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Call Participants

Affirm
Michael Linford, Chief Financial Officer

Analysts
Reginald Smith, J.P. Morgan, Research Division

Presentation

Reginald Smith, J.P. Morgan, Research Division

Good morning. Thanks for coming out. I'm Reggie Smith. I lead fintech research here at J.P. Morgan and I am pleased to chat with Michael Linford, CFO of Affirm, this morning. Welcome.

Michael Linford, Chief Financial Officer

Thank you for having me.

Reginald Smith, J.P. Morgan, Research Division

Sure. I figured we'd start with a quick recap of the quarter. Maybe talk about the trends at a very high level. Now I want to contextualize those by talking about, I guess Visa and Mastercard reported 6% US volume growth last quarter. And the US Census Bureau just reported 8.5% e-com growth for the first quarter. So just kind of contextualizing whatever it is you're about to say versus those figures.

Michael Linford, Chief Financial Officer

Yes. We feel like we had a really good quarter. GMV for us was up 36%, several multiples of the e-com growth rate. Our revenue was up 51% which is a really strong revenue growth rate. Our revenue less transaction costs grew faster than GMV so the units were marginally more profitable as they were growing very quickly. And we posted really strong adjusted operating income so we're showing operating leverage against that. So really a top-to-bottom just an excellent quarter.

Reginald Smith, J.P. Morgan, Research Division

Thinking about that, I mean, looking at your numbers, you guys had an Analyst Day in November. You gave some medium-term targets. Like your numbers, revenue growth, operating margins have been either above that range or running toward the high end of that range. Like what's driving that and how sustainable is that?

Michael Linford, Chief Financial Officer

Yes. I mean we think the growth trends are driven by stuff that we both help create and benefit from, and that's this fundamental shift away from credit cards. And as much as we build products to meet that underlying demand, that's a real thing that's going on, and we think, therefore, very sustainable. We think that's a permanent trend for the foreseeable future as consumers want to walk away from traditional payment, credit cards, and move towards products like ours. And our ability to monetize that has remained really robust. If you think about where the ride that we've been on, we've talked about 3% to 4% as a good range for our unit economics and have repeated that as we were slightly above that range for a while. We repeated that as rates were going through their extreme high volatility, and we'll repeat it again. And we feel very confident in our ability to earn at that rate. And so though, we're in a secular shift, we're the beneficiaries of and help create and we can really post strong unit economics due to our product diversity. We offer a lot more than just one product, and that allows us to be very profitable in any macro environment. And as it changes in ebbs and flows, we can continue to do that.

Reginald Smith, J.P. Morgan, Research Division

I see there's a lot there. Before we dig in, I guess we got to start with the consumer and what you're seeing macro wise. I know your business isn't necessarily a direct proxy for the broader economy. But what are you seeing? And if you could, maybe, are there any insights that you gleaned from the new people on the platform? So new applicants, is there any trends you're seeing there?

Michael Linford, Chief Financial Officer

No, I think, in general, the macro trends we're seeing, I'd characterize as being the trains are on time. Things are continuing to perform to our expectations. I do think it's a mistake to look at our results and try to extrapolate that to the economy. We just talked about our growth rate, we're substantially higher than e-comm growth rate. We have category shifts that are probably not the same category shift you see elsewhere. You saw some large banks talking about a slowdown in travel. Our travel business grew 50% last quarter. It's difficult for me to connect those dots, except to say that maybe we're just not at a scale point yet where you can extrapolate what we're seeing to the broader economy, but it's a real significant part. I mean, as humble as we are on how much work we have and as small as we are, we're still now a measurable part of US e-commerce. And so it's a good indicator of a slice of the economy, but probably not representative of the economy overall. And for our consumer right now, it's very much trains are on time. The consumer is fully employed. Consumers' wages have kept up with cost growth. The consumers' saving rates are down. That is something we're keeping an eye on. But generally speaking, we have a very healthy consumer who is able to engage in the platform.

Reginald Smith, J.P. Morgan, Research Division

Got it. And is there anything or is that a trend that you look at in terms of like the new applicants? You report first-time users every quarter. Like is there any insights that you can gain from that?

Michael Linford, Chief Financial Officer

No. Again, I think it's very consistent. The repeat rates on the platform right now are very high. I think it's a function of the fact that we're continuing to engage consumers on the surfaces that we have. A lot of the past two years has been around scaling the largest platforms that we've got, and we'll continue to do that. But there's not really a strong signal from a credit standpoint in the new user base right now.

Reginald Smith, J.P. Morgan, Research Division

Got it. Understood. I guess thinking about credit, you guys report your DQs every quarter, and there's a slide usually in the deck that shows your performance versus credit cards. At similar FICO score, you tend to outperform. What's driving that? How sustainable is that?

Michael Linford, Chief Financial Officer

We've always said that credit management is job one here. We will be very disciplined and thoughtful about credit. And when you see credit move, it's because we've done something on purpose. The past 1.5 years has been a year where we've been very thoughtful about that, in large part, to ensure continued outperformance in the debt capital markets. And the ABS and forward flow markets for us, it's really important that we are able to gain the trust and confidence of those markets. And I'm very pleased with how those markets have responded to our performance. I think the most engaged investors on those, in that part of the world, were really excited for what we would demonstrate. And now many of them are wishing they had gotten in a little earlier. We're in a situation now where the supply of capital out there for our asset is really, really strong. And that discipline that we showed over the past 1.5 years has resulted in that. I think from here, we don't anticipate trying to, it's important to think about delinquencies. While all credit losses are bad and if we could avoid them, we would, it is a necessary part of doing our business. And so, from here, we don't think that driving continued reductions makes sense. We think there's opportunities for us to serve more consumers, as we talked about on the call, and we're going to keep doing that but well within how we can control the outcomes.

Reginald Smith, J.P. Morgan, Research Division

Got it. And that leads nicely into the next question. You talked about, I guess, expanding the credit box a little bit going forward. And I guess that means going down credit maybe a little bit. And I think you also mentioned maybe giving a little more leading offers to better credits. Like how are you thinking about expanding the box and how will that manifest throughout the P&L?

Michael Linford, Chief Financial Officer

Yes. So we do not think about credit as a growth lever, right? So never at Affirm do we say, we'd like to grow faster so let's take more risk, that's never the mindset. What is the mindset though is we try to make sure we're delivering on the unit economics that we think are right for the business. And if we're on the higher end of that, we can reinvest that. We can reinvest that maybe in deeper approval, although there's a limit to that because the curve is very, very steep down there. And so the next approval is a lot lossier. The other areas you can reinvest it in is changing the offers that consumers see. So you can show more 0% or Pay in 4 type offers alongside the interest-bearing offers or you could show less downpayment requirements for an offer or you could extend duration or increase exposure limits within existing consumers. These are all things you can do that aren't just expanding the credit box. The expanding the credit box part is actually pretty hard to make work from a consumer standpoint just again because of how steep the curve gets. There is some opportunity there. But much more thoughtful is around engaging up and down the credit spectrum that you're already engaged in and creating as compelling offers as possible.

Reginald Smith, J.P. Morgan, Research Division

Understood. Let's talk recent headlines. And so I guess, two weeks ago, I think it was the day you reported. Bloomberg had an article out on BNPL and talked about it as a phantom debt product and inconsistent reporting. What's your response to that article?

Michael Linford, Chief Financial Officer

So I wrote a blog post about this and encourage everybody to read it to give a more fulsome answer. But the TLDR, as the kids say, is that's just bad math. If you think about the category overall, well, let me back up. It's not surprising that those who issue credit cards are worried about products like ours that are coming to displace them. And it's also not surprising that the new is more -- is terrifying to them because it affects what they have today. And therefore, I think you're going to see a lot of credit card issuers push a lot of reports about this into the future, and I think all of them obviously have an incentive there. I think the concern as articulated in that report is a couple of dimensions. The biggest concern is around the Pay in 4 product. We have one. Our competitors have one. It's been a high-growth product. It's certainly gotten a lot of press. For us, it's not the most of what we do. Most of what we do is actually monthly installment loans, which all have some kind of a furnishing attached to them and don't operate in the shadows. But the Pay in 4 loans as an industry are generally not furnished to credit bureaus. And so an economist tried to extrapolate the amount of payment volume that was being done on Pay in 4 and then divided that by the change in outstanding balances on credit cards. They took this year's purchase volume divided by the change in a stock and assume that all the purchase volume was turning into balances and then put a scary number behind it. And it's just completely idiotic math. The BNPL product, the four-week product turns over 17 times a year, so the amount of balance outstanding for those products is extremely small. A fact I'd like to talk to investors about is something on the order of 45% of our balances that we originate in a quarter are paid back by the time we report. They're gone. They can't be in the balance. And so when you take a purchase amount and divide it by an outstanding credit balance. You're assuming that all of these six-week products are turning into annual balances, and it's completely idiotic. I don't mince words. So if anybody wants to disagree with me, you know where to find me. He does boxing, I do verbal boxing.

Reginald Smith, J.P. Morgan, Research Division

Okay. That makes sense. Two other things. So last week, Visa announced a new product offering, Flex, which I guess is kind of a BNPL and almost similar functionality as the Affirm card. Are you surprised by that? What does that mean for the industry competition? Like how are you thinking about that?

Michael Linford, Chief Financial Officer

We're definitely not surprised by it. We are the first card, I think, that's going to be a Flex card. If anybody has received an updated Affirm card, we have a new look to the card. If you've received it recently, you'll see Flex on the back. So we're shipping Flex cards today. It's really exciting. And not surprised at all and really excited for what this will do, we think, for the future of whatever you want to call this category, the future of consumer credit broadly. At its most basic level, for us, it means that the Affirm card experience, which today, is a debit interchange product that allows us to extend installment loans alongside that. We'll be able to earn more interchange when we do extend credit. So when we are extending credit in the form of installment loans, we'll be able to earn credit interchange instead of debit interchange. Tactically for us, that probably means that we're going to be able to extend more compelling offers to our card users and in a way that's really good for them and good for us. And that's super exciting for us specifically. It's also exciting for where we think this should take the industry, which is really in enhancing pay-over-time features into debit cards, which today are very limited in terms of what they can offer consumers.

Reginald Smith, J.P. Morgan, Research Division

Do you know -- have they disclosed what the interchange structure is for credit? And I guess can this functionality -- do you need the actual card to do this with issuers? Other banks need to reissue cards to achieve?

Michael Linford, Chief Financial Officer

Yes. I don't know all those details. You'd probably have to talk to Visa and other issuers about how that would work for them. But for us, we're able to continue to offer the Affirm card with the Flex construct. And we're excited for it because it's going to make the Affirm card experience, which is already really compelling, better. Our card adoption rate continues to track in a very consistent trend that we've seen. Maybe the most exciting thing about our results last quarter is that we're delivering really good results in our business while scaling this next hyper growth thing. And it's not one or the other. We're doing both at the same time. And it's really cool to see the core business on time and the next S curve really continue to advance. And so we're seeing strong adoption of the card, consistent and steady adoption of the card. And we're seeing increased engagement, spend per user actually going up on a cohort basis. And so the fact that we're incrementally more engaged on the product and it continues to scale really well before we had this is pretty exciting because I think this will, on the margin, make the card a better thing for users. And that's why we spent so much effort trying to get this in place.

Reginald Smith, J.P. Morgan, Research Division

Speaking of the Affirm card, maybe share some of your most recent stats on it. And then thinking about like, from where we sit, what are some other milestones that we should be looking for as that product grows and delivers for you guys?

Michael Linford, Chief Financial Officer

We just got to 1 million actives, which is a really cool data point to get to. Getting to 1 million actives with the spend, again, on a cohort basis marginally expanding is super exciting. And we really feel like it's just getting started. The number of cards, of course, will continue to grow and scale. And I think that really nothing, besides round numbers, nothing to really point out there except that we crossed a 1 million. At some point, we're going to cross 2 million. And we'll talk about in million user increments, I guess. The spend per user engagement, though, is where I think we still have a lot of opportunity. We really feel like there is today a lot of spend happening away from the card, a lot of spend both in modalities that we serve less well, like pay now, that we think could be real pieces of upside for engagement. And that remains a lot of real upside for it. I think the most active users of the card demonstrate for us a way to use it that really does displace the rest of the cards that they have -- those users have and we'd very much like to replicate that across the user base more broadly.

Reginald Smith, J.P. Morgan, Research Division

I know most folks in the audience are probably reward junkies, and so it's hard to appreciate like why somebody would want the Affirm card. Maybe talk a little bit about who the target user is and the value that they get from it in lieu of rewards maybe.

Michael Linford, Chief Financial Officer

It's a really fair question because I definitely think, respectfully, the folks in this room aren't the target customer for the card. You have to think more about right down the middle of the country, think, demographically median as it gets. The typical household has a meaningful amount of revolving credit balance. There's over $1 trillion out there. Most consumers don't think about their card as a transaction device. They think about it as a credit device. It's right in the name, credit card. They think about it as borrowing. And many folks in this room probably don't think about it as this card let's me pay for things over time. They think of it as, this is what I swipe and then, four weeks later, it comes out of my bank account. That modality, which a lot of us in this room have, also tends to correlate with the rewards game and is very important, not a trivial part of the total system, so I'm not setting this aside, but is not the primary user of the card. What the card stands for, for users is the same safety and security of our pay-over-time offers delivered in a physical card form factor, so everything they know and love about Affirm's pay-over-time offers and options delivered in the physical card. You can walk into a store now, and use the same, get the same Affirm experience that you used to, you'd go through an online checkout process to get, now you can get in a store. And that's the simplest way to describe it and the most compelling part of it. When you get that part right, it then earns you the right to earn more and more of their spend. It earns you the right to earn their pay now volume, as we call it, the more debit swipes, and it earns the ability to pay stuff that's kind of in between, those transaction types that don't really need a monthly payment amount, but do need some sort of a float like all the transactors here in this room enjoy. A thing I'd like to remind investors who have a hard time personally connecting with the product is to think about how much they're actually borrowing from their credit card bank today. When you swipe your card, you accumulate charges over a month and then you pay it usually two weeks later. So you have roughly six weeks of total float, about three weeks of average float in your card today. It operates as a working capital line for you. That's a very sophisticated way to say it. Our consumers understand that as Pay in 4. They understand it as this allows me to take a spend that I'm swiping the card on now or purchasing now and to smooth it out or to chunk it up in a way that isn't just hitting your debit account tomorrow.

Reginald Smith, J.P. Morgan, Research Division

Two of your biggest partners, Amazon and Shopify, touch probably half of US e-comm. And I ask you this every quarter. How much runway is left there for growth?

Michael Linford, Chief Financial Officer

A lot. I think if you look at our share of cart on the largest merchant partners, it's still a really low number. And to be fair, we don't know where the ceiling is on total share of cart, estimates vary widely. We've talked about teens to maybe 20% is a good number for kind of an industry-wide share. I don't know if that's, it's difficult to know how precise that number is and how accurate that will be. But we know the trend continues. Consumers are continuing to adopt the category, and we know that we're underpenetrated in our largest sites. And so we have an opportunity to gain more share there and we're going to keep doing that. Last quarter was a good example of that. These large partners grew substantially faster than our total business, which again, in turn, grew substantially faster than US e-commerce. And so when you're taking share of Affirm, if you will, on top of taking share of e-commerce on top of, we're definitely taking share in these end markets. And I think it's a testament to the, just the long, long, long runway here. And again, we think we're still very much in the early innings, mostly because of the consumer rate of adoption still here is really, really high. We're not talking about trying to worry about 10 bps of growth or 20 bps of growth here. We're still measuring growth in points and oftentimes tens of points.

Reginald Smith, J.P. Morgan, Research Division

Got it. And then one of the other larger partners, Walmart, recently announced that they would be rolling out their own kind of in-house solution. How do you compete with that? And then also, how do you compete, I guess, when you go to a website and there's three or four different options there? What do you learn or -- and how you guys show up there?

Michael Linford, Chief Financial Officer

So, first, I think it's important to remember that our brand matters a lot to the consumers. So recently, we've launched on a couple of higher-growth e-commerce sites where we might be the second or third BNPL offer on the site. And we still see really high share of cart and lots of growth. And the reason is because our users who know us and love us and trust us see our logo and want to use us. And typically that means that we'll drive larger baskets and outsized conversion for repeat users on those sites. And so that brand really does matter a lot and is the reason why we're able to thrive on sites that have multiple offers. I think our largest merchant partner has a lot of different offers on their site, and we've been able to build a real big business there and grow it steadily and feel confident in our ability to do that with anybody. I think we always think about the merchant and the consumer as being the right north stars here. And so if the merchant wants to do something for the business, we're going to help make them -- make it successful. That's our goal. Our goal is to make them successful. We're never going to fight our merchants. We're never going to fight our consumers either. Our goal is to make them successful. And those north stars really do serve us well. And rather than trying to fight for exclusivity, prevent them from doing the thing that they want to try to do, we try to make them do it in a way that's accretive to their total business, which we've learned in many, many examples time after time, our logo is incremental even when you're adding another logo on the site. And we learned that, candidly, even with some of our largest partnerships where the way in which we roll these things out, you get a really good A/B test around how incremental something is. And the maximal share of cart is oftentimes where you have more than one offer. So a large part of the reason why we're so focused on, in addition to winning new logos directly, we're focused on distribution and wallet partnerships because we're not intimidated by our checkout being available in more than one fashion on the site. Our experience is that we'll actually grow share of cart, not erode anything on the site.

Reginald Smith, J.P. Morgan, Research Division

Made me think of something. With these relationships with multiple bugs on the website, do BNPL providers commit to certain approval ratings or approval rates? And what happens when someone is rejected from one or?

Michael Linford, Chief Financial Officer

Practices vary widely. We generally don't commit to approval rates. We think the control of credit is so important to our business model that we're going to make the right decisions from a credit standpoint. It's also worth noting that there's no happy path for a consumer who takes out a loan they can't pay back. That isn't a happy path. You may feel good at the time you originate it, but I'm pretty sure with all the platforms out there, certainly with ours, charging off a loan is the path towards being excluded from the network. And so there's no goodness in that. It may feel good in the moment. But if you find yourself approving people who aren't going to pay you back, it's long run bad for all parties involved. And so that isn't a thing that we would ever agree to. If we feel like we need to manage the credit box, we're going to manage the credit box and do the right thing. That being said, strict line approvals, yes and no, is not the only way you manage credit. You can approve a loan and find the payment amount that fits inside that consumer's capacity and ability and willingness to repay. And because we have a diverse set of products, we're able to do that. Some of our competitors have less flexibility, but nonetheless, probably also have less exposure and so they have a different approach. Our approach is we're never going to let credit be something that we're not in control of.

Reginald Smith, J.P. Morgan, Research Division

Understood. I wanted to talk a little bit about your ECR ratio. You've given some medium-term targets. I think you are a little bit above that today. What's driving that? And what will it take to kind of get back down in the range?

Michael Linford, Chief Financial Officer

Yes. We're a little bit above the range that we've put out long term. We feel like it's a healthy level, though, still a pretty attractive cost of capital. Our ABS execution so far this year has been phenomenally strong. The deal we did recently was on very, very attractive spreads. The deal we did earlier this year had a less than 6% all-in cost of capital, a really solid execution. ECR is a thing that matters for a couple of reasons. It matters because it is a use of cash in the business. If you think about scaling the platform, we need dollars to fund ECR growth. And it's also, ideally, it's a measure of the capital efficiency of Affirm. We're using equity dollars there. And we think our equity is obviously very valuable, and so we have to be very mindful about that. That being said, our job one on the capital team is to fund the business and enable our growth. And that team has done a phenomenal job and the market right now is just incredibly receptive to us. Job two is to deliver the right unit economics. And it's tied to the first. If we're not delivering good units, we can't grow. And so we try to find funding sources that allow us to profitably grow our business. And then we manage the equity intensity of the business as our third goal. And right now, the focus is still very much on one and two. I think the things that you do to manage that number down or put more leverage in your ABS deals or increase your mix of forward flow, both of which I think you've seen us do in part this year, and we're pretty confident into the future of our ability to do that.

Reginald Smith, J.P. Morgan, Research Division

Understood. I'm going to ask you one more question and then open it up to the audience. I wanted to talk growth opportunities, international, SMB, B2B. What's the most immediate opportunity? And then how does that kind of flow through the business?

Michael Linford, Chief Financial Officer

Yes. As a reminder, in November, we talked about how we thought about the path to $50 billion of GMV. And we talked about winning at checkout as being the biggest piece. And so that is the most important thing we're going to do. We win at check out by all the things we've been talking about, delivering great products, taking share with our largest partners, expanding partnership directly and through wallets and payment buttons everywhere we can, that will continue to be the bulk of what we do, and the majority of our growth will come from that. The next thing we talked about was the card as the next piece of growth in size. We talked about that earlier today. I feel like the trains are very much on time there. And then the last piece is the stuff, it's much smaller, a little bit less certain, and that's things like international and B2B. We talked about on the call, we're going to be live in the UK with at least some transactions flowing through the pipes this calendar year. Very exciting for us, but also these things truly do take time. It takes us a minute to get scaled in a new country. And so we don't expect it to be material to the business in the near term. But in the medium term, we're excited to be live in the country to be serving our existing partners and adding new merchant relationships in the UK later this year. I think the B2B opportunity is also very, very early. We're still working with the partners that we talked about at the investor forum around building a business here, and we're focused on the stuff that's easiest for us to serve today, and that's sole props inside of the BNPL context. So it looks a lot like what we do for the consumer to supply to sole props. And you'll see us slowly expand that. But right now, it's very small, very early.

Reginald Smith, J.P. Morgan, Research Division

Understood. And I guess with international expanding, the cost of that is already contemplated in your 3% to 4% RLTC?

Michael Linford, Chief Financial Officer

It's a great question. So when we launch a new market, we don't anticipate that to produce at the same levels of economics that you see in the rest of the portfolio because you haven't had any of the chance to learn and scale. And so on the extreme margin, it would be a headwind, but yes, definitely contemplated in our 3% to 4%. Part of the reason we're so thoughtful about how we enter a market is we want to make sure that we can do it and still honor our commitments around our revenue less transaction costs, but also our adjusted operating margins that we've committed to. And if you would allow me, I'll clarify something, I think it's on the minds of several investors. Right now, we're earning above the adjusted operating income framework that we put out there last November. We talked about a 5% to 15% AOI range while revenue growth was north of 20%. We talked about 20% to 30% margins when growth dipped below 20%. An astute observer might notice the five points in between, which is where the business currently sits. We're a little bit over 15% today. And while we still have every conviction in the world around 20% to 30%, we also really value driving strong adjusted operating margins and showing continual improvement towards that 20% to 30% range, which we're not at today. So as much as we very much still believe in the long-term framework, and we certainly aren't walking away from the commitments we made in the framework in November, we do expect to continue to drive operating margin expansion from here. There may be quarterly fluctuations, but we don't expect to walk backwards here. We're going to walk forwards on margin.

Reginald Smith, J.P. Morgan, Research Division

That's on an annual basis?

Michael Linford, Chief Financial Officer

Yes, sir.

Reginald Smith, J.P. Morgan, Research Division

Got it. I'll take some questions. Just wait for the microphone before you ask. Anybody? Shy crowd. I'll keep going. So BNPL and Affirm five years from now.

Michael Linford, Chief Financial Officer

Like paint the picture?

Reginald Smith, J.P. Morgan, Research Division

Paint the picture.

Michael Linford, Chief Financial Officer

Five years is a long time. I was sharing with Reggie last night. One of the things I look at whenever we're closing each quarter, and I'm looking at how we're tracking is a little bit of a longer-term view than I think many folks might take. I literally go back for five years and look at the quarterly performance of the business. And I do that because I'm pretty big on reflecting on where you are, I hike a lot and I like going across the valley. I'm looking like, yeah, we're just over the other side. And there's really that sense right now where we've crossed lots of mountains over the past five years. And so I'm confident we'll do the same into the future. The thing I'm focused on more tactically is that next point of scale. We talked about $50 billion of GMV at the Investor Forum. I think it's a really good waypoint for us around that next point of scale. And I think it's going to look a lot like what we have today, and we talked about that at the forum. It's a lot of winning at checkout, a lot of the existing and new merchant partnerships continuing to do what we do. And alongside that, we're going to be scaling this really awesome opportunity in the Affirm card. And so I think five years from now, our business is going to look like a really exciting and valuable direct-to-consumer business alongside a at-scale B2B business that is serving merchants really well, but also growing a direct-to-consumer business very, very strongly.

Reginald Smith, J.P. Morgan, Research Division

And then thinking about product development with your Affirm card, it seems like it's setting the table for a lot of different potential products. I know it's obviously early, but how are you thinking about what else you can provide to consumers?

Michael Linford, Chief Financial Officer

It's a great question. We're really focused right now. And so we're trying really hard not to spend a lot of energy in size away from the core thing that we're doing. So we're focused on the core things we're doing. And I think the things that we're interested in building that are truly net new, really aren't worth talking about publicly because they're still in the lab, so to speak. And I think the stuff that is meaningful to the business over the next three years is stuff that we're already talking about.

Reginald Smith, J.P. Morgan, Research Division

Understood. I'll give you guys one more shot. Here we go.

Unidentified Analyst

Just on the card, just behavior, people get approved for a certain limit and they hate to get declined when they're at the endpoint or the checkout. Like what's your thought about the million members or what data do you have with a million members who have signed up who have been declined credit by you guys in the past? And what's your expectation in terms of the TAM? Like it's, hey, if someone's been declined three times, they're going to be reluctant to use the card or just any thoughts around that you have.

Michael Linford, Chief Financial Officer

The retrial rates on the card and Affirm broadly are really strong. And it's actually something that was a bit surprising to the good for us when we first started looking at it. And it's not too surprising when you think about it. The product is a transactional approval product. Consumers understand that we're going to tell them no sometimes or maybe not no, but I'm going to give you an offer that you don't like as much. And the fact that they have to ask each time they go through an approval every time is really inherent to the product, and that lends itself quite well to the retrial rate. So when users are declined, within 30 days, they come back and try again. And it's really pretty impressive how engaged those users are with our product. They're not offended, they're not put out by it. Of course, they care. You're right. They absolutely care about how much purchasing power we're able to give them and they want more purchasing power. But it is not the case that when we have to tell a consumer no that they go away forever, they absolutely come back. And I think it's consistent with the idea that there's real trust with this consumer and us. And it's easily destroyed, and it takes a long time to build, and we've been at it for a long while. But there's a real sense with this consumer that we have their back. And when someone you trust is telling you, maybe you shouldn't -- maybe you don't have capacity to buy that, it's not seen as much of an insult. That's seen as maybe I need to think about it a second myself.

Unidentified Analyst

I guess is the privacy of your home like you're online and doing it. Nobody else sees it. But I guess the card is a little bit more public.

Michael Linford, Chief Financial Officer

Well, so the way the flow works on the card is you apply on your phone, so you're filling out the application on your phone before you swipe the card. So one of the things we talk about and things we're working on, on the card is making sure that the experience is as expected when the card does swipe. That is an unhappy path, but the majority of the credit denials happen before you've even swiped the card. If you're not an Affirm user, try it out. It's a good experience. It's okay. No, no, that was a PSA for everybody get the card, go try it out. It's -- when you get into that mode, what you do as you walk in, you think that I'm going to buy an expensive thing and then you ask us, hey, what's the payment plan going to look like for $1,000 bicycle? And we'll tell you the payment plan options and you pick it before you swipe the card. Then you swipe the card after you've agreed to the terms and the loan is kind of captured immediately, I think, in a really cool way where the swipe of the card matches to the approval that's out there and then the loan gets captured.

Reginald Smith, J.P. Morgan, Research Division

Cool. Thank you.

Michael Linford, Chief Financial Officer

Thanks, everybody.