WEALTH PRESERVATION EQUITY RESEARCH

NU

Nu Holdings Ltd.

NYSE: NU | Digital Banking & Fintech | Latin America

BUY

Current Price: $14.15 | Fair Value: $18.40 | Margin of Safety: 23.1%
WP Score: 74/100 | Expected Return: 15.1% CAGR | Bear Case: +0.5% CAGR

Report Date: April 3, 2026
Analyst: Moschovakis Capital Research
Price Data as of: April 2, 2026

EXECUTIVE SUMMARY

RECOMMENDATION	BUY

Valuation Summary

Current Price	$14.15
Fair Value (Base Case)	$18.40
Margin of Safety	23.1%
Target Entry (Scale-In)	$13.00 - $14.50

Return Profile

Dividend Yield	0.0% (Growth Stock)
Expected EPS Growth (5Y)	~25% CAGR
Total Expected Return (Base)	17.8% CAGR
Bear Case Total Return	+0.5% CAGR
Bull Case Total Return	24.3% CAGR
Probability-Weighted Return	15.1% CAGR

Risk Assessment

Wealth Preservation Score	74 / 100
Downside Protection Score	55 / 100
Quality Score	75 / 100
Return Adequacy Score	100 / 100
Risk Level	MODERATE
Recession Profile	UNTESTED (IPO 2021)

One-Line Thesis

Nu Holdings trades at 15x forward earnings for a 131-million-customer digital bank growing revenue 40%+ annually with 33% ROE, a net cash balance sheet, and a multi-country runway that caps downside while leaving the upside uncapped.

INVESTMENT THESIS

Nu Holdings operates the largest digital banking platform in Latin America, serving 131 million customers across Brazil, Mexico, and Colombia. The company reached profitability in 2023 and has since compounded net income from $1 billion to $2.9 billion in two years, posting a record 33% return on equity in Q4 2025. Management, led by founder-CEO David Velez (who retains an approximately 20% stake), has executed a playbook of customer acquisition at near-zero marginal cost, followed by cross-selling credit cards, personal loans, insurance, and investment products. Average revenue per active customer (ARPAC) has grown at a 30% compound annual rate since 2021, reaching $15 per month, yet it remains a fraction of what incumbent banks extract from comparable customers. That gap represents years of monetization runway.

The balance sheet supports this framework's capital preservation mandate. Nu carries $16.3 billion in cash against $5.3 billion in total debt, giving it an $11 billion net cash position ($2.28 per share). Total capital stands at $8.9 billion, with $3 billion in unrestricted cash at the holding level. The company funds its lending operations through $41.9 billion in deposits sourced at 87% of interbank rates, one of the cheapest funding bases in Brazilian banking. An efficiency ratio of 19.9%, falling below 20% for the first time, reflects the structural cost advantage of a digital-only model over branch-heavy incumbents.

At $14.15 per share, the market values Nu at roughly 15x consensus 2026 earnings of $0.92 (a PEG ratio of 0.43). That multiple sits well below the stock's three-year average P/E of 63x and below the 25th percentile of its own valuation history. The compression reflects broader emerging-market risk aversion and BRL weakness, not a deterioration in fundamentals. For a wealth preservation investor, the setup offers an entry point where the downside scenario (a prolonged LatAm recession, credit loss spike, and multiple contraction to 12x) still preserves capital on a 10-year horizon, while the base and bull cases deliver 15-24% annualized total returns. The principal risk is the zero-dividend policy, which removes the income cushion this framework prizes. However, given the reinvestment opportunity at 33% ROE and the PEG of 0.43, capital retention creates more value per dollar than any dividend distribution would.

Growth Stock Framework Adaptation Applied

Because Nu pays no dividend, this report applies the WP Framework's growth stock adaptation: dividend criteria are waived, free cash flow trajectory is substituted for income reliability, the return hurdle is raised to compensate for the absence of income cushion, and bear case capital preservation remains a non-negotiable requirement. The structural 30-point income reliability penalty for zero-dividend stocks reduces Nu's quality score but does not disqualify it, as the forward return profile and capital efficiency exceed thresholds by a wide margin.

1. BUSINESS QUALITY ASSESSMENT

Business Model

Nu operates a fully digital banking platform headquartered in Sao Paulo, Brazil, with operations in Mexico and Colombia. Revenue is generated through interest income on consumer credit (credit cards, personal loans, payroll loans), interchange fees on card transactions, account fees, and more recently, insurance and investment product distribution. The platform served 131 million customers as of Q4 2025 with an 83% activity rate, making it the fourth-largest financial institution in Latin America by customer count.

Competitive Moat

Moat Type	Evidence	Durability	Preservation Value
Cost Advantage	19.9% efficiency ratio vs 40-60% for incumbents; zero branches	9/10	Excellent
Switching Costs	Primary bank for millions; salary deposits, bill pay, credit history	7/10	Good
Network Effects	131M users create data flywheel for credit scoring + AI-driven underwriting	7/10	Good
Brand Power	Highest NPS among Brazilian banks; viral customer acquisition	8/10	Excellent

Moat Erosion Risk: MODERATE. Incumbent banks (Itau, Bradesco, Santander Brasil) are investing in digital platforms and could narrow the cost gap over time. MercadoLibre's Mercado Pago represents a credible threat through its e-commerce ecosystem. However, Nu's 131 million customer base and AI-driven credit scoring create compounding advantages that are difficult to replicate in the medium term.

Market Position

Industry Ranking	#1 digital bank in Latin America; #4 by customer count overall
Customer Base	131 million (17M net adds in 2025)
Activity Rate	83%
ARPAC	$15/month, growing 27% YoY
Geographic Presence	Brazil (core), Mexico (scaling), Colombia (early)
Pricing Power	STRONG (deposit cost 87% of CDI; credit pricing above peers)

2. FINANCIAL FORTRESS ANALYSIS

Balance Sheet Strength (Bank-Adapted Metrics)

Traditional D/E and interest coverage ratios are not applicable to banks. Nu's solvency is assessed through capital adequacy, net cash position, deposit base stability, and non-performing loan ratios.

Metric	Value	Threshold	Assessment
Total Capital	$8.9B	Regulatory compliant	✓ STRONG
Cash & Equivalents	$16.3B	>$5B	✓ FORTRESS
Total Debt	$5.3B	< Cash	✓ NET CASH
Net Cash Position	$11.05B ($2.28/share)	Positive	✓ FORTRESS
Total Deposits	$41.9B	Growing, low-cost	✓ 29% YoY growth
Deposit Cost vs CDI	87%	<100%	✓ LOW COST
Unrestricted HoldCo Cash	$3.0B	>$1B	✓ STRONG
NPL 90+ (Brazil)	6.8%	<8%	✓ MANAGEABLE
Equity (Book Value)	$11.3B	Growing	✓ +45% YoY

Solvency Verdict: FORTRESS

Nu holds $11 billion in net cash and funds its credit operations through a sticky, low-cost deposit base of $42 billion. The holding company retains $3 billion in unrestricted cash, providing a buffer against any subsidiary capital calls. A 30% revenue decline (severe recession scenario) would reduce profitability but not threaten solvency. NPLs at 6.8% (90+ days, Brazil only) sit within the expected range for the mix of unsecured consumer credit and are covered by adequate provisioning.

Profitability Metrics

Metric	FY 2023	FY 2024	FY 2025	Trend
Net Income ($B)	$1.03B	$1.97B	$2.87B	↑ +46% CAGR
ROE	~18%	~26%	33%	↑ Record
ROA	~2.5%	~3.5%	4.6%	↑ Improving
Operating Margin	~19%	~24%	55%	↑ Step-change
Profit Margin	~13%	~17%	41%	↑ Strong
Efficiency Ratio	~30%	~24%	19.9%	↑ Below 20%
EPS (Diluted)	$0.21	$0.40	$0.59	↑ +68% CAGR

Dilution Assessment: EXCELLENT

Shares outstanding grew 0.38% year-over-year, driven by modest stock-based compensation. At sub-0.5% annual dilution, management is not extracting value from shareholders. CEO David Velez retains approximately 20% ownership through Class B shares, ensuring strong alignment. Insider ownership across the founder team sits at roughly 2.7% of total shares on a Class A basis (significantly higher on a voting-power basis due to dual-class structure).

3. DIVIDEND ANALYSIS

Nu Holdings does not pay a dividend. This is the single largest structural handicap under the WP Framework, which assigns up to 30 points to income reliability. The zero-dividend policy is deliberate: management reinvests all earnings into customer acquisition and credit portfolio expansion at a 33% ROE. At that return on equity, each dollar retained generates $0.33 in annual earnings. A dollar paid as dividend, reinvested by the shareholder in a 7% CAGR alternative, generates $0.07.

Under the growth stock adaptation, we substitute FCF trajectory for dividend analysis. Nu's reported operating cash flow is negative ($-9.4 billion TTM) because it reflects loan origination growth, the core revenue-generating activity for a bank. This is analogous to a retailer showing negative cash flow because it purchased inventory. On a holding-company basis, net income of $2.9 billion and unrestricted cash of $3 billion confirm genuine cash generation. The company's Piotroski F-Score of 2 (low) reflects the mechanical penalties a fast-growing bank receives on cash flow and leverage metrics, not financial distress.

Metric	Value	WP Assessment
Dividend Yield	0.0%	Zero (30-pt penalty under standard framework)
Payout Ratio	0%	All earnings retained at 33% ROE
FCF (Reported)	-$9.4B	Reflects loan origination; bank-normal
HoldCo Cash Generation	$2.9B net income	Strong underlying cash generation
Buyback Yield	-0.38%	Minimal dilution offset
Shareholder Yield	-0.38%	Growth reinvestment prioritized

Dividend Sustainability: NOT APPLICABLE (Growth Stock Adaptation)

4. VALUATION ANALYSIS

Relative Valuation

Metric	Current	1Y Avg	3Y Avg	Percentile	Assessment
P/E (TTM)	24.0x	30.2x	62.8x	<25th	ATTRACTIVE
Forward P/E	15.4x	22x (est)	N/A	<10th	ATTRACTIVE
P/B	6.3x	7.5x (est)	8.0x (est)	~25th	FAIR
PEG Ratio	0.43	N/A	N/A	N/A	VERY ATTRACTIVE
EV/Earnings	20.8x	N/A	N/A	N/A	FAIR
P/S (Net Rev)	10.1x	N/A	N/A	N/A	PREMIUM

Fair Value Calculation

Forward EPS (2026 consensus): $0.92. Fair P/E multiple: 20x (reflects high-growth digital bank with 33% ROE, strong moat, but LatAm macro risk discount). Fair value: $0.92 x 20.0 = $18.40. Current price: $14.15. Margin of safety: 23.1%. Using a more conservative 17x multiple (in line with LatAm bank peer premiums), fair value would be $15.64, still offering 10% upside. The stock would need to trade below $12.00 (13x forward) to offer zero margin of safety, implying significant valuation support at current levels.

Valuation Verdict: ATTRACTIVE

At 15.4x forward earnings with a 0.43 PEG ratio, Nu trades at its cheapest forward multiple since IPO. The stock sits 25% below its January 2026 all-time high of $18.98. Current pricing implies the market expects a material slowdown in earnings growth, which the most recent quarter (50% YoY net income growth) does not support. Analyst consensus targets $17.80 (median $19.00), representing 26% upside from current levels.

5. SCENARIO ANALYSIS

All scenarios use 2026E EPS of $0.92 as the starting point and project 10 years forward. Total return includes price appreciation only (zero dividend). Currency risk is embedded in EPS growth assumptions.

Scenario	EPS CAGR	Terminal P/E	2036 EPS	2036 Price	Total CAGR	Weight
Bear	3%	12x	$1.24	$14.88	+0.5%	25%
Base	20%/12%*	18x	$4.03	$72.54	+17.8%	50%
Bull	25%/15%*	22x	$5.65	$124.30	+24.3%	25%

* Base/Bull: 20-25% CAGR for first 5 years, then 12-15% for years 6-10 as growth normalizes.

Probability-Weighted Expected Total Return 15.1% CAGR

Bear Case Assumptions

Brazil enters a prolonged recession. The real devalues 30% against the dollar. Credit losses spike to 12%+ NPLs, compressing net interest margin and requiring heavier provisioning. Revenue growth stalls to low single digits. Multiple compresses to 12x as emerging-market risk aversion peaks. Mexico and Colombia expansion stalls. Even under these conditions, Nu's net cash balance sheet prevents solvency risk. EPS of $0.92 grows at a meager 3% CAGR for a decade, arriving at $1.24 by 2036. At 12x terminal earnings, the stock would trade at $14.88, roughly flat from today's price. Capital is preserved.

Base Case Assumptions

Brazil grows at trend. Mexico reaches profitability by 2027, contributing 10-15% of group earnings by 2030. ARPAC grows from $15 to $25+ as product cross-selling matures. Customer base reaches 170-180 million. EPS compounds at 20% for five years, then decelerates to 12% as the business matures. Multiple normalizes at 18x, appropriate for a large-cap bank with above-average growth and ROE. The result: $72.54 per share in 2036, delivering 17.8% annualized returns.

Bull Case Assumptions

Nu executes on its U.S. expansion (conditional OCC charter secured). Mexico monetization inflects ahead of schedule. AI-driven underwriting reduces credit losses below peers, widening the margin advantage. The company initiates a dividend or buyback program by 2028 as excess capital builds. EPS compounds at 25% for five years and 15% for the following five, reaching $5.65. A 22x terminal multiple (reflecting a global digital banking franchise) yields $124 per share.

Critical Downside Check

Bear Case Total Return	+0.5% CAGR
Capital Preserved in Downside?	✓ YES (barely)
Max Estimated Drawdown from Current	~35% (to ~$9.00, near 52-week low)
Probability of >50% Permanent Loss	<5%

6. RISK ASSESSMENT

Risk Category	Score	Key Concern	Mitigation
Balance Sheet Risk	2/10	Low; net cash position	$11B net cash; $3B unrestricted at HoldCo
Credit / NPL Risk	5/10	NPLs at 6.8% (90+); unsecured LatAm lending	AI-driven underwriting; risk-adj NIM 10.5%
Currency Risk	6/10	BRL weakness reduces USD-reported earnings	Mexico/Colombia diversification; FXN growth 40%+
Competitive Threat	4/10	Incumbents investing in digital; MercadoPago	Cost advantage (20% efficiency ratio); 131M users
Regulatory Risk	5/10	FGTS rule changes; Brazil banking regulation	Diversified product suite; OCC US charter
Management Risk	2/10	CEO selling small stakes for estate planning	20% ownership; founder-led; Giving Pledge signatory
Valuation Risk	3/10	Premium P/B of 6x; growth deceleration	15x forward P/E; PEG 0.43; below historical avg
Dividend Risk	7/10	Zero dividend; no income floor	Growth stock adaptation applied; 33% ROE reinvestment
Aggregate Risk	4.3/10		

Recession Stress Test

Nu has no recession track record. The company was founded in 2013, listed in December 2021, and has only operated during a period of rising Brazilian interest rates (SELIC from 2% in 2021 to 15% in 2025). During the 2022 EM selloff, NU stock declined 73% from its IPO price of $12 to a low of $3.26 (May 2022), driven by a combination of rate hikes, growth-to-value rotation, and post-IPO lockup expiry. The business itself continued growing through this period, reaching profitability in 2023. The absence of a through-cycle track record is a genuine risk factor, partially offset by the net cash balance sheet and low-cost deposit base.

Period	Event	Stock Price Impact	Business Impact
2022	EM rate hike / growth selloff	-73% (peak to trough)	Revenue +130% YoY; turned profitable in 2023
2020	N/A (pre-IPO)	N/A	Revenue +20% YoY; loss narrowed
2008	N/A (pre-founding)	N/A	N/A

Recession Profile: UNTESTED

7. MANAGEMENT & GOVERNANCE

CEO: David Velez Osorno (Founder)

Tenure	13 years (founded 2013); CEO since inception
Ownership	~20% economic stake via Class B shares
Track Record	Built largest digital bank in LatAm from zero to 131M customers in 12 years
Insider Sales	Sold ~3-3.5% of stake twice (2023, 2024, 2025) for estate planning / philanthropy
Giving Pledge	Signed 2021; committed majority of wealth to charitable causes
Employees	~8,050 (revenue per employee: $910K)

Capital Allocation (3-Year Track Record)

Management has prioritized reinvestment into customer growth and credit portfolio expansion over shareholder distributions. The credit portfolio grew from $9.4B (2022) to $32.7B (2025), a 3.5x expansion funded primarily through deposits. Share dilution has been minimal at 0.38% annually. No acquisitions of note; growth has been entirely organic. The company received conditional OCC approval for a U.S. national bank charter in Q4 2025, signaling a deliberate, long-term international expansion strategy rather than an impulsive land-grab. The decision to refrain from dividends or buybacks at this stage is rational given the 33% ROE reinvestment opportunity.

Management Quality: EXCELLENT

8. PEER COMPARISON

Metric	Nu (NU)	Itau (ITUB)	Inter (INTR)	StoneCo (STNE)	Best for WP
P/E (TTM)	24x	~9x	~15x	~12x	ITUB
ROE	33%	~20%	~12%	~15%	NU
Revenue Growth	37%	~10%	~25%	~15%	NU
Dividend Yield	0%	~4%	0%	0%	ITUB
Net Cash / Debt	Net Cash $11B	Bank model	Bank model	Net Cash	NU
Customer Base	131M	~70M	~35M	~4M (merchants)	NU
Efficiency Ratio	19.9%	~40%	~52%	~48%	NU
NPL 90+	6.8%	~4.5%	~5.5%	N/A	ITUB
5Y Revenue CAGR	~83%	~12%	~30%	~20%	NU

Nu's premium valuation relative to Itau and StoneCo is justified by its 33% ROE (vs 20% and 15%), 37% revenue growth (vs 10% and 15%), and a structural cost advantage that continues widening. Itau offers a better income profile for wealth preservation investors who prioritize current dividends (4% yield). For capital allocators willing to accept zero income in exchange for superior compounding at 33% ROE with a net cash balance sheet, Nu offers a more attractive total return profile. The PEG ratio of 0.43 makes Nu cheaper than all peers on a growth-adjusted basis despite the headline P/E premium.

9. KEY METRICS SUMMARY

Wealth Preservation Score	74 / 100
Downside Protection Score	55 / 100
Return Adequacy Score	100 / 100
Quality Score	75 / 100
Fair Value Range	$15.64 - $20.00
Current Price	$14.15
Margin of Safety (to $18.40 FV)	23.1%
Expected Total Return (Base)	17.8% CAGR
Bear Case Return	+0.5% CAGR
Dividend Yield + Growth	0% + N/A
ROE	33%
Prob. of Permanent Capital Loss (>50%)	<5%

WP Score Breakdown

Pillar	Weight	Raw Score	Weighted
Downside Protection	45%	55 / 100	24.8
Return Adequacy	30%	100 / 100	30.0
Quality	25%	75 / 100	18.8
COMPOSITE WP SCORE	**100%**		**73.5 (≈ 74)**

At 74, Nu sits in the 65-75 range (Good candidate, standard position size). The score is constrained by the zero-dividend policy, which penalizes the Downside Protection and Quality pillars. Return Adequacy scores a perfect 100 due to the 17.8% base case CAGR, well above the 7% hurdle.

10. MONITORING CHECKLIST & EXIT TRIGGERS

Quarterly Review

■ Customer net adds (target: >3M/quarter; slowing below 2M signals growth maturation) ■ ARPAC trajectory (target: sequential increases; flattening signals monetization ceiling) ■ NPL 90+ ratio (flag if >8.5%; sell trigger at >10%) ■ ROE sustained above 25% (flag if below 20% for 2+ quarters) ■ Deposit growth keeping pace with credit portfolio growth (funding stability) ■ Mexico profitability progress (expect breakeven by 2027) ■ Efficiency ratio remaining below 25%

Exit Triggers

Condition	Action
NPL 90+ exceeds 10% for 2 consecutive quarters	Sell immediately
ROE falls below 15% for 2+ quarters (non-recession)	Reassess; likely sell
Customer growth turns negative (net losses)	Sell immediately
Regulatory action materially restricts business model	Reassess within 48 hours
CEO David Velez departs (founder exit risk)	Reassess; likely reduce to half position
Forward P/E exceeds 40x (valuation stretched)	Trim 50%; reinstate on pullback
Bear case return turns materially negative (< -5% CAGR)	Reduce position
Better opportunity with 10+ higher WP Score identified	Replace
BRL devalues >50% in 12 months with no earnings offset	Reduce; reassess FX hedge

FINAL RECOMMENDATION

BUY

Position Size	Standard (WP Score 74, within 65-75 range)
Entry Strategy	Scale in at $13.00 - $14.50; current price of $14.15 is within the buy zone
Holding Period	10+ years (full compounding horizon)

Expected Outcome (10 Years)

Scenario	Total CAGR	$100 Becomes	vs HYSA ($148)
Bear Case	+0.5%	$105	-$43 (underperforms)
Base Case	+17.8%	$513	+$365 (outperforms 3.5x)
Bull Case	+24.3%	$879	+$731 (outperforms 5.9x)
Prob-Weighted	+15.1%	$412	+$264 (outperforms 2.8x)

Absolute Requirements Checklist

Requirement	Status
Bear case total return >= 0%	✓ +0.5% CAGR (PASS)
Base case total return >= 7%	✓ 17.8% CAGR (PASS)
Solvency: FORTRESS or ADEQUATE	✓ FORTRESS (PASS)
Probability of >50% permanent loss < 10%	✓ <5% (PASS)
Margin of safety >= 10%	✓ 23.1% (PASS)

ANALYST NOTES

Key Assumptions

1. Consensus 2026 EPS of $0.92 is achievable based on the Q4 2025 run-rate ($0.18/quarter = $0.72 annualized, plus expected seasonal acceleration and Mexico contribution). Sensitivity: a 15% EPS miss ($0.78) would reduce fair value to $15.60 (10% upside from current) and the base case CAGR to ~14%.

2. The bear case 12x terminal multiple assumes a severe and prolonged LatAm recession with no recovery within the 10-year window. Brazil has not experienced a lost decade since the 1980s. If the terminal multiple is 14x instead of 12x, bear case return improves to +2.2% CAGR.

3. Currency assumption: the BRL weakens modestly (2-3% per annum against USD) in the base case. A sharper devaluation compresses USD-reported earnings. However, Mexico and Colombia (both growing currencies relative to BRL over time) provide partial offset. Nu reports FX-neutral growth consistently above reported growth, suggesting currency is a drag, not a tailwind.

Limitations

Nu has no recession track record. The 2022 drawdown was market-driven (rate hike selloff), not a credit cycle. A genuine LatAm recession with rising unemployment and spiking defaults has not been stress-tested in real time. The dual-class share structure gives the founder disproportionate voting control, which is a governance risk if interests diverge from minority shareholders. Operating cash flow is structurally negative for a growing bank; traditional FCF analysis does not apply and could mislead investors accustomed to industrial companies.

Confidence Level: MEDIUM-HIGH

The valuation provides a strong margin of safety, and the business trajectory is on a confirmed upswing with Q4 2025 representing a new earnings high. The principal source of uncertainty is LatAm macro risk and the untested recession resilience of a consumer-credit-heavy digital bank. We assign MEDIUM-HIGH confidence because the risk factors are identifiable and quantifiable, the balance sheet is a fortress, and the price compensates for the unknowns.

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