



Nuvei (TSX:NVEI) Stock: 3 Highlights From the Short-Seller's Report

Description

Nuvei ([TSX:NVEI](#))([NASDAQ:NVEI](#)) [crashed 55%](#) yesterday, as activist short-seller Spruce Point Capital published a scathing report. This morning, the stock is up 10% on the NASDAQ and could have a similar run on the Toronto Stock Exchange.

Should investors be concerned? Here are three highlights from the short-seller's report you should know before you consider adding or offloading this growth stock from your portfolio.

Organic decline

The biggest highlight of Spruce Point's report is the allegation that Nuvei's growth is less attractive than it appears on the surface. The activist investor claims Nuvei's organic growth in North America is steadily declining. Growth figures are primarily due to acquisitions in Europe and exposure to high-risk sectors such as gaming and e-commerce.

The team also claims that Nuvei "does business with the adult film industry," which is another high-risk sector.

Lack of disclosures

The background of Nuvei's leadership team is also under scrutiny. Spruce Point alleges that the company has failed to make adequate disclosures about the employment history of its top managers.

The team claims the company's "EVP of Partnerships was recently referenced in a \$100M fraud." They also claim that CEO Phil Fayer operated a company that failed when its merchants accused it of fraud.

It should be noted that these are allegations about past ventures of the leadership team. Nuvei itself hasn't been accused of fraud or nefarious activity directly. Instead, the activist short-seller says these details should have been fully disclosed by Nuvei to make investors aware.

Premium valuation

The fact that Nuvei stock was trading at a premium valuation was another highlight of the report. Spruce Point estimates that the stock is trading at 15 and 34 times 2022E sales and EBITDA.

However, it's worth noting that this issue seems to have been resolved by the report's publication. Nuvei stock has lost roughly half its value, which means its valuation is now half as much. The stock has met Spruce Point's target of 40-60% downside within a day.

Final thoughts

The Spruce Point report raises some interesting questions. Is Nuvei's growth less attractive than it looks? Are the company's disclosures adequate?

Nuvei's management issued a statement claiming the report was "intentionally misleading." The team confirmed that it was still on track to meet its near-term and long-term growth targets.

Meanwhile, the stock has already adjusted for Spruce Point's target. In other words, even if the valuation was overheated and the growth is less than stellar, these factors have now been priced in.

The stock could be reasonably priced if these criticisms are valid. It could also be underpriced if they're not. Either way, Nuvei stock deserves a closer look right now.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NASDAQ:NVEI (Nuvei Corporation)
2. TSX:NVEI (Nuvei Corporation)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. kduncombe
2. vraisinghani

Category

1. Investing

Date

2025/07/07

Date Created

2021/12/09

Author

vraisinghani

default watermark

default watermark