

SoFi Technologies Inc. (Nasdaq: SOFI)

Industry: Financial Technology

Rating: **HOLD**, Target Price: **\$11.78** – Implied Upside/(Downside): **-29%**

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THESIS

Pareto Capital initiates coverage of SoFi Technologies (NASDAQ: SOFI) with a **HOLD** rating with a conservative target price of **\$11.78**.

SoFi has built a genuinely differentiated model a deposit-funded fintech with a national bank charter, ten consecutive profitable quarters, and a member flywheel that continues to accelerate. The financial foundation is robust: a 5.94% net interest margin, \$40 billion in deposits, and a 21% capital ratio. The price, however, assumes growth continues at a level it has never demonstrated. At 2.30x tangible book, the market is pricing in a sustained return on equity near 19% making this a bet on execution rather than a margin of safety. Two things must be monitored closely before that bet pays off. First, the macro environment: with inflation re-accelerating and a new Fed Chair at the helm, the rate and credit cycle presents a live headwind to both loan demand and margin. Second, credit quality is harder to read than it appears — SoFi marks loans to fair value rather than holding traditional reserves, meaning deterioration surfaces through revenue rather than provisions, and later than most investors will expect. Overall, we see the upside that the market is betting on, but currently financial position concerns and guidance warrant clearer evidence on ROE trajectory and macro direction before re-evaluating.

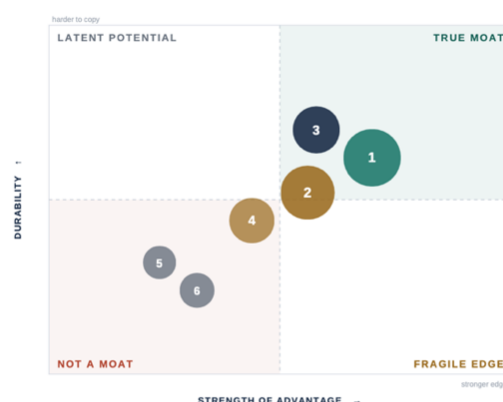
INTERNAL ANALYSIS

SoFi is a digital-only financial services company focus on becoming the go-to platform for a consumer's money need: borrowing, saving, spending, etc. The company's primary revenue drivers include lending (with a historical focus on student and home loans), financial services (checking/savings, credit cards, etc.), and technology platforms in the forms of Galileo and Technisys. The platforms specifically rent SoFi's banking infrastructure to other companies, and along with its national bank charter, lets SoFi fund itself with a combination of partnerships and low-cost customer deposits.

SoFi's main advantage is its ability to combine multiple financial products inside one digital ecosystem. A customer can use SoFi for banking, loans, investing, credit, and financial tools, which gives the company more ways to deepen each relationship over time. Its growing deposit base also gives it cheaper funding than

The Moat Map

SoFi's competitive advantages, plotted by strength and durability. Bubble size = importance to the franchise.



- | | |
|---|--|
| <p>1 Cost advantage</p> <p>▲ Cheap deposit funding, no branches ▼ Neobank model easily copied</p> | <p>2 Switching costs</p> <p>▲ Deepening primary relationships ▼ Commoditized, easy to rate-shop</p> |
| <p>3 Brand & license</p> <p>▲ Bank charter + rare fintech brand ▼ Shallow vs incumbents' trust</p> | <p>4 Vertical tech stack</p> <p>▲ Owns its core banking software ▼ External platform shrinking</p> |
| <p>5 Network effects</p> <p>▲ Minor underwriting-data edge ▼ No genuine network effect</p> | <p>6 Efficient scale</p> <p>▲ Profitable, past survival bar ▼ Subscale vs megabanks</p> |

many non-bank fintech lenders, helping support margins and loan growth.

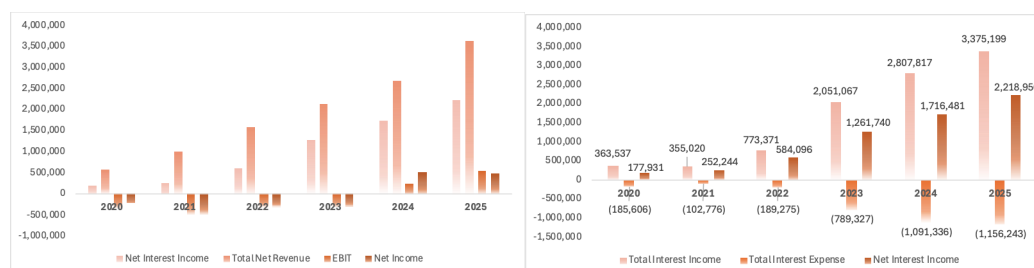
The main weakness is that SoFi is still heavily exposed to lending cycles. Its growth is attractive when credit is healthy, but personal loans are unsecured and can become risky if unemployment rises or borrower quality weakens. The Technology Platform also remains uneven, which means SoFi's current story depends more on lending and banking than on high-margin software.

FINANCIAL ANALYSIS

An initial financial review provided a simple finding: growth is strong, profitability is inflecting, and deposits are driving the engine that is funding positive cash flows. Nevertheless, with banks, the paper statements often tell a different story to what the genuine potential is. For example, why SoFi's Free Cash Flow/Equity was reported at - \$6.34B, however revenue growth is at ~41% YoY, the membership base grew by 35%, and Net Income was well over \$166.73. This is but **one allusion to the notion that the story on paper is misleading**. Thus, instead of evaluating all aspects of SoFi's financial standing, we thought it best to focus on the really telling aspects: **the balance sheet, liabilities, profit decomposition, capital adequacy, and valuation ratios**. Below are a few notable metrics and takeaways we found.

To begin with the core, that is the members/products, Q1 2026 saw membership grow to over 14.7 million, while products grew to 22.2 million (at 39% growth). What matters most here is that product growth is outpacing member growth, meaning the selling engine is working overtime. Of this new product total, roughly 19.3 million are financial-services products implying deepening in these core areas. Contribution margins also painted a picture of how segment revenue made up SoFi's strong gross performance. Lending was by far the largest profit engine (\$629M, 53% growth YoY) followed by financial services (\$429M, 41% growth), however both contributed roughly 61% and 46% of those numbers to actual profit respectively. The more problematic news was the technology platform which declines by 27% YoY. Thus, while lending continued to drive core profits, and financial service growth (broadly: fees earned on card swipes, brokerages, etc.), such growth overlooks the questions as to whether the platform is stalled or truly on the decline.

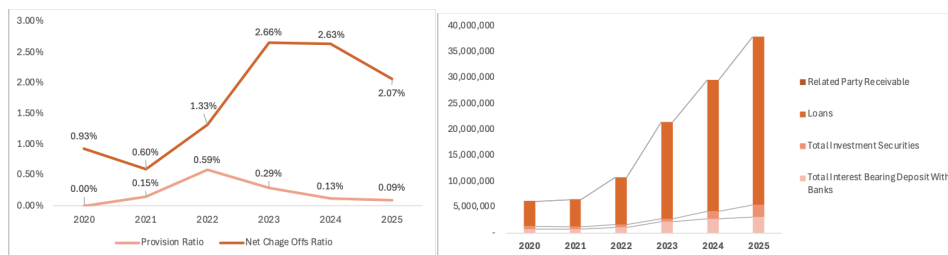
Historically, SoFi's loan platform business involved it originating loans on behalf of partners (i.e. banks, insurers, asset managers) and collecting a fee in the process. This allowed it to circumvent the capital intensiveness of typical lending practices. In Q1, the business added ~\$3.6B in new partner commitments, signaling the fact that management believes there is a strategic payoff in increasing this fee income. This diversification seems to be an answer to the innate issue with lenders: their earnings depend on interest rates and balance-sheet size. Fee-based revenue is up 23% and makes up ~36% of adj. net revenue. Under a bull case, we see these as a strong durability factor. However, Pareto Capital has to emphasize our concerns regarding the current position of SoFi's loan platform financial "soundness" – for technical details refer to Appendix 1.



Moving onto deposits, they now fund over 90% of SoFi's liabilities. These deposits, totaling \$40.2B, are inherently cheap (the average rate SoFi pays is ~1.55%) and that cost advantage feeds into a net interest margin of

~5.94% (the spread earned on assets and paid on funding) which rose as well. An analysis of total equity, the CET1 Ratio, and tangible book value (most important of which stood at \$7.21) provided some of the more robust analytics in assessing SoFi's position. The verdict was like the above.

Of course, while the large part of the financials looks decent to strong, we must address amortized cost as well. In short, SoFi does not, as a normal bank would, carry its loans at amortized cost and set aside reserves in line with expected losses. Instead, by carrying them at fair value such that said value fluctuates each period, these changes flow through revenue instead of a separate line. SoFi's atypical approach warrants a cautioning of potential credit problems showing up as a revenue/fair-value pressure rather than provision spikes. The most important financial question for SoFi is not simply whether revenue is growing, but whether its loan growth remains profitable after funding costs, credit losses, and fair-value marks. We suggest watching fair-value assumptions and charge off trends to assess the health of the company's position. - See Appendix 3 – Amortized Cost Riskiness



VALUATION

Scenario	Assumed ROE	Fair P/TBV	Target Price (\$)	Upside/(Downside)	Verdict
Bear — mgmt near-term	9%	0.67x	4.81	-71%	Overvalued at current price
Base — partial ramp to 15%	15%	1.67x	12.02	-28%	Roughly fairly valued to overvalued
Bull — mgmt LR target 20%	20%	2.50x	18.03	9%	Upside if target credible
Bull+ — full LR target 25%	25%	3.33x	24.03	45%	Significant re-rating
Market-implied (reverse)	19%	2.25x	16.22	-2%	What price bakes in today (Faithful Approx)

Valuing SoFi is no easy task. The usual price-to-tangible-book ratio approach (typical for bank analyses) makes the stock appear overpriced, but the growth metrics (i.e. forward P/E, Rule-of-40) and reasonable margins say otherwise. The historical lean towards the former point, with the stock down 40% YTD contrasted by fast growing forward multiples. Considering a base case of an 11% cost of equity and LR growth of 5%, one can see that at the current share price, the Fair P/TBV sits at 2.30x with ~19% ROE. The market, even after such a downturn, continues to price SoFi as if it will sustainably earn the given return. However, management's guidance (ref the Q1 investor pres) points to ~\$825M in adj net income against ~\$10.8B of equity giving an ROE of ~9%. It is obvious then that unless operating leverage and higher growth in the service segment continue, SoFi remains at risk to a normalizing cycle with little share price improvements.

Scenario	Weight	Implied Value
Bear	20%	4.81
Base	60%	12.02
Bull	20%	18.03
Weighted Implied Share Price		11.78
Weighted Implied Upside / (Downside)		-29%

Conducting a weighted average across the most plausible cases of target price: near term bear (ROE: 9%), base case (ROE: 15% - Mean "Good" FIG Benchmark), bull case (ROE: 20% - Management Long-Term Target), gives us an implied share price of 11.78% which implies a sizable downside of -29% -further concretizes our **HOLD** thesis for SoFi – Appendix 4

MACRO OVERVIEW

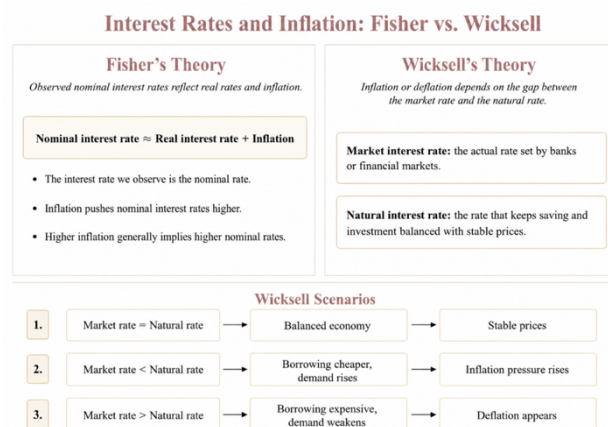
SoFi is at its core a bet on the health of U.S. consumers. That is, their core revenue base and key growth drivers render three crucial macro variables to be decisive for the company's future: interest rates, credit health, and inflation. We can identify a few key policy developments over the past year, as well as theoretical concepts that can help explain possible paths the company might go down.

The Federal Reserve held its policy rate at 3.5-3.75% for three straight meetings after cutting in late 2025. Recently however, the consumer price index (CPI), a widely used measure of inflation, re-accelerated to ~4.2% YoY. This sharp jump driven by geopolitical conflicts in the Middle East has resulted in chain reactions within future markets rolling over into high probabilities of rate hikes in the near term. Leadership change at the Fed coupled with this recent inflationary news is a central variable for rate-sensitive firms.

Basic macroeconomic theory via the Fisher relation can help describe the direct effect of rates on SoFi. Through the Fed's decision to control inflation and manage unemployment via the "dual mandate," there are (coincidentally) two channels that matter for SoFi. Firstly, margin. A higher-for-longer regime keeps net interest margins wide, so as long as rates stay up the core spread growth is retained. Second, the demand channel, a directly contrast to margin. Higher real rates discourage borrowing; SoFi's student-loan refinancing business suffers because of this. Elevated rates in general can be a double-edged sword and require diligence within SoFi's lending team to manage and adapt to the Fed's decisions.

Channel	Current Read	Net effect on SoFi
Rate level	SUPPORTIVE	Wide NIM (5.94%) sustained while rates stay high; funding cost is the offsetting pressure.
Loan demand / refi	HEADWIND	Higher-for-longer delays the rate-cut refi wave that drives origination growth.
Consumer credit	WATCH	Benign today, but the channel most able to break earnings if the cycle turns.
Deposit funding	RESILIENT	Low catastrophic-run risk; gradual margin erosion from yield-shopping is the real exposure.
Inflation path	KEY RISK	The master switch. June's 4.2% print tilts near-term risk to the hawkish, headwind side.

Consider consumer risks as well in the form of credit tied directly to household balance sheets, incomes, and employment. While the firm has taken more radical approaches to diversify income streams and put the tech in fintech, so to say, it cannot outrun the pressure traditional banks feel with credit ailments. The data shows industry delinquencies are relatively stable, unemployment remains low by historical standards, and consumer spending (although becoming increasingly stretched, i.e. the byproduct of a K-shaped economy) is enough to keep the boat steady. We believe the mechanism to focus on is whether persistent inflation erodes real incomes while higher rates raise debt-service costs, potentially squeezing borrowers from both sides. SoFi's fair accounting would matter here: credit degradation would surface as markdowns flowing through revenue and further eat into pain tolerance.



Monetary policy is built on these two theories as the foundation. For Wicksell, they try to balance the market rate to the neutral position relative to the natural rate (this explains why the market tends to rise when the Fed announces an interest rate cut, and vice versa).

A **Fisher-Wicksell cycle** suggests that even if two theories work in opposite directions, they can still offset each other at the same time. Therefore, in the long term, the net effect would be 0; there would only be **fluctuations in the short term**.

In practice, central banks raise interest rates if inflation is too high (to activate deflation, based on Wicksell's

theory). At the same time, the Fisher effect offsets this in the short term, but because the Wicksell effect is stronger, it still does the job. In terms of investing, continuously monitoring interest rates and inflation could help picture stock price trends (if other factors are not considered).

RISKS & VERDICT

The bank charter is SoFi's single biggest structural advantage — and the source of its most meaningful risks. By funding loans with deposits rather than warehouse lines or external capital markets, SoFi operates at a lower cost than most fintech peers and can grow without being throttled by market access. That is a genuine edge. But the same model means SoFi's profitability lives or dies on one number: the spread between what loans earn and what deposits cost. Protect the spread, and the business compounds. Let it erode, and every segment feels it.

The spread narrows in predictable ways: deposit competition forcing SoFi to keep offering a high yield to retain members, loan yields resetting faster than funding costs, or rate cuts squeezing the asset side before the liability side adjusts. SoFi's deposit franchise is impressive (\$40.2 billion, 90%-plus of funding, 155bps cheaper than alternatives) but the durability of those deposits is still the most important unanswered question in the stock. A deposit that came for the rate can leave for a better one.

SoFi's lending growth is genuine and impressive with \$12.2 billion of originations in a single quarter. But personal loans account for the bulk of that, and personal loans are unsecured. There is no collateral to recover when a borrower stops paying. In a healthy economy, the yields compensate for the risk and SoFi's relatively prime borrower base keeps losses well inside tolerance. The cycle always turns, though. Rising unemployment or squeezed household cash flows would push charge-offs toward (potentially beyond) SoFi's 7–8% threshold. At that point the fair-value accounting, which routes credit stress through revenue rather than a provision line, means the P&L deteriorates faster and less predictably than a traditional bank's.

SoFi is not a pure hold-to-maturity lender. It sells, securitizes, and transfers loans through its Loan Platform Business — smart in good times, exposed in bad ones. When investor appetite for consumer credit contracts, loan-sale economics worsen, securitization spreads widen, and SoFi faces a choice between holding more than planned, slowing originations, or accepting worse prices. The business is more tethered to credit-market conditions than its fintech branding implies. A 21.1% CET1 ratio gives it real capacity to absorb more loans if needed — the risk is more to growth and fee revenue than to solvency.

Galileo and Technisys were supposed to make SoFi something more than a consumer lender — a fintech infrastructure company with software-like recurring revenue. That vision has not materialized on schedule. Revenue fell 27% in Q1 after a major client migration, contribution margin collapsed to 16%, and the segment is currently a drag. It does not break the thesis as Lending and Financial Services are carrying the business. What it does break is the argument for a software-style valuation multiple. Until the platform stabilizes and grows, SoFi should be valued like a bank that owns a fintech, not like a fintech that happens to have a bank charter.

A new Fed Chair, CPI back at 4.2%, and the possibility of hikes returning represent a tail risk that would pressure NIM and loan demand simultaneously. Separately, the charter brings capital requirements and regulatory oversight that could constrain growth at an inopportune moment.

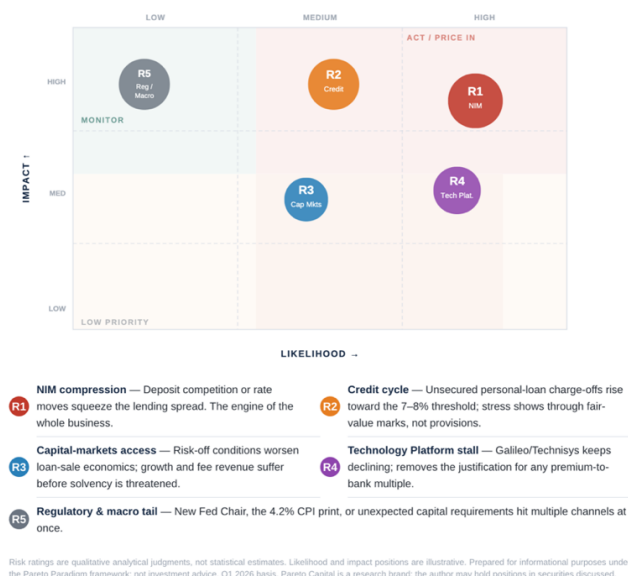
Verdict

SoFi is a real business with real momentum — profitable, growing, and structurally more defensible than the neobank label suggests. The charter, the deposit base, and the compounding member flywheel are genuine assets. So are the risks. The spread between what loans earn and what deposits cost is the engine, and it is exposed to rate moves and competition. The loan book is growing into a part of the cycle where it has never been tested. And the Technology Platform is, right now, a liability to the valuation case rather than an asset.

The stock is best owned by investors comfortable with bank-like cyclicality wrapped in a fintech growth story. At the current price, which already implies a sustained 19% return on equity, this is a bet on execution rather than a margin of safety. The upside is real. So is the distance between here and there.

Risk Severity Matrix

Five key risks plotted by likelihood and potential impact on the investment thesis.



APPENDIX

Appendix 1 – Macro Analysis Cont.

Technological	Competition	Social
• There are no actual significant applications of AI in general or in SoFi case. • AI and ML are emerging trends in any sector, but as of right now, they are not at a significant level to generate actual outcomes.	• SoFi is unlikely to be the best standalone product in every vertical. • Its strategy is to use one product as the entry point and then deepen the relationship through savings, loans, investing, credit tools, and future financial needs. • If cross-buy keeps rising, SoFi becomes a more durable financial platform. • Its edge is not product dominance; it is product consolidation.	• Consumers are not adopting financial platforms only for convenience; many are searching for ways to consolidate debt, manage cash flow, improve savings yield, and monitor credit. • SoFi benefits from consumers becoming more digital and more willing to shop for financial solutions, and its upside depends on converting financial stress into responsible product adoption.

Appendix 2 – Financial Deep Dive (Key Ratios and Drivers)

Headline US\$ (In Thousands)	2020	2021	2022	2023	2024	2025
Net Interest Income	177,931	252,244	584,096	1,261,740	1,716,481	2,218,956
% Growth		42%	132%	116%	36%	29%
Total non-interest income	387,601	732,628	989,439	861,049	958,378	1,394,398
% Growth		89%	35%	-13%	11%	45%
Total Net Revenue	565,532	984,872	1,573,535	2,122,789	2,674,859	3,613,354
% Growth		74%	60%	35%	26%	35%
Provision for Credit Loss	-	(7,573)	(54,332)	(54,945)	(31,712)	(30,319)
% Growth		(7,573)	617%	1%	-42%	(30,319)
Total non-interest expense	(894,053)	(1,458,476)	(1,837,924)	(2,369,002)	(2,409,802)	(3,057,178)
EBIT	(328,521)	(481,177)	(318,721)	(301,158)	233,345	525,857
% Margin	-58%	-49%	-20%	-14%	9%	15%
% Growth		46%	-34%	-6%	-17%	125%
Income tax (expense)/benefit	104,468	(2,760)	(1,686)	416	265,320	(44,537)
Net Income	(224,053)	(483,937)	(320,407)	(300,742)	498,665	481,320
% Growth		116%	-34%	-6%	266%	-3%

NII Breakdown (In Thousands)	2020	2021	2022	2023	2024	2025
Total Interest Income	363,537	355,020	773,371	2,051,067	2,807,817	3,375,199
% Growth		-2%	118%	165%	37%	20%
Loans and Securitizations	354,384.0	351,971.0	759,504.0	1,944,128	2,601,988	3,146,296
Other	9,153.0	3,049.0	13,867.0	106,939	205,829	228,903
Total Interest Expense	(185,606)	(102,776)	(189,275)	(789,327)	(1,091,336)	(1,156,243)
% Growth		-45%	84%	317%	38%	6%
Securitizations and warehouses	(155,150)	(90,485)	(110,127)	(244,220)	(112,398)	(95,824)
Deposits	(27,974)	(10,345)	(59,793)	(507,820)	(930,154)	(1,014,043)
Corporate borrowings	(2,482)	(1,946)	(18,438)	(36,833)	(48,346)	(45,723)
Other	(917)	(917)	(454)	(438)	(653)	(653)
Net Interest Income	177,931	252,244	584,096	1,261,740	1,716,481	2,218,956
% Growth		42%	132%	116%	36%	29%

Non-Interest Income (In Thousands)	2020	2021	2022	2023	2024	2025
Loan origination, sales, sec. servicing	281,646	480,483	608,919	409,140	278,114	242,947
% Growth		71%	27%	-33%	-32%	-13%
Technology products and solutions	90,128	191,847	304,901	323,972	350,810	360,903
% Growth		113%	59%	6%	8%	3%
Loan platform fees				33,602	141,608	575,911
% Growth				#DIV/0!	321%	307%
Other	15,827	60,298	75,619	94,335	187,846	214,637
% Growth		281%	25%	25%	99%	14%
Non-Interest Income	387,601	732,628	989,439	861,049	958,378	1,394,398

Average Balance Interest Earning Asset (In Thousands)	2020	2021	2022	2023	2024	2025
Total Interest Bearing Deposit With Banks	731,694	706,840	1,122,364	2,172,013	2,814,098	3,115,010
% Growth		-3%	59%	94%	30%	11%
Total Investment Securities	623,248	495,444	494,005	541,590	1,412,821	2,354,919
% Growth		-21%	0%	10%	161%	67%
Loans	4,783,512	5,179,729	9,200,023	18,733,812	25,360,067	32,443,566
% Growth		8%	78%	104%	35%	28%
Related Party Receivable	13,649	2,767	-	-	-	-
% Growth		-80%	-	-	-	-
Total Interest Earning Asset	6,152,103	6,384,580	10,816,392	21,447,415	29,586,986	37,913,495
% Growth		4%	69%	98%	38%	28%

NIM Analysis	2020	2021	2022	2023	2024	2025
Net Interest Margin	2.89%	3.95%	5.40%	5.88%	5.80%	5.85%
% Growth		37%	37%	9%	-1%	1%
Provision for Credit Loss	-	(7,573)	(54,332)	(54,945)	(31,712)	(30,319)
Adjusted Net Interest Margin	2.89%	3.83%	4.90%	5.63%	5.69%	5.77%
% Growth		33%	28%	15%	1%	1%

Technology Platform Accounts	2020	2021	2022	2023	2024	2025
Total Accounts	59,735,210	99,660,657	130,704,351	145,425,391	167,713,818	128,461,873
% Growth		67%	31%	11%	15%	-23%

Loan and Lease Origination Volume & Mix	2021	2022	2023	2024	2025
Loans held for sale	5,952,972	13,557,074	15,396,771	17,684,892	22,862,749
% Growth		128%	14%	15%	29%
% of Book	98%	98%	67%	64%	60%
Loans held for investment	115,912	307,957	7,561,643	9,843,626	15,174,314
% Growth		166%	2355%	30%	54%
% of Book	2%	2%	33%	36%	40%
Total Loan Book	6,068,884	13,865,031	22,958,414	27,528,518	38,037,063

Lending Quality Analysis	2020	2021	2022	2023	2024	2025
Provision for Credit Losses	-	7,573	54,332	54,945	31,712	30,319
Loans	4,783,512	5,179,729	9,200,023	18,733,812	25,360,067	32,443,566
Provision Ratio	0.00%	0.15%	0.59%	0.29%	0.13%	0.09%
Net Charge Offs	44,494	30,845	122,152	498,792	668,190	670,868
Net Charge Offs Ratio	0.93%	0.60%	1.33%	2.66%	2.63%	2.07%

Efficiency Ratio	2020	2021	2022	2023	2024	2025
Non Interest Expense (NIE)	894,053	1,458,476	1,837,924	2,369,002	2,409,802	3,057,178
Net Revenue	565,532	984,872	1,573,535	2,122,789	2,674,859	3,613,354
Efficiency Ratio	1.58x	1.48x	1.17x	1.12x	0.90x	0.85x

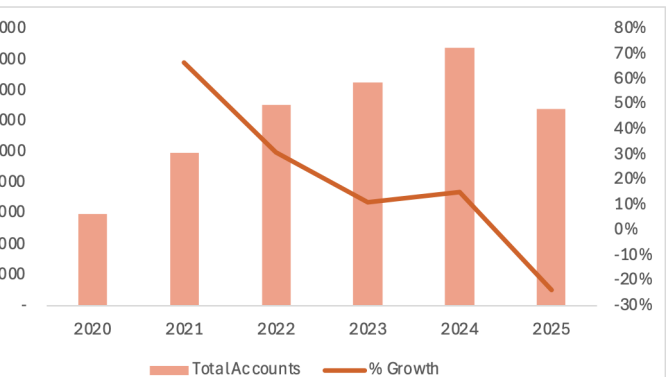
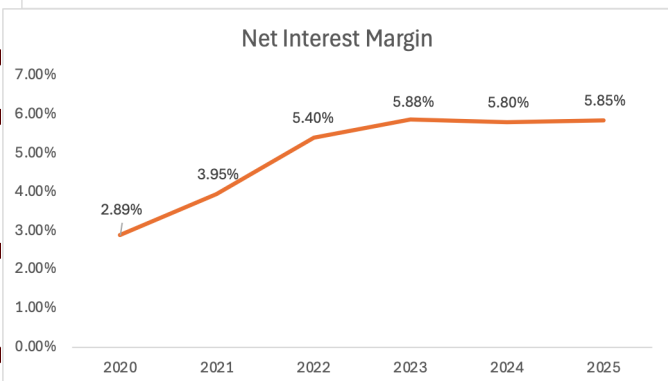
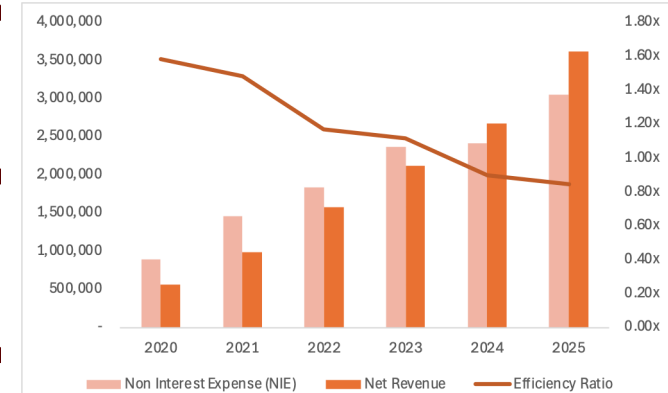


Liquidity Analysis (M)	2020	2021	2022	2023	2024	2025
Cash & Short-Term Investments	1,323	779	1,943	4,156	2,764	5,357
15% as % of Asset	15%	9%	10%	14%	9%	11%
Net Loans	5,393	6,444	14,066	23,065	27,820	36,182
Loan as % of Asset	63%	70%	74%	77%	76%	75%
Total Assets	8,563	9,176	19,008	30,075	36,251	50,660
Total Deposits	0	0	7,342	18,621	25,978	37,505
% Growth			35%	154%	40%	44%
% Loan/Deposit			192%	124%	106%	102%
ST Debt & Cur. Portion LT Debt	114	23	512	26	27	28
-4%	4,958	4,172	5,122	5,337	3,269	2,662
Long-Term Debt	4,804	4,042	5,017	5,241	3,185	1,971
Long-Term Debt excl Lease Obligations	154	130	105	96	84	91
Capital and Operating Lease Obligations	4,918	4,065	5,529	5,267	3,212	1,999
Total Debt excl Lease		-17%	36%	-5%	-39%	-38%

Leverage Analysis (M)	2020	2021	2022	2023	2024	2025
Total Debt excl Lease	4918	4065	5529	5267	3212	1999
Total Equity	3054	4698	5528	5555	6525	10489
D/E	1.61x	0.87x	1.00x	0.95x	0.49x	0.19x

Operating Cash Flow (M)	2020	2021	2022	2023	2024	2025
Net Operating Cash Flow	36,415	-41,888	207,616	561,869	1269,597	1525,434
% Growth		-215%	596%	168%	130%	20%
OCF as % of Net Revenue	0.006%	-0.004%	0.013%	0.026%	0.047%	0.042%
OCF as % of Net Income					0.25%	0.32%

Investing & Financing Cash Flow (M)	2020	2021	2022	2023	2024	2025
Capex	25	52	104	121	164	251
% Growth		113%	98%	17%	35%	53%
FCF	12	(94)	104	431	1,106	1,274
% Growth		-893%	210%	315%	157%	15%



Takeaways and Our Financial Concerns Regarding a SoFi's Fee Generating Platform:

- **Headline Statement Strength** - SoFi's income statement reflects a business crossing into structural profitability for the first time. Net interest income compounded from \$178M in 2020 to \$2.2B in 2025, NIM has stabilised at ~5.85%, and the efficiency ratio has fallen below 1.0x, a threshold the business had never previously achieved. EBIT turned positive in 2024 and accelerated to \$526M in 2025, while free cash flow inflected from negative territory to \$1.3B. On the surface, these are the hallmarks of a maturing financial institution finding its operating leverage. However, a closer read tempers the optimism: OCF as a percentage of net revenue remains negligible, and the conversion of both revenue and net income into cash has seen little meaningful improvement, suggesting that headline profitability is not yet translating into durable cash generation at the pace the income statement implies.
- **Platform Transition Story** - The more pointed concern lies in SoFi's platform transition narrative. Management has consistently framed the business as evolving beyond a balance-sheet lender toward a fee-generating, capital-light platform, a repositioning that would justify a meaningfully higher multiple. If that framing is to be taken seriously, the non-interest income lines demand particular scrutiny, as they are the most direct evidence of whether the transition is real. What the data shows is mixed. The loan platform fee line — where SoFi earns fees connecting borrowers to third-party capital rather than funding loans itself — is the strongest evidence in management's favour, scaling from zero pre-2023 to \$576M in 2025.
- **Reconciliation Mismatch** - However, this needs to be contextualized against the origination, sales and servicing line, which has declined from \$282M in 2020 to \$243M in 2025 in absolute terms despite the loan book growing aggressively, suggesting the loan platform fee growth is at least partially a reclassification of economics that previously sat elsewhere, rather than genuinely incremental platform monetisation. More damning is the Technology Products and Solutions line, which has been largely stagnant at under 3% growth in 2025, a particularly striking result given SoFi's acquisitions of Galileo and Technisys, platforms embedded across hundreds of millions of accounts at financial institutions globally. The expectation embedded in those acquisitions was compounding, high-margin infrastructure revenue; instead, Technology Platform accounts declined 23% in 2025 following the loss of a major customer. Taken together, the non-interest income picture is one where the most credible platform signal is partly offset by fee line migration, and the highest-quality infrastructure business is shrinking — leaving the platform transition thesis as promising in narrative but uneven in execution.
- **Additional Stability Risks We See** - Beyond the platform transition question, three structural considerations warrant attention. First, the held-for-investment loan book — concentrated in student loans and now representing ~40% of total originations — has been growing as a proportion rather than shrinking, which sits in tension with the capital-light narrative; management would characterize this as deliberate portfolio construction given student loans' duration profile, but it nonetheless represents balance sheet risk expanding in the same direction as the strategy emphasized to reduce it. Second, the deposit base underpinning NIM — \$37.5B accumulated in under three years — carries rate sensitivity concerns that management has so far navigated credibly: guidance was held firm in Q1 2026 even after removing all Fed rate cut assumptions for the year, suggesting the funding cost advantage is more durable than a purely promotional-rate explanation would imply. That said, the long-run stickiness of SoFi Money deposits at normalized rates, without the high-yield premium that attracted them, remains an open and unresolved question — and potentially see (1) NIM compression, (2) Cross-selling bottlenecks through loss of platform's appeal. Third, the per-share picture is materially softer than headline numbers suggest — shares outstanding have grown from ~101M in 2019 to ~1.28B today through the SPAC conversion, acquisitions, and persistent stock-based compensation, meaning EPS and FCF per share significantly lag their absolute equivalents and the equity base against which future ROE must be earned is substantially larger than the profitability trajectory alone would imply.

Appendix 3 – Amortized Cost Riskiness

Amortized Vs Fair Value	2022	2023	2024	2025
Loans held for investment at Amor Cost	344,106	884,390	1,285,910	1,549,521
% of Book Allocated	112%	12%	13%	10%
Total Loans held for Investment	307,957	7,561,643	9,843,826	15,174,314

SoFi currently allocates approximately 90% of its held-for-investment loan book at fair value, meaning the allowance for credit losses on the balance sheet covers only the remaining ~10% carried at amortized cost. This has the effect of inflating reported NCO and provision ratios relative to the true economic exposure — an issue that becomes more pronounced given the portfolio's heavy concentration in personal and student loans, asset classes that offer high yields precisely because they carry elevated default risk. Investors assessing loan book quality should therefore look beyond provisions and track fair value gains and losses directly, which provide a more complete picture of credit performance across the full book.

Appendix 4 – In-depth Valuation

ASSUMPTIONS (blue = inputs)

Parameter	Value	Source / Note
TBV per share (\$)	7.21	SoFi Q1 2026 8-K, Apr 2026
Cost of Equity — Ke	0.11	Report base case
Long-run growth — g	0.05	Report base case
Current share price (\$)	16.58	Approx. June 2026

SCENARIO ANALYSIS

Scenario	Assumed ROE	Fair P/TBV	Target Price (\$)	Upside/(Downside)	Verdict
Bear — mgmt near-term	9%	0.67x	4.81	-71%	Overvalued at current price
Base — partial ramp to 15%	15%	1.67x	12.02	-28%	Roughly fairly valued to overvalued
Bull — mgmt LR target 20%	20%	2.50x	18.03	9%	Upside if target credible
Bull+ — full LR target 25%	25%	3.33x	24.03	45%	Significant re-rating
Market-implied (reverse)	19%	2.25x	16.22	-2%	What price bakes in today (Faithful Approx)

SENSITIVITY — Target Price (\$) | Ke (columns) × ROE (rows) · g = 5% fixed

ROE ↓ / Ke →	0.09	0.1	0.11	0.12	0.13
0.07	3.61	2.88	2.40	2.06	1.80
0.09	7.21	5.77	4.81	4.12	3.61
0.11	10.82	8.65	7.21	6.18	5.41
0.13	14.42	11.54	9.61	8.24	7.21
0.15	18.03	14.42	12.02	10.30	9.01
0.18	23.43	18.75	15.62	13.39	11.72
0.2	27.04	21.63	18.03	15.45	13.52
0.25	36.05	28.84	24.03	20.60	18.03
0.3	45.06	36.05	30.04	25.75	22.53

Weighted Average Implied Share Price

Scenario	Weight	Implied Value
Bear	20%	4.81
Base	60%	12.02
Bull	20%	18.03
Weighted Implied Share Price		11.78
Weighted Implied Upside / (Downside)		-29%

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