



3 Reasons Nuvei (TSX:NVEI) Is the Next Multibagger

Description

Newly listed payments giant **Nuvei** ([TSX:NVEI](#)) has already delivered stunning gains. Investors who'd [bought the initial public offering](#) have seen their holding expand by roughly 60% over the past week. The company is now much larger than its popular rival **Lightspeed POS** ([TSX:LSPD](#))([NYSE:LSPD](#)).

With such stellar gains in such a short period of time, it's easy to assume that the stock is overvalued. However, I believe there are three reasons Nuvei's rise could continue. Here's why Nuvei stock could be the next major tech multibagger for early investors.

Economies of scale

In the financial industry, size is critical. Larger payment processors have better capital efficiency, which lowers their cost of financing. In turn, the bigger payment processors can offer more competitive rates to their merchants across the world.

Nuvei is already one of Canada's oldest and largest payments processors. At its current price, Nuvei's market capitalization is over \$6 billion — far larger than Lightspeed's \$3.6 billion. Nuvei also generated more in sales over the past year than its better-known rival.

With operations spread across the world, Nuvei's platform supports 450 local and alternative payment methods as well as over 150 currencies. That scale allows the company to offer better pricing to more customers and ultimately drives margins for the underlying business.

Total addressable market

Unsurprisingly, the global payments industry is huge. According to McKinsey, the global market for payment processors is worth over \$2 trillion already and is quickly expanding. With the rapid acceleration of online shopping, digital goods, and online services, this market opportunity is immense.

By comparison, Nuvei has also captured a fraction of the market. By comparison, Nuvei's larger rivals in America are worth between US\$68 billion and US\$216 billion at the moment. Expanding overseas and launching new services will allow the company to grow at a steady pace for the foreseeable

future.

Access to capital

The key to this global expansion is easy access to capital. By going public, Nuvei now has access to both equity and debt funding on more favourable terms. Its market value has already doubled. Meanwhile, the costs of borrowing have declined along with the rest of the corporate bond market.

Nuvei can issue more shares or bonds to finance acquisitions overseas to fuel its growth. The company's purchase of a U.K.-based payments company last August for \$889 million demonstrates this potential for expansion. This year, the team is focused on acquiring Smart2Pay, a Dutch payments business. I'm confident there are plenty of similar targets in the pipeline ahead.

Bottom line

Lightspeed POS has doubled in value over the past year. Investors recognize the immense market potential and the appeal of Lightspeed's business model. Lightspeed's larger rival, Nuvei, has similar potential but better scale. Now that the company has access to public capital, it can drive growth through more acquisitions.

Nuvei stock has the potential to be a multibagger. Investors seeking a major growth opportunity should certainly add it to their watch list.

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3. TSX:NVEI (Nuvei Corporation)

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Date

2025/07/25

Date Created

2020/09/27

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