



Nuvei (TSX:NVEI) or Lightspeed (TSX:LSPD): What Should You Buy?

Description

It was September 2021 when investors started putting brakes on Canada's top-rallying stocks. Canada's commerce-enabling company **Lightspeed Commerce** ([TSX:LSPD](#))([NYSE:LSPD](#)) has fallen 56% in the last two months. Interestingly, in the earlier 12 months, the stock added a handsome 300% and notably outperformed the **TSX Composite**.

At the same time, Canada's fast-growing fintech company **Nuvei** ([TSX:NVEI](#))([NASDAQ:NVEI](#)) showed a somewhat similar trend. It tumbled 35% from its 52-week high in September. Prior to the fall, NVEI rallied a massive 260% in the earlier 12 months.

Both [growth stocks](#) are trading at massive bargains relative to their earlier highs. So, what should be your top bet if you want to buy the dip?

LSPD or NVEI?

LightSpeed Commerce has been weak since the short report released by the activist short-seller Spruce Point Management. More severe damage came later, though. Investors dumped it when the company reported weaker-than-expected earnings and muted [guidance](#) in November. LSPD stock fell to \$70 apiece from close to \$160 levels in September.

For the quarter ended September 2021, Lightspeed reported US\$133 million in revenues and a loss of US\$59 million. While the bottom-line growth looks concerning, its top-line growth has been on a roll, with average revenue growth of 180% in the last three quarters.

Nuvei, at the same time, is on a much stronger footing in terms of financials and investor sentiment. Though the stock has been weak recently, the main factor that weighed on the NVEI stock has been the valuation.

It reported total revenues of US\$184 million and a profit of US\$27 million in Q3 2021. It has exhibited a strong 97% average revenue growth so far in 2021.

Nuvei acts as a payment processor and values its total addressable market at over US\$13 trillion. The addressable market includes a range of verticals, from travel websites to e-commerce and from crypto platforms to regulated online gaming companies.

Valuation

After the correction, Nuvei stock is trading 20 times its 2021 expected sales and 120 times its earnings. That does not seem cheap by any count. However, many tech stocks have proven traditional [valuation](#) measures inapt and affirmed their upward march. LSPD stock is also trading 22 times its sales at the moment.

Nuvei has reported consecutive profits for the last four quarters, while Lightspeed seems nowhere close to the positive bottom line.

Bottom line

Despite a strong revenue growth this year, Lightspeed has issued flattish revenue guidance for fiscal 2022. That could take even longer for the company to turn into durable profits.

Nuvei has the edge at the moment with its relatively cheaper valuation and superior financial growth. The growth streak could continue in the next few quarters, driven by a strong contribution from its e-commerce arm.

It has been aggressively growing its online sports-wagering segment, which could drive immense growth going forward. I think that's why investors are allowing it to trade at such a sky-high valuation multiple. Plus, its financial growth and diversified revenue base offer investors more comfort and growth visibility. So, NVEI stock might resume its upward climb once again, given its overblown correction.

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