

Initiated 2026-09-18 · Price \$1.26 (as of 2026-09-17 close, stockanalysis.com) · Mkt cap \$2.02bn · Financials / mortgage finance
· Model: verified (generic, full tier)

Rating: Sell — Conviction: Medium

The common is a thin residual behind ~\$5.5bn of net senior claims plus \$1.65bn of new preferred accruing 10% cash / 13% accreted ahead of it. Despite an 82% drawdown the market still capitalizes the enterprise at ~10.8x FY2025 Adjusted EBITDA — a full multiple, not a distressed one — so the stock is cheap in price, not in what it pays for the business. Owning it is a leveraged bet on mortgage rates falling hard and soon, taken after a controls failure, not a cycle event, destroyed this year's earnings.

MODEL VALUE RANGE VS PRICE



Business overview

Largest US residential mortgage originator by volume, selling only through independent brokers rather than a retail loan-officer force. It originated \$163.4bn in FY2025 and \$39.7bn in 2Q26 (60% purchase / 40% refi), earns a gain-on-sale margin on each loan, and retains servicing — a \$247.6bn UPB book carried at \$5.3bn. Earnings turn on volume (a direct function of the mortgage rate), gain-on-sale margin (channel price competition), and the MSR mark, which moves against volume. A fourth variable now matters as much: the cost and availability of the secured funding — \$8.6bn warehouse, \$2.95bn MSR facilities — carrying the balance sheet.

Bull case

- Rate relief is worth more here than anywhere in the sector** — volume and gain margin expand together on a fixed cost base; Adj. EBITDA went \$282mm (FY22) → \$697mm (FY25) on a partial recovery. Plays out if the Fed eases with growth intact and the 30-year mortgage falls under ~5.5%. *Model: rev_growth, ebitda_margin*
- The recapitalization removes the near-term funding cliff** — \$1.65bn of preferred for debt and MSR-facility repayment, plus a \$500mm undrawn revolver, buys time without a forced MSR sale. Plays out if the 2027 maturities refinance in the 7s. *Model: FY0 net debt and the preferred (credit_debt , other_claims) enter value directly; the refinancing rate (cost_of_debt) and capital_return_pct move EPS and net cash only*
- Scale and the wholesale channel are durable** — broker distribution is structurally cheaper than retail and UWM's share is defensible, so a normalized-volume year should convert above FY2025's 22.1% margin. *Model: ebitda_margin, exit_ev_ebitda*

Bear case

1. **The senior claims grow whether the business does or not** — the preferred compounds at 10–13% ahead of the common while the common dividend is suspended, so cash that would delever now services it. *Model: other_claims, exit_ev_ebitda*
2. **Leverage is at a ratings-distress level and the cycle has not turned** — non-funding debt / tangible equity went 1.2x (YE23) → 3.2x (1Q26) → 6.1x (2Q26); Fitch cut to B+, KBRA to BB+. Equity of \$985.3mm sits \$242mm above the \$743.6mm agency minimum net worth, and \$2.375bn must refinance at B+ pricing by July 2027. *Model: ebitda_margin, nwc_pct_rev, wacc*
3. **The loss was a controls failure, not a cycle** — a \$603.2mm 2Q26 derivative loss from an MSR hedge put on against stated practice, for a Two Harbors deal abandoned in March; a securities class action followed in September. *Model: exit_ev_ebitda, wacc*
4. **Dilution is contractual and ongoing** — a 200mm-share rights offering (+12.5%) priced ~59% above the last close, so insiders likely backstop it, plus 330mm warrants at \$2.00 and \$6.00 running to 2036 that cap upside in exactly the scenarios where it appears. *Model: not in the value range — share_change moves EPS, net cash or a cross-check only (see model note)*

Valuation & balance sheet

Metric (definition)	Current	Own history	Peers	Source, as-of
P/TBV (mkt cap on all Class A+D shares ÷ total equity; negligible goodwill)	2.05x	Equity \$2.47 → \$2.05 → \$1.59 → \$0.99bn, YE23 → 2Q26	RKT ~1.89x P/B	10-Q 2026-06-30; quote 2026-09-17
EV / Adj. EBITDA (pro-forma EV incl. preferred ÷ FY25 Adj. EBITDA)	10.8x	n/a (unverified)	n/a (unverified)	10-Q + FY25 release
Gain-on-sale margin	133bps (2Q26)	77 · 92 · 110 · 116bps, FY22–25	n/a (unverified)	Q2'26 release, 2026-08-05
Origination volume	\$39.7bn (2Q26)	\$127 · \$108 · \$139 · \$163bn, FY22–25	Largest US originator	Q2'26 + FY25 releases
ROTCE	~44% (H1'26 ann.)	~13.4% (FY2025)	n/a (unverified)	10-Q + FY25 release

Model-implied value range (`model-summary.json` ; generic module, DCF-Gordon and DCF-exit-multiple, midpoints): Bear \$0.00 · Base \$0.00 · Bull \$2.15, i.e. implied returns of –100% / –100% / +70% vs \$1.26. *These ranges show how the bull and bear drivers translate into value; they are not price targets.* Base and Bear sit at the module's zero floor — enterprise value does not cover the senior claims. A sensitivity changing only `exit_ev_ebitda` shows that is no artifact of a harsh multiple: Base is \$0.07 at 9.0x, \$0.21 at 10.0x, \$0.33 even at the ~10.8x the market itself pays (–74%). The price is not paying for the base case at any plausible multiple; it pays for the bull recovery, or for option value a DCF midpoint cannot express — the main reason this is Medium, not High, conviction.

Balance sheet: net leverage 5.57x, gross 8.65x corporate debt / FY0 Adj. EBITDA, coverage 1.99x (model); non-funding debt / tangible equity 6.1x (Fitch). Liquidity: \$498.4mm cash, \$500mm undrawn related-party revolver, \$1.65bn preferred proceeds. Nearest material maturities: \$500mm 5.750% notes June 2027, \$1,875mm MSR facility July 2027 — the model's \$11.06bn 2027 ladder bucket is mostly revolving 364-day warehouse capacity; the real task is \$2.375bn. Ratings: Fitch B+ (Aug 2026), KBRA BB+ (2026-07-14, stable).

Model note: Built, full tier, 0 failing error checks, no scenario CHECKS. `verification.status` is `verified` as of 2026-09-20 (LibreOffice's independent recalculation matches the Python values on every formula cell; it was `not_run` at initiation because the environment's LibreOffice install was missing its Calc component). Unverified inputs: `market.cash` only (pro-forma reported cash + committed preferred proceeds; components sourced, the combination mine). No assumptions without a basis. Three deliberate upward biases make implied values generous: Adjusted EBITDA excludes MSR marks and derivative results — what caused the 2026 losses; it treats capitalized retained-MSR value as cash; and preferred is held flat, its dividend charged via `capital_return_pct` — which moves only the net-debt path, never implied value — and never accreted, so the model understates the preferred's claim twice over; with Base and Bear already at the zero floor this cannot change the call. Floating-facility coupons are estimates tied to the reported \$86.8mm of 2Q26 non-funding interest. Ratings come from press summaries (Fitch date `n/a (unverified)`) and the preferred's 10%/13% terms from a filing summary, not the indenture. Generator note (2026-09-24): in this module `share_change` , `capital_return_pct` and `cost_of_debt` move EPS and the net-cash path only, and `peer_pe` feeds a cross-check only; none changes the value range, so bull/bear tags no longer cite them. Scenario deltas were rebuilt after `multiple_pct` shocks were extended to the Gordon method (previously they moved only the exit-multiple half), and EPS now uses average diluted shares.

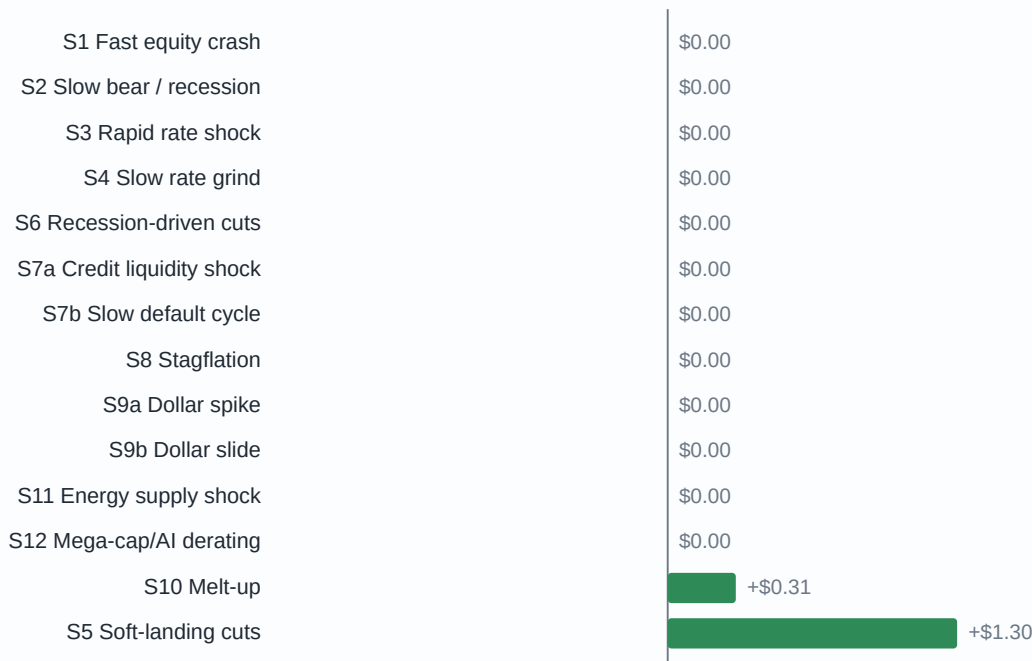
Scenario stress test

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
S1 Fast equity crash	—	Risk premium on a levered B+ stub spikes; flight-to-quality rate relief helps volume only with a lag	High	\$0.00 (at floor)
S2 Slow bear / recession	—	Purchase volume (~60% of mix) falls with housing turnover; delinquencies raise servicing advances and repurchases	High	\$0.00 (at floor)
S3 Rapid rate shock	—	Mortgage rates spike, refi shuts, purchase freezes; MSR marks rise but Adjusted EBITDA and cash do not	High	\$0.00 (at floor)
S4 Slow rate grind	—	Same channel, longer: origination stays depressed and the 2027 refinancings price wider	High	\$0.00 (at floor)
S5 Soft-landing cuts	+	The one genuinely good outcome: refi wave plus purchase demand converting on a fixed cost base	High	+\$1.30 (to \$1.07)
S6 Recession-driven cuts	±	Refi tailwind against weaker purchase demand, rising advance costs, tighter funding for a B+ issuer	Medium	\$0.00 (at floor)
S7a Credit liquidity shock	—	Warehouse and MSR advance rates cut, secured funding gaps wider — most direct threat to the common	High	\$0.00 (at floor)
S7b Slow default cycle	—	Servicing advance obligations and repurchase demands rise without offsetting volume	Medium	\$0.00 (at floor)
S8 Stagflation	—	Rates high and sticky while real incomes fall: affordability and volume crushed as funding costs rise	High	\$0.00 (at floor)
S9a Dollar spike	0	No material effect, not modeled — US residential only; no FX revenue, cost or funding	—	\$0.00 (at floor)
S9b Dollar slide	0	No material effect, not modeled — reaches UWM only via the long end, already S3/S4's channel	—	\$0.00 (at floor)
S10 Melt-up	+	Tight spreads and risk appetite cheapen the 2027 refinancings and lift the multiple on a levered stub	Medium	+\$0.31 (to \$0.08)
S11 Energy supply shock	—	Oil spike lifts headline inflation and mortgage rates while squeezing household budgets	Medium	\$0.00 (at floor)
S12 Mega-cap/AI derating	0	No material effect, not modeled — no earnings channel; rotation-driven rate moves sit in S3–S6	—	\$0.00 (at floor)

With Base at the zero floor the model cannot express further downside: every negative scenario reads \$0.00 and `delta_value_vs_base` is 0.0 throughout. The summary's `delta_eps_y2_vs_base` is a *percentage* change against a Base Y2 EPS of \$0.15, and it carries the ranking — S3 –95%, S8 –90%, S4 –50%, S7b –49%, S2 –48%, S11 –42%; S5 +95%. **Active/on watch per the playbook:** S3 partially active; S8, S10, S11 on watch. S3 is the worst scenario for this name and is live now.

MODEL VALUE CHANGE VS BASE, BY SCENARIO



What would change the call

Upgrades if: quarterly originations exceed ~\$55bn with gain margin above 120bps for two consecutive quarters (S5 in the numbers, not the forecast) **and** preferred terms confirm no conversion with the dividend paid in cash; **or** a bulk MSR sale at or above carrying value retires the 2027 maturities. **Downgrades further if:** warehouse or MSR advance rates are cut; the \$242mm agency net worth cushion falls below ~\$100mm; the class action produces a hedge-accounting restatement; or the preferred accretes at 13% instead of paying 10% cash.

Watch items

- **W1:** Rights offering take-up — public subscription at the \$2.00 floor vs insider backstop — 8-K / prospectus after the 2026-11-12 close — mid-Nov 2026 — *Model: share_change*
- **W2:** 3Q26 results — Adj. EBITDA margin back above 20%, no repeat derivative loss — earnings release — early Nov 2026 — *Model: ebitda_margin*
- **W3:** 2027 refinancings — a coupon above 9% confirms the bear path, in the 7s the bull — 8-K / pricing release — through mid-2027 — *Model: cost_of_debt*
- **W4:** Series A preferred definitive terms — rate and form, redemption, conversion — 3Q26 10-Q note — Nov 2026 — *Model: other_claims*

Sources

- UWMC quote and overview — <https://stockanalysis.com/stocks/uwmc/> — accessed 2026-09-18
- Q2 2026 results release (8-K Ex. 99.1) — <https://www.sec.gov/Archives/edgar/data/0001783398/000178339826000114/q22026ex-991pressrelease.htm> — accessed 2026-09-18

- Form 10-Q, Q2 2026 — <https://www.sec.gov/Archives/edgar/data/0001783398/000178339826000117/uwmc-20260630.htm> — accessed 2026-09-18
- FY2025 results release (8-K Ex. 99.1) — <https://www.sec.gov/Archives/edgar/data/1783398/000178339826000010/q42025ex-991pressrelease.htm> — accessed 2026-09-18
- FY2023 results release (8-K Ex. 99.1) — <https://www.sec.gov/Archives/edgar/data/1783398/000178339824000009/q42023ex-991pressrelease.htm> — accessed 2026-09-18
- \$2.05bn capital partnership with the Ishbia family and Oaktree (8-K Ex. 99.2) — <https://www.sec.gov/Archives/edgar/data/1783398/000178339826000114/ex992oaktreepressrelease.htm> — accessed 2026-09-18
- Class B warrant agreement (8-K Ex. 4.14) — <https://www.sec.gov/Archives/edgar/data/1783398/000178339826000114/ex414-uwmcxclassbwarrantag.htm> — accessed 2026-09-18
- Fitch cuts UWM to B+ on higher leverage (HousingWire) — <https://www.housingwire.com/articles/fitch-uwm-rating-b-plus/> — accessed 2026-09-18
- KBRA downgrades United Wholesale Mortgage, LLC — <https://www.kbra.com/publications/fwvYZVcc/kbra-downgrades-ratings-for-united-wholesale-mortgage-llc> — accessed 2026-09-18
- Hedging-strategy class action filed after 34% drop (GlobeNewswire, 2026-09-16) — <https://www.globenewswire.com/news-release/2026/09/16/3362995/0/en/uwmc-stock-news-uwm-holdings-stock-dropped-34-on-hedging-strategy-issues-triggering-investor-class-action-contact-bfa-law-if-you-lost-money.html> — accessed 2026-09-18

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