

BNPL Industry Report

Buy Now, Pay Later (BNPL) Industry Report

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Executive Summary

BNPL has evolved from a niche checkout option to a \$100B+ U.S. market reshaping consumer credit. Affirm is the fastest-growing pure-play BNPL provider, riding exclusive partnerships with Amazon, Shopify, and Apple Pay to 30% YoY revenue growth. The regulatory environment just shifted dramatically in Affirm's favor — the CFPB rescinded its Biden-era rule that would have treated BNPL like credit cards. Meanwhile, Klarna's IPO (Sep 2025, ~\$14B valuation) validated the sector. Affirm trades at ~\$50/share (\$16-18B market cap) with a path to sustained profitability.

1. Market Size & Growth

Metric	Value	Source
U.S. BNPL market (2025)	\$107.4 billion	GlobeNewswire (Feb 2026)
U.S. BNPL projected (2031)	\$258.4 billion	GlobeNewswire (Feb 2026)
U.S. CAGR (2026-2031)	~15.1%	GlobeNewswire
Global BNPL transactions (2025)	~\$560 billion	Chargeflow
Global BNPL users	~900 million by 2027	Chargeflow
U.S. historical CAGR (2022-2025)	23.8%	GlobeNewswire

Key insight: The U.S. market is decelerating from hypergrowth (24% CAGR) to still-strong mature growth (15% CAGR). The land grab phase is ending — what matters now is unit economics, not just GMV.

Who Uses BNPL?

- **41% of 16-24 year olds** use BNPL (Morgan Stanley)
- UK adults 55-64 adoption jumped from 10% → 21% in one year — proving it's not just a Gen Z fad
- Repeat usage is the real driver: consumers who try BNPL once tend to keep using it

2. Competitive Landscape

The Big Four

COMPANY	REVENUE (CY2024)	ACTIVE USERS	GMV	MARKET CAP	KEY DIFFERENTIATOR
Affirm	~\$2.6B	21M+	~\$30B (FY H1)	~\$17B	Longest loan terms, highest-AOV, merchant integration
Klarna	~\$2.5B	90M+	~\$100B+	~\$14B (IPO)	Global scale, super-app, AI customer service
Afterpay (Block)	~\$2.5B	~25M	—	Part of Block (\$40B)	Ecosystem play (Cash App + Square)
PayPal Pay in 4	—	400M+ PayPal users	—	Part of PayPal (\$70B)	Installed base, brand trust

Revenue Growth (CY2024)

- **Affirm:** 46% ← fastest
- Afterpay: 25%
- Klarna: 24%

Source: Affirm investor relations (March 2025)

Affirm's Competitive Position

Affirm is the **#1 or #2 BNPL provider in the U.S.** (depending on metric used), and the **fastest-growing** of the major players. Globally, Klarna dominates by user count, but in the U.S., Affirm and Afterpay have higher market share.

New Entrants & Threats

- **Banks are entering:** Chase, Citi, U.S. Bank (Avvance) offering installment plans
- **Apple Pay Later discontinued (2024)** — Apple pivoted to enabling bank-issued BNPL through Apple Pay instead, which actually benefits Affirm (they're integrated into Apple Pay)
- **Embedded BNPL:** Banking-as-a-Platform (BaaS) trend in 2026 — BNPL becoming table-stakes feature in wallets and banking apps

3. Affirm Deep Dive

Latest Financials (FQ2 2026, ended Dec 31, 2025)

METRIC	FQ2 2026	YOY CHANGE
Revenue	\$1.12 billion	+30%
GMV	\$13.8 billion	+36%
EPS	\$0.37	Beat estimate of \$0.27
Active consumers	21M+	Growing
Active merchants	292,000+	Growing

Full-Year Guidance (FY2026, ending June 2026)

- **Revenue:** \$4.09B - \$4.15B (+25-26% YoY)
- **Adjusted Operating Margin:** 27.4% - 28.1%
- **Weighted avg shares outstanding:** 351M

Affirm Card (Physical Debit Card)

- **GMV up 159% YoY** — fastest-growing product line
- Positions Affirm for in-store/offline BNPL (not just e-commerce)
- Bridges gap between BNPL and traditional debit/credit cards

Strategic Partnerships — The Moat

PARTNER	RELATIONSHIP	WHY IT MATTERS
Amazon	Exclusive BNPL at checkout	41% of U.S. e-commerce. Massive distribution.
Shopify	Powers Shop Pay Installments (exclusive)	10%+ of U.S. SMB commerce, expanding globally (UK launched Dec 2025)
Apple Pay	Integrated BNPL provider	Apple killed its own Pay Later → partnered with Affirm instead. Validation.
Walmart	Checkout integration	Largest U.S. retailer
Target	Checkout integration	Top-10 U.S. retailer

Nearly 90% of top U.S. e-commerce brands use Affirm as their BNPL provider.

Revenue Model

Affirm makes money three ways: 1. **Merchant fees** (3-8% of transaction) — merchants pay because BNPL increases AOV and conversion 2. **Consumer interest** (on longer-term loans, 0-36% APR) — Affirm is unique in offering 6-60 month terms 3. **Network revenue** (Affirm Card transactions, interchange)

Key differentiator: Affirm **never charges late fees**. This is central to the brand identity and regulatory positioning. Revenue comes from transparent interest rates, not hidden penalties.

Stock Profile

- **Ticker:** AFRM (NASDAQ)
- **Price:** ~\$50 (as of Feb 15, 2026)
- **Market Cap:** ~\$16-18B
- **52-week range:** ~\$25 - \$82
- **Analyst targets:** Mizuho recently cut to \$95 from \$114 (still ~90% upside from current price)
- **P/E:** ~61x (recently turned GAAP profitable)

4. Regulatory Landscape — Major Tailwind for Affirm

The CFPB Reversal (2025) — This Is Big

Timeline: 1. **May 2024:** Biden-era CFPB issued interpretive rule classifying BNPL providers as "card issuers" under Regulation Z (Truth in Lending Act) - Would have required: billing statements, dispute rights, unauthorized use protections, advertising disclosures - This was an existential compliance burden for BNPL providers 2. **March 2025:** Trump-era CFPB signaled it would rescind the rule 3. **June 2025:** CFPB confirmed it **will not issue any revised BNPL rule** 4. **Current state:** BNPL operates in a **lighter regulatory environment** than credit cards

What this means for Affirm: - No mandatory Reg Z compliance overhead - Competitive advantage vs. credit cards (which bear full regulatory burden) - More freedom to innovate on product design - Reduced compliance costs

State-Level Activity

- States may still pursue their own BNPL regulations
- California, New York, and others have explored disclosure requirements
- Affirm proactively provides disclosures — positions them well regardless

Credit Reporting

- BNPL loans are still not consistently reported to credit bureaus
 - This is both a risk (hidden debt) and an advantage (no credit score impact for consumers)
 - Industry moving toward voluntary reporting — Affirm has been a leader here
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5. Risk Factors & Challenges

Credit Risk

- **BNPL delinquency rate:** ~2% (vs. credit cards at ~8.8%) — per Richmond Fed, FTA data
- **Default rate:** below 3% (vs. credit cards ~10%) — per CFPB data (2019-2022)
- **BUT:** 41% of BNPL users report making at least one late payment
- **Rising concern:** 24% increase in BNPL delinquency rates as market grows — still low in absolute terms but trending up
- Affirm's 30+ day delinquency rates are **lower than major credit card issuers**

Macro Sensitivity

- BNPL usage increases during economic stress (consumers need flexibility)
- But credit quality deteriorates during downturns
- Affirm's underwriting model (proprietary ML) is untested through a severe recession

Competitive Threats

1. **Bank BNPL:** Chase, Citi embedding installment plans into existing cards — zero customer acquisition cost
2. **Apple's pivot:** While Apple Pay Later failed, Apple enabling bank-issued BNPL creates new competitive dynamics
3. **Klarna's IPO war chest:** ~\$1.3B raised, will invest in U.S. market share
4. **Margin pressure:** As BNPL becomes table-stakes, merchant fees could compress

Profitability Questions

- Affirm only recently turned profitable (GAAP EPS positive)
- Path to sustained profitability depends on:
 - Scaling Affirm Card (higher-margin, more frequent transactions)
 - International expansion via Shopify
 - Maintaining merchant fee rates as competition increases

6. Industry Trends to Watch (2026-2028)

1. Embedded BNPL Everywhere

BNPL is becoming a feature, not a product. Banks, wallets, and platforms all offering it. Winners will be those with the best underwriting and merchant relationships — Affirm's advantage.

2. Offline/In-Store Expansion

The Affirm Card is the key play here. Online BNPL is mature; in-store is still underpenetrated. The card bridges both worlds.

3. International Expansion

Affirm is going global via Shopify — UK launched Dec 2025. Global expansion could be a major growth driver but also brings currency risk and local regulatory complexity.

4. AI-Driven Underwriting

All BNPL providers are investing in ML/AI for credit decisioning. Affirm's proprietary models are a moat — they process vast transaction data to approve/decline in milliseconds.

5. Super-App Ambitions

Klarna is building a shopping super-app (price comparison, wishlists, AI assistant). Affirm is more focused on being the payments infrastructure layer. Different strategies, both viable.

6. B2B BNPL

Nascent but growing — installment payments for business purchases. Could be Affirm's next frontier.

7. Affirm-Specific Interview Talking Points

Why Affirm Wins

1. **Distribution moat:** Amazon + Shopify + Apple Pay = access to 60%+ of U.S. e-commerce
2. **No late fees philosophy:** Regulatory positioning + brand trust + ethical differentiation
3. **Longest loan terms in industry:** 6-60 months (Klarna/Afterpay mostly 4 installments)
4. **Revenue diversification:** Merchant fees + interest + network revenue (Affirm Card)
5. **Fastest revenue growth among BNPL peers** (46% CY2024 vs. 24-25% for peers)

What to Probe in Interviews

- How does Affirm's underwriting model handle a recession? (Untested at scale)
- What's the Affirm Card penetration target? (This is the key to in-store BNPL)
- How does Affirm maintain merchant fee rates as banks enter BNPL? (Pricing power question)
- International roadmap beyond UK/Shopify?
- Path to consistent GAAP profitability — what margin structure at maturity?

Industry Knowledge That Impresses

- "Apple killed Pay Later and partnered with Affirm instead — that's the strongest competitive validation possible"
 - "BNPL delinquency is 2% vs. credit card 8.8% — the risk narrative is overblown relative to data"
 - "The CFPB rescission means BNPL has structural regulatory advantages over credit cards for the foreseeable future"
 - "Affirm Card GMV up 159% — the offline opportunity is just starting"
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8. Key Metrics Cheat Sheet

Metric	Number	Context
U.S. BNPL market	\$107B (2025)	Growing 15% CAGR to \$258B by 2031
Affirm revenue	\$1.12B/quarter	30% YoY growth
Affirm GMV	\$13.8B/quarter	36% YoY growth
Affirm merchants	292,000+	Nearly 90% of top e-commerce brands
Affirm consumers	21M+	Growing
Affirm Card GMV growth	+159% YoY	Fastest product line
BNPL delinquency	~2%	vs. 8.8% for credit cards
BNPL default rate	<3%	vs. ~10% for credit cards
Klarna IPO valuation	~\$14B	Sep 2025
Affirm market cap	~\$17B	Feb 2026
Affirm FY2026 revenue guide	\$4.09B-\$4.15B	+25-26% YoY
Affirm adj. operating margin guide	27-28%	Approaching sustained profitability

Sources

- Affirm Q2 FY2026 Earnings Supplement (Feb 5, 2026)
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- GlobeNewswire: U.S. BNPL Business Report 2026 (Feb 3, 2026)
- CFPB: Consumer Use of BNPL Report (Jan 2025) & BNPL Market Report (Dec 2025)
- Richmond Federal Reserve: BNPL Market Impact (Apr 2025)
- Morgan Stanley: BNPL Growth Raises Concerns (2025)
- Morningstar: Klarna IPO Valuation Analysis (Sep 2025)
- CFPB Interpretive Rule Withdrawal (Mar-Jun 2025)
- Fortune Business Insights, Precedence Research, Mordor Intelligence market reports
- Chargeflow BNPL Statistics (2025)

This report is for interview preparation purposes only. Not investment advice. Data sourced from public filings, government reports, and reputable industry analyses.