

Affirm CEO eats his words after mounting losses lead to mass layoffs

Article

The news: Affirm will lay off 19% of staff, shut down its cryptocurrency business, and embark on a restructure that could cost \$39 million after a disappointing Q2 (ended December 2022).

Q2 earnings at a glance:

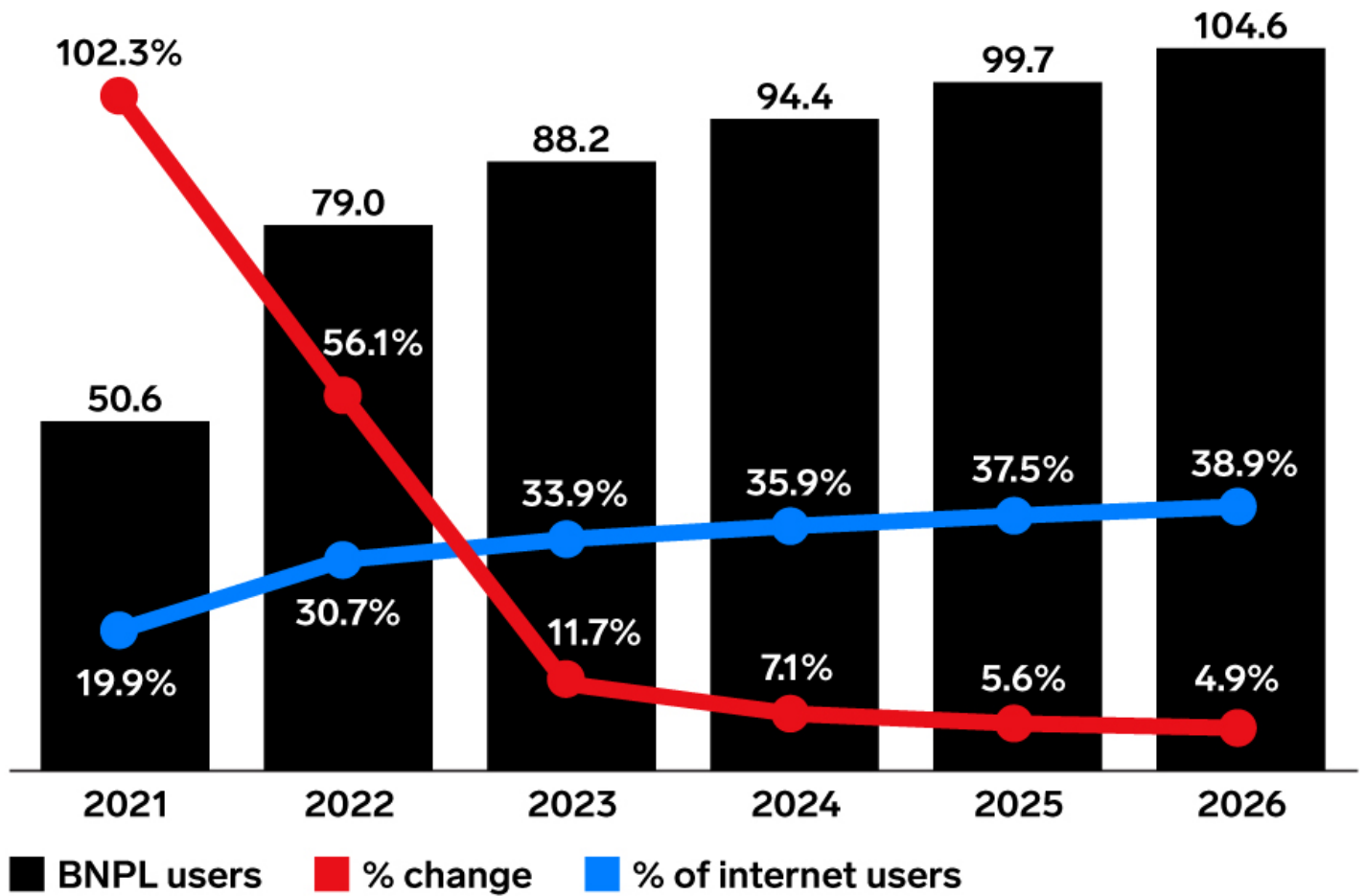
- Affirm's gross merchandise volume (GMV) missed guidance **but hit a record \$5.7 billion**, rising 27% year over year (YoY) and 65% compounded annually over two years.
- Revenues rose 11% YoY, but Affirm said an “operational misstep”—hiking prices too late in 2022—stunted growth.
- The San Franciscan firm's operating loss widened from \$196 million a year ago to \$360 million.

Words come back to bite: Affirm CEO Max Levchin asserted confidently that a recession would prove the company's strength. But mounting losses, mass layoffs, and canning its crypto unit highlight that economic uncertainty has hurt performance.

- Weakening retail sales and intensifying BNPL competition have not been kind to Affirm. Fintechs like **Klarna** and **Afterpay** and incumbents entering the market have made it harder for BNPL providers to stand out.
- But Affirm is still increasing its volume and can benefit from market growth: By 2026, **38.9% of US internet users will use a BNPL solution**, up from 30.7% in 2022, per Insider Intelligence forecasts.

US Buy Now, Pay Later (BNPL) Users, 2021-2026

millions, % change, and % of internet users



Note: ages 14+; internet users who have accessed a buy now, pay later account digitally and have made a payment toward a purchase at least once in the past year; includes purchases of goods and services

Source: Insider Intelligence, June 2022

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InsiderIntelligence.com

What next? Levchin said that a major restructure would create a “nimble team” as the company targets profitability by the end of fiscal 2023.

Pivoting to a more cautious approach should cut costs and minimize losses as firms contend with challenges ahead:

- BNPL firms are under [greater scrutiny from regulators](#), and providers may have to adjust to legislation potentially arriving later this year.
- Big Tech's entry into BNPL should also shake up the industry: [Apple Pay Later](#) stands to capitalize on Apple's huge user base. To prepare for these, Affirm and other BNPL firms need to keep a lid on costs and prioritize products likely to yield the highest return on investment.

Related content: Check out our [US Buy Now, Pay Later Forecast 2022](#) to learn about the factors that will affect growth in the space through 2026.

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