



1 U.S. Stock to Buy That Could Make You a Millionaire

Description

Financial experts often state that bear markets provide investors an opportunity to build generational wealth. For example, \$1,000 invested in **Amazon** stock in November 2008 would be worth close to \$65,000 today.

The ongoing bear market has pushed the valuations of several [tech stocks](#) significantly lower. A few of these stocks have the potential to generate market-thumping gains for long-term investors. Typically, a millionaire-maker stock is one that can produce returns of at least 1,000% in the span of a decade.

I have identified one such growth stock part of the U.S. market that is available at a massive discount. The company is **Upstart** ([NASDAQ:UPST](#)), which operates in the fintech space south of the border.

The bull case for Upstart stock

There are several reasons why I remain bullish on the long-term prospects of Upstart.

A low valuation

Upstart went public in late 2020 at a price of US\$20 per share. It touched a record high of US\$401 in October 2021 and is currently priced at US\$25.5 — almost 85% below all-time highs. Upstart was among the fastest-growing stocks globally, as it increased revenue from US\$95.6 million in 2018 to US\$846 million in 2021.

So, it's valued at a trailing price-to-sales multiple of less than three, which is quite reasonable for a fintech company.

Expanding addressable market

Upstart provides an artificial intelligence-powered loan evaluation platform to banks and other lending institutions. The platform evaluates the credit risks of potential borrowers and connects the latter with a

partner institution. Upstart charges the lending bank a fee for evaluating the application.

Upstart claims its AI-based tool is extremely robust and considers multiple variables to accurately assess the credit risk of borrowers. It now has 71 banking partners at the end of the second quarter compared to just 25 in the year-ago period.

Upstart can easily scale its business and enter other international markets. The company can also provide solutions to automobile and mortgage lenders, unlocking much larger revenue streams in the process.

According to a report from TransUnion, the auto lending market is worth US\$770 billion, while the home loan segment is valued at US\$4.2 trillion in the U.S.

Stellar profit margins

Due to an asset-light model, Upstart grew its pre-tax income by 2,100% in 2021 to US\$133.7 million compared to a less than 300% rise in sales. A high-growth company with a widening profit margin can create massive wealth for investors.

The bear case for UPST stock

A major risk factor for investors to consider is the prospect of an upcoming recession. The lending industry is extremely cyclical and has resulted in a deceleration in Upstart's top-line growth this year.

In fact, Upstart's management has lowered its guidance for 2022 several times due to the double whammy of rising interest rates and lower consumer spending. Further, Wall Street now forecasts UPST to report revenue of US\$957 million in 2023 compared to over US\$1 billion in the last 12 months.

Upstart initially maintained it is a loan evaluator and not a lender. But the company temporarily held loans on its balance sheet in a bid to enter new markets. Its loan balance increased to US\$624 million in the second quarter compared to US\$252 million at the end of 2021.

Lastly, in the second quarter, two banks accounted for 89% of the total loan volume for Upstart, indicating a huge dependence on an extremely small base of customers.

Upstart is a high-risk, high-reward stock pick. It has enough secular tailwinds to increase investor wealth multi-fold once the economy recovers.

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2. Tech Stocks

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