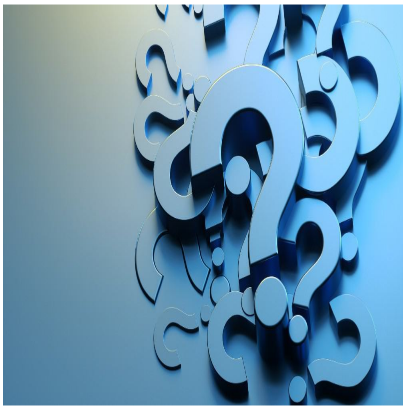

Nuvei (TSX:NVEI): A Forever Stock?

Description

Nuvei (TSX:NVEI) stock has broken out after consolidating for the better part of the first quarter. The catalyst for a 13% rally to record highs is an impressive fourth-quarter and full-year report that affirms growth in the payment processing and digital commerce sectors.

This recent rally makes Nuvei one of the few tech stocks to negate the recent correction. Year to date, the stock is up 20%. That's because Nuvei seems to offer the perfect combination of growth and value. Let me elaborate.

Revenue growth

The global payment technology partner reported a 53% total volume growth in Q4 to $13.9 billion, with e-commerce accounting for 80% of total volume. Revenue increased 46% to $115.9 million from $79.3 million. Likewise, the company posted a net income of $22.6 million compared to a net loss of $3.1 million a year ago.

The impressive financial results underscore the blow-out year that Nuvei had in 2020 that resulted in the stock more than doubling over a short period as a public company. Likewise, the payment technology is well positioned for tremendous growth in 2021, as online and offline shopping-related services continue to grow, conversely fueling demand for its payment solutions.

Nuvei is well positioned to generate significant revenues, as an expanding customer base and merchants increasing wallet share continue to strengthen its revenue streams. After a recent bounce back to profitability, the company should continue to generate more net earnings on revenue growth.

Valuation

On the valuation front, Nuvei appears fairly valued given a market cap of less than $15 billion compared to **PayPal**, which is valued at over $100 billion. However, the stock is trading at a premium after a recent spike high, given its forward price-to-earnings (P/E) ratio of 56.71 and price-to-sales ratio of 30.

However, Nuvei's earnings growth rate may justify that valuation. Assuming the company's forward annual growth rate is higher than 56%, its P/E to growth, or PEG, ratio is around one. Over the past year, Nuvei's gross income surged 61%, so it's likely to meet expectations.

It's also worth noting that Nuvei's valuation is lower than its closest rival's. **Lightspeed POS** seems to be trading at a price-to-sales (P/S) ratio of 38. That's much higher than Nuvei's P/S ratio. Meanwhile, Nuvei is the larger company with more transaction volume, which gives it economies of scale.

These metrics combined with the fact that the global economy is reopening and the transition to cashless payments is likely to play out over the next decade make Nuvei a top pick.

Bottom line

You can comfortably own a stock forever if you know there's a long runway of growth ahead. If the stock's valuation is justified at current levels, you can bet with conviction. Nuvei seems to hit that sweet spot. It's expanding revenue and earnings by double digits annually. Meanwhile, the valuation metrics are relatively lower than its rivals in the payment sector.

If you're a long-term investor seeking growth at a reasonable price, Nuvei could certainly be a "forever stock."

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