

An aerial photograph of Rio de Janeiro, Brazil, featuring the Christ the Redeemer statue prominently on the right. The city's dense urban landscape, including buildings and a racetrack, is visible in the background. A semi-transparent blue geometric shape is overlaid on the image, containing the text.

# EQUITY RESEARCH

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# INVESTMENT SUMMARY

-Nu Holdings is ideally positioned to capture significant market share across Latin America through a fully digital, low-cost model. With a cost to serve of just ~\$0.80 per customer per month and average revenue per active customer (ARPAC) of ~\$10.70—rising to over \$20 in mature cohorts—Nu demonstrates strong unit economics and meaningful operating leverage.

-Led by founder David Vélez, the management team is deeply aligned with shareholders and has consistently prioritized long-term profitability over short-term growth. Their disciplined execution and product-led expansion strategy have enabled Nu to dominate in Brazil and rapidly scale in Mexico and Colombia.

-The company's digital model and cultural understanding give it a strong platform to expand across other Latin American markets, where banking is still dominated by legacy institutions and financial inclusion gaps persist. Additionally, Nu's recent investment in South Africa signals the early stages of a broader global ambition, leveraging its proven playbook in other emerging markets.

-Financially, Nu leads regional peers in Net Interest Margin (NIM), Return on Equity (26%), Return on Assets (4%), and maintains a healthy Loan-to-Deposit Ratio. Backed by scalable infrastructure, strong engagement, and structural tailwinds, Nu Holdings stands out as a long-term fintech compounder with global potential.

## Market Data

52 Week High	<b>US\$16.15</b>
52 Week Low	<b>US\$9.01</b>
Avg. 3 Month Volume	<b>56.27 MM</b>
5 Yr Beta	<b>1.11</b>
Float %	<b>74.7%</b>

## Capital Structure

Market Cap (MM)	<b>US\$59,050.74</b>
Enterprise Value (MM)	-
Shares Outstanding	<b>4,824.41 MM</b>
LTM Net Debt (MM)	<b>(US\$8,713.93)</b>
LTM Net Debt/EBITDA	-

## Efficiency

LTM Gross Margin	-
LTM EBIT Margin	-
LTM ROA	<b>4.4%</b>
LTM ROE	<b>27.9%</b>
LTM ROIC	-
LTM ROCE	-

## Growth

Fwd 2-Yr Rev. CAGR	<b>26.4%</b>
Fwd 2-Yr EBITDA CAGR	-
Fwd 2-Yr EPS CAGR	<b>29.4%</b>
Last 3-Yr Rev. CAGR	<b>89.3%</b>
Last 3-Yr EBITDA CAGR	-
Last 3-Yr EPS CAGR	<b>380.5%</b>

## Valuation

Street Target Price	<b>US\$14.55</b>
NTM EV/Revenues	-
NTM EV/EBITDA	-
NTM P/E	<b>20.17x</b>
NTM MC/FCF	-
LTM EV/Revenues	-



## Business Description

Nu Holdings Ltd. (commonly known as Nubank) is a leading digital banking platform in Latin America, founded in 2013 and headquartered in São Paulo, Brazil. The company operates with a mission to simplify banking and empower users by providing low-cost, user-friendly financial services through a fully digital model with no physical branches. It primarily serves consumers in Brazil, Mexico, and Colombia, with over 118 million customers as of Q1 2025. Nubank offers a broad range of financial products, including no-fee credit cards, digital accounts, personal loans, insurance, investments, and payment services—all accessed via a mobile-first interface. Its low operating costs (approximately \$0.80 per customer monthly) and high engagement rates allow it to scale efficiently while maintaining strong profitability. Listed on the NYSE under the ticker "NU," the company is one of the largest and most profitable fintechs in the world, rapidly expanding its footprint across Latin America.



## Business Segments

- Credit Cards:** "No-fee cards earning from interest and interchange fees."
- Digital Accounts (NuConta):** "Free accounts generating revenue via deposits and transactions."
- Personal Loans & Secured Lending:** "Transparent loans with interest income and low default risk."
- Investments:** "Funds and bonds with revenue from advisory and management fees."
- Insurance:** "Digital life and phone insurance with subscription-based pricing."
- Payment Services:** "Transfers, Pix, and bill payments with transaction-based income."
- Nubank Rewards & Subscriptions:** "Loyalty and premium features via monthly subscription fees."
- NuPay (Merchant Payments):** "Checkout and BNPL services with merchant fee income."
- Emerging Services:** "Travel eSIMS, AI tools, and new financial product features."

# MOAT

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- **Scale:** With over 118 million customers across Brazil, Mexico, and Colombia, Nu enjoys powerful network effects, brand recognition, and lower customer acquisition costs.
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- **Low Cost to Serve:** Operating fully digitally allows Nu to serve each active customer for just ~\$0.80/month—far below traditional banks—driving high operating leverage and profitability.
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- **Cultural Fit with Latin American Consumers:** Nu designs its products for a population used to living with financial stress, inflation, and debt cycles—offering simplicity, trust, and transparency in a region often underserved or overcharged by legacy banks
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- **Emerging Market GDP Growth:** Nu is positioned in fast-growing economies with expanding middle classes and rising consumption, benefiting from macroeconomic tailwinds in Brazil, Mexico, and Colombia.
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- **Brand Loyalty and Customer Love:** With an NPS of ~80+, Nu has built a highly trusted and admired brand—especially among younger and tech-savvy users—leading to low churn and strong word-of-mouth growth.
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- **Ecosystem Lock-In through Product Bundling:** As customers adopt multiple products—credit cards, accounts, loans, insurance, and rewards—they become more deeply embedded in the Nu ecosystem, increasing switching costs and engagement.
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- **Regulatory Positioning and First-Mover Advantage:** Nu was among the first to operate at digital scale in LATAM, helping it build early regulatory trust, infrastructure experience, and customer credibility ahead of newer challengers.
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## Brazil

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**Market Concentration:** Four largest banks (Itaú, Bradesco, Banco do Brasil, Caixa) control 58% of the retail deposit market, leveraging massive branch and legacy infrastructure.

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**Nubank's Disruption:** By offering high-yield digital savings (near interbank rates), Nubank has forced incumbents to raise deposit yields to stay competitive. Nubank holds only 3% of retail deposit profits, but is the catalyst in rate increases across the industry.

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**Household Debt & Credit Dynamics:** Household debt stands at 31% of GDP. Annual interest rates on unsecured personal loans are around 94% APR, up from ~87% a year earlier—indicating a gradual uptick in cost of credit. Credit card rates (~200% APR) remain elevated. Despite high rates, non-performing loan (NPL) ratios have stayed stable (~7%), reflecting disciplined underwriting.

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### Market Share:

- **Credit cards:** ~15% of gross profit pool
- **Personal loans:** ~6% of profit pool
- **Retail deposits:** ~3%
- **Margins & Profitability:** NPLs to peers (~7%), but dramatically higher ROE (~52%) and NIM (~18%), versus ~15–20% ROE and ~8% NIM for legacy banks.
- **Cost to Serve:** 0.80 per customer, far below traditional banks.
- **(ARPAC):** ~\$10.7, versus incumbents' estimated \$15–20

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## Mexico

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**Credit Card Opportunity:** Only ~20% of adults currently have a credit card (14% of individuals; ~23% of households) — well below Brazil's high penetration, showing major headroom.

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**Demographics & Debt:** Mexico's GDP per capita (\$13.8K) is higher than Brazil's (\$10.3K). Household debt is just 16% of GDP, almost half Brazil's debt burden.

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**Deposit Market:** Highly concentrated among big banks, but Nubank can win share by offering superior digital experiences and higher deposit yields.

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**Financial Inclusion:** Around 49% of adults are unbanked and 38% without a bank account but owning phones, presenting a major user base for Nubank's app-first model. These users could adopt Nubank as their primary bank.

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## Early Performance Metrics:

- **Mexico average-ROE/NIM/Cost to Serve:** Incumbent banks show ROE ~18–29%, and NIM ~6–7%.
- **ARPAC:** Currently low-single-digit USD/month, compared to ~\$10.7 in Brazil, reflecting limited product adoption.
- **Cost to Serve:** Sub-dollar (≈\$0.80), well below legacy benchmarks.
- **NPL Rates:** Mexico’s consumer NPL is ~3.1%, considerably below Brazil’s ~7%
- **Market Penetration:** Nubank Mexico has minimal share today (<1%)

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## Colombia

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**Underpenetrated Market:** ~78% of transactions remain in cash. Only 9% of adults have credit cards, and ~90% of adults are banked in some form, though often lightly (savings-only). Financial inclusion is growing but the sector remains underserved.

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**Debt & Interest Caps:** Household debt is similar to Brazil (~30% of GDP). Interest rates are high but capped by regulators (~40–50% APR for cards/personal loans)

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**Banking Structure & Fintech Gaps:** Dominated by 3–4 large banks (Bancolombia, Banco de Bogotá, Davivienda). Digital offerings exist (Nequi, Daviplata), but UX is often lacking.

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**Nubank’s Entry:** Rapid growth—2.5 million customers in under 2 years via credit card and savings rollouts.

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## Informal Credit in Latin America as an Opportunity for Nu holdings.

Studies on informal credit in Colombia show that at least 16.9% of the population relies on non-institutional lending, especially in low-income segments and the informal economy. These loans are often characterized by extremely high interest rates, frequent (daily or weekly) repayments, and minimal documentation—making them accessible but risky. Borrowers choose informal credit primarily due to its speed and simplicity, even though about one-third end up feeling over-indebted. Loan sharks (“gota a gota”) are common in regions like the Caribbean coast and often use intimidation or violence to collect payments. This scenario highlights a major opportunity for formal digital lenders like Nu Holdings, which can serve these underserved segments with safer, more transparent, and low-cost credit alternatives.

# COMPETITORS

	NU	ITUB	BBAS3	BBDC4	SANB4	BPAC11	GFNO RTEO	BSMX	GFIN BURO	CIB	PFDV VNDA	BOGOTA
<b>Price/Book Value</b>	7.15	2	0.72	1	1.63	4.35	1.96	0.78	1.17	1.05	0.67	0.69
<b>P/E</b>	25.21	9.53	5.81	8.35	33.16	68.49	7.1	4.96	12.6	6.75	23.28	9.94
<b>Dividend Yield</b>	0%	7%	12%	7%	6%	2%	9%	0%	0%	16%	0%	5%
<b>ROE</b>	26%	23%	21%	14%	17%	23%	29%	14%	13%	16%	-1%	7%
<b>ROA</b>	4%	1%	1%	1%	1%	0%	2%	1%	0%	2%	0%	1%
<b>Deposits Share</b>	20%	11%	20%	9%	7%		14%	11%	4%	26%	14%	13%
<b>Net income margin</b>	38%	30%	34%	22%	28%	31%	40%	N/A	60%	28%	7%	21%

Nubank is revolutionizing the Latin American banking industry, historically dominated by a few high-margin oligopolistic players like Itaú, Banorte, and BBVA. With a purely digital, low-cost model, Nubank has achieved industry-leading profitability metrics—38% net income margin, 26% ROE, and 4% ROA—while offering accessible, transparent services to millions.

Its expansion into Mexico marks a key strategic move. Founder David Vélez has described Mexico as even more attractive than Brazil, due to its large underbanked population and heavy reliance on informal credit. Nubank not only takes market share from incumbents but also brings in first-time banking clients, expanding the market itself.

The only drawbacks are its lack of dividends—profits are reinvested for growth—and its high valuation (P/E ~25x, P/B ~7x). However, with earnings growing over 40% per year, the PEG ratio is below 1, indicating the valuation remains reasonable relative to its growth.

In a region where banks have historically thrived on inefficiencies, Nubank’s rise signals a shift toward inclusion, competition, and digital-first innovation. It’s not just taking part—it’s reshaping the industry

# MANAGEMENT

## Chief Executive Officer (CEO): David Velez

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Mr. Vélez holds a degree in Management Science and Engineering from Stanford University. He began his career in investment banking at Morgan Stanley and later worked at General Atlantic and Sequoia Capital. In 2013, he founded Nubank in Brazil to challenge the traditional banking model with a digital-first approach. Under his leadership, Nubank has become one of the world's largest independent digital banks, expanding across Latin America.

**Share Ownership:** David Vélez is Nubank's founder and CEO. As of 2025, he beneficially owns 20.3% of Class A shares and holds 100% of Class B shares, giving him 75.6% of the total voting power in the company

**Total Compensation (FY2024):** In 2024, David Vélez received \$1,388,538, consisting of a base salary of \$204,000, a performance bonus of \$120,000, and stock-based awards valued at \$1,064,538

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## Chief Growth Officer (CFO): Cristina Helena Zingaretti Junqueira

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Ms. Junqueira holds a degree in Engineering from the University of São Paulo and an MBA from Northwestern University's Kellogg School. Prior to co-founding Nubank, she worked at Itaú Unibanco. At Nubank, she leads marketing, branding, and customer experience efforts across markets.

**Share Ownership:** Cristina Junqueira, co-founder and Chief Growth Officer, is a key driver of Nubank's branding and user growth strategy. She beneficially owns 1.4% of Class A shares and 10% class B shares which represents around 2.5% of the company

**Base Salary (FY2024):** Cristina Junqueira's 2024 compensation totalled \$6,307,336, including a base salary of \$144,000, a cash bonus of \$135,000, and stock awards worth \$6,028,336

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## Chief Operating Officer & President (COO): Youssef Lahrech

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Mr. Lahrech holds a degree in Engineering from École Polytechnique and an MBA from INSEAD. He joined Nubank after senior roles at Capital One and Boston Consulting Group. As COO and President, he oversees Nubank's operations, technology, and international expansion strategies.

**Share Ownership:** Less than 1% of outstanding shares

**Total Compensation (FY2024):** Youssef Lahrech earned \$8,149,462 in 2024, composed of a base salary of \$430,000, a bonus of \$230,000, and \$7,489,462 in stock-based awards.

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## Chief Financial Officer (CFO): Guilherme Marques do Lago

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Mr. do Lago holds a degree in Business Administration and has held various leadership roles in corporate finance. Prior to joining Nubank, he served at Banco Itaú and later led finance and strategy at digital firms. He was appointed CFO in 2021 and plays a key role in capital markets strategy and financial planning.

**Base Salary (FY2024):** In 2024, Guilherme do Lago received a total of \$3,557,458, including a base salary of \$300,000, a bonus of \$200,000, and stock awards totalling \$3,057,458.

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# VALUATION

## Pesimistic Scenario

	2025e	2026e	2027e	2028e	2029e	5 Year CAGR
FCF estimado	0.57	0.68	0.82	0.98	1.18	16%
Price Target	£10.26	£12.31	£14.77	£17.73	£21.28	12%

## Moderate Scenario

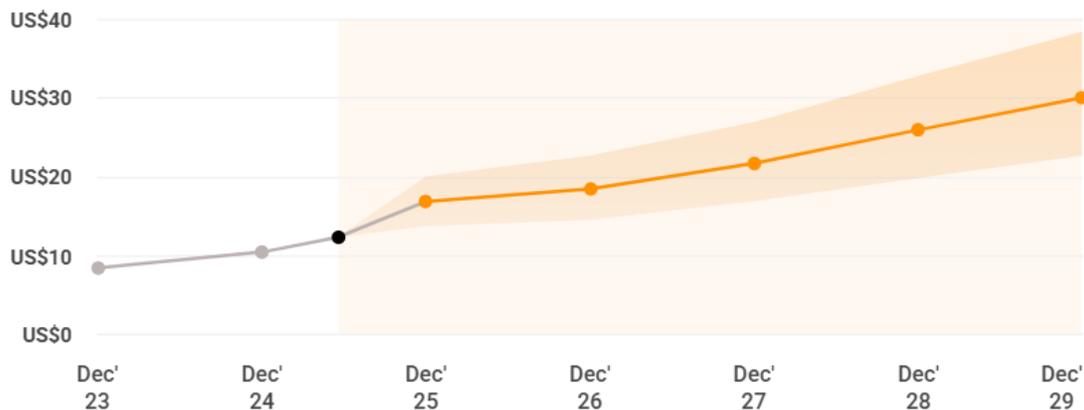
	2025e	2026e	2027e	2028e	2029e	5 Year CAGR
FCF estimado	0.57	0.71	0.89	1.11	1.39	20%
Precio Objetivo	£10.26	£12.83	£16.03	£20.04	£25.05	15%

## Optimistic Scenario

	2025e	2026e	2027e	2028e	2029e	5 Year CAGR
FCF estimado	0.57	0.74	0.96	1.25	1.63	23%
Precio Objetivo	£11.40	£14.82	£19.27	£25.05	£32.56	21%

**NU**  
Nu Holdings Ltd.

Stock Price Forecast



[Nu holdings Discounted Free Cash Flow Model](#)

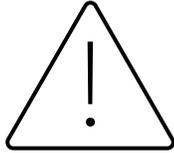


Nu Holdings (Nubank) stands out as a high-growth, highly profitable digital disruptor in Latin America's traditionally oligopolistic banking sector. With over 118 million customers and operations spanning Brazil, Mexico, and Colombia, the company leverages a mobile-first, low-cost operating model that enables it to serve each active customer for just \$0.80/month, far below traditional banks.

Financially, Nubank delivers exceptional performance: a net income margin of 38%, ROE of 26%, and ROA of 4%, metrics well above regional peers like Itaú, BBVA, and Santander. Despite its relatively low share of retail deposits (~3% in Brazil), it captures a meaningful portion of industry profits thanks to superior efficiency and customer engagement.

The opportunity in Mexico is particularly compelling. With only ~20% credit card penetration and nearly half the adult population unbanked, Nubank is targeting both underserved users and informal borrowers through transparent, low-cost credit alternatives. In Colombia, similar dynamics exist: cash use remains high, digital UX is poor among incumbents, and Nubank has already gained 2.5 million customers in under two years.

Though Nubank does not pay dividends and trades at a premium valuation (P/E ~25x, P/B ~7x), its earnings growth above 40% drives a PEG ratio below 1, making this valuation attractive. Nu is not just capturing market share—it is expanding the market by formalising access, building loyalty, and reshaping financial services across Latin America.



## Disclaimer

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