Affirm Holdings, Inc.

Affirm CFO Fireside Chat - December 2022

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CORPORATE PARTICIPANTS

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PRESENTATION

Michael Linford

Good morning, everyone, and thanks for dialing into our quarterly conversation here. I want to thank Dan for being our host today.

I'll start off with a brief summary of where we're at, and then I'll hand it off to Dan to currate some questions from you. For those of you who haven't used the platform, feel free to submit questions ahead of the calls, then we will be sure to grab them.

We appreciate the participation and engagement from all of our investors, especially the people who submitted the questions via Say Technology. We have ended the calendar year—we're closing in on the end of the Calendar Year 2022. I couldn't help but think that Affirm, where we were just two years ago. When we completed our IPO in January of 2021, we had a small fraction of the scale that we have today. We have more than tripled our active consumers to 14.7 million with roughly 50% growth in frequency and nearly tripled our trailing 12-month GMV, growing it by 187%.

Not only have we scaled our platform, we more than doubled our revenue and nearly tripled our revenue less transaction costs, growing it by 195% to $732 million. Affirm is continuing to take share, and we are well positioned for the future as a category leader in honest finance. For consumers, we responsibly increase their purchasing power and enable them to purchase the things they want and need without late fees or hidden charges or deceptive financial products.

For merchants, we enable them to convert their sales that otherwise would not happen. And amidst an increasingly volatile macroeconomic backdrop, our mission has never been more important as we help consumers and merchants navigate inflation and the macroeconomic backdrop. Credit card debt recently increased to pre-pandemic levels, and the majority of our outstanding credit card debt comes from revolvers that don't pay off their balances in full each month. With Affirm, you can't revolve and you never owe a penny more than you agreed to upfront.

So With that, I'll hand it over to Dan, who will begin the Q&A session.

Dan Dolev

Thanks, Michael.

With that, we'll now begin the Q&A session. Our first question is, Michael, what would you say differentiates Affirm versus other buy-now, pay-later peers?

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Michael Linford

Yes. It's a good question that we get a lot. I think the first and most important thing is that we're a real technology company. Because of that technology power that we have, we're able to build a broad set of products that can address every transaction type, whether that's online or offline, whether that's low AOV, average order value, or high average order value, 0% in interest bearing. We can do that without charging any late fees because we have really strong underwriting capabilities. This is differentiated from both the traditional financial institutions and the BNPL companies.

Dan Dolev

Thank you. That's very helpful, Michael. Now there's a question from a retail investor, via Say Technology. So Corbitt K. asks, what are the current short-term and long-term goals for Affirm?

Michael Linford

Our long-term goals remain the same. The vision at Affirm, our mission, is to build honest financial products that improve lives. I always talk about how broad that scope is. Our vision here is to keep working on any and all financial products that are honest and straightforward for consumers, transparent, and that ultimately improve lives. That's not just good for the world, it's good for business, too. We've demonstrated that when you engage consumers with honest financial products that increases their frequency on the product and allows you to earn very healthy margins.

In the near term, our goal is to achieve adjusted operating income profitability. We've talked to the market about doing that by July of 2023. To do that, we got to scale up the existing relationships that we have and continue to add new ones.

Then if you think about the financial goals, longer term, we believe that the category should have very strong penetration across all e-comm and offline purchases. So, we need to continue to scale into that category that we think will be very big, and we need to deliver the unit economics that we've signed up for. We talk about our unit economics, we talk about 3% to 4% revenue less transaction costs as a percentage of GMV. Lastly, we need to show operating leverage; that is, we need to be able to control our fixed cost investments slower than the growth in revenue.

Dan Dolev

That's very helpful, thank you. We have another question that has come from Ethan H., who asks, what are Affirm's plans for profitability moving forward?

Michael Linford

Yes. As I discussed, I think the most important thing is to get there by next year. We talked about achieving that on a sustainable basis. We've achieved profitability sporadically, meaning there's been a few quarters of profitability over the past several years. We really hope to do that on a sustainable basis, meaning on an ongoing basis, by the end of this fiscal year.

To do that, that means the unit economics in the business, our revenue less transaction costs, needs to be bigger than the rest of our operating costs.

Last quarter, we had about $182 million in revenue less transaction costs versus about $200 million in the other adjusted costs. You see there, there's about an $18 million gap. Our job at Affirm is to continue to scale the units and how much more to each of those units has and have that scale faster than the

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operating expense investments that we make. We make those operating expense investments in order to scale the enterprise, right? So a lot of what we spend money on is the human capital to build these honest financial products to address the merchant consumer needs. That capital that we put to work in building great technology products is what enables our scale in the long run, which if you think about it, we're going to moderate and pace our investments in those scaling investments consistent with the economic output of the business, our revenue less transaction costs. The TLDR there is just grow faster than we're investing.

Dan Dolev

Got it. Thank you. Very helpful. Can you maybe discuss how you manage your delinquencies and funding costs as rates continue to rise?

Michael Linford

Yes. The most important thing for investors is that our level of delinquencies and the level of credit loss in the business is a choice point. We've been saying that for a long time now, and I think some folks have a hard time really getting their hedge on this. So let me spend a few minutes on what that means.

When we think about our business model, it's very unlike traditional financial institutions. A traditional financial institution might think about extending credit for five or maybe even 30 years. Affirm is extending credit for what amounts to about five months of weighted average life. We make very short-term duration loans in the scheme of the financial services industry. And we do so with lots and lots of frequency.

We look at tens of millions of transactions every month, or every quarter, excuse me. We look at tens of millions of transactions. What that allows us to do is sort the risk. We talk about our credit underwriting. What that really means is that we're sorting these transactions by their risk score. The better we can sort that risk, the better off we are. If we were approving only a handful of transactions with very long duration it would be very hard to do this.

But because we're approving, or underwriting, millions of transactions, and we do so with very short duration, it means that we can be very reactive. I talk about it as being proactive and reactive. We can proactively predict the level of loss in the group of transactions. But just as strong as that is because of the duration and structural advantage we have, we can be very reactive. As the economy ebbs and flows, as unemployment ticks up or inflationary pressures put pressures on household cash flow, we're able to change the underwriting posture of the business very, very quickly.

That stands apart from really any traditional financial institution who's sitting back and using legacy scoring systems like FICO that don't move anywhere near as quickly or adapt to the environment as our internal scoring does, and do so with multiple years' worth of weighted average life, meaning that they are taking on a lot more risk on any given credit approval decision than we are. The position we have at the point of sale allows us to approve and deny every transaction. That's very different than any other lender out there.

Dan Dolev

Got it. That makes a lot of sense. Another question from an investor, Matthew F. asks, what is the way Affirm makes money when you don't charge interest in payments?

Michael Linford

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Thank you, Matthew, for the question. We have two groups of products at Affirm. We have our 0% APR products, which I think you're asking about, which do not charge interest. When we say we do not charge interest, really, we don't charge the consumer anything. There's no interest, there's no late fees, there's no account activation fees. There's no fees of any kind for the consumer on our 0% loans. That includes both our Pay in 4 products and our longer duration 0% loans like you might find, for example, at some of our large merchant partners.

For the 0% APR loans, we earn a merchant fee. The merchant pays us a fee. We call that the merchant discount rate, in exchange for facilitating the transaction with the bank for—that's roughly—that's a big part of our business, and it's been historically a big part of our business. It's not the exclusive part of our business though, we also have interest-bearing loans, and interest-bearing loans are similarly no late fees and no deferred interest, but do charge the consumer simple interest, capped interest, amount at the beginning of the transaction. For those products, we earn interest income similar to the revenue models that you might see for traditional financial institutions.

Dan Dolev

Got it. Makes sense. And how do you think about maintaining and further penetrating your enterprise merchant volumes?

Michael Linford

We're very proud that we have over 60% of U.S. e-commerce covered with some relationship with Affirm. That's anchored with some of the largest merchants in the world like Amazon and Walmart, but also merchants like Target and, of course, our partnerships with platforms like Shopify and BigCommerce give us access to wide sets of small merchants as well. And because of that strong penetration across all of e-commerce, our focus is as much on growing share with those existing partners.

One of the questions that we get a lot is just what is the maturity or what inning are we in with these partners. I always talked about it as we're in the very early innings. A year ago, I told folks that we were still in the national anthem, and I think we're past the national anthem, but we're still in the very early innings. Because, as you can see with the level of integration we have with some of our partners, it just takes a lot of time. These are not the kind of relationships where you flip a switch and get to full penetration overnight.

These things take time to build and to scale. We think we have a lot of runway left to continue to scale these partnerships and help the industry achieve its penetration that we think it should have as a percentage of U.S. e-commerce.

We've talked about that being in the 10% to 20% range, estimates vary widely across the industry, but we know we have a long ways to go from here to there. Given our strong relationships we have with these enterprise partners, we think that's a reasonable level for the industry to get to overall.

Dan Dolev

Speaking of large merchants, Adam W. asks, will you expand your Amazon partnership globally?

Michael Linford

Thanks for the question, Adam. I am personally very pleased with the level of engagement and the progress that we've made in the Amazon integration. As I said just now, I think we have a lot of work left to do just in the U.S. However, we recently expanded our partnership into Canada, and excited to support

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that business and their consumers all the way up into Canada. We would consider any additional geographies as a great way to expand the partnership, although no specific plans to talk about.

Dan Dolev

Got it. What about some of the other—can we touch a little bit on the other larger partnerships like Shopify. Could you discuss the relationship with Shopify, how it's ramping? What is the future of this relationship?

Michael Linford

I continue to be really impressed with the depth of technical integration that we have with the Shopify team. We have an aligned set of interests in expanding Shop Pay Installments on the Shopify platform and have a really deep technical integration with the team. We added, in May, a product that we call Adaptive Checkout, which brings the right kind of financial products to really any transaction type. You can bring the interest-bearing or Pay in 4 transactions to the merchant with really no lift on the merchant side.

It's a small example of the continued work that we have in front of us. I think that relationship is slightly more mature, just because we've had a little bit more time at it. But again, we still have a lot of runway left to further optimize the relationship. When I say that, I don't mean the relationship; I should say the integration, the way in which our product shows up for merchants and the features that we're able to deliver.

Dan Dolev

Lastly on that topic, like on the big partnerships, like how’s the partnership with Amazon going right now? What is most exciting for you about it?

Michael Linford

I think the most exciting is just the sheer scale of working with somebody like Amazon. They have such incredible scale behind them. When they point at any problem and put any effort behind it, it really is needle moving. It's fun to work at that kind of scale with the same speed and pace that you have at smaller enterprises.

That makes it very fun. That means we can touch a lot of consumers' lives. We can really engage in a lot more transaction volume than we could have really otherwise before. When you're someone who's as big as I think roughly a third of U.S. e-commerce; obviously, touching that is pretty massive in everything that we do.

And maybe just qualitatively, I think the most exciting thing is just how aligned the two companies appear to be. When I talk to my counterparts over there, we have this shared vision for what we're trying to do. It starts with the consumer, and consumer orientation is pretty rare in financial services.

There's a reason why we think we're quite differentiated on things like our Net Promoter Score. These are things that Amazon has cared a lot about. That kind of shared and aligned vision for what we want to build is pretty rare, and it's fun to build something at scale with real technologists who have that aligned consumer orientation.

Dan Dolev

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If you kind of reflect back over the last few years, like what have you learned about converting consumers on checkout from what happened in the last few years? What are the most important things that you think are needed to get conversion and how do you win versus some of the competitors out there?

Michael Linford

I'm smiling quite a bit because I feel like that's one of the true secret sauces at Affirm, is how you actually drive the right level of positive credit selection, finding the right risk, and still driving high levels of conversion. If it were really simple and straightforward and easy, a lot of people would be able to do it.

I really think that our product is differentiated because we can do that, and it's a really, really difficult problem to solve. It's enabled by super deep integrations with the merchants, where we can see SKUs, and we can even sometimes see the channel that people come in on, and we have merchant-specific models that help us think about risk and conversion at that merchant site, enabled by some of the world's best technology.

Then you bring to it a broad set of products that are built to handle multiple transaction types and you find ways to say yes to the consumer, even in these difficult macroeconomic times, you find a way to get to that approval. When you put all that together, you just really stand out and apart from pretty much anybody else trying to do this in the space.

Dan Dolev

That's very helpful. Actually, one buy-now, pay-later operator told me that if you use by buy-now, pay-later is a countercyclical tool, i.e., that the merchants might be willing to pay higher rates to make conversions in rough times, have you seen any signs of this phenomenon at all?

Michael Linford

Yes. I think we have a real live example of it back during COVID. I'm going to wind the clock back because I think the history is—it's actually kind of interesting how different it played out than we thought it was going to. But if you go back to March of 2020, when the shelter in place orders first went down, the U.S. economy was staring down a massive surge in unemployment that was going to happen overnight.

Of course, because we take risk management very seriously, the first thing we did was did what we needed to do with respect to credit, that's tightening approvals, making sure that we have our credit models up to date, and the like. Then we went to our merchant partners. They were facing a similar set of shocks to their business models, where if you were an omni-channel merchant, you had online and offline business, your offline channel, your brick-and-mortar channel, was facing a shutdown. Your whole orientation flipped on you very, very quickly.

The conversations that we had with merchants back then, which I admit weren't easy, because everybody was quite stressed about where the macroeconomic environment was going, but the conversations in those moments of stress, really, they were distilling, because the bare logic came to play out, which is merchant partners I talked to said, I need to run my business for cash.Anything that drives incremental sales for me, that is still cash flow positive, I need to do.

What that allowed us to do is to continue to build up additional merchant fees in order to keep approvals as high as possible during this time. You saw that actually in our data. If you look at our earnings supplement, you see the merchant fees going back to the period right after COVID took a big step up. Now we normalize that very quickly because the way Affirm operates, we did that for a few months and

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we quickly realized that the macroeconomic environment wasn't going to be as bad as we thought, and we weren't going to take advantage of that.

I think we're in a similar position today. So while we do have, we believe, pricing power with merchants, we don't intend to use it all the time. Pricing power here just means we have the ability to negotiate higher prices with merchants. We have that ability to do so. It doesn't mean we're going to in all cases, and it doesn't mean we need to do it yet. We've talked a lot about our long-term economic model in getting 3% to 4% revenue less transaction cost.

The question we get a lot is like, you've been above 3% to 4%, does that mean you're going to be above always, and I'm always adamant that, no, 3% to 4% is the right range for this business. If we felt like the macroeconomic conditions required higher merchant pricing to achieve that, we'll pull the lever. If we don't, then we won't.

The other thing about the countercyclicality of the business that's really important from our perspective, is consumers need this product more now, and they will need it more during a recession. Yet the ability to differentiate risk, it's harder in that time. Think about it as the product is more valuable and the challenge for us is also more difficult. We believe what that means is that there's an even bigger prize to be won for those who can successfully navigate the macroeconomic conditions ahead of us.

Dan Dolev

Good. Thoughtful answer. Thank you. Can we maybe touch on pricing, Michael? So interest-bearing loans, can you please explain how they work and how much leverage you have to potentially raise the pricing?

Michael Linford

Yes. Let me first talk a little about how our interest-bearing loans work. As I talked about above, the business model is similar to what you might see, but the way we deliver it is very differentiated. We charge consumers a simple interest that is capped. What that means is when you check out, you're seeing the total amount of potential interest charge that you could have.

If you prepay a loan, you pay nothing, or you pay only the portion which you borrowed for. If you're late or you miss a payment, there's no additional interest due. Because of that, these are not revolving interest loans, and consumers think less of the APR and more of the dollars that we're charging. That's a huge differentiated component of these closed-end installment loans. It's very unlike how people think about, say, a mortgage rate or even the APR on a credit card.

As a result, what we're really doing is trying to hit a monthly payment amount and then a monthly interest charge or a total interest charge. That's the number the consumer is a lot more sensitive to. If you think about the kind of transaction sizes that we work with, whether that's a $300 transaction for six months, and you think about what a few points of APR embedded into a multi-payment amount shakes out for that consumer, it ends up being pretty low. As a result, we know that the consumer doesn't have a great deal of sensitivity to that.

That's really because the APR of the interest rate isn't really the cost that most consumers see whenever they think about using Affirm in comparison to credit cards. They think about the actual dollar amount because we're delivering that promise to that. That's the most you can ever eventually pay.

Today, we have the ability to go up to 36% APRs, and I think our average in the portfolio is in the high 20s. We have a lot of room to go for a pricing mechanism that there's not a lot of elasticity to. While we're

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going to be thoughtful about how we do it and make sure we protect the consumer, we do feel like, given the rise in credit card APR, there's room to move on rates, and that should accrete to us as a result.

Dan Dolev

That's actually a really interesting analysis. Can you discuss the various sources of funding on your platform? What is their state right now? Are they trending?

Michael Linford

Yes. The word of the day is volatility. For those investors on the line, I'm sure you feel that way in the equity markets, they're also volatile in the debt markets. I think that's just the nature of the broad macroeconomic uncertainty that exists.

If you look at the way the equity and debt markets react to really any macroeconomic news, it's quite remarkable. You have a jobs report come out, which is, in normal times, really good news that we have good, strong job growth and great employment, and it's really bad news for the macroeconomist because we're worried about the impact it might have on inflation.

As you—I talked about it as being a really tightly wound spring, where really any piece of news can send it off in any one direction. It will just swing back and forth very, very quickly.

I believe the forward curve for interest rates, which just measures the future cost—the market expectation and future cost of money, moved something like 20 or 30 basis points like two days after our earnings call in November. That's like an incredible shift to happen over months, let alone for it to happen over days. That is the environment that we're in. It's just very, very volatile.

It impacts the three funding channels we have differently. We have our forward flow program, in which we sell whole loans to counterparties. They take on all the risk, we service the loans. It's very balance sheet efficient because we don't have any capital out. Yet we do have to deliver a return to the partner. So Our return is lower on a percentage of GMV basis.

We then have our asset-backed security channel, our ABS channel, where we create securities for investors that really structure a low-risk return profile that allows us to deliver a pool of loans into a funding mechanism of really low cost.

Then we have our warehouse lines. These are on-balance sheet funding channels that are bank lines of credit. These are the least equity efficient and the most floating rate. They tend to have the most exposure to the volatility in the rate environment, but it's also the most in our control.

What's happened over the past three to four months is we've reduced the expectation implied in our guidance for forward flow and ABS deals, and increased the amount of warehouse capacity that we think we're going to use.

The great news is that our capital team has done a great job in funding the business. We feel very confident in our ability to continue to fund the business despite all of this volatility because we have the warehouse capacity. Yet the warehouse capacity is being used because the other channels are quite dislocated.

That being said, it changes a lot. I think if you catch me in a week or two, you're going to get a different answer. Earlier this fiscal year, we opened up and upsized one of our earlier this calendar year ABS sales

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or 22A deal. That deal was really well received by the market and there was a lot of engagements, and we executed really well.

It was a few short months later when the market was a lot less constructive with us. Nothing changed at Affirm between those two data points, but the macroeconomic environment did shift. I think it's going to keep shifting. Our job is just to navigate around all of that kind of uncertain and unpredictable macroeconomic environment.

Dan Dolev

Makes sense. If you fast-forward two to three years and you think about Affirm, what type of loan products do you think will be the most popular? And why?

Michael Linford

We love all of our children. There's not a favorite for us. This is a really, I think, important concept at Affirm. The pieces all work together in a way that's really important. We get better economics out of our interest-bearing loans, and the merchants don't have to sign up for big merchant discount rates. As a result, the largest enterprises want to adopt those products. That gives us a great way to engage consumers in honest financial products.

But shorter-term loans like our Pay in 4 offerings, they allow us to drive a lot more engagement with users and keep them active on our platform in a way that's safe and good for the consumer and us. Our longer-term zero loans are the best marketing tool that a merchant can have. The bang for the buck in a long-term 0% loan for higher AOV purchases just can't be matched. These three pieces all work together. The popularity of them is a combination that makes sure of the merchant in question and the situation that the consumer might find themselves in, but all three are really important.

Now, that being said, we are right now seeing a higher mix of our interest-bearing loans as we continue to scale our largest enterprise partners who, as I said, do benefit from the economic arrangement that we have with the consumer. That will continue to grow in the P&L. But we really believe that all three products are an incredibly important part of the total picture. It's really difficult to pick them apart. They really work together as a complete set.

That is one of the things that's separate between us and a lot of the other buy-now, pay-later companies. Many of them have the Pay in 4 model. They don't have the other products. We believe that you've got to put them all together to serve all transaction types, to touch all consumers and all merchants.

Dan Dolev

Got it. If you kind of reflect back on the last 12 months, maybe a little longer, what do you think you didn't think about, say, pre-COVID about the business or even during COVID, like how is it prior—are you surprised by the impact of the higher rates on the business? Is this something you kind of anticipated, like this is an unprecedented time, I guess, between COVID and now, and I just want to hear, when you go back home, how do you think about this every day?

Michael Linford

We do a little bit of backward looking. But one of the things that Max likes to say is we're from the future. We definitely spend more time thinking about the future. But that being said, things that I'm really impressed with is just how quickly we've grown our user and engagement on the platform. We talk a lot about—internally, we talk about the network needs reach and frequency. If you think about the business,

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we operate a network business, and networks need lots of touch points, and they need lots of engagement for each touch point.

I could not be more proud of the way in which we've scaled active users to a little under $15 million on the platform, and frequency up to now 3.3 transactions per active user. And that 3.3 it's a bit concealing in the sense that the most recent users haven't had a chance to repeat yet. We expect that to continue to grow. And that is—those two stacks, 3.3 and $15 million are substantially higher than what we were just a year ago or two years ago. That's a reflection of our strategy really working and working with the largest enterprises and the largest platforms to deliver a wide set of products.

I think that just can't be overstated. When we were going public, some folks gave us a lot pushback around the concentration risk we had with who was then our largest partner, and that was Peloton, and the pushback was around that concentration risk. That went from being a substantial portion of our business, and really, they went to now it's low single digits in terms of the total portion of our business. That's because we've grown away from them and grown the platform kind of comprehensively. That is a pretty remarkable thing to have achieved.

I think that, specifically with respect to rates, I feel really, really good about how well we've predicted what the rates will do to our business. Back in February, which is way before the rate curve started moving as much as it did, we gave the market a framework for how to think about the impact of rates on our business in our February earnings call. We've come in a little bit better than the framework we've given folks, but it's been a really good way to think about it.

In the super near term, there's less impact, because we have less exposure to floating rate debt. But in the longer term, we have some gross exposure that it's our job to mitigate. I feel really proud about our ability to manage and navigate through that. Yet the challenges are by no means behind us. We still have a lot of work to do to continue to navigate what are, like you say, unprecedented economic times.

Dan Dolev

Thank you. That's a good reflection. Let's end with a few final questions from Say Technology. Nicholas P. asks, has Affirm considered a stock buyback, is Max, Affirm CEO buying the stock? The stock trading under $13 is about 70% below IPO price, so buy the shares here and resell when Affirm is over $50 per share?

Michael Linford

Yes. Let me start with making sure every investor, especially those who are here on the Say Technology platforms, understand that we care an awful lot about the shareholder. We are all very aligned in trying to deliver total shareholder return. That's really important to all of us. It's important to all of us because that's how we're wired. But it's also important to us because that's where we have a significant portion of our personal accounts.

I think Max has about a 10% economic stake in Affirm. There's very few people who are less exposed than he is. In fact, I'm positive that he's the most exposed person to the share price. He has a lot of reasons to care, and that's true for our whole Management team, where we care about delivering shareholder return.

That being said, we are very long term in how we think about it. We are building an enterprise here that we believe has substantial value. What we don't want to do is do anything short term that jeopardizes that. When we think about commitments that we have to get into profitability, those have to be viewed to the context of what's healthy for building a large valuable enterprise, not trying to achieve some short-

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term trading value. I know that can be disappointing to folks, but what that means is that we're trying to build something that should be very rewarding to shareholders over the long term.

We've said that for a very long time. That's not a recent statement from us. That's the statement we've made all throughout the time when we were private and even early in our public time periods. As we think about things like stock buybacks and other uses of capital, we have to evaluate that use of capital against the use of capital and scaling our enterprise. We ultimately conclude we can create more shareholder value by continuing to scale the enterprise than we can in the short-term action of just buying back stock. That's where we're going to remain focused.

All that said, of course we look at it, we evaluate that all the time. We're looking at where the stock is at. We're looking at how much capital we have and what we think our uses of capital are going forward.

Dan Dolev

Understood. Maybe potentially the last question here. Nicholas P., again, asks, have other buy-now, pay-later peers inquired on buying Affirm, combining with or partnering with Affirm, because the stock seems way undervalued?

Michael Linford

These are smart investors, these are good questions. I think the shortest answer is it's a very competitive space that has seen a re-rating across the board. The entire growth sector has obviously had a substantial reduction in value.

As much as we feel like we are undervalued in this market, I think a lot of folks feel the same way. I don't know that the price movement is as instigating as folks might think in stimulating M&A activity.

I also think the opposite is true, where for private companies who are potential targets of companies like Affirm, I don't know that they've really come to terms yet with the change in regime and change in prices and valuation multiples to expect.

Both those two things point to, I think to this—I think time needs to play out a little bit before there's any meaningful pickup in M&A activity. That being said, we really like our hand. We're focused on delivering the most value we can and winning the way we have. We really feel like we have a market leadership position in everything that we do, and feel like that will continue to play out on the organic path, even if we're unable to be acquisitive here.

Dan Dolev

Okay. Very helpful. Thank you for that.

Are there any other questions? I think there were maybe one or two questions in your e-mail, but not necessarily; if not, we can wrap it up here.

Michael Linford

I think that may be all we have time for.

Dan Dolev

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Okay. Perfect. Well, thank you so much, Michael. Thank you for the time. Always a pleasure to speak with you, and I definitely learned a lot today. Thank you for that.

Michael Linford

Thanks, Dan. Thanks for hosting us. Thanks, everybody.

Dan Dolev

Thank you.

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