

EQUITY RESEARCH | COMPANY UPDATE

Affirm Holdings, Inc.

NASDAQ: AFRM | Financial Technology – Buy Now, Pay Later & Consumer Lending | Report date: August 15, 2026

RECOMMENDATION

WATCHLIST

Reaffirmed · accumulate on weakness

Investment Score: 65 / 100

Last price (Aug 14, 2026 close)	\$78.35
Change since last report (Jul 21)	+3.0%
52-week range	\$42.10 – \$100.00
Market capitalisation	~\$26.2B
Fair value (base case)	~\$85
Ideal accumulation zone	\$66 – \$71
FY27E revenue / adj. EPS (cons.)	\$5.28B / \$3.72
Next earnings	Aug 27, 2026 (post-close)

Investment Summary

This is a maintenance update to the July 21 report, published to check whether the price levels in that note still describe the stock. They no longer do, and they have been reset. Affirm has drifted 3.0% higher to \$78.35 while the support structure underneath it has risen considerably faster: the 100-day average has climbed from roughly \$63 to \$68.00 and the 50-day from roughly \$73 to \$75.47. The old \$60–\$66 accumulation zone now sits below every meaningful moving average and would require a broad drawdown rather than an ordinary pullback to reach. The zone is moved up to \$66–\$71 and the cut-loss to \$59.

The fundamental case is unchanged and remains the one described in July: a durably profitable, founder-led installment lender growing revenue above 30%, with trailing twelve-month revenue of \$3.97B (up 32.1%), GAAP net income of \$382M and \$787M of free cash flow. Nothing since has challenged that. What has moved is the sell-side, and sharply. Consensus coverage has widened from roughly 25 analysts to 34, and the average target has risen from the low-\$80s to \$91.04, with BofA to \$93, BMO to \$86, Truist to \$83 and fresh Buy-side initiations from Bernstein at \$100 and Barclays at \$97. Short interest has fallen from 19.3 million shares to 16.7 million. Commercial momentum has continued in the background through the Airwallex checkout integration announced on August 13, the Bed Bath & Beyond rollout, and a renewed and expanded capital partnership with CPP Investments.

The base-case fair value is raised to roughly \$85 from \$80, reflecting higher forward estimates rather than any change in the business. That still leaves only about 8% to base-case fair value and 10% to a probability-weighted \$86.50, which is not an adequate return for a stock with a five-year beta of 3.62 whose earnings are levered to the consumer credit cycle. Fourth-quarter results land on August 27, twelve days from this report, and there is no case for initiating a high-volatility position immediately ahead of them. The rating stays Watchlist. The reasoning is the same as in July, and the trigger for an upgrade is still a better entry or another two quarters of clean credit — the zone at which that entry becomes available has simply moved up with the stock.

1. What Has Changed Since the Last Report

Item	July 21, 2026	August 15, 2026	Read
Share price	\$76.07	\$78.35	+3.0%; range-bound
Consensus target	Low-\$80s median (~25 analysts)	\$91.04 avg / \$90 median (34 analysts)	Materially higher
Buy / Hold / Sell split	22 / 8 / 0	25 / 9 / 0	Broadly unchanged mix
50-day moving average	~\$72.7	\$75.47	Support has risen

Item	July 21, 2026	August 15, 2026	Read
100-day moving average	~\$62.7	\$68.00	Base has lifted ~8%
RSI (14) / MACD	46.9 / below signal	54.9 / above signal	Momentum reset upward
Short interest	Elevated	16.7M (4.99% of shares), from 19.3M	Covering
FY26E revenue (consensus)	\$4.18–\$4.21B	\$4.20B	Unchanged
Reported fundamentals	FQ3'26 (Mar quarter)	FQ3'26 (Mar quarter)	No new quarter yet

No earnings release has occurred between the two reports; FQ4'26 results are due August 27, 2026.

The one genuinely stale element of the July note was its trade framework. It anchored the accumulation zone on the then-prevailing 50 and 100-day averages, and those averages have since risen roughly 4% and 8% respectively as the spring base rolled forward. A zone built on support that has moved is no longer a zone; it is a wish. The levels in section 8 are rebuilt on the current structure.

2. Business and Revenue Mix

Affirm underwrites and funds installment loans at the point of sale, pays the merchant up front and collects from the consumer over terms ranging from a pay-in-four cycle to multi-year monthly plans. It charges no late fees and no compounding interest, which is the foundation of its standing with both consumers and regulators. Three engines drive the model: the core buy-now-pay-later network anchored in enterprise merchant integrations; the Affirm Card, which captures everyday off-platform spend; and a growing 0% APR mix in which merchants subsidise interest to drive conversion. The revenue split below is the important structural fact about this company — roughly half of revenue is interest income earned on loans held on balance sheet, which is what makes Affirm a lender rather than a payments network, and what ties its earnings to the credit cycle.

Revenue line	TTM to Mar 2026	% of total	Character
Interest income	\$1,899M	47.8%	Balance-sheet lending; rate and credit sensitive
Merchant network revenue	\$1,087M	27.4%	Network-like; scales with GMV and 0% mix
Gain on sales of loans	\$548M	13.8%	Capital-markets dependent; forward-flow demand
Virtual card network	\$276M	6.9%	Interchange on Affirm Card and off-platform spend
Servicing income	\$161M	4.1%	Recurring, capital-light, low volatility

Source: company filings via S&P; Global Market Intelligence. Trailing twelve months to March 31, 2026.

3. Financial Position

The trailing twelve months to March 2026 show a business that has cleared the profitability question: revenue of \$3.97B up 32.1%, operating income of \$328M against a \$87M loss in FY2025, GAAP net income of \$382M, and free cash flow of \$787M on a 19.8% margin. Gross margin has widened to 48.4% from 46.0%, and return on equity has reached 11.5%. Three qualifications matter. First, the effective tax rate over the period was 3.24%, so reported net income is close to untaxed; on a normalised 25% rate the same pretax income of \$395M would produce roughly \$0.82 of earnings per share rather than the reported \$1.06 (author's calculation, using the implied diluted share count of 361 million). Second, share count has risen 12.91% year on year, so per-share progress lags the absolute figures by a wide margin. Third, conventional leverage and solvency screens misread a lender: the \$9.09B of debt is overwhelmingly match-funded against the loan book rather than corporate borrowing, and the Altman Z-score of 1.68 is not meaningful for this balance-sheet structure.

Metric	FY2023	FY2024	FY2025	TTM Mar'26
Revenue	\$1.59B	\$2.32B	\$3.22B	\$3.97B

Metric	FY2023	FY2024	FY2025	TTM Mar'26
Revenue growth (YoY)	+17.7%	+46.3%	+38.8%	+32.1%
Gross profit	\$676M	\$994M	\$1.48B	\$1.92B
Operating income	(\$1.16B)	(\$607M)	(\$87M)	\$328M
Net income	(\$985M)	(\$518M)	\$52M	\$382M
Diluted EPS	(\$3.34)	(\$1.67)	\$0.15	\$1.06
Free cash flow	(\$109M)	\$291M	\$602M	\$787M
Operating margin	(73.2%)	(26.1%)	(2.7%)	8.3%

Fiscal year ends June 30. Source: S&P; Global Market Intelligence via StockAnalysis.com.

4. Valuation

Affirm resists a single valuation method, and the July report's headline framing of "38–40x forward earnings" deserves restating on a clearer basis, because the answer depends heavily on which earnings number is used. On consensus adjusted earnings the stock is not expensive: 25.4x FY26E and 21.1x FY27E against three-year expected earnings growth near 39%, a PEG of 0.84. On GAAP the picture inverts: 73.9x trailing, and roughly 95x on a normalised tax rate. The gap between the two is close to \$700 million a year of mostly non-cash charges, principally stock-based compensation, and with share count up 12.91% in twelve months that gap is a real cost borne by shareholders rather than an accounting artefact. The honest conclusion sits between the two: fair, not cheap, and reliant on execution.

Method	Current read	Interpretation
Adjusted P/E (FY26E \$3.08)	25.4x	Reasonable for 30%+ growth; excludes heavy SBC
Adjusted P/E (FY27E \$3.72)	21.1x	Undemanding if estimates hold
GAAP P/E (TTM \$1.06)	73.9x	Rich; flattered by a 3.2% effective tax rate
GAAP P/E, normalised 25% tax	~95x	Author's calculation; the sterner test
Forward P/S (FY26E \$4.20B)	6.25x	Full for a lender, defensible for the growth
Forward P/S (FY27E \$5.28B)	4.97x	Compresses quickly if growth persists
Market cap / FY26E gross profit	12.8x	Unchanged vs. July; margin-dollar scarcity value
Price / book (\$11.30 BVPS)	6.93x	High against lenders; justified only by ROE trajectory
PEG (3Y EPS growth 39.4%)	0.84	Supportive on the adjusted basis
Consensus target (34 analysts)	\$91.04 (+16.2%)	Range \$55.10 to \$117.00

Priced off the August 14, 2026 close of \$78.35 and 334.9 million shares outstanding. Adjusted EPS estimates are consensus non-GAAP figures and exclude stock-based compensation.

5. Sentiment, Ownership and Flow

This is where the last four weeks have produced the most movement. Coverage has broadened and targets have risen across almost every firm that has touched the name, and the stock has not followed — the gap between the \$78.35 price and the \$91.04 average target is now 16.2%, wider than it was in July. That is either an opportunity or a sign that the market is discounting the sell-side ahead of a print. The distribution argues for caution in reading it as pure opportunity: the low target of \$55.10 sits 30% below the current price, so the dispersion of views is unusually wide. Short interest has nonetheless fallen 13% month on month, institutional ownership is 81.5%, and insiders hold 9.0%.

Signal	Reading	Direction
Consensus rating	Buy (20 Strong Buy, 5 Buy, 9 Hold, 0 Sell)	Constructive

Signal	Reading	Direction
Average / median target	\$91.04 / \$90.00	Raised from low-\$80s
Target dispersion	\$55.10 low to \$117.00 high	Unusually wide
Recent revisions	BofA \$88→\$93; BMO \$78→\$86; Truist \$80→\$83	Upward
New coverage	Bernstein Outperform \$100; Barclays Overweight \$97	Positive
Short interest	16.73M shares, 4.99% of shares out (prior month 19.33M)	Covering
Institutional ownership	81.46%	Stable base
Insider ownership	9.04%	Founder-aligned
Share count change (YoY)	+12.91%	Persistent dilution
Moomoo news digest	Bullish, dominated by target raises rather than events	Supportive but thin

Analyst data as of August 12, 2026; ownership and short-interest data as of August 15, 2026.

6. Technical Picture

The short-term momentum warning carried in the July report has resolved constructively. Price sits above the 20, 50 and 100-day averages, the MACD line has crossed back above its signal, and RSI has recovered from 46.9 to 54.9 without reaching overbought territory. The stock has spent four weeks oscillating between roughly \$70 and \$81, building a tight range beneath the July highs. Volatility remains the defining characteristic: ATR is 4.5% of price and the five-year beta is 3.62, so ordinary noise in this name is a multi-dollar move. Support is the \$75 area first, then the \$69–\$71 swing lows and the 100-day at \$68. Resistance is \$81, then \$87 and the \$100 high.

Indicator	Reading	Signal
Trend (20 / 50 / 100-day SMA)	\$74.60 / \$75.47 / \$68.00	Price above all three; uptrend intact
Price vs. 50-day SMA	+3.8%	Constructive
200-day SMA	Not computed (100-session series)	Insufficient history in the window used
RSI (14)	54.9	Neutral, recovering from 46.9
MACD (12,26,9)	+0.27, signal –0.06, histogram +0.33	Bullish crossover; reverses July signal
ATR (14)	\$3.56 (4.5% of price)	High volatility
Volume (20-day avg)	3.10M vs. 3.81M 50-day	Cooling participation
Support / resistance	Support \$75, then \$69–\$71 / \$68; resistance \$81, then \$87 / \$100	Frames the entry zone

Indicators computed from 100 daily bars (Mar 24 to Aug 14, 2026) using Wilder smoothing for RSI and ATR. The 200-day average is not computed because the series used is shorter than the required window.

7. Risks

Risk	Description	Probability	Severity
Consumer credit cycle	Rising unemployment lifts delinquencies and reserves just as growth multiples compress	Medium	High
Valuation / multiple	GAAP multiple leaves little cushion if growth slows below the high twenties	Med-High	High
Earnings event risk	FQ4'26 lands August 27; beta of 3.62 implies a large move on any surprise	High	Medium

Risk	Description	Probability	Severity
Competition / take rate	Klarna, PayPal, Apple and Block pressure pricing and marketing intensity	Medium	Medium
Funding and rates	Higher-for-longer rates raise cost of funds; forward-flow demand can thin quickly	Medium	Medium
Regulation	CFPB and international BNPL rules could add disclosure or capital burdens	Medium	Medium
Earnings quality	3.2% effective tax rate and fair-value marks flatter reported profit	High	Medium
Dilution	Share count up 12.91% year on year; equity compensation and convertibles	High	Med-High

8. Scorecard

Component		Score	Weight	Commentary
Business Quality		7/10	15%	Strong network and brand; balance-sheet exposure caps it
Financial Strength		6/10	15%	Profitable with real FCF, but leveraged and dilutive
Competitive Advantage		6/10	12%	Real moat in high-ticket lending; take rates pressured
Management		8/10	10%	Credible founder-led team; delivered the profitability pivot
Growth Potential		8/10	18%	30%+ revenue growth; Card, 0% APR, operating leverage
Valuation		5/10	15%	Fair on adjusted earnings, rich on GAAP; unchanged
Risk (10 = lowest risk)		5/10	10%	Elevated: credit cycle, beta 3.62, dilution, event risk
Technical Setup		7/10	5%	Improved from 6; MACD crossover, price above all averages

Scored 1–10, where 10 is always best, including Risk. Weights sum to 100%. Weighted total: $10.5 + 9.0 + 7.2 + 8.0 + 14.4 + 7.5 + 5.0 + 3.5 = 65 / 100$, unchanged from the July report. The prior report used the same direction convention, so the component scores are directly comparable; only Technical Setup moved, from 6 to 7.

9. Recommendation and Trade Framework

Rating: **WATCHLIST**, reaffirmed, on the same reasoning as July. Affirm is a Buy-quality franchise held back by price rather than by anything wrong with the business. At \$78.35 the stock offers roughly 8% to base-case fair value and 10% to a probability-weighted \$86.50. For a lender with a beta of 3.62, exposure to the consumer credit cycle and a fourth-quarter print twelve days away, that is not enough compensation to initiate. The discipline is to wait for the entry rather than pay up for the story.

What changes the rating to Buy: a pullback into the \$66–\$71 zone, restoring a discount of roughly 15% to 20% to fair value; or two further quarters of stable-to-improving delinquencies alongside GAAP profit growth, which would de-risk the credit thesis enough to justify paying closer to fair value. What moves it to Hold or Avoid: delinquencies breaking above 4%, revenue less transaction costs compressing below 3.8% of gross merchandise volume, growth decelerating toward the mid-teens, or a failure to hold the \$68 hundred-day average on a closing basis.

Parameter	Level	Change vs. July	Rationale
Ideal accumulation range	\$66 – \$71	Raised from \$60–\$66	100-day at \$68 and the recent swing lows; support has moved up
Opportunistic entry	≤ \$62	Raised from ≤ \$58	June consolidation base; broad risk-off only

Parameter	Level	Change vs. July	Rationale
Fair value (base)	~\$85	Raised from ~\$80	Higher FY27 estimates and consensus targets, not a changed thesis
Cut-loss (if bought)	\$59	Raised from \$54	Below the 100-day and the June base
Take-profit 1	\$92	Unchanged	Prior supply and near the \$91.04 consensus target
Take-profit 2	\$105 – \$115	Widened from \$105–\$110	Bull-case fair value on sustained execution
Holding horizon	12 – 24 months	Unchanged	Time for the credit and margin thesis to play out
Position sizing	Small starter; scale on weakness	Unchanged	Beta 3.62; size for volatility, not conviction alone

Levels are a framework for a conditional accumulation plan, not a current Buy call. They assume no adverse change in the credit or competitive picture and will be revisited after the August 27 results.

10. Scenario Analysis

Scenario	Prob.	Revenue / growth	Earnings	Fair value
Bull	30%	FY27 revenue ~\$5.5B, growth holds near 30%	Adj. EPS ~\$4.0–4.3; GAAP margin widens	\$110 – \$120
Base	50%	FY27 revenue ~\$5.3B, growth 25–27%	Adj. EPS ~\$3.7; steady GAAP profit growth	\$80 – \$88
Bear	20%	Growth slows to the mid-teens on a weak consumer	Delinquencies rise; GAAP near breakeven	\$45 – \$55

Probabilities sum to 100%. Probability-weighted fair value, computed on scenario midpoints ($0.30 \times \$115 + 0.50 \times \$84 + 0.20 \times \$50$), is **\$86.50**, or 10.4% above the August 14 close of \$78.35.

11. Final Verdict

Would an investor commit fresh money to Affirm at \$78.35 today? Not yet, and the reason is unchanged from July even though almost every sentiment indicator has improved. The business has earned its re-rating: it is profitable, cash-generative, growing above 30%, funded through a diversified institutional base recently extended with CPP Investments, and run by a founder who delivered the profitability pivot he promised. The problem is that the market knows all of this. Thirty-four analysts cover the stock, twenty-five of them rate it Buy, and the price already embeds several more years of successful execution.

The single biggest concern remains the collision of a full GAAP multiple with cyclical credit exposure. On adjusted earnings Affirm looks reasonable at 21x forward; on GAAP it looks expensive at 74x, and on a normalised tax rate closer to 95x. The difference is roughly \$700 million a year of stock-based compensation set against a share count rising 12.9% annually, which is a genuine transfer from shareholders rather than an accounting nuance. If unemployment rises, delinquencies and reserves climb precisely as the growth multiple compresses, and the \$78 price offers little protection against that sequence.

What would change the view is unchanged in substance and only updated in level: a better entry in the \$66–\$71 zone, or another one to two quarters proving credit and margins hold through a softer consumer. Either would make Affirm a Buy. The August 27 results are the next test, and the disciplined position between now and then is patience rather than participation.

This report is for informational purposes only and does not constitute investment, legal or tax advice or a recommendation to buy or sell any security. It is not personalised to any individual's circumstances. Figures are drawn from company filings and public sources believed reliable as of August 15, 2026; the share price referenced is \$78.35, the August 14, 2026 close. No earnings call has taken place since the previous report of July 21, 2026, so no new call transcript was applicable to this update; fourth-quarter fiscal 2026 results and the accompanying call are scheduled for August 27, 2026. Forward estimates are illustrative and subject to material uncertainty. Investing involves risk, including loss of principal. Readers should conduct their own due diligence and

consult a licensed financial adviser before making any investment decision.