

SoFi Technologies

Antonino Di Blasi, Gordon Lee, John Hwang, Haley Nguyen
FIN 372 - Financial Technologies





- Online Personal Finance Company and Online Bank
- Founded in 2011 by Mike Cagney, Dan Macklin, James Finnigan, and Ian Brad
- Listed on the Nasdaq under the ticker symbol SOFI on June 1, 2021
- Expanded in Hong Kong in 2020 and Latin America in 2021
- Stock Price as at January 24, 2024: \$7.56
- SoFi stands for “Social Finance”
- Management Team consist of finance expertises and passion entrepreneurs



Services Provided

- Provide financial products satisfying different needs
- Borrow money at a lower cost comparing to banks
- Offer easy-to-use trading platforms including active trading and automotive trading

Check out what SoFi has to offer:

| | | | | |
|--|---|--|--|--|
| Personal Loans Pay off high-rate debt View more | Banking Get up to \$300 with direct deposit* Start now | Credit Score & Insights Track your score and earn rewards View more | Mortgage Loans Buy or refinance your dream home View more | Student Loan Refinancing See rates and flexible terms View more |
| Invest Explore all-in-one investing Start now | Private Student Loans Finance your education View more | Credit Card Earn 2% cash back rewards View more | Insurance Explore coverage and quotes View more | Travel Access member savings on travel Book now |



Pros and Cons

- No physical branches available, reducing labour costs
 - Utilizes technology such as Generative AI and blockchain to enhance user experience
 - Large growth in recent years due to strategic partnerships and global expansion
 - A+ rating given by Better Business Bureau (BBB)
-
- Due to licensing, they only offer stock-trading platform in Hong Kong
 - Concerns raised about data security and regulations
 - How to maximize profit with increasing number of customers while trying to keep the cost as low as possible is a crucial question for management when considering expansion



What to expect in the future?

- · Maintain its position as an innovator within the financial services industry
- · Expand the international market to locations in Asia and Europe
- · Continue improving user experiences using latest cutting-edge technologies
- · Maintain information transparency while enhancing cybersecurity
- · Likely to continue seeing significant growth as SoFi addresses these concerns



DCF Model

We first understood how the market will evolve in the coming years.

Assumptions:

Revenue Growth Rate: 25% YoY 24-28; 15% YoY 28-32

Operating Expenses Growth Rate: 20% YoY 24-28; 10% YoY 28-32

Tax rate: 21%

CAPEX: 50% of the EBITDA

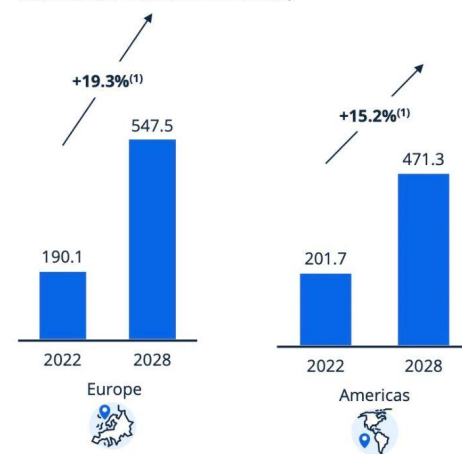
No change to NWC

WACC: 7.86%

Constant debt-equity ratio (simplifying measure)

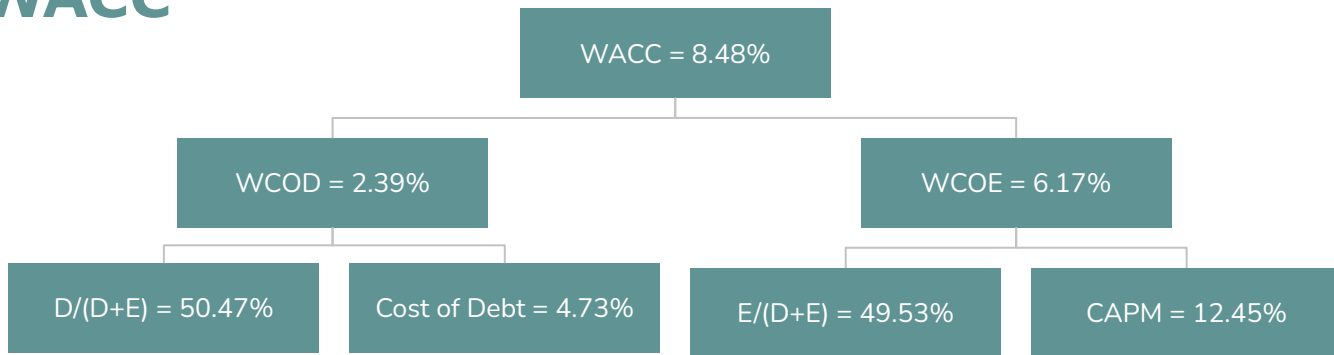
Market (Adjusted) Beta: 1.66

Net Interest Income in billion US\$





WACC



CAPM = 12.30%

MRP = 5%

RF = 4%

Adj Beta = 1.66

```
import yfinance as yf
import numpy as np
from sklearn.linear_model import LinearRegression
# symbols = [stock, market]
symbols = ['SOFI', 'SPY']
# Create a dataframe of historical stock prices
# Enter dates as yyyy-mm-dd or yyyy-m-dd
# The date entered represents the first historical date prices will
# be returned
# Highly encouraged to leave 'Adj Close' as is
data = yf.download(symbols, '2019-2-22')[['Adj Close']]
price_change = data.pct_change()
df = price_change.dropna()
# Create arrays for x and y variables in the regression model
x = np.array(df['SPY']).reshape((-1,1))
y = np.array(df['SOFI'])
model = LinearRegression().fit(x, y)
# Prints the beta to the screen
print('Beta: ', model.coef_)
print('Adjusted Beta: ', model.coef_*(2/3) + (1/3))
```



DCF Analysis

| <i>In Millions \$</i> | 2024 | CAGR | 2028 | CAGR | 2033 | TV |
|-----------------------|-------|------|-------|------|--------|--------|
| Sales | 1,955 | 25% | 5,900 | 15% | 10,857 | / |
| Expenses | 1,450 | 20% | 3,608 | 10% | 5,811 | / |
| EBIT | 505 | / | 2,291 | / | 5,046 | / |
| FCF | 259 | / | 732 | / | 1,549 | 24,383 |
| Present Value | 239 | / | 487 | / | 686 | 10,805 |



DCF Results

- Enterprise Value: *15.858 Millions of \$*
- Equity Value: *4.612 Millions of \$*
- # common shares outstanding: 933,896

The result is an implied stock value of **\$4.75-\$5**

As of January 24th, 2024, the stock is trading at approximately **50% above** its fair value



Thank You!

