

# Affirm lays out profitability strategy following strong quarter

Article

**The data:** Affirm's gross merchandise volume (GMV) grew 62% year over year (YoY) in its fiscal Q1 2023 (ended September 30, 2022), compared with an 84% YoY increase in the same period last year, [per](#) its shareholder letter.

The company's revenues jumped 34% YoY, slowing from 55% YoY growth a year ago.

**How we got here:** Two factors helped spur GMV and revenue growth during the quarter.

- **A boost in active consumers and merchants.** The number of active customers increased nearly 69% YoY, and the number of active merchants more than doubled to nearly 245,000.
- **A shift in consumer shopping habits.** Affirm said consumers are spending more on everyday purchases—especially at big box retailers, which has helped it capture more business. This is a shift from earlier in the pandemic, when much of Affirm’s business came from consumers shopping for homeware and connected fitness equipment. The company also highlighted a 90% YoY increase in travel and ticketing purchases.

Despite inflation and other economic challenges, Affirm said its transaction-based underwriting technology lets it approve customers without hurting credit quality—something CEO Max Levchin [touted](#) as a major strength over the summer.

**What’s next?** Affirm said it’s on track to turn its adjusted operating income profitable by the end of fiscal year 2023 (ending June 2023).

Here are the company’s three priorities to achieve that:

1. **Improving product features.** Affirm wants more offerings—like its super app and Debit+ card—that help improve retention, drive repeat use, and boost profitability per user. It also plans to be more disciplined with its investments by going after the “highest-conviction product opportunities”—or those that are likely to yield the highest return on investment.
2. **Controlling operating expenses.** As economic headwinds pick up, Affirm wants to preserve its balance sheet by minimizing costs. Like [other fintechs](#), it plans to slow down hiring for the remainder of its fiscal 2023.
3. **Managing credit performance.** Affirm said this has always been its top priority. So far, delinquency rates remain at or below prepandemic levels, per Affirm.

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

## US Buy Now, Pay Later (BNPL) Users, by Platform, 2020-2026

millions and % of BNPL service users

	2020	2021	2022	2023	2024	2025	2026
<b>BNPL users</b>							
Klarna	14.1	24.0	34.8	40.3	43.9	47.2	49.3
Afterpay	7.5	12.7	20.0	23.6	26.4	28.7	30.6
Affirm	4.2	9.2	14.0	15.5	16.6	17.4	18.0
<b>% of BNPL service users</b>							
Klarna	56.3%	47.6%	44.1%	45.7%	46.5%	47.3%	47.1%
Afterpay	30.2%	25.2%	25.3%	26.7%	28.0%	28.8%	29.2%
Affirm	16.9%	18.2%	17.8%	17.6%	17.5%	17.4%	17.2%

Note: internet users who have accessed their Affirm, Afterpay, or Klarna 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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