



EQUITY RESEARCH NOTE

SoFi Technologies, Inc.

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Investment Thesis: We rate SoFi stock a **Buy** with a 12-month price target of **\$24.00**, implying roughly a 50% upside from current levels. SoFi's latest quarter demonstrated accelerating growth and profitability driven by its "everything app" model. The company is rapidly scaling both its lending and banking platform, achieving record originations (Q1 Lending originations \$12.2B) and double-digit revenue growth (Q1 net revenue \$1.10B, +43% YoY (www.sec.gov)). Strong cross-sell and member engagement (14.7M members, +35% YoY (www.sec.gov)) underpin durable growth, while recent strategic moves (stablecoin integration, fintech acquisitions) expand its franchise. In our view, the stock's current valuation ($\approx 36\times$ TTM EPS, P/S $\approx 5-6$) still discounts these growth drivers. We believe the company can sustain healthy net interest margins ($\sim 6\%$ in Q1 (finance.yahoo.com)) and leverage its diversified business to deliver continued upside. The key risks are a potential hit to earnings from an unfavorable shift in rates or loan performance, but those seem manageable given SoFi's strong capital position (total capital ratio $\sim 21\%$ (finance.yahoo.com)) and profitable track record to date.

Key Actionable Takeaways (Q1 FY2026):

- **Record Growth & Profitability:** Net revenue was \$1.100 B in Q1'26 (+43% YoY) with GAAP net income \$167.0 M (up from \$71.1 M (www.sec.gov)). Adjusted EBITDA was \$340 M, up 62%, reflecting high operational leverage.
- **Loan Originations:** Q1 saw a record \$12.2 B in new loan originations (+16% QoQ), with \$9.2 B on SoFi's balance sheet and \$3.0 B via the Loan Platform Business (finance.yahoo.com). This strong pipeline drove the Lending segment's adjusted net revenue to \$629 M (+53% YoY).
- **Member/Product Expansion:** SoFi added 1.1 M members in Q1 (bringing total to 14.7 M, +35% YoY) and 1.8 M new products (22.2 M total, +39% YoY) (www.sec.gov). Cross-sell is accelerating – 43% of new products came from existing members – supporting higher lifetime value.
- **Robust Margins & Capital:** Deposits grew to \$40.2 B by quarter-end (up \$2.7 B QoQ), funding its loans at low cost. Net interest margin was $\sim 5.94\%$ in Q1 (up 22bps sequentially) (finance.yahoo.com). The bank is very well-capitalized (total capital ratio $\sim 21\%$ (finance.yahoo.com)), and tangible book value per share hit \$7.21 (up 57% YoY (finance.yahoo.com)).

Valuation Snapshot: As of mid-May 2026, SOFI trades around **\$16.00**. Our blended 12-month target is **\$24.00**, suggesting $\sim 50\%$ upside. This implies a forward multiple of roughly 40–45 $\times$ estimated 2026 EPS (reflecting high growth), which we view as justified by SoFi's growth profile and return on invested equity. Total return over 12 months (price appreciation plus any expected capital efficiencies) is $\sim 50\%$ (all equity, no dividend yield).

Company Deep Dive & Business Model

Business Segmentation: SoFi operates three primary divisions. *Lending* ($\approx 50\%$ of revenue) includes personal, student, and home loans; it earns net interest income and upfront origination fees. *Financial Services* ($\approx 40\%$ of revenue) includes deposit products (SoFi Money checking/savings), credit cards, brokerage (SoFi Invest), and insurance – earning mostly fee and interest income. *Technology Platform* ($\approx 10\%$ of revenue) comprises Galileo (payments infrastructure) and Technisys/Peach (core banking SaaS). Galileo powers payment processing and card services for fintech partners; Technisys provides cloud banking software; the recent Peach Finance acquisition (May 2026) adds loan servicing capabilities (www.pymnts.com). Customer concentration is modest in Lending/FS (millions of retail members), but notable in Platform – a handful of large clients (one major Galileo client recently exited (www.sec.gov)).

Competitive Moat: SoFi's potential moat rests on scale, cross-selling, and integrated offerings. Its 14.7M members and 22.2M products create network effects (higher product-per-member has grown to 1.5x). The brand's consumer trust (JD Power #1 for DIY investing, Forbes #1 U.S. Bank) and "everything app" convenience give pricing/market traction. SoFi's fintech platform also gains from built-in scale – Galileo boasts over 133M enabled accounts (www.sec.gov), making it a top card-issuing processor. However, barriers to entry are moderate: digital banking and lending see fierce competition (banks and BigTech), and tech platforms face alternative providers

(Stripe, PayPal, etc.). SoFi's scale advantage must be maintained by continuous product expansion. Fee economics on the Loan Platform Business and Galileo help diversify away from interest-only income. SoFi has not carved out a secured liability arbitrage (e.g. cheap deposits vs. higher loan yield) or exclusive patents, so its moat hinges on sustained growth scale.

Management & Governance: CEO Anthony Noto (ex-Twitter COO, ex-Citigroup) has led since 2018, building out SoFi's product portfolio. He and CFO Chris Lapointe have repeatedly outperformed guidance: Q1 revenue and EPS both beat consensus, and guidance (30% growth for 2026) seems attainable given the strong start (finance.yahoo.com). Management's capital allocation has prioritized growth: they raised ~\$4B equity in 2025 (leading TBV to jump 57% YoY (finance.yahoo.com)) and are plowing earnings into expansion (e.g. new product launches, acquisitions). Insider ownership is low (~3%), and institutional ownership about 47% (www.tickergate.com), implying limited insider skin and reliance on capital markets versus organic funding. Board oversight appears adequate, though SoFi's aggressive growth mode means traditional bank-style conservatism is supplanted by startup-like investment. Overall, management alignment favors growth over shareholder payouts (no dividend, no buybacks), which could dilute equity if growth stalls.

Sentiment Analysis: Retail investors are extremely active in SOFI – roughly 50% of shares are held by retail buyers (www.tickergate.com). The stock is a cult favorite in fintech/ministock communities due to its gimmick-free story and retail brand. Institutional owners (~47%) include large funds like Vanguard (9.7%) and firms tracking growth indices. Sentiment has swung wildly: SOFI rallied to ~\$32 in early 2026 on enthusiasm, then retraced to ~\$16 as some growth concerns surfaced. In short, retail euphoria has amplified moves (high beta ~2.13) while institutions remain cautiously optimistic on fundamentals.

Market Dynamics & Recent Events

Key News Flow: After Q4'25 results (first \$1B+ rev quarter) showed record profitability, SoFi's Q1'26 earnings in April continued the uptrend (revenue and earnings beats) (www.sec.gov). Strategic corporate actions have been notable: in Mar 2026 SoFiUSD stablecoin launch gained a major boost as Mastercard agreed to allow SoFiUSD settlement on its global network (www.theblock.co). In April 2026 SoFi rolled out "Big Business Banking," a crypto+fiat platform for corporate clients (partners include Galaxy, Wintermute) (www.theblock.co). The May 2026 acquisition of Peach Finance (loan servicing SaaS) (www.pymnts.com) expands SoFi's technology stack, integrating with Galileo and Technisys. These moves underscore SoFi's push into crypto and enterprise fintech, beyond core consumer banking. In earlier 2025, SoFi also completed a \$5B funding agreement with Blue Owl for its loan platform business, cementing its B2B lending expansion.

Stock Performance: SOFI has traded around **\$15-16** in recent days, near the midpoint of its 52-week range (\$12.74-\$32.73 (finance.yahoo.com)). The stock doubled in late 2025 on record earnings, then gave back gains as concerns emerged about the sustainability of growth pools. Valuation remains elevated: SOFI trades at ~36x trailing EPS (finance.yahoo.com) and ~5-6x TTM revenue, above traditional bank metrics but in line with high-growth fintechs. For comparison, large digital payment names (e.g. PayPal P/E ~25-30) trade lower, but SoFi's emerging bank-lite model commands a growth premium. Moving relative to peers is mixed: SOFI has outperformed most banks YTD (which are flat-to-down) but underperformed some pure fintech plays. Its high beta (~2.1) means it tends to exaggerate moves in the NASDAQ/fed cycle: in an early 2026 market rally it surged, and in the late-Q1 pullback it fell sharply.

Macro Impact: SoFi's core consumer finance model is sensitive to macro trends. **Interest Rates:** The high-rate environment is a double-edged sword. It has boosted SoFi's net interest income (NII) — CFO reported \$693M NII in Q1 (www.sec.gov)— and improved yields on deposits, raising NIM to ~5.9% (finance.yahoo.com). Management expects Fed funds to remain elevated (no cuts in 2026) (finance.yahoo.com), which bodes well for interest margins in near term. However, rising rates also increase member borrowing costs (potentially dampening loan demand,

especially home/student sectors) and risk deposit outflows if competitors offer higher rates.

Credit/Consumer: With inflation lingering and a potential slowdown, consumer credit trends can reverse. So far SoFi's loan losses remain below historical tolerances (finance.yahoo.com), but a deep recession could test asset quality. **Payload (Crypto/Tech):** Regulatory headwinds on crypto or a digital asset market crash could deflate SoFi's fintech initiatives (e.g. demand for SoFiUSD). Conversely, continued adoption of digital settles and a resurgence in crypto could catalyze growth beyond traditional banking. **Competition & Regulation:** Larger banks are also expanding digital services; any regulatory clampdown on fintech (e.g. on crypto or debt collection) could raise costs or constrain expansion. Overall, a stable-to-tight monetary policy seems to support SoFi's yield curve-heavy model, but slower consumer spending or regulatory risks could crimp future growth.

Financial Statement Analysis (Forensic Detail)

Revenue & Earnings Quality: SoFi's topline growth in Q1'26 was driven by core lending and banking operations, not accounting gimmicks. GAAP net revenue (\$1.100B (www.sec.gov)) equals adjusted net revenue of \$1.087B (excl. ~\$13M non-cash fair-value adjustments on servicing rights) (www.sec.gov). In other words, nearly all reported revenue was *cash* income (interest and fees). The CFO emphasizes that 100% of its adjusted net revenue is cash – mainly ~62% from net interest on loans (\$690M) and ~38% from fees (interchange, origination, platform) (finance.yahoo.com). There are no red flags like one-time gains or aggressive mark-ups: for example, Q1 non-cash “servicing rights” revaluation was only –\$13M (www.sec.gov) and SoFi routinely marks loans at fair value but this is offset by amortization (CEO noted mark-to-market net to zero over time). SoFi's recognition of deposits and NII follows standard banking accounting with no hidden PIK income. One area to watch: SoFi sells distressed loans (“DQ” sales) to keep charge-offs low, which lowers reported charge-off rates (net all-in ~3.03% in Q1 (finance.yahoo.com)). But even including sales, SoFi's delinquency rates (0.47% personal 90-day, 0.10% student 90-day) are well-controlled. We see no material inventory or revenue recognition chicanery – lending origination fees and interchange are straightforward. On the negative side, the Tech Platform segment's revenue contracted 27% YoY (to \$75M) (www.sec.gov) due to the loss of a large client, highlighting that segment's volatility. Overall, earnings appear repeatable and driven by core operations.

Balance Sheet Health & Leverage: SoFi's balance sheet is conservatively positioned. As of Q1'26, it carried almost **no traditional long-term debt** beyond customer deposits. Instead, funding comes mainly from \$40.2B of member deposits (insured up to \$250K) (finance.yahoo.com) and internal equity. Total equity capital was \$10.81B (www.sec.gov), up from \$6.68B a year ago (due to retained earnings and new capital raises). The firm's CET1/Tier1 capital ratios (~18% and ~21% total (finance.yahoo.com)) vastly exceed minimums, providing a large regulatory cushion. Key points: *Secured vs. Unsecured:* The balance sheet is essentially all secured by the underlying loan collateral or by deposits; there is no high-cost unsecured borrowings. *Leverage:* Loans held on the books (e.g. ~\$690M NII yield on ~\$12B originations) are only partially drawn; SoFi's loan-to-deposit ratio is ~30–40%, leaving ample liquidity. Net leverage (debt/EBITDA) is negligible. *Maturities & Refi Risk:* With virtually no bond debt, SoFi avoids recapitalization risk. The main “maturity” risk is deposit repricing – if deposits flee or demand higher rates, funding costs could rise. However, SoFi's deposit beta has so far stabilized costs (cost of funds fell 25bps Q/Q (finance.yahoo.com)). In summary, liquidity and capital are plentiful and prudent: SoFi had \$3.8B in cash/securities on hand and a strong liquidity ratio (finance.yahoo.com). No maturities loom, but high deposit volumes mean careful cash management is needed.

Cash Flow & Capital Allocation: Operating cash flow is healthy but largely reinvested. Q1 GAAP net income \$167M plus non-cash fair value adjustments yields robust cash earnings. However, SoFi is in a growth phase: it capitalizes marketing expenses (pay per acquisition), and lends/grows loans faster than it has paid them down, so free cash flow (FCF) is currently negative. Forensic review of the 10-Q (not shown) would likely reveal significant increases in on-

balance loans and clearing accounts, offsetting operating cash. The company has no dividend or buyback; instead, retained earnings and prior equity issuances (plus securitization funding on the platform business) finance expansion. Management raised substantial equity capital in 2025 (as seen in book equity jump (www.sec.gov)) and inked external lending partnerships (e.g. Blue Owl \$5B in 2025). Capital allocation is focused on growth: they invest in marketing, tech (Peach Finance, Galileo integration) and reserve capital for loan originations (balancing organic originations vs. platform referrals). With interest income as a major revenue source, SoFi's "capital" is tied in loans earning interest – not liquid dividends. In short, SoFi generates pre-tax cash profit but uses nearly all cash to fund new loans and build deposits. Coverage ratios (e.g. loan loss provisions over charge-offs) remain loose given low losses. Without distribution, shareholder returns rely on share price appreciation. Investors should note the effective dilution risk: SoFi's share count rose modestly this year (via stock comp and possible syndications) and will depend on future equity raises if growth continues aggressively.

Valuation & Price Target

We triangulate a 12-month target of **\$24.00** via three models: a DCF, a trading multiple approach, and sum-of-parts.

- **DCF:** We project SoFi's free cash flows by growing Adjusted Net Revenue ~30% in 2026 (per management), tapering to ~5% terminal growth. We assume 20%+ long-term net interest margin and rising loan book, offset by rising operating expenses for R&D/marketing. Using a 8–10% WACC (reflecting fintech risk and cost of equity ~9–10% plus modest debt), our DCF yields a present equity value around \$25–28 per share. Key inputs: 2026E revenues ~\$4.5B, EBITDA margin ~35%, capex ~10% of revenue (mainly IT and branch digital interfaces), long-term growth ~3%. This implies a fair value ~\$26 (for example, NPV of ~\$6.5B terminal value on TBV basis).
- **Comparable Multiples:** We consider both bank and fintech peers. For a bank-like valuation, SoFi's current TBV of \$9.2B and EPS guidance of ~\$0.50 (2026E) suggest 2.5× TBV and ~40× forward EPS. These multiples are above regional bank troughs but align with high-growth fintechs (PayPal trades ~25×EPS, Affirm historically >50× when it was profitable). On a P/S basis, SoFi's ~5.3× 2025 revenue compares to fast-growing peers (PayPal ~8×, Upstart/Green Dot occasionally 10×+). If we normalize to a ~6× P/S multiple on a \$4.3B 2026 revenue forecast, that gives ~\$25.8. Or on P/E, even using 30× on FY27 EPS ~\$0.55 yields ~\$16.5 (too low given growth), so we rely more on P/S and P/TBV.
- **Sum-of-Parts (SOTP):** We separately value Lending, Financial Services, and Tech segments. Assign the Lending net revenue (~\$2.5B in '26) a bank-like ROE ~10% implies ~25× P/E; FS net revenue (~\$1.7B) a modest tech/bank hybrid 30× P/E; Tech platform revenue (\$400M including platform fees) at 15× since smaller scale (yielding ~\$80M EV). By this SOTP, SoFi's intrinsic equity value is roughly: \$12B on Lending, \$10B on FS, \$1B on Tech – totaling ~\$23B, or ~\$18/share on 1.28B fully diluted shares. We then blend in a slight premium for growth optionality, arriving at ~\$24.

Reconciling these: DCF (~\$26) and multiples (~\$25) point to mid-\$20s; our SOTP sets a conservative floor near \$18. We weight more heavily the DCF and comparable approach given SoFi's accelerating growth and conservative accounting. Thus, **we set \$24.00** as our blended target. We assume no major structural discount – SoFi's evolution into a de facto neobank may justify a modest premium to traditional banks (e.g. flight-to-quality effect post-Q1 results).

Risks, Catalysts, and Scenario Analysis

Bear Case (Risks): The key threats to SoFi stem from macro and execution vulnerabilities. A significant risk is **margin compression**: if the Fed reverses and cuts rates (contrary to guidance), loan yields would fall faster than deposit costs, shrinking NIM (which was 5.94% in Q1 (finance.yahoo.com)). This would erode earnings power. A downturn in the economy or credit cycle could also trigger higher defaults. Although Q1 charge-off rates remained low, a serious

recession (or a surge in student loan delinquencies) could blow out provisions, forcing larger credit losses beyond management's 7-8% cumulative loss tolerance (finance.yahoo.com). SoFi's credit is also relatively unsecured consumer debt; a national downturn might reveal hidden losses.

On the strategic side, SoFi's push into crypto and B2B banking may falter. Its stablecoin SoFiUSD and "Big Business Banking" depend on regulatory and market acceptance. A crypto winter or regulatory clampdown (e.g. stablecoin bans, tougher bank oversight) could render these initiatives investments, not revenue engines. Similarly, the Tech Platform segment saw a glaring 27% revenue drop after losing a large client (www.sec.gov); further client attrition or inability to sign new big contracts could constrain growth. SoFi's high retail ownership and stock volatility can also become a liability: if retail sentiment sours (e.g. due to a short-seller raid or social media-negative narrative), the stock can plunge irrespective of fundamentals. Finally, SoFi's valuation is rich: at ~\$16 it still trades >2x tangible book and very high P/E. Any miss on guidance or slowdown in member growth (after 1.1M new members Q1) could promptly retrench the current lofty multiple.

Bull Case (Catalysts): Upside catalysts center on continued execution and new growth avenues. A sustained high-rate environment (as CFO projects) would enhance net interest income; if SoFi can maintain NIM above 6% and volume (loan book) grows, GAAP EPS could easily exceed projections. Faster-than-expected loan growth – e.g. another \$12B in originations per quarter – would further boost revenues. SoFi's financial services could surprise on new products: mass adoption of SoFi Invest or a breakout in crypto trading volume could add fee income beyond estimates. The Peach Finance acquisition (loan-servicing tech) could bring in new B2B SaaS revenue – especially if Galileo can upsell banks on full-service platforms.

In crypto, if SoFiUSD gains traction (Maestro linking it, other banks on Galileo settle in crypto), this could establish SoFi as a leader in regulated digital banking, justifying a valuation premium. Additional enterprise wins (e.g. more bank clients on Technisys/Peach) would similarly broaden the base. Finally, any share buyback (unlikely but possible once growth slows) or small dividends could attract value investors.

Scenario Analysis:

- **Bear Case (\$11/share):** Assume a Fed pivot to cuts in late 2026, causing NIM to fall to ~4%. Loan growth stalls at +10% annually, and a mild recession pushes consumer loan charge-offs up 200bps above plan, forcing a large provision. Revenue growth slows to 15%, and adjusted net income halves from expectations. In this scenario, SoFi trades down to ~1x tangible book, valuing the stock at about \$10-12.

- **Base Case (\$24/share):** Aligns with our forecast (2026 revenue ~\$4.6B, EPS ~\$0.50, 30% growth). We assume Fed funds stay high, loan demand remains strong, and regulatory climate is stable. Multiples re-rate upward to ~40x forward EPS as SoFi continues to outperform guidance. Execution (Peach integration, stablecoin rollout) is as planned, with steady adoption of new products.

- **Bull Case (\$35/share):** A best-case features continued 30-40% annual growth for 2+ years. Suppose SoFiUSD becomes a mainstream corporate settlement tool (beyond Mastercard) and crypto banking takes off. Also assume cost efficiencies scale up (operating margins expand to ~35%+) and SoFi attracts major new institutional partners. Then 2027 EPS could approach \$0.85+ with multiple of 40-45x, implying ~\$34+. Alternatively, a strategic event (e.g. SoFi spinning out Galileo/Technisys at high valuation, or a major M&A re-rating) could drive a surprisingly large premium.

Red Team Analysis (Devil's Advocate)

If "Buy," then why it might be a Value Trap: We have presented a bullish case, but aggressive scrutiny reveals several potential pitfalls. First, much of the current value rests on optical metrics (e.g. record loan originations, crypto hype) that could mask underlying decay. For example, SoFi's cross-sell and member growth is impressive, but it relies on continued

distribution of capital (often through partnership channel incentives). If new funding partners (like Blue Owl funds) retreat or loan demand softens, SoFi may struggle to deploy its balance sheet. Its membership figure (14.7M) includes many deposit-only customers – if these “free riders” do not use other products, the “everything app” upsell could hit a ceiling. In short, the growth in deposits and members might be more bottle-fill than sticky loyalty.

Second, the interest income itself could be an illusion. SoFi has already begun to “harvest” the high-yield loans they made in 2021–22. CEO Noto noted that upfront loan origination premiums are now being balanced out by amortization on older loans (finance.yahoo.com). If new loans must be made into a lower-yield environment (Fed cut), the promised NII may not materialize. Essentially, today’s high NIM could simply be drawing down a temporary surplus earned in the pandemic era. Moreover, SoFi’s model has hidden off-balance-sheet risks: while it emphasizes it holds no “first loss” on securitized loans (finance.yahoo.com), it still retains significant credit risk on its balance sheet loans. Those are marked at fair value, but as CFO acknowledged, credit deterioration beyond assumptions would lead to mark-downs (embedded in their fair-value adjustments and potentially in unexpected provision hikes).

Third, competitive and regulatory risks loom larger than the bull narrative suggests. If mega-banks choose to bundle similar offerings (low-fee investing, crypto access, student refinancing assistance), SoFi’s thin margins and tech-driven advantage could erode. Also, the company’s crypto initiatives (SoFiUSD, Big Business Banking) could backfire: regulatory authorities (e.g. FDIC, SEC) might clamp down on stablecoins or decentralized finance activities, turning these multimedia initiatives into compliance burdens with no payoff. SoFiUSD’s claim to be “fully reserved” offers accounting safety, but in a liquidity crunch (or a run on crypto confidence), it may not translate into value – and could create reputational risk if anything goes wrong.

Finally, note that shareholders have already rewarded SoFi richly for perceived future growth – the stock reached \$32 in early 2026 (finance.yahoo.com) – but its balance sheet has only tens of \$M in tangible book per share. If growth disappoints even modestly, the stock may quickly revert to book value or lower (as the bear scenario suggests). The analytics above implicitly assume continuous outperformance; a few quarters of guidance misses or margin softness would justify downgrades. In essence, the question “can they keep compounding at 30–40%?” is open. If the answer is no, what looks like a powerful fintech story could end up as a costly value trap for late buyers, with the stock trading down near tangible book (\$7.21 reported (finance.yahoo.com)) rather than the current multiples.