

Introduction: Nu is the “GEICO” and “Amazon” of Latin America’s (LATAM) digital banking. It is the most dominant digital bank for consumers and small businesses (SMEs), rapidly disrupting traditional incumbent banks in Brazil, Mexico, and Colombia. Nu’s mission is to fight complexity to empower people in their daily lives by providing accessible, affordable, and easy-to-use financial products. Nu is one of the largest digital banks globally after China by customers, with 110m active customers. Nu was founded in 2013 by three co-founders: David Vélez Osorno (CEO, Colombian), Cristina Junqueira (Chief Growth Officer, Brazilian), and Edward Wible (ex-CTO, software engineer, American). All three remain active in the business. Supported by the tailwind of rapid smartphone adoption, Nu started as Nubank in Brazil, as 100% digital and cloud-only with no physical branches with one single product, Nu Credit Card, in 2013-2014, before gradually expanding to multiple financial products and features bank accounts, deposits, debit cards, personal loans, SMEs, insurance, and investments from 2017-2023 onwards, and expanding to more countries, Mexico and Colombia in 2019 and 2021 respectively. Nu is focused on five key categories: spending, saving, borrowing, investing, and protection, with all of its products/services revolve around driving these higher, increasing customers’ stickiness to the platform.

Problem: Banks in LATAM have historically applied homogenous underwriting methodologies and lacked customer obsession, often resulting in high consumer fees and interest costs and excluding most of the population from the banking system. LATAM’s banking sector is highly concentrated/oligopolistic, where a few banks in Brazil, Mexico, and Colombia hold ~70-87% of all loans and deposits, generate outsized profits. This lack of competition has led to a preference for the incumbents to maintain the status quo, resulting in poor innovation, limited product selection, and high fees. In addition, legacy banks have vast and expensive branch distribution networks supported by legacy workforces and systems, forcing them to sell high-margin products, excluding a large segment of the population from the financial system. Customers do not trust and are dissatisfied with the poor service of legacy banks.

Tailwind: Nu strategically focuses on the largest markets in LATAM. Nu currently operates in Brazil, Mexico, and Colombia, ~60% of LATAM’s GDP (\$4.3T) and ~66% of LATAM’s population (387m). This is supported by powerful secular trends of favorable young population demographics, growing middle class, and strong technology/smartphone adoption. In addition, there remain significant penetration opportunities, with a large unbanked population of 77.1m adults, low credit card adoption rates (52% BR, 11% MX, 23% CO vs. 66% in the US), and lower household debt-to-GDP (34% BR, 16% MX, 28% CO vs 55-85% for US, Spain, France, and Japan). Nu’s SAM across retail financial services and marketplace of retail and SME credit, payments, customer assets/deposits, insurance brokerage, e-commerce marketplace, and acquiring services is estimated to be ~\$200bn in 2023 (\$146bn BR, \$38b MX, and \$16bn CO), where Nu has a ~3% share (4% in Brazil, <1% in Mexico and Colombia), demonstrating the massive opportunity for Nu. This is supported by favourable regulatory environment to foster financial technology disruption to increase competition and financial inclusion. Fintechs like Nu are disrupting and taking share from the incumbent banks, and we are still in the early days.

Geography: Nu operates in three LATAM countries: Brazil, Mexico, and Colombia, where they launched in 2013, 2019, and 2021 respectively. Brazil currently dominates most of Nu’s business (90% of customers, 93% of revenues), where it just crossed 100m customers (~57% of adult population). Brazil was Nu’s first market in 2013, and growth has moderated. That said, Nu has ~60% of adult customers in Brazil and only ~4% of the SAM, which implies much room for growth within Brazil. Mexico (9% of customers, 5% of revenues) and Colombia (2% of customers, 1% of revenues) are both growing much faster off a smaller base. Nu’s strategy is to start with credit cards first, expand to banking accounts with local banking licenses, and gradually add more financial products to upsell/cross-sell customers. Nu is considering a return to Argentina, LATAM’s 3rd and 4th largest by GDP and population, which it left after a brief foray in 2019, should the country’s macroeconomics continue to improve with President Javier Milei’s reform efforts. Nu could expand to a few more LATAM countries and then internationally.

Customers: Nu’s customers consist of individuals (retail) and SMEs. It has 106 million+ individual/retail customers and ~3.6 million+ SME customers. Nu’s customers tend to have a younger demographic

profile, providing a long runway for growth. Nu has launched numerous product offerings to expand into the higher-income segment (3% of the adult population, 30% of industry revenue).

Products: Nu's financial products and services spread across six key markets. They are (1) instant payments (e.g., Pix, credit, and debit cards), (2) retail credit for individuals (e.g., mortgage, payroll, auto, unsecured personal, payroll-secured loans, credit card financing/revolving, and investment-backed loans), (3) credit to SMEs (business accounts, prepaid card, wire transfers, boletos), (4) customer assets (Cuenta Nu savings accounts, investments, crypto), (5) insurance brokerage (NuLife, life insurance via partnership with Chubb, mobile, auto insurance, "Vidas Juntas"), and (6) e-commerce (marketplace, online travel/hotel/flight, NuCel with telecoms). Nu's app is increasingly becoming the super-app of many mini-apps, similar to Tencent's WeChat, which is also one of its investors. They have been increasingly using partners to grow their marketplace offerings e.g. Chubb for Insurance, Amazon, Casa Bahia and Magalu for e-commerce, Wise and Remessa for international remittance, and Hopper for online travel. Majority of revenues (~84%) are from interest income, driven by the faster growth in lending (~27%) and others (~24%) relative to cards (~33%), with strong room to grow the non-credit card lending book.

Distribution: Nu go-to-market, serves, and supports their customers via an all-digital (iOS, android apps), cloud-based model that is low-cost and highly efficient without the need for expensive real estate and physical bank branches. They market by prioritizing high-quality customer experiences to drive organic word-of-mouth advertising and customer referrals, using social media and digital content to drive awareness, education, engagement, and selected marketing and promotional campaigns.

Technology: Nu platform and architecture are entirely digital and cloud-based, allowing scalability and efficiency. Nu collects more than 30,000 proprietary data points per monthly active customer. This unique customer data (vs. generic credit bureau scores alone) helps them to understand customers' behavior, risks, and financial needs better. Nu's internally developed technology stack is vastly superior, entirely cloud-based off AWS. NuX credit engine leverages Nu's proprietary data and alternative sources to underwrite and monitor their credit products, allowing lending at 70% lower risk. NuCore core banking platform powers its operations across transaction authorization and processing, core banking, regulatory reporting, business operations, credit underwriting, and fraud prevention. Nu's advanced, immutable ledger via the Datomic technology, provides a highly reliable audit trail and transaction history with better accuracy, control, reliability, and transparency. Their versatile and decentralized technology architecture allows them to manage and deploy over 500 microservices, scale, launch new products, enter new markets, update their codebase quickly and highly efficiently, and experiment and deploy live constantly.

Competitive Advantage: Nu has numerous competitive advantages. The first is their significant market and leadership advantage of being the first mover disruptor and one of LATAM's largest digital banking platforms with over 100m customers. Nu is a trusted and recognized global brand with the highest NPS in LATAM (2-3x competitors). Nu's powerful self-reinforcing network effects result in a highly defensible business model and highly recurring customer platform usage (84% activity rates). At the core, Nu's significant operating and financial advantages are the clear differentiator, and it is the best-in-class digital bank globally. Its cost structure is significantly advantaged, with the 4Cs of (1) low cost to acquire (\$7 CAC, ~31% marketing, is the lowest globally, primarily via viral and direct customer referrals, <12m payback), (2) low cost to serve (~\$1, no physical branches, 85% lower than competitors, higher employee productivity ~14x customer to employee higher than competitors), (3) low cost of risk (15% lower than market), and (4) low cost of funding (primarily deposits directly from customers at blended ~87% of interbank rates). Its unit economics are highly favorable with its younger customer demographic, with growing revenue per customer (rising from \$3 to \$11 over last 3Y, mature \$25) as customers continue to increase engagement and spend, save, borrow, invest, and protect more over time across more products and services, resulting in strong improving profitability. With its customer-centric culture, Nu provides extraordinary customer experiences, evidenced by high NPS scores (70-90+) and low customer complaints, supported by the strong solution-focused Xpeers

customer support. Nu's customers are incredibly loyal, and the net customer churn is extremely low at 0.2%/month. Nu has become the primary banking relationship for over 61% of their active customers.

Financials: Nu's revenue growth remains strong given the growth opportunities to deepen in Brazil and Mexico and Colombia's growth ramps. GPMs remain strong around 46%+ as credit loss allowances (CLAs) are managed strongly. With strong unit economics and exceptional operating leverage with the pure digital footprint and no physical branches, Nu's OPEX margins and efficiency ratios continue to compress to 21% and 31% respectively, while Capex margins remain low at 3%+. This has led to strong profitability growth in 2023 onwards as annualized and adjusted ROE have increased to 30% and 33% respectively. Nu's capital position is extremely strong with loan-to-deposit ratio of 74%, with little debt. Credit card payables are largely financed by credit card receivables with working capital, loan-to-deposit (LDR == IEP/Deposits) rates remain low at 40%, implying room to expand NIM by growing the loan book.

Growth / Expansion: Nu's playbook involves going after highly unbanked countries with large TAM/profit pools. Launches credit cards, builds the brand, gets banking licenses, launches savings accounts, and expands to loans, investments, insurance, etc. Adding of new verticals like NuCel (telecom), NuMarketplace (ecommerce), NuTravel (Travel), and NuPay (payments) diversify /less cyclical.

Competition: Nu is Brazil's 4th largest FI/bank by customers (after Caixa, Bradesco, and Itau). Expect Nu to overtake Bradesco and Itau in the coming years to become 2nd largest bank. Nu is the largest Fintech in Brazil with a 25% market share by customers, after PicPay's 15%, MercadoPago's 14%, Inter's 8%, iti's 8%, and PagBank's 8%). Nu has reached market shares of 14% and 7% in Brazil's total card transaction volumes and unsecured personal loans in 2023, respectively, according to ABECS.

Management: All three co-founders continue to remain in the business. Insider ownership is very high. CEO David Vélez (age 42) owns 20.3% of the stock with 75.9% voting power, and Cristina Junqueira (age 41) owns 2.6% with 9.6% voting power. Sequoia Capital, Nu's earliest VC backer, owns 5.3%, and strategic investor Tencent owns 5.1%. Nu has 4.4 stars and a 90% recommend-to-friend rating on Glassdoor, with David Vélez having a 95% CEO approval rating, speaks volumes to Nu's strong culture.

Opportunity: Nu's immediate opportunity is to expand and deepen its share in Brazil across the high-income segment, upsell its existing customers, expand IEP with more lending expanding NIMs, payroll loans are a good example, countering slowing credit card growth. Rapid Mexico and Colombia expansion are medium-term growth opportunities. In the short-term, market worries on Brazil's macro weaknesses (again) with rapid BRL depreciation (as expected), and slowing credit card growth has resulted in a Nu's stock price decline, presenting attractive long-term buying opportunities.

Valuation: Nu has a large and long runway for growth with a strong product with attractive unit economics run by solid management. Assuming revenue grows between 20-25% CAGR over 5Y, with NI margins of 17.5-25% and assuming PE multiples of 20-30X, Nu could return between 17-43% CAGR.

Risks: FX is a significant translation risk as the reporting currency is USD, and functional currencies are the respective local currencies of BRL, MXN, and COP. There are no FX hedges, and the respective lending is funded by the respective local currency borrowings and/or deposits, thus reducing any FX mismatch. In contrast, LATAM has a large and vibrant consumer market, risks of economic instability, deteriorating political environment (Lula vs Bolsonaro), weak macroeconomic conditions (high inflation, currency depreciation), and regulatory risk (new BCB leadership Nilton David replacing Roberto Campos Neto for 4 years). Other risks include MasterCard as the only card processor, as card-related revenues are a significant majority at ~47% but have been declining as Nu has been expanding the lending book.

Vision: Nu deeply aligns with our philosophy of Vision Investing. Nu's customer-centric approach reinvents and delivers innovative products and services that reduce barriers and democratize access to digital financial services in LATAM, delivering growing financial inclusion. Digital banks like Nu, with advantaged unit economics, will continue to gain market share from traditional banks in years to come.

Nu's Product Launch Timeline

Year	Product / Features Launched
2013-2014	Credit Cards in Brazil
2017-2019	Rewards, Bank Account, Personal Loans, Pre-Paid Card, SME, Term Deposits, started in Mexico (2019)
2020	PIX (Brazil instant payment), Bank slip, Secured cards, Fixed maturity deposits, insurance, donations, NuLife (insurance)
2021	WhatsApp, Google, Apple Pay, NuLab, NuSocios, SME Credit Card, Ultraviolet (premium credit card), Credit card bank slip pay, BNPL (buy now pay later), FX remittances, Auto Equity, started in Colombia (2021)
2022	Purple pages (classified ads), Marketplace, Mobile Insurance, PIX financing, NuPay, NuCripto, Money Boxes, Samsung Pay, NuTap, Nunos (gamified relationship), Open Finance, SME 1st, Street Mode, NuShopping (e-commerce)
2023	Payroll deductible loans, Nucoin, Car insurance, collateralized credit card limit, Cuenta Nu - Mexico, Cajitas - Mexico, Additional limit PIX credit, Insurance "Vidas Juntas," Personal Loans - Mexico, FGTS Deductible Loan, Additional Limit PIX Credit, INSS Deductible Loan
2024	NuViagens (travel/hotel/flight booking, Bank Deposit Certificates (CDBs), Secured Payroll Loans - Brazil, Cuenta Nu - Colombia, Cajitas - Colombia (long-term savings), NuCel (mobile phone service), Limite Garantido (secured limit increase for credit card spending for SMEs) Working Capital lending - SMEs, Nubank+ (cashback benefits & Max) strategic partnerships (Felix Pago to receive money from the US, Wise for cross-border payments)

Selected Latin America Countries' GDP (\$b), Population, and GDP per Capita (\$)

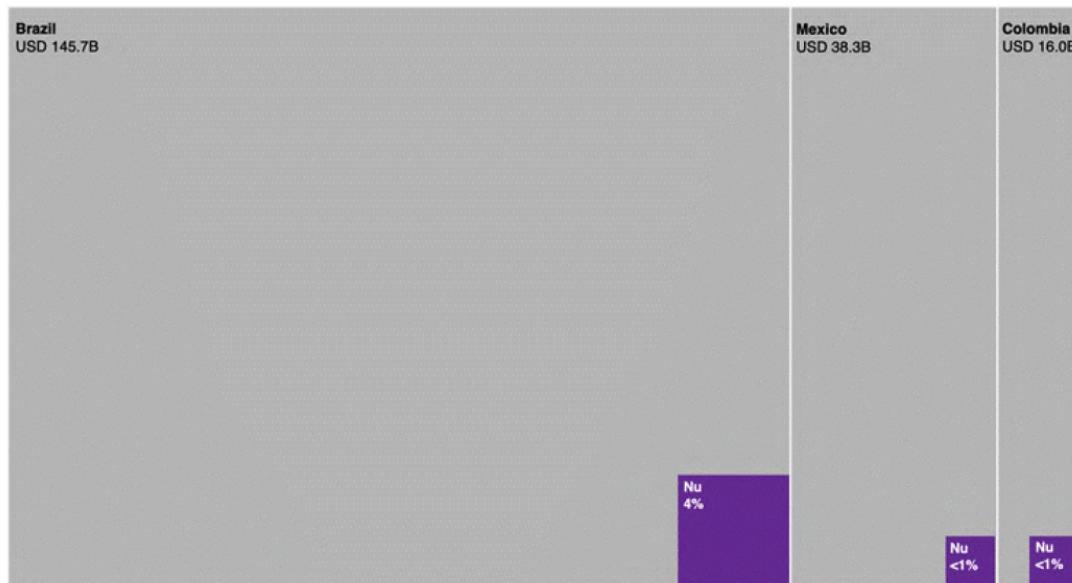
LATAM Country	GDP (\$b)	% Total	Population (m)	% Total	GDP per Capita (\$)
Brazil	2,174	33%	204	32%	10.6
Mexico	1,789	27%	131	21%	13.6
Colombia	364	6%	52	8%	7.0
BR+MX+CO	4,326	66%	388	61%	13.5
Argentina	655	10%	47	7%	14.0
Chile	336	5%	20	3%	16.8
Peru	268	4%	34	5%	7.9
Venezuela	97	1%	27	4%	3.7
Others (26)	-3,435	-52%	-263	-41%	13.0
Total	6,573	100%	639	100%	10.3

Source: IMF WEB Database (2023)

Nu's estimated Brazil, Mexico, and Colombia Financial Retail SAM (<3% of \$200bn) by country.

Brazil, Mexico and Colombia Estimated Financial Retail Industry Revenue 2023

Interest and Fee Income Breakdown by Country and Nu's Market Share (US\$ billion)



Sources: internal estimates based on public sources (BCB, Anbima, Abecs, Susep, Abcomm, Banxico, CNBV, CNFS, SFC, Asofiduciarias, Fasecolda, others).

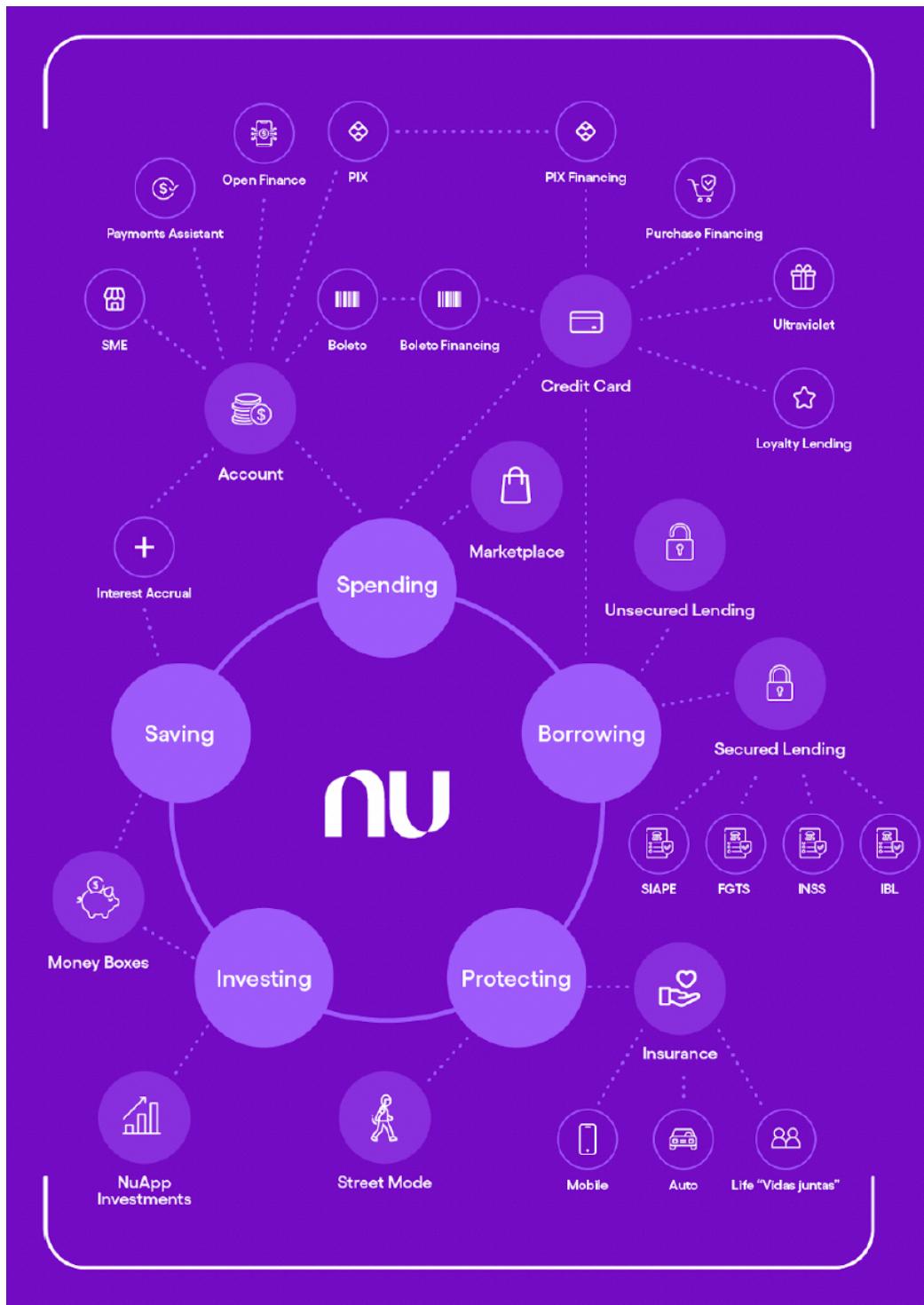
Nu's estimated Brazil, Mexico, and Colombia Financial Retail SAM (<3% of \$200bn) by Product.

Interest and Fee Income Breakdown by Product Category and Nu's Market Share (US\$ billion)



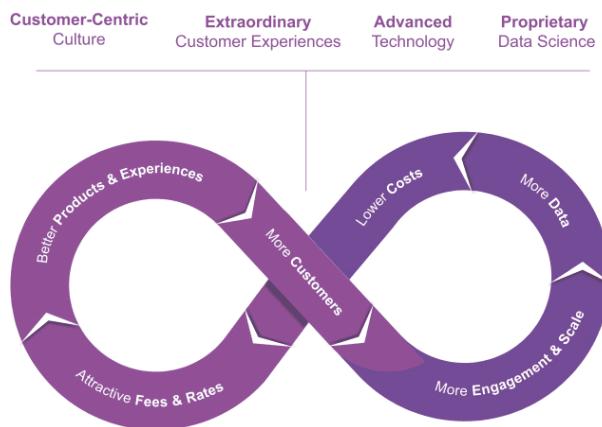
Sources: internal estimates based on public sources (BCB, Anbima, Abecs, Susep, Abcomm, Banxico, CNBV, CNFS, SFC, Asofiduciarias, Fasecolda, others).

Nu's products/services primarily revolve around the five key categories of spending, saving, borrowing, investing, and protecting.

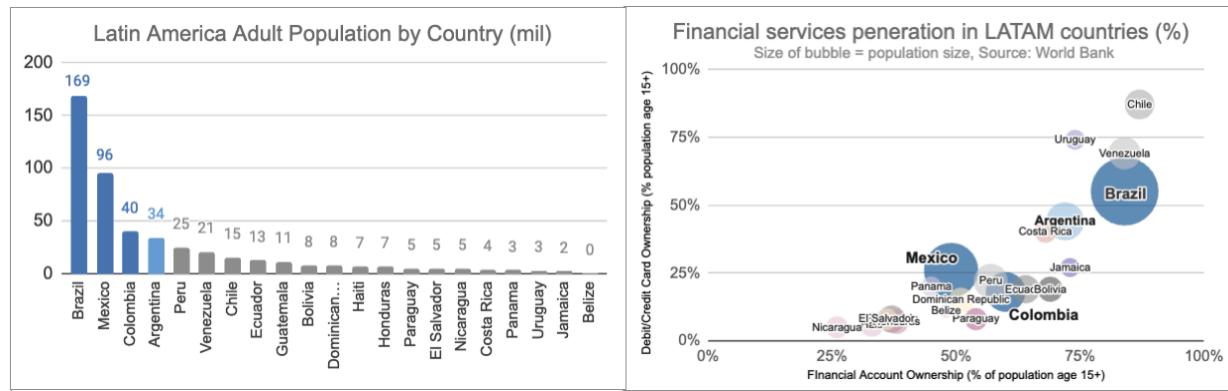


Source: Nu Holdings Ltd's 2023 Annual Report

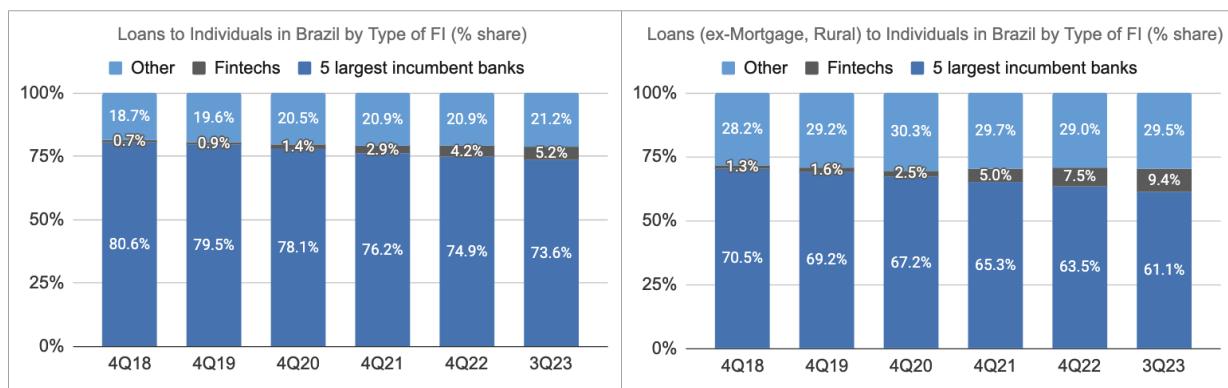
Nu's Self-Reinforcing Flywheel (attractive fees and rates, better products and experiences, drive more customers, more engagement and scale, results in more data, lower costs)



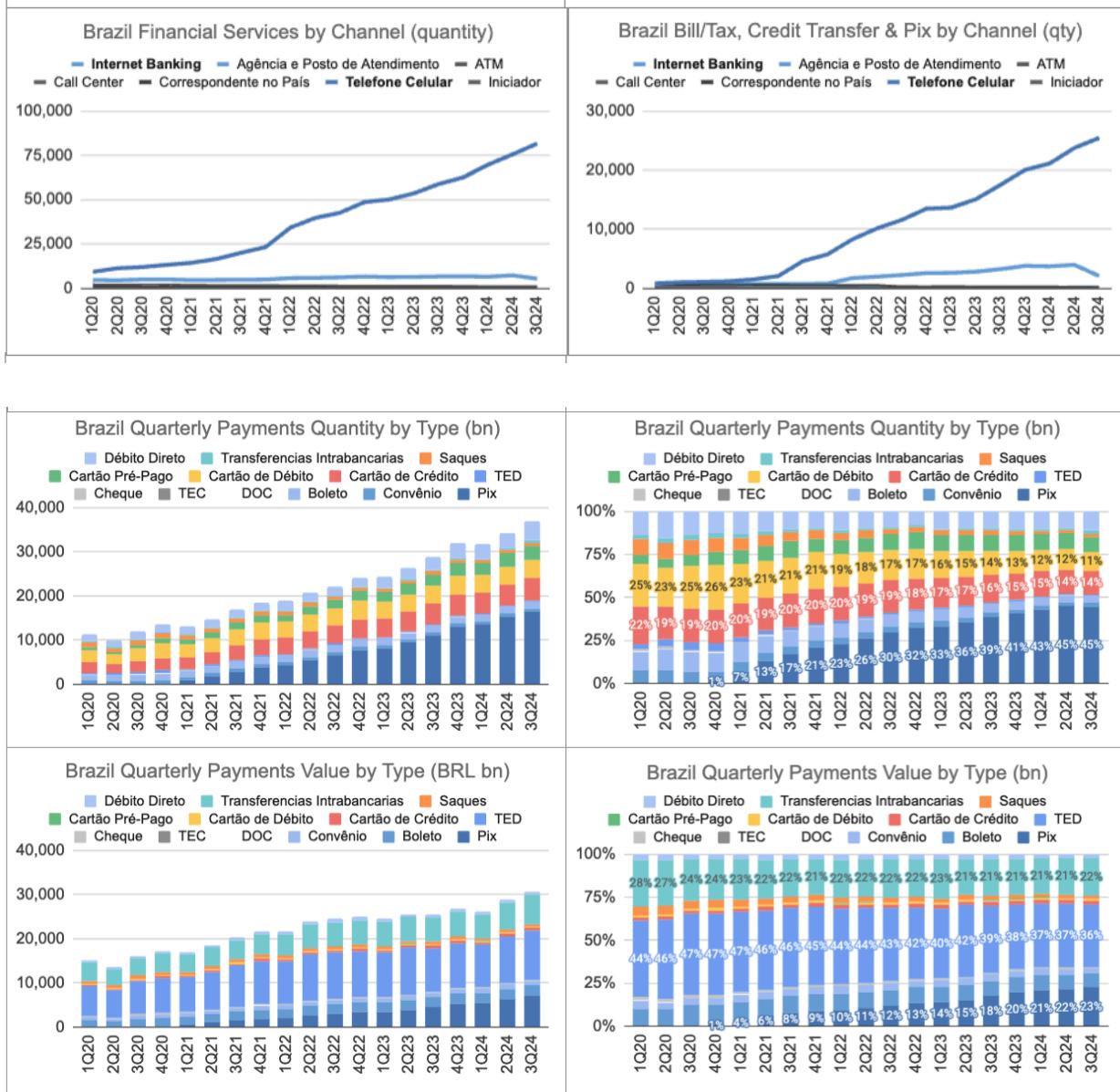
Nu strategically focuses on the three largest LATAM countries: Brazil, Mexico, and Colombia. Argentina could be added next, then expand internationally beyond LATAM. There remains much room for Mexico and Colombia to catch up to Brazil.



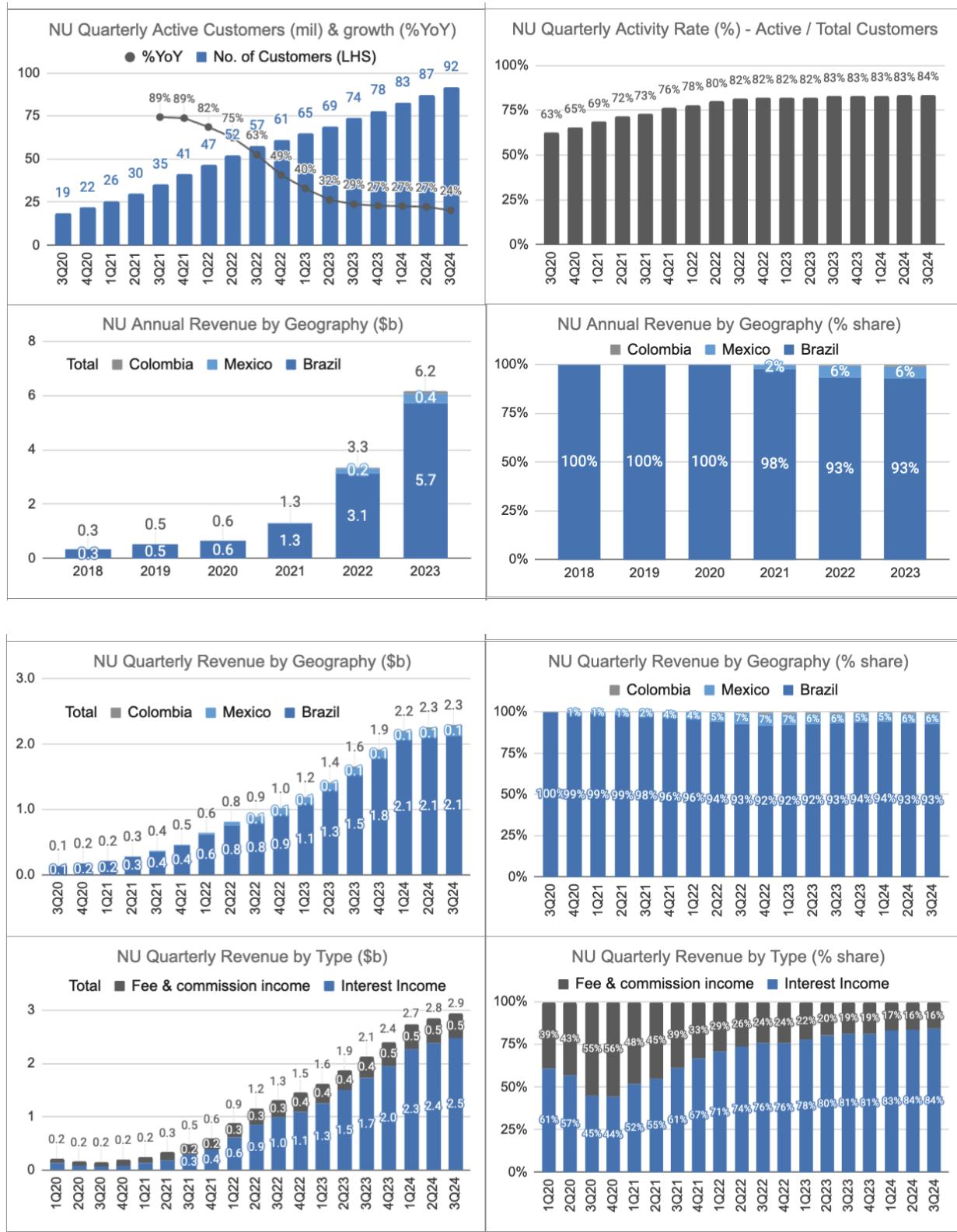
FinTechs are disrupting and gaining market share against Brazilian incumbent banks.

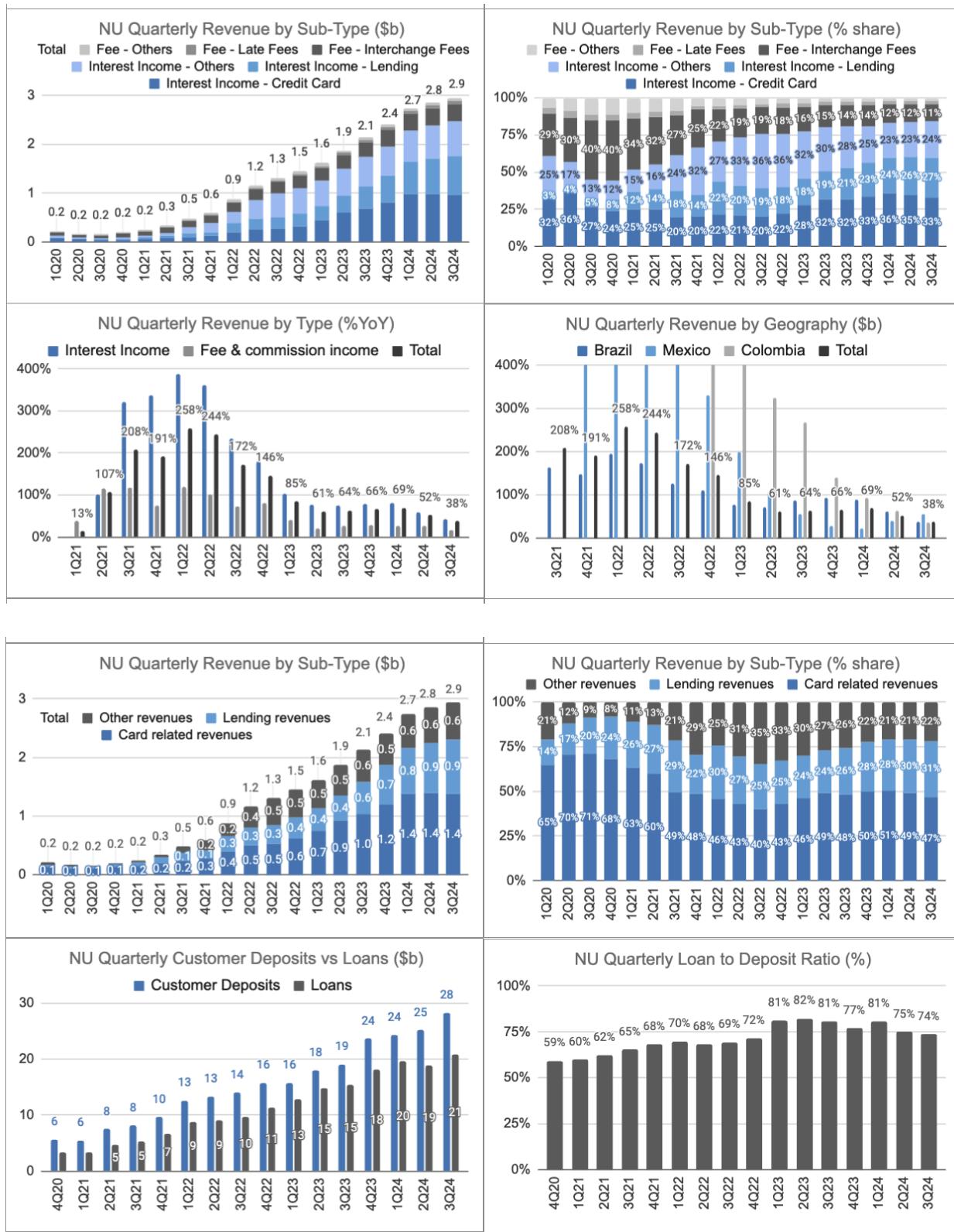


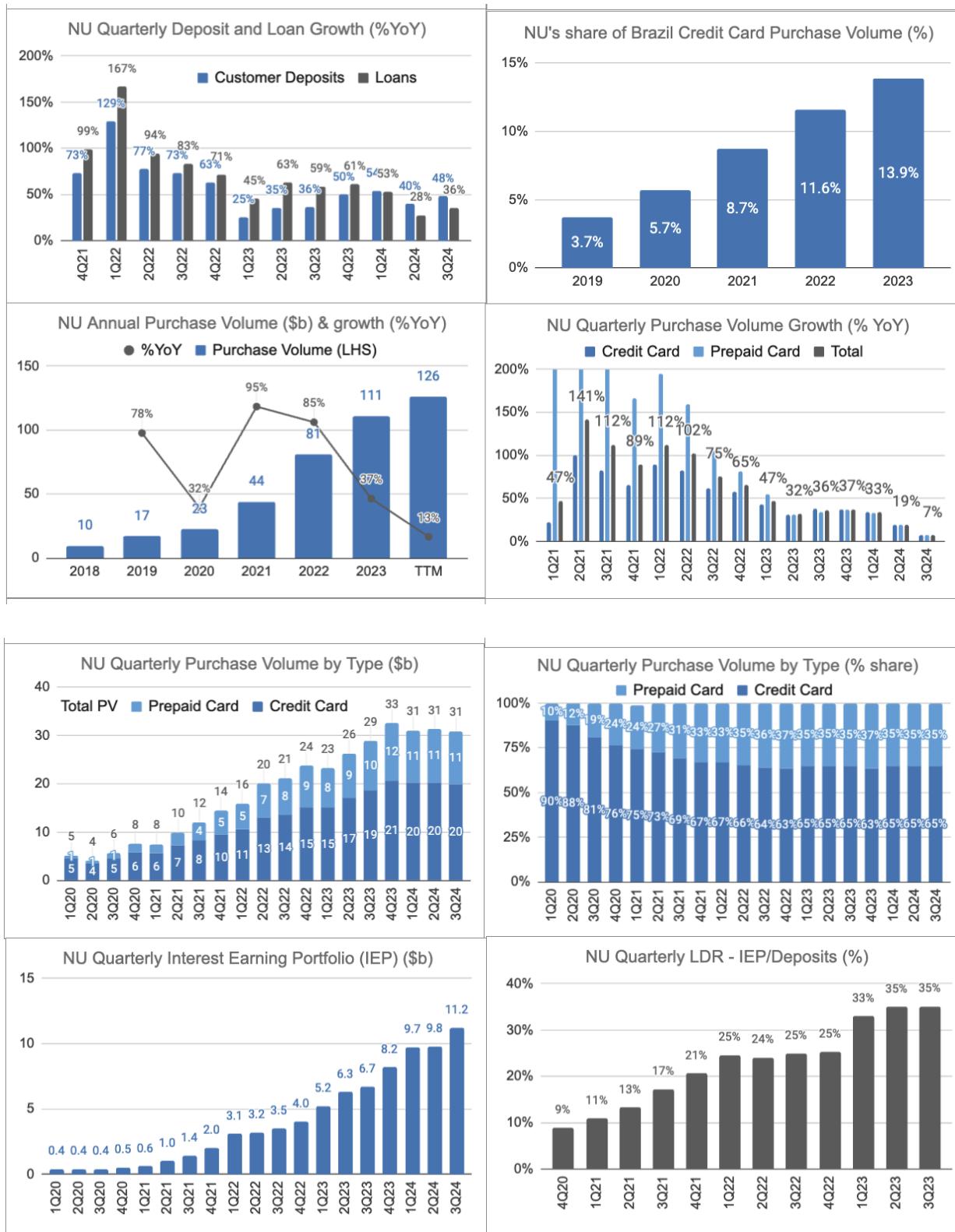
Brazil's use of mobile phones to access financial services took off from 2020/COVID

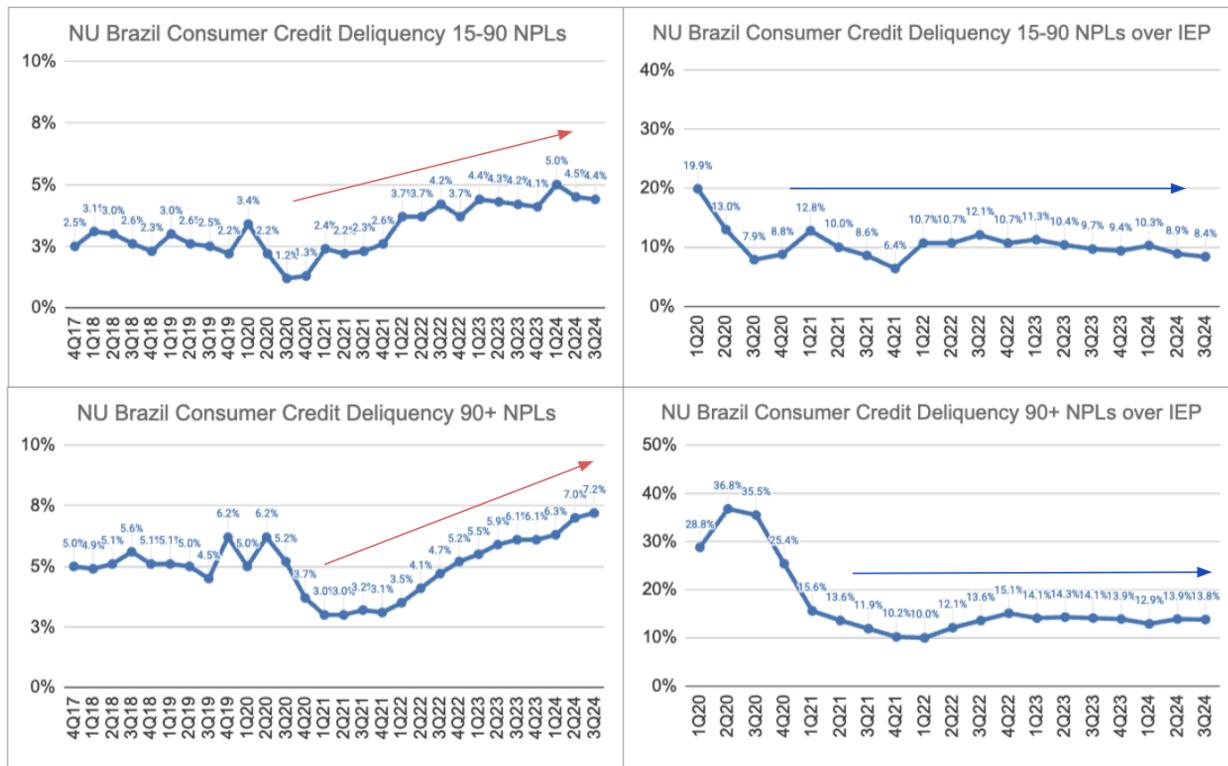
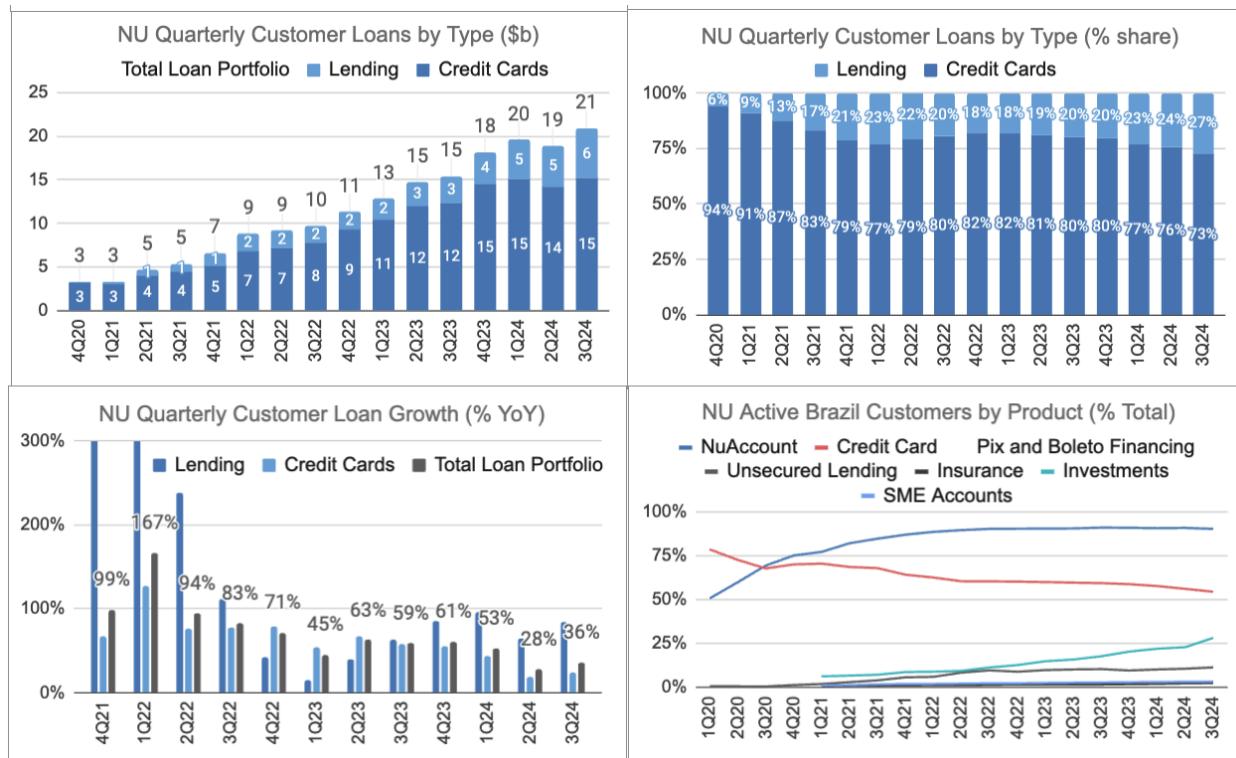


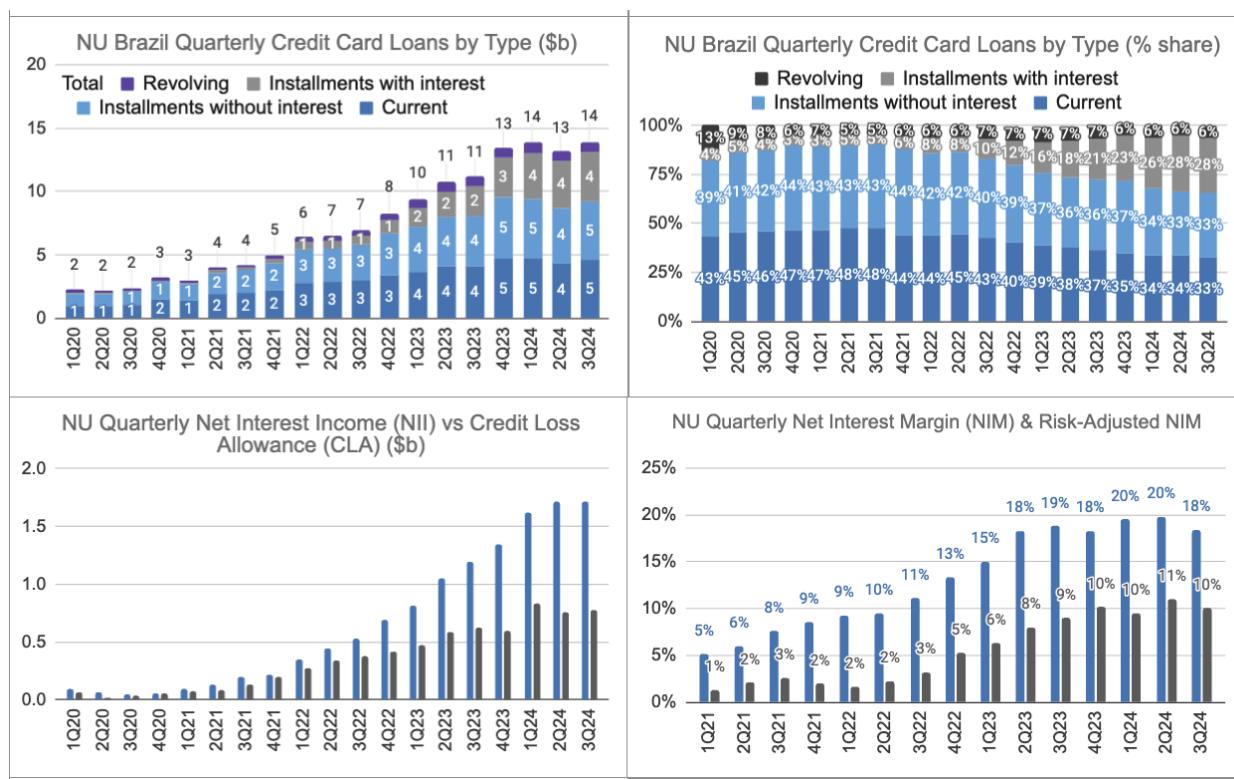
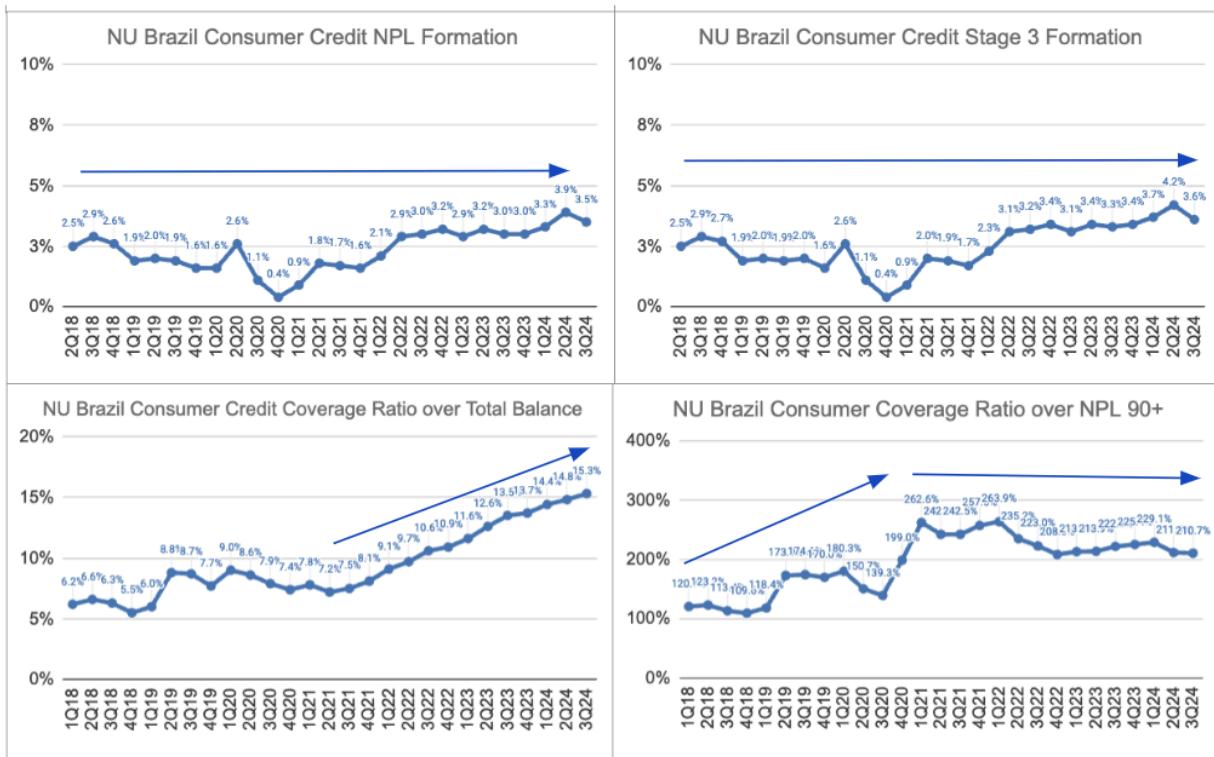
Source: Banco Central Do Brasil (BCB), Vision Capital Fund analysis

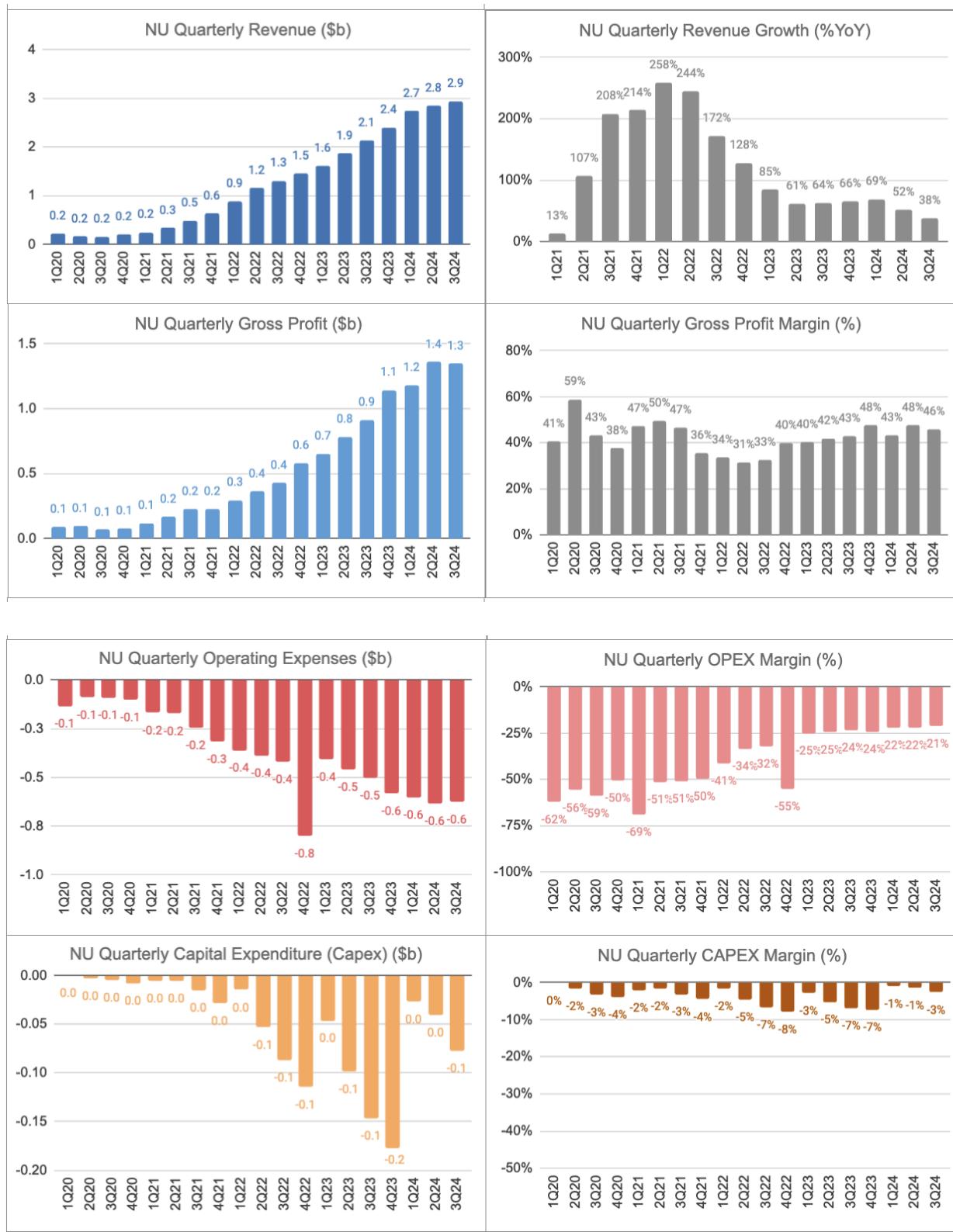


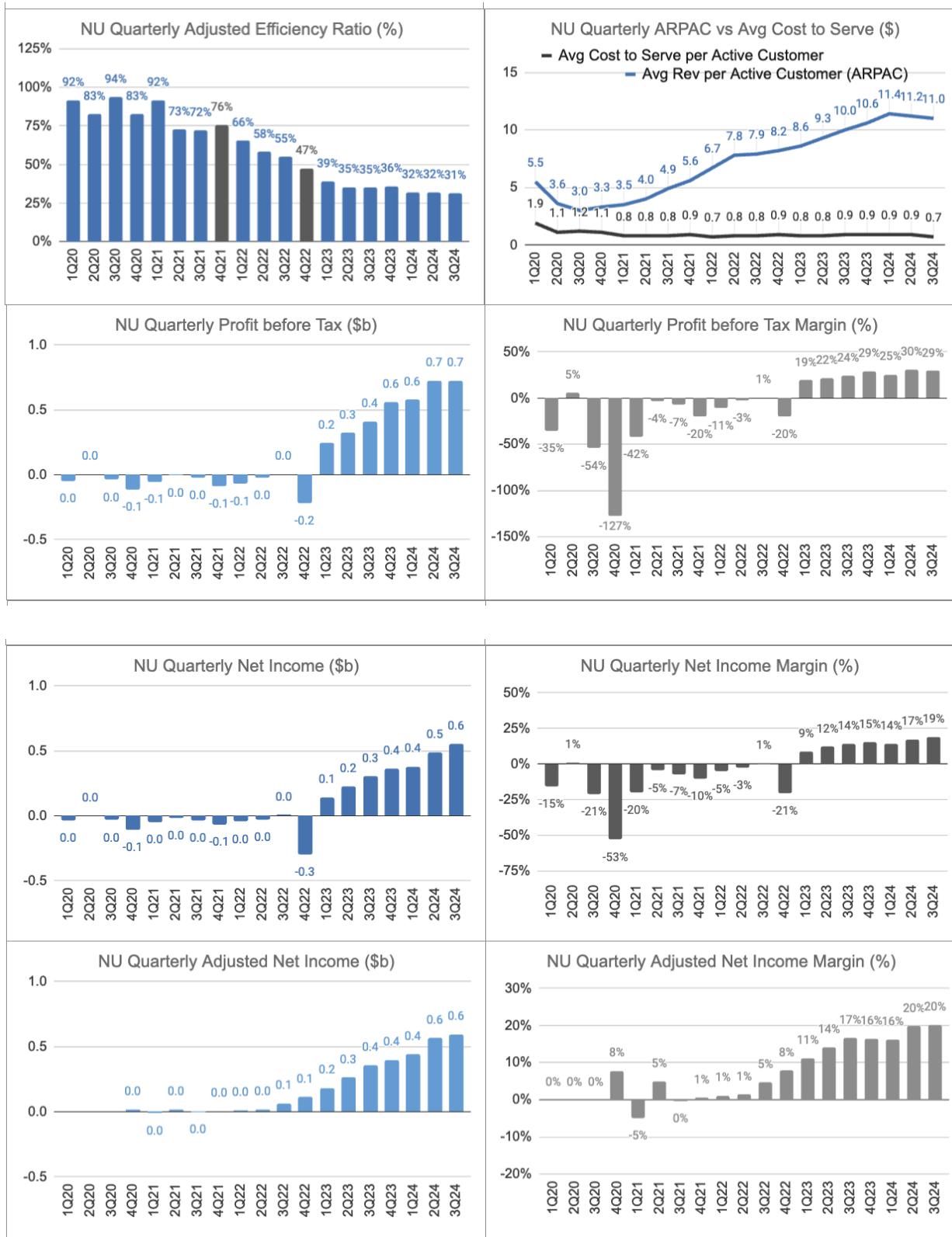


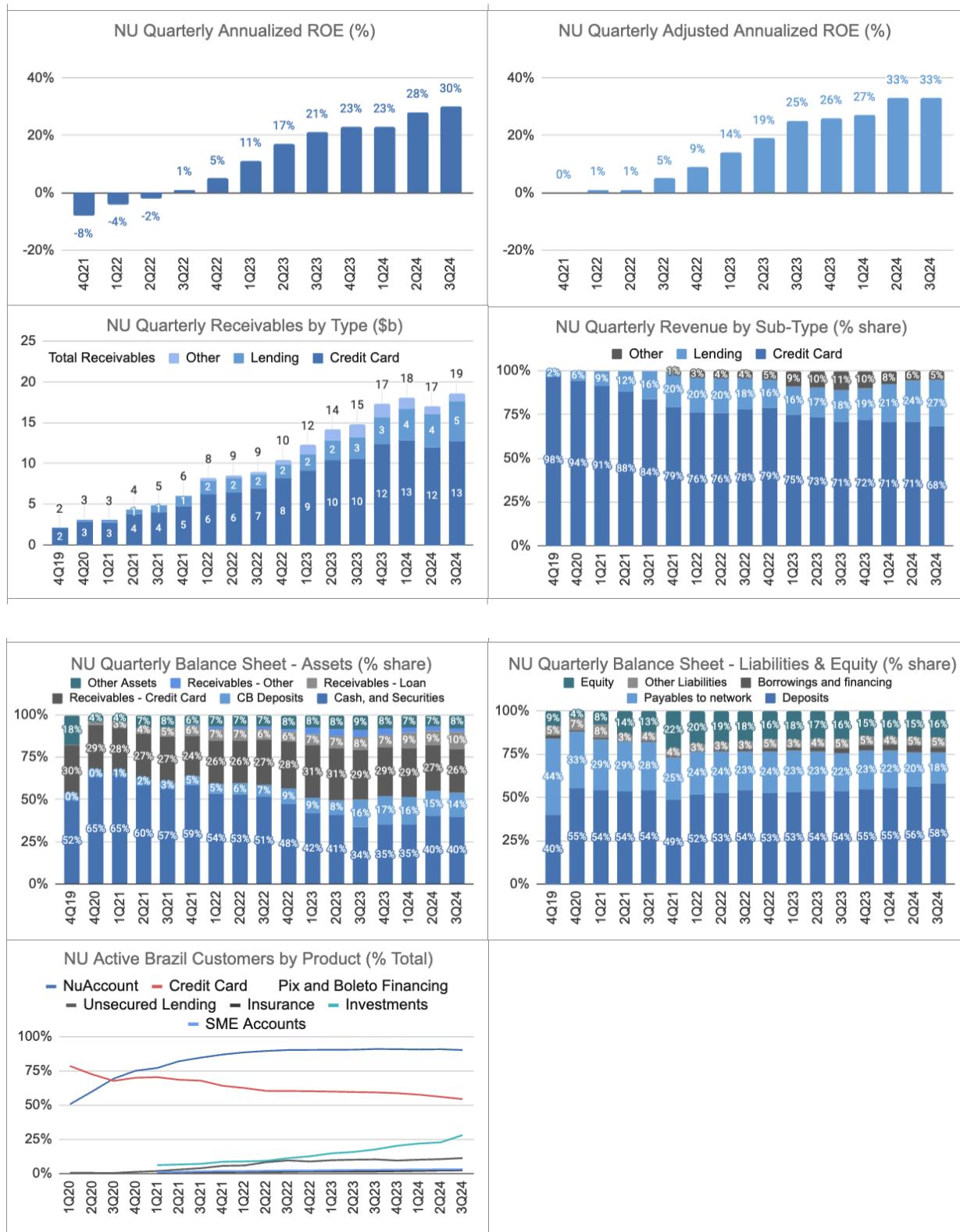




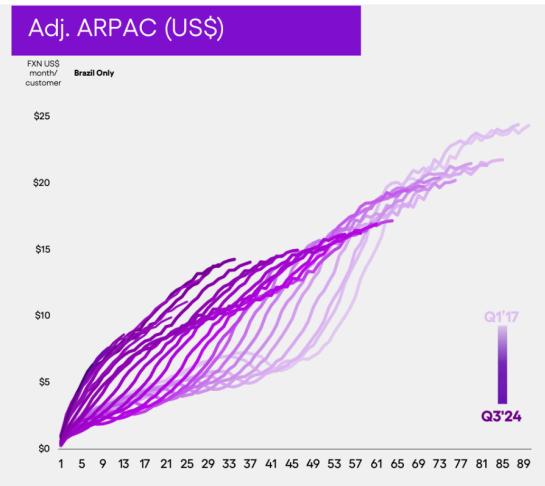
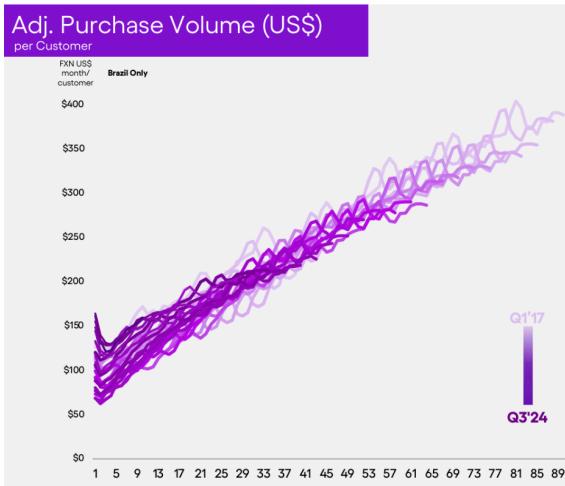
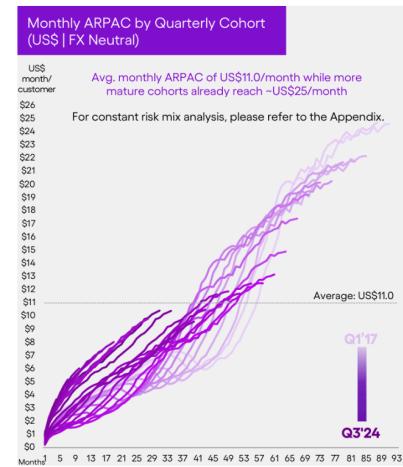
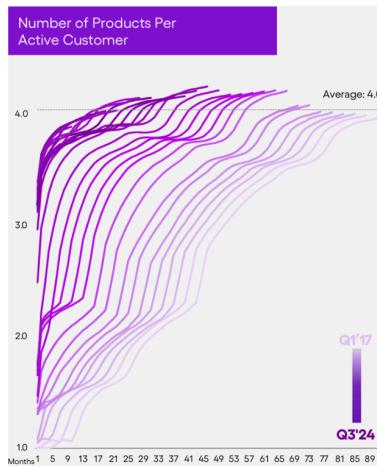
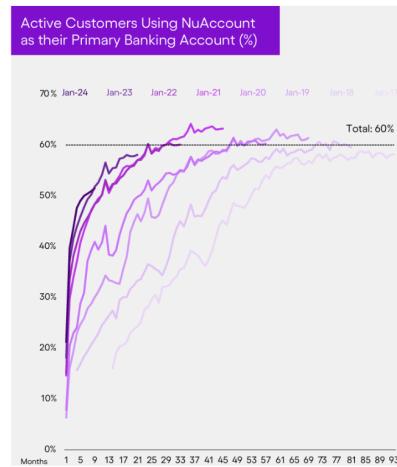








Nu's superior unit economics of faster adoption, upsell, growing usage, and revenue.



Nu's potential return analysis

Potential Return Analysis (P/E) – as of 27-Dec-2024			
Revenue	\$10.9	\$10.9	\$10.9
Revenue CAGR	20.0%	22.5%	25.0%
Years	5	5	5
Future Revenue	\$27.2	\$30.2	\$33.4
Net Income Margin	17.5%	20.0%	25.0%
Net Income	\$4.8	\$6.0	\$8.3
Current P/E Valuation Multiple	27.7	27.7	27.7
Future P/E Valuation Multiple	20.0	25.0	30.0
Future Market Cap	\$95	\$151	\$250
Existing Market Cap	\$49	\$49	\$49
Dilution (-) / Buybacks (+)	0%	0%	0%
Earnings Yield	3.6%	3.6%	3.6%
Return Multiple	2.3	3.6	6.0
Return CAGR %	18%	30%	43%

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