

Pagaya Technologies Ltd. (PGY)

DCF Valuation Outcome & Cash Secured Put Candidacy

Reference summary — built from the two-stage FCFF DCF model, valuation date September 1, 2026

Valuation Snapshot

Current share price (Sep 1, 2026)	\$21.31
DCF intrinsic value (Implied Share Price)	\$28.83
Upside to intrinsic value	+35.3%
Margin of safety	26.1%
Discount rate (WACC) used	22.53% (stockanalysis.com direct)
Terminal Value as % of Enterprise Value	47.2% (well under 75–80% caution threshold)
Net debt position	–\$381.7mm (net cash)
Raw levered beta	5.37 (high)

Why the Fundamentals Support the Case

The DCF model, populated from live stockanalysis.com Pro data, implies an intrinsic value of \$28.83 per share against a \$21.31 market price as of the valuation date — a 35.3% gap and a 26.1% margin of safety. A few features of the underlying model make that gap reasonably well-supported rather than an artifact of aggressive assumptions:

- Revenue growth of 13.0% in Year 1 fading to 7.0% by Year 5, alongside EBIT margin expansion from 27.1% to 31.5%, reflects a business scaling profitably rather than growing into a loss.
- A 15% effective tax rate was verified against the balance sheet rather than assumed, and used as-is.
- The company carries more cash (\$1,289mm) than debt (\$907mm), a net cash position of roughly \$382mm — a real balance-sheet cushion, not a modeling assumption.
- Terminal Value represents 47.2% of Enterprise Value, comfortably below the ~75–80% level the model flags as a red flag for over-reliance on distant, less-certain cash flows — most of the estimated value comes from the explicit 5-year forecast, not the perpetuity tail.
- The 22.53% WACC used is stockanalysis.com's own computed figure, taken directly per your standing methodology, and the model's mandatory WACC-sensitivity check did not flag this case as a narrow-spread outlier the way it did for LVS.

Why This Also Suits a Cash Secured Put Strategy

A cash secured put (CSP) involves selling a put option against cash held to cover assignment, collecting the premium up front. Two outcomes follow: the option expires worthless and the premium is kept as income, or the stock closes below the strike and the shares are assigned (purchased) at the strike price, with the premium reducing the effective cost basis. The DCF outcome bears on both outcomes here:

- Because intrinsic value (\$28.83) sits well above the current price (\$21.31), a put strike placed at or below the current price — the typical CSP setup — would very likely result in an effective cost basis (strike minus premium) that remains at a meaningful discount to the model's fair-value estimate, even if the stock keeps sliding before assignment.
- The 26.1% margin of safety functions as a buffer: it's the amount the stock could be overvalued by (or the DCF could be too optimistic) before an assignment at a reasonable strike would price out ahead of intrinsic value.
- The stock's raw beta of 5.37 signals high realized volatility, which tends to inflate option premiums at a given strike distance from the current price — all else equal, that means richer income per contract for a CSP seller than a low-beta name would offer.
- The net cash balance sheet reduces (without eliminating) the risk of a solvency-driven collapse through the strike, which matters most for the assignment leg of the trade, where you would end up holding shares.

Risk Factors & What the Model Doesn't Capture

The same features that make PGY interesting for a CSP also carry real risk, and the DCF is a framework, not a forecast guarantee:

- A raw beta of 5.37 is extreme, even for a small/mid-cap fintech — it implies the stock can move sharply and quickly in either direction, which can push the price through a chosen strike faster than the premium collected would offset.
- The 22.53% WACC used is itself a high discount rate that already prices in significant risk — this is not a “cheap money” valuation, and the market may simply be demanding that risk premium rather than being wrong.
- PGY's model is a lending/fintech business funded partly through securitization; the DCF's net working capital and debt figures exclude securitization-related balance-sheet items as a modeling simplification, so the capital structure is more complex than the model's two summary lines suggest.
- This snapshot reflects data pulled on September 1, 2026. Price, beta, and consensus estimates should be reconfirmed before sizing or entering any options position, particularly given the stock's volatility.

Bottom Line

The DCF outputs — a positive margin of safety, a terminal value that isn't carrying the valuation, and a net-cash balance sheet — are the combination that typically makes a name worth considering for a premium-collection, discount-entry approach like a cash secured put. The high beta cuts both ways: it richens the premium but also raises the odds of a fast move through whatever strike is chosen, so strike distance, expiration, and position size are where that trade-off actually gets managed.

This summary is generated from the DCF model built for you and general options mechanics. It is not personalized investment or financial advice, and Canadian Cents I.Q. is not a licensed financial advisor — please confirm live pricing and consider your own risk tolerance and portfolio context and consult a licensed professional as appropriate before executing any trade.