

Affirm Holdings, Inc.

NASDAQ: AFRM | Financial Technology – Buy Now, Pay Later & Consumer Lending | Report date: July 21, 2026

RECOMMENDATION
WATCHLIST
 Accumulate on weakness
 Investment Score: 65 / 100

Last price (Jul 17, 2026)	\$76.07
52-week range	\$42.10 – \$100.00
Market capitalization	~\$27.3B
Shares outstanding	~334.9M
Fair value (base case)	~\$80
Ideal accumulation zone	\$60 – \$66
FY26E revenue (guide)	\$4.18 – \$4.21B
FY26E GMV (guide)	~\$49.4B

Investment Summary

Affirm has crossed the inflection that defined its investment debate for four years: it is now durably profitable. In the March 2026 quarter the company reported GAAP operating income of \$88.4M and net income of \$102.9M on \$11.6B of gross merchandise volume (up 35%) and \$1.04B of revenue (up 33%), while raising full-year guidance to roughly \$49.4B of GMV and an adjusted operating margin near 28%. Revenue less transaction costs expanded 41% to 4.3% of GMV, funding costs fell 126 basis points to 5.8%, and credit stayed contained with 30+ day delinquencies of 2.8% ex-Peloton. The franchise — a differentiated, no-late-fee underwriting platform with deep merchant integrations, a fast-scaling Affirm Card, and a growing 0% APR mix — is executing well and is led by a credible, founder-driven team.

The reservation is price, not quality. At ~\$76 the stock trades near 6.5x forward sales and roughly 38–40x forward earnings against ~35% growth — a full multiple that already discounts continued execution and leaves limited margin of safety. Affirm is also a balance-sheet lender: its earnings are levered to the consumer credit cycle, funding markets, and interest rates, and GAAP profitability remains young and sensitive to fair-value marks. With shares roughly a quarter below the \$100 high but still richly valued, the risk/reward is balanced rather than compelling. The rating is Watchlist — a high-quality compounder to own on weakness toward the \$60–\$66 zone, or on confirmation that credit and margins hold through a full consumer cycle.

1. Business Overview

Affirm operates a point-of-sale payment network and consumer-lending platform. When a shopper checks out at a partner merchant — online or increasingly in-store — Affirm underwrites and funds an installment loan in real time, pays the merchant up front, and collects from the consumer over terms ranging from a single pay-in-four cycle to multi-year monthly plans. Affirm earns money three ways: merchant network fees, interest income on the loans it holds, and interchange and servicing on the Affirm Card. A defining feature is that Affirm charges no late fees and no compounding interest, which underpins its brand with consumers and regulators alike.

The model has three engines. First, the core BNPL network, anchored by flagship enterprise partnerships and deep integrations across e-commerce platforms, which drives the bulk of GMV. Second, the Affirm Card, a debit-style card that lets users pay now or split any purchase into installments; it reached ~4.4 million active cardholders and \$2.1B of GMV in the March quarter and is the company's primary vehicle for capturing everyday, off-platform spend. Third, a rapidly growing 0% APR mix, where merchants subsidize interest to drive demand; these loans carry lower credit costs and deepen merchant relationships, though they compress headline yield. As of the March 2026 quarter Affirm served 26.8 million active consumers (up 22%) and roughly 515,000 active merchants, with transactions per active consumer rising to 6.7 — evidence of deepening engagement rather than one-time adoption.

Competitive advantages: a proprietary underwriting dataset built on more than a decade of installment performance; enterprise-grade merchant integrations that are costly to displace; a trusted, transparent consumer brand; and diversified, institutional-scale funding. Disadvantages: Affirm carries credit risk on its balance sheet, making it more capital-intensive and cyclical than a pure network; take rates face structural pressure from 0% mix and competition; and it remains concentrated in U.S. discretionary retail.

2. Industry & Competitive Landscape

Buy-now-pay-later is one of the fastest-growing corners of consumer finance. Global BNPL volume reached roughly \$560B in 2025 and is widely projected to compound near 20% annually, as installment payments move from a niche checkout option toward a mainstream alternative to revolving credit. Five providers — Klarna, Affirm, Afterpay (Block), PayPal, and Sezzle — account for over 95% of U.S. volume. The competitive fault line is product structure: Klarna and PayPal dominate short-duration, low-ticket pay-in-four; Affirm leads in longer-duration, higher-ticket, interest-bearing installment lending, where underwriting sophistication matters most and where its no-late-fee model is a genuine differentiator.

The landscape intensified as Klarna became a public company and Apple, PayPal and Block pressed their own installment products, raising the risk of take-rate compression and elevated marketing spend. Affirm's defense is depth rather than breadth: enterprise partnerships in high-consideration categories (electronics, travel, home, and increasingly essentials), a card that expands wallet share, and a funding machine most smaller rivals cannot match. The table below frames the key U.S. peers.

Company	Model / focus	Scale signal	Positioning vs. AFRM
Klarna	Global pay-in-four, app-first commerce	~\$34B GMV/qtr; ~119M consumers	Larger, more global; shorter-duration, lower-ticket
Affirm	Longer-term installments, 0% APR, Card	~\$11.6B GMV/qtr; 26.8M consumers	Leader in high-ticket U.S. installment lending
PayPal	Pay-in-four bolt-on to wallet	~\$33B annual BNPL volume	Vast distribution; BNPL is a feature, not core
Afterpay (Block)	Pay-in-four, retail-led	Embedded in Block / Cash App	Cash App synergy; limited long-duration lending
Sezzle	Pay-in-four, subscription tiers	~\$1.1B GMV/qtr, +37% YoY	Small but fast-growing; niche focus

Figures are approximate, drawn from company disclosures and industry sources for periods around the first half of 2026.

3. Financial Performance

Affirm's financial story is a multi-year climb from deep losses to genuine profitability. Revenue grew from \$1.59B in FY2023 to \$2.32B in FY2024 and \$3.22B in FY2025 (up ~39%), while the bottom line moved from a \$985M net loss to a \$518M loss and then, in FY2025, to a first full-year net profit of \$52.2M. The March 2026 quarter accelerated the trend: \$102.9M of quarterly net income alone exceeded the entire prior fiscal year, and management guides FY2026 to an adjusted operating margin near 28% with GAAP operating margin around 9%.

Metric	FY2023	FY2024	FY2025	FQ3'26
Revenue	\$1.59B	\$2.32B	\$3.22B	\$1.04B
Revenue growth (YoY)	—	+46%	+39%	+33%
GMV	~\$20.2B	~\$26.6B	~\$36.4B	\$11.6B
Net income (loss)	(\$985M)	(\$518M)	\$52.2M	\$102.9M
Diluted EPS	(\$3.34)	(\$1.67)	\$0.15	\$0.30
Operating income (loss)	(\$1.5B)	(\$616M)	(\$87M)	\$88.4M
RLTC	~\$0.9B	~\$1.2B	~\$1.6B	\$498M (4.3% GMV)
Adj. operating margin	neg.	~14%	~22%	27.0%

Fiscal year ends June 30. FQ3'26 = quarter ended March 31, 2026. Some prior-period GMV, RLTC and operating figures are approximate.

The balance sheet reflects a lender at scale. At June 2025, Affirm held ~\$11.2B of assets including ~\$7.0B of loans held for investment, funded by ~\$4.8B of securitization notes, ~\$1.6B of warehouse funding debt, and ~\$1.2B of convertible notes, against ~\$3.1B of equity. Critically, most debt is match-funded against the loan book rather than corporate leverage, and the company holds a net cash position of roughly \$1.1B. Funding capacity reached \$28.2B in the March quarter — enough to support more than \$65B of annual GMV — with forward-flow demand diversified across roughly 20 institutional buyers. Capital allocation is entirely reinvestment-driven: no dividend, with share count the main dilution watch-item given equity compensation.

4. Credit Quality & Funding

For a balance-sheet lender, credit and funding are the whole ballgame, and on both the March 2026 quarter was reassuring. 30+ day delinquencies on monthly installment loans (excluding the legacy Peloton book) held at 2.8%, and the allowance for credit losses stood at 6.0% of loans held for investment — a conservative reserve consistent with disciplined underwriting. The growing 0% APR mix actually improves portfolio credit because those loans skew toward higher-quality borrowers and prime merchants. On funding, the average annualized cost of funds fell about 126 basis points year over year to 5.8%, a direct tailwind to unit economics as older, higher-cost facilities roll off and ABS demand stays strong (lifetime issuance surpassed \$14B across 26 deals). The central caveat: these metrics reflect a relatively healthy consumer. A meaningful rise in unemployment would pressure delinquencies, reserves, and ultimately earnings, since credit losses flow straight through the income statement.

5. Management & Execution

Affirm is led by founder-CEO Max Levchin, a PayPal co-founder whose fingerprints are on both the risk-modeling culture and the no-late-fee ethos. Management's recent record is strong: it steered the company through a brutal 2022–2023 rate shock, protected unit economics, and delivered the promised pivot to GAAP profitability roughly on the timeline it laid out. Guidance has been credible — the March quarter's \$11.6B GMV came in above the \$11.0–\$11.3B guide — and the team has consistently under-promised on margins while over-delivering. Insider ownership is meaningful (insiders hold roughly 15% of shares), aligning incentives, though ongoing insider sales and equity-based compensation are worth monitoring for dilution. On balance, management is a clear asset to the thesis.

6. Growth Drivers

Driver	Description	Likelihood	Impact
Affirm Card ramp	Expands wallet share into everyday spend; already \$2.1B quarterly GMV and 4.4M cardholders	High	High
0% APR expansion	Merchant-subsidized 0% deals drive volume with lower credit cost; mix still rising	High	Medium
Enterprise partnerships	Deep integrations across large e-commerce and retail platforms compound GMV	Med-High	High
Falling funding costs	Cost of funds down 126bps YoY to 5.8%; rate cuts would add further margin	Medium	Medium
International / new verticals	UK and category expansion (travel, essentials, B2B) extend the runway	Medium	Medium
Operating leverage	RLTC growing faster than opex drives GAAP margin expansion	High	High

7. Key Risks

Risk	Description	Probability	Severity
Consumer credit cycle	Rising unemployment lifts delinquencies and reserves; losses hit earnings directly	Medium	High
Valuation / multiple	~38-40x fwd earnings, 6.5x sales leaves little margin of safety if growth slows	Med-High	High
Competition / take rate	Klarna, PayPal, Apple, Block pressure pricing and marketing intensity	Medium	Medium
Interest rates / funding	Higher-for-longer rates raise cost of funds and squeeze spreads	Medium	Medium
Regulation	CFPB and global BNPL rules could add disclosure, ability-to-pay or capital burdens	Medium	Medium
Earnings volatility	Young GAAP profitability is sensitive to fair-value marks and reserve swings	Med-High	Medium
Dilution	Equity compensation and convertibles gradually expand share count	High	Low-Med

8. Valuation

Affirm defies a single clean valuation method. It is part high-growth payment network, part balance-sheet lender, and its GAAP earnings are still young and volatile — so a lone P/E is unreliable. The most robust read triangulates price-to-sales, market-cap-to-RLTC (the cleanest measure of Affirm's true margin dollars), forward P/E, and PEG, benchmarked against ~35% growth. On that basis the stock is fairly-to-fully valued: not expensive enough to short, but the multiple already prices in years of successful execution.

Method	Current read	Interpretation
Price / sales (fwd)	~6.5x on FY26E ~\$4.19B revenue	Full for a lender, reasonable for the growth
Mkt cap / RLTC	~13x on FY26E ~\$2.04B RLTC	Elevated; reflects margin-dollar scarcity value
Forward P/E	~38–40x FY26E earnings	Rich; PEG ~1.1 given ~35% growth
Price / book	~8x on ~\$3.4B equity	High vs. lenders; justified only by growth / ROE trajectory
52-week context	\$76 vs. \$42–\$100 range	~24% below the high; mid-to-upper part of range

Conclusion: fairly valued near \$76, with a base-case fair value around \$80. The valuation is defensible if growth and credit hold, but offers little cushion against a stumble — which is precisely why entry price matters.

9. Market Sentiment & Ownership

Sentiment is broadly constructive and has improved through mid-2026. The sell-side consensus is Buy, with roughly 22 buys against 8 holds and no sells among ~25 analysts, and a median price target in the low-\$80s (high estimates reaching \$100–\$106 after July target hikes at Goldman Sachs and Wells Fargo, and a fresh Overweight initiation at Barclays). Institutions own about 71% of shares, with insiders near 15% and a long-term sovereign-wealth holder among the largest owners — a stable base. The counterweight is recurring insider selling and the stock's history of high short interest and sharp volatility, a reminder that AFRM trades as a high-beta expression of consumer and rate sentiment. Net, positioning is supportive but leaves little room for disappointment.

10. Technical Picture

The primary trend is up: after basing near \$42 in the spring, AFRM rallied to a \$100 high before easing to ~\$76. Price sits below the 20-day average (~\$80) but comfortably above the 50-day (~\$73) and 100-day (~\$63), confirming an intact intermediate uptrend within a short-term pullback. Momentum has cooled — RSI is neutral near 47 and the MACD line, while positive, has crossed below its signal (a modest bearish near-term signal). Volatility is high (ATR ~5.4% of price). Indicators are computed from the daily price series and are used only for entry timing, not to override the fundamental view.

Indicator	Reading	Signal
Trend (20/50/100-day SMA)	\$80.3 / \$72.7 / \$62.7	Uptrend intact; short-term pullback
Price vs. 50-day SMA	+4.7%	Constructive
RSI (14)	46.9	Neutral
MACD (12,26,9)	+2.57, signal +3.55	Positive but rolling over (near-term caution)
ATR (14)	~\$4.13 (5.4% of price)	High volatility
Support / resistance	Support ~\$72, then ~\$66 / \$60; resistance ~\$80, then ~\$87 / \$100	Range guides entries

Indicators computed from ~100 daily bars (Feb–Jul 2026). The 200-day average sits well below current price given the 12-month uptrend.

11. Scorecard

Component	Score	Rating	Commentary
Business Quality	7/10		Strong network & brand; balance-sheet / cyclical exposure caps it
Financial Strength	6/10		Newly GAAP-profitable, ample funding, but capital-intensive lender
Competitive Advantage	6/10		Real moat in high-ticket lending; take rates face pressure
Management	8/10		Credible founder-led team; delivered the profitability pivot
Growth Potential	8/10		~35% GMV growth; Card, 0% APR, operating leverage
Valuation	5/10		Fair-to-full; ~38-40x fwd earnings, limited margin of safety
Risk (10 = low risk)	5/10		Elevated: credit cycle, rates, competition, multiple
Technical Setup	6/10		Uptrend intact; short-term momentum cooling

Overall Investment Score

Component	Score	Weight	Contribution
Business Quality	7/10	15%	10.5
Financial Strength	6/10	15%	9.0
Competitive Advantage	6/10	12%	7.2
Management	8/10	10%	8.0

Component	Score	Weight	Contribution
Growth Potential	8/10	18%	14.4
Valuation	5/10	15%	7.5
Risk	5/10	10%	5.0
Technical Setup	6/10	5%	3.0
Total Investment Score		100%	65 / 100

12. Recommendation & Trade Framework

Rating: WATCHLIST (accumulate on weakness). Affirm is a high-quality, well-managed franchise that has proven its model can scale profitably — a genuine Buy-quality business. The block to a Buy today is price: at ~\$76 the shares already discount continued 30%+ growth and clean credit, leaving thin margin of safety for a cycle-exposed lender. The disciplined path is to build a position on pullbacks or on evidence that credit and margins hold through a full consumer cycle, rather than chasing near a full multiple.

What would move the rating to Buy: (1) a pullback into the \$60–\$66 zone, restoring a ~20%+ discount to fair value; (2) a second or third consecutive quarter of stable-to-improving delinquencies alongside GAAP profit growth, de-risking the credit thesis; or (3) confirmation that 0% APR mix and Affirm Card can hold RLTC near or above 4% of GMV while opex leverage widens GAAP margins. Conversely, delinquencies breaking above ~4%, RLTC compressing below ~3.8% of GMV, or a growth deceleration toward the mid-teens would justify a move to Hold or Avoid.

Parameter	Level	Rationale
Ideal accumulation range	\$60 – \$66	Near 50 / 100-day support; ~20% discount to fair value
Opportunistic entry	≤ \$58	Deeper value in a broad risk-off; below spring breakout
Fair value (base)	~\$80	Triangulated P/S, P/E and RLTC multiple
Cut-loss (if bought)	\$54 (~ -10% from \$60)	Below the 100-day and prior consolidation
Take-profit 1	\$92	Retest of upper range / prior supply
Take-profit 2	\$105 – \$110	Bull-case fair value on sustained execution
Holding horizon	12 – 24 months	Time for the credit / margin thesis to play out
Position sizing	Small starter; scale in on weakness	High-beta; 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.

13. Scenario Analysis

Scenario	Prob.	Revenue / growth	Earnings	Fair value
Bull	30%	FY27 rev ~\$5.4B, growth stays 30%+	GAAP margins expand; EPS ~\$2.5–3.0	\$105 – \$120
Base	50%	FY27 rev ~\$5.0–5.2B, growth 25–30%	Steady GAAP profit growth; EPS ~\$2	\$78 – \$85
Bear	20%	Growth slows to teens on a weak consumer	Delinquencies rise; GAAP near breakeven / loss	\$40 – \$50

Probabilities sum to 100%. Probability-weighted fair value is approximately \$78–\$82, consistent with the base case near current levels.

14. Final Verdict

Would an investor put fresh money into Affirm at \$76 today? The honest answer is: not aggressively, and not yet at full size. This is the rare case where the business has clearly earned an upgrade — profitability is real, growth is exceptional, funding is deep, credit is contained, and management has delivered — but the price has largely caught up to the story. Buying here is a bet that 30%+ growth and benign credit persist for several more years, with almost no discount for the possibility that the consumer weakens or competition bites. For a lender whose earnings are levered to exactly those variables, that is a fair bet, not a great one.

The single biggest concern is the collision of a full multiple with cyclical credit exposure: if unemployment rises, delinquencies and reserves climb precisely as the market re-rates growth lower — a double hit the current price does not

protect against. What would change the view is straightforward: a better entry (the \$60–\$66 zone) or another one-to-two quarters proving credit and margins hold through a softer consumer. On either, Affirm becomes a Buy. Until then it belongs firmly on the watchlist — a best-in-class franchise worth owning at the right price rather than at any price.

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 personalized to any individual's circumstances. Figures are drawn from company filings and public sources believed reliable as of July 21, 2026; the current share price referenced is \$76.07 as of the July 17, 2026 close. 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.