



Why Nuvei (TSX:NVEI) Is the Stock to Hold for a Decade

Description

As e-commerce has become an integral part of our living, many allied industries have also started booming in the last few years. Fintech has been one of them. Canadian non-bank payment processor **Nuvei** ([TSX:NVEI](#)) has witnessed remarkable growth in the last few years. Nuvei stock sits right on top among the tech stocks, gaining more than 100% since its listing in last September. After several acquisitions and superior quarterly performance, the stock seems to be just getting started.

Nuvei stock for the decade

Online shopping has seen enormous growth due to changing consumer behaviour since the pandemic began. One thing that has made online shopping all the more convenient is digital payments. For Nuvei, the e-commerce segment drove in almost 87% of total transaction volume in Q1 2021.

Interestingly, that's just one growth area of this emerging fintech titan. Nuvei specializes in providing a payment technology platform for gambling and sports betting too. It is currently permitted to provide payment services to regulated online sports betting operators in 10 U.S. states. Nuvei serves as a payment processor to financial service providers, online retail, and cryptocurrency platforms.

But how exactly does Nuvei earn revenue?

Nuvei charges transaction fees to merchants for providing a payment gateway. It also generates revenues from value-added services like analytics and insights to merchants.

Financials

The company reported total revenues of US\$150 million in Q1 against US\$83 million in the comparable quarter last year. It expects US\$610-US\$640 million in revenues for 2021, representing a handsome growth of 67% year over year.

Importantly, Nuvei has managed to keep its margins consistent, despite being in a growth phase. In Q1

2021, its EBITDA margin [expanded](#) to 42% against its historical average of 35%.

Nuvei has been aggressive in terms of inorganic growth as well. In the last six months, it announced four strategic acquisitions such as Smart2Pay, Base Commerce, Mazooma, and Simplex. Mazooma is a payment tech provider for U.S. online gaming and sports, while Simplex provides an infrastructure to the cryptocurrency ecosystem.

Notably, Nuvei's revenue guidance given above does not include contributions from Mazooma and Simplex.

Growth prospects

Simplex could offer significant growth opportunities for Nuvei given the cryptocurrency boom. In 2021, Simplex's total transaction volume is expected to reach US\$2 billion.

Nuvei's single integrated payment platform for multiple currencies and more geographies will be an important driver for its merchant growth. High-growth areas like online marketplaces and regulated online gaming have a huge addressable market and offer enormous growth prospects.

Nuvei intends to specialize in complex verticals that have high barriers to entry. Sports betting could be one of those areas. Interestingly, it will open up a huge market for the company as more U.S. states legalize sports betting. Nuvei will likely see a pricing advantage and margin expansion with its first-mover advantage in the niche space.

Valuation

Nuvei stock is currently trading at \$91 and boasts a market cap of \$12.6 billion. That gives it a forward price-to-sales multiple of 18 and looks expensive from the valuation standpoint. However, [growth stocks](#) almost never trade at a discount.

Nuvei's scale, diversified revenue base, and expertise in high-growth areas could bode notably well for its financial growth. Investors with an appetite for large stock price swings could see significant value unlocking in the next few years.

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