

Nu Holdings Ltd. (NYSE: NU)

Equity research report · 26 October 2026 · Digital banking and consumer credit, Latin America

Verdict: Watchlist (unchanged), set by fundamentals. **Weighted fair value \$13.10**, 13.6% below the \$15.16 close of 23 October 2026 and 11.5% above the \$11.75 pre-market indication of 26 October. **Interesting at \$10.50-\$11.00**. Investment Score 63.0/100. Technical read (chart only): Conflicts, as of the 23 October close; the chart was reclaiming its 200-day average, but a gap to the pre-market level would put the shares below all four averages.

Summary

Luiz Inácio Lula da Silva won Brazil's presidential runoff on 25 October with 51.79% of valid votes against 48.21% for Flávio Bolsonaro, after trailing in the 4 October first round. Investors had positioned for a Bolsonaro win and tighter public spending. Overnight, dollar futures rose about 10% against the real and a Tokyo-listed Brazil equity fund fell 11% to 15%. Nu's US-listed shares were indicated near \$11.75 before the US open on 26 October, about 22% below Friday's \$15.16 close and close to where they traded before the first round.

The election does not change what Nu is: a 139-million-customer bank with a 33% return on equity and revenue growing 39% at constant currency in the June quarter. It changes what those earnings are worth in dollars and at what multiple. A weaker real cuts dollar earnings almost one for one, a policy rate held higher for longer raises funding costs, and the 14.2% effective tax rate of the June quarter looks less durable under a government that has pushed for higher taxes on fintechs. Weighting a bull case of \$19.26, a base case of \$14.11 and a bear case of \$7.30 at 20/50/30 gives a fair value of **\$13.10**, down from \$16.00 in the September report.

One company fact moved the other way. On 30 September Nu stated in a filing that it is not pursuing a transaction with Monzo, removing the reported £8bn-£10bn acquisition that held the September rating at Watchlist. On its own that would have lifted fair value. The election more than offsets it.

The rating stays at **Watchlist**, on new grounds. At Friday's close the shares were above fair value. At the pre-market level they offer about 12% upside, which is thin cover against a \$7.30 bear case while the currency has not settled. The name becomes interesting at \$10.50-\$11.00, where the weighted fair value offers 19% to 25% and the base case 28% to 34%. Section 1 sets out how the picture changes depending on where the real and the shares settle once Brazil's market opens.

1. The election and the open: what can change

The overnight moves are an early, thin-volume read. Brazil's own market opens at 10am Brasília time on 26 October, and the real, local rates and the Ibovespa will set the level that matters. Three inputs decide Nu's fair value from here: where the real settles, how far local rates reprice, and whether the new government's first budget signals hold the fiscal path. Goldman Sachs described an extreme case of the real weakening by up to 10%, long government bond yields rising about 200bp and Brazilian equities falling about 15%, and said that was not its central expectation.

The currency drives most of the change. Nu earns in reais and Mexican pesos and reports in dollars, so a 7% weaker real takes about 7% off dollar earnings with no change in the business. The table shows fair value under three settled levels for the real, with scenario weights shifted to match.

Real settles	Base case value (2027 EPS x 15.5)	Scenario weights (bull/base/bear)	Weighted fair value	Reading
About 3% weaker than 23 Oct (overnight move fades)	\$14.72	25 / 50 / 25	\$14.00	Fair value close to the pre-election setup less a tax haircut
About 7% weaker (central case)	\$14.11	20 / 50 / 30	\$13.10	This report's fair value
About 13% weaker (move extends, rates jump)	\$13.17	15 / 50 / 35	\$12.03	Fair value falls with the price; the interesting band moves down to about \$9.60-\$10.00

Our calculation. Base case: 2027 consensus EPS of \$1.10 x 0.92 (tax rate part-normalises) x FX factor x 0.97 (higher funding cost); bull and bear values held at \$19.26 and \$7.30.

How each price outcome reads. The fair value comes from earnings and multiples, not from the share price. The price only decides whether that value is on offer.

Where NU trades after the open	What it means	Rating
Rebounds to \$13-\$15	Close to or above fair value; the overnight move was largely positioning unwinding from the first round	Watchlist, no action
Holds near \$11.75	About 12% below fair value but above the interesting band; the real has to settle before the discount is reliable	Watchlist
Overshoots to \$10.50-\$11.00	Inside the band, provided the real is no more than about 10% weaker; the Copom decision on 4 November and third-quarter results come next	Interesting; Buy case to be tested
Below \$10.50 with the real 13% or more weaker	Fair value itself falls to about \$12; a lower price does not mean a cheaper stock	Watchlist; band resets lower

Our calculation, from the fair value table above. The 52-week low is \$11.20.

What would settle it quickly. The new economic team and the 2027 budget vote in Congress, where the Liberal Party holds 121 of 513 Chamber seats and the centre-right bloc is the swing vote; the central bank's rate decision on 4 November; and Nu's third-quarter results, expected in mid-November, which will show the June-quarter tax rate and credit metrics against a currency that has already moved. Lula takes office on 5 January 2027.

2. Company developments

Development	Status and date	What is known	What is forecast (and by whom)	Impact on this thesis
Monzo acquisition talks ruled out	Stated in a filing, 30 Sep 2026	Nu said it "is not pursuing a transaction with Monzo" after reports of talks valuing Monzo at £8bn-£10bn.	None from the company. Our earlier estimate put dilution on the reported terms at 6%-13% of 2027 EPS.	High, positive: removes the main risk in the September report
Central bank lending conduct rules	Approved 23 Oct 2026; effective 31 Mar and 1 Jul 2027	Resolutions 601-603: consent before credit offers to financially weaker customers (including persistent revolving card users), a debt panel before new loans, and limits on credit offered inside Pix payments. No capital risk weights yet.	A second package on costlier credit is expected in the coming months; industry executives expect higher capital charges on cards, unsecured loans and overdrafts (reported).	Medium, negative: trims growth in 2027; capital package still the larger risk
Chief technology officer resigns	Filed 23 Oct 2026; leaves 12 Nov 2026	Eric Young leaves for another role. Founder and CEO David Vélez oversees Global Platforms in the interim, with the security chief as co-lead. Search under way.	Company says strategic priorities are unchanged.	Medium: second technology leader change in about 14 months
First investor day	Announced 2 Sep 2026; set for 8 Dec 2026, New York	First event of its kind for the company.	Expected venue for a medium-term framework and capital plan (our view).	Medium: dated catalyst
US launch and Nu Global	Launched 10 Sep 2026	3.50% APY account and 1.5% cash-back card through a partner bank; conditional national bank charter approval in January 2026.	Management caps US entry cost at 100bp of the efficiency ratio.	Low: about 1.5 cents of EPS a year in cost (our estimate)
Third-quarter results	Expected mid-November; date not yet announced	June quarter: revenue \$5.88bn, net income \$1.06bn, ROE 33%, 90+ day NPL 6.9%.	2026 consensus EPS \$0.86, 2027 \$1.10 (15 analysts, before the election).	Medium: first read on the tax rate and credit after the election

Company filings and announcements; central bank resolutions as reported. Consensus as of late October.

Monzo: the one High item

What is known. On 30 September Nu said in a filing that it is not pursuing a transaction with Monzo; the shares rose 6% to \$13.43 that day. **Why it matters.** The reported price was close to 90% of Nu's book equity, and a largely stock-funded deal would have diluted 2027 EPS by 6% to 13% on our earlier estimate, while committing capital outside Latin America just as Brazil's central bank prepares new capital rules. **Effect on the numbers.** No acquisition sits in any scenario. Before the election, removing the deal would have moved the weighting towards the bull case and lifted fair value to roughly \$16.75 (our estimate). **Effect on the verdict.** None on its own: with a dilutive deal still pending the rating would also be Watchlist, so the deal's removal changes the reasons for the rating, not the rating. **What remains open.** Chief executive David Vélez said in September the priority is organic growth but deals could be considered, so capital allocation is a question for the 8 December investor day.

3. Growth drivers

Driver	Status	Likelihood	Impact
Brazil cards and personal loans	Shipped; about 92% of the loan book	High	High; slowed in 2027 by conduct rules and any capital package
Mexico deposits and payroll credit	Banking licence held; scaling	Medium	Medium; peso-linked, not real-linked
Revenue per customer catching up with incumbents	Ongoing; about \$17 a month against \$40-45 for incumbents	Medium	High over two years
Lower funding cost	Deposits cost 88% of interbank rates in Q2, down 3 points	High	Offsets part of a higher-for-longer policy rate
US entry	Launched Sep 2026	Low near term	Small cost now, optional upside later

Company second-quarter 2026 release and announcements.

4. Financial position

The June quarter was the first with net income above \$1bn: \$1,061m on revenue of \$5,876m, a 33% return on equity and an efficiency ratio of 19.5%. Deposits of \$45.3bn exceed the \$39.4bn credit portfolio, so the bank funds itself without wholesale markets. Net interest margin was 22.9% and 12.4% after credit costs. The weak spots are credit, with the 90+ day NPL at 6.9% and the 15-90 day rate at 4.8%, and tax: income tax was about 14.2% of pre-tax profit on the accounting basis (our calculation from the release), against about 29% historically. If that rate reverts, forward earnings fall by roughly 17% with no change in the business.

Metric (Q2 2026)	Value	What it means here
Customers / activity	138.9m / 83.5%	Scale and engagement unmatched in the region
Revenue (FX-neutral growth)	\$5.88bn (+39%)	Growth is real; dollar reporting will show less after the election
Net income / ROE	\$1.06bn / 33%	Supports a premium multiple only while it lasts
Efficiency ratio	19.5%	Cost moat against incumbent banks
Credit portfolio / deposits	\$39.4bn / \$45.3bn	Self-funded; deposit cost 88% of interbank rates
NPL 15-90 / 90+	4.8% / 6.9%	Elevated; system-wide household defaults at records
Effective tax rate	About 14.2% (our calculation)	The single largest swing factor in 2027 EPS

Company second-quarter 2026 release; tax rate is our calculation from the accounting income statement.

5. Valuation and macro drivers

Nu is valued on 2027 earnings because the June-quarter tax rate makes 2026 flattering. Consensus 2027 EPS of \$1.10 was set before the election. The base case applies a part-normalised tax rate (x0.92), a real about 7% weaker (x0.93) and

higher funding cost (x0.97) for \$0.91, and a multiple of 15.5 times, below the 17 times used in September because Brazil risk now carries a higher premium. The multiple sits between incumbent Brazilian banks near 8 to 9 times and fast-growing regional platforms near 30 times, and assumes the 30%-plus return on equity holds.

Macro drivers. Two variables matter most. First, Brazil's policy rate and currency: the rate sits near 14% and the central bank's market survey of 19 October expected 2026 inflation of 5.22%, above the 4.5% ceiling, so cuts were already slow before the election; a weaker real pushes inflation up and delays them further, raising Nu's deposit cost and the stress on household borrowers. Second, US long rates set the discount on an emerging-market growth stock: the 10-year Treasury yield is near 5%, and the Federal Reserve meets on 27-28 October with a hold expected. Household credit quality is the link between the two: a stalling Brazilian consumer is what turns a currency shock into an earnings problem.

Case	Assumptions	2027 EPS	Multiple	Value	Probability
Bull	Real recovers to about 3% weaker, tax rate proves structural, funding stable, conduct rules light	\$1.07	18x	\$19.26	20%
Base	Real about 7% weaker, tax rate part-normalises, funding cost up, 2027 rules slow card growth	\$0.91	15.5x	\$14.11	50%
Bear	Fiscal slippage, real about 13% weaker, tax rate back to 29%, NPL above 7.5%, capital package tight	\$0.73	10x	\$7.30	30%
Weighted				\$13.10	100%

Our calculation. Starting point: 2027 consensus EPS of \$1.10 before the election.

Why these weights. The bull case needs the new government to signal fiscal restraint quickly and the real to recover most of the overnight fall; that is possible, since part of the move is positioning built after the first round, but it is less likely than before the vote, so 20%. The base case is the most consistent with a government that keeps its current fiscal framework and a central bank that holds rates high, so 50%. The bear case gains weight to 30% because three of its conditions are now live at once: a weaker real, a tax agenda aimed at fintechs, and NPL already near 7%.

6. Competition and sentiment

Itaú, Bradesco and Banco do Brasil trade near single-digit earnings multiples and carry more of the country's corporate and public-sector risk; Nu's advantage is cost to serve and customer engagement, not lending margin. Mercado Pago competes for the same customers in Brazil and Mexico. Every lender faces the new conduct rules, so the regulatory change does not shift share by itself.

Broker	Action	Date
Morgan Stanley	Buy maintained, \$21 target	23 Oct 2026
UBS	Buy maintained, target raised to \$20.50 from \$18.20	Oct 2026
JPMorgan	Overweight, target raised to \$23 from \$20	6 Oct 2026
Itaú BBA	Downgraded to Market Perform	16 Sep 2026
Wolfe Research	Target cut to \$17 from \$18	25 Aug 2026

Broker actions as reported; all predate the runoff result.

Every broker action above predates the runoff, so targets in the \$20-\$23 range assume a steadier real than the one now trading. Options activity in the week before the vote leaned bullish. Institutional positioning is not used in this report because the latest reported holdings are as of 30 June and say nothing about the election.

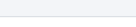
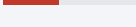
7. Risks

Risk	Probability	Severity	Comment
Real weakens further and stays weak	Moderate, rising	High	Cuts dollar EPS one for one; the main driver of this report's fair value cut
Policy rate held higher for longer	High	Moderate	Raises deposit cost; partly offset by Nu's 88%-of-interbank funding

Risk	Probability	Severity	Comment
Central bank capital package on cards and loans	High that it arrives; calibration unknown	High	About 92% of the book is in the targeted lines
Tax rate returns to about 29%	Moderate; higher after the election	High	Worth about 17% of forward EPS
Household credit deteriorates	Moderate, rising	High	90+ day NPL 6.9% at the half
Contested result or political noise	Low	Moderate	Formal declaration still pending; inauguration 5 January 2027
Technology leadership gap	Low	Low to moderate	CTO leaves 12 November; interim cover by the CEO
US yields near 5%	Occurred	Moderate	Keeps pressure on growth multiples

Our assessment.

8. Investment Score

Criterion	Score	Weight	Change	Basis
Business Quality	 8/10	15%	unchanged	139m customers, 83.5% monthly activity and a 19.5% efficiency ratio: the lowest cost to serve in the region.
Financial Strength	 7/10	15%	unchanged	33% return on equity and \$45.3bn of deposits funding a \$39.4bn loan book; 90+ day NPL of 6.9% is the soft spot.
Competitive Advantage	 8/10	15%	unchanged	Cost moat intact; the central bank's new conduct rules apply to every lender, not to Nu alone.
Management	 7/10	10%	unchanged	Ruled out the Monzo deal within four days; the CTO leaves on 12 November with the founder covering the role on an interim basis.
Growth Potential	 7/10	15%	-1	Revenue grew 39% FX-neutral in the June quarter, but a weaker real cuts dollar growth and 2027 lending rules slow card and loan expansion.
Valuation	 4/10	20%	-2	At \$15.16 the shares sat 13.6% above the \$13.10 weighted fair value.
Risk (10 = lowest risk)	 3/10	10%	unchanged	Post-election currency and rate shock, a pending capital package on cards and loans, a tax rate that may not hold, and NPL near 7%.
Investment Score	63.0/100	100%	-4.7	Previous 67.7, restated without the former technical factor for comparability.

Scored 1-10, where 10 is always best, including Risk. Weights 15/15/15/10/15/20/10.

The prior score is restated without the former technical factor for comparability. Factor weights changed on 18 October 2026, so part of the change in the Investment Score reflects the new weights. The Risk score of 3 agrees with the Risks section, which describes a high-risk setup: a currency shock, a pending capital rule, an uncertain tax rate and rising credit stress.

9. Recommendation

Watchlist, unchanged from September, on different grounds. Interesting at **\$10.50-\$11.00**, where the \$13.10 weighted fair value offers 19%-25% and the \$14.11 base case 28%-34%. No position, so no stop or target. Holding horizon for a future entry: 12 to 24 months.

In September the rating was held at Watchlist by the Monzo question. That question is closed. The rating now rests on Brazil: the vote moved the real, the rate path and the tax outlook against Nu in one night, and the fair value falls from \$16.00 to \$13.10 as a result. The previous interesting zone of \$12.40-\$13.00 is withdrawn because fair value fell below it, and the old \$11.80 invalidation level no longer applies: the fall that may take the shares through it has a macro cause, and

the response is to reset the levels rather than to call the business broken.

What would change the view	Direction
The real settles no more than about 3% weaker and the new economic team commits to the current fiscal framework	Up
Shares at \$10.50-\$11.00 with third-quarter credit metrics stable (90+ day NPL at or below 7%)	Up
Management shows the lower tax rate is structural, at the third quarter or the 8 December investor day	Up
A capital package on cards and unsecured loans lighter than feared, or phased	Up
A sustained weakening of the real alongside rising local rates and a stalling Brazilian consumer	Down
The central bank lifts rates at or after the 4 November meeting in response to the currency	Down
Third-quarter tax rate back near 29% unexplained, 90+ day NPL above 7.3%, or risk-adjusted margin below 11%	Down
A new large acquisition outside Latin America announced	Down

Our assessment.

10. Technical read

Chart as of 23 October 2026 close.

Verdict: Watchlist, from fundamentals. **Technical read (chart only): Conflicts.** As of Friday the chart was reclaiming its 200-day average with the 50-day rising, which runs ahead of a Watchlist rating; a gap to the pre-market level would put the shares below all four averages and the \$12.23 60-day closing low, so watch whether the \$11.20 52-week low holds and whether the 200-day near \$14.58 is regained before treating any rebound as a trend.

Indicator	Value	Reading
Price of record	\$15.16	23 Oct close
SMA 20 / 50	\$14.61 / \$14.57	Price 3.8% / 4.0% above
SMA 100 / 200	\$13.98 / \$14.58	Price 8.4% / 4.0% above
RSI(14)	55.0	Neutral
MACD	0.20, signal 0.21	Positive, histogram slightly below signal
ATR(14)	\$0.60	3.9% of price
Volume, 20d vs 50d	85.1m vs 77.6m	Participation rising (+9.6%)
Support / resistance	\$12.23 and \$11.20 / \$16.22	60-day closing low and 52-week low / 100-session high
Chart state	Reclaiming 200-day	Closed under the 200-day within the last 10 sessions, now back above

Computed from daily closes through 23 October 2026; the pre-market move of 26 October is not in this table.

The Technical read looks only at the price chart. It does not change the verdict or the Investment Score, and it only guides entry timing.

11. Final view

Not today, at either price. At \$15.16 the shares were above fair value; at \$11.75 the discount of about 12% does not yet pay for a bear case of \$7.30 while the real is still finding a level. The single biggest concern is the currency: every 1% it settles weaker takes roughly 1% off dollar earnings. What must change is either the price, to \$10.50-\$11.00, or the macro picture, with the real recovering most of its overnight fall and a credible fiscal signal from the new economic team. The business itself is intact, and the end of the Monzo question removes the company-specific doubt that set the September rating.

Sources

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- Consensus estimates: Yahoo Finance analysis page, late October 2026. Broker actions: TipRanks/The Fly and moomoo notices, August-October 2026
- Daily price history: Twelve Data. Price of record: Alpha Vantage, 23 October 2026 close
- Beating The Bull economic data posts, 15-23 October 2026

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