

Affirm sees YoY slowdown in Q3 as it fights for profitability

Article

By the numbers: Affirm's gross merchandise volume (GMV) increased 18% year over year (YoY) to reach \$4.639 billion in its fiscal Q3 (ended March 31, 2023), [per](#) its earnings release. While this is still impressive growth, it's a **major slowdown from the 73% YoY surge during the [same period last year](#)**.

- **Active consumers grew 26% YoY** to hit 16.0 million users, another marked slowdown from a year ago (137%).
- The company's revenues inched up **7% YoY** growth to reach **\$381 million**, versus **54% YoY** last year.

Digging deeper: Service and experience-related categories were a boon to volume, while “tepid consumer demand” dragged on other discretionary categories, per Affirm management.

- Travel and ticketing, which makes up 16% of its gross merchandise volume, **shot up 62% YoY** in Q3.
- But **consumer electronics declined 8% YoY**, and the **home and lifestyle category slumped 10% YoY**.
- Affirm's biggest drop came in the sporting goods and outdoor category, which **plummeted 48% YoY**. This is largely due to Peloton's interminable volume slide. The firm was once Affirm's largest partner but “will now be less than 1% of GMV going forward,” CFO Michael Linford said on the earnings call.

Overall, Affirm had trouble keeping up with fiscal 2022's rapid growth. But Linford noted that those base effects will fade by Q3 of next fiscal year.

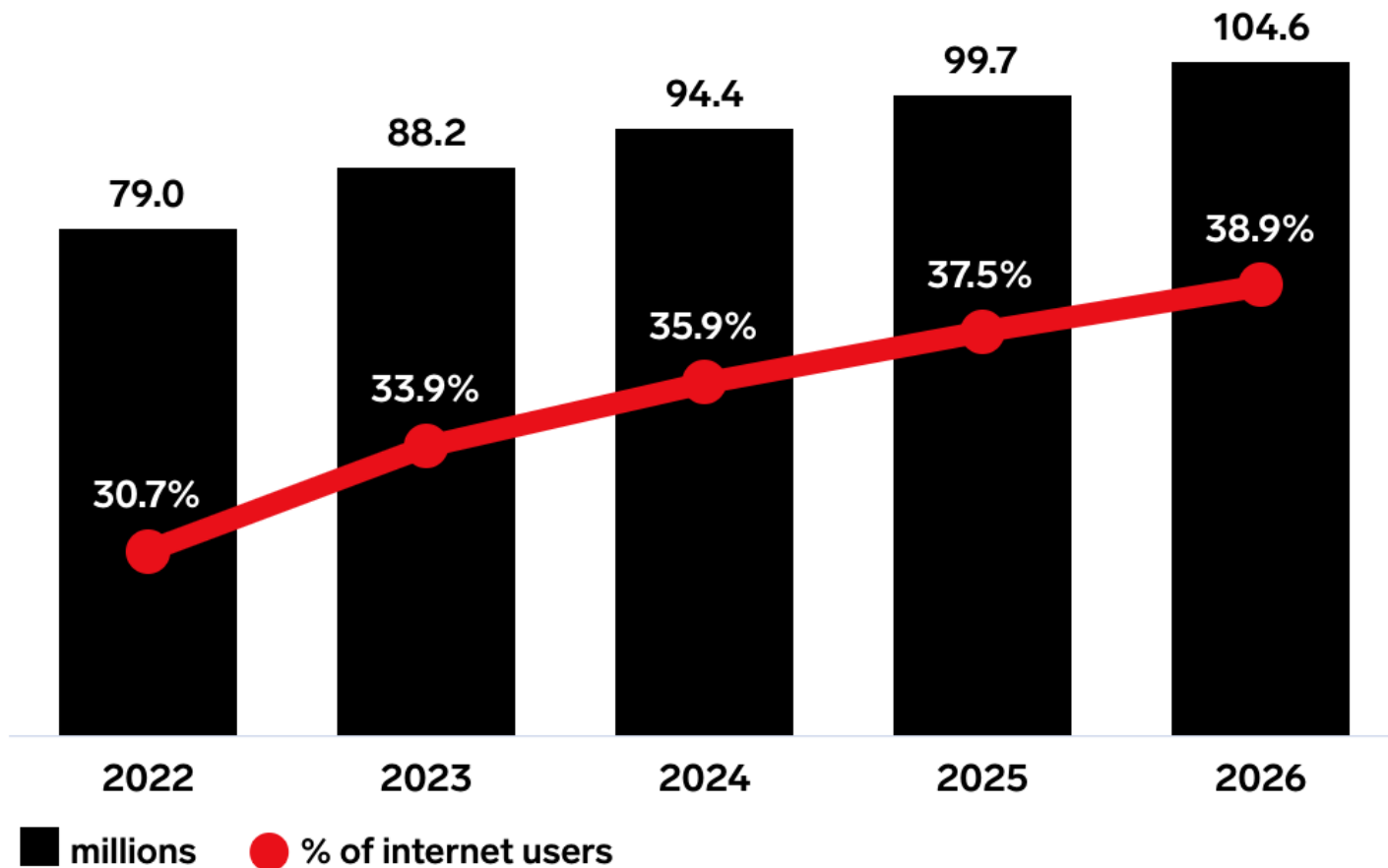
What's next? Affirm is restructuring its business.

- After **a disappointing Q2** (ended December 2022), Affirm started Q3 by **laying off 19% of its staff**, and shutting down its cryptocurrency business.
- The restructure—which could cost \$39 million—aims to create a “nimble team,” per CEO Max Levchin. **It's targeting profitability by the end of fiscal 2023.**

Other BNPL providers, like **Splitit**, are **also restructuring**. As they regroup, they'll have to contend with a multitude of challenges, like **regulatory scrutiny** and the entrance of **Apple Pay Later**. But Affirm's more cautious approach should put the company in a better position to withstand those challenges and grow. We expect **88.2 million US consumers will use BNPL in 2023**, up 33.9% YoY, per our forecast.

Buy Now, Pay Later Service Users

US, 2022-2026



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: eMarketer, June 2022

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