Customer and merchant gains underpin Affirm's successful fiscal Q1

Article

By the numbers: US-based buy now, pay later (BNPL) company **Affirm** processed **$2.713 billion in gross merchandise volume** (GMV) in its fiscal Q1 2022 (ended September 31, 2021), an **84% year-over-year (YoY) increase**, per its quarterly earnings supplement.

- Growth outperformed the same period last year, when GMV increased 71% YoY. An increase in overall retail sales in the last few months combined with elevated BNPL adoption in the last

year may have contributed to Affirm's business growth in the quarter.

- **The number of active merchants in Affirm's network skyrocketed 1,468% YoY** and hit 102,000. On Affirm's earnings call, CFO Michael Linford highlighted its partnership with **Shopify** as one of the biggest drivers for merchant network growth: Shop Pay, Shopify's installment lending solution powered by Affirm, became widely available at the end of June. And at the start of the quarter, Shopify and Affirm ran a campaign to promote adoption among merchants.

- **Active customers surged 124%** YoY. Aside from the Shopify partnership, Linford said Affirm's acquisition of Canada-based BNPL firm **PayBright** and returns processing provider **Returnly** added **120,000 additional customers** from Q4 FY2021.

What's next? Affirm CEO Max Levchin said merchant partnerships represent valuable growth opportunities for the company—coupled with platform innovations, this could help expand Affirm's business in the coming quarter.

As the holiday season approaches, Affirm's Amazon and Walmart partnerships could prove lucrative.

- The Walmart tie-up, which began in 2019, could help Affirm drive GMV growth: **Walmart's US ecommerce sales are expected to surpass $60 billion** this year, per eMarketer forecasts from Insider Intelligence. And with in-store foot traffic also expected to bounce back from last year, Affirm will likely see gains from brick-and-mortar shoppers.

- Affirm's exclusive partnership with Amazon should also give the BNPL provider a major boost considering the etailer's holiday track record.
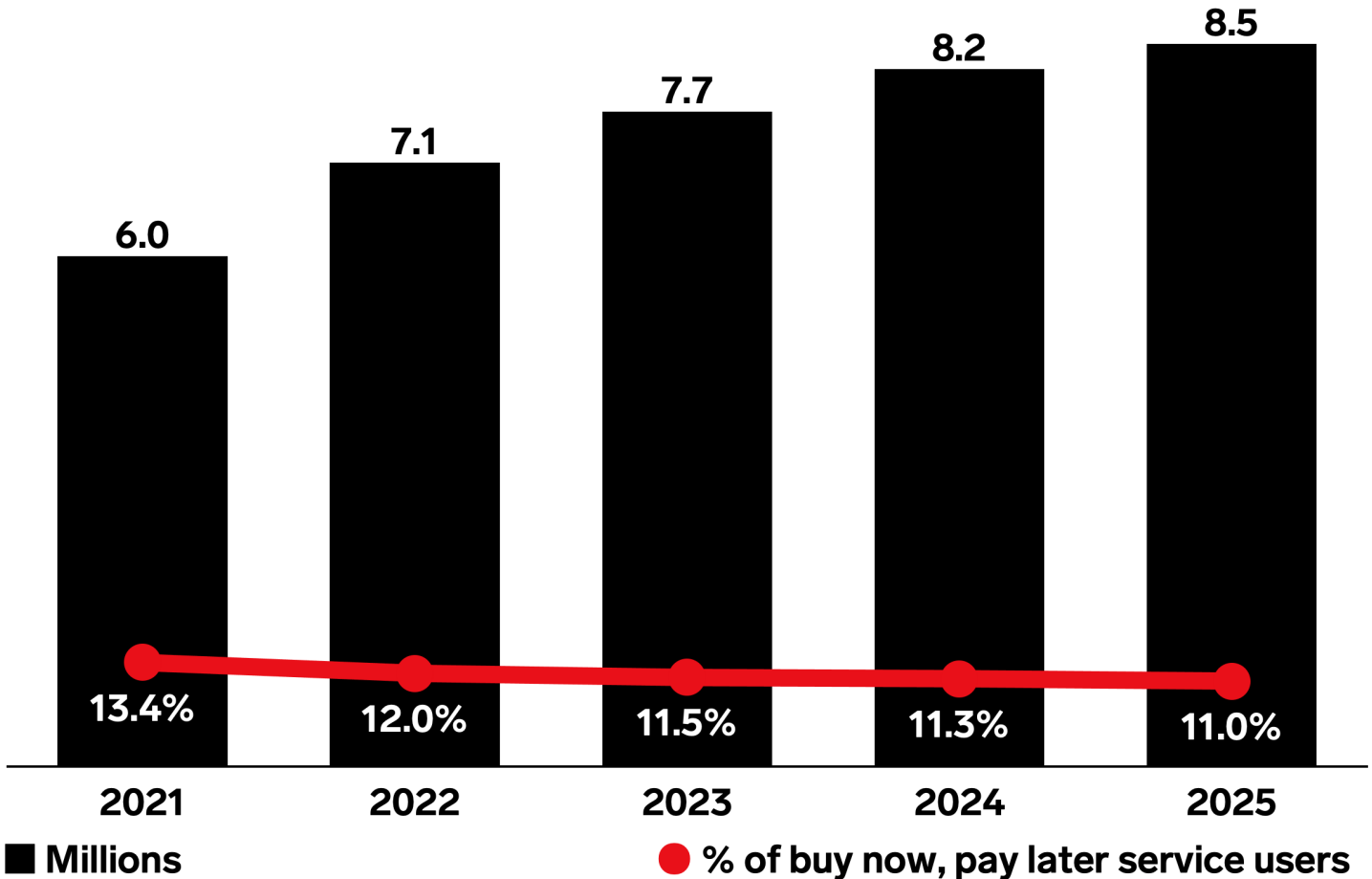
And new customer tools and app features should also sustain Affirm's performance.

- Levchin revealed that Affirm shipped out the first version of its super app—just days after rival **Klarna** unveiled its own super app.

- He said the company is piloting cash-back rewards and a crypto savings tool that would let customers buy and sell crypto from their Affirm savings account. These features may eventually make it into Affirm's super app and could help the company diversify its revenue streams to rely less on retail partners like **Peloton**, one of its largest merchants.

Related content: Check out "The Buy Now, Pay Later Report" for an in-depth look into the US BNPL market and how incumbents like Affirm stack up against competitors.

Affirm Users

US, 2021–2025

2021 — 6.0 — 13.4%
2022 — 7.1 — 12.0%
2023 — 7.7 — 11.5%
2024 — 8.2 — 11.3%
2025 — 8.5 — 11.0%

■ Millions   ● % of buy now, pay later service users

Note: Internet users who have accessed their Affirm account digitally and have made a payment toward a purchase at least once in the past year; includes purchases of goods and services. Buy now, pay later (BNPL) services are defined as interest-free solutions provided by third-party payment platforms that allow consumers to purchase and finance a product or service, and pay in scheduled installments; also known as digital installments, installment lending and point-of-sale financing. Users are typically allowed to pay off balances in weekly, bi-weekly, or monthly installments. Failing to adhere to a predetermined payment plan will usually lead to late fees and interest charges. Consumers access these solutions at the point-of-sale (online or in-person), usually via a merchant's website or app, via the third-party provider's app or via proximity mobile payment apps like Google Pay and Apple Pay. Examples include Affirm, Afterpay, Klarna, Sezzle and PayPal's BNPL service. Excludes services that provide a revolving line of credit, and retailer- and bank-branded financing options.
Source: eMarketer, May 2021
Methodology: Estimates are based on the analysis of survey and traffic data from research firms, historical consumer adoption and buying trends, payment adoption trends, reported

company data, interviews, demographic and socioeconomic factors, and macro-economic conditions.