Initiating Coverage:

Upstart Holdings Inc. ($UPST)

Starting Up Again: Upstart's comeback story

Key Take-away: Entering an economic cycle of lowering interest rates with a dovish Federal Reserve, the demand for borrowing will increase, and with Upstart expanding into new verticals to boost their total addressable market, the firm will be perfectly positioned to capture the wave of heightened borrowing activity.

New Verticals Expansion: Beyond personal loans, Upstart has also begun expanding into the auto loan markets in 2021 and recently testing home equity lines of credit (HELOC) products through select bank partners. The HELOC market is currently estimated at around $700B in outstanding balances and has seen a resurgence due to record high home equity levels but many homeowners reluctant to sell due to high mortgage rates. Upstart has an edge in this market since traditional HELOC underwriting is slow and document heavy that is biased towards prime borrowers with solid credit histories. On the other hand, Upstart aims to apply its automated data-driven credit models to streamline approval and funding. For banking partners, this drastically improves the speed and cost for underwriting while providing consumers with faster access to home equity.

Additionally, Upstart has also developed an auto-refinancing arm which targets existing borrowers that are looking to lower interest rate costs on previously high-rate auto loans. With macro tailwinds lowering the cost of borrowing, there will be an increased demand for borrower refinancing. With the US lending market already exceeding $1.4T, there's a huge opportunity for Upstart to streamline the tedious process of refinancing that has historically been dominated by legacy banks.

Upswing in Originations: In Q2 of 2025, loan originations hit its 3-year high at $2.8B and revenue soared 102% YoY. Additionally, the company received its first quarterly profit since 2022. However, the market continues to reflect weariness in the firm since its stock decreased 50% in price between February and April 2025, the same time period of the huge upswing in revenue and originations.

Improved Funding and Bank Partner Confidence: Due to a withdrawal of many lenders and funding partners in 2022-23, Upstart's stock performance took a massive drop during those years since Upstart was forced to shrink originations while holding many existing loans on its own balance sheet. However, recently this trend has reversed and over 50% of Upstart's loan funding now comes from committed capital agreements with funding partners, including a $1.2B credit facility from Fortress investment Group and a $4B loan purchase deal with Castlelake in 2023. Additionally, in its most recent earnings call, Upstart executives report that "with respect to banks and credit unions, we expect to reach a new all-time high for monthly available funding in Q3, surpassing our prior peak from early 2022."

Valuation: We initiate coverage with a $47 PT.

Consortium Research Group
FIG | Fintech
November 9th, 2025

Stock Rating:	Overweight
Price Target:	$47.00

Price:	$38.60
Potential Upside:	21.8%
Ticker:	$UPST

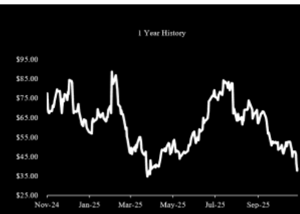


FIG Coverage Team

Analyst
Maximus Wu
New York University
mw5707@stern.nyu.edu

Company Overview

Company Description: Founded in April 2012, Upstart Holdings Inc. (NASDAQ: UPST) is a US based financial technology firm headquartered in San Mateo, California. The company's main offering is its AI-driven lending marketplace that connects consumers seeking personal, auto, and refinancing loans with partners banks/credit unions across the US. Unlike traditional lenders that rely heavily on FICO scores, Upstart instead has its own machine learning algorithm that utilizes alternative data sources like education, employment history, and income trends to better assess credit risk and expand access to affordable credit. As of today, Upstart's network has expanded to over 100 bank and credit union partners, which allows Upstart to scale and originate loans without holding the majority of the loans on its own balance sheet and instead derives most of its revenues from charging its partners a fee for loan originations and servicing.

Alternative Data Edge: Upstart's alternative data advantage and AI model for credit risk assessment is the core differentiator behind its lending platform and long-term moat. Traditional lenders rely primarily on FICO scores and a narrow set of credit bureau data, which Upstart has proven to be insufficient and often overlooks those with untraditional credit backgrounds. Based on hundreds of variables and a model trained on years of proprietary loan performance data, Upstart has outperformed FICO metrics in predicting default rates of lenders, where "Upstart's highest tier (A+) only has a 1.3% default rate compared to a FICO score of 700 or greater, which sports a 4.2% default rate." Should Upstart continue holding its competitive advantage against legacy credit assessment platforms like FICO, industry adoption of Upstart's models will slowly increase, potentially toppling FICO's long-standing dominance which will only be propped up by its brand and longstanding reputation as the "industry standard." Over time, this could potentially create a "fly-wheel" effect where each new loan generates additional performance data that will continue refining Upstart's AI models, further increasing prediction accuracy.

Industry Overview

Dovish Federal Reserve: The primary aspect of Upstart Holdings' revenue generation is from loan originations, which is heavily tied to demand for lending. Currently, rates have dropped by 50 bps over the last two Fed press conferences, and the market is pricing in another 25-bps cut to a target rate of 350-375 bps with 67% certainty for the Dec 2025 Fed meeting. Above that, the Trump administration has been extremely keen on replacing Powell with another Fed Chair that will likely be influenced by Trump's will for lower rates to reignite the American economy. We've already seen this with Stephen Miran, Trump's recent pick for the Federal Reserve Governor, who was the sole dissenter of the Fed's decision during the September 2025 press conference to have a 50 bps cut rather than a 25 bps cut. Overall, with Powell's term ending at the end of January 2026, we can expect macro tailwinds of artificially lowered rates that will promote increased consumer lending demand and increased loan originations for Upstart.

Private Credit Surge: Though private credit has remained an asset class that has existed for decades, over the last decade it has surged considerably, with its AUM growing at an annualized rate of 14.5%. Additionally, most of the largest "private equity" mega funds now having significantly higher capital allocations for private credit than it does private equity. For example, Ares, a well known private equity fund, now has over 6x more capital allocation for credit than equity, with over $168B in private credit allocations and only $27B for private equity. From a broader perspective, private credit as an industry now has approximately $2.1T in AUM, with the market projecting it to be between $2.6T to $4.5T by 2030. Due to increased institutional demand for private credit, these firms need to deploy their capital and demand for loan originations will continue increasing for the foreseeable future so long as the trend for private credit continues.

Peer Comparisons

Comparable Companies

$mm

Ticker	Mkt Cap	EV	P/E LTM	Revenue LTM	EBITDA LTM
LendingClub Corporation (NYSE:LC)	$2,093	$1,285	12.5x	$1,296	$204
SoFi Technologies, Inc. (NasdaqGS:SOFI)	$34,019	$32,132	50.4x	$3,291	$316
Oportun Financial Corporation (NasdaqGS:OPF	$209	$2,480	3.4x	$713	$147
X Financial (NYSE:XYF)	$526	$424	-	$1,053	$729
Upstart Holdings Inc	$3,755	$5,211	17.4x	$998	$308

Ticker	LTM EV/EBITDA	Gross Margin	EBITDA Margi	EBIT Margin	1 Yr Rev Growth Rate LF
LendingClub Corporation (NYSE:LC)	6.3x	29.8%	15.7%	10.6%	17.0%
SoFi Technologies, Inc. (NasdaqGS:SOFI)	101.8x	82.5%	-	-	30.6%
Oportun Financial Corporation (NasdaqGS:OPF	16.9x	95.1%	-	-	(10.6%)
X Financial (NYSE:XYF)	0.6x	72.6%	69.2%	69.1%	45.1%
Upstart Holdings Inc	16.9x	82.2%	7.3%	5.0%	64.9%

High	101.76x	95.1%	69.2%	69.1%	64.9%
75th Percentile	16.92x	82.5%	42.5%	39.9%	45.1%
Average	31.38x	72.4%	30.7%	28.2%	29.4%
Median	11.59x	82.2%	15.7%	10.6%	30.6%
25th Percentile	6.30x	72.6%	11.5%	7.8%	17.0%
Low	0.58x	29.8%	7.3%	5.0%	-10.6%

Upstart Holdings Inc Relative Valuation		
Implied Enterprise Value (25th Percentile)	$	1,939
Implied Enterprise Value (Median)	**$**	**3,568**
Implied Enterprise Value (75th Percentile)	$	5,211
Implied Share Price (25th Percentile)	$	12.72
Implied Share Price (Median)	**$**	**29.47**
Implied Share Price (75th Percentile)	$	46.36

Source: CapitalIQ

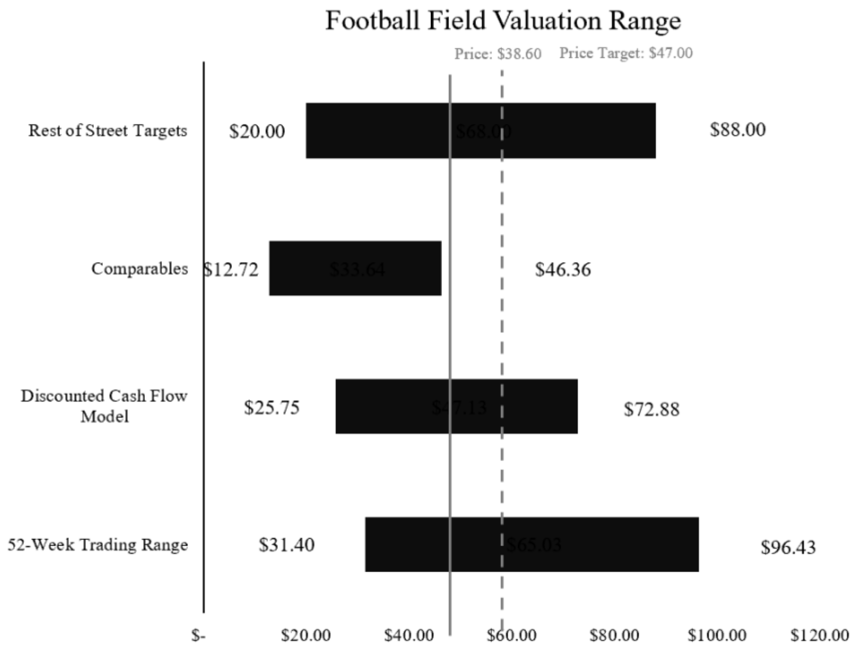
Investment Theses

Private Credit Fuels Loan Growth and Rebound in Institutional Investor Appetite: With the recent surge in private credit and alternative investment mega-funds reshaping their strategies to have increased exposure to credit, the influx of capital ultimately has to be deployed. While this capital is traditionally deployed in commercial use cases, funds are increasingly looking to have exposure in personal/consumer loans. Players like Blue Owl Capital have announced to purchase up to $2 billion worth of consumer loans from Upstart's platform over an 18 month period. Likewise, other funds such as Castlelake, LP and Fortress Investment Group have both followed suit in agreeing to purchase $1.2 billion worth of consumer loans each from Upstart's origination platform. Additionally, Upstart's loan securitizations have scaled sharply, signaling that institutional investors are regaining confidence in Upstart-originated assets. Compared to only $208M via the Upstart Securitization Trust 2024-1 (UPST 2024-1), 2025 saw a major rebound with UPST 2025-1, -2, and -3, totalling 934.5M, which is quadruple the prior year's volume. Overall, the combination of falling rates, renewed investor appetite, and expanding private-credit participation positions Upstart as a key beneficiary of the current credit surge as private credit continues to deploy a record amount of capital into consumer lending.

AI-Driven Risk Modeling Positioned to Dethrone FICO: While FICO remains the industry benchmark for evaluating personal credit risk, it's inherently backward-looking that overly relies on historical repayment data and limited variables that fail to fully capture borrower risk. On the other hand, Upstart uses over 1000 variables that has historically outperformed FICO by considerable margins. Per Upstart's Form S-1, "banks found that our model could enable these banks to lower loss rates [relative to FICO] by almost 75% while keeping approval rates constant." Though it's far-fetched, it's not unreasonable to suggest Upstart could dethrone FICO as the de-facto metric for consumer lending given its growing data moat and consistent outperformance.

Price Target & Valuation

Our analysis gives ($UPST) a price target of $47.00 and an Overweight rating.



Potential Downsides to Our Rating

Increasing Competition: Key competitors like SoFi, LendingClub, and Pagaya have noticed Upstart's alternative data/machine learning edge in automated lending processes. Companies like SoFi has recently released its own heavily automated personal-loan product for prime cardholders, which competes directly with UPST for instantly approved personal loans. Additionally, Upstart's dual edge in using alternative data sources and having a proprietary machine learning model to assess creditworthiness is also being contested as FICO is rolling out its own "FICO® Responsible AI" model. However, Upstart still has a first mover advantage and less regulatory scrutiny which could serve as drivers allowing Upstart to maintain its long-term edge.

Rising Auto Loan Delinquencies Erode Loan Confidence: Subprime delinquency rates (60+ days) for auto loans are currently at 6.43% which is double the levels since 2021 and worse than both COVID and during 2008. Since Upstart's targets borrowers that are near-prime or subprime that are often neglected by traditional FICO models, worsening of consumer credit quality could drastically lower confidence of Upstart's lending partners. Some of its lending partners like Cross River Bank and FinWise have previously tightened credit boxes in 2022-23 due to default spikes, so this new wave of credit profile deterioration could catalyze higher charge-offs and reduced origination volume that ultimately damage Upstart's top line growth.

Our Price Target: $47.00

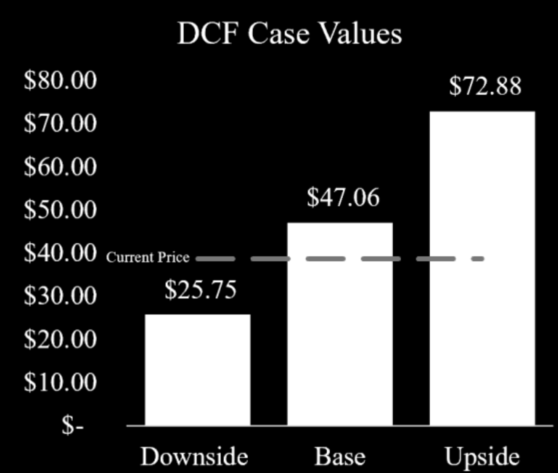
Our price target assumes continued growth at the rate that Upstart is currently demonstrating as of Q2 2025. The company will begin becoming cash-flow positive with margin increases over time from operating leverage where the business increases loan origination while maintaining its low variable costs.

Our Upside Case: $73.00

Our upside case assumes higher topline growth stimulated by demand for lending above expectations from lowering interest rates. Additionally, should Upstart onboard more lending partners or if private credit firms begin investing in private personal loans, Upstart can underwrite more loans to meet heightened institutional demand.

Our Downside Case: $26.00

Our downside case assumes slower growth due to increased competition in the AI-based lending space and reduced confidence from Upstart's lending partners in the personal loan market. With fierce competitors like LendingClub, SoFi, and newer BNPL competitors like Affirm or Klarna in the consumer lending space, competition could lower revenue growth or even eat into margins as firms compete on price.



Projections

Income Statement ($mm)	2024A	2025E	2026E	2027E	2028E	CAGR%
Revenue	677	1,030	1,149	1,270	1,392	10.6%
EBITDA	(112)	75	195	251	313	61.0%
EBIT	(132)	50	161	213	271	75.7%
NOPAT	19	147	127	168	214	13.4%

Margin & Growth Data	2024A	2025E	2026E	2027E	2028E	AVG%
EBITDA Margin	-16.5%	7.3%	17.0%	19.8%	22.5%	10.0%
EBIT Margin	-19.6%	4.9%	14.0%	16.8%	19.5%	7.1%
Revenue Growth	23.4%	52.2%	11.6%	10.6%	9.6%	21.5%
EBIT Growth	-40.3%	137.8%	221.7%	32.3%	27.6%	75.8%

Valuation Metrics	2024A	2025E	2026E	2027E	2028E	AVG%
P/FCF	22.6x	28.6x	17.9x	17.1x	13.8x	-20.0x
EV/Sales	6.6x	4.3x	3.9x	3.5x	3.2x	4.3x
EV/EBITDA	-39.8x	59.4x	22.8x	17.8x	14.2x	14.9x
FCF Yield	4.4%	3.5%	5.6%	5.8%	7.2%	5.3%

About $UPST

Upstart Holdings Inc ($UPST), founded in April 2012 operates as an AI lending platform that partners that uses alternative data variables to predict creditworthiness and originates personal and auto loans for its banking and credit union partners. The company generates revenue mainly from fees paid out by its lending partners for each loan referral, platform usage and servicing on its platform.

Disclosures & Ratings

Consortium Research Group is a not for profit and is not a registered investment advisory corporation. Analysts and leadership are current college students pursuing careers in finance and are not registered investment advisors. This is not investment advice. The group does not hold any professional relationships with any reported equities unless otherwise stated. All information contained in reports is public information. **Overweight** means the analyst team believes the stock price will materially outperform the coverage industry benchmark (TMT, Healthcare, Industrial, Consumer, FIG, Energy & Sustainability) in the next 6-12 months. **Equal Weight** means the team expects performance in line with the industry benchmark. **Underweight** means the team expects underperformance relative to the industry benchmark.

Appendix

Upstart Holdings Inc
Discounted Cash Flow

Active Case:	**2 Base**
Current Share Price	$38.60

DCF Analysis ($mm)	FY2020 12/31/2020	FY2021 12/31/2021	FY2022 12/31/2022	FY2023 12/31/2023	FY2024 12/31/2024	FY2025 12/31/2025	FY2026 12/31/2026	FY2027 12/31/2027	FY2028 12/30/2028	FY2029 12/30/2029	FY2030 12/31/2030
Stub						0.86	1.86	2.86	3.86	4.86	5.86
Discount Period						0.07	0.64	1.64	2.64	3.64	4.64
Revenue	241	852	853	548	677	1,030	1,119	1,211	1,304	1,398	1,492
Revenue Growth	*0%*	*253%*	*0%*	*-36%*	*23%*	*52%*	*9%*	*8%*	*8%*	*7%*	*7%*
Loan Originations Revei	229	801	907	560	635	800	872	946	1,022	1,098	1,175
Revenue from Loans on	26	21	106	169	186	180	194	209	224	238	252
Other Revenue	(14)	30	(160)	(181)	(145)	50	53	56	59	61	64
EBIT	20	145	(103)	(222)	(132)	50	134	176	222	273	328
EBIT Margin	*8%*	*17%*	*-12%*	*-40%*	*-20%*	*5%*	*12%*	*15%*	*17%*	*20%*	*22%*
Tax Expense	0	(2)	(0)	0	0	11	28	37	47	57	69
Effective Tax Rate	*2%*	*-1%*	*0%*	*0%*	*0%*	*21%*	*21%*	*21%*	*21%*	*21%*	*21%*
NOPAT	19.42	147.09	(102.60)	(221.71)	(132.59)	39.50	106.12	138.72	175.14	215.35	259.24
D&A	2	4	9	21	21	25	34	36	39	42	45
Capex	1	8	9	2	1	3	3	5	7	9	12
Changes in NWC	(152)	250	740	152	(279)	(70)	(51)	(18)	(23)	(29)	(22)
UFCF	173	(107)	(842)	(354)	166	132	188	188	230	277	314
PV of FCF						131	180	168	192	216	228

Weighted Average Cost of Capital ($mm)	
Market Risk Premium	4.33%
Beta	2.31
Risk Free Rate	4.39%
Cost of Equity	9.55%
Weighted Average Cost of Debt	2.93%
Tax Rate	21.00%
Cost of Debt	2.31%
Total Equity	$3,755
Total Debt	$701
Equity/Total Capitalization	66.27%
Debt/Total Capitalization	33.73%
WACC	7.11%

Terminal Value	
Perpetuity Growth Method	
2034 FCF	$314
Growth	3.00%
Terminal Value	$7,649
PV of Terminal Value	$5,563
PV of Projection Period	$1,115
PV of Terminal Value	$5,563
Implied TEV	$6,678
(-) Debt	$1,489
(+) Cash	$788
Implied Equity Value	$5,977
Basic Shares Outstanding	97
Implied Share Price	$61.44
Upside/Downside	59.16%

Implied Exit BF EV/EBIT	20.4x

Terminal Value	
Exit Multiple Method	
2034 EBIT	$328
EV/EBIT Exit Multiple	11.6x
Terminal Value	$3,803
PV of Terminal Value	$2,766
PV of Projection Period	$1,115
PV of Terminal Value	$2,766
Implied TEV	$3,881
(-) Debt	$1,489
(+) Cash	$788
Implied Equity Value	$3,180
Diluted Shares Outstanding	97
Implied Share Price	$32.69
Upside/Downside	-15.3%

Implied PGR	-3.8%

Blended Share Price	
Perpetutity Growth Method	50%
Exit Multiple Method	50%
Blended Share Price	$47.06
Upside/Downside	21.92%