

Introduction

Trading different securities in the market or rather investing in the stock markets has become a sought-after way to make your money work for you and generate returns in a long-time frame which are often higher than interest rates provided by banks on Savings and High Saving Interest accounts.

However, following the same norm and investing in ETFs such as index funds that track the markets is not what every investor abides by, cause as an investor we often look out for ways to earn a higher return than what the market generates. If this is done, it indicates that our security selection is better than the market and boosts that the individual investor has generated higher returns. Who wouldn't want to generate such high returns but in order to generate such high returns we often have to try researching for mispriced stocks and identifying such mispriced stocks before the market realizes the same is very tricky.

However, I have come across one stock based on my analysis that I feel is mispriced and would want to highlight the same in this essay. While determining a mispriced security, I decided to look at the stocks comprised in the Nasdaq and S&P500 Indexes. Mainly, not the blue-chip stocks as information regarding these companies is relayed pretty quickly.

Hence, my ideology was to track mid-size companies that are a part of these indexes and came across a stock that in my opinion could be the right pick.

Stock: **Stifel Financial Corp**; Ticker: SF

Company Background:

Stifel is a full-service brokerage and investment banking firm. The Company provides securities brokerage, investment banking, trading, investment advisory and various other financial services. It is a diversified global wealth management and investment banking company focused on building relationships that help individuals, families, and organizations pursue their financial goals.

It is a financial services holding company headquartered in St. Louis, Missouri, that conducts its banking, securities, and financial services business through several wholly owned subsidiaries.

Their motto: "**We safeguard your money as if it were our own**"

Current News:

Stifel Financial said this week that it has concluded the acquisition of the employee-advisor channel of troubled financial-services firm B. Riley Financial. St. Louis-based Stifel

says it has brought on 36 advisors managing about \$4 billion in client assets through the deal. “We are very excited to welcome our new colleagues from B. Riley,” says Stifel Chairman and CEO Ronald Kruszewski. (3 days ago)

Stifel Financial Corp has also reported it’s selected operating results for February 28, 2025 where the Chairman announced that “Total client assets under management increased 11% in February to \$506 billion and fee-based client assets rose 14% to \$196 billion from the same period a year ago.” (6 weeks ago)

These are the recent developments that have taken place for the company and post the announcement of Acquisition of financial-services firm B. Riley Financial the stock price had a sudden increase of what 10-12%. However, today it had a drop in share price of 7%.

While you might think people and investors involved have already capitalized on the news and have gained profits and exited the option, I had a thought to investigate their financials and returns on stock prices for the duration of Jan 2021 – April 2025. The results might change your opinion of the company and how it is valued.

Company Financials:

After looking at the stock data for the duration of Jan 2021 – April 2025 it has generated a CAGR of 19% having returns:

Year	Apr-25	2024	2023	2022	2021
CAGR	-0.240961588	0.563714369	0.21239332	-0.155658175	0.450990406

This indicates that while for the current year the stock is down by over 24%, I feel the price has corrected similar to various stocks and has the potential to increase based on the rate of return it has generated over the past few years.

Financials:

To estimate the intrinsic value of the stock, we used a Discounted Cash Flow (DCF) approach. First, we calculated the **present value of forecasted free cash flows** from 2021 to 2024, which totaled approximately **\$2.23 million**. Then, a **terminal value of \$5.69 million** was estimated using a perpetuity growth model to account for all future cash flows beyond 2024. The terminal value was discounted back to present value along with the annual cash flows, resulting in a total **present value of all future cash flows (Enterprise Value)** of **\$7.92 million**. We then added **Net Working Capital of \$2.68 million**, which was

sufficient to **offset the company's debt of \$1.54 million**, resulting in an increase in capital available of **\$1.13 million**.

From this, the **Equity Value** was determined by adding the net capital available to the PV of cash flows, giving us a total of **\$8.37 million**. We subtracted **preferred equity of \$685,000**, as it is not attributable to common shareholders. The resulting equity value was divided by the number of **outstanding common shares**, which is the difference between **ordinary shares (102,171.37)** and **treasury shares (9,491.20)**, giving **92,680.17 shares**. Finally, dividing the equity value by the number of shares yielded an estimated **intrinsic stock price of approximately \$90.30**. This calculation provides an estimate of the fair value of the company's stock based on its future cash-generating potential and current financial structure.

Mispricing of Stock:

Sensitivity Analysis						
Discount rate		0.09	0.1	0.11	0.12	0.13
Growth rate	0.025	100.123329	90.30016703	82.71203074	76.65615789	71.69736164
	0.03	106.4055819	95.00979832	86.3811987	79.60061637	79.60061637
	0.035	113.8300626	100.4439883	90.53958906	82.89148172	82.89148172
	0.04	122.7394395	106.7838765	95.29203518	86.59370525	86.59370525
	0.045	133.6286779	114.2764718	100.7756269	90.78955858	90.78955858
	0.05	147.2402259	123.2675861	107.1731505	95.58481953	95.58481953

As you can see based on this sensitivity analysis, of the stock that are only 10 instances of a lower stock price than the estimated stock price and 19 instances of having a higher stock price than the estimated stock price. This indicates that currently the stock has the potential to increase in the near future.

Triggers:

Currently, the stock price: \$80.14 and based on the financials, the expected stock price lies at \$90.3 which is already a mispricing of \$10.16 and based on the sensitivity analysis even for higher discount rates of 11% all the instances are above the current stock price of \$80.14. This indicates that the stock is a good buy and holding it for a longer duration of 6-12 months can result in an increase of at least \$10.16 to realize the mispricing which is an increase of 12.68% which is a higher expected return as compared to the market.

In my opinion, their recent news about the selected operating results posted at the end of February 2025 having been positive and even recent acquisition would lead to better operations and more potential growth within the company.

As well as the other factors, such as tariff wars and increasing prices of consumer goods and retail stores, have made people aware about the fact that how important it is to be invested into the markets and especially established banks and financial firms are a sweet spot as they are not that heavily affected by current market trends.

Conclusion:

In my opinion, they have a good income statement and balance sheet indicating positive growth and less downturn as compared to their competitors and companies in a similar space. In my opinion, I feel this is a good buy as the market hasn't realized the mispricing yet and as the potential to increase to a higher dollar value than the expected \$90.3 as indicated by the sensitivity analysis from the current market value of \$80.14