

Nu Holdings Ltd. (NYSE: NU)

Post-earnings equity research note · Second quarter 2026 results (reported 13 August 2026, after market close)
· Prepared 18 August 2026 · All figures in US dollars unless stated

Rating	WATCHLIST	Last close	\$14.74 (17 Aug 2026)
Investment score	69 / 100	Market capitalisation	\$71.2bn
Weighted fair value	\$17.47 (+18.5%)	P/E trailing · forward	20.2x · 17.8x (FY26E)
Accumulation trigger	\$12.80 – \$13.60	Price / book	5.4x on \$2.74 BVPS
Horizon	12 – 24 months	Year to date	–19% vs S&P 500 +13%

Rating reflects a high-quality franchise trading at an undemanding multiple against a quarter whose headline profit was materially flattered by a one-quarter collapse in the effective tax rate, and a binary Brazilian general election on 4 October 2026.

1. What the quarter showed

Nu Holdings crossed a symbolic threshold in the second quarter of 2026, reporting net income of \$1,061m, the first time the company has earned more than a billion dollars in a three-month period. Reported earnings per share of \$0.22 beat the \$0.20 consensus by 10%, revenue of \$5,513m beat by roughly 1%, and annualised return on equity printed a record 33%. The market's first reaction was emphatic: the stock closed 9.3% higher the following session at \$15.23, its best day since November 2022.

The operating detail underneath supports part of that enthusiasm. Gross profit of \$2,346m rose 25% sequentially, a genuine acceleration, and risk-adjusted net interest margin recovered 290 basis points to a record 12.4% from the depressed 9.5% of the first quarter. Early-stage delinquency improved. Deposits reached \$45.3bn at a funding cost of 88% of the interbank rate. Mexico converted to a full banking licence on 6 August and passed 16 million customers.

The detail also contains a problem the headline conceals. Profit before tax was \$1,236m against \$1,229m in the first quarter, an increase of 0.6%. The entire sequential improvement in net income came from the effective tax rate falling from 29.1% to 14.2%. Every dollar of the quarter's \$469m gross-profit gain was consumed by a \$458m increase in operating expenses. By the third session after the release the shares had given back more than half the initial move, closing at \$14.74, and the earnings-quality question is the most plausible reason why.

2. Reported results against consensus, prior quarter and prior year

Managerial P&L (\$m)	Q2 2026	Q1 2026	Q2 2025	QoQ	YoY
Total revenue	5,513.2	5,315.5	3,668.5	+3.7%	+50.3%
Gross profit	2,346.5	1,877.7	1,548.0	+25.0%	+51.6%
Operating expenses	(1,105.6)	(647.6)	(667.6)	+70.7%	+65.6%
Profit before tax	1,236.3	1,229.1	879.4	+0.6%	+40.6%
Income taxes	(175.2)	(357.6)	(242.4)	–51.0%	–27.7%
Effective tax rate	14.2%	29.1%	27.6%	–14.9pp	–13.4pp
Net income	1,061.1	871.4	637.0	+21.8%	+66.6%
Diluted EPS	\$0.22	\$0.19	\$0.14	—	—

Source: Nu Holdings Form 6-K managerial income statements for Q1 and Q2 2026. Effective tax rate and sequential percentage changes are this note's calculations from the filed figures, not company-reported measures. Operating-expense line follows each filing's own grouping; the ratio Nu labels its efficiency ratio uses a narrower cost base and printed 19.5% against 17.6% in Q1.

Surprise against the street. The \$0.22 print exceeded the \$0.20 consensus, following a \$0.19 result against a \$0.20 expectation in the first quarter. Revenue of \$5,513m beat a \$5,390m estimate. Zacks carried the stock at a #4 (Sell) rank into the print on a deteriorating estimate-revision trend, so positioning was not demanding.

Adjusting the headline. Applying the first quarter's 29.1% effective rate to the second quarter's pre-tax profit produces net income of \$877m and earnings per share of approximately \$0.18. Applying the year-ago 27.6% rate produces \$895m and \$0.185. On either basis the quarter would have *missed* the \$0.20 consensus rather than beaten it, and the tax line alone contributed roughly \$185m, or \$0.038 per share. These are this note's calculations, derived from disclosed pre-tax profit and tax expense; they are not company measures. Nu did not explain the movement in the release or on the call, and no analyst raised it. The most likely candidates are Brazilian interest-on-capital deductions, recognition of deferred tax assets as the Mexican and Colombian operations turned profitable, or a change under Brazil's tax legislation. Until management identifies the driver, an investor cannot know whether 14% is a new run rate or a single quarter's benefit, and that distinction is worth roughly 20% of forward earnings.

Currency flatters the growth rates. Reported dollar revenue grew 50.3% year on year while the company's foreign-exchange-neutral figure was 39%. Net income grew 66.6% in dollars against the 49% the company quotes. The gap is a stronger Brazilian real, which reverses if the currency weakens into the October election. The company-quoted growth rates are the more conservative and the more useful.

3. Guidance and the earnings call

Nu does not publish formal quantitative guidance, but management made three forward commitments on the call that function as guidance. Chief financial officer Rob Livingston said risk-adjusted net interest margin should stay "around current levels for the foreseeable future", while explicitly declining to describe 12.4% as a floor. The full-year efficiency ratio was reiterated at approximately 20%. United States entry was framed as a 12-to-30-month test-and-learn phase, with a commitment to spend no more than 100 basis points of efficiency ratio on it.

Analyst pushback concentrated on the durability of the margin recovery. Jorge Kuri of Morgan Stanley asked directly whether 12.4% was a peak; Livingston answered that it should stay "in that ballpark" and pointed to the 35% loan-to-deposit ratio in Mexico as unused balance-sheet capacity. Tito at Goldman Sachs pressed on how much of the cost-of-credit improvement came from the government's Desenrola renegotiation programme rather than underlying performance; management put the programme at roughly 5% of the benefit and attributed the rest to seasonality and underwriting. Mario Pierry of Bank of America questioned why headline delinquency worsened while credit cards held steady, and was told the deterioration reflects a deliberate mix shift toward higher-risk, higher-return lending.

That last answer deserves attention. Ninety-day-plus non-performing loans rose 35 basis points to 6.9%, having improved to 6.5% in the first quarter. Management's explanation is coherent and was pre-announced, but a lender that is intentionally moving up the risk curve into a national election, in an economy where inflation expectations remain de-anchored above target, is accepting an asymmetric outcome. The strategy earns more in a benign scenario and loses considerably more in a poor one. Nothing in the second quarter tests it.

Chief executive David Vélez framed the milestone in founding terms: "Thirteen years ago, we started with a simple hypothesis that a bank built on technology with no branches and no legacy to defend could serve hundreds of millions of people better and at a fraction of the cost. This is no longer a hypothesis." On Mexico he was more specific: "Mexico is Brazil's playbook, running faster and with the benefit of the scale we have today."

4. The variables that will decide the next two years

Nu is a deposit-funded consumer lender that happens to have a technology cost structure. Roughly 41% of gross profit comes from credit spread, 34% from float earned on deposits and 25% from fees. That mix means the business is considerably more sensitive to Brazilian credit conditions and the Selic policy rate than a payments or software comparison would suggest. Five variables dominate the outcome, and this report is organised around them.

Driver	Why it decides returns	Second-quarter reading
Risk-adjusted NIM	The single largest swing factor in earnings. A 100bp move on a \$39bn book is roughly \$390m of annual gross profit, close to a tenth of pre-tax profit.	Record 12.4%, recovered 290bp from Q1. Management says sustainable but declines to call it a floor.
Brazilian credit cycle	Around 85% of customers and the bulk of the loan book sit in Brazil. Unsecured consumer credit is the first line item to break in a downturn.	15–90 day NPL improved to 4.8%; 90+ deteriorated 35bp to 6.9% on a deliberate mix shift.
Monetisation per customer	ARPAC of \$17 against incumbent Brazilian banks at \$40–45 is the clearest quantified upside. Growth here is almost pure margin.	ARPAC around \$17, up sequentially; mature cohorts already in the mid-\$20s. Croma premium tier launched.
Mexico and Colombia scaling	The credible second engine. A full banking licence unlocks payroll deposits, the anchor product that made Brazil work.	Licence effective 6 August; 16 million customers, \$5.7bn deposits, 35% loan-to-deposit, ARPAC \$12.3 at 16.5% penetration.
Operating leverage	The efficiency ratio is the proof that the technology thesis converts to shareholder value rather than being reinvested away.	19.5% against 17.6% in Q1 and a ~20% full-year target. Filed operating expenses rose faster than gross profit.

5. Business and industry position

Nu serves 139 million customers across Brazil, Mexico and Colombia, having added roughly four million in the quarter. The monthly activity rate of 83.5% is the metric that separates it from most fintech comparisons: these are primary banking relationships rather than dormant app downloads, and in Brazil activity passed 86% for the first time. Approximately 118 million Brazilian customers represent close to two-thirds of the adult population.

The structural advantage is cost. Nu reports a cost to serve of about \$1.2 in Mexico against \$1.7 in Brazil's early years, against incumbents carrying branch networks, legacy core systems and unionised staff. That gap funds pricing the incumbents cannot match while still earning a 33% return on equity, and it compounds: the nuFormer artificial intelligence platform now handles more than 60% of Brazilian customer-support conversations at satisfaction levels management describes as matching human agents. Where a traditional bank's cost base grows with its customer base, Nu's is increasingly decoupled from it.

The industry backdrop is mixed. Brazil's central bank has cut the Selic rate four consecutive times to 14.00% as of 5 August, with consensus expecting roughly one further quarter-point reduction by year end. Lower rates support loan demand and borrower affordability, which helps asset quality, but compress the float income that supplies about a third of gross profit. Inflation is still running above the 4.5% ceiling with 2026 expectations near 5.0%, which limits how far the easing cycle can run. Competitive intensity is rising in Mexico, where Mercado Pago, Banorte's digital operation and a cohort of licensed neobanks are pursuing the same underbanked population, though only 36% of Mexican adults hold a payroll account and roughly 90% of those sit with a handful of large banks. That concentration is precisely what Nu's new licence attacks.

6. Financial analysis

The second quarter's balance-sheet growth was strong and broadly funded. The credit portfolio reached \$39.4bn, up 37% year on year on a currency-neutral basis and 5% sequentially, split \$26.0bn credit cards, \$10.3bn unsecured lending and \$3.1bn secured. Deposits of \$45.3bn grew 18%, and the cost of those deposits fell three percentage points year on year to 88% of the interbank rate. A loan-to-deposit ratio in the high-50s leaves substantial room to convert cheap funding into higher-yielding assets without recourse to wholesale markets, and management identified this as an explicit margin lever.

Metric	Q2 2026	Q1 2026	Q2 2025	Read
Net interest margin	22.9%	21.1%	n/d	Expanded 180bp; asset repricing plus cheaper deposits
Risk-adjusted NIM	12.4%	9.5%	n/d	Record; Q1 was seasonally depressed, not structurally
Efficiency ratio	19.5%	17.6%	21.3%	Q1 flattered by timing; ~20% is the honest run rate
Cost of credit	\$1.7bn	\$1.9bn	n/d	Down 9% QoQ; ~5% of the benefit from Desenrola
NPL 15–90 days	4.8%	5.0%	n/d	Improved; favourable seasonality
NPL 90+ days	6.9%	6.5%	n/d	Deteriorated 35bp on deliberate mix shift — watch item
Return on equity	33%	28%	24%	Record, but tax-assisted this quarter
ARPAC (monthly)	~\$17	~\$16	~\$12	Roughly double the \$8 of Q2 2022
Total customers	139m	135m	122m	~4m added; 83.5% monthly activity

n/d = not disclosed on a comparable basis in the sources reviewed. Q1 2026 NIM and ROE are approximations from company presentation material.

Capital and liquidity are adequate rather than abundant. Total capital of \$9.1bn includes \$2.9bn held at the holding company, and reported shareholders' equity of roughly \$13.2bn against a \$71.2bn market value gives a price to book of 5.4 times. Trailing twelve-month revenue of \$8.44bn and net income of \$3.61bn produce a 42.7% net margin and a 31.6% trailing return on equity. There is no dividend and no buyback; all capital is retained to fund loan growth, which is the correct policy for a lender compounding book value at this rate but leaves shareholders wholly dependent on multiple and earnings rather than cash return.

7. Competitive comparison

Company	Market cap	P/E	P/B	ROE	Position relative to Nu
Nu Holdings (NU)	\$71.2bn	20.2x	5.4x	31.6%	Lowest cost to serve in the region; highest growth; no dividend
Itaú Unibanco (ITUB)	\$85.3bn	9.4x	1.9x	21.5%	Scale incumbent, 7.2% yield, but branch cost base and slower growth
Banco do Brasil, Bradesco	Large cap	~5–8x	~0.7–1.2x	~10–18%	State and legacy exposure; cheap for structural reasons
Inter & Co, Banco Pan	Small / mid	~9–14x	~1–2x	~12–18%	Direct digital competitors, a fraction of the scale and activity rate
Mercado Pago (within MELI)	Embedded	n/a	n/a	n/a	The most serious threat in Mexico; ecosystem distribution advantage

Nu and Itaú figures as at 17 August 2026 from StockAnalysis.com. Peer ranges are indicative and drawn from published sector data; they are provided for orientation rather than precision.

Nu trades at roughly twice Itaú's earnings multiple and nearly three times its book multiple, which is defensible against a return on equity half again as high and a growth rate several times faster. The comparison that should worry a holder is not the incumbents but Mercado Pago, which brings distribution through Latin America's dominant e-commerce platform to the same Mexican customer Nu is now courting with a banking licence. Nu's moat in Brazil is real and widening; in Mexico it is still being built, and the competitor there has advantages Brazilian incumbents never had.

8. Management and guidance accuracy

Guidance accuracy is one of the few genuinely testable measures of a management team, and on this quarter's evidence Nu passes. Three months ago the chief financial officer said risk-adjusted net interest margin would "move back towards the level we operated at during the second half of 2025" as first-quarter seasonality normalised, and insisted the elevated provisioning contained "no sign of credit portfolio degradation". Risk-adjusted margin came in at 12.4%, ahead of that commitment rather than merely consistent with it, and cost of credit fell 9% sequentially. The full-year efficiency guidance of approximately 20% was reiterated and the quarter printed 19.5%. Management said roughly two-thirds of the first quarter's efficiency outperformance was temporary; the reversal to 19.5% is close to what that implied.

Two reservations qualify the score. First, the tax movement that produced the entire sequential earnings gain went unmentioned in both the release and the prepared remarks. A management team confident that 14% is sustainable would normally say so, because it is worth several turns of the multiple; a team that knew it was not sustainable would have an incentive to stay quiet. Neither reading is established, and the silence itself is the point. Second, founder-chief executive Vélez has sold substantial stock through pre-arranged plans over the past two years, and a Form 144 notice of proposed sale by an officer was filed in the week of the results. Founder diversification at this stage of a company's life is normal and these are scheduled programmes, but insiders are net sellers and no offsetting open-market purchases have been reported.

A separate point of housekeeping: the description of Nu as "Buffett-backed", which still appears in coverage of this quarter, is out of date. Berkshire Hathaway exited its entire 40.2 million-share position, disclosed by amended 13F in August 2025. Institutional support has since come from elsewhere, including Lone Pine Capital raising its holding 24.2% to 47.2 million Class A shares in the most recent filing period.

9. Growth drivers

Catalyst	Horizon	Likelihood	Impact	Assessment
Mexico payroll accounts post-licence	6–24m	High	High	The anchor product that built Brazil. Deposit insurance rose sixteenfold to ~\$201k, removing the main objection to holding a primary balance. \$4.2bn committed through 2030.
ARPAC expansion in Brazil	Ongoing	High	High	\$17 today against incumbents at \$40–45 and mature Nu cohorts in the mid-\$20s. Croma premium tier targets the highest-value segment where Nu is already concentrated.
Balance-sheet optimisation	6–18m	Med-High	Medium	A 35% loan-to-deposit ratio in Mexico and high-50s consolidated leaves room to convert cheap deposits into lending without new funding. Explicitly named by the CFO as a margin lever.
nuFormer AI cost leverage	Ongoing	High	Medium	Over 60% of Brazilian support conversations automated; latest generation delivers a fourfold gain in context length and inference speed at lower cost. Structural, not cyclical.
Small-business penetration	12–36m	Medium	Medium	Already the largest player by count with roughly 30% coverage of its addressable base. Higher revenue per relationship than consumer.

Catalyst	Horizon	Likelihood	Impact	Assessment
United States entry	24m+	Low-Med	Low (2yr+)	Management guides 12–30 months of test-and-learn before scale, capped at 100bp of efficiency ratio. Optionality, not a two-year earnings driver, and credit models do not transfer cleanly.

10. Risks

Risk	Probability	Severity	Detail
Brazilian general election, 4 October 2026	Certain	High	A first-round vote seven weeks from this report. Brazilian assets and the real historically price political risk aggressively in the run-up. Roughly 85% of the customer base and the majority of earnings sit in one country going into a binary macro event, and the dollar-reported growth rates depend on a currency that is the first thing to move.
Effective tax rate normalises	Med-High	High	If 14.2% reverts to the 27–29% of recent quarters, roughly \$185m per quarter of net income disappears, cutting approximately 20% from forward earnings per share with no change in operations. The driver was not disclosed, so the probability cannot be assessed from the outside.
Unsecured consumer credit deterioration	Medium	High	90+ day NPLs rose to 6.9% while management deliberately shifts mix toward higher-risk, higher-return segments. Cost of credit is already \$1.7bn a quarter against \$2.35bn of gross profit; a modest further increase consumes the margin gain entirely.
Operating expense escalation	Medium	Medium	Filed operating expenses rose 70.7% sequentially and absorbed the whole gross-profit gain. Mexico build-out, the US programme and premium-tier launches all carry cost ahead of revenue.
Currency translation	High	Medium	A stronger real added roughly eleven percentage points to reported dollar revenue growth this quarter. That reverses symmetrically, and would do so at the same time as election risk crystallises.
Mexican competitive response	Medium	Medium	Mercado Pago's ecosystem distribution and a growing licensed neobank cohort target the same customer. Mexican unit economics are unproven at scale despite reaching profitability in Q1 2026.
Regulatory and interest-rate policy	Medium	Medium	Float income supplies about a third of gross profit and falls with the Selic rate, now 14.00% after four cuts. Interchange, credit-card interest caps and open-banking rules are live policy topics in Brazil.
Valuation compression	Medium	Medium	At 5.4 times book and 20 times trailing earnings the shares carry growth expectations. The stock is already down 19% year to date on multiple contraction while earnings rose, which shows the mechanism is active.

11. Valuation

For a deposit-funded lender the defensible anchors are earnings against a growth-adjusted multiple and book value against return on equity. A discounted cash flow is not used here: for a bank it collapses into an assumption about sustainable return on equity and cost of equity, and for a Brazilian issuer the cost of equity is the dominant and least knowable input. Presenting a single DCF figure would imply a precision the inputs do not support.

Method	Input	Implied value	Comment
Trailing P/E	\$0.73 TTM EPS at 20.2x	\$14.74 (spot)	Against a five-year history frequently above 30x, the multiple has already compressed materially.

Method	Input	Implied value	Comment
Forward P/E, FY2026	Consensus \$0.83 at 18–22x	\$14.94 – \$18.26	Consensus embeds the current tax rate. On this note's normalised estimate of ~\$0.76 the same multiples give \$13.68–\$16.72.
Forward P/E, FY2027	Estimated \$0.97 at 16–21x	\$15.52 – \$20.37	The primary valuation anchor. 18x is used as the base case, between emerging-market banks and US fintech.
Price to book	\$2.74 BVPS at 4.5–6.5x	\$12.33 – \$17.81	Sustaining a ~30% ROE justifies a high multiple; the sensitivity to cost of equity is severe for a Brazilian issuer.
Peer relative	Itaú at 9.4x / 1.9x	Premium warranted	Roughly double on earnings and nearly triple on book, against ROE half again as high and far faster growth.
Analyst consensus	22 analysts, mean \$18.45	\$10.00 – \$23.00	The 2.3x spread between the low and high target is itself the most honest statement of the uncertainty here.

Conclusion: modestly undervalued, with the discount justified by identifiable risks rather than by mispricing. At \$14.74 the shares sit near the middle of every method above. A business earning a 30%-plus return on equity and growing pre-tax profit 41% year on year at 17.8 times the current year's consensus is not expensive by any conventional standard. The reason the market is not paying more is legible: single-country concentration into an election, an earnings figure whose sustainability depends on an unexplained tax line, and a loan book deliberately moving up the risk curve. Those are reasons for a discount, and the discount looks roughly the right size rather than obviously too large.

12. Sentiment and positioning

Indicator	Reading	Interpretation
Analyst consensus	Buy; mean target \$18.45 (22 analysts); range \$10.00–\$23.00	Constructive but unusually dispersed. The spread is a better signal than the mean.
Post-results actions	Morgan Stanley maintains Buy, \$21 target; one house raises to \$23; Susquehanna maintains Neutral	Reaffirmations rather than a wave of upgrades. The sell side liked the quarter without re-rating it.
Estimate revisions	Trend was unfavourable into the print; Zacks rank #4 (Sell)	Expectations were low, which explains the size of the initial reaction.
Institutional flow	Lone Pine Capital raised its stake 24.2% to 47.2m Class A shares	Meaningful conviction from a growth-oriented holder.
Berkshire Hathaway	Position fully exited, disclosed by amended 13F in August 2025	The "Buffett-backed" framing still in circulation is stale and should not be treated as support.
Insider activity	Form 144 notice of proposed officer sale filed in the results week; CEO has sold through pre-arranged plans	Net selling. Normal for a founder-led company at this stage, but not a positive signal.
Short interest	146.9m shares, 3.04% of the float; daily short volume ratio around 9%	Low. Little crowded bearish positioning and correspondingly little squeeze potential.
Options	Market implied a 5.2% post-earnings move; the stock delivered 9.3% then retraced	The overshoot and reversal is consistent with the earnings-quality question being priced in late.
News tone (moomoo digest)	Net bullish on the print, mixed thereafter	Coverage is dominated by the \$1bn headline; the tax composition has not been picked up in general reporting.

13. Technical picture

Indicators below are computed from 100 sessions of daily closing data through 17 August 2026, the first close that fully reflects the results. Technicals inform entry timing only and do not override the fundamental conclusion.

Indicator	Value	Signal	Reading
Close (17 Aug 2026)	\$14.74	—	Post-results; the first two sessions gave back 3.2% of a 9.3% pop
SMA 20	\$14.27	Bullish	Price holds above the short-term mean
SMA 50	\$13.52	Bullish	Comfortably above; medium-term trend is up
SMA 100	\$13.69	Bullish	Above; the June low marked the base of the current advance
SMA 200	not computed	—	The available 100-session series cannot support a 200-day average
EMA 20 / EMA 50	\$14.16 / \$13.84	Bullish	Correct ordering, but the gap is narrow
RSI (14)	58.1	Neutral	Room in both directions; no overbought condition despite the pop
MACD (12,26,9)	0.19 / signal 0.18 / hist +0.01	Marginal	Positive but converging; momentum is fading, not turning
ATR (14)	\$0.61 (4.1%)	Elevated	Daily range near 4% of price; size positions accordingly
Volume, 20d vs 50d	74.7m vs 76.2m	Neutral	Results day traded 156m, more than double normal
Support	\$13.40 – \$13.60, then \$12.60 – \$12.80	—	Pre-results consolidation, then the late-June base
Resistance	\$15.23, then \$16.22	—	The post-results close and the intraday spike high

The chart is constructive without being compelling. Price sits above every moving average that the data supports, having based between \$11.20 and \$12.20 in early June and advanced steadily since. The concern is the shape of the post-results action: a gap to \$16.22 intraday, a close at \$15.23, then an immediate retracement to \$14.74. Failure to hold a results gap is the classic signature of a market that reconsiders the print, and it aligns with the earnings-quality analysis above. A close back below \$13.40 would break the pattern of higher lows and would argue for waiting well past the October election.

14. Scorecard

Factor	Score		Wt	Basis
Business Quality	8/10		15	139m customers at 83.5% activity, structurally lowest cost to serve in the region
Financial Strength	7/10		12	33% ROE and cheap deposit funding; no dividend or buyback, capital adequate not abundant
Competitive Advantage	8/10		15	Durable cost moat in Brazil, still being established in Mexico against Mercado Pago
Management	7/10		10	Guidance on margin and efficiency proved accurate; silence on the tax line and net insider selling
Growth Potential	8/10		15	Mexico licence, ARPAC at \$17 vs incumbents' \$40–45, balance-sheet capacity, US optionality
Valuation	6/10		15	17.8x FY26 consensus and 5.4x book; fair to modestly cheap, not a bargain

Factor	Score		Wt	Basis
Risk (10 = lowest risk)	4/10		13	Brazil concentration into a 4 October election, unexplained tax benefit, 90+ NPL rising to 6.9%
Technical Setup	6/10		5	Above all computed moving averages, but the results gap failed to hold
Investment Score	69	out of 100	100	Weighted sum of the eight factors above

Scored 1–10, where 10 is always best, including Risk. A longer bar is therefore always better: on the Risk row a long bar means a safer business. Weights sum to 100 and the total is a plain weighted sum. No prior report exists for this company, so no score comparison or restatement applies.

15. Recommendation

Rating: Watchlist. This is not a rejection of the business, which is among the highest-quality financial franchises in any emerging market, and it is not a valuation objection, because 17.8 times current-year earnings for a 30%-plus return on equity compounding at north of 20% is reasonable. It is a judgement about timing and about what this specific quarter did and did not prove.

Two things argue for waiting. The reported beat inverts to a miss once the tax rate is normalised, and management has not explained the tax line, so a buyer today is paying a multiple on an earnings base whose durability is unverified. Separately, a Brazilian general election falls on 4 October, seven weeks from this report, and a company with 85% of its customers in one country will trade on that outcome regardless of what it earns in the third quarter. Buying ahead of a binary macro event, at a price that already reflects the good version of the quarter, is a poor use of the entry option.

Level	Price	What it represents
Accumulation zone	\$12.80 – \$13.60	The pre-results consolidation shelf and the late-June base. Entry here would price the shares at roughly 16x FY26 consensus and near 4.7x book, a level at which the election risk is paid for rather than assumed away.
Invalidation	Below \$11.80	A close beneath the June low would break the higher-low structure and signal that Brazilian macro or credit is repricing, not merely wobbling.
First objective	\$17.50	18x an estimated FY2027 EPS of \$0.97, and just below the \$18.45 consensus mean.
Second objective	\$20.50	Approaching 21x FY2027 and consistent with the top of the sell-side range if Mexico compounds and the margin holds.

What would move this to Buy. Any one of three developments. Management disclosing, at the third-quarter results or an investor event, that the lower effective tax rate is structural and quantifying it. A Brazilian election outcome the market reads as market-friendly, with the real stable and the shares still below \$16. Or the price reaching the \$12.80 to \$13.60 zone without a corresponding deterioration in credit metrics, which would offer an entry paying for the risk. **What would move this to Avoid.** A third-quarter tax rate back near 29% with no explanation, 90-day-plus non-performing loans above 7.3%, risk-adjusted margin falling below 11%, or a close under \$11.80.

If a position is nonetheless taken now, at \$14.74 against the \$17.50 first objective and a stop under \$12.60, the ratio is approximately 1.3 to 1, which does not justify a full-size holding. A starter position of no more than 1.5% of portfolio value, with the balance of an intended 3% to 4% allocation reserved for the accumulation zone or for post-election clarity, is the proportionate expression of this view.

16. Scenario analysis

Scenario	Prob.	Revenue and earnings outlook	FY27 EPS	Multiple	Fair value
Bull	30%	Risk-adjusted margin holds above 12%, the lower tax rate proves structural, Mexico's payroll launch drives deposits and lending together, ARPAC reaches the low \$20s and the election passes without disruption. Revenue compounds in the mid-20s and the multiple re-rates toward the growth rate.	\$1.12	21x	\$23.52
Base	50%	Margin settles between 11.5% and 12.5%, the tax rate part-normalises toward the low 20s, Brazil grows at a high-teens rate with contained credit costs, Mexico scales steadily but absorbs investment. Revenue compounds near 20% and the multiple holds around current levels.	\$0.97	18x	\$17.46
Bear	20%	The election unsettles Brazilian assets and the real, the deliberate move up the risk curve meets a weakening consumer, 90+ NPLs pass 7.5%, cost of credit re-accelerates and the tax rate returns to 29%. Growth decelerates to the low teens and the multiple compresses to emerging-market bank levels.	\$0.70	12x	\$8.40
Weighted	100%	Probability-weighted across the three cases against a \$14.74 close			\$17.47

Probabilities sum to 100%. The weighted fair value of \$17.47 implies 18.5% upside from \$14.74 and was computed in code from the inputs shown. FY2027 earnings-per-share figures are this note's estimates, not company guidance or published consensus. Note the asymmetry: the bear case is a 43% drawdown against a 60% gain in the bull case, on probabilities that make the downside a real rather than a theoretical consideration.

17. Final verdict

Would an investor put their own money into Nu Holdings at \$14.74 today? Not yet, and not for reasons that have much to do with the company's quality.

Nu is one of the few genuinely differentiated financial businesses anywhere. It serves 139 million people, 83.5% of them monthly, at a cost per customer no incumbent in Latin America can approach, and it earns better than a 30% return on equity while funding itself with retail deposits at 88% of the interbank rate. The Mexican banking licence granted this month is the same unlock that made Brazil work, arriving with fifteen times the customer base Brazil had at the equivalent point. Revenue per customer at \$17 against incumbents at \$40 to \$45 is the clearest quantified growth runway in the sector. At 17.8 times this year's consensus, the market is not charging much for any of it.

The problem is that the quarter which produced this report is a weaker piece of evidence than it appears. Pre-tax profit was flat sequentially. Gross profit rose \$469m and operating expenses rose \$458m. The record net income, the record return on equity and the consensus beat all rest on an effective tax rate that halved to 14.2% for reasons the company did not explain and no analyst asked about. Normalise the tax rate and the quarter missed. That is not an accusation of anything improper, and there are entirely legitimate explanations, but it means the single most quoted fact about this quarter is not evidence of operating momentum, and an investor buying on the headline is buying something they have not verified.

Layered on top is timing. Brazil votes on 4 October. Roughly 85% of Nu's customers and the bulk of its earnings are Brazilian, its reported dollar growth is currently flattered by a real that will be the first asset to move on the result, and its loan book is by management's own account being steered deliberately toward higher-risk, higher-return borrowers. Ninety-day-plus delinquency has already begun to rise. None of that is a thesis breaker; all of it is a reason to let seven weeks pass rather than pay today's price for the privilege of finding out.

The single biggest concern is the tax line, and the single thing that must change is disclosure of it. If management confirms at the third-quarter results that the lower rate is structural, forward earnings are roughly 20% higher than a sceptical analyst would assume, the stock is cheap on any reading, and the rating moves to Buy without further argument. If the rate returns to 29% and the explanation is a one-off, the fair value shifts toward the mid-teens at best and today's price offers nothing. That question is answerable, it will be answered in November, and the option to wait for the answer costs a holder nothing but the risk of a re-rating in the meantime. On a risk-adjusted basis that is a trade worth making.

The accumulation zone of \$12.80 to \$13.60 is where this becomes straightforwardly attractive: roughly 16 times current-year consensus for a business of this quality, with the election risk paid for rather than assumed away. Patience here is not a lack of conviction in Nu Holdings. It is a refusal to pay a full price for a quarter that has not yet been explained.

18. Sources and basis of preparation

Reported financial figures are taken from Nu Holdings' second-quarter 2026 earnings release of 13 August 2026 and from the managerial income statements in the company's Form 6-K filings for the first and second quarters of 2026. The earnings call was reviewed via the Investing.com transcript of 13 August 2026, which supplied management guidance and the analyst question-and-answer detail cited in sections 3 and 8. Market data, valuation multiples and peer statistics are from StockAnalysis.com as at 17 August 2026. The closing price and the daily series used for the technical section are from Alpha Vantage. Analyst consensus is from MarketScreener. Macroeconomic data is from published central-bank reporting on the Copom decision of 5 August 2026. News flow and sentiment were cross-checked against the moomoo news digest.

Figures identified in the text as this note's calculations (the effective tax rates, the normalised net income and earnings-per-share figures, the sequential growth rates, the FY2027 earnings estimates and the probability-weighted fair value) are derived from the disclosed inputs shown alongside them and are not company-reported measures. Technical indicators were computed from raw daily open-high-low-close-volume data rather than read from third-party summaries; the 200-day moving average is reported as not computed because the available 100-session series cannot support it. Where the company's currency-neutral growth rates differ from the dollar-reported figures, both are shown.

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