

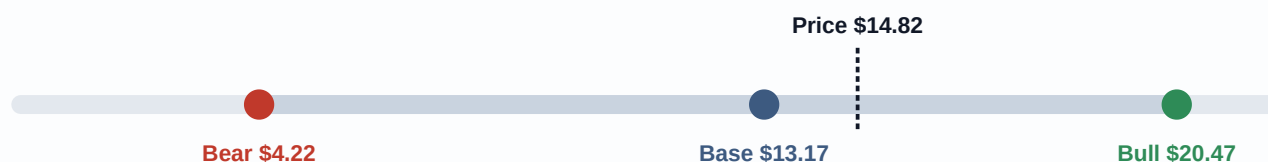
Initiated 2026-10-13 · Price \$14.82 (close 2026-10-13, stockanalysis.com) · Mkt cap \$1.71bn · Financials / digital consumer bank · Model: verified

Rating: Hold — Conviction: Low

Happen is executing (guidance raised, ROTCE 15.9%, CET1 16.9%), and at 7.6x forward earnings and ~1.15x tangible book it is not expensive on printed numbers. But those returns only roughly cover a high-beta cost of equity. Rivals in unsecured personal loans are growing almost twice as fast, and earnings lean on private-credit loan buyers and fair-value marks that turn quickly in a credit cycle. The upside needs the investor-day 18–20% ROTCE goal, and the downside is a 2023-style buyer retreat, so we rate it Hold, leaning cautious.

Conviction tests (3a-v-c): T1 fail (Hold → Sell at +1pp: Base -19.4%; -1.2% at -1pp) · T2 fail (residual income -4.2% reads Hold, justified P/TBV -18.2% reads Sell) · T3 pass · T4 pass

MODEL VALUE RANGE VS PRICE



Business overview

Happen is the former LendingClub. It renamed itself in June 2026, moved its listing from the NYSE (LC) to Nasdaq (HAPN) on 2026-06-22, and renamed its bank Happen Bank, N.A. It is a \$12.5bn-asset national bank originating mainly unsecured debt-consolidation personal loans, now adding auto and home-improvement loans. Originations were \$3.1bn in Q2 2026, up 29% year on year. About two-thirds of loans are sold or held for sale to marketplace buyers, which earns origination fees and gains on sale. The other third is retained, earning a ~6.1% NIM funded by \$10.8bn of deposits, 88% of them FDIC-insured. Revenue splits roughly 68% net interest income and 32% non-interest income (Q2: \$179.0mm and \$83.8mm). Three variables drive earnings: (1) origination volume and the price loan buyers pay; (2) consumer credit, which since 2026 runs largely through fair-value marks on new held-for-investment (HFI) loans rather than the provision; and (3) marketing efficiency, with marketing at ~2.0% of originations against 1.4% a year ago.

Competition

In unsecured personal loans the competitors that matter are SoFi, Upstart and the card issuers whose balances these loans refinance (Synchrony, Bread). SoFi originated \$10.7bn of personal loans in Q2 2026, up 54%. Upstart's total originations were \$4.2bn, up 50% (a mix of personal, auto, HELOC and credit-line volume). Happen's +29% means it is losing share of growth (Q2 2026 data, so current). Pressure would show up first in loan pricing and marketing cost per loan; the efficiency ratio already rose from 62% to 75% year on year. Synchrony, the closest profitable listed consumer-credit comparable, trades at 1.90x tangible book and 7.6x forward earnings. SoFi trades at 2.07x and 21.3x (stockanalysis, 2026-10-13).

Bull case

1. **Balance-sheet compounding.** Earning assets grow ~15% a year toward the ~\$20bn bank the November 2025 investor day targeted, and NIM holds near 6% as deposit costs reprice. Plays out if deposits keep growing (+9.5% YTD) and credit stays near today's 3.2% NCO ratio. *Model: ea_growth, nim*
2. **Marketplace revenue scales with volume.** Originations move toward the \$18–22bn medium-term goal, and loan-buyer demand lifts fees and gains to ~3.3% of earning assets. Plays out if private-credit and bank buyers keep bidding for prime consumer paper. *Model: fee_pct_ea*
3. **Operating leverage.** Marketing intensity normalizes and the efficiency ratio falls from ~74% toward 63%, enough for ROTCE to approach the 18–20% goal. *Model: efficiency_ratio*

Bear case

1. **Share loss forces price.** Competitors growing 50%+ push Happen to cut loan pricing or move into lower-yield prime, auto and home-improvement mix. NIM falls toward 5.4% and retained growth stalls at ~3%. Plays out if Q3–Q4 origination growth decelerates while competitors keep growing above 40%. *Model: nim, ea_growth*
2. **Consumer credit and buyer retreat.** A credit turn hits twice: fair-value marks on HFI loans and sale prices fall at once, with incremental credit losses of 1.5–2.0% of loans at peak. FY2023, when buyers pulled back, earned only \$38.9mm of net income. Plays out if unemployment rises or private-credit funding tightens. *Model: nco_rate, fee_pct_ea*
3. **Marketing spend without operating leverage.** Defending volume keeps efficiency at 76–78%, so ROTCE stalls in the low teens, below the cost of equity. *Model: efficiency_ratio*

Valuation & balance sheet

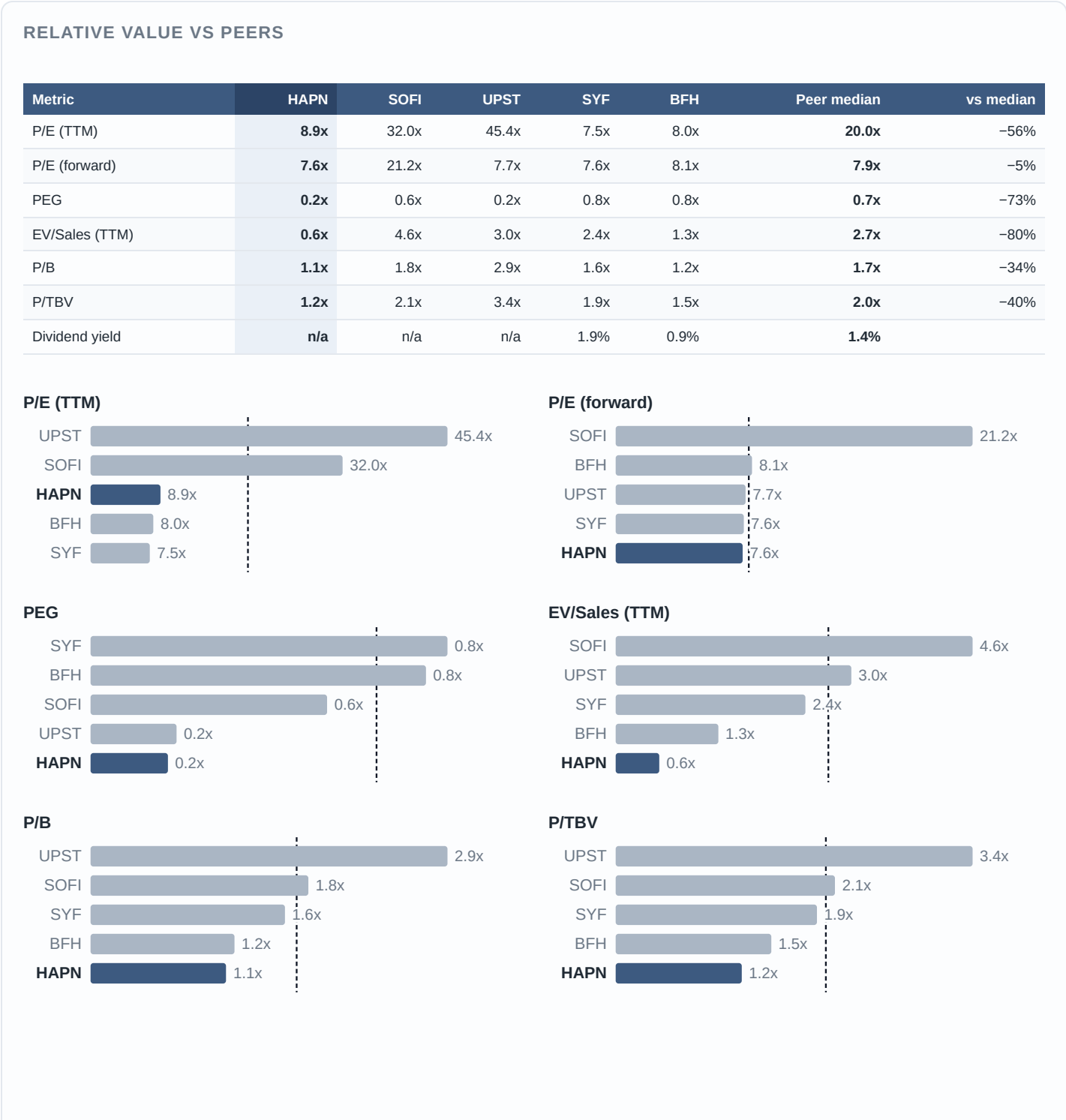
Metric (definition)	Current	Own history (range or 5y avg)	Peers	Source, as-of
P/TBV (price ÷ period-end TBV/share)	1.15x on \$12.89 (1.19x stockanalysis basis)	TBV/share \$10.54 FY23 · \$11.09 FY24 · \$12.30 FY25; P/TBV history n/a (unverified)	SOFI 2.07x · UPST 3.37x · SYF 1.90x · BFH 1.47x (stockanalysis basis)	er2q26 6/30/26; stockanalysis 2026-10-13
Forward P/E (stockanalysis consensus)	7.56x	n/a (unverified)	SOFI 21.25x · UPST 7.73x · SYF 7.63x · BFH 8.12x	stockanalysis 2026-10-13
ROTCE (company non-GAAP)	15.9% (Q2 2026)	11.8% Q2'25 · 11.9% Q4'25	n/a (unverified)	er2q26; er4q25
NIM (reported)	6.14% (Q2 2026)	6.40% Q4'23 · 5.42% Q4'24 · 5.98% Q4'25	n/a (unverified)	er2q26, er4q25, er4q24

UPST's 45.4x trailing P/E reflects depressed earnings (it only just returned to GAAP profit), so the peer P/E median leans on forward figures.

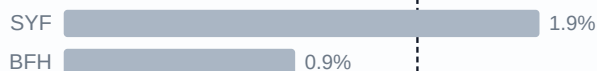
Model-implied value range (from `model-summary.json`; bank, residual income and justified P/TBV, midpoints): Bear \$4.22 · Base \$13.17 · Bull \$20.47 per share, i.e. implied returns of –71.5% / –11.2% / +38.1% vs \$14.82. *These ranges show how the bull and bear drivers translate into value; they are not price targets.* The price sits a little above Base, giving partial credit for the ROTCE climb only Bull delivers. Re-rating: on the model's own basis, today's multiple is 1.22x FY2025 TBV/share (\$12.10). Base justified P/TBV (\$12.13) embeds ~1.00x, an ~18% de-rating, because Y1–Y3 ROTCE roughly equals the 14.7% CAPM cost of equity. Residual income (\$14.20, ~1.17x) is 17% higher, because it credits the Y4–Y5 improvement and terminal growth. The Base return is negative, but we hold Hold rather than Sell because the shortfall sits inside discount-rate uncertainty: at –1pp CoE Base is –1.2%. **Tail sensitivity** (personal loans are well over half of revenue): harsher bear drivers give a \$1.09 Bear midpoint. Those drivers are earning assets –5% in Y2–Y3, NIM 5.2%, fees 1.8% of earning assets, efficiency 82%, credit losses peaking at 3.0% of loans, and a 16.7% CoE. At that level the model values the equity at well under a tenth of tangible book.

Balance sheet: net leverage not meaningful (deposit-funded bank, no holdco debt). CET1 16.9%, Tier 1 leverage 11.9%, TCE \$1.49bn. Model TCE/earning assets is 12.9% in Y1. Deposits are \$10.77bn, 88% insured. The allowance is \$192.9mm, 6.05% of the \$3.19bn amortized-cost book. Model PPNR/provision coverage: n/m in Y1 (provision benefit), 42x in Y2. Nearest material maturity: none (no borrowings). Ratings: n/a (unverified).

Model note: Verified (LibreOffice recalculated all 3,393 formula cells and they match). Unverified inputs: none. Assumptions without basis: none. Scenario consistency checks: all OK. Convention: fair-value accounting for new HFI loans moves credit losses into non-interest income, so `fee_pct_ea` includes fair-value marks and `nco_rate` is the net GAAP provision on total loans (−0.13% in Y1 as the legacy allowance releases); credit shocks to it stand for incremental losses wherever they land. `loans_pct_ea` (56%) is an estimate grossed up from loans/total assets. Base Y1 EPS of \$1.85 matches the FY2026 guide midpoint (\$1.80–1.90). FY2025 TCE (\$12.10/share on Q2 diluted shares) is the valuation base, so the 6/30 TBV of \$12.89 is not yet in value.



Dividend yield



As of 2026-10-13. One source and one definition for every company: aggregator TTM and consensus-forward multiples; P/TBV on the source's tangible book. Not the model's own TBV basis (see the report's valuation table). Quotes are the 2026-10-13 4:00 PM ET close. Dashed line = peer median. Source: [stockanalysis.com /stocks/<ticker>/statistics/](https://stockanalysis.com/stocks/<ticker>/statistics/), fetched 2026-10-13.

Notes. The source's PEG figures, based on its analyst growth estimates; not computed here. UPST's 45.4x trailing P/E rests on earnings depressed by its recent return to GAAP profit. HAPN, SOFI and UPST pay no dividend. Omitted: for lenders, loan originations held for sale run through operating cash flow, so the source's FCF yields (HAPN -175.8%, BFH 55.9%) are not meaningful. EV/EBITDA is not meaningful for banks and lenders and is omitted.

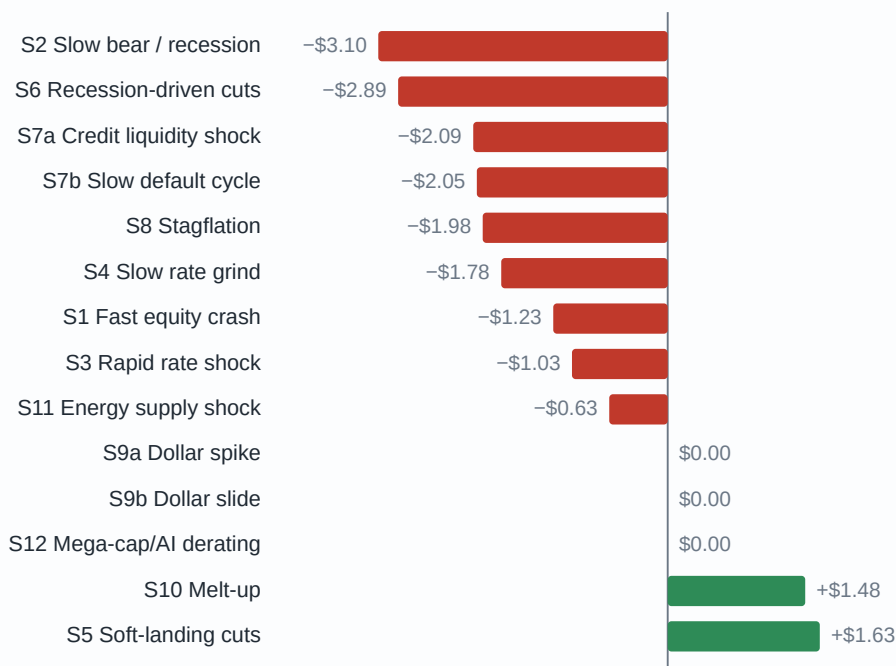
Scenario stress test

Reasoned from the bull/bear drivers above. The model column comes from the scenario overlays (Base case + shock).

Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base (\$/sh)
S1 Fast equity crash	–	1.89-beta fintech de-rates; no earnings channel without recession	Med	–\$1.23
S2 Slow bear / recession	–	Unsecured losses rise, buyers retreat, retained growth stalls, costs deleverage; milder than Bear because it's transitory, while Bear permanently lowers NIM, fees and efficiency	High	–\$3.10
S3 Rapid rate shock	–	Fixed-rate 3–5 year loans lag deposit repricing; higher CoE and buyer hurdle rates	Med	–\$1.03
S4 Slow rate grind	–	Sticky deposit costs squeeze spread; slow borrower strain	Med	–\$1.78
S5 Soft-landing cuts	+	Deposit costs fall faster than fixed loan yields; refinancing demand lifts volume	Med	+\$1.63
S6 Recession-driven cuts	–	Labor-market break drives unsecured losses; cheaper deposits only partly offset	High	–\$2.89
S7a Credit liquidity shock	–	Private-credit buyers step back and spreads gap wider; marketplace volume and FV marks hit; insured deposit funding limits damage	High	–\$2.09
S7b Slow default cycle	–	Rising consumer defaults in debt-consolidation borrowers	High	–\$2.05
S8 Stagflation	–	Real-income squeeze on borrowers, sticky deposit costs, higher CoE	Med	–\$1.98
S9a Dollar spike	0	no material effect, not modeled	Low	\$0.00
S9b Dollar slide	0	no material effect, not modeled	Low	\$0.00
S10 Melt-up	+	Risk appetite compresses the fintech risk premium; buyer demand strong	Med	+\$1.48
S11 Energy supply shock	–	Fuel-price squeeze on lower-income borrowers plus rates spillover	Low	–\$0.63
S12 Mega-cap/AI derating	0	no material effect, not modeled (fintech multiples may move with growth stocks)	Low	\$0.00

Currently active/on watch per the playbook: S3 active; S8, S10 and S11 on watch.

MODEL VALUE CHANGE VS BASE, BY SCENARIO



What would change the call

Upgrades if: ROTCE holds at or above ~18% with the NCO ratio at or below ~3.5% and origination growth back above 30%, or the stock falls toward ~1.0x tangible book with credit still clean. **Downgrades if:** origination growth slows below ~15% year on year while SoFi/Upstart stay above 40%, NIM falls below ~5.7%, or net fair-value adjustments and NCOs widen by more than ~1pp of loans.

Watch items

- **W1:** Q3 2026 diluted EPS \$0.43–0.48 and FY2026 guide \$1.80–1.90 held or raised — Q3 2026 earnings release — 2026-10-28 — *Model: efficiency_ratio*
- **W2:** NIM trending toward ~6% (not below 5.8%) in Q3/Q4 — Q3/Q4 2026 releases — 2026-10-28 / Jan 2027 — *Model: nim*
- **W3:** Credit: NCO ratio ≤3.5% and net fair-value adjustments not widening faster than originations — Q3 2026 release — 2026-10-28 — *Model: nco_rate, fee_pct_ea*
- **W4:** Q3 originations \$3.20–3.35bn and FY2026 within \$12.2–12.6bn (~27–31% growth) — Q3/Q4 2026 releases — *Model: ea_growth, fee_pct_ea*

Sources

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Independent single-name research. Directional characterization, not a price target, execution instruction, or portfolio recommendation.