



\$1,000 Invested in Nuvei IPO Is Worth This Much Today!

Description

There are several investment strategies that can be considered if you aim to gain exposure to public equities. For people who don't have the time or expertise to identify individual companies, buying exchange-traded funds that track indexes such as the **S&P 500** is a solid option. Income-seeking investors can create a robust portfolio of [dividend-paying companies](#) that will help them generate steady cash flows. Alternatively, you can also invest in growth stocks such as **Nuvei** ([TSX:NVEI](#)) if you want to outpace the broader markets.

[Growth stocks](#) especially those part of the technology sector, carry certain risks. Generally, these stocks trade at a premium as they are expected to grow revenue and earnings at an enviable rate. Companies including Nuvei are part of a rapidly expanding addressable market that allows them to increase the top-line at a significant pace. While several tech stocks initially focus on growth and sacrifice profit margins, they are able to expand the bottom-line over time due to an asset-light model as well as high operating leverage. This in turn enables growth stocks to derive market-beating returns over the long run.

Investors can also purchase shares of high-growth companies before they go public via an IPO or initial public offer. For example, Nuvei stock went public last year at a price of over \$30 per share, which suggests it has returned more than 400% in just over 12 months, easily dwarfing gains of the broader indices in the process.

The bull case for Nuvei

A fintech company valued at a market cap of \$22.6 billion, Nuvei is one of the fastest-growing companies in Canada. It has increased revenue from US\$124 million in 2017 to US\$375 million in 2020, indicating an annual growth rate of 44.6%. What sets Nuvei apart from its peers such as **Lightspeed** is the company's ability to enhance its profit margins. Its operating income has in fact risen from just US\$5 million in 2018 to US\$76 million in 2020, up 300% annually in the last two years. It also shows us that Nuvei's operating margin has risen from 3.4% in 2018 to 20.3% in 2020.

In Q2 of 2021, Nuvei's total dollar value of transactions processed by the company rose to US\$21.9

billion, compared to US\$8.9 billion in the year-ago period. This allowed Nuvei to increase sales from US\$83.3 million to US\$178.2 million in the last 12-months.

In Q3, Nuvei expects payment volume to range between US\$21.5 billion and US\$22.5 billion while it forecasts sales of between US\$174 million and US\$180 million. Adjusted EBITDA is also estimated to fall between US\$71 million and US\$75 million for Nuvei in Q3.

In the medium term, Nuvei expects revenue and total volume to increase by 30% annually while maintaining an EBITDA margin of 50%.

The Foolish takeaway

Analysts tracking Nuvei expects its sales to more than double to US\$871 million in 2021 and rise by 31% to US\$1.14 billion in 2022. Comparatively, its adjusted earnings per share are forecast to improve from US\$0.84 in 2020 to US\$2.54 in 2022. This suggests the stock is trading at a forward price to 2022 sales multiple of 15.6 and a price to earnings multiple of more than 50, which is steep, making Nuvei vulnerable in a broader market sell-off.

However, investors should view every major decline in the NVEI stock price as a buying opportunity.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NYSE:LSPD (Lightspeed Commerce)
2. TSX:NVEI (Nuvei Corporation)

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