



Should You Buy Nuvei Stock After Its IPO?

Description

Nuvei ([TSX:NVEI](#)) connects global merchants in the retail, travel, and gaming industries to customers with a wide range of payment technologies. The company raised \$833 million during the IPO process, the largest tech IPO on the **TSX**. Nuvei stock has more than doubled in value since its [IPO on September 17](#).

Expectations are high for Nuvei stock

While Nuvei is just getting started, CEO Philip Fayer said it would have no trouble competing in any industry more and more competitive. He admitted that expectations are high for the Montreal-based company.

Investors who may not be familiar with the Nuvei name don't need to look past the stock's performance so far to realize that it was one of the most popular Canadian listings in recent history. Nuvei's IPO was initially priced at US\$26, but shares have since skyrocketed, trading over \$50.

From the outside, the payments industry seems crowded. It includes not only legacy names such as **Mastercard** and **Visa** but also names well known to consumers such as **PayPal Holdings**. Several tech giants have also entered the space recently. **Apple** has Apple Pay, while its big tech brothers **Alphabet**, **Facebook**, and **Amazon** each have one foot in the game. Canadian companies Shopify Inc. and Lightspeed POS Inc. are also in the game.

So, is there room for a company like Nuvei? Absolutely, says Fayer. And the big tech companies that accept payments in-house won't change that.

"Apple is not a competitor," [he said](#). "Amazon runs its marketplace and **Shopify** and **Lightspeed** use a company like Nuvei, called Stripe, to power their payments, so they work within different verticals from a capabilities standpoint."

Nuvei has an advantage over other competitors

The advantage of Nuvei, said Fayer, is that it is a global company that works with 150 currencies and supports 450 payment methods. If businesses want to accept payments in Asia, for example, they need to have access to Alipay. In Germany, they would need Giropay – but Nuvei can make both connections. Nuvei currently processes US\$35-billion in transactions in more than 200 markets. Online transactions account for 71% of the total, up from less than 30% five years ago.

Then some of the companies that might be seen as competitors might operate in just one or two spaces in the area of payments, such as acquisition, connectivity, or payments. Nuvei, however, has a share in each of them – a factor that Fayer says limits competition to just three or four companies with the same capabilities and reach.

The company continues to eye further acquisitions and has a deep pipeline of potential targets globally.

Sales of US\$82.6 million in Nuvei's most recent quarterly results increased 64% year over year. This is a high growth rate.

In Nuvei's year-end 2019 results, sales of US\$245.8 million increased by a similar percentage, up from US\$149.7 million the previous year. The only bright spot for the company, however, is that in its most recent quarterly results it posted a solid profit of US\$14 million.

Nuvei stock is promising, but like other IPOs, there are many risks involved and you must be willing to tolerate high volatility if you buy this stock.

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