



## Why Nuvei (TSX:NVEI) Stock Plunged 25% in November

### Description

It's almost been three months now that Canada's top fintech stock **Nuvei** ([TSX:NVEI](#))([NASDAQ:NVEI](#)) has been trading weak. It lost 25% in November, which accumulates to a drop of 36% from its all-time high of \$180 in September. That marks a significant underperformance relative to broader markets, where the **TSX Index** lost a mere 3% in November.

So, has Nuvei lost its charm, or is it the beginning of a long-term downtrend? Investors must be getting anxious about its weak streak of late after gaining a massive 650% in a year.

### Why NVEI stock has been trading weak

Rising inflation, higher expected interest rates, and valuation concerns weighed on NVEI stock in November. The stock was trading at around 150 times its earnings before the correction. In addition, rising inflation generally makes overvalued assets unlikeable. Thus, during inflationary periods, value stocks outperform while growth stocks decline. According to Statistics Canada, inflation in the country rose to 4.7% in October, matching its 2003 highs.

Importantly, Nuvei stock does not look cheap from the valuation standpoint, even after a recent correction. It is still sitting at an above 100 times price-to-earnings ratio, which looks extremely stretched from the traditional measures. However, growth stocks generally trade at premium valuations, and investors are willing to pay premiums based on their [appealing growth](#) prospects.

### Should you buy NVEI stock?

Nuvei is a prospering payment processing company that caters to a large addressable market valued at US\$20 trillion. It supports over 500 payment methods and 150 currencies.

Its single integrated payment platform for multiple currencies and more geographies plays an important role in driving merchant growth. Additionally, it provides a platform for sports betting companies, which gives it a vital competitive edge over peers.

Nuvei continued its superior financial growth streak in the latest reported quarter as well. Its revenues increased 96% year over year in Q3 2021. It [posted](#) a net income of US\$26.8 million for the quarter against a loss of US\$79 million in the year-ago period. The management upped its guidance for 2021 after a remarkable jump in contributions from its e-commerce segment.

Nuvei earns revenues as commission from merchant transactions and value-added services. So, as the gross transaction volume increases, Nuvei's top line increases.

## Growth prospects

Nuvei's revenues have expanded from \$124 million in 2017 to approximately \$700 million in 2021. That exhibits tall growth of 54% compounded annually. Apart from the financial growth, it has a strong balance sheet with \$289 million in cash. The liquidity position has doubled in the last 12 months, which could fund a strategic acquisition going forward.

The management has already been aggressive on the acquisition front this year. It has announced several strategic acquisitions in the last six months, such as Smart2Pay, Base Commerce, Mazooma, and Simplex.

## Bottom line

[NVEI stock](#) still looks expensive after the recent correction. However, the company's scale, diversified revenue base, and expertise in high-growth areas could bring meaningful financial growth in the long term. Investors with an above-average risk appetite could see significant value unlocking from Nuvei in the next few years.

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