



## Could Nuvei (TSX:NVEI) Stock Touch \$200 Post Q3 2021 Earnings?

### Description

Canada's fast-growing fintech company **Nuvei** ([TSX:NVEI](#)) became the darling of investors this year, returning almost 600% since its initial public offering (IPO) in September 2020. The stock is currently trading at \$163, implying a decent 20% gap to its next milestone of \$200. That certainly does not seem like an uphill climb for a top growth stock like Nuvei. After reporting the last quarterly results in August, the stock added more than 50% in the subsequent month.

### NVEI stock ahead of Q3 earnings

A \$23 billion Nuvei plans to report its third-quarter earnings on November 9. According to analyst [estimates](#) compiled by *Yahoo Finance*, the company will report total revenues of US\$222 million for the quarter ended September 30, 2021.

In the same quarter last year, it posted revenues of US\$93.6 million. It will report earnings of US\$0.48 per share in Q3 2021 against its earnings of US\$0.17 per share in Q3 2020.

Nuvei has shown remarkable revenue growth this year. Higher online shopping and merchant base expansion have notably helped its revenues in the last few quarters — a trend that could continue in the second half of 2021.

Besides, the company completed its acquisitions of Mazooma and Simplex during the third quarter. So, the incremental contributions from these two could notably boost its top line in the upcoming releases. Simplex is a payment gateway to fiat cryptocurrency that connects market participants, brokers, and wallets. Mazooma is a sports wagering payment tech provider.

Nuvei management has given a revenue guidance of US\$700 million for 2021, marking a steep 87% year-over-year growth. A healthy profit margin, a strong balance sheet, and handsome free cash flow growth make a strong case for Nuvei. In addition, its strong product portfolio, scale, and diversified revenue base could drive decent long-term earnings growth.

So, what's the risk for investors?

Well, it's a sky-high valuation!

## Nuvei stock valuation

[NVEI stock](#) is currently trading at a price-to-sales ratio of 33 times, which looks stretched. Canada's top growth stocks **Shopify** and **Lightspeed Commerce** are currently trading at 54 times and 60 times, respectively.

We have considered the price-to-sales ratio because Nuvei has not reported annual profits yet. Interestingly, even if it reports superior earnings growth in 2021, the stock is still expensive.

Note that [tech stocks](#) almost always trade with a large premium because their large addressable market and higher profit margins enable superior growth, which generally justifies the stretched valuation.

And this certainly appears to be the case with Nuvei as well. Nuvei has shown stellar operational and financial growth since last year. In addition, its specialization in complex verticals like sports betting presents huge growth prospects for investors.

## Bottom line

Nuvei's upcoming earnings could drive the stock higher next month. Apart from the financial growth, the management's outlook and probably another guidance increase could fuel the stock meaningfully higher. So, driven by strong fundamentals, Nuvei could be an appealing bet not only for next month, but also for the long term.

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