sell, or otherwise dispose of all or substantially all of their assets; and enter into certain transactions with their affiliates, and (b) certain financial maintenance covenants that require us and our subsidiaries to not exceed a specified leverage ratio, to maintain a minimum tangible net worth, and to maintain a minimum level of unrestricted cash while any borrowings under the revolving credit facility are outstanding.

In the future, we may seek to further access the capital markets to obtain capital to finance growth. However, our future access to the capital markets could be restricted due to a variety of factors, including a deterioration of our earnings, cash flows, balance sheet quality, or overall business or industry prospects, adverse regulatory changes, a disruption to or volatility or deterioration in the state of the capital markets, or a negative bias toward our industry by market participants. Due to the negative bias toward our industry, certain financial institutions have restricted access to available financing by participants in our industry, and we may have more limited access to institutional capital than other businesses. Future prevailing capital market conditions and potential disruptions in the capital markets may adversely affect our efforts to arrange additional financing on terms that are satisfactory to us, if at all. If adequate funds are not available, or are not available on acceptable terms, we may not have sufficient liquidity to fund our operations, make future investments, take advantage of acquisitions or other opportunities, or respond to competitive challenges and this, in turn, could adversely affect our ability to advance our strategic plans. In addition, if the capital and credit markets experience volatility, and the availability of funds is limited, third parties with whom we do business may incur increased costs or business disruption and this could adversely affect our business relationships with such third parties, which in turn could have a material adverse effect on our business, results of operations, financial condition, cash flows, and future prospects.

The success of our business depends on our ability to work with an originating bank partner to enable effective underwriting of loans facilitated through our platform and accurately price credit risk.

We believe that one of our core competitive advantages, and a core tenet of our platform, is our ability to work with an originating bank partner to use our data-driven risk model to enable the effective underwriting of loans facilitated through our platform and to accurately and effectively price credit risk. Any deterioration in the performance of the loans facilitated through our platform, or unexpected losses on such loans, would materially and adversely affect our business and results of operations. Loan repayment underperformance would impact our interest-related and gain-on-sale income generated from loans we purchase from our originating bank partners, which are underwritten in accordance with the bank's credit policy. Additionally, incremental charge-offs may affect future credit decisioning, growth of transaction volume, and the amount of provisions for underperforming loans we will need to take.

Traditional lenders rely on credit bureau scores and require large amounts of information to approve a loan. We believe that one of our competitive advantages is the ability of our risk model, deployed in accordance with our originating bank partners' credit model and their underwriting guidelines when loans are made, to efficiently score and price credit risk within seconds at point-of-sale based on five top-of-mind data inputs. However, these inputs may be inaccurate or may not accurately reflect a consumer's creditworthiness or credit risk. In addition, our ability to enable the effective underwriting of the loans we originate directly or purchase from our originating bank partners and accurately price credit risk (and, as a result, the performance of such loans) is significantly dependent on the ability of our proprietary, learning-based scoring system, and the underlying data, to quickly and accurately evaluate a consumer's credit profile and risk of default. The information we use in developing the risk model and price risk may be inaccurate or incomplete as a result of error or fraud, both of which may be difficult to detect and avoid.

Numerous factors, many of which can be unexpected or beyond our control, can adversely affect a consumer's credit risk and our risks. There may be risks that exist, or that develop in the future, including market risks, economic risks, and other external events, that we have not appropriately anticipated, identified, or mitigated, such as risks from inadequate or failed processes, people or systems, natural disasters, and compliance, reputational, or legal matters, both as they relate directly to us as well as that relate to third parties with whom we contract or otherwise do business. Any changes to our risk model may be ineffective and the performance of our risk model may decline. If our risk model does not effectively and accurately model the credit risk of potential loans facilitated through our platform, greater than expected losses may result on such loans and, as a result, our business, results of operations, financial condition, and future prospects could be materially and adversely affected.

In addition, if the risk model we use contains errors or is otherwise ineffective, our reputation and relationships with consumers, our funding sources, our originating bank partners, and our commercial partners could be harmed, we may be subject to liability, and our ability to access our funding sources may be inhibited. Our ability to attract consumers to our platform and to build trust in our platform and products is significantly dependent on our ability to effectively evaluate consumer credit profiles and likelihoods of default. If any of the credit risk or fraud models we use contain programming or other errors or is ineffective or the data provided by consumers or third parties is incorrect or stale, or if we are unable to obtain accurate data from consumers or third parties (such as credit reporting agencies), the loan pricing and approval process through our platform could be negatively affected, resulting in mispriced or misclassified loans or incorrect approvals or denials of loans. This could damage our reputation and relationships with consumers, our funding sources, our originating bank partners, and our commercial partners, which could have a material and adverse effect on our business, results of operations, financial condition, and future prospects.

Additionally, if we make errors in the development, validation, or implementation of any of the models or tools used in connection with the loans facilitated through our platform, and those that we purchase and securitize or sell to investors, those investors may experience higher delinquencies and losses. We may also be subject to liability to those investors if we misrepresented the characteristics of the loans sold because of those errors. Moreover, future performance of the loans facilitated through our platform could differ from past experience because of macroeconomic factors, policy actions by regulators, lending by other institutions, or reliability of data used in the underwriting process. To the extent that past experience has influenced the development of our risk model and proves to be inconsistent with future events, delinquency rates and losses on loans could increase. Errors in our models or tools and an inability to effectively forecast loss rates could also inhibit our ability to sell loans to investors or draw down on our funding arrangements, which could limit our ability to purchase (or directly originate) new loans and could have a material and adverse effect on our business, results of operations, financial condition, and future prospects.

If loans facilitated through our platform do not perform, or significantly underperform, we may incur financial losses on the loans we purchase, we hold on our balance sheet, or that are subject to certain risk sharing agreements, which may adversely impact our financial condition and results of operations as well as result in the loss of confidence of our funding sources.

Since fiscal 2023, we have retained more loans on our balance sheet than we have historically, and these loans are funded through our consolidated securitizations and warehouse lines. For these loans and any future loans facilitated through our platform that we purchase from our originating bank partners that may be held for investment on our balance sheet, we bear the entire credit risk in the event of consumer default with respect to these loans. In addition, non-performance, or even significant underperformance, of the loan receivables that we own could have an adverse effect on our business.

Additionally, our funding model relies on a variety of funding arrangements, including warehouse credit facilities, securitization trusts, and forward flow arrangements with a variety of funding sources. Any significant underperformance of the loans facilitated through our platform may adversely impact our relationship with such funding sources and result in their loss of confidence in us, which could lead to the termination of our existing funding arrangements, which would have a material adverse effect on our business, results of operations, financial condition, and future prospects.

In addition, in connection with certain capital funding arrangements with third-party loan buyers, we have entered into risk sharing agreements where we may be required to make a payment to the loan buyer if actual losses on the loans sold exceed agreed-upon expected losses, subject to a cap based on a percentage of the principal balance of loans sold. Refer to “Note 13. Fair Value of Financial Assets and Liabilities” for additional information. If the loans subject to any existing or future risk sharing agreements underperform the expectations set forth in those agreements, we would be required to make payments under the agreements in proportion to the loan underperformance, which may have a material adverse effect on our business, results of operations, financial condition, and our relationships with existing and prospective third-party loan buyers.

Any acquisitions, strategic investments, alliances, divestitures and other transactions could fail to achieve strategic objectives, disrupt our ongoing operations or result in operating difficulties, liabilities and expenses, harm our business, and negatively impact our results of operations.

In pursuing our business strategy, we routinely conduct discussions and evaluate opportunities for possible acquisitions, strategic investments, joint ventures and other transactions. We have in the past acquired or invested in, and we continue to seek to acquire or invest in, businesses, technologies, or other assets that we believe could complement or expand our business. The identification, evaluation, and negotiation of potential acquisition or strategic investment or other transactions may divert the attention of management and entail various expenses, whether or not such transactions are ultimately completed. There can be no assurance that we will be successful in identifying, negotiating, consummating and integrating favorable transaction opportunities. In addition to transaction and opportunity costs, these transactions involve large challenges and risks, whether or not such transactions are completed, any of which could harm our business and negatively impact our results of operations, including risks that:

- the transaction may not advance our business strategy or may harm our growth (or profitability);
- we may not be able to secure required regulatory approvals or otherwise satisfy closing conditions for a proposed transaction in a timely manner, or at all;
- the transaction may subject us to additional regulatory burdens that affect our business in potentially unanticipated and significantly negative ways;
- we may not realize a satisfactory return or increase our revenue;
- we may experience difficulty, and may not be successful in, integrating technologies, IT or business enterprise systems, culture, or management or other personnel of the acquired business;
- we may incur significant acquisition costs and transition costs, including in connection with the assumption of ongoing expenses of the acquired business;
- we may not realize the expected benefits or synergies from the transaction in the expected time period, or at all;
- we may be unable to retain key personnel;

- acquired businesses or businesses that we invest in may not have adequate controls, processes, and procedures to ensure compliance with laws and regulations, including with respect to data privacy, data protection, and data security, and our due diligence process may not identify compliance issues or other liabilities;

- we may fail to identify or assess the magnitude of certain liabilities, shortcomings, or other circumstances prior to acquiring or investing in a business, which could result in additional financial, legal, regulatory, or tax exposure and may subject us to additional controls, policies, procedures, liabilities, litigation, costs of compliance or remediation, or other adverse effects on our business, operating results, or financial condition;

- we may have difficulty entering into new geographic territories;

- we may be unable to retain the consumers, vendors, and partners of acquired businesses;

- there may be lawsuits or regulatory actions resulting from the transaction;

- there may be risks associated with undetected security weaknesses, cyberattacks, or security breaches or incidents at companies that we acquire or with which we may combine or partner;

- there may be local and foreign regulations applicable to the international activities of our business and the businesses we acquire; and

- acquisitions could result in dilutive issuances of equity securities or the incurrence of debt.

Any delay or failure on our part to identify, negotiate, finance on favorable terms, consummate, and integrate any acquisition or other strategic investment opportunity could impede our growth.

Additionally, strategic investments in which we have a minority ownership stake inherently involve a lesser degree of influence over business operations. The success of our strategic investments may be dependent on controlling shareholders, management, or other persons or entities that may have business interests, strategies, or goals that are inconsistent with ours. Business decisions or other actions or omissions of the controlling shareholders, management, or other persons or entities who control companies in which we invest may adversely affect the value of our investment, result in litigation or regulatory action against us, and damage our reputation and brand.

Furthermore, we have in the past, and may in the future, also choose to divest certain businesses or product lines. If we decide to sell assets or a business, we may have difficulty obtaining terms acceptable to us in a timely manner, or at all. Additionally, we may experience difficulty separating out portions of, or entire, businesses, incur loss of revenue or experience negative impact on margins, or we may not achieve the desired strategic and financial benefits. Such potential transactions may also delay achievement of our strategic objectives, cause us to incur additional expenses, disrupt consumer or employee relationships, and expose us to unanticipated or ongoing obligations and liabilities, including as a result of our indemnification obligations. Further, during the pendency of a divestiture, we may be subject to risks such as a decline in the business to be divested, loss of employees, consumers, or suppliers and the risk that the transaction may not close, any of which would have a material adverse effect on the business to be divested and our retained business. If a divestiture is not completed for any reason, we may not be able to find another buyer on the same terms, and we may have incurred significant costs without the corresponding benefit.

Further expansion of our operations internationally will subject us to new challenges and risks.

We currently operate in the United States, Canada, the United Kingdom, Spain and Poland (we do not currently facilitate loans in the United Kingdom, Spain or Poland, though we expect to begin facilitating loans in the

United Kingdom during fiscal 2025) and may further expand our business internationally in the future. Managing new and existing international operations, including our planned commencement of facilitating loans in the U.K., requires us to comply with new regulatory frameworks and additional resources and controls. International expansion subjects our business to risks associated with international operations, including:

- adjusting the proprietary risk algorithms that we use to account for the differences in information available in different jurisdictions on consumers;
- conformity of our platform with applicable business customs, including translation into foreign languages and associated expenses;
- potential changes to our established business model;
- the need to support and integrate with local vendors and service providers;
- competition with vendors and service providers that have greater experience in the local markets than we do or that have pre-existing relationships with potential consumers and investors in those markets;
- difficulties in staffing and managing foreign operations in an environment of diverse culture, laws, and consumers and merchants, and the increased travel, infrastructure, and legal and compliance costs associated with international operations;
- compliance with multiple, potentially conflicting, and changing governmental laws and regulations, including banking, anti-money laundering, securities, employment, tax, privacy, data protection laws and regulations, such as the EU General Data Protection Regulation (GDPR), and climate disclosure frameworks, such as the Corporate Sustainability Reporting Directive (CSRD);
- compliance with financial system regulations, including the U.K. Financial Conduct Authority;
- compliance with U.S. and foreign anti-bribery laws, including the Foreign Corrupt Practices Act;
- difficulties in collecting payments in multiple foreign currencies and associated foreign currency exposure;
- potential restrictions on repatriation of earnings;
- expanded compliance with potentially conflicting and changing laws of taxing jurisdictions where we conduct business and applicable U.S. tax laws as they relate to international operations, the complexity and adverse consequences of such tax laws, and potentially adverse tax consequences due to changes in such tax laws; and
- regional economic and political conditions.

In addition to the risks of various taxing jurisdictions stated above, the Organisation for Economic Co-operation and Development (“OECD”) continues to put forth various initiatives, including a framework to implement a global minimum corporate tax of 15% for certain multinational enterprises with global revenues and profits above certain thresholds (referred to as “Pillar Two”). While it is uncertain whether the United States will enact legislation to adopt Pillar Two, certain countries in which we operate have adopted legislation, and other countries are in the process of introducing legislation to implement Pillar Two. As of June 30, 2024, based on the countries in which we do business that have enacted legislation, we do not currently expect Pillar Two to have a material impact on our financial statements. However, this may change as other countries enact similar legislation and further guidance is released.

As a result of these risks, we may not be successful in managing our existing international operations, and our future international expansion efforts, including our planned commencement of facilitating loans in the U.K., also may not be successful.

The loss of the services of our Founder and Chief Executive Officer could materially and adversely affect our business, results of operations, financial condition, and future prospects.

Max Levchin, our Founder and Chief Executive Officer, is a valuable asset to us. Mr. Levchin has significant experience in the financial technology industry and would be difficult to replace. Competition for senior executives in our industry is intense, and we may not be able to attract and retain qualified personnel to replace or succeed Mr. Levchin. Failure to retain Mr. Levchin would have a material adverse effect on our business, results of operations, financial condition, and future prospects.

Our business benefits from our ability to attract and retain highly skilled employees.

Our future success is aided by our ability to identify, hire, develop, motivate, and retain highly qualified personnel for all areas of our organization, in particular, a highly experienced sales force, data scientists, and engineers. Competition for these types of highly skilled employees is extremely intense, particularly in the San Francisco Bay Area. Trained and experienced personnel are in high demand and may be in short supply. Many of the companies with which we compete for experienced employees have greater resources than we do and may be able to offer more attractive terms of employment. In addition, we invest significant time and expense in training our employees, which increases their value to competitors that may seek to recruit them. We may not be able to attract, develop, and maintain the skilled workforce necessary to operate our business, and labor expenses may increase as a result of a shortage in the supply of qualified personnel. If we are unable to maintain and build our highly experienced sales force, or are unable to continue to attract experienced engineering and technology personnel, our business, results of operations, financial condition, and future prospects could be materially and adversely affected.

We maintain a remote working environment. Over time such remote operations may decrease the cohesiveness of our teams and our ability to maintain our culture, both of which contribute to our success. Additionally, a remote working environment may impede our ability to undertake new business projects, foster a creative environment, hire new team members, and retain existing team members. Such effects may adversely affect the productivity of our team members and overall operations, which could have a material adverse effect on our business, results of operations, financial condition, and future prospects.

Furthermore, we have at times undertaken workforce reductions to better align our operations with our strategic priorities. For example, to manage operating expenses in response to current macroeconomic conditions and ongoing business prioritization efforts, we took certain cost-saving measures, including a reduction of our workforce, in February 2023. There can be no assurance that these actions will not adversely affect employee morale, our culture, our ability to attract and retain employees and our ability to grow in accordance with our overall strategy. If we are not able to maintain our culture, our business, results of operations, financial condition, and future prospects could be materially and adversely affected.

We have a history of operating losses and may not achieve sustained profitability.

We incurred net losses of approximately $517.8 million, $985.3 million and $707.4 million for the fiscal years ended June 30, 2024, 2023, and 2022 respectively. As of June 30, 2024 and June 30, 2023, our accumulated deficit was approximately $3.1 billion and $2.6 billion, respectively. Our operating expenses may increase in the future as we seek to continue to grow our business, attract consumers, merchants, funding sources, and additional originating bank partners, and further enhance and develop our products and platform. As we expand our offerings to additional markets, our offerings in these markets may be less profitable than the markets in which we currently operate. Additionally, we may not realize the operating efficiencies we expect to achieve as a result of our acquisitions. These efforts may prove more expensive than we currently anticipate, and we may not succeed in increasing our revenue sufficiently to offset these higher expenses.

We have been profitable on a non-GAAP adjusted operating income basis each completed fiscal quarter since the fourth quarter of fiscal 2023. In August 2024, we announced that, based on our then-current forecast, we expected to achieve operating income profitability on a GAAP basis in our fourth quarter of fiscal 2025. Our ability to operate our business profitably on a GAAP operating income basis is subject to many risks and uncertainties, including the potential for incurring operating expense increases and/or other charges and expenses not reflected in that forecast. If we are not able to achieve operating income profitability on a GAAP basis by that date, or if we do not operate the business on a consistently profitable basis thereafter, our reputation may be harmed and the market price of our Class A common stock could be materially and adversely impacted.

Our quarterly results may fluctuate significantly and may not fully reflect the underlying performance of our business.

Our quarterly results, including revenue, expenses, GMV, consumer metrics, and other key performance metrics, have fluctuated significantly in the past and are likely to do so in the future. Accordingly, the results for any one quarter are not necessarily an indication of future performance. Our quarterly results are likely to fluctuate due to a variety of factors, some of which are outside of our control, and as a result, may not fully reflect the underlying performance of our business. Fluctuations in quarterly results may adversely affect the price of our Class A common stock. In addition, many of the factors that affect our quarterly results are difficult for us to predict. If our revenue, expenses, GMV, consumer metrics, or key performance metrics in future quarters fall short of the expectations of our investors and financial analysts, the price of our Class A common stock will be adversely affected.

We have experienced in the past, and expect to continue to experience, seasonal fluctuations in our business.

We experience seasonal fluctuations in our business as a result of consumer spending and savings patterns. Historically, our GMV has been the strongest during the second quarter of our fiscal year due to increases in retail commerce during the holiday season. Despite these higher GMV levels, in fiscal 2024, 2023 and 2022, we generated less in period revenue as a percentage of GMV during our second fiscal quarter due to the comparatively higher proportion of interest bearing loans originated in the latter half of the period, which typically results in lower merchant network revenue, which is recognized in period, and higher levels of interest income, which is recognized over a longer time horizon. In addition, historically, our loan delinquencies are at their lowest during our fiscal third and fourth quarter, as consumer savings benefit from tax refunds. We expect these seasonal patterns to continue in future periods, and any adverse events that occur during our second fiscal quarter could have a disproportionate effect on our financial results for the fiscal year.

Negative publicity about us or our industry could adversely affect our business, results of operations, financial condition, and future prospects.

Negative publicity about us or our industry, including the transparency, fairness, responsible lending, user experience, quality, and reliability of our platform or point-of-sale lending platforms in general, effectiveness of our risk model, our ability to effectively manage and resolve complaints, our privacy and security practices, litigation, regulatory activity, misconduct by our employees, funding sources, originating bank partners, service providers, or others in our industry, the experience of consumers and investors with our platform or services or point-of-sale lending platforms in general, or use of loan proceeds by consumers that have obtained loans facilitated through our platform or other point-of-sale lending platforms for illegal purposes, even if inaccurate, could adversely affect our reputation and the confidence in, and the use of, our platform, which could harm our reputation and cause disruptions to our platform. Any such reputational harm could further affect the behavior of consumers, including their willingness to obtain loans facilitated through our platform or to make payments on their loans. As a result, our business, results of operations, financial condition, and future prospects would be materially and adversely affected.

Litigation, regulatory actions, and compliance issues could subject us to fines, penalties, judgments, remediation costs, and/or other requirements resulting in increased expenses and reputational harm.

Our business is subject to increased risks of litigation and regulatory actions as a result of a number of factors and from various sources, including as a result of the highly regulated nature of the financial services industry and the focus of state and federal enforcement agencies on the financial services industry in general and consumer financial services in particular.

In the ordinary course of business, we have been named as a defendant in various legal actions, including arbitrations and other litigation. In addition, we are currently a defendant in a putative securities class action, Kusnier v. Affirm Holdings, Inc., et al., and three related derivative actions, Quiroga v. Levchin, et al., Jeffries v. Levchin, et al., and Vallieres v. Levchin, et al. For more information, see Note 8. Commitments and Contingencies of the accompanying notes to our consolidated financial statements.

While certain of our consumer agreements contain arbitration provisions with class action waiver provisions that may limit our exposure to consumer class action litigation, there can be no assurance that we will be successful in enforcing these arbitration provisions, including the class action waiver provisions, in the future or in any given case. Legislative, administrative, or regulatory developments may directly or indirectly prohibit or limit the use of pre-dispute arbitration clauses and class action waiver provisions. Any such prohibitions or limitations on or discontinuation of the use of, such arbitration or class action waiver provisions could subject us to additional lawsuits, including additional consumer class action litigation, and significantly limit our ability to avoid exposure from consumer class action litigation.

From time to time, we are involved in, or the subject of, reviews, requests for information, regulatory examinations, investigations, and proceedings (both formal and informal) by state and federal governmental agencies, both domestic and abroad, including banking regulators, the FTC, the CFPB, and the SEC, regarding our business activities and related disclosure practices and our qualifications to conduct our business in certain jurisdictions, which could subject us to fines, penalties, obligations to change our business and/or disclosure practices, and other requirements resulting in increased expenses and diminished earnings. Our involvement in any such matter also could cause harm to our reputation and divert management attention from the operation of our business, even if the matters are ultimately determined in our favor. Moreover, any settlement, or any consent order or adverse judgment, in connection with any formal or informal proceeding or investigation by a government agency, may prompt litigation or additional investigations or proceedings as other litigants or other government agencies begin independent reviews of the same or similar activities.

In addition, a number of participants in the consumer finance industry have been the subject of putative class action lawsuits; state attorney general actions and other state regulatory actions; federal regulatory enforcement actions, including actions relating to alleged unfair, deceptive, or abusive acts or practices; violations of state licensing and lending laws, including state interest rate limits; actions alleging discrimination on the basis of race, ethnicity, gender, or other prohibited bases; and allegations of noncompliance with various state and federal laws and regulations relating to originating and servicing consumer finance loans. The current regulatory environment, increased regulatory compliance efforts, and enhanced regulatory enforcement have resulted in significant operational and compliance costs and may prevent us from providing certain products and services. There is no assurance that these regulatory matters or other factors will not, in the future, affect how we conduct our business and, in turn, have an adverse effect on our business. In particular, legal proceedings brought under state consumer protection statutes or under several of the various federal consumer financial services statutes subject to the jurisdiction of the CFPB and FTC may result in a separate fine for each violation of the statute, which, particularly in the case of class action lawsuits, could result in damages in excess of the amounts we earned from the underlying activities. See "*— Risks Related to Our Regulatory Environment.*"

Determining our allowance for credit losses requires many assumptions and complex analyses. If our estimates prove incorrect, we may incur net charge-offs in excess of our reserves, or we may be required to increase our provision for credit losses, either of which would adversely affect our results of operations.

We maintain an allowance for credit losses at a level sufficient to estimate expected credit losses based on evaluating known and inherent risks in our loan portfolio. This estimate is highly dependent upon the reasonableness of our assumptions and the predictability of the relationships that drive the results of our valuation methodologies. Management has processes in place to monitor these judgments and assumptions, including review by our credit committee and our asset-liability committee, but these processes may not ensure that our judgments and assumptions are correct. The method for calculating the best estimate of expected credit losses takes into account our historical experience, adjusted for current conditions, and our judgment concerning the probable effects of relevant observable data, trends, and market factors. Changes in such estimates can significantly affect the allowance and provision for losses. It is possible that we will experience credit losses that are different from our current estimates. If our estimates and assumptions prove incorrect and our allowance for credit losses is insufficient, we may incur net charge-offs in excess of our reserves, or we could be required to increase our provision for credit losses, either of which would adversely affect our results of operations.

Increases in market interest rates have had and could continue to have an adverse effect on our business.

In March 2022, in response to inflationary conditions, the U.S. Federal Reserve began raising the federal funds interest rate and continued to do so through July 2023, with the federal funds interest rate remaining elevated compared to March 2022 rates as of August 2024. Elevated interest rates have had, and may continue to have, an adverse impact on the spending levels of consumers and their ability and willingness to borrow money. Higher interest rates often lead to higher payment obligations, which may reduce the ability of consumers to remain current on their obligations and, therefore, lead to increased delinquencies, defaults, consumer bankruptcies and charge-offs, and decreasing recoveries, all of which could have an adverse effect on our business. Certain of our funding arrangements bear a variable interest rate. Given the fixed interest rates charged on the loans originated on our platform, in the event that variable interest rates rise across the market, our interest margin earned in these funding arrangements would be reduced. Dramatic increases in interest rates may make these forms of funding nonviable. In addition, certain of our loan sale agreements are repriced on a recurring basis using a mechanism tied to interest rates. To reduce our exposure to broad changes in prevailing interest rates, we maintain an interest rate hedging program which eliminates some, but not all, of the interest rate risk.

In connection with our securitizations, warehouse credit facilities, and forward flow agreements, we make representations and warranties concerning the loans financed pursuant to such agreements. If those representations and warranties are not correct, we could be required to repurchase certain of such loans. Any significant required repurchases would have an adverse effect on our ability to operate and fund our business.

In our asset-backed securitizations, warehouse credit facilities, and forward flow agreements, we make numerous representations and warranties concerning the characteristics of the loans we pledge and/or sell (depending on the type of facility), including representations and warranties that the loans meet certain eligibility requirements of those facilities and investors. If those representations and warranties are incorrect, we may be required to repurchase certain of the financed loans. Failure to repurchase so-called “ineligible loans” when required could constitute an event of default under our financing agreements and lead to the potential termination of the applicable facility. We can provide no assurance, however, that we would have adequate cash or other qualifying assets available to make such repurchases. Such repurchases could be limited in scope, relating to small pools of loans, or larger in scope, across multiple pools of loans. If we were required to make such repurchases and if we do not have adequate liquidity to fund such repurchases, it would have a material adverse effect on our business, results of operations, financial condition, and future prospects.

Our revenue is impacted, to a significant extent, by the general economy, the creditworthiness of the U.S. consumer and the financial performance of our commercial partners.

Our business, the consumer financial services industry, and our commercial partners’ businesses are sensitive to macroeconomic conditions. Economic factors such as interest rates, changes in monetary and related policies, market volatility, inflationary conditions, student loan obligations, consumer confidence, and unemployment rates are among the most significant factors that impact consumer spending behavior. Weak economic conditions or a significant deterioration in economic conditions, including the current inflationary environment and possibility of a recession, reduce the amount of disposable income consumers have, which in turn reduces consumer spending and the willingness of qualified consumers to take out loans. Such conditions are also likely to affect the ability and willingness of consumers to pay amounts owed under the loans facilitated through our platform, each of which would have an adverse effect on our business, results of operations, financial condition, and future prospects.

The generation of new loans facilitated through our platform, and the transaction fees and other fee income due to us associated with such loans, depends upon sales of products and services by our commercial partners. Our commercial partners’ sales may decrease or fail to increase as a result of factors outside of their control, such as the macroeconomic conditions referenced above, or business conditions affecting a particular commercial partner, industry vertical, or region. Weak economic conditions also could extend the length of our commercial partners’ sales cycles and cause consumers to delay making (or not make) purchases of our commercial partners’ products and services. The decline of sales by our commercial partners for any reason will generally result in lower credit sales and, therefore, lower loan volume and associated fee income for us.

In addition, if a commercial partner closes some or all of its locations, ceases its e-commerce operations, or becomes subject to a voluntary or involuntary bankruptcy proceeding (or if there is a perception that it may become subject to a bankruptcy proceeding), consumers may have less incentive to pay their outstanding balances on loans facilitated through our platform, which could result in higher charge-off rates than anticipated. Moreover, if the financial condition of a commercial partner deteriorates significantly or a commercial partner becomes subject to a bankruptcy proceeding, we may not be able to recover amounts due to us from the commercial partner.

We are subject to both natural and man-made events that may unexpectedly disrupt our operations and adversely impact our business.

Our systems and operations are vulnerable to damage or interruption from earthquakes, wildfires, floods, heatwaves, hurricanes, tornadoes, severe winter weather and other natural disasters (including those caused by climate change), power losses, telecommunications failures, strikes, health pandemics, such as the COVID-19 pandemic, and similar events. For example, a significant natural disaster in the San Francisco Bay Area or any other location in which we have offices or facilities or employees working remotely, such as an earthquake, wildfire, heatwave, flood, hurricane, tornado or severe winter storm, could have a material adverse effect on our business, results of operations, financial condition, and future prospects, and our insurance coverage may be insufficient to compensate us for losses that may occur. In addition, strikes, wars, terrorism, and other geopolitical unrest could cause disruptions in our business and lead to interruptions, delays, or loss of critical data. If a natural disaster, power outage, connectivity issue, or other event occurs that impacts our employees' ability to work remotely, our business and results of operations could be adversely affected. We may not have sufficient protection or recovery plans in certain circumstances, such as a significant natural disaster, and our business interruption insurance may be insufficient to compensate us for losses that may occur.

Borrowers may not view or treat their loans as having the same significance as other obligations, and the loans facilitated through our platform are not secured, guaranteed, or insured and involve a high degree of financial risk.

Borrowers may not view the loans facilitated through our platform as having the same significance as other credit obligations arising under more traditional circumstances.

Personal loans facilitated through our platform are not secured by any collateral, not guaranteed or insured by any third party, and not backed by any governmental authority in any way. Therefore, if we purchase the loans from our originating bank partners after they are originated, we are limited in our ability to collect on these loans if a consumer is unwilling or unable to repay them. A consumer’s ability to repay their loans can be negatively impacted by increases in their payment obligations to other lenders under mortgage, credit card, and other loans resulting from increases in base lending rates or structured increases in payment obligations. If a consumer neglects his or her payment obligations on a loan facilitated through our platform or chooses not to repay his or her loan entirely, it will have an adverse effect on our business, results of operations, financial condition, future prospects, and cash flows.

If our collection efforts on delinquent loans are ineffective or unsuccessful, the performance of the loans would be adversely affected.

Our ability to collect on loans is dependent on the consumer's continuing financial stability, and consequently, collections can be adversely affected by a number of factors, including job loss, divorce, death, illness, or personal bankruptcy. Furthermore, the application of various federal and state laws, including federal and state bankruptcy and debtor relief laws, may limit the amount that can be recovered on the loans. It is possible that a higher percentage of consumers will seek protection under bankruptcy or debtor relief laws as a result of the current inflationary environment, the possibility of a recession and market volatility. Federal, state, or other restrictions could impair our ability to collect amounts owed and due on the loans facilitated through our platform, reduce income received from the loans facilitated through our platform, or negatively affect our ability to comply with our current financing arrangements or obtain financing with respect to the loans facilitated through our platform.

In the event that initial attempts to contact a consumer are unsuccessful, certain delinquent loans may be referred to a collection agent that will service the loans using its own servicing platform. Further, if collection action must be taken in respect of a loan, the collection agent may charge additional amounts, which may reduce the amounts of collections that we receive.

Moreover, because our servicing fees in connection with the services we provide depend on the collectability of the loans facilitated through our platform, if there is an unexpected significant increase in the number of consumers who fail to repay their loans or an increase in the principal amount of the loans that are not repaid, we will be unable to collect our entire servicing fee for the loans facilitated through our platform for which we act as servicer, and our business, results of operations, financial condition, future prospects, and cash flows could be materially and adversely affected.

In addition, if a consumer defaults on a loan, we may be unsuccessful in our efforts to collect the amount of the loan. As such, our originating bank partners could decide to originate fewer loans through our platform. An increase in defaults precipitated by these risks and uncertainties could have a material adverse effect on our business, results of operations, financial condition, and future prospects.

While we take precautions to prevent consumer identity fraud, it is possible that identity fraud may still occur or has occurred, which may adversely affect the performance of the loans facilitated through our platform.

There is risk of fraudulent activity associated with our platform, originating bank partners, card issuing banks, consumers, and third parties handling consumer information. Our resources, technologies, and fraud prevention tools may be insufficient to accurately detect and prevent fraud. We are obligated to repurchase the loans facilitated through our platform in certain cases of confirmed identity theft. The level of fraud related charge-offs on the loans facilitated through our platform could be adversely affected if fraudulent activity were to significantly increase.

We bear the risk of consumer fraud in a transaction involving us, a consumer, and a commercial partner, and we generally have no recourse to the commercial partner to collect the amount owed by the consumer. Significant amounts of fraudulent cancellations or chargebacks could adversely affect our business or financial condition. High profile fraudulent activity or significant increases in fraudulent activity could also lead to regulatory intervention, negative publicity, and the erosion of trust from our consumers and commercial partners, and could materially and adversely affect our business, results of operations, financial condition, future prospects, and cash flows.

If we fail to maintain effective internal control over financial reporting or disclosure controls and procedures, we may be unable to report our financial results on a timely and accurate basis, and our business, operating results and market price of our Class A common stock may be adversely affected.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective internal control over financial reporting and disclosure controls and procedures. The process of designing and implementing effective internal controls and disclosure controls is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environment and to expend significant resources to maintain a system of internal controls that is adequate to satisfy our reporting obligations as a public company. In addition, testing and maintaining internal controls may divert our management's attention from other matters that are important to our business.

If we are unable to establish and maintain appropriate internal control over financial reporting and disclosure controls and procedures, it could cause us to fail to meet our reporting obligations on a timely basis, result in material misstatements in our consolidated financial statements and harm our operating results. Any failure to maintain effective internal control over financial reporting or disclosure controls and procedures could have an adverse effect on our business and operating results, and cause a decline in the price of our Class A common stock. We also could become subject to investigations by the stock exchange on which our securities are listed, the SEC or other regulatory authorities, which could require additional financial and management resources.

Increased scrutiny from regulators, investors and other stakeholders regarding our environmental, social, governance, or sustainability responsibilities, strategy and related disclosures could result in additional costs or risks and adversely impact our reputation, employee retention, and willingness of consumers and merchants to do business with us.

Regulators, investor advocacy groups, certain institutional investors, investment funds, stockholders, consumers and other market participants have focused increasingly on the environmental, social and governance ("ESG") or "sustainability" practices of companies. These parties have placed increased importance on the implications of the social cost of their investments. We may incur additional costs and require additional resources as we prepare for enhanced climate disclosure requirements from regulators, such as California and the SEC, and as we otherwise evolve our ESG strategy, practices and related disclosures. If our ESG strategy, practices and related disclosures, including the impact of our business on climate change, do not meet (or are viewed as not meeting) regulator, investor or other industry stakeholder expectations and standards, which continue to evolve, our brand, reputation and employee retention may be negatively impacted.

Additional Risks Related to Our Reliance on Third Parties

Our results depend on prominent presentation, integration, and support of our platform by our commercial partners.

We depend on our commercial partners, which generally accept most major credit cards and other forms of payment (which may include pay-over-time solutions offered by our competitors), to present our platform as a payment option and to integrate our platform into their website or in their store, such as by prominently featuring our platform on their websites or in their stores and not just as an option at website checkout. We may not have any recourse against commercial partners if they do not prominently present our platform as a payment option or if they more prominently present solutions offered by our competitors. In addition, as we add new commercial partners, it could take a significant amount of time for these commercial partners, particularly larger platforms such as Apple Pay, to fully integrate our platform and for these commercial partners' consumers to accept our pay-over-time solution. The failure by our commercial partners to effectively present, integrate, and support our platform would have a material and adverse effect on our business, results of operations, financial condition, and future prospects.

If our commercial partners fail to fulfill their obligations to consumers or comply with applicable law, we may incur remediation costs.

Although our commercial partners are obligated to fulfill their contractual commitments to consumers and to comply with applicable law, including in marketing our products, from time to time, they might not, or a consumer might allege that they did not. This, in turn, can result in claims or defenses against our originating bank partners and us, or a loan purchaser, or in loans being uncollectible due to the Federal Trade Commission's Holder in Due Course Rule ("Holder Rule"), or equivalent state laws. The Holder Rule requires the inclusion of a specific notice in consumer credit contracts evidencing debts arising from purchase money loan transactions. The notice provides that the holder of the consumer credit contract is subject to all claims and defenses which the debtor could assert against the seller of goods or services obtained with the proceeds of the consumer credit contract. In those cases, we may decide that it is beneficial to remediate the situation, either through assisting the consumers to get a refund, working with our originating bank partners to modify the terms of the loan or reducing the amount due, making a payment to the consumer, or otherwise. Historically, the cost of remediation has not been material to our business, but we make no assurance that it will not be in the future.

Our third-party supplier relationships subject us to a variety of risks, and the failure of third parties to comply with legal or regulatory requirements or to provide various services that are important to our operations could have an adverse effect on our business, results of operations, financial condition, and future prospects.

We have significant third-party partners that, among other things, provide us with financial, technology, and other services to support our products and other activities, including, for example, credit ratings and reporting, cloud-based data storage and other IT solutions, and payment processing. The CFPB has issued guidance stating that institutions under its supervision may be held responsible for the actions of the companies with which they contract. Accordingly, we could be adversely impacted to the extent our third-party partners fail to comply with the legal requirements applicable to the particular products or services being offered.

In some cases, third-party partners are the sole source, or one of a limited number of sources, of the services they provide to us. For example, we are solely reliant on our agreement with our cloud computing web services provider for the provision of cloud infrastructure services to support our platform. In addition, we rely on a single third-party partner to provide a number of issuing and processing services across several of our products.

Most of our third-party partner agreements are terminable by the third party on little or no notice, and if our current third-party partners were to terminate their agreements with us or otherwise stop providing services to us on acceptable terms, we may be unable to procure alternatives from other vendors in a timely and efficient manner and on acceptable terms (or at all). If any third-party partner fails to provide the services we require, fails to meet contractual requirements (including compliance with applicable laws and regulations), fails to maintain adequate data privacy controls and electronic security systems, or suffers a cyber-attack or other security breach, such as the Evolve Bank & Trust cybersecurity incident reported in June 2024, we could be subject to CFPB, FTC and other federal and state regulatory enforcement actions, claims from third parties, including our consumers, and suffer economic and reputational harm that could have an adverse effect on our business. Further, we may incur significant costs to resolve any such disruptions in service, which could adversely affect our business.

For example, certain installment loans are originated by our originating bank partners and then disbursed to merchants via single-use virtual cards facilitated through our partnership with an issuer processor. This issuer processor issues single-use virtual cards through Evolve Bank & Trust, its issuing bank partner, which allow loans facilitated through our platform to be processed over the card network. Such loans facilitated through our platform can be used at merchants where we are not integrated at checkout, allowing consumers to complete purchases with virtual cards just as they would with a standard credit or debit card. In the event that our issuer processor becomes unable or unwilling to facilitate the disbursements to merchants and we are unable to reach an agreement with another third-party partner, such loans would no longer be able to be facilitated through our platform.

For certain transactions, we partially rely on card issuers, payment processors, or third-party payment networks. If we fail to comply with the applicable requirements set forth in our agreements with Visa and other such counterparties, such counterparties may seek to fine us, suspend us, or terminate our registrations, which could have a material adverse effect on our business, results of operations, financial condition, and future prospects.

For certain transactions, we partially rely on card issuers, payment processors, or third-party payment networks, and must pay a fee for their services. From time to time, payment networks, such as Visa, may increase the interchange fees that they charge for each transaction using one of their cards. The payment processors and payment networks routinely update and modify their requirements. Changes in the requirements, including changes to risk management and collateral requirements, may impact our ongoing cost of doing business and we may not, in every circumstance, be able to pass through such costs to our merchants or associated participants. Furthermore, if we do not comply with the payment processors' or payment networks' requirements (e.g., their rules, bylaws, and charter documentation), the payment processors or payment networks, as applicable, could seek to fine us, suspend us or terminate our registrations that allow us to process transactions on their networks. The termination of our registration due to failure to comply with the applicable requirements of Visa or other payment networks or payment processors, or any changes in the payment networks' or payment processors' rules that would impair our registration, could require us to stop providing payment services to Visa or other payment networks or payment processors, which could have a material adverse effect on our business, results of operations, financial condition, and future prospects.

Our business could be adversely affected by any unsoundness of our financial institution counterparties.

Since the beginning of March 2023, there have been public reports of instability at various financial institutions, with certain financial institutions being severely impacted. Financial services institutions are interrelated with our business as a result of trading, clearing, counterparty or other relationships. We routinely execute transactions with counterparties in the financial services industry, including commercial banks, brokers and dealers, investment banks and other institutions. Many of these transactions expose us to credit risk in the event of a default by a counterparty. In addition, our credit risk may be exacerbated when collateral cannot be foreclosed upon or is liquidated at prices not sufficient to recover the full amount of the credit or derivative exposure due. Any such losses could adversely affect our business, financial condition and results of operations.

Risks Related to Our Intellectual Property and Platform Development

Real or perceived software errors, failures, bugs, defects, or outages could adversely affect our business, results of operations, financial condition, and future prospects.

Our platform and our internal systems rely on software that is highly technical and complex. In addition, our platform and our internal systems depend on the ability of such software to store, retrieve, process, and manage immense amounts of data. As a result, undetected errors, failures, bugs, or defects may be present in such software or occur in the future in such software, including open source software and other software we license in from third parties, especially when updates or new products or services are released.

Any real or perceived errors, failures, bugs, or defects in the software may not be found until our consumers use our platform and could result in outages or degraded quality of service on our platform that could adversely impact our business (including through causing us not to meet contractually required service levels), as well as negative publicity, loss of or delay in market acceptance of our products and services, and harm to our brand or weakening of our competitive position. In such an event, we may be required, or may choose, to expend significant additional resources in order to correct the problem.

Any significant disruption in, or errors in, service on our platform or relating to vendors, including events beyond our control, could prevent us from processing transactions on our platform or posting payments and have a material and adverse effect on our business, results of operations, financial condition, and future prospects.

We use vendors, such as our cloud computing web services provider, virtual card processing companies, and third-party software providers (including companies that provide our risk scoring models), in the operation of our platform. The satisfactory performance, reliability, and availability of our technology and our underlying network and infrastructure are critical to our operations and reputation and the ability of our platform to attract new and retain existing commercial partners and consumers. We rely on these vendors to protect their systems and facilities against damage or service interruptions from natural disasters, power or telecommunications failures, air quality issues, environmental conditions, computer viruses or malicious attempts to harm or compromise these systems, criminal acts, and similar events. We may also be harmed if data, technology, or software becomes non-compliant with existing regulations or industry standards, becomes subject to third-party claims of intellectual property infringement, misappropriation, or other violation, is breached by unauthorized third parties, or malfunctions or functions in a way we did not anticipate. If our arrangement with a vendor is terminated or if there is a lapse of service or damage to its systems or facilities, we could experience interruptions in our ability to operate our platform. We also may experience increased costs and difficulties in replacing that vendor and replacement services may not be available on commercially reasonable terms, on a timely basis, or at all. Any interruptions or delays in our platform availability, whether as a result of a failure to perform on the part of a vendor, any damage to one of our vendor's systems or facilities, the termination of any of our third-party vendor agreement, software failures, our or our vendor's error, natural disasters, terrorism, other man-made problems, security breaches, whether accidental or willful, or other factors, could harm our relationships with our merchants and consumers and also harm our reputation.

In addition, in the event of damage or interruption, our insurance policies may not adequately compensate us for any losses that it may incur. Our disaster recovery plan has not been tested under actual disaster conditions, and we may not have sufficient capacity to recover all data and services in the event of an outage. These factors could prevent us from processing transactions or posting payments on our platform, damage our brand and reputation, divert the attention of our employees, reduce our revenue, subject us to liability, and cause consumers or merchants to abandon our platform, any of which could have a material and adverse effect on our business, results of operations, financial condition, and future prospects.

Our ability to protect our confidential, proprietary, or sensitive information, including the confidential information of consumers on our platform, may be adversely affected by cyber-attacks, employee or other internal misconduct, computer viruses, physical or electronic break-ins, or similar disruptions.

Our business involves the collection, storage, use, disclosure, processing, transfer, and other handling (collectively, "processing") of a wide variety of information, including personally identifiable information, for various purposes in our business, including to help support the integrity of our services and to provide features and functionality to our consumers and commercial partners. The processing of the information we acquire in connection with our consumers' and commercial partners' use of our services, particularly on our internet applications for consumers, is subject to numerous privacy, data protection, cybersecurity, and other laws and regulations in the United States and foreign jurisdictions. The automated nature of our business and our reliance on digital technologies may make us an attractive target for, and potentially vulnerable to, cyber-attacks, computer malware, computer viruses, social engineering (including phishing and ransomware attacks), general hacking, physical or electronic break-ins, or similar disruptions. In addition, our remote working environment may exacerbate these risks.

While we and our third-party partners have taken steps to protect the confidential, proprietary, and sensitive information to which we have access and to prevent data loss, our security measures or those of our third-party partners could be breached, such as the Evolve Bank & Trust cybersecurity incident reported in June 2024, resulting in the loss of, or unauthorized access to, our or our consumers' data, our intellectual property, or other confidential, proprietary, or sensitive business information and could expose us to liability related to the loss of the information, time-consuming and expensive litigation, potential regulatory scrutiny and negative publicity.

As is common in our industry, and with technology-focused companies more broadly, unauthorized parties regularly attempt to gain access to our systems and facilities through various means, including, among others, hacking into our or our partners' or consumers' systems or facilities, or attempting to fraudulently induce our employees, partners, consumers or others into disclosing usernames, passwords, or other sensitive information, which may in turn be used to access our information technology systems and gain access to our or our consumers' data or other confidential, proprietary, or sensitive information. In the past, such attempts have, at times, been successful but with minimal impact on or disruption to our business, and there is no guarantee that our continuous monitoring efforts will be effective in preventing similar or more impactful incidents in the future.

If we are unable to protect our intellectual property, or if third parties are successful in claiming that we are infringing, misappropriating, or violating the intellectual property of others, we may incur significant expense and our business may be adversely affected.

Our ability to compete effectively is dependent in part upon our ability to obtain, maintain, protect, and enforce our intellectual property and other proprietary rights, including with respect to our proprietary technology, and to obtain licenses to use the intellectual property and proprietary rights of others. We rely on a combination of patents, trademarks, service marks, copyrights, trade secrets, domain names, and agreements with employees and third parties to protect our intellectual property and other proprietary rights. We also enter into agreements containing obligations of confidentiality with each party that has or may have had access to proprietary information, know-how, or trade secrets owned or held by us. Nonetheless, the steps we take to obtain, maintain, protect, and enforce our intellectual property and other proprietary rights may be inadequate. For example, our competitors and other third parties may design around or independently develop similar technology or otherwise duplicate or mimic our services or products such that we would not be able to successfully assert our intellectual property or other proprietary rights against them. We cannot assure that any future patent, trademark, or service mark registrations will be issued for our pending or future applications or that any of our current or future patents, copyrights, trademarks, or service marks (whether registered or unregistered) will be valid, enforceable, sufficiently broad in scope, provide adequate protection of our intellectual property or other proprietary rights, or provide us with any competitive advantage.

Our trademarks, trade names, and service marks have significant value, and our brand is an important factor in the marketing of our services. We intend to rely on both registrations and common law protections for our trademarks. However, we may be unable to prevent competitors or other third parties from acquiring or using trademarks, service marks, or other intellectual property or other proprietary rights that are similar to, infringe upon, misappropriate, dilute, or otherwise violate or diminish the value of our trademarks and service marks and our other intellectual property and proprietary rights. The value of our intellectual property and other proprietary rights could diminish if others assert rights in or ownership of our intellectual property or other proprietary rights, or in trademarks or service marks that are similar to our trademarks or service marks.

In addition, we cannot guarantee that we have entered into agreements containing obligations of confidentiality with each party that has or may have had access to proprietary information, know-how, or trade secrets owned or held by us. Moreover, our contractual arrangements may be breached or may otherwise not effectively prevent disclosure of, or control access to, our confidential or otherwise proprietary information or provide an adequate remedy in the event of an unauthorized disclosure. The measures we have put in place may not prevent misappropriation, infringement, or other violation of our intellectual property or other proprietary rights or information and any resulting loss of competitive advantage, and we may be required to litigate to protect our intellectual property or other proprietary rights or information from misappropriation, infringement, or other violation by others, which is expensive, could cause a diversion of resources, and may not be successful, even when our rights have been infringed, misappropriated, or otherwise violated. Our efforts to enforce our intellectual property and other proprietary rights may be met with defenses, counterclaims, and countersuits attacking the validity and enforceability of our intellectual property and other proprietary rights, and if such defenses, counterclaims, or countersuits are successful, it could diminish or we could otherwise lose valuable intellectual property and other proprietary rights. Additionally, the laws of some foreign countries may not be as protective of intellectual property and other proprietary rights as those in the United States, and the mechanisms for enforcement of intellectual property and other proprietary rights may be inadequate.

Furthermore, third parties may challenge, invalidate, or circumvent our intellectual property and proprietary rights, including through administrative processes or litigation. The legal standards relating to the validity, enforceability, and scope of protection of intellectual property and other proprietary rights are uncertain and still evolving. Our intellectual property and other proprietary rights may not be sufficient to provide us with a competitive advantage and the value of our intellectual property and other proprietary rights could also diminish if others assert rights therein or ownership thereof, and we may be unable to successfully resolve any such conflicts in our favor or to our satisfaction.

We may be subject to claims brought by third parties for alleged infringement, misappropriation, or other violation of their intellectual property or other proprietary rights.

Our success depends, in part, on our ability to develop and commercialize our products and services without infringing, misappropriating, or otherwise violating the intellectual property or other proprietary rights of third parties. We may receive claims or otherwise become involved in disputes from time to time concerning intellectual property or other proprietary rights of third parties, which may relate to our own proprietary technology, or to technology that we acquire or license from third parties, and we may not prevail in these disputes. Relatedly, competitors or other third parties may raise claims alleging that service providers or other third parties retained or indemnified by us, infringe on, misappropriate, or otherwise violate such competitors' or other third parties' intellectual property or other proprietary rights. These claims of infringement, misappropriation, or other violation may be extremely broad, and it may not be possible for us to conduct our operations in such a way as to avoid all such alleged violations of such intellectual property or other proprietary rights. We also may be unaware of third-party intellectual property or other proprietary rights that cover or otherwise relate to some or all of our products and services.

Given the complex, rapidly changing, and competitive technological and business environment in which we operate, and the potential risks and uncertainties of intellectual property-related litigation, a claim of infringement, misappropriation, or other violation against us may require us to spend significant amounts of time and other resources to defend against the claim (even if we ultimately prevail), pay significant money damages, lose significant revenues, be prohibited from using the relevant systems, processes, technologies, or other intellectual property (temporarily or permanently), cease offering certain products or services, obtain a license, which may not be available on commercially reasonable terms or at all, or redesign our products or services or functionality therein, which could be costly, time-consuming, or impossible.

Some of the aforementioned risks of infringement, misappropriation or other violation, in particular with respect to patents, are potentially increased due to the nature of our business, industry, and intellectual property portfolio. For instance, it has become common in recent years for certain third parties to purchase patents or other intellectual property assets for the sole purpose of making claims of infringement, misappropriation, or other violation in an attempt to extract settlements from companies such as ours. Relatedly, we do not currently have a large patent portfolio, which could otherwise assist us in deterring patent infringement claims from competitors, through our ability to bring patent infringement counterclaims using our own patent portfolio. In addition to the previously mentioned impacts of intellectual property-related litigation, while in some cases a third party may have agreed to indemnify us for costs associated with intellectual property-related litigation, such indemnifying third party may refuse or be unable to uphold its contractual obligations. In other cases, our insurance may not cover potential claims of this type adequately or at all, and we may be required to pay monetary damages, which may be significant.

Some aspects of our platform include open source software, and our use of open source software could negatively affect our business, results of operations, financial condition, and future prospects.

Aspects of our platform include software covered by open source licenses. The terms of various open source licenses have not been interpreted by United States courts, and there is a risk that such licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our platform. In such an event, we could be required to re-engineer all or a portion of our technologies, seek licenses from third parties in order to continue offering our products, discontinue the use of our platform in the event re-engineering cannot be accomplished, or otherwise be limited in the licensing of our technologies, each of which could reduce or eliminate the value of our technologies and loan products. If portions of our proprietary software are determined to be subject to an open source license, we could also be required to, under certain circumstances, publicly release or license, at no cost, our products that incorporate the open source software or the affected portions of our source code, which could allow our competitors or other third parties to create similar products and services with lower development effort, time, and costs, and could ultimately result in a loss of transaction volume for us. We cannot ensure that we have not incorporated open source software in our software in a manner that is inconsistent with the terms of the applicable license or our current policies, and we may inadvertently use open source in a manner that we do not intend or that could expose us to claims for breach of contract or intellectual property infringement, misappropriation, or other violation. If we fail to comply, or are alleged to have failed to comply, with the terms and conditions of our open source licenses, we could be required to incur significant legal expenses defending such allegations, be subject to significant damages, be enjoined from the sale of our products and services, and be required to comply with onerous conditions or restrictions on our products and services, any of which could be materially disruptive to our business.

In addition to risks related to license requirements, usage of open source software can lead to greater risks than use of third-party commercial software because open source licensors generally do not provide warranties or other contractual protections regarding infringement, misappropriation, or other violations, the quality of code, or the origin of the software. Many of the risks associated with the use of open source software cannot be eliminated and could adversely affect our business, results of operations, financial condition, and future prospects. For instance, open source software is often developed by different groups of programmers outside of our control that collaborate with each other on projects. As a result, open source software may have security vulnerabilities, defects, or errors of which we are not aware. Even if we become aware of any security vulnerabilities, defects, or errors, it may take a significant amount of time for either us or the programmers who developed the open source software to address such vulnerabilities, defects, or errors, which could negatively impact our products and services, including by adversely affecting the market's perception of our products and services, impairing the functionality of our products and services, delaying the launch of new products and services, or resulting in the failure of our products and services, any of which could result in liability to us, our vendors and service providers. Further, our adoption of certain policies with respect to the use of open source software may affect our ability to hire and retain employees, including engineers.

Risks Related to Our Regulatory Environment

We are subject to various international, federal and state consumer protection laws.

We must comply with various international, federal and state regulatory regimes, including those applicable to consumer credit transactions, such as, but not limited to, those described in "*Business — Regulatory Environment — U.S. federal consumer protection requirements*."

In addition, the U.S., Canadian and other international governments (including the U.K. upon our commencement of facilitating loans in that jurisdiction), states, and provinces may pass new laws, or may amend existing laws, to further regulate the consumer finance industry or loans of the type provided through our platform, or to reduce the finance charges or other fees that may be imposed with respect to consumer loans. This could make the provision and collection of consumer loans more difficult or costly, which may negatively impact our business.

While we have developed policies and procedures designed to assist in compliance with these laws and regulations, no assurance is given that our compliance policies and procedures will be effective. Failure to comply with these laws and with regulatory requirements applicable to our business could subject us to damages, revocation of licenses, class action lawsuits, administrative enforcement actions, and civil and criminal liability, which may harm our business.

Our business is subject to extensive regulation, supervision, examination, and oversight in a variety of areas, all of which are subject to change and uncertain interpretation. Changing international, federal, state, and local laws, as well as changing regulatory enforcement policies and priorities, including changes that may result from changes in the political landscape, may negatively impact our business, results of operations, financial condition, and future prospects.

We are subject to extensive regulation, supervision, examination, and oversight by federal and state governmental authorities under U.S. federal and state laws and regulations. We are also regulated by many international and state regulatory agencies through licensing and other supervisory or enforcement authority, which includes regular examination by international and state governmental authorities. In addition, as we continue to expand our operations internationally, we may become subject to extensive regulation, supervision, examination, and oversight by additional international authorities.

We are required to comply with constantly changing international, federal, state, and local laws and regulations that regulate, among other things, the terms of the loans that we and our originating bank partners originate and the associated fees that may be charged. A change in these laws that enable our credit scoring and pricing model, including our ability to export interest rates across state lines, could have a material impact on our business model and financial position.

New laws or regulations could also require us to incur significant expenses and devote significant management attention to ensure compliance. For example, in May 2024, the CFPB issued an interpretive rule that extended certain provisions of Subpart B and Subpart G of Regulation Z to “lenders that issue digital user accounts used to access credit, including to those lenders that market loans as ‘Buy Now, Pay Later’ (BNPL).” However, the interpretive rule is an interpretation of existing law that “does not impose any new or revise any existing recordkeeping, reporting, or disclosure requirements,” thereby applying to past operations. Our failure to comply (or to ensure that our agents and third-party service providers comply) with these laws or regulations may result in litigation or enforcement actions, the penalties for which could include: revocation of licenses; fines and other monetary penalties; civil and criminal liability; substantially reduced payments by borrowers; modification of the original terms of loans, permanent forgiveness of debt, or inability to, directly or indirectly, collect all or a part of the principal of or interest on loans; and increased purchases of loan receivables for loans originated by our originating bank partners and indemnification claims.

We are subject to the regulatory and enforcement authority of the CFPB as a facilitator, servicer, acquirer or originator of consumer credit. As such, the CFPB has in the past requested reports concerning our organization, business conduct, markets, and activities, and we expect that the CFPB will continue to do so from time to time in the future. In addition, we are now supervised by the CFPB. The CFPB’s supervision of us enables it, among other things, to conduct comprehensive and rigorous examinations to assess our compliance with consumer financial protection laws, which could result in investigations, enforcement actions, regulatory fines and mandated changes to our business products, policies and procedures. The CFPB, through its supervision and enforcement authority, could increase our compliance costs, potentially hinder our ability to respond to marketplace changes, impose requirements to alter products and services that would make them less attractive to consumers and impair our ability to offer products and services profitably. For further discussion on the CFPB's enforcement authority, see "*Business — Regulatory Environment — U.S. federal consumer protection requirements*."

In conducting an investigation, the CFPB or state attorneys general may issue a civil investigative demand requiring a target company to prepare and submit, among other items, documents, written reports, answers to interrogatories, and deposition testimony. If we become subject to such an investigation, the required response could result in substantial costs and a diversion of the attention and resources of our management. In addition, investigations and other regulatory actions could result in penalties and reputational harm to us and a loss of consumers participating in our platform, and our compliance costs and litigation exposure could increase if the CFPB, for instance, or other regulatory agencies enact new regulations, change regulations that were previously adopted, modify, through supervision or enforcement, past regulatory guidance, or interpret existing regulations in a manner different or stricter than have been previously interpreted, any of which could adversely affect our ability to perform. Further, in some cases, regardless of fault, it may be less time-consuming or costly to settle these matters, which may require us to implement certain changes to our business practices, provide remediation to certain individuals or make a settlement payment to a given party or regulatory body.

Further, we may not be able to respond quickly or effectively to regulatory, legislative, and other developments, and these changes may in turn impair our ability to offer our existing or planned features, products, and services and/or increase our cost of doing business. In addition, if our practices are not consistent or viewed as not consistent with legal and regulatory requirements, we may become subject to audits, inquiries, whistleblower complaints, adverse media coverage, investigations, or criminal or civil sanctions, all of which may have an adverse effect on our reputation, business, results of operations, and financial condition.

If our originating bank partner model is successfully challenged or deemed impermissible, we could be found to be in violation of licensing, interest rate limit, lending, or brokering laws and face penalties, fines, litigation, or regulatory enforcement.

A substantial number of the loans facilitated through our platform are originated through our bank partners and we rely on our originating bank partner model to comply with various federal, state, and other laws. If the legal structure underlying our relationship with our originating bank partners was successfully challenged, we may be found to be in violation of state licensing requirements and state laws regulating interest rates and other aspects of consumer lending. In the event of such a challenge or if our arrangements with our originating bank partners were to change or end for any reason, we would need to rely on an alternative bank relationship, find an alternative bank relationship, rely on existing state licenses, obtain new state licenses, pursue a federal charter, offer consumer loans, and/or be subject to the interest rate limitations of certain states.

If we were found to be operating without having obtained necessary international, state or local licenses, or if loans made by us under our lending licenses are found to violate applicable state or provincial interest rate limits or other provisions of applicable state or provincial lending and other laws, it could adversely affect our business, results of operations, financial condition, and future prospects.

The application of some consumer financial licensing laws to our platform and the related activities it performs is unclear. In addition, licensing requirements may evolve over time, including, in particular, recent trends toward increased licensing requirements and regulation of parties engaged in loan solicitation and other regulated activities. If determined to be applicable to us, some licensing restrictions and limitations may prevent certain Affirm products being offered entirely. In addition, if we were found to be in violation of applicable state or provincial interest rate or licensing requirements by a regulating entity, a court or a state, federal, or local enforcement agency, or agree to resolve such concerns by voluntary agreement, we could be subject to or agree to pay fines, damages, injunctive relief (including required modification or discontinuation of our business in certain areas), criminal penalties, and other penalties or consequences, and the loans facilitated through our platform could be rendered void or unenforceable in whole or in part, any of which could have an adverse effect on the enforceability or collectability of the loans facilitated through our platform.

The highly regulated environment in which our originating bank partners operate could have an adverse effect on our business, results of operations, financial condition, and future prospects.

Our originating bank partners are subject to increasingly demanding regulatory requirements. Federal regulation of the banking industry, along with tax and accounting laws, regulations, rules, and standards, may limit their operations significantly and control the methods by which they conduct business. In addition, compliance with laws and regulations can be difficult and costly, and changes to laws and regulations can impose additional compliance requirements. In particular, regulatory requirements affect our originating bank partners' lending practices and investment practices, among other aspects of their businesses, and restrict transactions between us and our originating bank partners. For example, from time to time, regulatory agencies for our bank partners may re-evaluate the information we are required to collect from consumers in order to facilitate loans through our platform. Any change in the nature or amount of personal information that we are required to collect from consumers may cause some consumers to choose not to complete their purchases — or purchase less frequently — with us, which may adversely impact our conversion rates, and, as a result, adversely impact our revenue, GMV, and other of our key operating metrics. These requirements may constrain the operations of our originating bank partners, and the adoption of new laws and changes to, or repeal of, existing laws may have a further impact on our business.

Furthermore, the regulatory agencies have extremely broad discretion in their interpretation of the regulations and laws and their interpretation of the quality of our originating bank partners' loan portfolios and other assets. If any regulatory agency's assessment of the quality of our originating bank partners' assets, operations, lending practices, investment practices, or other aspects of their business changes, it may reduce our originating bank partners' earnings, capital ratios, and share price in such a way that affects our business.

Our use of vendors and our other ongoing third-party business relationships are subject to increasing regulatory requirements and attention.

We regularly use vendors and subcontractors as part of our business. We also depend on our substantial ongoing business relationships with our originating bank partners, commercial partners, and other third parties. These types of third-party relationships, including with our originating bank partners, are subject to increasingly demanding regulatory requirements and oversight by federal bank regulators (such as the Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation), the CFPB, state and international regulators.

It is expected that regulators will hold us responsible for deficiencies in our oversight and control of third-party relationships and in the performance of the parties with which we have these relationships. As a result, if our regulators conclude that we have not exercised adequate oversight and control over vendors and subcontractors or other ongoing third-party business relationships or that such third parties have not performed appropriately, we could be subject to enforcement actions, including civil money penalties or other administrative or judicial penalties or fines, as well as requirements for consumer remediation.

Stringent and changing laws and regulations relating to privacy and data protection could result in claims, harm our results of operations, financial condition, and future prospects, or otherwise harm our business.

Compliance with current or future privacy and data protection laws (including those regarding security breach notification) affecting consumer and/or employee data to which we are subject could result in higher compliance and technology costs and could restrict our ability to provide certain products and services (such as products or services that involve us sharing information with third parties or storing sensitive information), which could materially and adversely affect our profitability and could reduce income from certain business initiatives.

We publicly post policies and documentation regarding our practices concerning the processing of data. This publication of our privacy policy and other documentation that provide promises and assurances about privacy and security is required by applicable law and can subject us to proceedings and actions brought by data protection authorities, government entities, or others (including, potentially, in class action proceedings brought by individuals) if our policies are alleged to be deceptive, unfair, or misrepresentative of our actual practices. Although we endeavor to comply with our published policies and documentation, we may at times fail to do so or be alleged to have failed to do so.

Our failure, or the failure of any third party with whom we work, to comply with privacy and data protection laws could result in potentially significant regulatory investigations and government actions, litigation, fines, or sanctions, consumer, funding source, bank partner, or commercial partner actions, and damage to our reputation and brand, all of which could have a material adverse effect on our business. Complying with privacy and data protection laws and regulations may cause us to incur substantial operational costs or require us to change our business practices. We may not be successful in our efforts to achieve compliance either due to internal or external factors, such as resource allocation limitations or a lack of vendor cooperation. We have in the past, and may in the future, receive complaints or notifications from third parties alleging that we have violated applicable privacy and data protection laws and regulations. Non-compliance could result in proceedings against us by governmental entities, consumers, data subjects, or others. We may also experience difficulty retaining or obtaining new consumers in these jurisdictions due to the legal requirements, compliance cost, potential risk exposure, and uncertainty for these entities, and we may experience significantly increased liability with respect to these consumers pursuant to the terms set forth in our engagements with them.

As we continue to expand our operations internationally, we may become subject to various foreign privacy and data protection laws and regulations, which may in some cases be more stringent than the requirements in the jurisdictions in which we currently operate. Because the interpretation and application of many privacy and data protection laws are uncertain, it is possible that these laws may be interpreted and applied in a manner that is inconsistent with our existing data management practices or the features of our products and services. If so, in addition to the possibility of fines, lawsuits, regulatory investigations, and other claims and penalties, we could be required to change our business activities and practices or modify our products or services, any of which could have an adverse effect on our business. Any claims regarding our inability to adequately address privacy and security concerns, even if unfounded, or to comply with applicable privacy and data security laws, regulations, contractual requirements, and policies, could result in additional cost and liability to us, damage our reputation, and adversely affect our business. Privacy and data security concerns, whether valid or not, may inhibit market adoption of our products and services, particularly in certain industries and jurisdictions. If we are not able to quickly adjust to changing laws, regulations, and standards related to the internet, our business may be harmed.

We have an obligation to comply with anti-money laundering and anti-terrorism financing laws, and failure to comply with this obligation could have significant adverse consequences for us.

If our controls designed to enable us to comply with all applicable anti-money laundering and anti-terrorism financing laws and regulations are ineffective in ensuring compliance with all such laws and regulations, our failure to comply with these laws and regulations could result in a breach and termination of our agreements with our originating bank partners or criticism by international or state governmental agencies, which would have a material adverse effect on our business, results of operations, financial condition, and future prospects.

If we fail to comply with applicable requirements for our high-yield savings account product, our consumers' deposits may not qualify for FDIC insurance and they may withdraw their funds, which could adversely affect our brand, business, results of operations, financial condition, and future prospects.

We offer an FDIC-insured, interest-bearing savings account, which is provided by Cross River Bank, on the Affirm app. Under the terms of our program agreement with Cross River Bank as well as the deposit account agreements between participating consumers and Cross River Bank, the savings account is opened and maintained by Cross River Bank. We act as the service provider to, among other things, facilitate communication between consumers and Cross River Bank via the Affirm app. We believe our savings account program, including applicable records maintained by us and Cross River Bank, complies with all applicable requirements for each participating consumer's deposits to be covered by FDIC insurance, up to the applicable maximum deposit insurance amount. However, if the FDIC were to disagree (e.g., because we and Cross River Bank have not adequately evidenced participating consumers' ownership of each account), the FDIC might not recognize consumers' claims as covered by deposit insurance in the event Cross River Bank fails and enters receivership proceedings under the Federal Deposit Insurance Act ("FDIA"). If the FDIC were to determine that consumers' claims as covered by deposit insurance, or if Cross River Bank were to actually fail and enter receivership proceedings under the FDIA (regardless of whether the deposits are covered by FDIC insurance), participating consumers may withdraw their funds, which could adversely affect our brand, business, results of operations, financial condition, and future prospects.

We also must abide by the terms of the deposit account program agreement with Cross River Bank, failure of which could lead Cross River Bank to terminate the savings account program. If Cross River Bank terminated our savings account program and we were unable to find another bank partner, we may have to close our savings account program, which could adversely affect our brand, business, results of operations, financial condition, and future prospects.

Regulatory agencies and consumer advocacy groups are highly focused on potential discrimination resulting from the use of machine learning and "black-box" algorithms.

We face the risk that one or more of the variables included in our loan decisioning model may be deemed a proxy for a protected characteristic such as race, ethnicity, or sex in violation of the ECOA or other anti-discrimination laws, and therefore need to be revised or eliminated to ensure compliance with ECOA, which could result in lower approval rates or higher credit losses. We may also be required to support the variables used in our loan decisioning model with documented, legitimate business justifications in the event the model results in a disproportionate effect on applicants or consumers of certain demographic groups. In addition, our use of machine learning in our models could inadvertently result in a "disparate impact" on protected groups, which would require a review of the model's underlying data and algorithms. Although we may review our models for potential disparate impact, we may be unable to identify and eliminate all practices or variables causing the disparate impact, resulting in residual fair lending risk.

Risks Related to our Class A Common Stock

The dual class structure of our common stock has the effect of concentrating voting control with those stockholders who hold shares of our Class B common stock, including our executive officers and directors and their affiliates. As a result of our dual class structure of our common stock, the trading price of our Class A common stock may be depressed.

Our Class B common stock has 15 votes per share, whereas our Class A common stock has one vote per share. Because the holders of our Class B common stock collectively hold significantly more than a majority of the combined voting power of our capital stock, such holders, acting together, control all matters submitted to our stockholders for approval. As a result, for the foreseeable future, holders of our Class B common stock will continue to have significant influence over the management and affairs of our company and over the outcome of all matters submitted to our stockholders for approval, including the election of directors and significant corporate transactions, such as a merger, consolidation or sale of substantially all of our assets, even if their stock holdings represent less than 50% of the outstanding shares of our capital stock. In addition, this may prevent or discourage unsolicited acquisition proposals or offers for our capital stock. Holders of our Class B common stock may have interests that differ from those of the holders of our Class A common stock and may vote in a way with which the Class A holders disagree or which may be adverse to the Class A holders' interests. This control may adversely affect the trading price of our Class A common stock.

Further, as of June 30, 2024, Max Levchin, our Founder, Chairman and Chief Executive Officer, had voting control over approximately 43.1% of the voting power of our outstanding capital stock. As a stockholder, Mr. Levchin is entitled to vote his shares, and shares over which he has voting control, in his own interests, which may not always be in the interests of our stockholders generally.

Transfers by holders of Class B common stock will generally result in those shares converting to Class A common stock, except certain transfers to entities, to the extent the transferor retains sole dispositive power and exclusive voting control with respect to the shares of Class B common stock, and certain other transfers described in our amended and restated certificate of incorporation. In addition, all shares of Class B common stock will automatically convert into shares of Class A common stock upon the occurrence of certain events described in our amended and restated certificate of incorporation. Conversions of Class B common stock to Class A common stock will have the effect, over time, of increasing the relative voting power of those holders of Class B common stock who retain their shares in the long term.

Our dual class structure may also depress the trading price of our Class A common stock due to negative perception by market participants and other stakeholders. Certain index providers have announced restrictions on including companies with multiple-class share structures in certain of their indexes. Similarly, several stockholder advisory firms have announced their opposition to the use of multiple class structures and may issue adverse voting recommendations for items on which we ask shareholders to vote. Any exclusion from indices or criticism of our corporate governance practices by stockholder advisory firms could result in a less active trading market for 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. 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 despite 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 commercial partner; adverse economic conditions resulting in decreased consumer demand; the growth and development of key commercial partner relationships, including our relationship with Amazon; material cybersecurity incidents; 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.

Certain of our stockholders have rights, subject to some conditions, to require us to file registration statements covering their shares that we may file for ourselves or our stockholders. In addition, as of June 30, 2024, we had stock options and restricted stock units outstanding that, if fully exercised or settled, would result in the issuance of an aggregate of 47,622,117 shares of our Class A common stock. All of the shares of our Class A common stock issuable upon the exercise of stock options and settlement of restricted stock units, and the shares reserved for future issuance under our equity incentive plans, are registered for public resale under the Securities Act. Any registration statement we file to register additional shares, whether as a result of registration rights or otherwise, could cause the market price of our Class A common stock to decline or be volatile.

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 audited condensed consolidated financial statements and incorporated by reference in Part I, Item 3 — 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 commercial partner 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 both upon issuance and conversion, in the case of securities convertible into shares 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.

Delaware law and certain provisions of our amended and restated certificate of incorporation and amended and restated bylaws could make a merger, tender offer, or proxy contest difficult, thereby adversely affecting the market price of our common stock.

Our status as a Delaware corporation and the anti-takeover provisions of the Delaware General Corporation Law (the "DGCL") may discourage, delay or prevent a change in control by prohibiting us from engaging in a business combination with an interested stockholder for a period of three years after the person becomes an interested stockholder, even if a change of control would be beneficial to our stockholders. In addition, our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that may make the acquisition of our company more difficult, including the following:

- our dual class common stock structure, which provides holders of our Class B common stock with the ability to significantly influence the outcome of matters requiring stockholder approval, even if they own significantly less than a majority of the shares of our outstanding common stock;
- our board of directors is classified into three classes of directors with staggered three-year terms and directors may only able to be removed from office for cause;
- certain amendments to our amended and restated certificate of incorporation require the approval of 66 2/3% of the then-outstanding voting power of our capital stock;
- our amended and restated bylaws provide that the affirmative vote of 66 2⁄3% of the then-outstanding voting power of our capital stock, voting as a single class, is required for stockholders to amend or adopt any provision of our bylaws;
- our stockholders may only take action at a meeting of stockholders and not by written consent;
- vacancies on our board of directors may be filled only by our board of directors and not by stockholders;
- no provision in our amended and restated certificate of incorporation or amended and restated bylaws provides for cumulative voting, which limits the ability of minority stockholders to elect director candidates;
- only our chairman of the board of directors, our lead independent director, our chief executive officer, or a majority of the board of directors are authorized to call a special meeting of stockholders;
- our amended and restated bylaws provide that certain litigation against us can only be brought in Delaware;
- nothing in our amended and restated certificate of incorporation precludes future issuances without stockholder approval of the authorized but unissued shares of our Class A common stock;
- our amended and restated certificate of incorporation authorizes undesignated preferred stock, the terms of which may be established and shares of which may be issued, without the approval of the holders of our capital stock;
- advance notice procedures apply for stockholders to nominate candidates for election as directors or to bring matters before an annual meeting of stockholders; and
- the number of director nominees a stockholder may nominate is limited to the number of directors to be elected at the annual meeting of stockholders.

These anti-takeover defenses could discourage, delay or prevent a transaction involving a change in control of our company. These provisions could also discourage proxy contests and make it more difficult for stockholders to elect directors of their choosing and to cause us to take other corporate actions they desire, any of which, under certain circumstances, could limit the opportunity for our stockholders to receive a premium for their shares of our

Class A common stock, and could also affect the price that some investors are willing to pay for our Class A common stock.

Our amended and restated bylaws contain exclusive forum provisions for certain claims, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, or employees.

Our amended and restated bylaws, to the fullest extent permitted by law, provide that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware is the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of us, (ii) any action asserting a claim of breach of a duty (including any fiduciary duty) owed by any of our current or former directors, officers, stockholders, employees or agents to us or our stockholders, (iii) any action asserting a claim against us or any of our current or former directors, officers, stockholders, employees or agents arising out of or relating to any provision of the DGCL or our amended and restated certificate of incorporation or our amended and restated bylaws, or (iv) any action asserting a claim against us or any of our current or former directors, officers, stockholders, employees or agents governed by the internal affairs doctrine of the State of Delaware. This provision does not apply to suits brought to enforce any duty or liability created by the Securities Act, or rules and regulations thereunder.

Any person or entity purchasing or otherwise acquiring or holding any interest in any of our securities is deemed to have notice of and consented to our exclusive forum provisions, including the federal forum provision. Additionally, our stockholders cannot waive compliance with the federal securities laws and the rules and regulations thereunder. These provisions may limit our stockholders' ability to bring a claim in a judicial forum they find favorable for disputes with us or our directors, officers, or other employees, which may discourage lawsuits against us and our directors, officers, and other employees and agents. Alternatively, if a court were to find the choice of forum provision contained in our amended and restated bylaws to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business, operating results and financial condition.

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 0% convertible senior notes due 2026 (the "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 therefore 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.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 1C. CYBERSECURITY

Cybersecurity Risk Management and Strategy

We have established a cybersecurity program, informed by the National Institute of Standards and Technology Cybersecurity Framework (NIST CSF), that is designed to safeguard our information systems against cybersecurity threats. This program incorporates a variety of processes and cybersecurity tools designed to assess, identify and manage material risks from cybersecurity threats.

Those processes include automated and manual testing of our systems for vulnerabilities as well as monitoring and responding to suspicious activity. We use established cybersecurity risk frameworks to identify, measure and prioritize cybersecurity risks and develop corresponding cybersecurity controls and safeguards, and we have implemented a cybersecurity incident response plan that includes procedures for responding to cybersecurity incidents. Leveraging both internal and external resources, we conduct regular reviews and tests, including penetration testing as well as tabletop and red team exercises, to evaluate the effectiveness of our cybersecurity program, enhance our cybersecurity measures, and inform our planning. We periodically engage external auditors and consultants to assess our cybersecurity programs. We also maintain a risk-based approach to identifying and overseeing risks from cybersecurity threats associated with our use of third-party service providers.

In addition, we require Affirm employees to participate in cybersecurity awareness training. These training sessions are designed to enhance our employees' awareness of cybersecurity threats and provide information about best practices to protect Affirm's information systems. We require additional tailored cybersecurity training for certain employees based on their specific job responsibilities.

Our cybersecurity program is integrated with our overall risk management program through our Chief Information Security Officer's ("CISO") participation in governance structures such as the Risk Management Committee and Technology and Operational Risk Committee, and the incorporation of cybersecurity into the Company's overall compliance and enterprise risk management programs.

As of the date of this Report, our business strategy, results of operations and financial condition have not been materially affected by risks from cybersecurity threats, including as a result of previously identified cybersecurity incidents, but we cannot provide assurance that they will not be materially affected in the future by such risks or any future material incidents.

Cybersecurity Governance

Our Board of Directors has delegated authority to its Audit Committee to oversee risks associated with cybersecurity threats. Members of the Audit Committee receive updates periodically from our CISO regarding cybersecurity risks. These updates include, among other topics, reviews of existing and newly identified cybersecurity risks, status updates on how management is addressing and/or mitigating those risks, information about cybersecurity incidents (if any), as well as updates regarding the status of key cybersecurity initiatives.

Our CISO is principally responsible for assessing and managing our cybersecurity risk management program, in partnership with leaders from our Technology, Information Security, Internal Audit, Legal and Compliance teams. Such individuals have an average of over 20 years of prior work experience in various roles involving technology, information security, auditing and compliance. These individuals, including the CISO, are informed about and monitor the prevention, mitigation, detection and remediation of cybersecurity incidents through their management of, and participation in, the cybersecurity risk management and strategy processes described above, including the operation of our incident response plan. As discussed above, our CISO then makes periodic reports to the Audit Committee regarding such matters.

ITEM 2. PROPERTIES.

We lease facilities under operating leases with various expiration dates through 2030. Our corporate headquarters are located in San Francisco, California. We also lease office space in New York, New York; Pittsburgh, Pennsylvania; Chicago, Illinois; and Toronto, Ontario. We do not own any real property. We believe that our facilities are adequate to meet our current needs.

Item 3. Legal Proceedings

Please refer to Note 8. Commitments and Contingencies of the accompanying notes to our 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 4. Mine Safety Disclosures

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information for Common Stock

Our Class A common stock is traded on the Nasdaq Global Select Market under the symbol "AFRM". Our Class B common stock is not listed on any stock exchange nor traded on any public market.

Holders of Record

As of August 23, 2024, there were 252 stockholders of record of our Class A common stock. Because many of our shares of Class A common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these record holders. As of August 23, 2024, there were 174 stockholders of record of our Class B common stock.

Dividend Policy

We have never declared or paid cash dividends on our capital stock. We currently intend to retain any future earnings to finance the operation and expansion of our business, and we do not expect to declare or pay any dividends for the foreseeable future.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

We did not repurchase any of our equity securities during the fourth quarter of 2024.

Recent Sales of Unregistered Securities

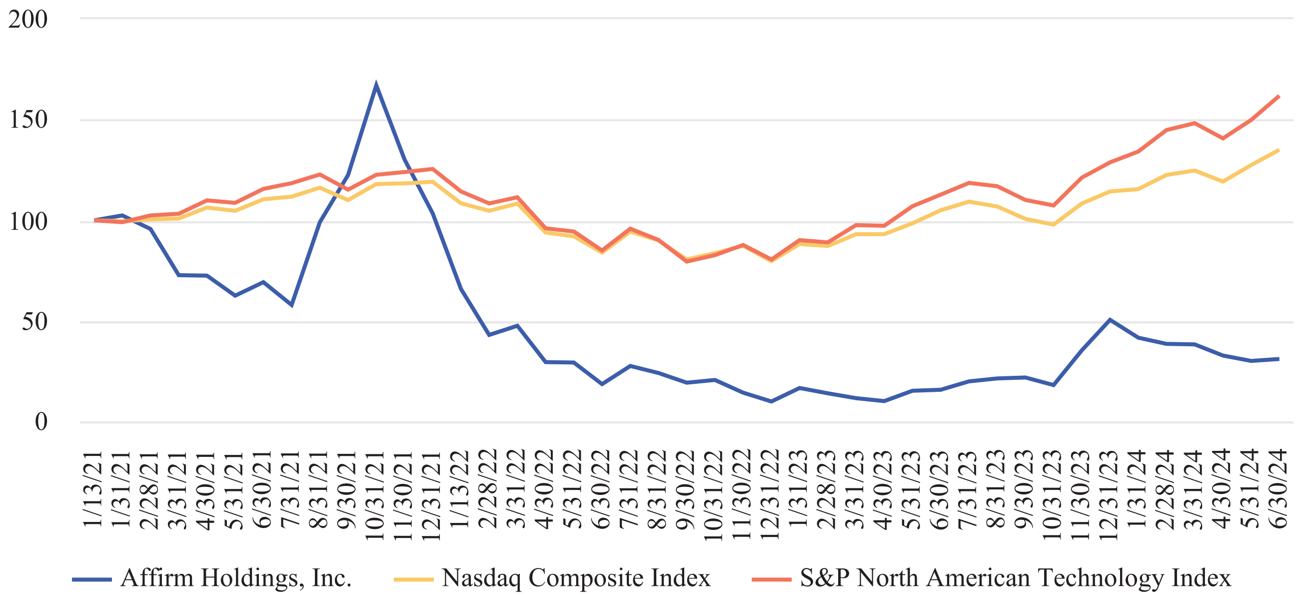
None.

Stock Performance Graph

This performance graph shall not be deemed “soliciting material” or be deemed “filed” with the SEC, for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any of our filings under the Securities Act.

The graph below shows the cumulative total stockholder return on our Class A common stock with the cumulative total return on the Nasdaq Composite Index and the S&P North American Technology Index. The graph assumes (i) that $100 was invested at the market close on January 13, 2021, the date that our Class A common stock commenced trading on the Nasdaq Global Select Market, in each of our Class A common stock, the Nasdaq Composite Index, and the S&P North American Technology Index and (ii) reinvestment of gross dividends. The graph uses the closing market price on January 13, 2021 of $97.24 per share as the initial value of our Class A common stock. The stock price performance shown in the graph represents past performance and should not be considered an indication of future stock price performance.

Comparison of Total Cumulative Return



ITEM 6. [RESERVED]

ITEM 7. 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 consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K ("Form 10-K"). You should review the section titled "Risk Factors" for a discussion of important factors that could cause our actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis. Unless the context otherwise requires, all references in this Report to "Affirm," the "Company," "we," "our," "us," or similar terms refer to Affirm Holdings, Inc. and its subsidiaries. A discussion regarding our financial condition and results of operations for the fiscal year ended June 30, 2024 compared to the fiscal year ended June 30, 2023 is presented below. A discussion regarding our financial condition and results of operations for the fiscal year ended June 30, 2023 compared to the fiscal year ended June 30, 2022 that are not included in this Form 10-K can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended June 30, 2023.

Overview

We are building the next generation payment network. We believe that by using modern technology, strong engineering talent, and a mission-driven approach, we can reinvent payments and commerce. Our solutions, which are built on trust and transparency, are designed to make it easier for consumers to spend responsibly and with confidence, easier for merchants and commerce platforms 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, late 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 consumer acquisition tools. Our solutions empower merchants to more efficiently promote and sell their products, optimize their consumer 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, for consumers, our app unlocks the full suite of Affirm products for a delightful end-to-end consumer experience. Consumers can use our app to apply for installment loans, and upon approval, they can use the Affirm Card digitally online or in-stores to complete a purchase. Additionally, consumers can manage the pre and post purchase split of Affirm Card transactions into loan, 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 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.

	Year ended June 30,			2024 vs 2023		2023 vs 2022	
	2024	2023	2022	$	%	$	%
	(in thousands, except percentages)						
Total revenue, net	**$ 2,322,999**	**$ 1,587,985**	**$ 1,349,292**	**$ 735,014**	**46 %**	**$ 238,693**	**18 %**
Total operating expenses	**2,938,846**	**2,788,847**	**2,215,340**	**149,999**	**5 %**	**573,507**	**26 %**
Operating loss	**$ (615,847)**	**$(1,200,862)**	**$ (866,048)**	**$ 585,015**	**(49)%**	**$ (334,814)**	**39 %**
Other income, net	100,320	211,617	141,217	(111,297)	(53) %	70,400	50 %
Loss before income taxes	**$ (515,527)**	**$ (989,245)**	**$ (724,831)**	**$ 473,718**	**(48)%**	**$ (264,414)**	**36 %**
Income tax expense (benefit)	2,230	(3,900)	(17,414)	6,130	(157) %	13,514	(78) %
Net loss	**$ (517,757)**	**$ (985,345)**	**$ (707,417)**	**$ 467,588**	**(47)%**	**$ (277,928)**	**39 %**

Our Financial Model

Our Revenue Model

We have three main loan product offerings: Pay-in-4, 0% annual percentage rate ("APR") monthly installment loans and interest-bearing monthly installment loans. Pay-in-4 is a short-term payment plan with four biweekly 0% APR installments.

From merchants, we typically earn a fee when we help them convert a sale and facilitate a transaction. 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 the years ended June 30, 2024, 2023, and 2022, Pay-in-4 represented 15%, 19%, and 22%, respectively, of total GMV facilitated through our platform while 0% APR installment loans represented 11%, 13%, and 21%, respectively.

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 our direct origination of a loan. For the years ended June 30, 2024, 2023, and 2022, interest bearing loans represented 74%, 68%, and 58% of total GMV facilitated through our platform, respectively.

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. Similarly, we also facilitate the issuance of the Affirm Card, a debit card that can be used physically or virtually and which allows consumers to link a bank account to pay in full, or pay later by accessing credit through the Affirm App. When these 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 their preferred repayment option. A portion of these loans are funded and issued by our originating bank partners, which include Cross River Bank, an FDIC-insured New Jersey state-chartered bank, Celtic Bank, an FDIC-insured Utah state-chartered industrial bank, and Lead Bank, an FDIC-insured Missouri state-chartered 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 such 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 of the accompanying notes to our consolidated financial statements 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 several states in the U.S. through our consolidated subsidiaries. We directly originated approximately $4.5 billion, or 17%, $3.7 billion, or 18%, and $3.3 billion, or 16% of loans for the years ended June 30, 2024, 2023 and 2022, 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. In the normal course of business, we do not sell the servicing rights on any of the loans. To allow for flexible staffing to support overflow and seasonal traffic, we partner with several sub-servicers to manage consumer care, first priority collections, and third-party collections in accordance with our policies and procedures.

Factors Affecting Our Performance

Our performance has been and may continue to be affected by many factors, including those identified below, as well as the factors discussed in the section titled “Risk Factors” in this Form 10-K.

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. As of June 30, 2024 and June 30, 2023, our equity capital as a percentage of our total platform portfolio has remained relatively unchanged at 5%. The mix of on-balance sheet and off-balance sheet funding is a function of how we choose to allocate loan volume, which is determined by the economic arrangements and supply of capital available to us, both of which may also impact our results in any given period.

Mix of Business on Our Platform

The shifts in merchant volumes and products offered in any period affect our operating results. These shifts impact GMV, revenue, our financial results, and our key operating metric performance for that period. Differences in loan product mix result in varying loan durations, APR, and mix of 0% APR and interest-bearing financings.

Product and economic terms of commercial agreements vary among our merchants, which may impact our results. 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 or not 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 and product offerings, revenue as a percentage of GMV may vary.

Additionally, our commercial agreements with our platform partners, along with the growing repeat usage of our Pay-in-4 and Affirm Card offerings, are driving an increase in low AOV transactions. As a result, while we expect that transactions per active consumer may increase, revenue as a percentage of GMV may decline in the medium term to the extent that a greater portion of our GMV comes from Pay-in-4, Affirm Card and other low-AOV offerings.

Seasonality

We experience seasonal fluctuations in our business as a result of consumer spending patterns, including Affirm Card, which we expect to mimic the seasonality of our general business in the near term. Historically, our GMV has been the strongest during our fiscal second quarter due to increases in retail commerce during the holiday season and our loan delinquencies are at their lowest during our fiscal third and fourth quarter, as consumer savings benefit from tax refunds. Adverse events that occur during our second fiscal quarter could have a disproportionate effect on our financial results for the fiscal year.

Macroeconomic Environment

We regularly monitor the direct and indirect impacts of the current macroeconomic conditions on our business, financial condition, and results of operations. Starting in fiscal 2023, the macroeconomic environment began to present a number of challenges to our business. In response to continued inflationary pressure, the U.S. Federal Reserve rapidly raised the federal funds interest rate from March 2022 through July 2023, and there is no certainty as to whether and to what extent the federal funds interest rate will remain at current levels, increase or decrease in future periods. Simultaneously, economic uncertainty and the prospect of economic recession has impacted consumer spending. These challenges have affected, and may continue to affect, our business and results of operations in the following ways:

- ***Shifts in consumer demand:*** Since fiscal 2023, we have experienced varying levels of consumer demand across different categories of merchandise. While there was an increase in overall consumer demand in fiscal 2024, we continued to experience decreased demand for certain discretionary items, which has impacted GMV growth in those categories. Continued economic uncertainty, inflationary pressures, and a higher interest rate environment may further negatively impact consumer demand in future periods.

- ***Increased borrowing costs:*** Our borrowing costs have remained elevated due to the interest rate environment, resulting in sustained higher transaction costs. Should the interest rate environment remain elevated, we may continue to experience higher transaction costs.

- ***Volatile capital markets:*** During fiscal 2024, capital markets have shown improvement against recent periods, which has been evidenced by substantial additions across our funding channels due to our strong loan performance. However, despite these improvements, uncertainties remain in the macroeconomic environment, especially with regard to persistent inflation and the potential for increased unemployment rates. To address these uncertainties, we leverage our diverse funding channels and counterparties, which contribute to our resilience across various macroeconomic conditions and economic cycles.

Consumer Credit Optimization and Loan Performance

We continue to optimize our underwriting and take other actions to manage consumer loan repayment, increase collections and minimize losses. For example, we offer loan modifications to borrowers experiencing financial difficulty to provide greater flexibility for consumers to repay their obligations, through payment deferrals or loan re-amortizations. A payment deferral extends the next payment due date, and while a consumer may receive more than one deferral, the total deferral period may not exceed three months. A loan re-amortization lowers the monthly payments by extending the term, which may not exceed twenty-four months.

These loan modification programs also impact our delinquency rates, and such impact can vary over time. As disclosed in Note 4. Loans Held for Investment and Allowance for Credit Losses of the accompanying notes to our consolidated financial statements during the year ended June 30, 2024, we expanded the eligibility of our loan modification programs, which resulted in a modest benefit to delinquency rates for loans held for investment as of June 30, 2024. As we continue to evaluate the effectiveness of these programs, we may modify, expand, or contract the usage of these programs, which may impact our delinquency rates in future periods.

As of June 30, 2024, taking into account the loan modifications discussed above, our 30-day delinquency rates for monthly installment loans were comparable to our delinquency rates as of June 30, 2023. However, our allowance rates for loan losses as of June 30, 2024 increased over our allowance rates as of June 30, 2023 due primarily to adjustments in our credit criteria in light of increasing interest income generated by our loans. In future fiscal quarters, on a comparative basis, delinquency rates may vary with seasonal trends as well as due to other actions, including underwriting and profitability optimizations and the level of loan modifications implemented in the current or preceding fiscal quarters.

Regulatory Developments

We are subject to the regulatory and enforcement authority of the Consumer Financial Protection Bureau (the "CFPB") as a facilitator, servicer, acquirer or originator of consumer credit. As such, the CFPB has in the past requested reports concerning our organization, business conduct, markets, and activities, and we expect that the CFPB will continue to do so from time to time in the future. In addition, we are supervised by the CFPB, which enables it, among other things, to conduct comprehensive and rigorous examinations to assess our compliance with consumer financial protection laws, which in turn could result in matters requiring attention, enforcement investigations and actions, regulatory fines and mandated changes to our business products, policies and procedures.

On May 22, 2024, the CFPB issued the Truth in Lending Interpretive Rule, effective July 30, 2024, that extended to Buy Now, Pay Later (BNPL) providers certain dispute and refund requirements applicable to credit card providers. The Interpretive Rule is an interpretation of existing law, thereby applying to past operations. The Interpretive Rule may result in operational and compliance challenges and new litigation risks and scrutiny by federal and state regulators.

Key Operating Metrics

We focus on several key operating metrics to measure the performance of our business and help determine our strategic direction. In addition to revenue, net loss, and other results under U.S. GAAP, the following tables set forth key operating metrics we use to evaluate our business.

	Year ended June 30,		
	2024	2023	2022
		(in billions)	
Gross merchandise volume (GMV)	$ 26.6	$ 20.2	$ 15.5

GMV

We measure GMV 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, it is an indicator of the success of our merchants and the strength of our platform.

For the year ended June 30, 2024, GMV was $26.6 billion, an increase of approximately 32% from $20.2 billion for the year ended June 30, 2023, and an increase of approximately 72% from $15.5 billion for the year ended June 30, 2022. Overall, the increase in GMV was driven by an increase in volume at our top five merchants and platform partners as well as overall increases in our active merchant base, active consumers and average transactions per consumer. The increase in GMV for the year ended June 30, 2024 also reflected increased consumer demand at our largest merchant partners by GMV and increased consumer demand in our travel and ticketing, electronics and general merchandise categories.

For the years ended June 30, 2024, 2023, and 2022, our top five merchants and platform partners represented approximately 47%, 42%, and 32%, respectively, of total GMV. For the year ended June 30, 2024, GMV attributable to Amazon represented 21% of total GMV. For both the years ended June 30, 2023 and 2022, GMV attributable to Amazon represented less than 20% of total GMV.

	June 30, 2024	June 30, 2023	June 30, 2022
	(in thousands, except per consumer data)		
Active consumers	18,713	16,469	13,980
Transactions per active consumer	4.9	3.9	3.0

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 June 30, 2024, we had approximately 18.7 million active consumers, which represented an increase of 14% compared to approximately 16.5 million as of June 30, 2023, and 34% compared to approximately 14.0 million as of June 30, 2022. The increase was primarily due to a high retention rate of existing consumers and the acquisition of new consumers through an expanding active merchant base, Affirm Card and platform partnerships.

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 June 30, 2024, we had approximately 4.9 transactions per active consumer, an increase of 26% compared to June 30, 2023 and an increase of 64% compared to June 30, 2022. The increase was primarily due to platform growth, a higher frequency of repeat users driven by consumer engagement and growth of Affirm Card active consumers. As of June 30, 2024, Affirm Card represented approximately 8% of the total number of transactions compared to approximately 2% as of June 30, 2023.

Results of Operations

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

	Year ended June 30,			2024 vs 2023		2023 vs 2022	
	2024	2023	2022	$ Change	% Change	$ Change	% Change
		(in thousands)					
Revenue							
Merchant network revenue	$ 674,607	$ 507,600	$ 458,511	$ 167,007	33 %	$ 49,089	11 %
Card network revenue	151,401	119,338	100,696	32,063	27 %	18,642	19 %
Total network revenue	826,008	626,938	559,207	199,070	32 %	67,731	12 %
Interest income [1]	1,204,355	685,217	527,880	519,138	76 %	157,337	30 %
Gain on sales of loans [1]	197,153	188,341	196,435	8,812	5 %	(8,094)	(4) %
Servicing income	95,483	87,489	65,770	7,994	9 %	21,719	33 %
Total revenue, net	**$2,322,999**	**$ 1,587,985**	**$1,349,292**	**$ 735,014**	**46 %**	**$ 238,693**	**18 %**
Operating expenses [2]							
Loss on loan purchase commitment	$ 180,395	$ 140,265	$ 204,081	$ 40,130	29 %	$ (63,816)	(31) %
Provision for credit losses	460,628	331,860	255,272	128,768	39 %	76,588	30 %
Funding costs	344,253	183,013	69,694	161,240	88 %	113,319	163 %
Processing and servicing	343,249	257,343	157,814	85,906	33 %	99,529	63 %
Technology and data analytics	501,857	615,818	418,643	(113,961)	(19) %	197,175	47 %
Sales and marketing	576,405	638,280	532,343	(61,875)	(10) %	105,937	20 %
General and administrative	525,291	586,398	577,493	(61,107)	(10) %	8,905	2 %
Restructuring and other	6,768	35,870	—	(29,102)	(81) %	35,870	NM*
Total operating expenses	**2,938,846**	**2,788,847**	**2,215,340**	**149,999**	**5 %**	**573,507**	**26 %**
Operating loss	**$ (615,847)**	**$ (1,200,862)**	**$ (866,048)**	**$ 585,015**	**(49)%**	**$ (334,814)**	**39 %**
Other income, net	100,320	211,617	141,217	(111,297)	(53) %	70,400	50 %
Loss before income taxes	**$ (515,527)**	**$ (989,245)**	**$ (724,831)**	**$ 473,718**	**(48)%**	**$ (264,414)**	**36 %**
Income tax expense (benefit)	2,230	(3,900)	(17,414)	6,130	(157) %	13,514	(78) %
Net loss	**$ (517,757)**	**$ (985,345)**	**$ (707,417)**	**$ 467,588**	**(47)%**	**$ (277,928)**	**39 %**

* Not meaningful

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(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 or off-balance sheet securitization trust, 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:

	Year ended June 30,		
	2024	2023	2022
		(in thousands)	
Balance at the beginning of the period	$ 96,576	$ 42,780	$ 53,177
Additions from loans purchased or originated, net of refunds	268,441	259,720	366,900
Amortization of discount	(204,654)	(158,703)	(185,050)
Unamortized discount released on loans sold	(60,580)	(46,885)	(191,612)
Impact of foreign currency translation	(1,256)	(336)	(635)
Balance at the end of the period	$ 98,527	$ 96,576	$ 42,780

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

	Year ended June 30,		
	2024	2023	2022
		(in thousands)	
General and administrative	$ 228,334	$ 239,923	$ 248,797
Technology and data analytics	96,596	181,396	116,531
Sales and marketing	16,374	25,914	23,224
Processing and servicing	3,207	4,476	2,431
Total stock-based compensation in operating expenses	344,511	451,709	390,983
Capitalized into property, equipment and software, net	126,510	80,108	54,542
Total stock-based compensation	$ 471,021	$ 531,817	$ 445,525

Comparison of the Years Ended June 30, 2024 and 2023

Merchant Network Revenue

Merchant network revenue is impacted by both GMV and the mix of loans originated on our platform as merchant fees vary based on loan characteristics. In particular, merchant network revenue as a percentage of GMV typically increases with longer-term, non interest-bearing loans with higher AOVs, and decreases with shorter-term, interest-bearing loans with lower AOVs.

Merchant network revenue for the year ended June 30, 2024 increased by $167.0 million, or 33%, compared to the same period in 2023. The increase is primarily attributed to an increase of $6.4 billion or 32% in GMV for the year ended June 30, 2024. GMV increased from $20.2 billion as of June 30, 2023 to $26.6 billion as of June 30, 2024. The increase in GMV is a result of continued growth at our top five merchants and platform partners representing approximately 47% and 42% as of June 30, 2024 and 2023, respectively, as well as growth in our active merchant base and active consumers, reaching approximately 303 thousand and 18.7 million, respectively, as of June 30, 2024, up from approximately 254 thousand and 16.5 million, respectively, as of June 30, 2023. Additionally, the average transactions per active consumer increased from 3.9 as of June 30, 2023 to 4.9 as of June 30, 2024. The increase in consumers and average transactions per active consumer is partially offset by a decrease in AOVs. For the year ended June 30, 2024 AOV was $292 down from $318 for the same period in fiscal 2023. The decrease in AOV is due to the diversification of our merchant base and our initiative to drive repeat usage of our platform beyond one-time high AOV purchases.

Card Network Revenue

Card network revenue for the year ended June 30, 2024 increased by $32.1 million, or 27%, compared to the same period in 2023. Card network revenue growth is correlated with the growth of GMV processed by our issuer processors. As such, the increase is primarily driven by $8.2 billion of GMV processed through our issuer processors, an increase of 40% for the year ended June 30, 2024, as compared to the same period in 2023. This was driven by increased card activity through Affirm Card and our single use virtual debit cards, as well as growth in existing and new merchants utilizing our agreement with card-issuing partners as a means of integrating Affirm services, which grew from approximately 1,300 merchants as of June 30, 2023 to 1,900 merchants as of June 30, 2024. 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

Interest income for the year ended June 30, 2024 increased by $519.1 million, or 76%, compared to the same period in 2023. Generally, interest income is correlated with the changes in the average balance of loans held for investment, which increased by 49% to $5.1 billion for the year ended June 30, 2024, compared to the same period in 2023. As a result, interest income from interest-bearing loans increased $481.8 million, or 86%, compared to the same period in 2023. This increase was partially due to an increase in the volume of interest bearing loans originated, which increased to 74% of total GMV for the year ended June 30, 2024, compared to 68% of total GMV in the same period in 2023, in addition to recent pricing initiatives, including the increase of the maximum APR and merchant-subsidized low APR loans replacing previously non-interest bearing loans.

Gain on Sale of Loans

Gain on sales of loans for the year ended June 30, 2024 increased by $8.8 million, or 5%, compared to the same period in 2023. The increase was driven by an increase in loan sale volume to third-party loan buyers. We sold loans with an unpaid principal balance of $10.2 billion for the year ended June 30, 2024, compared to $7.5 billion for the year ended June 30, 2023.

Servicing Income

Servicing income includes net servicing fee revenue and fair value adjustments for servicing assets and liabilities, and is recognized for loan portfolios sold to third-party loan buyers and for loans held within our off-balance sheet securitizations. Servicing fee revenue varies by contractual servicing fee arrangement and is earned as a percentage of the average unpaid principal balance of loans held by each counterparty where we have a servicing agreement. We reduce servicing income for certain fees we are required to pay per our contractual servicing arrangement.

With respect to fair value adjustments, we remeasure the fair value of servicing assets and liabilities each period and recognize the change in fair value in servicing income. We utilize a discounted cash flow approach to remeasure the fair value of servicing rights. Because we earn servicing income based on the outstanding principal balance of the portfolio, fair value adjustments are impacted by the timing and amount of loan repayments. As such, over the term of each loan portfolio sold, fair value adjustments for servicing assets will decrease servicing income and fair value adjustments for servicing liabilities will increase servicing income. We discuss our valuation methodology and significant Level 3 inputs for servicing assets and liabilities within Note 13. Fair Value of Financial Assets and Liabilities of the accompanying notes to our consolidated financial statements.

Servicing income for the year ended June 30, 2024 increased by $8.0 million, or 9%, compared to the same period in 2023. The increase was primarily due to an increase in net servicing fee revenue which is calculated as a percentage of the unpaid principal balance of loans owned by third-party loan owners. The average unpaid principal balance of loans owned by third-party loan owners increased from $4.5 billion during the year ended June 30, 2023 to $4.9 billion during the year ended June 30, 2024, an increase of 7%. The increase was partially offset by fair value adjustments related to servicing assets and liabilities, resulting in a $2.5 million lower gain during the year ended June 30, 2024, compared to the same period in 2023.

Loss on Loan Purchase Commitment

We purchase certain loans from our originating bank partners that are processed through our platform and put back to us by our originating bank partners. 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 and fees. 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 consolidated statements of operations and comprehensive loss. These costs are incurred on a per loan basis.

Loss on loan purchase commitment for the year ended June 30, 2024 increased by $40.1 million, or 29%, compared to the same period in 2023, primarily due to an increase in total loans purchased. During the year ended June 30, 2024, we purchased $21.5 billion of loans from our originating bank partners, compared to $16.2 billion in the same period in 2023, representing an increase of 33%.Additionally, discount rate assumption used to calculate the fair market value of loans increased during the period, which contributed to higher losses on loan purchase commitments.

Provision for Credit Losses

Provision for credit losses generally represents the amount of expense required to maintain the allowance for credit losses on our 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 based on our estimate of expected future losses on loans originated during the period and held for investment on our balance sheet, changes in our estimate of future losses on loans outstanding as of the end of the period and the net charge-offs incurred in the period.

Provision for credit losses increased by $128.8 million, or 39%, for the year ended June 30, 2024 compared to the same period in 2023, driven by growth in the volume of loans held for investment. Loans held for investment as of June 30, 2024 was $5.7 billion, an increase of $1.3 billion, or 29% as compared to the same period in 2023. The allowance for credit losses as a percentage of loans held for investment increased from 4.6% as of June 30, 2023 to 5.5% as of June 30, 2024. The increase in the allowance rate from June 30, 2023 is primarily driven by an increase in loans held on our balance sheet as well as adjustments in our credit criteria in light of increasing interest income generated by our loans and changes in the loan mix.

Funding Costs

Funding costs consist of interest expense and the amortization of fees for certain borrowings collateralized by our loans including warehouse credit facilities and consolidated securitizations, sale and repurchase agreements collateralized by our retained securitization interests, and other costs incurred in connection with funding the purchases and originations of loans. Funding costs for a given period are driven by the average outstanding balance of funding debt and notes issued by securitization trusts as well as our contractual interest rate and distribution of loans across funding facilities, net of the impact of any designated cash flow hedges.

Funding costs for the year ended June 30, 2024 increased by $161.2 million or 88%, compared to the same period in 2023. The increase was primarily due to higher benchmark interest rates and an increase of funding debt and notes issued by securitization trusts during the year ended June 30, 2024. The average total of funding debt from warehouses and securitizations for the year ended June 30, 2024 was $4.5 billion compared to $2.5 billion during the same period in 2023, an increase of $2.0 billion, or 81%. The increase was also attributable to a larger volume of on-balance sheet loans being retained during the period. The average on-balance sheet loan balance was $5.1 billion for the year ended June 30, 2024, respectively, an increase of 49% compared to$3.4 billion during the same periods in 2023, 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.

Processing and servicing expense for the year ended June 30, 2024 increased by $85.9 million, or 33%, compared to the same period in 2023. This increase was primarily driven by an increase in payment processing fees of $55.4 million, or 41%, related to increased payment volume for the year ended June 30, 2024. Additionally, our platform fees increased by $37.5 million, or 91%, for the year ended June 30, 2024 due to an increase in our volume with a large enterprise partner. The increase was partially offset by a $7.6 million, or 34%, decrease in personnel-related costs, for the year ended June 30, 2024 compared to the same period in 2023 as a result of our reduction in force and cost management plans.

Technology and Data Analytics

Technology and data analytics expense consists primarily of the salaries, stock-based compensation, and personnel-related costs of our engineering, product, and credit and analytics employees, as well as the amortization of internally-developed software and technology intangible assets, and our infrastructure and hosting costs.

Technology and data analytics expense for the year ended June 30, 2024 decreased by $114.0 million or 19%, compared to the same period in 2023. The decrease is primarily driven by a decrease of $138.1 million, or 39%, in stock-based compensation and payroll and personnel-related costs for the year ended June 30, 2024, compared to the same period in 2023, due to higher capitalized compensation costs related to internally-developed software and a reduction in force. Additionally, data infrastructure and hosting costs decreased by $26.0 million, or 23%, for the year ended June 30, 2024 compared to the same period in 2023, due to cost optimization initiatives as a result of improved contractual terms with several key vendors. The decrease is partially offset by amortization of internally-developed software which increased by $44.0 million, or 40%, for the year ended June 30, 2024 compared to the same period in 2023, as a result of an increase in the number of capitalized projects. Capitalized projects grew by 36% from approximately 660 projects as of June 30, 2023 to 890 projects as of June 30, 2024.

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, costs of marketing and promotional activities.

Sales and marketing expense for the year ended June 30, 2024 decreased by $61.9 million or 10%, compared to the same period in 2023. The decrease was primarily driven by a decrease of $26.0 million, or 37%, in payroll and personnel-related costs during the year ended June 30, 2024 compared to the same period in 2023, as a result of our reduction in force and cost management plans. Amazon warrant expense decreased by $23.7 million, or 5%, during the year ended June 30, 2024 compared to the same period in 2023, primarily due to the renewal of the commercial partnership agreement in February 2024, which extended the amortization period of the commercial agreement asset, as well as a decrease in the number of new users to the Amazon program during the year ended June 30, 2024, which is the basis for a portion of the warrant expense. Additionally, amortization of intangible assets decreased by $8.1 million, or 46%, for the year ended June 30, 2024 compared to the same period in 2023, as a result of one-time acceleration of amortization of Returnly's intangibles assets related to the wind down of our returns management platform during fiscal 2023.

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, allocated overhead, and certain discretionary expenses incurred from operating our technology platform.

General and administrative expense for the year ended June 30, 2024 decreased by $61.1 million or 10%, compared to the same period in 2023. The decrease was primarily due to a $28.5 million, or 6%, decrease in payroll and personnel-related costs compared to the same period in 2023, as a result of our reduction in force and cost management plans. Additionally, insurance expense decreased by $7.9 million, or 42%, driven by a rate reduction during policy contract renewals for the year ended June 30, 2024 compared to the same period in 2023. Software subscription and license costs decreased by $5.3 million, or 14%, during the year ended June 30, 2024 and development service costs decreased by $4.2 million, or 45%, during the year ended June 30, 2024 compared to the same period in 2023, primarily as a result of efficiency improvements, contract renegotiations, and discontinuance of certain software and subscriptions.

Restructuring and Other

Restructuring and other for the year ended June 30, 2024 decreased by $29.1 million compared to the same period in 2023. The restructuring and other expenses during the year ended June 30, 2024 included employee severance and related costs as a result of certain exit and disposal activities. The restructuring and other expenses during the year ended June 30, 2023 primarily related to the restructuring plan we committed to in February 2023, which is complete. We do not expect future costs or payments related to the plan.

Other Income, net

Other income, net includes interest earned on our money market funds included in cash and cash equivalents and restricted cash, interest earned on securities available for sale, impairment or other adjustments to the cost basis of non-marketable equity securities held as cost, gains and losses on derivative agreements not designated within a hedging relationship, amortization of convertible debt issuance cost as well as gains (losses) on extinguishment, revolving credit facility issuance costs, fair value adjustments related to contingent liabilities, and other income or expense arising from activities that are unrelated to our primary business.

Other income, net decreased by $111.3 million, or 53%, during the year ended June 30, 2024, compared to the same period in 2023, primarily driven by a decrease in income related to our convertible note repurchases. We repurchased a portion of our 2026 convertible notes with a principal balance of $76.7 million and $299.1 million as of June 30, 2024 and 2023, respectively, resulting in a gain on repurchase of our convertible debt of $12.6 million and $89.8 million, respectively, a decrease of $77.2 million year-over-year. Additionally, income from derivative instruments not designated in a hedge accounting relationship decreased by $43.6 million year-over-year primarily driven by a decrease in the notional balance of the derivative instruments and less volatility in interest rates.

Income Tax Expense (Benefit)

The income tax expense / (benefit) for the year ended June 30, 2024 of $2.2 million changed from $(3.9) million for the same period in 2023, an overall increase to income tax expense (or decrease to income tax benefit) of $6.1 million, or 157%. This increase to income tax expense (decrease of income tax benefit) was primarily attributable to the increase in pretax book income in certain foreign jurisdictions for the year ended June 30, 2024 and its related income tax effects, whereas the income tax benefit recognized for the year ended June 30, 2023 was primarily attributable to the income tax effects of pretax book losses for that period in the same foreign jurisdictions.

Liquidity and Capital Resources

Sources and Uses of Funds

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 credit 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. We proactively manage the allocation of loans on our platform across various funding channels based on several factors including, but not limited to, internal risk limits and policies, capital market conditions and channel economics. Our excess funding capacity and committed and long-term relationships with a diverse group of existing funding partners help provide flexibility as we optimize our funding to support the growth in loan volume.

Our principal sources of liquidity are cash and cash equivalents, available for sale securities, available capacity from warehouse and revolving credit facilities, securitization trusts, forward flow loan sale arrangements, and certain cash flows from our operations. As of June 30, 2024, we had $2.1 billion in cash and cash equivalents and available for sale securities, $3.8 billion in available funding debt capacity, excluding our purchase commitments from third-party loan buyers, and $330 million in borrowing capacity available under our revolving credit facility. We believe our principal sources of liquidity 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.

The following table summarizes our cash, cash equivalents and investments in debt securities (in thousands):

	June 30, 2024	June 30, 2023
Cash and cash equivalents [1]	$ 1,013,106	$ 892,027
Investments in short-term debt securities [2]	865,766	915,003
Investments in long-term debt securities [2]	265,862	259,650
Cash, cash equivalent and investments in debt securities	**$ 2,144,734**	**$ 2,066,680**

(1) Cash and cash equivalents consist of checking, money market and savings accounts held at financial institutions and short-term highly liquid marketable securities, including money market funds, government bonds, and other corporate securities purchased with an original maturity of three months or less.

(2) Securities available for sale at fair value primarily consist of certificates of deposits, corporate bonds, commercial paper, and government bonds. Short-term securities have maturities less than or equal to one year, and long-term securities range from greater than one year to less than five years.

Funding Debt

Funding debt as of June 30, 2024 primarily includes our warehouse credit facilities and sale and repurchase agreements. A detailed description of each of our borrowing arrangements is included in Note 9. Debt in the notes to the consolidated financial statements. The following table summarizes our funding debt facilities as of June 30, 2024.

Maturity Fiscal Year	Borrowing Capacity	Principal Outstanding
	(in thousands)	
2025	$ 1,000,000	$ 328,921
2026	2,775,000	939,969
2027	1,200,000	194,878
2028	409,520	207,038
2029	54,546	54,546
Thereafter	201,060	126,347
Total	**$ 5,640,126**	**$ 1,851,699**

U.S.

Our warehouse credit facilities allow us to borrow up to an aggregate of $5.0 billion, mature between 2025 and 2027 and subject to covenant compliance, generally permit borrowings from to 4 - 12 months prior to the final maturity date. As of June 30, 2024, we have drawn an aggregate of $1.4 billion on our warehouse credit facilities. As of June 30, 2024, we were in compliance with all applicable covenants in the agreements.

International

We use various credit facilities to finance the origination of loan receivables in Canada. Similar to our U.S. 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 Canadian loan receivables pledged to the respective facility as collateral, maturing between 2028 and 2030. As of June 30, 2024, the aggregate commitment amount of these facilities was $665.1 million on a revolving basis, of which $387.9 million was drawn.

Sale and Repurchase Agreements

We entered into various 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. These agreements have an initial term of three months and subject to mutual agreement by Affirm and the counterparty, we may enter into one or more repurchase date extensions, each for an additional three month term at market interest rates on such extension date. We had $34.5 million and $11.0 million in debt outstanding under our sale and repurchase agreements disclosed within funding debt on the consolidated balance sheets as of June 30, 2024 and June 30, 2023, respectively.

Other Funding Sources

Securitizations

In connection with asset-backed securitizations, 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. 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. 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. Refer to Note 10. Securitization and Variable Interest Entities in the notes to the consolidated financial statements for further details.

Revolving Credit Facility

On June 26, 2024, we entered into an amendment to our revolving credit agreement under the terms of which the aggregate commitment was increased to $330.0 million and the final maturity date was extended three years to June 26, 2027. As of June 30, 2024, there are no borrowings outstanding under the facility. The facility contains certain covenants and restrictions, including certain financial maintenance covenants. As of June 30, 2024, we were in compliance with all applicable covenants in the agreements. Refer to Note 9. Debt in the notes to the consolidated financial statements for further details on our revolving credit facility.

Forward Flow Loan Sale Arrangements

We have forward flow loan sale arrangements that facilitate the sale of whole loans across a diverse third-party investor base. Forward flow arrangements are generally fixed term in nature, with term lengths ranging between one to three years, during which we periodically sell loans to each counterparty based on the terms of our negotiated agreement.

Cash Flow Analysis

The following table provides a summary of cash flow data during the periods indicated:

	Year ended June 30,	
	2024	2023
	(in thousands)	
Net cash provided by operating activities	$ 450,138	$ 12,181
Net cash used in investing activities	$ (1,325,149)	$ (1,653,070)
Net cash provided by financing activities	$ 913,149	$ 1,349,945

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.

Net cash provided by operating activities was $450.1 million for the year ended June 30, 2024. Net loss of $517.8 million was adjusted for the add back of net non-cash items increasing operating cash flows by $1.0 billion, offset by a net decrease in operating cash flows from net changes in our operating assets and liabilities of $63.0 million. The non-cash item adjustments are primarily attributable to $460.6 million provision for credit losses, $406.7 million commercial agreement warrant expense, $344.5 million stock-based compensation expense, and $169.0 million depreciation and amortization expense, which were partially offset by $197.2 million gain on sale of loans and $187.7 million amortization of premiums and discounts on loans. The net decrease in cash from changes in operating assets and liabilities was primarily driven by an increase of accounts receivable of $167.8 million, a decrease in accrued expenses and other liabilities of $55.2 million, which was partially offset by an increase in payable to third party loans owners of $105.8 million. In addition, cash used for the purchase and origination of loans held for sale was $4.2 billion, which was offset by cash proceeds generated from the sale of loans held for sale of $4.2 billion.

Net cash provided by operating activities was $12.2 million for the year ended June 30, 2023. Net loss of $985.3 million was adjusted for the add back of net non-cash items increasing operating cash flows by $967.4 million, and a net increase in operating cash flows from net changes in our operating assets and liabilities of $30.1 million. The non-cash item adjustments are primarily attributable to $331.9 million provision for credit losses, $421.9 million commercial agreement warrant expense, $451.7 million stock-based compensation expense, and $134.6 million depreciation and amortization expense, which were partially offset by $188.3 million gain on sale of loans and $141.1 million amortization of premiums and discounts on loans. The net increase in cash from changes in operating assets and liabilities was primarily driven by cash proceeds generated from the sale of loans held for sale of $6.2 billion which was offset by cash used for the purchase and origination of loans held for sale of $6.0 billion, an increase of accounts receivable of $67.7 million, a decrease in accrued expenses and other liabilities of $38.2 million, and a decrease in payable to third party loans owners of $17.5 million.

Investing Activities

Net cash used in investing activities was $1.3 billion for the year ended June 30, 2024, which consisted of outflows related to $21.5 billion of purchases and origination of loans held for investment, including originated and purchased loans of $4.3 billion and $17.2 billion, respectively, during the period, $1.0 billion of purchases of securities available for sale, and $159.3 million of property, equipment and software additions. Inflows related to $14.1 billion of principal repayments of loans, $6.1 billion of proceeds from sale of loans held for investment, and $1.1 billion of proceeds from maturities of securities available for sale.

Net cash used in investing activities was $1.7 billion for the year ended June 30, 2023, which consisted of outflows related to $13.6 billion of purchases and origination of loans held for investment, including originated and purchased loans of $3.6 billion and $10.0 billion, respectively, during the period, $1.1 billion of purchases of securities available for sale, and $120.8 million of our investment in purchases of property, equipment and software. Inflows related to $10.0 billion of principal repayments of loans, $1.6 billion of proceeds from sale of loans, and $1.5 billion of proceeds from maturities and repayments of securities available for sale.

Financing Activities

Net cash provided by financing activities was $0.9 billion for the year ended June 30, 2024, primarily consisted of net cash inflows of $1.1 billion from the new issuance and repayment of notes and residual trust certificates issued by securitization trusts as well as net cash inflows of $59.2 million related to borrowing and repayment of funding debt. This was partially offset by net cash outflows of $189.2 million related to taxes paid on vested RSUs.

Net cash provided by financing activities was $1.3 billion for the year ended June 30, 2023, primarily consisted of net cash inflows of $0.5 billion from the new issuance and repayment of notes and residual trust certificates issued by securitization trusts, and by net cash inflows of $1.1 billion related to borrowing and repayment of funding debt. This was partially offset by net cash outflows of $206.6 million related to the extinguishment of a portion of our 2026 Notes.

Contractual Obligations

	Payments Due By Period				
	Total	Less than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 Years
			(in thousands)		
Funding debt	$ 1,851,699	$ 328,921	$ 1,134,847	$ 261,584	$ 126,347
Notes issued by securitization trusts	3,247,689	—	—	3,247,689	—
Operating lease commitments [(1)]	43,335	16,742	18,898	4,432	3,263
Purchase obligations [(2)]	575,927	111,008	198,395	198,143	68,381
Convertible senior notes [(3)]	1,349,207	—	1,349,207	—	—
Total	$ 7,067,857	$ 456,671	$ 2,701,347	$ 3,711,848	$ 197,991

(1) Operating lease amounts include minimum rental payments under our non-cancelable leases primarily for office facilities. The amounts presented are consistent with contractual terms and are not expected to differ significantly from actual results under our existing leases.

(2) Purchase obligations amounts primarily include minimum purchase commitments for cloud computing web services entered into in the ordinary course of business.

(3) The 2026 Notes have an aggregated principal balance of $1.3 billion and do not bear interest. The 2026 Notes mature on November 15, 2026.

The commitment amounts in the table above are associated with contracts that are enforceable and legally binding and that specify all significant terms, including fixed or minimum services to be used, fixed, minimum or variable price provisions, and the approximate timing of the actions under the contracts.

Off-Balance Sheet Arrangements

In the ordinary course of business, we engage in activities that are not reflected on our consolidated balance sheets, generally referred to as off-balance sheet arrangements. These activities involve transactions with unconsolidated VIEs, including our sponsored securitization transactions, which we contractually service.

For off-balance sheet loan sales where servicing is the only form of continuing involvement, we could experience a loss if we were required to repurchase 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 trust certificates. In the unlikely event principal payments on the loans backing any off-balance sheet securitization are insufficient to pay holders of senior notes and residual trust certificates, including any retained interests held by Affirm, then any amounts we contributed to the securitization reserve accounts may be depleted. See Note 10. Securitization and Variable Interest Entities of the accompanying notes to our consolidated financial statements for more information.

As of June 30, 2024, the aggregate outstanding balance of loans held by third-party investors and off balance sheet securitizations was $5.1 billion.

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 and requires us to make certain estimates and judgments that affect the amounts reported in our 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 may be affected.

We evaluate our significant estimates on an ongoing basis. We believe the estimates, discussed below, have the greatest potential effect on our consolidated financial statements and are therefore deemed critical in understanding and evaluating our financial results. For further information, our significant accounting policies are described in Note 2. Summary of Significant Accounting Policies within the notes to the consolidated financial statements.

Loss on Loan Purchase Commitment and Loss on Loan Origination

We purchase certain loans from our originating bank partners that are processed through our platform that our originating bank partner puts back to us. 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 consolidated statements of operations and comprehensive loss.

Similarly, 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 network revenue.

For both loans originated by our bank partners and loans originated through our subsidiaries, the loss is measured as the difference between the estimated fair value of the loan and the par amount of the loan at origination.

The fair value of a loan is estimated based on the present value of expected future cash flows, using both observable and unobservable inputs, including the expected timing and amount of losses, the discount rate, and the recovery rate. These inputs are based on historical performance of loans facilitated through our platform, as well as the consideration of market participant requirements. While our estimate reflects assumptions we believe a market participant would use to calculate fair value, significant judgment is required.

Allowance for Credit Losses

The allowance for credit losses on loans held for investment is determined based on management's 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. We immediately recognize an allowance for expected credit losses upon origination of a loan. 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 consolidated statements of operations and comprehensive loss. We have made an accounting policy election to not measure an allowance for credit losses for accrued interest receivables. Previously recognized interest receivable from charged-off loans that is accrued but not collected from the consumer is reversed.

In estimating the allowance for credit losses, management utilizes a migration analysis of delinquent and current loan receivables. Migration analysis is a technique used to estimate the likelihood that a loan receivable will progress through various stages of delinquency and to charge-off. The analysis focuses on the pertinent factors underlying the quality of the loan portfolio. These factors include historical performance, the age of the receivable balance, seasonality, consumer credit-worthiness, changes in the size and composition of the loan portfolio, delinquency levels, bankruptcy filings and actual credit loss experience. We also take into consideration certain qualitative factors, in which we adjust our quantitative baseline using our best judgement to consider the inherent uncertainty regarding future economic conditions and consumer loan performance. For example, we consider the impact of current economic and environmental factors at the reporting date that did not exist over the period from which historical experience was used.

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 or meets other charge-off policy requirements. Subsequent recoveries of the unpaid principal balance, if any, are credited to the allowance for credit losses.

The underlying assumptions, estimates, and assessments we use to provide for losses are updated periodically to reflect our view of current conditions, which can result in changes to our assumptions. Changes in such estimates can significantly affect the allowance and provision for credit losses. It is possible that we will experience loan losses that are different from our current estimates.

Recent Accounting Pronouncements

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We have operations within the United States and Canada, 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 our current operations are primarily in the U.S.

Interest Rate Risk

Our securities available for sale at fair value as of June 30, 2024 included $1.1 billion of marketable debt securities with maturities greater than three months. An increase 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 significant.

Continued volatility in interest rates and inflation, which may persist longer than previously expected, may adversely impact our consumers’ 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 but also for consumers’ other financial commitments, including their mortgages, credit cards, and other types of 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. For future securitization issuances, higher interest rates could have several outcomes. For consolidated securitizations, higher interest rates may result in higher coupons paid and therefore higher funding costs. For transactions that are not consolidated, higher interest rates may impact overall deal economics which are a function of numerous transaction terms.

We maintain an interest rate risk management program which measures and manages the potential volatility of earnings that may arise from changes in interest rates. We use interest rate derivatives to mitigate the effects of changes in interest rates on our variable rate debt, which eliminates some, but not all, of the interest rate risk. Some of these contracts are designated as cash flow hedges for accounting purposes. For those contracts designated as cash flow hedges, the effective portion of the gain or loss on the derivatives is recorded in other comprehensive income (loss) and is reclassified into funding costs in the same period the hedged transaction affects earnings. Factoring in the interest rate risk management program and the repricing of investment securities, as of June 30, 2024, we estimate that a hypothetical instantaneous 100 basis point upward parallel shock to interest rates would have a less than $50.0 million adverse impact on our cash flows associated with our market risk sensitive instruments over the next 12 months. This measure projects the changes in cash flows associated with all assets and liabilities, including derivatives, based on contractual market rate-based repricing conditions over a twelve-month time horizon. It considers forecasted business growth and anticipated future funding mix.

Credit Risk

We have credit risk primarily related to our consumer loans held for investment. We are exposed to default risk on both loan receivables purchased from our originating bank partners and loan receivables that are directly originated. The ultimate collectability of a substantial portion of the loan portfolio is susceptible to changes in economic and market conditions. To manage this risk, we utilize our proprietary underwriting models to make lending decisions, score, and price loans in a manner that we believe is reflective of the credit risk. Other credit levers, such as user limits and/or down payment requirements, are used to determine the likelihood of a consumer being able to pay.

To monitor portfolio performance, we utilize a wide range of internal and external metrics to review user and loan populations. Each week, management reviews performance for each consumer segment, typically split by ITACs model score, financial product originated, age of loan, and delinquency status. Internal performance trendlines are measured against external factors such as unemployment, CPI, and consumer sentiment to determine what changes, if any, in risk strategy is warranted.

As of June 30, 2024 and June 30, 2023, we were exposed to credit risk on $5.7 billion and $4.4 billion, respectively, of loans held on our consolidated balance sheet. Loan receivables are diversified geographically. As of both June 30, 2024 and June 30, 2023, approximately 11% of loan receivables related to consumers residing in the state of California. No other states or provinces exceeded 10%. In addition, we have credit risk exposure in relation to certain off balance sheet loans sold to third parties where we have entered into risk sharing arrangements and through our retained interests in unconsolidated securitization trusts. As of June 30, 2024 and June 30, 2023, we have sold $4.2 billion and $0.4 billion, respectively, unpaid principal balance of loans which are subject to risk sharing arrangements, of which our maximum exposure to losses was $81.2 million and $8.2 million, respectively. This amount includes our maximum potential loss with respect to risk sharing liabilities of $47.3 million and the fair value of risk sharing assets of $33.9 million, as of June 30, 2024. The fair value of notes receivable and residual trust certificate retained interests in unconsolidated securitization trusts was $51.7 million and $18.9 million as of June 30, 2024 and June 30, 2023, respectively.

We are also exposed to credit risk in the event of nonperformance by the financial institutions holding our cash and the issuers of our cash equivalents and available for sale securities. We maintain our cash deposits and cash equivalents in highly-rated, federally-insured financial institutions in excess of federally insured limits. We manage this risk by conducting business with well-established financial institutions, diversifying our counterparties and having guidelines regarding credit rating and investment maturities to safeguard liquidity. Although, we are not substantially dependent on a single financing source and have not historically experienced any credit losses related to these financial institutions, since the beginning of March 2023, there have been public reports of instability at certain financial institutions. If multiple financing sources were to be unable to fulfill their funding obligations to us, it could have a material adverse effect on our financial condition, results of operations and cash flows.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

AFFIRM HOLDINGS, INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Page
Report of Independent Registered Public Accounting Firms (PCAOB ID No. 34)	82
Consolidated Balance Sheets	84
Consolidated Statements of Operations and Comprehensive Loss	86
Consolidated Statement of Stockholders' Equity (Deficit)	87
Consolidated Statements of Cash Flows	89
Notes to Consolidated Financial Statements	91

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of Affirm Holdings, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Affirm Holdings, Inc. and subsidiaries (the "Company") as of June 30, 2024 and 2023, the related consolidated statements of operations and comprehensive loss, stockholders' equity, and cash flows for each of the three years in the period ended June 30, 2024, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2024, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of June 30, 2024, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated August 28, 2024, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Allowance for Credit Losses — Refer to Notes 2 and 4 to the financial statements

Critical Audit Matter Description

The allowance for credit losses (ACL) is a material estimate of the Company. In estimating the ACL, management utilizes a migration analysis of delinquent and current loan receivables. The analysis focuses on the pertinent factors underlying the quality of the loan portfolio. These factors include historical performance, the age of the receivable balance, customer credit-worthiness, changes in the size and composition of the loan portfolio, delinquency levels, and actual credit loss experience.

We identified the ACL for U.S. loans as a critical audit matter given the subjective nature and amount of judgment required in developing the estimate. Performing audit procedures to evaluate the reasonableness of the ACL required a high degree of auditor judgment, an increased extent of audit effort, credit specialists, and the need to involve more experienced audit professionals.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the allowance for credit losses included the following procedures, among others:

- We tested the design and effectiveness of controls over the ACL.
- We tested management’s process for estimating the ACL, which included involving our credit specialists to evaluate the appropriateness of the models and methodologies.
- We evaluated the accuracy and completeness of the data used to estimate the allowance for credit losses.

/s/ Deloitte & Touche LLP

San Francisco, California

August 28, 2024

We have served as the Company's auditor since 2020.

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

	June 30, 2024	June 30, 2023
Assets		
Cash and cash equivalents	$ 1,013,106	$ 892,027
Restricted cash	282,293	367,917
Securities available for sale at fair value	1,131,628	1,174,653
Loans held for sale	36	76
Loans held for investment	5,670,056	4,402,962
Allowance for credit losses	(309,097)	(204,531)
Loans held for investment, net	5,360,959	4,198,431
Accounts receivable, net	353,028	199,085
Property, equipment and software, net	427,686	290,135
Goodwill	533,439	542,571
Intangible assets	13,502	34,434
Commercial agreement assets	104,602	177,672
Other assets	299,340	278,614
Total assets	**$ 9,519,619**	**$ 8,155,615**
Liabilities and stockholders' equity		
Liabilities:		
Accounts payable	$ 41,019	$ 28,602
Payable to third-party loan owners	159,643	53,852
Accrued interest payable	24,327	13,498
Accrued expenses and other liabilities	147,429	180,883
Convertible senior notes, net	1,341,430	1,414,208
Notes issued by securitization trusts	3,236,873	2,165,577
Funding debt	1,836,909	1,764,812
Total liabilities	**6,787,630**	**5,621,432**
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Class A common stock, par value $0.00001 per share: 3,030,000,000 shares authorized, 267,305,456 shares issued and outstanding as of June 30, 2024; 3,030,000,000 shares authorized, 237,230,381 shares issued and outstanding as of June 30, 2023	2	2
Class B common stock, par value $0.00001 per share: 140,000,000 shares authorized, 43,747,575 shares issued and outstanding as of June 30, 2024; 140,000,000 authorized, 59,615,836 shares issued and outstanding as of June 30, 2023	1	1
Additional paid in capital	5,862,555	5,140,850
Accumulated deficit	(3,109,004)	(2,591,247)
Accumulated other comprehensive loss	(21,565)	(15,423)
Total stockholders' equity	**2,731,989**	**2,534,183**
Total liabilities and stockholders' equity	**$ 9,519,619**	**$ 8,155,615**

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

AFFIRM HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS, CONT.
(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 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.

	June 30, 2024	June 30, 2023
Assets of consolidated VIEs, included in total assets above		
Restricted cash	$ 145,829	$ 203,872
Loans held for investment	5,461,660	4,151,606
Allowance for credit losses	(242,991)	(178,252)
Loans held for investment, net	5,218,669	3,973,354
Accounts receivable, net	2,961	8,196
Other assets	10,676	18,210
Total assets of consolidated VIEs	**$ 5,378,135**	**$ 4,203,632**
Liabilities of consolidated VIEs, included in total liabilities above		
Accounts payable	$ 2,830	$ 2,894
Accrued interest payable	24,220	13,498
Accrued expenses and other liabilities	11,115	17,825
Notes issued by securitization trusts	3,236,873	2,165,577
Funding debt	1,794,984	1,656,400
Total liabilities of consolidated VIEs	**5,070,022**	**3,856,194**
Total net assets of consolidated VIEs	$ 308,113	**$ 347,438**

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

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

	Year ended June 30,		
	2024	**2023**	**2022**
Revenue			
Merchant network revenue	$ 674,607	$ 507,600	$ 458,511
Card network revenue	151,401	119,338	100,696
Total network revenue	826,008	626,938	559,207
Interest income	1,204,355	685,217	527,880
Gain on sales of loans	197,153	188,341	196,435
Servicing income	95,483	87,489	65,770
Total revenue, net	**$ 2,322,999**	**$ 1,587,985**	**$ 1,349,292**
Operating expenses			
Loss on loan purchase commitment	$ 180,395	$ 140,265	$ 204,081
Provision for credit losses	460,628	331,860	255,272
Funding costs	344,253	183,013	69,694
Processing and servicing	343,249	257,343	157,814
Technology and data analytics	501,857	615,818	418,643
Sales and marketing	576,405	638,280	532,343
General and administrative	525,291	586,398	577,493
Restructuring and other	6,768	35,870	—
Total operating expenses	**2,938,846**	**2,788,847**	**2,215,340**
Operating loss	**$ (615,847)**	**$ (1,200,862)**	**$ (866,048)**
Other income, net	100,320	211,617	141,217
Loss before income taxes	**$ (515,527)**	**$ (989,245)**	**$ (724,831)**
Income tax expense (benefit)	2,230	(3,900)	(17,414)
Net loss	**$ (517,757)**	**$ (985,345)**	**$ (707,417)**
Other comprehensive income (loss)			
Foreign currency translation adjustments	$ (13,655)	$ (8,143)	$ (5,900)
Unrealized gain (loss) on securities available for sale, net	6,857	(882)	(8,022)
Gain on cash flow hedges	656	751	—
Net other comprehensive loss	**(6,142)**	**(8,274)**	**(13,922)**
Comprehensive loss	**$ (523,899)**	**$ (993,619)**	**$ (721,339)**
Per share data:			
Net loss per share attributable to common stockholders for Class A and Class B			
Basic	$ (1.67)	$ (3.34)	$ (2.51)
Diluted	$ (1.67)	$ (3.34)	$ (2.51)
Weighted average common shares outstanding			
Basic	309,857,129	295,343,466	281,704,041
Diluted	309,857,129	295,343,466	281,704,041

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

AFFIRM HOLDINGS, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(in thousands, except share amounts)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares [(1)]	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	13,565,397	—	69,876	—	—	69,876
Issuance of common stock in acquisition	488,097	—	42,109	—	—	42,109
Issuance of common stock, employee share purchase plan	149,137	—	3,613	—	—	3,613
Vesting of restricted stock units	3,815,156	—	—	—	—	—
Vesting of warrants for common stock	—	—	388,208	—	—	388,208
Repurchases of common stock	(10,518)	—	(86)	—	—	(86)
Stock-based compensation	—	—	445,525	—	—	445,525
Tax withholding on stock-based compensation	—	—	(185,178)	—	—	(185,178)
Foreign currency translation adjustments	—	—	—	—	(5,900)	(5,900)
Unrealized loss on securities available for sale	—	—	—	—	(8,022)	(8,022)
Net loss	—	—	—	(707,417)	—	(707,417)
Balance as of June 30, 2022	**287,365,373**	**$ 3**	**$ 4,231,303**	**$ (1,605,902)**	**$ (7,149)**	**$ 2,618,255**
Issuance of common stock upon exercise of stock options	947,792	—	4,593	—	—	4,593
Issuance of common stock in acquisition	—	—	13,674	—	—	13,674
Issuance of common stock, employee share purchase plan	954,475	—	11,482	—	—	11,482
Forfeiture of common stock related to acquisitions	(258,905)	—	—	—	—	—
Vesting of restricted stock units	7,849,919	—	—	—	—	—
Vesting of warrants for common stock	—	—	421,934	—	—	421,934
Repurchases of common stock	(12,437)	—	(109)	—	—	(109)
Stock-based compensation	—	—	531,817	—	—	531,817
Tax withholding on stock-based compensation	—	—	(73,844)	—	—	(73,844)
Foreign currency translation adjustments	—	—	—	—	(8,143)	(8,143)
Unrealized loss on securities available for sale	—	—	—	—	(882)	(882)
Unrealized gain on cash flow hedges	—	—	—	—	751	751
Net loss	—	—	—	(985,345)	—	(985,345)
Balance as of June 30, 2023	**296,846,217**	**$ 3**	**$ 5,140,850**	**$ (2,591,247)**	**$ (15,423)**	**$ 2,534,183**

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

AFFIRM HOLDINGS, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY, CONT.
(in thousands, except share amounts)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares [1]	Amount				
Balance as of June 30, 2023	**296,846,217**	**$ 3**	**$ 5,140,850**	**$ (2,591,247)**	**$ (15,423)**	**$ 2,534,183**
Issuance of common stock upon exercise of stock options	2,826,973	—	22,922	—	—	22,922
Issuance of common stock, employee share purchase plan	578,222	—	10,217	—	—	10,217
Vesting of restricted stock units	10,801,619	—	—	—	—	—
Vesting of warrants for common stock	—	—	406,714	—	—	406,714
Stock-based compensation	—	—	471,021	—	—	471,021
Tax withholding on stock-based compensation	—	—	(189,169)	—	—	(189,169)
Foreign currency translation adjustments	—	—	—	—	(13,655)	(13,655)
Unrealized gain on securities available for sale	—	—	—	—	6,857	6,857
Unrealized gain on cash flow hedges	—	—	—	—	656	656
Net loss	—	—	—	(517,757)	—	(517,757)
Balance as of June 30, 2024	**311,053,031**	**$ 3**	**$ 5,862,555**	**$ (3,109,004)**	**$ (21,565)**	**$ 2,731,989**

(1) The share amounts listed above combine Class A and Class B stock.

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

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

	Year ended June 30,		
	2024	2023	2022
Cash flows from operating activities			
Net loss	$ (517,757)	$ (985,345)	$ (707,417)
Adjustments to reconcile net loss to net cash used in operating activities:			
Provision for losses	460,628	331,860	255,272
Amortization of premiums and discounts on loans	(187,709)	(141,075)	(171,965)
Gain on sales of loans	(197,153)	(188,341)	(196,435)
Gain on extinguishment of debt	(12,638)	(89,841)	—
Changes in fair value of assets and liabilities	(2,776)	(15,883)	(101,789)
Amortization of commercial agreement assets	73,070	85,524	96,737
Amortization of debt issuance costs	24,546	20,535	16,152
Amortization of discount on securities available for sale	(22,799)	(36,060)	2,192
Commercial agreement warrant expense	406,714	421,934	254,679
Stock-based compensation	344,511	451,709	390,983
Depreciation and amortization	169,044	134,634	52,722
Impairment of right of use assets	752	1,244	362
Other	(25,331)	(8,825)	(73,154)
Change in operating assets and liabilities:			
Purchases and origination of loans held for sale	(4,212,299)	(6,009,361)	(5,552,662)
Proceeds from the sale of loans held for sale	4,211,687	6,174,447	5,582,035
Accounts receivable, net	(167,757)	(67,690)	(62,700)
Other assets	31,228	(14,466)	(15,021)
Accounts payable	12,417	(5,038)	(24,686)
Payable to third-party loan buyers	105,791	(17,531)	21,304
Accrued interest payable	11,138	7,915	3,907
Accrued expenses and other liabilities	(55,169)	(38,165)	67,290
Net cash provided by (used in) operating activities	450,138	12,181	(162,194)
Cash flows from investing activities			
Purchases and origination of loans held for investment	(21,488,547)	(13,586,251)	(10,362,048)
Proceeds from the sale of loans held for investment	6,058,799	1,582,501	1,898,607
Principal repayments and other loan servicing activity	14,147,034	10,028,452	8,121,583
Acquisition, net of cash and restricted cash acquired	—	(16,051)	(5,999)
Purchases of intangible assets	—	—	(25,415)
Additions to property, equipment and software	(159,296)	(120,775)	(86,290)
Purchases of securities available for sale	(986,071)	(1,082,147)	(1,841,380)
Proceeds from maturities and repayments of securities available for sale	1,136,937	1,537,495	311,035
Other investing cash inflows/(outflows)	(34,005)	3,706	(21,431)
Net cash used in investing activities	(1,325,149)	(1,653,070)	(2,011,338)
Cash flows from financing activities			
Proceeds from funding debt	12,639,444	6,894,971	4,101,134
Proceeds from issuance of convertible debt, net	—	—	1,704,300
Proceeds from issuance of notes and certificates by securitization trust	2,350,000	1,150,000	999,394
Principal repayments of funding debt	(12,552,937)	(5,801,531)	(4,090,562)
Principal repayments of notes issued by securitization trust	(1,276,451)	(606,299)	(552,046)
Payment of debt issuance costs	(27,302)	(22,443)	(13,751)
Extinguishment of convertible debt	(63,561)	(206,567)	—
Proceeds from exercise of common stock options and warrants and contributions to ESPP	33,125	15,768	73,914
Payments of tax withholding for stock-based compensation	(189,169)	(73,845)	(185,178)
Repurchases of common stock	—	(109)	(86)
Net cash provided by financing activities	913,149	1,349,945	2,037,119
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(2,683)	81	(5,412)
Net increase (decrease) in cash, cash equivalents and restricted cash	**35,455**	**(290,863)**	**(141,825)**
Cash, cash equivalents and restricted cash, beginning of period	1,259,944	1,550,807	1,692,632
Cash, cash equivalents and restricted cash, end of period	**$ 1,295,399**	**$ 1,259,944**	**$ 1,550,807**

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

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

	Year ended June 30,		
	2024	2023	2022
Reconciliation to amounts on consolidated balance sheets (as of period end)			
Cash and cash equivalents	1,013,106	892,027	1,255,171
Restricted cash	282,293	367,917	295,636
Total cash, cash equivalents and restricted cash	**$ 1,295,399**	**$ 1,259,944**	**$ 1,550,807**

	Year ended June 30,		
	2024	2023	2022
Supplemental disclosures of cash flow information			
Cash payments for interest expense	$ 318,235	$ 163,191	$ 51,524
Cash paid for operating leases	16,037	16,354	15,561
Cash paid for income taxes	1,187	808	220
Supplemental disclosures of non-cash investing and financing activities			
Stock-based compensation included in capitalized internal-use software	$ 126,510	$ 80,108	$ 54,542
Issuance of common stock in connection with settlement of contingent consideration liability	—	13,674	32,109
Securities retained under unconsolidated securitization transactions	58,507	—	54,997
Issuance of common stock in connection with acquisition	—	—	10,000
Right of use assets obtained in exchange for operating lease liabilities	—	494	4,604
Additions to property and equipment included in accrued expenses	—	—	107

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

AFFIRM HOLDINGS, INC.
NOTES TO THE 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, agreements with originating banks, and capital markets partners, we enable consumers to confidently pay for a purchase over time. 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 directly 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 consumers 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 consumer 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 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").

Our 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. All intercompany accounts and transactions have been eliminated in consolidation.

Our VIE variable interests arise 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 consolidated financial statements in conformity with U.S. GAAP requires the use of estimates, judgments and assumptions that affect the reported amounts in the consolidated financial statements and the accompanying notes. Material estimates that are particularly susceptible to significant change relate to determination of the allowance for credit losses, capitalized internal-use software development costs, valuation allowance for deferred tax assets, loss on loan purchase commitment, discount on self-originated loans, the evaluation for impairment of intangible assets and goodwill, the fair value of available for sale debt securities including retained interests in our securitization trusts, the fair value of risk sharing arrangements, 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 consolidated financial statements; therefore, actual results could differ materially from those estimates.

Segment Reporting

We conduct our operations through a single operating segment and, therefore, one reportable segment. Operating segments are components of a company for which separate financial information is internally produced for regular use by the Chief Operating Decision Maker ("CODM") to allocate resources and assess the performance of the business. Our CODM, the Chief Executive Officer of Affirm Holdings, Inc., uses a variety of measures to assess the performance of the business; however, detailed profitability information that could be used to allocate resources and assess the performance of the business is managed and reviewed for the consolidated company as a whole.

Business Combination

We use the acquisition method of accounting for business combination transactions, and, accordingly, recognize the fair values of assets acquired and liabilities assumed in our consolidated financial statements. Transaction costs related to the acquisition of the acquired company are expensed as incurred. The allocation of fair values may be subject to adjustment after the initial allocation for up to a one-year period as more information becomes available relative to the fair values as of the acquisition date. The consolidated financial statements include the results of operations of any acquired company since the acquisition date.

Cash and Cash Equivalents

Cash and cash equivalents consist of checking, money market and savings accounts held at financial institutions and short term highly liquid marketable securities, including money market funds, government and agency securities, and other corporate securities purchased with an original maturity of three months or less.

Restricted Cash

Restricted cash consists primarily of: (i) deposits restricted by standby letters of credit for office leases; (ii) funds held in accounts as collateral for our originating bank partners; (iii) servicing funds held in accounts contractually restricted by agreements with warehouse credit facilities, securitization trusts, and third-party loan owners; and (iv) pledged cash collateral requirements for certain derivative agreements. Our ability to withdraw funds is restricted by contractual provisions under the applicable agreements.

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), excluding the portion relating to any credit 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 income (expense), 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 income (expense), net.

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

Loans Held for Investment

We either originate loans directly or purchase our loans from our originating bank partners pursuant to the terms outlined in the respective executed loan sale program agreements between us and our bank partners. Loan receivables that we have the intent and ability to hold for the foreseeable future or until maturity or payoff are classified as held for investment and are reported at amortized cost, which includes unpaid principal balances, any related premiums including fees paid to our originating bank partners and discounts due to loss on loan purchase commitment for loans with a fair value below the purchase price, where applicable, adjusted for any charge-offs. The amortized cost is adjusted for the allowance for credit losses within loans held for investment, net.

Loans Held for Sale

We sell certain loans to third-party loan buyers and securitization trusts. A loan is classified as held for sale when the loan is identified as for sale to a third party loan buyer or to be sold to a securitization trust that is anticipated to be off balance sheet. Loans classified as held for sale are recorded at the lower of amortized cost or fair value. A loan that is initially designated as held for sale or held for investment may be reclassified when our intent for that loan changes. When a loan held for investment is reclassified to held for sale and reported at fair value, any allowance for the credit loss related to that loan is released and any fair value adjustment to record the loan at the lower of amortized cost or fair value is recorded. Our loans designated as held for sale are generally sold within one to three days of the balance sheet date. Fair value adjustments were not material for loans designated as held for sale as of June 30, 2024 and June 30, 2023.

Transfers of Financial Assets

We account for loan sales in accordance with ASC 860, “Transfers and Servicing” (“ASC 860”) which states that a transfer of financial assets, a group of financial assets, or a participating interest in a financial asset is accounted for as a sale if all of the following conditions are met:

a. The financial assets are isolated from the transferor and its consolidated affiliates as well as its creditors;
b. The transferee or beneficial interest holders have the right to pledge or exchange the transferred financial assets; and
c. The transferor does not maintain effective control of the transferred assets.

When the requirements for sale accounting are met, we record the gain or loss on the sale of a loan at the sale date in an amount equal to the proceeds received less the carrying value of the loan, adjusted for initial recognition of assets obtained and liabilities incurred at the date of sale.

Upon the sale of a loan to a third-party loan buyer or unconsolidated securitization trust in which we retain servicing rights, we may recognize a servicing asset or liability. A servicing asset or liability arises when our contractual servicing fee with a counterparty differs from the adequate compensation rate that would be required by a third party to service the same portfolio of assets, as defined by ASC 860. Servicing assets and liabilities are measured and recorded at fair value and are presented as a component of other assets or accrued expenses and other liabilities, respectively. The recognition of a servicing asset results in a corresponding increase to gain on sales of loans. The recognition of a servicing liability results in a corresponding decrease to gain on sales of loans. The servicing rights are remeasured at fair value each period, with the subsequent adjustment recognized in servicing income.

In connection with the sale of a loan to a third-party loan buyer or unconsolidated securitization trust we may also recognize a recourse liability in accordance with ASC 460, “Guarantees” (“ASC 460”) as in certain circumstances we may become required to re-purchase loans from third-party investors due to breaches in representations and warranties. The recognition of a recourse liability results in a corresponding decrease to gain on sales of loans. The recourse liability is amortized over the loan term and remeasured each period based on the outstanding loan balance and changes in our expectation of future repurchase obligations. Subsequent remeasurement of the recourse liability is recognized in other income (expense), net on the consolidated statement of operations and comprehensive loss.

In addition, we may recognize a risk share asset or liability in accordance with ASC 860 in certain arrangements with a third-party loan buyer to make a payment to the loan buyer or are entitled to receive a payment from the loan buyer, depending on the actual versus expected loan performance as contractually agreed to with the counterparty, and subject to a cap based on a percentage of the principal balance of loans sold. The recognition of a risk share asset results in a corresponding increase to gain on sale of loans. The recognition of a risk share liability results in a corresponding decrease to gain on sales of loans. The risk share asset and liability are measured at fair value in accordance with ASC 820, “Fair Value Measurements and Disclosures” and remeasured each period based on the changes in inputs and assumptions for our expectation of future obligations. Subsequent remeasurement of the risk share asset and liability is recognized in gain on sale of loans on the consolidated statement of operations and comprehensive loss.

Allowance for Credit Losses on Loans Held for Investment

The allowance for credit losses on loans held for investment is determined based on management’s current estimate of expected credit losses over the remaining contractual term, historical credit losses, consumer payment trends, estimates of recoveries, and future expectations on individual loans as of each balance sheet date. We immediately recognize an allowance for expected credit losses upon the origination of a loan. 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 consolidated statements of operations and comprehensive loss. We have made an accounting policy election to not measure an allowance for credit losses for accrued interest receivables. Previously recognized interest receivable from charged-off loans that is accrued but not collected from the consumer is reversed.

In estimating the allowance for credit losses, management utilizes a migration analysis of delinquent and current loan receivables. Migration analysis is a technique used to estimate the likelihood that a loan receivable will progress through various stages of delinquency and to charge-off. The analysis focuses on the pertinent factors underlying the quality of the loan portfolio. These factors include historical performance, the age of the receivable balance, seasonality, customer credit-worthiness, changes in the size and composition of the loan portfolio, delinquency levels, bankruptcy filings and actual credit loss experience. We also take into consideration certain qualitative factors where we adjust our quantitative baseline using our best judgment to consider the inherent uncertainty regarding future economic conditions and consumer loan performance. For example, the Company considers the impact of current economic factors at the reporting date that did not exist over the period from which historical experience was used. As of June 30, 2024, we have considered the impact of Federal Reserve monetary policy, labor market trends and inflation.

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 or meets other charge-off policy requirements. Subsequent recoveries of the unpaid principal balance, if any, are credited to the allowance for credit losses. Refer to Note 4. Loans Held for Investment and Allowance for Credit Losses for more information.

Accounts Receivable, net

Our accounts receivable consist primarily of amounts due from payment processors, merchant partners, affiliate network partners and servicing fees due from third-party loan owners. For each of these groups, we evaluate accounts receivable to determine management's current estimate of expected credit losses based on historical experience and future expectations and record an allowance for credit losses. Our allowance for credit losses with respect to accounts receivable was $14.9 million and $12.9 million as of June 30, 2024 and June 30, 2023, respectively.

Property, Equipment and Software, net

Property, equipment and software consist of computer and office equipment, capitalized internal-use developed software and website development costs and leasehold improvements. Property, equipment and software is stated at cost less accumulated depreciation and amortization. Depreciation and amortization expenses are recognized using the straight-line method over the estimated useful lives of the assets, which range from three to seven years. Leasehold improvements are depreciated over the shorter of the improvement's estimated useful life or the remaining lease term.

We capitalize costs to develop internally developed software when preliminary development efforts are successfully completed, management has authorized and committed project funding, and it is probable that the project will be completed and the software or website will function and be used as intended. Capitalized internal-use software costs primarily include salaries and payroll-related costs for employees directly involved in the development efforts and fees paid to external consultants. Such costs are amortized on a straight-line basis over the estimated useful life of the related asset, which range from three to five years. Costs incurred prior to meeting these criteria, together with costs incurred for training and maintenance, are expensed as incurred. Costs incurred for enhancements that are expected to result in additional functionality are capitalized and expensed over the estimated useful life of the upgrades. Capitalized internally developed software costs are included in property, equipment and software, and amortization expense is included in technology and data analytics expense in the consolidated statements of operations and comprehensive loss.

Property, equipment and software is tested for impairment when there is an indication that the carrying value of the asset group it belongs to may not be recoverable. This would occur if the undiscounted cash flows estimated to be generated by an asset group are less than its carrying value. When an asset group is determined not to be recoverable, the impairment is measured based on the excess, if any, of the carrying value of the asset group over its respective fair value and recorded in the period the determination is made.

Goodwill and Intangible Assets

We recognize the excess of the purchase price over the fair value of identifiable net assets acquired at the acquisition date as goodwill. Goodwill is not amortized but is reviewed for impairment annually and more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. We first perform a qualitative assessment to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying value. If the reporting unit does not pass the qualitative assessment, then the reporting unit's carrying value is compared to its fair value. If the fair value of the reporting unit is greater than the reporting unit's carrying value, then the carrying value of the reporting unit is deemed to be recoverable. If the carrying value of the reporting unit is greater than the reporting unit's fair value, goodwill is impaired and written down to the reporting unit's fair value.

Identifiable intangible assets include developed technology, merchant relationships, assembled workforce, and trade names resulting from acquisitions, including asset acquisitions. Acquired intangible assets are recorded at fair value on the date of acquisition and amortized over their estimated economic lives on a straight-line basis. Acquired intangible assets are presented net of accumulated amortization on the consolidated balance sheets. We review the carrying amounts of intangible assets for impairment at the asset group level whenever events or changes in circumstances indicate that the carrying amount of the asset group may not be recoverable. We measure the recoverability of the asset group by comparing its carrying amount to the future undiscounted cash flows we expect the asset group to generate. If we consider the asset group to be impaired, the impairment to be recognized equals the amount by which the carrying value of the asset group exceeds its fair value. In addition, we periodically evaluate the estimated remaining useful lives of long-lived intangible assets to determine whether events or changes in circumstances warrant a revision to the remaining period of depreciation or amortization.

Leases

We determine whether an arrangement is a lease for accounting purposes at contract inception. For operating leases, we record a right-of-use asset ("ROU") within other assets in our consolidated balance sheets, which represents our right to use an underlying asset for the lease term. A corresponding lease liability, which represents our obligation to make lease payments arising from the lease, is recorded in accrued expenses and other liabilities in our consolidated balance sheets.

ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. To discount the lease payments, we use an incremental borrowing rate derived from a corporate yield curve corresponding with the lease term using information available on the commencement date. We have the option to renew or extend our leases. We include these periods in the lease term when a decision has been made to exercise the option. Lease expense for operating leases is recognized on a straight-line basis over the lease term.

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.

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").

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 consolidated statements of operations and comprehensive loss and a new carrying value is established for the investment upon such recognition.

Funding Debt and Debt Issuance Costs

To finance loans we originate directly or that we purchase from our originating bank partners, we borrow from various lenders through collateralized funding arrangements, which include our warehouse credit facilities secured by pledged loans and sale and repurchase agreements secured by pledging certain retained interests in our off balance sheet securitizations. These borrowings are carried at amortized cost. Costs incurred in connection with borrowings, such as banker fees, commitment fees and legal fees, are classified as deferred debt issuance costs. We defer these costs and amortize them on a straight-line basis over the expected term of the debt. Interest payments and amortization of debt issuance costs incurred on funding debt is presented as funding costs in the consolidated statements of operations and comprehensive loss. Unamortized debt issuance costs are presented as a reduction of the associated debt.

Notes Issued by Securitization Trusts

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. 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. We defer and amortize note issuance costs, including banker fees, legal fees and other professional service fees, for consolidated securitization trusts on a straight-line basis over the expected life of the notes. Interest payments and amortization of note issuance costs incurred is presented as funding costs in the consolidated statements of operations and comprehensive loss. Unamortized note issuance costs are presented as a reduction of the associated notes.

Income Taxes

Income taxes are accounted for using the asset and liability method, which requires recognition of deferred tax assets and liabilities for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using the enacted tax rates and laws that are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized as an income tax expense (benefit) in the period that includes the enactment date.

Valuation allowances are provided when necessary to reduce deferred tax assets to the amounts that are more likely than not expected to be realized based on the weighting of positive and negative evidence. Future realization of deferred tax assets ultimately depends on the existence of sufficient taxable income of the appropriate character within the carryback or carryforward periods available under the applicable tax law. We regularly review the deferred tax assets for recoverability based on historical taxable income, projected future taxable income, the expected timing of the reversals of existing temporary differences, and tax planning strategies; however, in evaluating the positive evidence available, expectations of future taxable income and projections for growth are usually not sufficient to overcome the negative evidence of the presence of a three-year cumulative loss. Should there be a change in the ability to recover deferred tax assets, our income tax provision would increase or decrease in the period in which the assessment is changed.

The calculation of our tax liabilities involves dealing with uncertainties in the application of complex federal, state, and foreign tax laws and regulations, and positions taken in our tax returns may be subject to challenge by the taxing authorities upon examination. In accordance with applicable accounting guidance, uncertain tax positions are recognized in the financial statements only when it is more likely than not that the positions will be sustained upon examination by the tax authorities, assuming full knowledge of the position and all relevant facts. Interest and penalties, if any, on income tax uncertainties are classified within income tax expense in the income statement.

Fair Value of Assets and Liabilities

ASC Topic 820, “Fair Value Measurements and Disclosures” (“ASC 820”), defines fair value, establishes a framework for measuring fair value under U.S. GAAP, and requires certain disclosures about fair value measurements. In general, fair values of financial instruments are based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that use, as inputs, observable market-based parameters to the greatest extent possible.

Additionally, 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.

Revenue Recognition

Our revenue consists of five components: merchant network revenue, card network revenue, interest income, gain on sale of loans and servicing income. Refer to Note 3. Revenue for additional information.

Loss on Loan Purchase Commitment

We purchase certain loans from our originating bank partners that are processed through our platform that 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 and fees. 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 consolidated statements of operations and comprehensive loss. These costs are incurred on a per loan basis.

Due to the nature of this arrangement with our originating bank partners, we recognize a net liability for this commitment when the merchant confirms the transaction. This liability is recorded at fair value, which is determined by the difference between the estimated fair value of the loan and the anticipated purchase price. Upon purchase, the liability is included in the amortized cost basis of the purchased loan as a discount, which is amortized into interest income over the life of the loan.

Customer Referral Partners

From time to time, we make payments to customer referral partners providing lead generation services for each transaction processed through our technology platform. We first evaluate whether the customer referral partner is a customer or a vendor. We consider customer referral partners as customers if we determine they are the principal to eligible merchants in providing the facilitation of credit service. We consider customer referral partners as vendors if we determine that we are the principal to eligible merchants in providing the facilitation of credit service. Payments made to customer referral partners that are considered to be our customer are recorded as a reduction of revenue, and payments made to customer referral partners that are not considered to be our customers are recorded in processing and servicing expense, respectively, over the associated period of benefit within our consolidated statements of operations and comprehensive loss.

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, costs of marketing and promotional activities, and certain losses on loan origination for loans originated by our wholly-owned subsidiaries. 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 $19.2 million, $22.6 million and $74.0 million for the years ended June 30, 2024, 2023, and 2022, respectively.

Derivative Instruments

We use derivative financial instruments (“derivatives”) to manage exposure to variable interest rates. 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.

We use a combination of interest rate cap agreements and interest rate swaps to manage interest costs and the risk associated with variable interest rates. ASC Topic 815 “Derivatives and Hedging” (“ASC 815”) requires that an entity recognize all derivative instruments as either assets or liabilities in the statement of financial position at fair value. In accordance with ASC 815, we designate certain derivative instruments as cash flow hedges, while others are not designated as hedges. Certain of our derivative agreements provide for netting arrangements for contracts that settle with the same counterparty, however, we do not offset assets and liabilities under these arrangements for financial statement presentation purposes. As such, the fair values are presented gross within other assets and accrued expenses and other liabilities. Offsetting collateral received by or paid to the counterparty is presented gross within accrued expenses and other liabilities or other assets, as applicable, on the consolidated balance sheet. Cash flows associated with our derivative instruments are reported within cash flows from operating activities in the consolidated statements of cash flows.

Cash Flow Hedges

We have interest rate swaps designated as cash flow hedges in order to mitigate our exposure to changes in interest rates related to our funding activities. Swaps that qualify as cash flow hedges are documented and designated as such when we enter into the contracts. In accordance with our risk management policies, we structure our hedges with terms similar to that of the item being hedged. At inception of the hedge accounting relationship and on a quarterly basis, we formally assess whether derivatives designated as cash flow hedges are highly effective in offsetting changes to the forecasted cash flows of the hedged items.

If the cash flow hedges are deemed to be highly effective, the gain or loss on the cash flow hedges are recorded in other comprehensive income (loss) (“OCI”) and reclassified into earnings when the hedged cash flows are recognized in funding costs within the consolidated statements of operations and comprehensive income. The amount that is reclassified into earnings is presented in the consolidated statements of operations and comprehensive loss within funding costs, the same line item in which the hedged transaction is recognized.

Derivatives Not Designated as Hedges

We have interest rate caps and interest rate swaps that are not designated as hedging instruments. We enter into these contracts to manage interest rate risk. Any changes in the fair value of these financial instruments are reflected in other (expense) income, net, on the consolidated statements of operations and comprehensive loss.

See Note 12. Derivative Financial Instruments for additional information on our derivative assets and liabilities.

Stock-Based Compensation

We account for stock-based compensation expense in accordance with the fair value recognition and measurement provisions of U.S. GAAP, which requires compensation cost for the grant date fair value of stock-based awards to be recognized over the requisite service period. We have elected to estimate the expected forfeiture rate for service-based awards and only recognize expense for those stock-based awards expected to vest. We estimate the forfeiture rate based on our historical experience with stock-based awards that are granted and forfeited prior to vesting.

The fair value of stock-based awards, granted or modified, is determined on the grant date (or the modification date, if applicable) at fair value, using appropriate valuation techniques.

Service-Based Awards

We record stock-based compensation expense for service-based stock options and restricted stock units (“RSUs”) on a straight-line basis over the requisite service period, which is generally one to four years. The fair value of each RSU is equal to the closing stock price on the date of grant. The fair value of each option on the date of grant is determined using the Black Scholes-Merton option pricing model using the single-option award approach. We estimate volatility using a weighted average of our historical volatility and the historical volatility of selected comparable publicly-traded companies due to the limited time period of historical market data for our common stock. The risk-free interest rate is determined using a U.S. Treasury rate for the period that coincides with the expected term of the award. We use the simplified method to determine an estimate of the expected term of an employee stock option.

We account for stock-based awards to non-employees, including consultants, in accordance with ASC Topic 718, "Compensation — Stock Compensation" ("ASC 718"), in which equity-classified awards are measured at the grant date fair value and recognized as expense in the period and manner as though we had paid cash in exchange for goods or services instead of granting a stock-based award.

Performance-Based Awards

Prior to the IPO, we granted RSUs that 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 certain change in control transactions or an initial public offering). The performance-based condition was met upon the IPO. We record stock-based compensation expense for these awards on an accelerated attribution method over the requisite service period, which is generally four years.

Upon exercise or vesting of a stock-based award, the tax effect of the difference, if any, between the cumulative compensation cost recognized for financial statement purposes and the deduction for income tax purposes, will be recognized as an income tax expense or benefit in the consolidated statement of operations and comprehensive loss.

Market-Based Awards

We have granted stock option awards with service-based, performance-based, and market-based vesting conditions. We determined the grant date fair value of these awards by utilizing a Monte Carlo simulation model that incorporates the probability of achievement of the market-based conditions. The Monte Carlo simulation also incorporates assumptions including expected stock price volatility, expected term, and risk-free interest rates. We estimated the volatility of common stock on the date of grant based on the weighted-average historical stock price volatility of comparable publicly-traded companies in our industry group. We estimated the expected term of the award based on various exercise scenarios. The risk-free interest rate was determined using a U.S. Treasury rate for the period that coincides with the expected term of the award.

We record stock-based compensation expense for market-based equity awards on an accelerated attribution method over the requisite service period, and only if performance-based conditions are considered probable of being satisfied.

Foreign Currency

We have wholly-owned foreign subsidiaries that use the local currency of their respective country as their functional currency. Assets and liabilities of these subsidiaries are translated into U.S. dollars at exchange rates prevailing at the balance sheet dates. Revenue, expenses, and gains or losses of these subsidiaries are translated into U.S. dollars using average exchange rates for each period. Gains and losses resulting from these translations are recorded as a component of accumulated other comprehensive income (loss) ("AOCI"). Gains and losses from the remeasurement of foreign currency transactions into the functional currency are recognized as other income (expense), net, in our consolidated statements of operations and comprehensive loss.

Basic and Diluted Net Loss per Common Share

We calculate net income or loss per share using the two-class method. The two-class method requires income available to common stockholders for the period to be allocated between each class of common stock and participating securities based upon their respective rights to receive dividends as if all income for the period had been distributed. Our participating securities include common stock issued upon the early exercise of stock options and convertible senior notes. We consider any shares issued upon early exercise of stock options, subject to repurchase, to be participating securities because holders of such shares have non-forfeitable dividend rights in the event a cash dividend is declared on our common stock. These participating securities do not contractually require the holders of such shares to participate in our losses. As such, net losses for the years presented were not allocated to our participating securities.

We calculate basic net loss per share attributable to common stockholders for Class A and Class B common stock by dividing net loss attributable to common stockholders by the weighted average number of common shares outstanding in each class for the period.

We calculate diluted net loss per share attributable to common stockholders by dividing net loss attributable to common stockholders by the weighted average number of common shares outstanding in each class, after giving consideration to the dilutive effect of our stock options, restricted stock units, employee stock purchase plan shares, convertible debt and common stock warrants that are outstanding during the period. We have generated a net loss in all periods presented, and therefore, the basic and diluted net loss per share attributable to common stockholders are the same as the inclusion of the potentially dilutive securities would be anti-dilutive.

Recent Accounting Pronouncements Not Yet Adopted

Segment Reporting

In November 2023, the FASB issued ASU 2023-07, "*Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*". The new guidance modifies the existing annual and interim segment reporting disclosures. The purpose of the update is to enable investors to better understand an entity's overall performance and assess potential future cash flows, primarily through enhanced disclosure requirements on significant segment expenses. The ASU is effective for annual reporting periods beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024, and should be applied retrospectively to all prior periods presented in the financial statements. Early adoption is permitted. We are in the process of evaluating the impact of adopting this accounting standard update on our consolidated financial statements and disclosures.

Income Taxes

In December 2023, the FASB issued ASU 2023-09, "*Income Taxes (Topic 740): Improvements to Income Tax Disclosures*". The new guidance is expected to increase transparency and usefulness of income tax disclosures through improvements to the rate reconciliation, income taxes paid, and other disclosure requirements. The ASU is effective for fiscal years beginning after December 15, 2024 and should be applied on a prospective basis, although retrospective application is permitted. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. We are in the process of evaluating the impact of adopting this accounting standard update on our consolidated financial statements and disclosures.

3. Revenue

The following table presents our revenue disaggregated by revenue source (in thousands):

	Year ended June 30,		
	2024	2023	2022
Merchant network revenue	$ 674,607	507,600	458,511
Card network revenue	151,401	119,338	100,696
Interest income	1,204,355	685,217	527,880
Gain on sales of loans	197,153	188,341	196,435
Servicing income	95,483	87,489	65,770
Total revenue, net	$ 2,322,999	$ 1,587,985	$ 1,349,292

Merchant Network Revenue — Revenue from Contracts with Customers

Merchant network revenue primarily consists of merchant fees. Merchant partners (or integrated merchants) 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 merchant successfully confirms the transaction, which is when the terms of the executed merchant agreement are fulfilled.

Our contracts with merchants are defined at the transaction level and do not extend beyond the service already provided (i.e., each transaction represents a separate contract). The fees collected from merchants for each transaction are determined as a percentage of the value of the goods purchased by the consumer from merchants and consider a number of factors including the end consumer's credit risk and financing term. We do not have any capitalized contract costs, and do not carry any material contract balances.

Our service comprises a single performance obligation to merchants to facilitate transactions with consumers. From time to time, we offer merchants incentives to promote our platform to their customers, such as fee reductions or rebates. These amounts are recorded as a reduction to merchant network revenue.

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 on loan origination, which we record as a reduction to merchant network revenue. In certain cases, the losses incurred on loans originated for a merchant may exceed the total merchant network revenue earned on those loans. We record the excess loss amounts as a sales and marketing expense.

A portion of merchant network revenue relates to affiliate network revenue, which is generated when a user makes a purchase on a merchant's website after being directed from an advertisement on Affirm's website or mobile application. We earn a fixed placement fee and/or commission as a percentage of the associated sale. Revenue is recognized at the point in time when the performance obligation has been fulfilled, which is when the sale occurs.

For the years ended June 30, 2024, 2023, and 2022, there were no merchants that exceeded 10% of total revenue.

Card Network Revenue — Revenue from Contracts with Customers

We have agreements with card-issuing partners to facilitate the issuance of physical and virtual debit cards to be used by consumers at checkout. Prior to purchase, consumers can apply at Affirm.com or via the Affirm app and, upon approval, use a physical or virtual card to complete their purchase online or in-store. The card is funded at the time a transaction is authorized using cash held by the card-issuing partner in a reserve fund. Eligible consumers can also use the Affirm Card, a debit card issued by a card-issuing partner to pay in full, via their linked bank account, or pay later, by using a unique post-purchase feature that allows them to instantly convert any eligible debit transaction into an installment loan. Where applicable, our originating bank partner, or wholly-owned subsidiaries, then originates a loan to the consumer after the transaction is confirmed by the merchant. The merchant is charged interchange fees for each successful debit card transaction, and a portion of this revenue is shared with us by our card-issuing partners.

Merchants may also elect to utilize our agreement with card-issuing partners as a means of integrating Affirm services. Similarly, for these arrangements with integrated merchants, the merchant is charged interchange fees for each successful debit card transaction and a portion of this revenue is shared with us. From time to time, we offer certain integrated merchants promotional incentives to promote our platform to their customers, such as rebates of interchange fees incurred by the merchant. These amounts are recorded as a reduction of card network revenue.

Our contracts with our card-issuing partners are defined at the transaction level and do not extend beyond the service already provided. The revenue collected from card-issuing partners for each transaction are determined as a percentage of the interchange fees charged on transactions facilitated on the payment processor network, and revenue is recognized at the point in time the transaction is completed successfully. The amounts collected are presented in revenue, net of associated transaction-related processing fees paid to our card-issuing partners. We have concluded that the revenue collected does not give rise to a future material right because the pricing of each transaction does not depend on the volume of prior successful transactions. We do not have any capitalized contract costs, and do not carry any material contract balances.

Our service comprises a single performance obligation to the card-issuing partner to facilitate transactions with consumers.

A portion of card network revenue relates to incentive payments from card network partners, which we are eligible to receive for reaching certain cumulative volume targets on program cards issued by the issuer processors. We earn incentive revenue as a percentage of each associated transaction and estimate the applicable percentage based on observed cumulative volume on program cards. Revenue is recognized at the point in time when the performance obligation has been fulfilled, which is when the transaction is completed successfully.

Interest Income

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

	Year ended June 30,		
	2024	**2023**	**2022**
Contractual interest income on unpaid principal balance	$ 1,043,019	561,192	365,993
Amortization of discount on loans	204,654	158,703	185,050
Amortization of premiums on loans	(16,945)	(17,628)	(13,085)
Interest receivable charged-off, net of recoveries	(26,373)	(17,050)	(10,078)
Total interest income	$ 1,204,355	$ 685,217	$ 527,880

We accrue interest income using the effective interest method, which includes the amortization of any discounts or premiums on loan receivables created upon the purchase of a loan from our originating bank partners or upon the origination of a loan. 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 June 30, 2024, 2023, and 2022, the balance of loans held for investment on non-accrual status was $2.6 million, $1.8 million, and $1.7 million, respectively.

The account is charged-off in the period if the account becomes 120 days past due or meets other charge-off policy requirements. Past due status is based on the contractual terms of the loans. Previously recognized interest receivable from charged-off loans that is accrued but not collected from the consumer is reversed.

Gain on Sales of Loans

We sell certain loans we originate or purchase from our originating bank partners directly to third-party investors or to securitizations. We recognize a gain or loss on sale of loans sold to third parties or to unconsolidated securitizations. This is calculated as the difference between the proceeds received and the carrying value of the loan. This amount is adjusted for the initial recognition of any assets or liabilities incurred upon sale. These generally include a net servicing asset or liability in connection with our ongoing obligation to continue to service the loans. We also recognize a recourse liability based on our estimate of future losses in connection with our obligation to repurchase loans that do not meet certain contractual requirements and such information about the loan was unknown at the time of sale. Additionally, we recognize a risk sharing asset or liability in certain arrangements where payments are made or received based on the actual versus expected loan performance, as contractually agreed with the third party.

Servicing Income

Servicing income includes contractual fees specified in our servicing agreements with third-party loan owners and unconsolidated securitizations that are earned from providing professional services to manage loan portfolios on their behalf. The servicing fee is calculated on a daily basis by multiplying a set fee percentage (as outlined in the executed agreements with third-party loan owners) by the outstanding loan principal balance. Servicing income also includes fair value adjustments for servicing assets and servicing liabilities.

4. Loans Held for Investment and Allowance for Credit Losses

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

	June 30, 2024	June 30, 2023
Unpaid principal balance	$ 5,697,965	$ 4,451,324
Accrued interest receivable	62,796	41,079
Premiums on loans held for investment	7,822	7,135
Less: Discount due to loss on loan purchase commitment	(63,682)	(51,190)
Less: Discount due to loss on directly originated loans	(34,829)	(45,145)
Less: Fair value adjustment on loans acquired through business combination	(16)	(241)
Total loans held for investment	$ 5,670,056	$ 4,402,962

Loans held for investment includes loans originated through our originating bank partners and directly originated loans. 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 $21.5 billion, $16.2 billion, and $12.1 billion for the years ended June 30, 2024, 2023, and 2022, respectively. We directly originated $4.5 billion, $3.7 billion, and $3.3 billion of loans for the June 30, 2024, 2023, and 2022, respectively.

Our portfolio consists of interest bearing and non-interest bearing consumer loans with original term lengths of up to sixty months originated in markets including the U.S. and Canada, with the majority of loans originated within the U.S. Given that our loan portfolio focuses on one product segment, unsecured consumer installment loans, we generally evaluate the entire portfolio as a single homogeneous loan portfolio considering factors such as country of origin, loan product, origination channel, merchant and various borrower characteristics, to predict future losses.

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 directly 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 excluding accrued interest receivable, by fiscal year of origination on loans held for investment and loans held for sale as of June 30, 2024 (in thousands):

	June 30, 2024						
	Amortized Costs Basis by Fiscal Year of Origination						
	2024	2023	2022	2021	2020	Prior	Total
96+	$3,438,135	$ 183,210	$ 10,026	$ 186	$ 10	$ 5	$3,631,572
94 – 96	1,509,125	29,227	463	8	2	4	1,538,829
90 – 94	287,499	3,575	263	3	1	1	291,342
<90	45,009	46	309	2	1	—	45,367
No score [(1)]	20,680	66,680	12,391	217	94	124	100,186
Total amortized cost basis	$5,300,448	$ 282,738	$ 23,452	$ 416	$ 108	$ 134	$5,607,296

(1) This balance represents loan receivables without sufficient data available for use by the Affirm scoring methodology including new markets and certain developing products.

The following table presents net charge-offs by fiscal year of origination as of year ended June 30, 2024 (in thousands):

	Net Charge-offs by Fiscal Year of Origination						
	2024	2023	2022	2021	2020	Prior	Total
Current period charge-offs	(142,915)	(213,870)	(7,729)	(969)	(121)	(107)	(365,711)
Current period recoveries	6,215	15,515	7,724	1,075	73	94	30,696
Current period net charge-offs	$ (136,700)	$ (198,355)	$ (5)	$ 106	$ (48)	$ (13)	$ (335,015)

The following table presents an analysis of the credit quality, by ITACs score, of the amortized cost basis excluding accrued interest receivable, by fiscal year of origination on loans held for investment and loans held for sale as of June 30, 2023 (in thousands):

	June 30, 2023						
	Amortized Costs Basis by Fiscal Year of Origination						
	2023	2022	2021	2020	2019	Prior	Total
96+	$2,628,060	$ 39,428	$ 18,910	$ 3,439	$ 9	$ 1	$2,689,847
94 – 96	1,104,553	7,755	439	77	6	2	1,112,832
90 – 94	133,940	3,116	26	2	4	—	137,088
<90	13,363	1,623	4	2	—	—	14,992
No score[(1)]	335,690	59,204	11,562	489	252	9	407,206
Total amortized cost basis	$4,215,606	$ 111,126	$ 30,941	$ 4,009	$ 271	$ 12	$4,361,965

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

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 excluding accrued interest receivable of loans held for investment and loans held for sale by delinquency status (in thousands):

	June 30, 2024	June 30, 2023
Non-delinquent loans	$ 5,331,462	$ 4,183,248
4 – 29 calendar days past due	134,434	92,876
30 – 59 calendar days past due	55,021	36,399
60 – 89 calendar days past due	47,764	28,171
90 – 119 calendar days past due[(1)]	38,615	21,271
Total amortized cost basis	$ 5,607,296	$ 4,361,965

(1) Includes $38.6 million and $20.9 million of loan receivables as of June 30, 2024 and June 30, 2023, respectively, that are 90 days or more past due, but are not on non-accrual status.

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 reflects our estimate of expected lifetime credit losses, which consider the remaining contractual term, historical credit losses, consumer payment trends, estimated recoveries, and future payment expectations as of each balance sheet date. Adjustments to the allowance for changes in our estimate of lifetime expected credit losses are recognized in earnings through the provision for credit losses presented on our consolidated statements of operations and comprehensive loss. When available information confirms that specific loans or portions thereof are uncollectible, identified amounts are charged off 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, including charge-offs, recoveries and provision for loan losses (in thousands):

	Year ended June 30,		
	2024	2023	2022
Balance at beginning of period	$ 204,531	$ 155,392	$ 117,760
Provision for credit losses	439,581	318,188	240,804
Charge-offs	(365,711)	(300,058)	(227,770)
Recoveries of charged-off receivables	30,696	31,009	24,598
Balance at end of period	$ 309,097	$ 204,531	$ 155,392

Loan Modifications for Borrowers Experiencing Financial Difficulty

We have a loan modification program for borrowers experiencing financial difficulty if certain eligibility criteria are met. A loan is evaluated for modification program eligibility when a borrower self-reports financial hardship, either when a borrower contacts us directly or upon making contact with the borrower to determine eligibility when a loan payment is past due. The objectives of the loan modification program are to offer borrowers assistance during times of financial stress, increase collections, and minimize losses.

We have two primary loan modification strategies: payment deferrals and loan re-amortization. A payment deferral provides the borrower relief by extending the due date for the next payment due. While a borrower may obtain more than one deferral, the total deferral period may not exceed three months. A loan re-amortization provides the borrower relief by lowering monthly payments through extending the term length of the loan; however, the total remaining term may not exceed twenty-four months. In addition, the total interest due from the consumer will not exceed the initial total interest due prior to modification, and a loan may not be re-amortized more than once.

The following tables present the amortized cost basis of loans excluding accrued interest receivable that were modified for borrowers experiencing financial difficulty during the years ended June 30, 2024 and 2023, by type of modification (in thousands):

	Year ended June 30,	
	2024	2023
Payment Deferral	$ 33,409	$ 6,503
Loan Re-amortization	931	94
Total	**$ 34,340**	**$ 6,597**
% of Total Loan Receivables Outstanding	0.61 %	0.15 %

With respect to borrowers who received payment deferrals during the years ended June 30, 2024 and 2023, the length of each deferral period was one month.

With respect to borrowers who received a loan re-amortization during the years ended June 30, 2024 and 2023, the payment amount was reduced by half and the term of the loan was extended between one month and twelve months.

During the modification process, the loans are made current, and payment schedules for these loans are updated according to the modified terms. We closely monitor the performance of loans that are modified for borrowers experiencing financial difficulty to understand the effectiveness of our modification efforts. We hold an allowance for credit losses for modified loans classified as held for investment. Our allowance estimate considers whether a loan has been modified, the delinquency status of the loan on the date of modification, and the increased likelihood that such loan may become delinquent or charge-off in the future.

The following table presents the delinquency status as of June 30, 2024 and June 30, 2023, by amortized cost basis excluding accrued interest receivable, of loan receivables that have been modified within the last 12 months where the borrower was experiencing financial difficulty at the time of modification (in thousands):

	June 30, 2024		
	Payment Deferral	Loan Re-amortization	Total
Non-delinquent loans	$ 17,479	$ 373	$ 17,852
4 – 29 calendar days past due	5,826	175	6,001
30 – 59 calendar days past due	2,152	99	2,251
60 – 89 calendar days past due	3,936	145	4,081
90 – 119 calendar days past due	4,016	139	4,155
Total amortized cost basis	$ 33,409	$ 931	$ 34,340

	June 30, 2023		
	Payment Deferral	Loan Re-amortization	Total
Non-delinquent loans	$ 4,813	$ 58	$ 4,871
4 – 29 calendar days past due	717	13	730
30 – 59 calendar days past due	354	7	361
60 – 89 calendar days past due	346	7	353
90 – 119 calendar days past due	273	9	282
Total amortized cost basis	$ 6,503	$ 94	$ 6,597

With respect to modifications during the 12 months preceding June 30, 2024 and June 30, 2023, respectively, where the borrower was experiencing financial difficulty at the time of modification, the amortized cost basis of loans which have been charged off was $12.4 million and $1.8 million, respectively.

5. Acquisitions

During the year ended June 30, 2024, there were no acquisitions accounted for as business combinations and there was one acquisition accounted for during the same period in 2023.

Acquisitions completed during the year ended June 30, 2023

Butter Holdings Ltd

On February 1, 2023, we completed the closing of the transaction contemplated by a share purchase agreement entered into with certain sellers to acquire the entire issued share capital of Butter Holdings Ltd. ("Butter"), a buy now, pay later company based in the United Kingdom. The purchase price was comprised of (i) $14.9 million in cash, subject to adjustments in accordance with the purchase agreement, and (ii) $1.5 million settlement of subordinated secured notes.

The acquisition date fair value of the consideration transferred for Butter was approximately $16.3 million, which consisted of the following (in thousands):

Cash	$	14,863
Settlement of subordinated secured notes		1,475
Total acquisition date fair value of the consideration transferred	$	16,337

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. The goodwill is not expected to be deductible for income tax purposes.

The following table summarizes the allocation of the consideration paid of approximately $16.3 million to the fair values of the assets acquired and liabilities assumed at the acquisition date (in thousands):

Cash and cash equivalents	$	287
Loans held for investment, net		172
Accounts receivable, net		11
Intangible assets		9,243
Other assets		672
Total assets acquired		10,385
Accounts payable		568
Accrued expenses and other liabilities		2,923
Total liabilities assumed		3,491
Net assets acquired		6,894
Goodwill		9,443
Total purchase price	$	16,337

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)
Lending license	$	9,243	Indefinite

The fair value of the intangible asset was determined by applying the with-and-without 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 $1.8 million for the year ended June 30, 2023, which are included in general and administrative expense in the consolidated statements of operations and comprehensive loss.

6. Balance Sheet Components

Property, Equipment and Software, net

Property, equipment and software, net consisted of the following (in thousands):

	June 30, 2024	June 30, 2023
Internally developed software	$ 630,129	$ 377,301
Leasehold improvements	21,023	20,214
Computer equipment	9,827	10,187
Furniture and equipment	8,913	6,503
Total property, equipment and software, at cost	$ 669,892	$ 414,205
Less: Accumulated depreciation and amortization	(242,206)	(124,070)
Total property, equipment and software, net	$ 427,686	$ 290,135

Depreciation and amortization expense on property, equipment and software was $148.2 million, $82.1 million and $29.2 million for the years ended June 30, 2024, 2023, and 2022, respectively.

No impairment losses related to property, equipment and software were recorded during the years ended June 30, 2024, 2023, and 2022.

Goodwill and Intangible Assets

The changes in the carrying amount of goodwill during the years ended June 30, 2024 and 2023 were as follows (in thousands):

Balance as of June 30, 2022	$ 539,534
Additions [1]	9,443
Adjustments [2]	(6,406)
Balance as of June 30, 2023	$ 542,571
Adjustments [2]	(9,131)
Balance as of June 30, 2024	$ 533,439

(1) Refer to Note 5. Acquisitions for a description of additions to goodwill during the year ended June 30, 2023.

(2) Adjustments to goodwill during the years ended June 30, 2024 and 2023 primarily pertained to foreign currency translation adjustments.

During the year ended June 30, 2024, we recognized goodwill disposal losses of $1.0 million included in general and administrative expenses on our consolidated statements of operations and comprehensive loss. No impairment or disposal losses related to goodwill were recorded during the years ended June 30, 2023 and 2022.

Intangible assets consisted of the following (in thousands):

	June 30, 2024			
	Gross	Accumulated Amortization	Net	Weighted Average Remaining Useful Life (in years)
Merchant relationships	$ 37,847	$ (36,741)	$ 1,106	0.1
Developed technology	39,444	(39,311)	133	0.0
Assembled workforce	12,490	(12,490)	—	0.0
Trademarks and domains, definite	1,450	(1,165)	285	1.0
Trademarks, licenses and domains, indefinite	11,628	—	11,628	Indefinite
Other intangibles	350	—	350	Indefinite
Total intangible assets	$ 103,209	$ (89,707)	$ 13,502	

	June 30, 2023			
	Gross	Accumulated Amortization	Net	Weighted Average Remaining Useful Life (in years)
Merchant relationships	$ 38,129	$ (27,637)	$ 10,492	0.6
Developed technology	39,626	(30,653)	8,973	0.6
Assembled workforce	12,490	(9,983)	2,507	0.3
Trademarks and domains, definite	1,481	(990)	491	1.7
Trademarks, licenses and domains, indefinite	11,621	—	11,621	Indefinite
Other intangibles	350	—	350	Indefinite
Total intangible assets	$ 103,697	$ (69,263)	$ 34,434	

Amortization expense for intangible assets was $20.8 million, $52.5 million and $23.5 million for the years ended June 30, 2024, 2023 and 2022, respectively. No impairment losses related to intangible assets were recorded during the years ended June 30, 2024, 2023, and 2022.

The expected future amortization expense of these intangible assets as of June 30, 2024 is as follows (in thousands):

2025	$ 1,355
2026	154
2027	15
2028	—
2029 and thereafter	—
Total amortization expense	$ 1,524

Commercial Agreement Assets

In November 2021, we granted warrants in connection with our commercial agreements with certain subsidiaries of Amazon.com, Inc. (“Amazon”). The warrants were granted in exchange for certain performance provisions and the benefit of acquiring new users. We recognized an asset of $133.5 million associated with the portion of the warrants that were fully vested upon grant. The asset was valued based on the fair value of the warrants and represents the probable future economic benefit to be realized over the expected benefit period. The expected benefit period of the asset was initially estimated to be approximately three years. During the year ended June 30, 2024, the remaining expected benefit period was extended by one year upon the renewal of the commercial agreement, which extended the agreement term. For the years ended June 30, 2024, 2023, and 2022, we recognized amortization expense of $32.9 million, $41.4 million, and $26.3 million, respectively, in our consolidated statements of operations and comprehensive loss as a component of sales and marketing expense. Refer to Note 14. Stockholders' Equity for further discussion of the warrants.

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. The asset was valued at $25.9 million based on the fair value of the stock appreciation rights on the grant date and represents the probable future economic benefit to be realized over the three-year expected benefit period. During the year ended June 30, 2024, the expected benefit period ended and the asset has been fully amortized. For the years ended June 30, 2024, 2023, and 2022, we recorded amortization expense related to the asset of $4.2 million, $8.3 million, and $8.1 million, respectively, in our consolidated statements of operations and comprehensive loss as a component of sales and marketing expense.

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 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 June 30, 2024. The expected benefit period of the asset was initially estimated to be four years, and the remaining useful life of the asset is reevaluated each reporting period. During fiscal year 2022, the remaining expected benefit period was extended by two years upon the execution of an amendment to the commercial agreement with Shopify which extended the term of the agreement. We recorded amortization expense related to the commercial agreement asset of $35.9 million, $35.8 million, and $62.2 million for the years ended June 30, 2024, 2023, and 2022, respectively, in our consolidated statements of operations and comprehensive loss as a component of sales and marketing expense.

Other Assets

Other assets consisted of the following (in thousands):

	June 30, 2024	June 30, 2023
Processing reserves	$ 55,754	$ 60,039
Equity securities, at cost	37,806	43,172
Fixed term deposit	35,203	—
Risk sharing assets	33,884	—
Prepaid expenses	28,799	35,626
Operating lease right-of-use assets	21,863	30,171
Prepaid payroll taxes for stock-based compensation	21,395	14,336
Foreign deferred tax asset	21,206	23,270
Other receivables	18,263	17,214
Derivative instruments	17,207	50,545
Other assets	7,960	4,241
Total other assets	$ 299,340	$ 278,614

Accrued Expenses and Other Liabilities

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

	June 30, 2024	June 30, 2023
Accrued expenses	$ 59,613	$ 50,704
Operating lease liability	39,493	52,557
Collateral held for derivative instruments	17,643	53,267
Other liabilities	30,680	24,355
Total accrued expenses and other liabilities	$ 147,429	$ 180,883

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 nine months to one year. As of June 30, 2024, 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 six years.

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. We are required to post collateral for the letters of credit in the form of cash or eligible securities. As of June 30, 2024, the collateral totaled $8.8 million, of which $2.0 million was in the form of cash that was classified as restricted cash, and $6.8 million was in the form of securities which was classified as securities available for sale at fair value on our consolidated balance sheets. As of June 30, 2023, the collateral and deposits for the letters of credit was $9.7 million in the form cash and was classified as restricted cash on our consolidated balance sheets.

During the years ended June 30, 2024 and 2023, we decided to sublease a portion of our leased office space in San Francisco, resulting in an impairment charge of $0.8 million and $1.2 million, respectively, included in general and administrative expense on our consolidated statements of operations and comprehensive loss. For the year ended June 30, 2022, the impairment expense related to leases was not material to our consolidated statements of operations and comprehensive loss.

Operating lease expense are as follows (in thousands):

	Year ended June 30,		
	2024	2023	2022
Operating lease expense [(1) (2)]	$ 11,549	$ 18,954	$ 15,200

(1) Lease expenses for our short-term leases were immaterial for the years presented.

(2) During the year ended June 30, 2023, we incurred charges of $4.7 million, within restructuring and other, on our consolidated statements of operations and comprehensive loss, related to a reduction to our ROU lease assets which were attributed to certain leased space we were no longer utilizing for our business operations.

We have subleased a portion of our leased facilities. Sublease income totaled $4.6 million, $3.4 million, and $3.1 million during the years ended June 30, 2024, 2023, and 2022, respectively.

Lease term and discount rate information are summarized as follows:

	June 30, 2024
Weighted average remaining lease term (in years)	3.2
Weighted average discount rate	5.0%

As of June 30, 2024, future minimum lease payments are as follows (in thousands):

2025	$	16,742
2026		15,833
2027		3,065
2028		2,185
2029		2,247
Thereafter		3,263
Total lease payments		43,335
Less imputed interest		(3,842)
Present value of total lease liabilities	$	39,493

8. Commitments and Contingencies

Loan Repurchase Obligations

Under the normal terms of our whole loan sales to third-party investors, we may become obligated to repurchase loans from investors in certain instances where a breach in representations and warranties is identified. Generally, a breach in representation and warranties could 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. This amount was not material as of June 30, 2024.

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.

Kusnier v. Affirm Holdings, Inc.

On December 8, 2022, plaintiff Mark Kusnier filed a putative class action lawsuit against Affirm, Max Levchin, and Michael Linford in the U.S. District Court for the Northern District of California (the "Kusnier action"). On May 5, 2023, plaintiffs Kusnier and Chris Meinsen filed their first amended complaint alleging that the defendants (i) caused Affirm to make materially false and/or misleading statements and/or failed to disclose that Affirm's BNPL service facilitated excessive consumer debt (including with respect to certain for-profit educational institutions), regulatory arbitrage, and data harvesting; (ii) made false and/or misleading statements about certain public regulatory actions; and (iii) made false and/or misleading statements about whether Affirm's business model was vulnerable to interest rate changes. On December 20, 2023, the Court granted Affirm's motion to dismiss the first amended complaint with leave to amend. On January 19, 2024, plaintiffs filed their second amended complaint, which contains only the allegations from the first amended complaint relating to false and/or misleading statements about whether Affirm's business model was vulnerable to interest rate changes. In light of the above, plaintiffs assert that Affirm violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder, and that Levchin and Linford violated Section 20(a) of the Exchange Act. Plaintiffs seek class certification, unspecified compensatory and punitive damages, and costs and expenses. Affirm filed its motion to dismiss the second amended complaint on February 2, 2024. On August 26, 2024, the Court granted Affirm's motion to dismiss with leave to amend by September 25, 2024.

Quiroga v. Levchin, et al.

On March 29, 2023, plaintiff John Quiroga filed a shareholder derivative lawsuit in the U.S. District Court for the Northern District of California (the "Quiroga action") 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 Kusnier action at the time of filing. The Quiroga complaint purports to assert claims on Affirm's behalf for contribution under the federal securities laws, breaches of fiduciary duty, unjust enrichment, and waste of corporate assets, and seeks corporate reforms, unspecified damages and restitution, and fees and costs. On May 1, 2023, the action was stayed by agreement of the parties. The stay can be lifted at the request of either party or upon certain conditions relating to the resolution of the Kusnier action.

Jeffries v. Levchin, et al.

On May 24, 2023, plaintiff Sabrina Jeffries filed a shareholder derivative lawsuit in the U.S. District Court for the Northern District of California (the "Jeffries action") 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 Kusnier and Quiroga actions at the time of filing. The Jeffries complaint purports to assert claims on Affirm's behalf for breach of fiduciary duties, making false statements under federal securities law, unjust enrichment, waste of corporate assets, and aiding and abetting breach of fiduciary duties, and seeks unspecified damages, equitable relief, and fees and costs. On August 15, 2023, the action was stayed by agreement of the parties. The stay can be lifted at the request of either party or upon certain conditions relating to the resolution of the Kusnier action.

Vallieres v. Levchin, et al.

On September 14, 2023, plaintiff Michael Vallieres filed a shareholder derivative lawsuit in the U.S. District Court for the District of Delaware 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 Kusnier, Quiroga, and Jeffries actions at the time of filing. The Vallieres complaint purports to assert claims on Affirm's behalf for breach of fiduciary duties, gross management, abuse of control, unjust enrichment, and contribution, and seeks unspecified damages, equitable relief, and fees and costs. On November 30, 2023, the case was stayed by agreement of the parties.

We have determined, based on current knowledge, that the aggregate amount or range of losses that are estimable with respect to our legal proceedings, including the matters described above, would not have a material adverse effect on our consolidated financial position, results of operations or cash flows. Amounts accrued as of June 30, 2024 and June 30, 2023 were not material. The ultimate outcome of legal proceedings involves judgments, estimates and inherent uncertainties, and cannot be predicted with certainty.

Purchase Commitments

We have entered into non-cancelable purchase obligations with our third-party cloud computing web services provider, which included annual purchase commitments for the period from March 2023 through February 2030 with an aggregate committed spend of $650.0 million during such period. For the years ended June 30, 2024 and 2023, we had remaining purchase commitments of $575.9 million and $659.2 million, respectively, primarily related to cloud and hosting services. If we fail to meet any of the purchase commitments, we will be required to pay the difference. We pay our cloud-computing web services provider monthly, and we may pay more than the minimum purchase commitment based on usage.

9. Debt

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

Funding Debt

Secured Borrowing Facilities

The following table summarizes the components of our U.S. and International secured borrowing facilities as of June 30, 2024 (in thousands):

	Total Capital Capacity	Advance Rate		Interest Rate Spread [(2)]		Unused Commitment Fees	Maturity	Pledged Collateral [(3)]	Total Outstanding
		Min - Max	Weighted Average	Min - Max	Weighted Average				
US facilities	4,975,000	70% - 86%	84%	1.75% - 2.20%	1.95%	0.00% - 0.75%	2025 - 2027	1,661,521	1,429,243
International facilities [(1)]	665,126	67% - 88%	83%	1.25% - 4.25%	1.69%	0.30% - 0.45%	2028 - 2030	472,086	387,931
Total, before unamortized debt issuance costs, premiums and discounts									**$ 1,817,174**
Less: unamortized debt issuance costs, premiums and discounts									(14,790)
Total									**$ 1,802,384**

(1) As of June 30, 2024, international facilities finance the origination of loan receivables in Canada and are denominated in CAD.

(2) Reference rates as of June 30, 2024 under our U.S. facilities bear interest at an annual benchmark rate of Secured Overnight Financing Rate ("SOFR") or an alternative commercial paper rate plus an applicable spread. Reference rates as of June 30, 2024 under our international facilities bear interest at an annual benchmark rate of the Canadian Overnight Repo Rate Average ("CORRA"), Government of Canadian benchmark bond yields, or an alternative commercial paper rate plus an applicable spread. As debt arrangements are renewed, the reference rate and/or spread are subject to change.

(3) As of June 30, 2024, represents the unpaid principal balance of loans, directly originated by us or purchased from the originating bank partner, pledged as collateral for borrowings in our facilities.

In the U.S., through trusts, we have 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 classified as funding debt on the consolidated balance sheets and proceeds from the borrowings can only be used for the purposes of facilitating loan funding and origination. These warehouse credit facility trusts, which have been classified as VIEs, are bankruptcy-remote special-purpose vehicles in which creditors do not have recourse against the general credit of Affirm. Additionally, we have various credit facilities utilized to finance the origination of loan receivables in Canada. Similar to our warehouse credit facilities in the U.S., borrowings under these agreements are classified as funding debt on the consolidated balance sheets, and proceeds from the borrowings may only be used for the purposes of facilitating loan funding and origination.

Financing terms, including the advance rate and financing spread, vary across these revolving facilities and generally depend on the types of collateral that may be pledged and respective concentration limits. The revolving period for each facility generally ends 4 - 12 months prior to the final maturity date, after which additional borrowings are not permitted.

Our funding debt 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 June 30, 2024, we were in compliance with all applicable covenants in the agreements.

The aggregate future maturities of our secured borrowing facilities consists of the following (in thousands):

	June 30, 2024
2025	$ 328,921
2026	939,969
2027	194,878
2028	207,038
2029	54,546
Thereafter	126,347
Total	$ 1,851,699
Deferred debt issuance costs	(14,790)
Total funding debt, net of deferred debt issuance costs	$ 1,836,909

Sales and 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 one or more repurchase date extensions, each for an additional three-month term at market interest rates on such extension date. As of June 30, 2024, the interest rates were 7.33% for both the senior pledged securities and the residual certificate pledged securities. We had $34.5 million and $11.0 million in debt outstanding under our repurchase agreements disclosed within funding debt on the condensed consolidated balance sheets as of June 30, 2024 and June 30, 2023, respectively. The debt will be amortized through regular principal and interest payments on the pledged securities. The outstanding debt relates to $46.7 million and $18.9 million in pledged securities disclosed within securities available for sale at fair value on the consolidated balance sheets as of June 30, 2024 and June 30, 2023, 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 our 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.

On December 6, 2023, the Board of Directors authorized the repurchase of up to $800.0 million in aggregate principal amount of the 2026 Notes. This authorization succeeds the $800.0 million repurchase authorization approved by the Board of Directors on June 7, 2023. Note repurchases under the December 2023 authorization may be made from time to time through December 31, 2024 through open market purchases, privately negotiated purchases, purchase plans under Rule 10b5-1 of the Securities Exchange Act of 1934, as amended ("Rule 10b5-1"), or through a combination thereof. Repurchases are subject to available liquidity, general market and economic conditions, alternate uses for the capital, and other factors, and there is no minimum principal amount of 2026 Notes that the Company is obligated to repurchase.

During the year ended June 30, 2024, we paid $63.6 million in cash for the repurchase of $76.7 million aggregate principal amount of our 2026 Notes under the December 2023 authorization. The carrying amount of the extinguished 2026 Notes was approximately $76.2 million resulting in a $12.6 million gain on early extinguishment of debt, which is reported as a component of other income (expense), net within our consolidated statements of operations and comprehensive loss. The repurchased 2026 Notes were received and canceled.

The convertible senior notes outstanding as of June 30, 2024 consisted of the following (in thousands):

	Principal Amount	Unamortized Discount and Issuance Cost	Net Carrying Amount
Convertible senior notes	$ 1,349,207	$ (7,777)	$ 1,341,430

The 2026 Notes do not bear interest. We recognized $3.4 million, $3.9 million and $2.4 million during the years ended June 30, 2024, 2023 and 2022, respectively, of interest expense related to the amortization of debt discount and issuance costs in the consolidated statements of operations and comprehensive loss within other income (expense), net. As of June 30, 2024, the remaining life of the 2026 Notes is approximately 29 months.

Revolving Credit Facility

On June 26, 2024, we entered into an amendment to our Revolving Credit Agreement, where we increased the unsecured revolving commitments under the facility from $205.0 million to $330.0 million. 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 1.75% 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 1.00% per annum, in each case, plus an applicable margin of 0.75% per annum. Under the terms of amendment the final maturity date was extended from February 4, 2025 to June 26, 2027. The facility contains certain financial covenants which may result in an acceleration of the maturity if not maintained, and requires payment of a monthly unused commitment fee of 0.20% per annum on the undrawn balance available. As of June 30, 2024,there are no borrowings outstanding under the facility.

10. Securitization and Variable Interest Entities

Consolidated VIEs

<u>*Warehouse Credit Facilities*</u>

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 directly originated loans. Refer to Note 9. 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.

<u>*Securitizations*</u>

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.

For each securitization, the residual trust 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. In addition to the retained residual trust certificates, our continued involvement includes loan servicing responsibilities over the life of the underlying loans.

We defer and amortize debt issuance costs for consolidated securitization trusts on a straight-line basis over the expected life of the notes.

The following tables present the aggregate carrying value of financial assets and liabilities from our involvement with consolidated VIEs (in thousands):

	June 30, 2024		
	Assets	Liabilities	Net Assets
Warehouse credit facilities	$ 2,052,881	$ 1,823,794	$ 229,087
Securitizations	3,325,254	3,246,228	79,026
Total consolidated VIEs	$ 5,378,135	$ 5,070,022	$ 308,113

	June 30, 2023		
	Assets	Liabilities	Net Assets
Warehouse credit facilities	$ 1,930,641	$ 1,686,359	$ 244,282
Securitizations	2,272,991	2,169,835	103,156
Total consolidated VIEs	$ 4,203,632	$ 3,856,194	$ 347,438

Unconsolidated VIEs

Our transactions with unconsolidated VIEs include securitization trusts where we did not retain significant economic exposure through our variable interests and therefore we determined that we are not the primary beneficiary as of June 30, 2024.

The following information pertains to unconsolidated VIEs where we hold a variable interest but are not the primary beneficiary (in thousands):

	June 30, 2024			
	Assets	Liabilities	Net Assets	Maximum Exposure to Losses
Securitizations	$ 967,256	$ 920,004	$ 47,252	$ 51,861
Total unconsolidated VIEs	$ 967,256	$ 920,004	$ 47,252	$ 51,861

	June 30, 2023			
	Assets	Liabilities	Net Assets	Maximum Exposure to Losses
Securitizations	$ 380,547	$ 367,788	$ 12,759	$ 19,149
Total unconsolidated VIEs	$ 380,547	$ 367,788	$ 12,759	$ 19,149

Maximum exposure to losses represents our exposure through our continuing involvement as servicer and through our retained interests. For unconsolidated VIEs, this includes $51.7 million in retained notes and residual trust certificates disclosed within securities available for sale at fair value in our consolidated balance sheets and $0.2 million related to our net servicing assets disclosed within our consolidated balance sheets as of June 30, 2024.

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. This amount was not material as of June 30, 2024.

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 unconsolidated securitization trusts as "available for sale" and as such they are disclosed at fair value in our consolidated balance sheets.

See 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 June 30, 2024, we have pledged certain of our retained beneficial interests as collateral in a sale and repurchase agreement as described in Note 9. Debt.

11. 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 consolidated balance sheets (in thousands):

	June 30, 2024	June 30, 2023
Cash and cash equivalents:		
Money market funds	$ 63,389	$ 97,129
Commercial paper	57,964	54,402
Agency bonds	—	60,865
Government bonds - US	3,492	—
Securities, available for sale:		
Certificates of deposit	34,473	97,224
Corporate bonds	242,660	256,772
Commercial paper	239,882	266,193
Agency bonds	15,159	84,276
Municipal bonds	3,953	—
Government bonds		
Non-US	5,275	9,151
US [1]	538,556	441,096
Securitization notes receivable and certificates [2]	51,670	18,913
Other	—	1,028
Total marketable securities:	$ 1,256,473	$ 1,387,049

(1) As of June 30, 2024, these securities include $54.1 million pledged as collateral in connection with our standby letters of credit for office leases and certain commercial agreements. As of June 30, 2023, no securities were pledged as collateral.

(2) These securities include $46.7 million and $18.9 million as of June 30, 2024 and 2023, respectively, pledged as collateral in connection with sale and repurchase agreements discussed within Note 9. 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 June 30, 2024 and June 30, 2023 were as follows (in thousands):

	June 30, 2024				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
Certificates of deposit	$ 34,468	$ 9	$ (4)	$ —	$ 34,473
Corporate bonds	243,639	95	(1,074)	—	242,660
Commercial paper [1]	298,005	7	(166)	—	297,846
Agency bonds	15,283	—	(124)	—	15,159
Municipal bonds	3,943	10	—	—	3,953
Government bonds					
Non-US	5,310	—	(35)	—	5,275
US [1] [2]	543,421	33	(1,406)	—	542,048
Securitization notes receivable and certificates [3]	51,726	699	(91)	(664)	51,670
Total securities available for sale	$ 1,195,795	$ 853	$ (2,900)	$ (664)	$ 1,193,084

	June 30, 2023				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
Certificates of deposit	$ 97,399	$ 11	$ (186)	$ —	$ 97,224
Corporate bonds	260,627	55	(3,910)	—	256,772
Commercial paper [1]	320,882	34	(321)	—	320,595
Agency bonds [1]	145,312	62	(233)	—	145,141
Government bonds					
Non-US	9,330	—	(179)	—	9,151
US [2]	444,858	28	(3,790)	—	441,096
Securitization notes receivable and certificates [3]	19,841	—	(475)	(453)	18,913
Other	1,028	—	—	—	1,028
Total securities available for sale	$ 1,299,277	$ 190	$ (9,094)	$ (453)	$ 1,289,920

(1) Commercial paper, agency bonds, and US government bonds include $61.5 million and $115.3 million as of June 30, 2024 and 2023, respectively, classified as cash and cash equivalents within the consolidated balance sheets.

(2) As of June 30, 2024, these securities include $54.1 million pledged as collateral in connection with our standby letters of credit for office leases and certain commercial agreements. As of June 30, 2023, no securities were pledged as collateral.

(3) Approximately $46.7 million and $18.9 million as of June 30, 2024 and 2023, respectively, of these securities have been pledged as collateral in connection with sale and repurchase agreements discussed within Note 9. Debt.

As of June 30, 2024 and June 30, 2023, 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 June 30, 2024 and June 30, 2023, are as follows (in thousands):

	June 30, 2024					
	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	$ 9,647	$ (4)	$ —	$ —	$ 9,647	$ (4)
Corporate bonds	119,353	(252)	57,846	(822)	177,199	(1,074)
Commercial paper	245,536	(166)			245,536	(166)
Agency bonds	10,417	(41)	4,743	(83)	15,160	(124)
Government bonds						
Non-US	—	—	5,275	(35)	5,275	(35)
US	251,113	(185)	123,633	(1,221)	374,746	(1,406)
Total securities available for sale [(1)]	$ 636,066	$ (648)	$ 191,497	$ (2,161)	$ 827,563	$ (2,809)

	June 30, 2023					
	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	$ 63,489	$ (186)	$ —	$ —	$ 63,489	$ (186)
Corporate bonds	92,171	(834)	131,762	(3,076)	223,933	(3,910)
Commercial paper	164,037	(321)	—	—	164,037	(321)
Agency bonds	44,214	(233)	—	—	44,214	(233)
Government bonds						
Non-US	3,061	(58)	6,089	(121)	9,150	(179)
US	292,333	(2,395)	67,606	(1,395)	359,939	(3,790)
Total securities available for sale [(1)]	$ 659,305	$ (4,027)	$ 205,457	$ (4,592)	$ 864,762	$ (8,619)

(1) The number of positions with unrealized losses for which an allowance for credit losses has not been recorded totaled 137 and 142 as of June 30, 2024 and June 30, 2023, respectively.

The length of time to contractual maturities of securities available for sale as of June 30, 2024 and June 30, 2023, were as follows (in thousands):

	June 30, 2024					
	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	$ 34,468	$ 34,473	$ —	$ —	$ 34,468	$ 34,473
Corporate bonds	118,547	118,039	125,092	124,621	243,639	242,660
Commercial paper [(1)]	298,005	297,846	—	—	298,005	297,846
Agency bonds	10,457	10,416	4,826	4,743	15,283	15,159
Municipal bonds	—	—	3,943	3,953	3,943	3,953
Government bonds						
Non-US	2,150	2,150	3,160	3,125	5,310	5,275
US [(1)]	465,338	464,298	78,083	77,750	543,421	542,048
Securitization notes receivable and certificates [(2)]	—	—	51,726	51,670	51,726	51,670
Total securities available for sale	$ 928,965	$ 927,222	$ 266,830	$ 265,862	$1,195,795	$1,193,084

	June 30, 2023					
	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	$ 97,399	$ 97,224	$ —	$ —	$ 97,399	$ 97,224
Corporate bonds	173,523	171,634	87,104	85,138	260,627	256,772
Commercial paper [(1)]	320,882	320,595	—	—	320,882	320,595
Agency bonds [(1)]	130,176	130,165	15,136	14,976	145,312	145,141
Government bonds						
Non-US	4,063	3,996	5,267	5,155	9,330	9,151
US	308,179	306,656	136,679	134,440	444,858	441,096
Securitization notes receivable and certificates [(2)]	—	—	19,841	18,913	19,841	18,913
Other	—	—	1,028	1,028	1,028	1,028
Total securities available for sale	$1,034,222	$1,030,270	$ 265,055	$ 259,650	$1,299,277	$1,289,920

(1) Commercial paper, agency bonds, and US government bonds include $61.5 million and $115.3 million as of June 30, 2024 and 2023, respectively, classified as cash and cash equivalents within the consolidated balance sheets.

(2) Based on weighted average life of expected cash flows as of June 30, 2024 and June 30, 2023.

Gross proceeds from matured or redeemed securities were $1.5 billion and $3.7 billion for the years ended June 30, 2024 and June 30, 2023, respectively.

For available for sale securities realized gains and losses from portfolio sales were not material for the June 30, 2024 and June 30, 2023.

Non-marketable Equity Securities

Equity investments without a readily determinable fair value held at cost were $37.8 million and $43.2 million as of June 30, 2024 and June 30, 2023, respectively, and are included in other assets within the consolidated balance sheets.

We recognized an impairment of $14.1 million during the year ended June 30, 2024 within other income (expense), net in the consolidated statements of operations and comprehensive loss in connection with one of our non-marketable equity security investments. We determined an impairment indicator existed upon receiving a tender offer to repurchase all outstanding equity securities at a substantial discount relative to the cost basis of our investment. We determined the tender offer price was a reasonable estimate of fair value and therefore we recognized an impairment equal to the difference between our costs basis and the implied fair value based on the tender offer price. We did not record any impairment for the year ended June 30, 2023.

There have been no upward or downward adjustments due to observable changes in orderly transactions for the years ended June 30, 2024 or June 30, 2023.

Fixed Term Deposits

Fixed term deposits were $35.2 million as of June 30, 2024 and consist of interest bearing deposits held at financial institutions with an original maturities greater than three months but no more than twelve months. These deposits are carried at cost, which approximates fair value, and are included in other assets within the consolidated balance sheets. We did not have any fixed term deposits as of June 30, 2023.

12. Derivative Financial Instruments

The following table summarizes the total fair value, including interest accruals, and outstanding notional amounts of derivative instruments as of June 30, 2024 and June 30, 2023 (in thousands):

	June 30, 2024			June 30, 2023		
	Notional Amount	Derivative Assets	Derivative Liabilities	Notional Amount	Derivative Assets	Derivative Liabilities
Derivatives designated as cash flow hedges						
Interest rate contracts - cash flow hedges	$ 150,000	$ 4	$ —	$ 800,000	$ 751	$ —
Derivatives not designated as hedges						
Interest rate contracts	854,589	17,203	38	2,102,944	49,794	—
Total gross derivative assets/ liabilities	$ 1,004,589	$ 17,207	$ 38	$ 2,902,944	$ 50,545	$ —

The following table summarizes the impact of the cash flow hedges on Accumulated Other Comprehensive Income ("AOCI") (in thousands):

	Year ended June 30,	
	2024	2023
Balance at beginning of period	$ 751	$ —
Changes in fair value	2,000	805
Amounts reclassified into earnings [1]	(1,344)	(54)
Balance at end of period [2]	$ 1,407	$ 751

(1) The amounts reclassified into earnings is presented in our consolidated statements of operations and comprehensive loss within funding costs.

(2) Over the next 12 months, we expect to reclassify $1.0 million of net derivative gains included in AOCI into funding costs within our consolidated statements of operations and comprehensive loss.

The following table summarizes the impact of the derivative instruments on income (loss) and indicates where within the consolidated statements of operations and comprehensive loss such impact is reported (in thousands):

	Year ended June 30,	
	2024	2023
Location of gains (losses) where the effects of derivatives are recorded		
The effects of cash flow hedging		
Funding costs	1,344	54
The effects of derivatives not designated in hedging relationships		
Other income, net	4,479	48,074

Refer to Note 2. Summary of Significant Accounting Policies and Note 13. Fair Value of Financial Assets and Liabilities for additional information on our derivative instruments.

13. Fair Value of Financial Assets and Liabilities

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 June 30, 2024 and June 30, 2023 (in thousands):

	June 30, 2024			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents:				
Money market funds	$ 63,389	$ —	$ —	$ 63,389
Commercial paper	—	57,964	—	57,964
Government bonds- US	—	3,492	—	3,492
Securities, available for sale:				
Certificates of deposit	—	34,473	—	34,473
Corporate bonds	—	242,660	—	242,660
Commercial paper	—	239,882	—	239,882
Agency bonds	—	15,159	—	15,159
Municipal bonds	—	3,953	—	3,953
Government bonds:				
Non-US	—	5,275	—	5,275
US	—	538,556	—	538,556
Securitization notes receivable and residual trust certificates	—	—	51,670	51,670
Servicing assets	—	—	574	574
Derivative instruments	—	17,207	—	17,207
Risk sharing asset	—	—	33,884	33,884
Total assets	$ 63,389	$1,158,621	$ 86,128	$1,308,138
Liabilities:				
Servicing liabilities	$ —	$ —	$ 743	$ 743
Performance fee liability	—	—	1,503	1,503
Profit share liability	—	—	1,974	1,974
Risk sharing liability	—	—	918	918
Derivative Instruments	—	38	—	38
Total liabilities	$ —	$ 38	$ 5,138	$ 5,176

	June 30, 2023			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents:				
Money market funds	$ 97,129	$ —	$ —	$ 97,129
Commercial paper	—	54,402	—	54,402
Agency bonds	—	60,865	—	60,865
Securities, available for sale:				
Certificates of deposit	—	97,224	—	97,224
Corporate bonds	—	256,772	—	256,772
Commercial paper	—	266,193	—	266,193
Agency bonds	—	84,276	—	84,276
Government bonds:				
Non-US	—	9,151	—	9,151
US	—	441,096	—	441,096
Securitization notes receivable and residual trust certificates	—	—	18,913	18,913
Other	—	—	1,028	1,028
Servicing assets	—	—	880	880
Derivative instruments	—	50,545	—	50,545
Total assets	$ 97,129	$1,320,524	$ 20,821	$1,438,474
Liabilities:				
Servicing liabilities	$ —	$ —	$ 1,392	$ 1,392
Performance fee liability	—	—	1,581	1,581
Residual trust certificates, held by third-parties	—	—	125	125
Profit share liability	—	—	1,832	1,832
Total liabilities	$ —	$ —	$ 4,930	$ 4,930

There were no transfers between levels during the periods ended June 30, 2024 and June 30, 2023.

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

Marketable Securities

As of June 30, 2024, we held marketable securities classified as cash and cash equivalents and securities 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

As of June 30, 2024 and June 30, 2023, we used a combination of interest rate cap agreements and interest rate swaps to manage interest costs and the risks associated with variable interest rates. These derivative instruments are classified as Level 2 within the fair value hierarchy, and the fair value is estimated by using third-party pricing models, which contain certain assumptions based on readily observable market-based inputs. We validate the valuation output on a monthly basis. Refer to Note 12. Derivative Financial Instruments in the notes to the consolidated financial statements for further details on our derivative instruments.

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

We evaluate our 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, profit share liability, and risk sharing arrangements do not trade in an active market with readily observable prices, we use significant unobservable inputs to measure fair value and have classified as level 3 within the fair value hierarchy. This determination requires significant judgments to be made.

Servicing Assets and Liabilities

We sold loans with an unpaid principal balance of $10.2 billion, $7.5 billion, and $7.1 billion for the years ended June 30, 2024, 2023, and 2022, respectively, for which we retained servicing rights.

As of June 30, 2024 and June 30, 2023, we serviced loans which we sold with a remaining unpaid principal balance of $5.1 billion and $4.1 billion, 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.

Gross 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 $95.5 million, $87.5 million, and $65.8 million of servicing income for the years ended June 30, 2024, 2023, and 2022, respectively.

As of June 30, 2024 and June 30, 2023, the aggregate fair value of the servicing assets was measured at $0.6 million and $0.9 million, respectively, and presented within other assets on the consolidated balance sheets. As of June 30, 2024 and June 30, 2023, the aggregate fair value of the servicing liabilities was measured at $0.7 million and $1.4 million, respectively, and presented within accrued expenses and other liabilities on the consolidated balance sheets.

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

	Year ended June 30,	
	2024	2023
Fair value at beginning of period	$ 880	$ 1,192
Initial transfers of financial assets	—	433
Subsequent changes in fair value	(306)	(745)
Fair value at end of period	$ 574	$ 880

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

	Year ended June 30,	
	2024	2023
Fair value at beginning of period	$ 1,392	$ 2,673
Initial transfers of financial assets	5,485	7,723
Subsequent changes in fair value	(6,134)	(9,004)
Fair value at end of period	$ 743	$ 1,392

The following tables present quantitative information about the significant unobservable inputs used for our Level 3 fair value measurement of servicing assets and liabilities as of June 30, 2024 and June 30, 2023:

		June 30, 2024		
	Unobservable Input	Minimum	Maximum	Weighted Average [3]
Servicing assets	Discount rate	30.00 %	30.00 %	30.00 %
	Adequate compensation [1]	2.00 %	2.00 %	2.00 %
	Gross default rate [2]	9.89 %	22.72 %	10.84 %
Servicing liabilities	Discount rate	30.00 %	30.00 %	30.00 %
	Adequate compensation [1]	2.00 %	2.00 %	2.00 %
	Gross default rate [2]	2.58 %	4.12 %	3.00 %

		June 30, 2023		
	Unobservable Input	Minimum	Maximum	Weighted Average [3]
Servicing assets	Discount rate	30.00 %	30.00 %	30.00 %
	Adequate compensation [1]	0.92 %	2.31 %	0.93 %
	Gross default rate [2]	2.15 %	11.20 %	3.36 %
Servicing liabilities	Discount rate	30.00 %	30.00 %	30.00 %
	Adequate compensation [1]	0.92 %	2.31 %	2.27 %
	Gross default rate [2]	9.50 %	21.54 %	13.64 %

(1) Estimated annual cost of servicing a loan as a percentage of unpaid principal balance
(2) Annualized estimated gross charge-offs as a percentage of unpaid principal balance
(3) Unobservable inputs were weighted by relative fair value

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):

	June 30, 2024	June 30, 2023
Servicing assets		
Gross default rate assumption:		
Gross default rate increase of 25%	$ 1	$ —
Gross default rate increase of 50%	$ 1	$ (1)
Adequate compensation assumption:		
Adequate compensation increase of 10%	$ (980)	$ (382)
Adequate compensation increase of 20%	$ (1,961)	$ (764)
Discount rate assumption:		
Discount rate increase of 25%	$ (23)	$ (29)
Discount rate increase of 50%	$ (44)	$ (55)
Servicing liabilities		
Gross default rate assumption:		
Gross default rate increase of 25%	$ (1)	$ (9)
Gross default rate increase of 50%	$ (1)	$ (19)
Adequate compensation assumption:		
Adequate compensation increase of 10%	$ 3,153	$ 2,798
Adequate compensation increase of 20%	$ 6,305	$ 5,597
Discount rate assumption:		
Discount rate increase of 25%	$ (19)	$ (19)
Discount rate increase of 50%	$ (37)	$ (38)

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 consolidated balance sheets. Any changes in the fair value of the liability are reflected in other income (expense), net, on the 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):

	Year ended June 30,	
	2024	2023
Fair value at beginning of period	$ 1,581	$ 1,710
Purchases of loans	1,775	1,758
Settlements paid	(1,969)	(2,031)
Subsequent changes in fair value	116	144
Fair value at end of period	$ 1,503	$ 1,581

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 tables present quantitative information about the significant unobservable inputs used for our Level 3 fair value measurement of the performance fee liability as of June 30, 2024 and June 30, 2023:

	June 30, 2024		
Unobservable Input	**Minimum**	**Maximum**	**Weighted Average** [(1)]
Discount rate	8.50%	10.00%	9.81%
Refund rate	1.50%	1.50%	1.50%
Default rate	1.38%	4.65%	2.94%

	June 30, 2023		
Unobservable Input	**Minimum**	**Maximum**	**Weighted Average** [(1)]
Discount rate	10.00%	10.00%	10.00%
Refund rate	4.50%	4.50%	4.50%
Default rate	1.79%	3.34%	2.86%

(1) Unobservable inputs were weighted by remaining principal balances

Residual Trust Certificates Held by Third-Parties in Consolidated VIEs

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 consolidated balance sheets. Any changes in the fair value of the liability are reflected in other income (expense), net, on the consolidated statements of operations and comprehensive loss. As of June 30, 2024, we no longer have any residual trust certificates held by third parties.

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

	Year ended June 30,	
	2024	**2023**
Fair value at beginning of period	$ 125	$ 377
Repayments	(115)	(306)
Subsequent changes in fair value	(10)	54
Fair value at end of period	$ —	$ 125

Retained Beneficial Interests in Unconsolidated VIEs

As of June 30, 2024, we held notes receivable and residual trust certificates with an aggregate fair value of $51.7 million in connection with unconsolidated securitizations. The balances correspond to the 5% economic risk retention we are required to maintain as the securitization sponsor.

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

The following table summarizes the activity related to the fair value of the notes receivable and residual trust certificates (in thousands):

	Year ended June 30, 2024	Year ended June 30, 2023
Fair value at beginning of period	$ 18,913	$ 51,678
Additions	58,508	—
Cash received (due to payments)	(28,738)	(33,544)
Change in unrealized gain (loss)	1,083	6
Accrued interest	2,115	1,205
Reversal of (impairment on) securities available for sale	(211)	(432)
Fair value at end of period	$ 51,670	$ 18,913

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 tables present quantitative information about the significant unobservable inputs used for our Level 3 fair value measurement of the notes receivable and residual trust certificates as of June 30, 2024 and June 30, 2023:

	June 30, 2024		
Unobservable Input	**Minimum**	**Maximum**	**Weighted Average [(1)]**
Discount rate	5.73%	41.41%	8.93%
Loss rate	0.95%	6.98%	6.17%
Prepayment rate	12.40%	27.70%	23.33%

	June 30, 2023		
Unobservable Input	**Minimum**	**Maximum**	**Weighted Average [(1)]**
Discount rate	5.72%	29.84%	7.30%
Loss rate	1.25%	14.96%	3.02%
Prepayment rate	5.90%	29.90%	18.10%

(1) Unobservable inputs were weighted by relative fair value

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

	Year ended June 30, 2024	Year ended June 30, 2023
Discount rate assumption:		
Discount rate increase of 25%	$ (623)	$ (218)
Discount rate increase of 50%	$ (1,223)	$ (429)
Loss rate assumption:		
Loss rate increase of 25%	$ (705)	$ (165)
Loss rate increase of 50%	$ (1,321)	$ (243)
Prepayment rate assumption:		
Prepayment rate decrease of 25%	$ 58	$ (30)
Prepayment rate decrease of 50%	$ 116	$ (59)

Profit Share Liability

On January 1, 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 consolidated balance sheets.

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

	Year ended June 30, 2024	Year ended June 30, 2023
Fair value at beginning of period	$ 1,832	$ 1,987
Facilitation of loans	3,326	5,792
Actual performance	(5,363)	(7,009)
Subsequent changes in fair value	2,179	1,062
Fair value at end of period	$ 1,974	$ 1,832

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 tables present quantitative information about the significant unobservable inputs used for our Level 3 fair value measurement of the profit sharing liability as of June 30, 2024 and June 30, 2023:

	June 30, 2024		
Unobservable Input	**Minimum**	**Maximum**	**Weighted Average** [1]
Discount rate	30.00%	30.00%	30.00%
Program profitability	0.32%	1.01%	0.96%

	June 30, 2023		
Unobservable Input	**Minimum**	**Maximum**	**Weighted Average** [1]
Discount rate	30.00%	30.00%	30.00%
Program profitability	1.13%	1.13%	1.13%

(1) Unobservable inputs were weighted by relative fair value

Risk Sharing Arrangements

As of June 30, 2024 and June 30, 2023, we have sold $4.2 billion and $0.4 billion, respectively, unpaid principal balance of loans under these risk sharing arrangements, of which our maximum exposure to losses was $81.2 million and $8.2 million, respectively. This amount includes our maximum potential loss with respect to risk sharing liabilities of $47.3 million and the fair value of risk sharing assets of $33.9 million, as of June 30, 2024.

As of June 30, 2024, we held assets and liabilities related to these arrangements of $33.9 million and $0.9 million, respectively. As of June 30, 2023, we estimated that the fair value of risk sharing liabilities was $0 based on the limited time passed and available loan performance since entering into these agreements. We did not have any risk sharing arrangements where we had recognized an asset as of June 30, 2023.

As of June 30, 2024, we estimated the fair value of future settlements using a discounted cash flow model. Significant assumptions used in the valuation of our risk sharing assets and liabilities are as follows:

Discount Rate

Estimated future cash flow to be received or paid under the agreements are discounted as a part of determining the fair value of the risk sharing arrangements.The discount rate reflects the time value of money and a risk premium intended to reflect the amount of compensation market participants would require.

Loss Rate

We estimate the loss rate as the probability of loan defaults and write-offs, which are used to project future risk-sharing cash flows.

Prepayment Rate

We estimated the annualized prepayment rate as the expected excess loan payment received in a given month as a percentage of the outstanding principal balance at the beginning of the month minus the scheduled principal payment.

The following table summarizes the activity related to the fair value of the risk sharing assets (in thousands):

		Year ended June 30, 2024
Fair value at beginning of period	$	—
Initial transfers of financial assets		41,669
Subsequent changes in fair value		(7,785)
Fair value at end of period	$	33,884

The following table summarizes the activity related to the fair value of the risk sharing liabilities (in thousands):

		Year ended June 30, 2024
Fair value at beginning of period	$	—
Subsequent changes in fair value		918
Fair value at end of period	$	918

The following tables present quantitative information about the significant unobservable inputs used for our Level 3 fair value measurement of the risk sharing arrangements as of June 30, 2024:

		June 30, 2024		
	Unobservable Input	**Minimum**	**Maximum**	**Weighted Average** [1]
Risk sharing assets	Discount rate	20.00%	20.00%	20.00%
	Loss rate	3.00%	4.69%	3.66%
	Prepayment rate	23.36%	33.29%	28.48%
Risk sharing liabilities	Discount rate	20.00%	20.00%	20.00%
	Loss rate	3.25%	5.29%	4.28%

(1) Unobservable inputs were weighted by principal balance of loans sold under each cohort

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

	June 30, 2024
Risk sharing assets	
Prepayment rate assumption:	
Prepayment rate increase of 25%	$ 572
Prepayment rate increase of 50%	$ 1,131
Loss rate assumption:	
Loss rate increase of 25%	$ (7,315)
Loss rate increase of 50%	$ (14,528)
Discount rate assumption:	
Discount rate increase of 25%	$ (1,211)
Discount rate increase of 50%	$ (2,323)
Risk sharing liabilities	
Loss rate assumption:	
Loss rate increase of 25%	$ 22,333
Loss rate increase of 50%	$ 41,677
Discount rate assumption:	
Discount rate increase of 25%	$ (19)
Discount rate increase of 50%	$ (37)

Financial Assets and Liabilities Not Recorded at Fair Value

The following table presents the fair value and our assessment of the classification of this measurement within the fair value hierarchy for financial assets and liabilities held at amortized cost as of June 30, 2024 and June 30, 2023 (in thousands):

	June 30, 2024				
	Carrying Amount	Level 1	Level 2	Level 3	Balance at Fair Value
Assets:					
Loans held for sale [(1)]	$ 36	$ —	$ 36	$ —	$ 36
Loans held for investment, net	5,360,959	—	—	5,616,973	5,616,973
Other assets [(1)]	43,212	—	43,212	—	43,212
Total assets	$ 5,404,207	$ —	$ 43,248	$ 5,616,973	$ 5,660,221
Liabilities:					
Convertible senior notes, net [(2)]	$ 1,341,430	$ —	$ 1,124,773	$ —	$ 1,124,773
Notes issued by securitization trusts	3,236,873	—	—	2,506,929	2,506,929
Funding debt [(3)]	1,851,699	—	—	1,851,685	1,851,685
Total liabilities	$ 6,430,002	$ —	$ 1,124,773	$ 4,358,614	$ 5,483,387

	June 30, 2023				
	Carrying Amount	Level 1	Level 2	Level 3	Balance at Fair Value
Assets:					
Loans held for sale [(1)]	$ 76	$ —	$ 76	$ —	$ 76
Loans held for investment, net	4,198,431	—	—	4,397,931	4,397,931
Other assets [(1)]	9,325	—	9,325	—	9,325
Total assets	$ 4,207,832	$ —	$ 9,401	$ 4,397,931	$ 4,407,332
Liabilities:					
Convertible senior notes, net [(2)]	1,414,208	—	1,053,866	—	1,053,866
Notes issued by securitization trusts	2,165,577	—	—	1,748,772	1,748,772
Funding debt [(3)]	1,775,698	—	—	1,777,635	1,777,635
Total liabilities	$ 5,355,483	$ —	$ 1,053,866	$ 3,526,407	$ 4,580,273

(1) Amortized cost approximates fair value for loans held for sale and other assets.

(2) 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.

(3) As of June 30, 2024 and June 30, 2023, debt issuance costs in the amount of $14.8 million and $10.9 million was included within funding debt.

14. Stockholders' Equity

Common Stock

We had shares of common stock reserved for issuance as follows:

	June 30, 2024	June 30, 2023
Available outstanding under equity compensation plans	47,622,117	52,572,230
Available for future grant under equity compensation plans	43,492,755	37,245,232
Total	91,114,872	89,817,462

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 our commercial agreements 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. We recognized an asset of $133.5 million associated with the portion of the warrants that were fully vested at the grant date. 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 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 years ended June 30, 2024, 2023, and 2022, a total of $439.6 million, $463.3 million, and $281.0 million, respectively, was recognized within sales and marketing expense which included $32.9 million, $41.4 million, and $26.3 million, respectively, in amortization expense of the commercial agreement asset, and $406.7 million, $421.9 million, and $254.7 million, respectively, in expense based upon the grant-date fair value of the warrant shares that vested.

The following table summarizes the warrants activity during the year ended June 30, 2024:

	Number of Shares	Weighted Average Exercise Price ($)	Weighted Average Remaining Life (years)
Warrants outstanding, June 30, 2023	22,000,000	$68.19	4.60
Granted	—	—	0.00
Exercised	—	—	0.00
Cancelled	—	—	0.00
Warrants outstanding, June 30, 2024	22,000,000	$68.19	3.60
Warrants exercisable, June 30, 2024	11,265,803	$44.24	2.60

There were no warrants granted during the year ended June 30, 2023, and the weighted-average grant date fair values of warrants granted during the year ended June 30, 2022 was $94.20. On June 30, 2024, the weighted-average grant date fair values for outstanding warrants and exercisable warrants were $94.20 and $108.01, 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 June 30, 2024, the maximum number of shares of common stock which may be issued under the Plan is 161,051,508 Class A shares. As of June 30, 2024 and June 30, 2023, there were 43,492,755 and 37,245,232 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 year ended June 30, 2024:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in thousands)
Balance as of June 30, 2023	18,505,138	$ 14.34	6.07	
Granted	1,829,168	23.70		
Exercised	(2,829,386)	8.17		
Forfeited, expired or cancelled	(710,223)	27.60		
Balance as of June 30, 2024	16,794,697	15.84	5.63	
Vested and exercisable, June 30, 2024	13,468,462	$ 13.25	4.91	$ 258,003
Vested and exercisable, and expected to vest thereafter [(1)] June 30, 2024	16,667,306	$ 15.76	5.61	$ 280,682

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

The weighted-average grant date fair value of employee options granted for the years ended June 30, 2024, 2023, and 2022, was $16.37, $10.92, and $13.29, respectively. The aggregate intrinsic value of options exercised was approximately $79.0 million, $12.6 million, and $1.4 billion for the years ended June 30, 2024, 2023, and 2022, respectively. The total fair value of stock options vested during the years ended June 30, 2024, 2023, and 2022 was $24.3 million, $39.5 million, and $30.3 million, respectively.

The fair value of each option on the date of grant is determined using the Black Scholes-Merton option pricing model using the single-option award approach with the weighted-average assumptions set forth in the table below. Volatility is based on historical volatility rates obtained from certain public companies that operate in the same or related business as us since there is a limited period of historical market data for our common stock. The risk-free interest rate is determined using a U.S. Treasury rate for the period that coincides with the expected term set forth. We used the simplified method to determine an estimate of the expected term of an employee share option.

	Year ended June 30,		
	2024	2023	2022
Volatility	75%	59%	54%
Risk-free interest rate	4.21% - 4.36%	2.88% - 3.87%	1.47% - 3.01%
Expected term (in years)	6.05	6.04	5.56
Expected dividend yield	—	—	—

As of June 30, 2024, unrecognized compensation expense related to unvested stock options was approximately $37.3 million, which is expected to be recognized over a remaining weighted-average period of 2.5 years.

Value Creation Award

In November 2020, 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”).

As discussed below, the Value Creation Award will only be earned, if at all, in the event the price of our Class A common stock attains stock price hurdles that are significantly in excess of the Company's IPO price per share, over a period of five years, subject to Mr. Levchin’s continued service to the Company.

The Value Creation Award is divided into ten tranches, each of which Mr. Levchin may earn by satisfying a performance condition within a five-year period following the IPO. The performance condition for each tranche will be satisfied on the date the 90 average trading day volume weighted share price of the Company's Class A common stock exceeds certain specified stock price hurdles, presented in the table below, which were determined based on a target percentage of share price appreciation from the IPO price. Once earned as a result of satisfying the performance condition, the options will vest and become exercisable over a five-year period that commenced at the time of the IPO, subject to Mr. Levchin's continued service to the Company, in annual amounts equal to 15%, 15%, 20%, 25% and 25%, respectively. The per share exercise price of the Value Creation Award is $49.00, the price to the public in the IPO.

Tranche	Stock Price Hurdle	Number of Options
1	$ 65.66	1,000,000
2	$ 82.32	1,000,000
3	$ 98.98	1,000,000
4	$ 115.64	1,000,000
5	$ 132.30	1,000,000
6	$ 148.47	1,000,000
7	$ 165.13	1,000,000
8	$ 181.79	1,000,000
9	$ 247.94	2,250,000
10	$ 371.91	2,250,000
Total		12,500,000

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 years ended June 30, 2024, 2023, and 2022, we incurred stock-based compensation expense of $64.6 million, $94.6 million, and $140.7 million, respectively, associated with the Value Creation Award as a component of general and administrative expense within the consolidated statements of operations and comprehensive loss. Based on achievement of the stock price hurdles and time-based service conditions, 250,000 shares vested during the year ended June 30, 2024, bringing the total shares vested to 4,000,000. As of June 30, 2024, none of these awards have been exercised.

As of June 30, 2024, unrecognized compensation expense related to the Value Creation Award was approximately $48.3 million, which is expected to be recognized over a remaining weighted-average period of 1.5 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.

The following table summarizes our RSU activity during the year ended June 30, 2024:

	Number of Shares	Weighted Average Grant Date Fair Value
Non-vested at June 30, 2023	21,653,196	$ 26.99
Granted	16,404,933	27.31
Vested	(17,024,233)	26.49
Forfeited, expired or cancelled	(2,706,476)	27.43
Non-vested at June 30, 2024	18,327,420	$ 27.68

As of June 30, 2024, unrecognized compensation expense related to unvested RSUs was approximately $475.7 million, which is expected to be recognized over a remaining weighted-average period of 1.9 years.

2020 Employee Stock Purchase Plan

On November 18, 2020, our Board of Directors adopted and approved the 2020 Employee Stock Purchase Plan ("ESPP"). The purpose of the ESPP is to secure the services of new employees, to retain the services of existing employees and to provide incentives for such individuals to exert maximum effort towards the success of the Company and that of its affiliates. A total of 13.2 million shares of Class A common stock are reserved and available for issuance under the ESPP and 1.7 million shares have been issued as of June 30, 2024. The ESPP provides for six-month offering periods beginning December 1 and June 1 of each year. 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 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 at the first day of the offering period, which represents the grant date. 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):

	Year ended June 30,		
	2024	2023	2022
General and administrative	$ 228,334	$ 239,923	$ 248,797
Technology and data analytics	96,596	181,396	116,531
Sales and marketing	16,374	25,914	23,224
Processing and servicing	3,207	4,476	2,431
Total stock-based compensation in operating expenses	344,511	451,709	390,983
Capitalized into property, equipment and software, net	126,510	80,108	54,542
Total stock-based compensation	$ 471,021	$ 531,817	$ 445,525

16. Restructuring and other

During the year ended June 30, 2024, we incurred exit and disposal costs in connection with certain actions we have taken to manage our operating expenses in response to the current macroeconomic conditions and ongoing business prioritization efforts.

In February 2023, we committed to a restructuring plan (the "February 2023 Plan") that included reducing our workforce and vacating a portion of our San Francisco office. As of June 30, 2024, the February 2023 Plan is completed and we do not expect future costs or payments related to the plan.

Exit and disposal costs were $6.8 million for the year ended June 30, 2024. Exit and disposal costs were $35.9 million for the year ended June 30, 2023, primarily relating to the February 2023 Plan.

Our restructuring accrual activity for the year ended June 30, 2024 is summarized as follows (in thousands):

	2023 Restructuring Plan	Other Exit and Disposal Activities [1]
Accrued restructuring costs, June 30, 2023	$ 308	$ 2,116
Additions	210	6,829
Cash paid	(378)	(8,521)
Adjustments	(140)	(155)
Accrued restructuring costs, June 30, 2024	$ —	$ 269

(1) Includes employee severance pay and related costs, contract cancellation charges, among other items, related to other exit and disposal activities

17. Income Taxes

The U.S. and foreign components of income (loss) before income taxes for the years ended June 30, 2024, 2023, and 2022 are as follows (in thousands):

	Year Ended June 30,		
	2024	2023	2022
U.S.	$ (518,093)	$ (974,074)	$ (780,699)
Foreign	2,566	(15,171)	55,868
Total loss before income taxes	$ (515,527)	$ (989,245)	$ (724,831)

Income tax expense (benefit) for the years ended June 30, 2024, 2023, and 2022 is summarized as follows (in thousands):

	Year Ended June 30,		
	2024	2023	2022
Current			
State	$ 1,442	$ 759	$ 145
Foreign	392	408	230
Total current expense	$ 1,834	$ 1,167	$ 375
Deferred			
Federal	$ 139	$ 137	$ 113
State	333	249	281
Foreign	(76)	(5,453)	(18,183)
Total deferred expense	396	(5,067)	(17,789)
Income tax (benefit) expense	$ 2,230	$ (3,900)	$ (17,414)

The income tax expense for the year ended June 30, 2024 was primarily attributable to various U.S state and foreign income taxes and the tax amortization of certain intangibles, while the income tax benefits for the years ended June 30, 2023 and June 30, 2022 were primarily attributable to deferred taxes recognized by certain foreign subsidiaries and partially offset by various U.S. state and other foreign income taxes.

The following is a reconciliation of the U.S. statutory federal income tax rate to our effective tax rate for the years ended June 30, 2024, 2023, and 2022:

	Year Ended June 30,		
	2024	2023	2022
U.S. statutory federal income tax rate	21.0 %	21.0 %	21.0 %
State and local income taxes, net of federal tax benefit	8.9 %	7.7 %	8.3 %
Foreign rate differential	(0.1)%	0.1 %	(0.4)%
Stock-based compensation	(5.1)%	(14.9)%	64.0 %
Non-deductible compensation expense	(5.6)%	(2.2)%	(12.4)%
Tax benefit related to tax credits, net	4.3 %	0.9 %	15.4 %
Impact of change in fair value of contingent consideration	— %	0.2 %	3.3 %
Change in unrecognized tax benefits	(1.7)%	(0.4)%	(6.2)%
Other	— %	(0.1)%	0.2 %
Change in valuation allowance	(22.1)%	(11.9)%	(90.8)%
Effective income tax rate	(0.4)%	0.4 %	2.4 %

Significant components of deferred tax assets and liabilities are as follows (in thousands):

	Year Ended June 30,	
	2024	2023
Net operating loss carryforwards	$ 1,071,737	$ 1,070,325
Allowance for credit losses	97,400	65,699
Stock-based compensation	23,182	45,974
Stock warrants	100,369	50,097
Operating lease liabilities	11,457	15,253
Capitalized R&E including internally developed software	6,977	—
Tax credit carryforwards	88,190	74,589
Other	22,216	10,653
Total deferred tax assets	$ 1,421,528	$ 1,332,590
Capitalized R&E including internally developed software	—	(21,304)
Right-of-use lease assets	(6,330)	(8,751)
Other	(3,921)	(2,670)
Total deferred tax liabilities	$ (10,251)	$ (32,725)
Valuation allowance	(1,392,205)	(1,280,216)
Deferred tax assets (liabilities), net of valuation allowance	$ 19,072	$ 19,649

We continue to recognize a full valuation allowance against our U.S. federal and state and certain 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 years ended June 30, 2024, 2023, and 2022. 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. The valuation allowance increased by $111.4 million during the year ended June 30, 2024.

As of June 30, 2024, we had pretax U.S. federal net operating loss ("NOL") carryforwards of approximately $3.3 billion, state NOL carryforwards of $4.8 billion, Canadian NOL carryforwards of $52.0 million, and U.K. NOL carryforwards of $20.0 million. If not utilized, certain U.S. federal and state NOL carryforwards will begin to expire in 2029, whereas others have an unlimited carryforward period, and foreign NOL carryforwards will begin to expire in 2040, with others that have an unlimited carryforward period as well. Additionally, as of June 30, 2024, we also had U.S. federal and state research and development tax credit carryforwards of $102.0 million and $51.8 million, respectively. The U.S. federal research and development tax credit carryforwards will begin to expire in 2041 while the state research and development tax credits may be carried forward indefinitely. As of June 30, 2024, the Company also had other state tax credit carryforwards of $3.1 million, which will begin to expire in 2025 if not utilized.

Of the above NOL carryforwards, approximately $39.8 million pretax U.S. federal NOL carryforwards and $35.0 million state NOL carryforwards are from domestic acquisitions, which may be subject to an annual utilization limitation under Internal Revenue Code Section 382.

The future utilization of all domestic NOL and tax credit carryforwards may be subject to an annual limitation, pursuant to Internal Revenue Code Sections 382 and 383 and similar state provisions, due to ownership changes that may have occurred previously or that could occur in the future. Any limitation may result in the expiration of all or a portion of the NOL carryforwards before utilization.

The Company accounts for uncertainties in income taxes in accordance with ASC 740, Income Taxes ("ASC 740"). The following table provides a reconciliation of the beginning and ending amounts of gross unrecognized tax benefits (in thousands):

	Year ended June 30,		
	2024	**2023**	**2022**
Beginning balance	$ 51,850	$ 47,867	$ —
Gross increase for tax positions related to the current year	8,931	5,828	28,407
Gross increase for tax positions related to prior years	733	—	19,460
Gross decrease for tax positions related to prior years	—	(1,845)	—
Ending balance	$ 61,514	$ 51,850	$ 47,867

As of June 30, 2024, the Company had no unrecognized tax benefits related to uncertain tax positions that, if recognized, would impact the effective tax rate. The Company does not expect the total amount of unrecognized tax benefits to significantly increase or decrease within the next twelve months.

Interest and penalties on unrecognized tax benefits are recorded as a component of tax expense. During the years ended June 30, 2024, 2023, and 2022, we did not recognize accrued interest and penalties related to unrecognized tax benefits.

We file U.S. federal and state income tax returns as well as various foreign income tax returns with varying statutes of limitation. With respect to the Company's major tax filings, all tax years remain open to examination due to the carryover of unused net operating losses.

18. Net Loss per Share Attributable to Common Stockholders

The following table presents 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):

	Year ended June 30,					
	2024		2023		2022	
	Class A	Class B	Class A	Class B	Class A	Class B
Numerator:						
Net loss	$ (430,789)	$ (86,968)	$ (785,080)	$ (200,265)	$ (536,654)	$ (170,763)
Net loss attributable to common stockholders - basic and diluted	$ (430,789)	$ (86,968)	$ (785,080)	$ (200,265)	$ (536,654)	$ (170,763)
Denominator:						
Weighted average shares of common stock - basic	257,810,094	52,047,035	235,316,821	60,026,645	213,703,749	68,000,292
Weighted average shares of common stock - diluted	257,810,094	52,047,035	235,316,821	60,026,645	213,703,749	68,000,292
Net loss per share:						
Basic	$ (1.67)	$ (1.67)	$ (3.34)	$ (3.34)	$ (2.51)	$ (2.51)
Diluted	$ (1.67)	$ (1.67)	$ (3.34)	$ (3.34)	$ (2.51)	$ (2.51)

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:

	Year ended June 30,		
	2024	2023	2022
Stock options, including early exercise of options	16,794,697	18,505,138	18,922,009
Restricted stock units	18,327,420	21,653,196	21,387,592
Common stock warrants	5,700,587	5,859,226	5,817,203
Employee stock purchase plan shares	216,846	485,465	614,659
Total	41,039,550	46,503,025	46,741,463

19. 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):

	Year ended June 30,		
	2024	2023	2022
United States	$ 2,225,605	$ 1,540,044	$ 1,304,304
Canada	97,394	47,423	44,852
Other	—	518	136
Total	$ 2,322,999	$ 1,587,985	$ 1,349,292

Long-Lived Assets

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

	Year ended June 30,	
	2024	**2023**
United States	$ 447,287	$ 317,354
Canada	1,811	2,488
Other	451	463
Total	$ 449,549	$ 320,306

20. Subsequent Events

Subsequent to June 30, 2024 through the date the consolidated financial statements were filed with the SEC, we paid $120.1 million in cash for the repurchase of $140.5 million aggregate principal amount of our 2026 Notes under the December 2023 authorization. The carrying amount of the extinguished 2026 Notes was approximately $139.7 million resulting in a $19.6 million gain on early extinguishment of debt. The repurchased 2026 Notes were received and canceled.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer ("CEO") and our Chief Financial Officer ("CFO"), has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Annual Report on Form 10-K. In designing and evaluating our disclosure controls and procedures, our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance, not absolute assurance, of achieving the desired control objectives, and management is required to apply judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Based on this evaluation, our CEO and our CFO concluded that our disclosure controls and procedures were effective as of June 30, 2024, and were designed and functioned effectively to provide reasonable assurance that the information required to be disclosed in our reports filed under the Exchange Act is (i) recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and (ii) accumulated and communicated to management, including our principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) for the Company. In order to evaluate the effectiveness of our internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act of 2002, management has conducted an assessment, including testing, of the Company's internal control over financial reporting as of June 30, 2024, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

Internal control over financial reporting refers to the process, designed under the supervision and with the participation of management, including our CEO and our CFO, and overseen by the Company's Board of Directors, to provide reasonable, but not absolute, assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America ("GAAP"), and includes policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

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 due to 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 such improvements will be subject to the same inherent limitations outlined in this section.

Management has assessed the effectiveness of the Company's internal control over financial reporting as of June 30, 2024. Based on that assessment, management has concluded that the Company's internal control over financial reporting was effective as of June 30, 2024 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with GAAP.

Deloitte & Touche LLP, the Company's independent registered public accounting firm, has audited the effectiveness of the Company's internal control over financial reporting as of June 30, 2024, and its report is included below.

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 June 30, 2024, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of Affirm Holdings, Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Affirm Holdings, Inc. and subsidiaries (the “Company”) as of June 30, 2024, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2024, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended June 30, 2024, of the Company and our report dated August 28, 2024, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, 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.

/s/ Deloitte & Touche LLP

San Francisco, California
August 28, 2024

ITEM 9B. OTHER INFORMATION

(a) Appointment of Chief Operating Officer

On August 26, 2024, Michael Linford, Chief Financial Officer of the Company, was appointed as Chief Operating Officer ("COO") of the Company effective September 1, 2024. Mr. Linford will continue to serve as the Company's Chief Financial Officer. Mr. Linford's biographical information is included in the Company's proxy statement filed October 20, 2023. No changes to Mr. Linford's compensation were made in connection with his appointment as COO.

(b) Trading Plans

During the three months ended June 30, 2024, the following directors and officers of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K, as follows:

On June 13, 2024, Katherine Adkins, our Chief Legal Officer and Chief Compliance Officer, adopted a Rule 10b5-1 Trading Plan. Ms. Adkins' Rule 10b5-1 Trading Plan provides for the sale of up to 300,000 shares of our Class A common stock, including the sale of underlying shares upon the exercise of employee stock options, pursuant to one or more limit orders from September 12, 2024 until March 31, 2025, or earlier if all transactions under the trading arrangement are completed.

On June 14, 2024, Noel Watson, a member of our Board of Directors, adopted a Rule 10b5-1 Trading Plan. Mr. Watson's Rule 10b5-1 Trading Plan provides for the sale of up to 10,000 shares of our Class A common stock from September 13, 2024 until September 30, 2025, or earlier if all transactions under the trading arrangement are completed.

No other directors or officers, as defined in Rule 16a-1(f), adopted and/or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement," as defined in Regulation S-K Item 408, during the three months ended June 30, 2024.

On June 14, 2024, the Company entered into a Rule 10b5-1 Trading Plan. The Company's 10b5-1 Trading Plan provides for the repurchase of up to $400 million aggregate principal amount of the Company's 0% Senior Convertible Notes due 2026 from August 1, 2024 until December 31, 2024, or earlier if all transactions under the trading arrangement are completed.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item is incorporated by reference to the sections titled “Board of Directors and Corporate Governance,” “Executive Officers” and “Other Matters” of our Proxy Statement for the 2024 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended June 30, 2024.

Our board of directors has adopted a Code of Ethics and Business Conduct (the “Code of Conduct”) applicable to all officers, directors and employees, including our principal executive, principal financial and principal accounting officers, which is available on our website (investors.affirm.com) under “Corporate Governance.” We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding future amendments to certain provisions of the Code of Conduct and waivers of the Code of Conduct granted to executive officers and directors by posting such information at the website address specified above within four business days following the date of the amendment or waiver.

Our board of directors has adopted an insider trading policy which governs the purchase, sale, and/or other dispositions of our securities by directors, officers and employees and other covered persons and is designed to promote compliance with insider trading laws, rules and regulations, and listing standards applicable to the Company. A copy of our Insider Trading Policy is filed as Exhibit 19.1 to this Annual Report on Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference to the sections titled “Board of Directors and Corporate Governance” and “Executive Compensation” of our Proxy Statement for the 2024 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended June 30, 2024.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item is incorporated by reference to the sections titled “Equity Compensation Plan Information” and “Security Ownership of Certain Beneficial Owners and Management” of our Proxy Statement for the 2024 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended June 30, 2024.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is incorporated by reference to the sections titled “Board of Directors and Corporate Governance” and “Certain Relationships and Related-Party Transactions” of our Proxy Statement for the 2024 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended June 30, 2024.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is incorporated by reference to the section titled “Proposal No. 2: Ratification of Appointment of Independent Registered Public Accounting Firm” of our Proxy Statement for the 2024 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended June 30, 2024.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The following documents are filed as a part of this Annual Report on Form 10-K:

(a) Financial Statements

Our consolidated financial statements are listed in the "Index to Consolidated Financial Statements" under Part II, Item 8, of this Annual Report on Form 10-K.

(b) Financial Statement Schedules

All schedules have been omitted because the required information is not present or not present in amounts sufficient to require submission of the schedules, or because the information required is included in Part II, Item 8, of this Annual Report on Form 10-K.

(c) Exhibits

		Incorporated by Reference				
Exhibit Number	**Description**	**Form**	**File No.**	**Exhibit**	**Filing Date**	**Filed Herewith**
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	3.1	October 20, 2023	
4.1	Description of Capital Stock	10-K	001-39888	4.1	August 25, 2023	
4.2	Warrant to Purchase Class A Common Stock of Affirm Holdings, Inc., by and between Affirm Holdings, Inc. and Amazon.com Services LLC, dated as of November 10, 2021*	8-K	001-39888	4.1	November 10, 2021	
4.3	Amended and Restated Warrant to Purchase Class A Common Stock of Affirm Holdings, Inc., by and between Affirm Holdings, Inc. and Amazon.com Services LLC, dated as of October 27, 2023*	10-Q	001-39888	4.1	February 8, 2024	
4.4	Indenture, dated November 23, 2021, between Affirm Holdings, Inc. and Wilmington Trust, National Association, as trustee	8-K	001-39888	4.1	November 23, 2021	
4.5	Form of 0% Convertible Senior Note due 2026 (included in Exhibit 4.4)	8-K	001-39888	4.2	November 23, 2021	
10.1	Form of Indemnification Agreement between the Company and its directors and officers	S-1	333-250184	10.1	November 18, 2020	
10.2	Revolving Credit Agreement, dated as of February 4, 2022, among Affirm, Inc., Affirm Holdings, Inc., certain lenders identified therein, and Barclays Bank PLC	8-K	001-39888	10.1	February 10, 2022	
10.3	Amendment No. 1 to Revolving Credit Agreement, dated August 15, 2022, between Affirm, Inc., Affirm Holdings, Inc., certain lenders identified therein, and Barclays Bank PLC	10-Q	001-39888	10.1	November 8, 2022	
10.4	Amendment No. 2 to Revolving Credit Agreement, dated June 26, 2024, between Affirm, Inc., Affirm Holdings, Inc., certain lenders identified therein, and Barclays Bank PLC	8-K	001-39888	10.1	July 1, 2024	
10.5	Loan Sale Agreement, dated as of September 18, 2020, by and between Celtic Bank Corporation and Affirm, Inc.*	10-K	001-39888	10.4	August 25, 2023	
10.6	Amendment No. 1 to Loan Sale Agreement, dated as of October 27, 2023, by and between Celtic Bank Corporation and Affirm, Inc.	10-Q	001-39888	10.1	February 8, 2024	
10.7	Marketing and Servicing Agreement, dated as of September 18, 2020, by and between Celtic Bank Corporation and Affirm, Inc.*	10-K	001-39888	10.5	August 25, 2023	
10.8	Amendment No. 1 to Marketing and Servicing Agreement, dated as of October 27, 2023, by and between Celtic Bank Corporation and Affirm, Inc.	10-Q	001-39888	10.2	February 8, 2024	
10.9	Amended and Restated Customer Installment Program Agreement, dated March 18, 2024, by and between Shopify Inc. and Affirm, Inc.*	10-Q	001-39888	10.2	May 8, 2024	

10.10	Amended and Restated Installment Financing Services Agreement, dated as of November 10, 2021, by and among Affirm Holdings, Inc., Amazon.com Services LLC and Amazon Payments, Inc.*	8-K	001-39888	10.1	November 10, 2021	
10.11	First Amendment to Amended and Restated Installment Financing Services Agreement, dated as of October 2, 2023, by and between Affirm, Inc., Amazon.com Services LLC and Amazon Payments, Inc.*	10-Q	001-39888	10.2	November 8, 2023	
10.12	Second Amendment to Amended and Restated Installment Financing Services Agreement, dated as of February 2, 2024, by and between Affirm, Inc., Amazon.com Services LLC and Amazon Payments, Inc.*	10-Q	001-39888	10.1	May 8, 2024	
10.13	Transaction Agreement, dated as of November 10, 2021, by and between Affirm Holdings, Inc. and Amazon.com Services LLC*	8-K	001-39888	10.2	November 10, 2021	
10.14+	Amended and Restated 2012 Stock Plan	10-Q	001-39888	10.3	February 8, 2023	
10.15+	Form of Stock Option Agreement pursuant to the Affirm Holdings, Inc. Amended and Restated 2012 Stock Plan	10-Q	001-39888	10.4	February 14, 2022	
10.16+	Form of RSU Agreement pursuant to the Affirm Holdings, Inc. Amended and Restated 2012 Stock Plan	10-Q	001-39888	10.5	February 14, 2022	
10.17+	2020 Employee Stock Purchase Plan	S-1/A	333-250184	10.3	November 20, 2020	
10.18+	Cash Incentive Plan	10-Q	001-39888	10.4	May 17, 2021	
10.19+	Officer Severance Plan	10-K	001-39888	10.17	August 29, 2022	
19.1	Insider Trading Policy					X
21.1	Subsidiaries of the Company					X
23.1	Consent of Deloitte & Touche LLP, independent registered public accountant					X
24.1	Power of Attorney (see signature page hereto)					X
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
97.1	Policy for the Recovery of Erroneously Awarded Compensation					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
†	Furnished herewith.					

+ Denotes management contract or compensatory plan or arrangement.

* Portions of the exhibit have been omitted as the Company has determined that: (i) the omitted information is not material; and (ii) the Company customarily and actually treats the omitted information as private or confidential.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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: August 28, 2024

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

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS that each individual whose signature appears below hereby constitutes and appoints Max Levchin, Michael Linford and Katherine Adkins, and each of them, as his or her true and lawful attorneys-in-fact, proxies, and agents, each with full power of substitution, for him or her in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact, proxies, and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully for all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact, proxies, and agents, or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Title	Date
/s/ Max Levchin	Chairman of the Board of Directors and Chief Executive Officer	August 28, 2024
Max Levchin	*(principal executive officer)*	
/s/ Michael Linford	Chief Financial Officer	August 28, 2024
Michael Linford	*(principal financial officer)*	
/s/ Siphelele Jiyane	Chief Accounting Officer	August 28, 2024
Siphelele Jiyane	*(principal accounting officer)*	
/s/ Brian D. Hughes	Director	August 28, 2024
Brian D. Hughes		
/s/ Jeremy Liew	Director	August 28, 2024
Jeremy Liew		
/s/ Libor Michalek	President and Director	August 28, 2024
Libor Michalek		
/s/ Christa S. Quarles	Director	August 28, 2024
Christa S. Quarles		
/s/ Keith Rabois	Director	August 28, 2024
Keith Rabois		
/s/ Jacqueline D. Reses	Director	August 28, 2024
Jacqueline D. Reses		
/s/ Manolo Sanchez	Director	August 28, 2024
Manolo Sanchez		
/s/ Noel Watson	Director	August 28, 2024
Noel Watson		

Corporate information

Board of directors

Max Levchin
Founder, Chief Executive Officer
and Chairman of the Board of Directors
Affirm

Brian D. Hughes
Independent Consultant and Strategic Advisor
Boston Consulting Group

Jeremy Liew
Partner
Lightspeed Venture Partners

Libor Michalek
President
Affirm

Christa S. Quarles
Chief Executive Officer
Alludo

Keith Rabois
Managing Partner
Khosla Ventures

Chief Executive Officer
Miami Labs, Inc.

Jacqueline D. Reses
Chief Executive Officer
Lead Bank

Manolo Sánchez
Adjunct Professor
Rice University's Jones Graduate
School of Business

Noel Watson
Chief Financial Officer
LegalZoom.com

Executive officers

Max Levchin
Founder, Chief Executive Officer
and Chairman of the Board of Directors

Katherine Adkins
Chief Legal Officer
and Chief Compliance Officer

Michael Linford
Chief Operating Officer
and Chief Financial Officer

Libor Michalek
President

Corporate information

Transfer agent and registrar

Registered stockholder records are maintained by our transfer agent:

Computershare Trust Company, N.A.

Stockholder correspondence should be mailed to:

Computershare
PO Box 43006
Providence, RI 02940-3078

Overnight correspondence should be mailed to:

Computershare Investor Services
150 Royall Street, Suite 101
Canton, MA 02021

Computershare Investor Services numbers:

Toll-Free: 800-736-3001
Non-U.S.: 781-575-3100
Investor Center™ portal:
www.computershare.com/investor

Investor relations

Affirm information is available upon request without charge. Please contact the Investor Relations team at ir@affirm.com.

Annual stockholders meeting

Our 2024 Annual Meeting of Stockholders will be held virtually at www.proxydocs.com/AFRM on December 9, 2024 at 9:00 a.m. PST.

Independent registered public accounting firm

Deloitte & Touche LLP

Stock exchange

The Nasdaq Stock Market LLC
Ticker symbol: AFRM