Twitter Thread by Benchmark

Benchmark
@GetBenchmarkCo

SoFi was founded in 2011 by 4 students who met at Stanford

■ The goal was to decrease the student debt burden by giving out lower rates than federal standards

■ SoFi's rates ranged from 5.99% to 6.5%, undercutting federal and privates rates which ranged from 6.8% to 16%



By September 2012, SoFi was reported to have commit over $ 200m in loans

■ This increased to $ 450m by April 2014 and its borrowers reportedly got on average $ 9,400 in savings by refinancing their loan

https://t.co/ooW8URzu3L

■ Today, SoFi wants to help its customers with every “financial” step of their journey, providing:

· Student loans

· Medical loans

· Home loans

· Renters insurance (powered by $LMND)

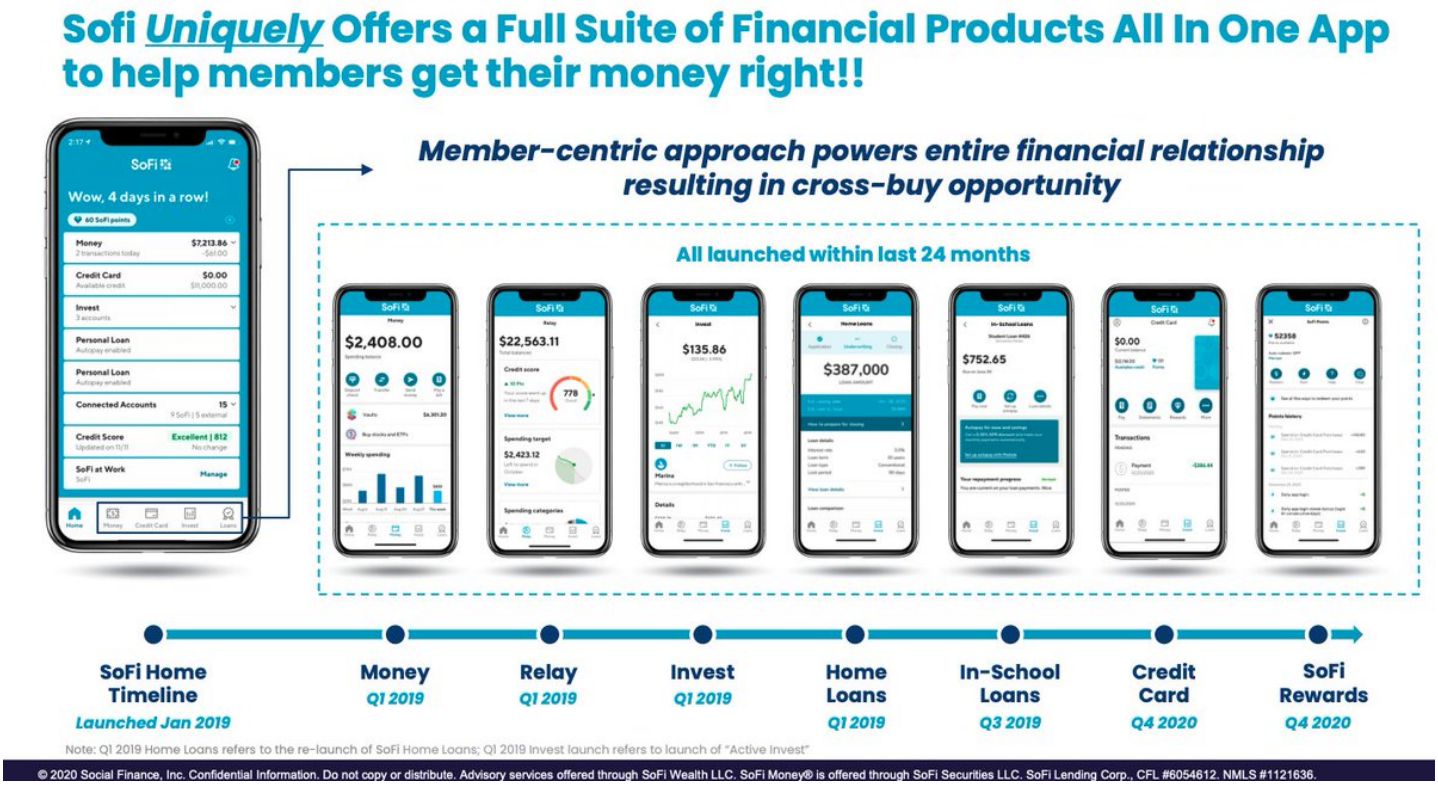
· ETFs

· Stocks & cryptos

· Credit card

· Auto insurance (powered by $ROOT)

& more!



■ It has also understood that time-pressed and convenience-seeking young professionals value the following elements:

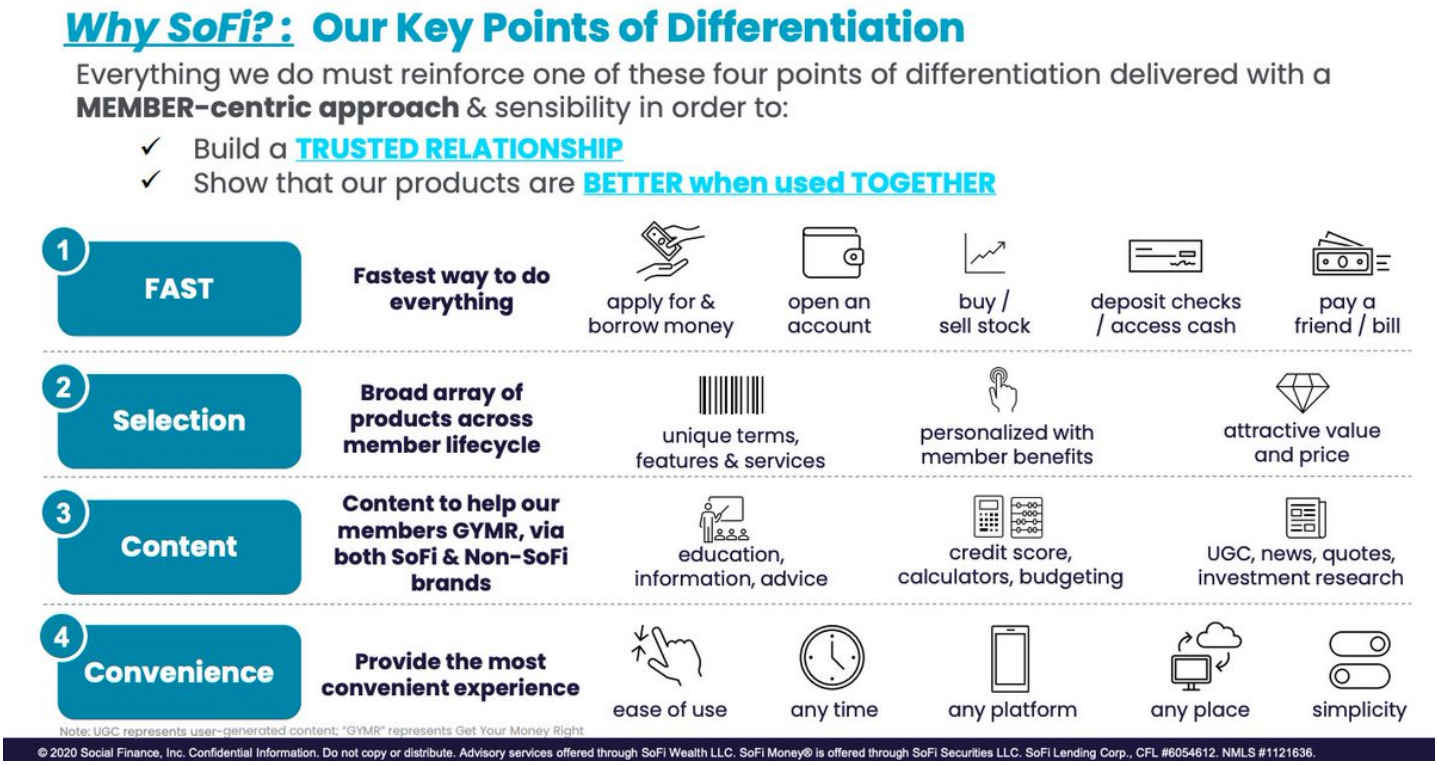
· Speed

· Choice

· Content

· Education

And $SOFI thus turned itself into a convenient, affordable, transparent and user-friendly financial platform



This means that SoFi's wants to be a "one-stop-shop" for its users

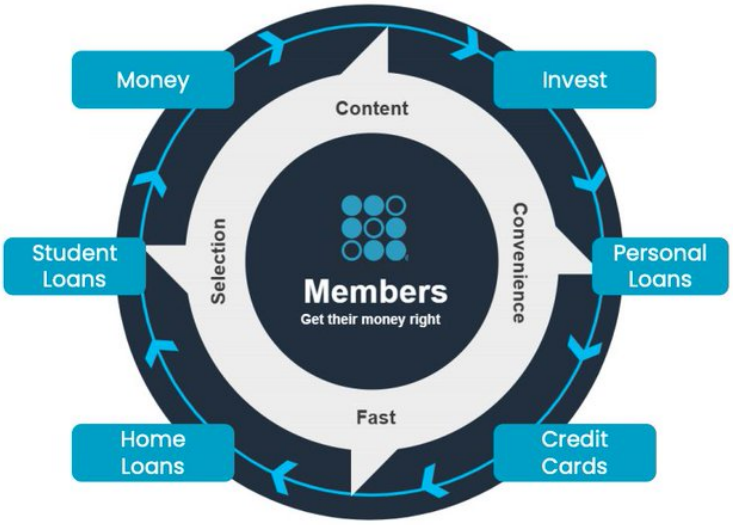
■ Enabling it to cross-sell its different products and reduce its Customer Acquisition Cost

The SoFi Strategy: A member experience & full suite of products that leverages the FSPL

Leveraging the financial services productivity loop ("FSPL") strategy where building **TRUST** and a "**RELATIONSHIP**" in the 1st product drives success in the next, results in **Highest LTV & Lowest CAC** resulting in **our competitive advantage**.

Building our products so that they are **BETTER when used TOGETHER** further builds our competitive advantage in driving **SoFi's FSPL**

Best unit economics from lower CAC, lower cost from vertical integration **win!!**

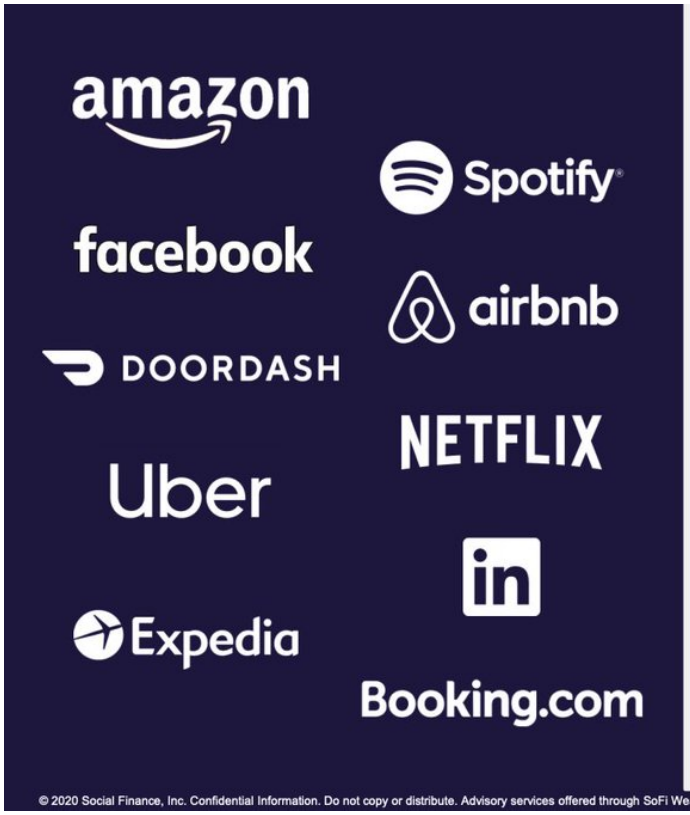


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$SOFI is betting that it can replicate $AMZN, $FB and $UBER's successes in their industry

■ And become the leading FinTech

"where three to five FinTech companies will emerge as leaders, and one will emerge as a Winner Takes Most, and we believe that will be SoFi."

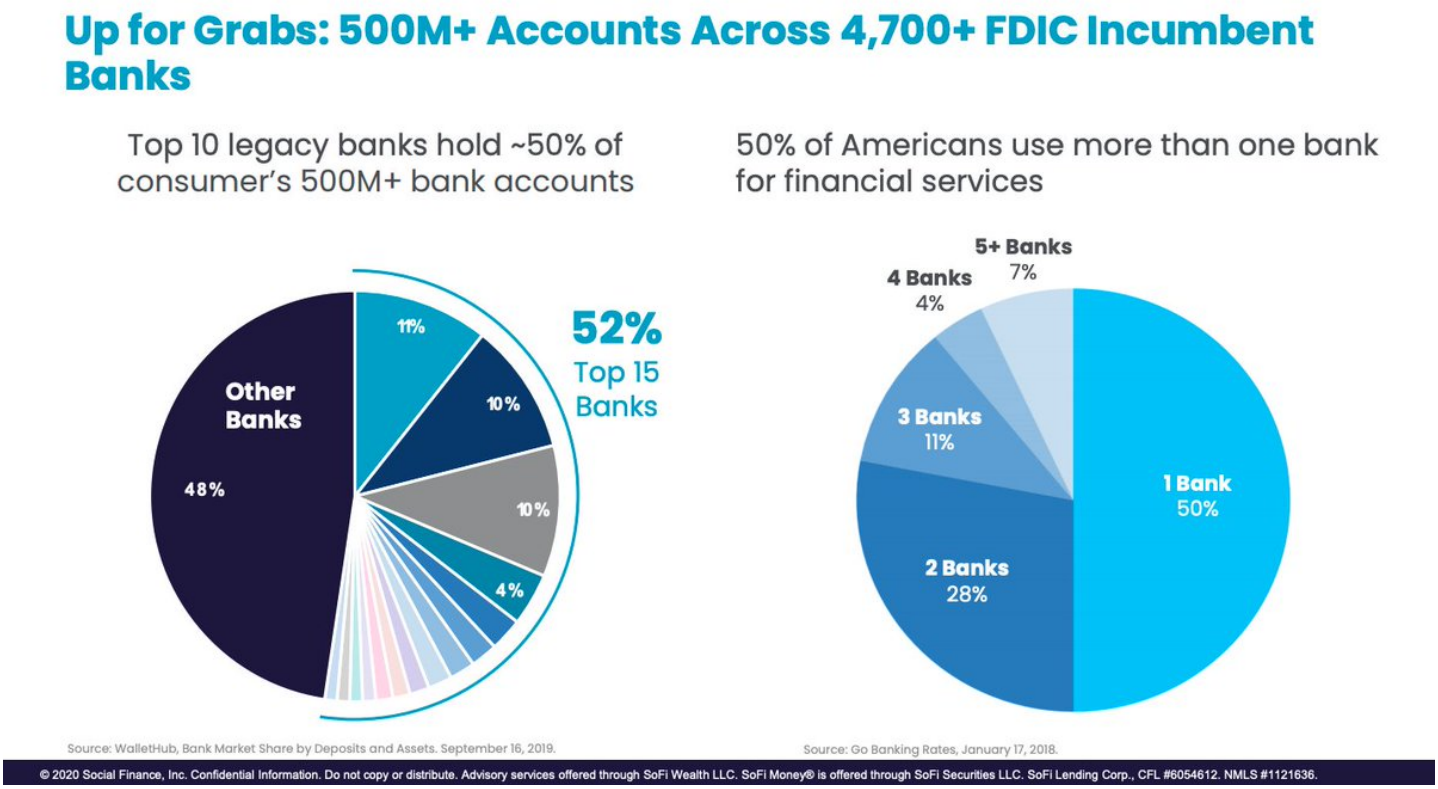


The "winner takes most" Fintech opportunity remains ...and now is SoFi's time

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■ This claim rests on the observation that around 250m banking account are held by the more than 4,700 Tier-2 banks in the U.S.

■ And around 40% of Americans use more than one bank account as their primary bank doesn't offer fully integrated services



$SOFI therefor bets that it can attract these customers with its modern and fully-integrated digital banking experience

This strategy is supported by a tool $SOFI acquired in April 2020 for $ 1.2B:

■■ GALILEO

https://t.co/xvQvQYEsdS

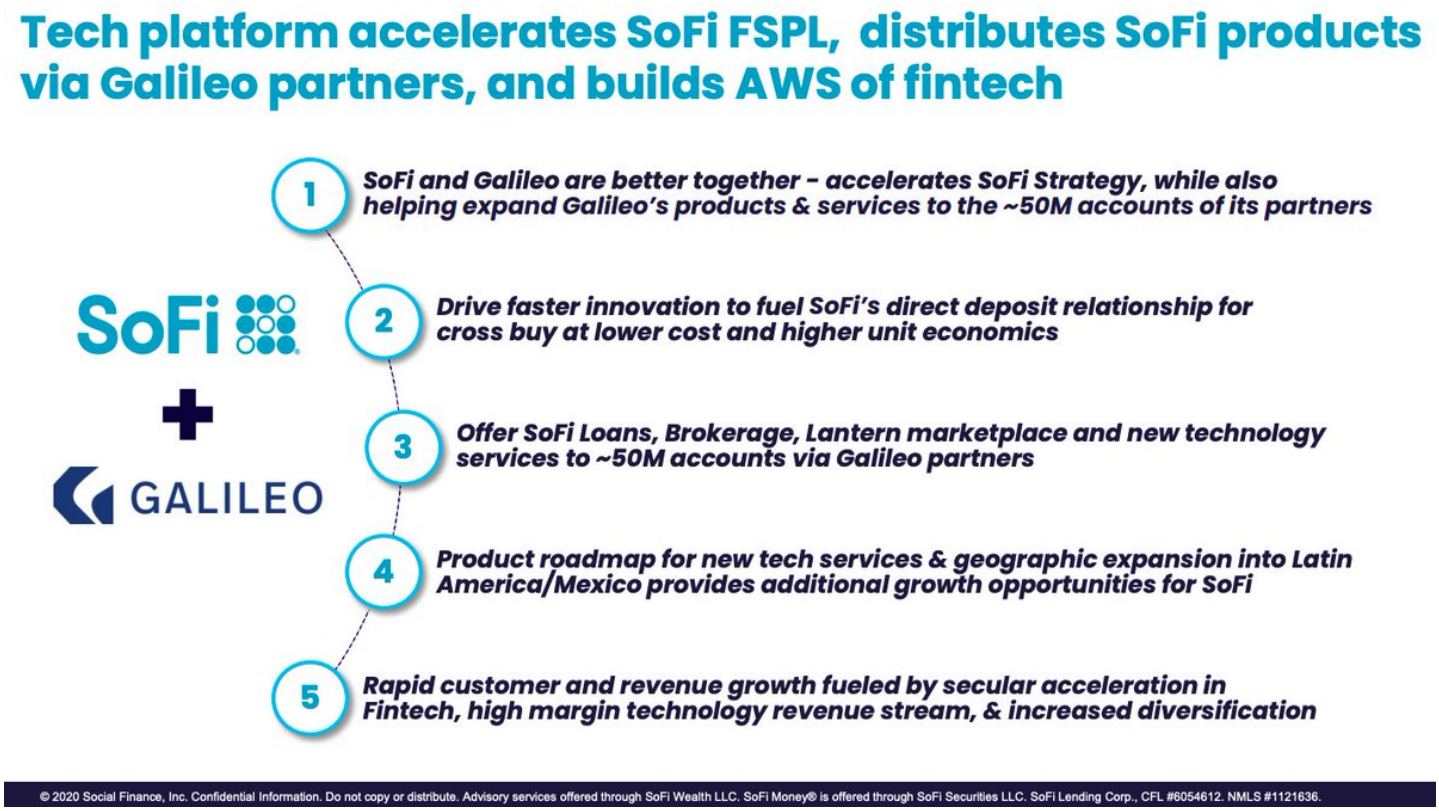
■ Galileo is the engine behind Robinhood, Revolut, Monzo, Chime, TransferWise

"With our APIs our clients can create and manage accounts, authorize payments, manage card balances and get fraud protection. We manage the entire back end, […]"

Galileo is central in powering SoFi's growth, profitability and long term competitive position

■■ SoFi's unit economics will be hard to beat by companies that compete with SoFi but are also SUPPLIED by it

$SOFI will then be the "AWS of FinTech"



■ Here are some of #SoFi's CEO remarks in a discussion wtih Chamath Palihapitiya

"The addition of Galileo's technology platform allows us to vertically integrate our financial services"

"[…] so that we can achieve superior economics in these products as well"

"We believe our vertical integration of tech and operations, via our lending stack, and now the Galileo technology platform,"

"coupled with the revenue and marketing efficiencies of cross-buying, will drive attractive unit economics that will be hard to beat."

Great! How is the market doing?

■ According to ReportLinker, the global market for Digital Banking is set to reach $ 22.3B by 2025

■ Driven by the growing base of internet users, increasing smartphone penetration, customer appetite for convenience and bank's need to cut costs

"At the same time, intense pressure on banking firms to minimize operating costs in order to stay competitive is also having a major bearing on uptake of digital banking solutions"

https://t.co/Yj2jr80Z6N

■ According to Mordor Intelligence, the Digital Lending Market is set to reach $ 587B by 2026, up from $ 311B in 2020

■ For a CAGR of 11.9% and driven by the growing smartphone penetration, the need to digitise across the industry to cut costs

https://t.co/Y45GoHX0Kj

SoFi's management is TIER-1

■ Anthony Noto (CEO), Chris Lapointe (CFO) and Michelle Gill (GBL) are Goldman Sachs alumni

■ Assaf Ronen (HoE), Clay Wilkes (co-Founder Galileo) and Lauren Webb (CMO) have worked at Amazon, Microsoft, Intuit, Galileo



■ Financial Check ■

■ Net revenue reached $ 451m in 2019, up 87% YoY

· Sales are expected to reach $ 621m in 2020, up 38% YoY

■ Ajd. EBITDA came in at a loss of $ 149m in 2019

· Adj. EBITDA loss is expected to contract to $ 66m in 2020

■ THE BOTTOM LINE ■

■ SoFi aims to take advantage of the fragmented TIER-2 banking market by stealing customers with its easy to use and intuitive "one-stop-shop" offering

■ This "one-stop-shop" strategy enables it to reduce customer acquisitions costs by cross-selling products and offering a central touch points for users

■ Driven by the need for cost optimisation, banks have no other opportunity than to propose digital tools to their clients

■ With Galileo, SoFi is ideally placed to take advantage of the rise of digital “NeoBanks” but also of the TIER-2 banks modernisation effort

■ In the long term, SoFi is set to become hard to compete with as it has a lower CAC than its competitors, and supplies its competitors

■ Banks may be driven to develop their own backend in order to avoid “risky” competition from SoFi

■ SoFi’s sales slowed down in 2020 but projects an acceleration going into 2021

■ We have a starter stake in $IPOE (SoFi) ■

Disclaimer - This is not investment advice in any form and investors are responsible for conducting their own research before investing.

Sources

📝 Investor presentation

📝 Company website

📝 Valuates

📝 Forbes

📝 Mordor Intelligence

📝 ReportLinker

📝 TechCrunch

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https://t.co/lQ6ay1zmm2