



SoFi Technologies, Inc.

Time to Cash Out on SoFi

SoFi's rebound earlier this year was great, but now it is time to think about the future. With revenue mainly reliant on personal loans and high charge-off rates, SoFi relies heavily on good consumer credit. Their high hopes of new segment outreach and a teetering economy pose a lot of risk to the company. **We initiate \$SOFI with a SELL rating and a one-year price target of \$24.**

Thesis Point 1 SoFi's main revenue driver is its lending segment, which accounts for approximately 60-70% of total revenue in FY2023 and 2024. This business model is reliant on favorable credit and interest rates, and although growth has occurred in 2025, the risks are too apparent to ignore. SoFi does securitize its loans, but it retains residual interests and repurchase exposure, meaning they do not fully eliminate credit or interest risk. SoFi has a high charge-off rate for personal loans, around 3-4%. This is double compared to traditional banks and shows a large dependence on good consumer credit. In an economic downturn, personal loan defaults could rise quickly, affecting performance. Furthermore, management estimates that a 100-basis-point increase in interest rates could result in a \$103 million loss, showing the high sensitivity to economic conditions.

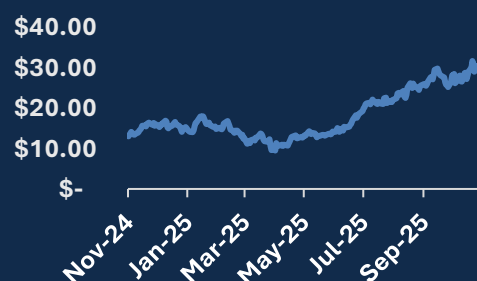
Thesis Point 2 SoFi has high hopes for outreach and diversifying its platform uses; however, it may be somewhat of an overstep. With loan and financial services being the main source of revenue, and a 9% operating margin, there is some concern about profitability, along with the mix of new financial services. SoFi is expanding to crypto, options trading, and private markets, which could pose other risks due to those being volatile sectors. These new areas could cause regulatory and operational issues, with SoFi's 10-K explicitly stating they may exit their crypto activities if federal oversight changes. Some examples are crypto tokens changing to be deemed securities, meaning SoFi could be accused of selling unregistered securities. There are also many specific rules with each regulator (SEC, CFTC, SE, FINRA). This diversification seems somewhat premature, since profitability is still somewhat low, along with the mix of macroeconomic risks.

Company Overview SoFi Technologies is a financial services company based in San Francisco, with multiple services being provided throughout the United States, Latin America, Canada, and Hong Kong. They have three segments: lending, technology platform, and financial services. SoFi was founded in 2011 at Stanford University by Mike Cagney, Dan Macklin, James Finnigan, and Ian Brady. SoFi's business model is centered around interest from loans, non-interest fees, technology platform fees, and cross-sell strategies to incorporate other financial service segments. SoFi has had some large partnerships, most notably SoFi Stadium with the Los Angeles Rams and Los Angeles Chargers from the NFL, as well as other sports and investment groups. SoFi mainly targets young individuals in school and promotes investment, loans, and other banking services.

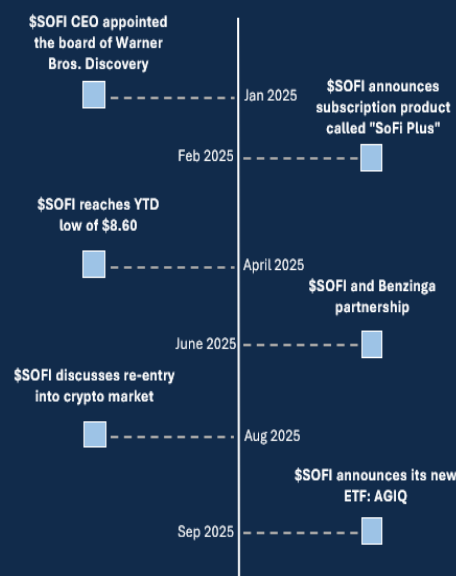


TICKER:	\$SOFI
RATING:	SELL
PRICE:	\$30.90
PRICE TARGET:	\$24.00
MARKET CAP:	\$34bn
52-W RANGE:	\$8.60 - \$32.56
P/E:	58.6x
IMPLIED DOWNSIDE:	-21%

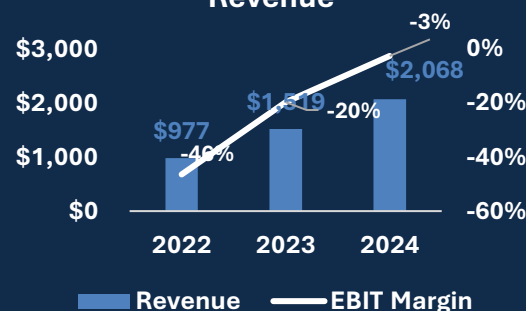
1 Year Price History



Recent Events Timeline



EBIT Margin with Annual Revenue



Risk 1 SoFi’s expansion to new investment tools could potentially lead to more growth. With Q2 2020-member growth being 34% YoY, retail investors would be more attracted to the ability to trade crypto, options, and private markets. If profitability starts to be consistent with good reactions to these new investment tools, the stock may rise significantly.

Risk 2 Country expansion is a key goal that SoFi has shown importance to, with financial services being provided in the US, Canada, parts of Latin America, and in China. Along with this, SoFi’s tech platform Cyberbank Konecta has recently been adopted by a large Argentinian financial institution, Banco Nacion. Successful expansion to other regions could make SoFi more attractive to investors all over the world.

Catalysts There are many catalysts related to SoFi that could result in a downward trend for the company. The economy is still up in the air with mixed reports, so future interest rate changes and high personal loan defaults could cause SoFi to lose revenue and have poor performance. Additionally, if restrictions get tighter regarding options and crypto trading, it may be difficult to compete with other companies that are already present in those markets. These regulations may cause legal problems and create more investor selling.

Valuation

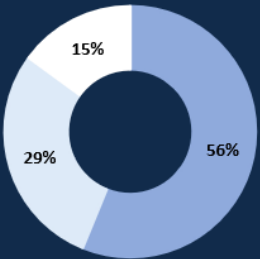
DCF Analysis (\$mm)							
	FY2024 12/31/2024	FY2025 12/31/2025	FY2026 12/31/2026	FY2027 12/31/2027	FY2028 12/30/2028	FY2029 12/30/2029	FY2030 12/31/2030
Revenue	2,643	3,535	4,602	6,005	7,842	10,228	13,296
Revenue Growth	28%	34%	30%	30%	31%	30%	30%
Lending	1,485	1,700	2,006	2,347	2,723	3,131	3,569
Financial Services	763	1,400	2,100	3,098	4,491	6,400	8,960
Technology Platform	395	435	496	560	628	697	766
EBIT	234	325	552	751	1,019	1,381	1,861
EBIT Margin	9%	9%	12%	13%	13%	14%	14%
Tax Expense	22	32	144	195	265	359	484
Effective Tax Rate	9%	10%	26%	26%	26%	26%	26%
NOPAT	212.36	293.00	408.65	555.45	754.36	1,021.76	1,377.45
D&A	194	220	368	473	608	780	997
Capex	154	150	276	345	431	537	665
Changes in NWC	(1,699)	(1,200)	(1,381)	(1,801)	(2,352)	(3,068)	(3,989)
UFCF	1,951	1,563	1,881	2,485	3,283	4,333	5,699
PV of FCF		1,550	1,750	2,067	2,442	2,881	3,388

Our base case DCF projection assumes a 10.0x EV/EBITDA exit multiple and CAGR of 38% through FY2030. The 10.0x multiple is slightly conservative compared to bigger fintech companies but slightly aggressive for smaller fintech companies. These projections show a slow flattening of revenue growth, matching our expectations.

Conclusion

SoFi’s financial situation is nowhere near where it needs to be, and with plans to step into new segments, risk is more apparent than ever. New segment outreach seems premature for the company, and new restrictions could cause even more profitability issues that SoFi cannot cover. Finally, economic concerns that directly correlate to SoFi’s business model pose large potential losses. **We initiate \$SOFI with a SELL rating and a one-year price target of \$24.**

Revenue Segments



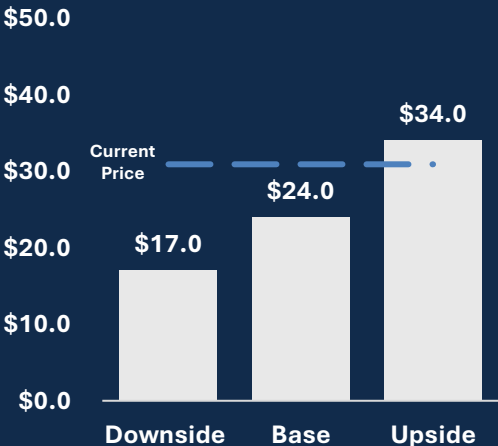
Lending Financial Services Technology Platform

Terminal Value	
Perpetuity Growth Method	
2034 FCF	\$4,147
Growth	1.00%
Terminal Value	\$37,949
PV of Terminal Value	\$22,420
PV of Projection Period	\$11,686
PV of Terminal Value	\$22,420
Implied TEV	\$34,106
(-) Debt	\$4,094
(+) Cash	\$2,123
Implied Equity Value	\$32,135
Basic Shares Outstanding	1187
Implied Share Price	\$27.08
Upside/Downside	-12.37%

Football Field Valuation Range



Risk vs. Reward - DCF Cases



Income Statement (\$mm)	2024A	2025E	2026E	2027E	2028E	CAGR%
Revenue	2,643	3,535	4,602	6,005	7,842	31.2%
EBITDA	428	545	920	1,223	1,627	39.7%
EBIT	234	325	552	751	1,019	44.5%
NOPAT	212	293	409	555	754	37.3%

Margin & Growth Data	2024A	2025E	2026E	2027E	2028E	AVG%
EBITDA Margin	16.2%	15.4%	20.0%	20.4%	20.8%	18.5%
EBIT Margin	8.9%	9.2%	12.0%	12.5%	13.0%	11.1%
Revenue Growth	27.8%	33.7%	30.2%	30.5%	30.6%	30.6%
EBIT Growth	-534.9%	38.9%	69.9%	35.9%	35.8%	-70.9%

Valuation Metrics	2024A	2025E	2026E	2027E	2028E	AVG%
P/CF	18.8x	23.5x	19.5x	14.8x	11.2x	17.5x
EV/Sales	14.6x	10.9x	8.4x	6.4x	4.9x	9.1x
EV/EBITDA	90.3x	70.9x	42.0x	31.6x	23.8x	51.7x
FCF Yield	5.3%	4.3%	5.1%	6.8%	9.0%	6.1%

Ticker	Mkt Cap	EV	P/E LTM	Revenue LTM	EBITDA LTM
LendingClub Corporation (NYSE:LC)	\$2,078	\$1,250	20.5x	\$1,296	\$288
Upstart Holdings, Inc. (NasdaqGS:UPST)	\$4,878	\$6,015	-724.4x	\$885	\$6
Qfin Holdings, Inc. (NasdaqGS:QFIN)	\$2,834	\$2,374	3.0x	\$2,643	\$1,310
Affirm Holdings, Inc. (NasdaqGS:AFRM)	\$24,723	\$31,183	506.1x	\$3,224	\$185
SOFI	\$37,923	\$30,911	58.6x	\$3,291	\$524

Ticker	LTM EV/EBITDA	Gross Margin	EBITDA Margin	EBIT Margin	1 Yr Rev Growth Rate	LF
LendingClub Corporation (NYSE:LC)	4.3x	37.4%	22.2%	17.1%		17.0%
Upstart Holdings, Inc. (NasdaqGS:UPST)	1093.7x	81.2%	0.6%	(1.9%)		53.6%
Qfin Holdings, Inc. (NasdaqGS:QFIN)	1.8x	66.0%	49.6%	49.2%		9.8%
Affirm Holdings, Inc. (NasdaqGS:AFRM)	168.6x	46.0%	5.7%	(2.7%)		38.8%
SOFI	59.0x	82.5%	15.9%	8.9%		30.6%

High	1093.65x	82.5%	49.6%	49.2%	53.6%
75th Percentile	168.56x	81.2%	22.2%	17.1%	38.8%
Average	265.47x	62.6%	18.8%	14.1%	30.0%
Median	58.98x	66.0%	0.0%	8.9%	30.6%
25th Percentile	4.35x	46.0%	5.7%	-1.9%	17.0%
Low	1.81x	37.4%	0.6%	-2.7%	9.8%

SOFI	
Implied Enterprise Value (25th Percentile)	\$ 2,279
Implied Enterprise Value (Median)	\$ 30,911
Implied Enterprise Value (75th Percentile)	\$ 88,341
Implied Share Price (25th Percentile)	\$ 0.26
Implied Share Price (Median)	\$ 24.38
Implied Share Price (75th Percentile)	\$ 72.77

Weighted Average Cost of Capital (\$mm)	
Market Risk Premium	4.33%
Beta	1.95
Risk Free Rate	4.39%
Cost of Equity	11.56%
Weighted Average Cost of Debt	5.00%
Tax Rate	26.00%
Cost of Debt	0.37%
Total Equity	\$36,673
Total Debt	\$1,971
Equity/Total Capitalization	89.96%
Debt/Total Capitalization	10.04%
WACC	11.93%

Downside Case: Our downside case assumes margin contraction and low profitability. Economic pressures such as high interest rates cause low earnings. At a multiple of 9.0x, our downside case presents 42% downside with a PT of \$17.

Upside Case: Our upside case assumes company financial improvements, financial service growth in other countries, and favorable economic conditions such as low interest rates. At a multiple of 11.0x, our upside case presents 16% upside with a PT of \$34.

Disclosures and Ratings: Bluegrass Capital Research does not hold any professional relationships with the securities mentioned in this report. Our ratings are defined as follows: **Buy** (expected to outperform the market), **Hold** (expected to perform in line with the market), and **Sell** (expected to underperform the market), typically over a 12-month horizon. This report is for educational and informational purposes only and should not be considered as financial advice.