



Where Nuvei's (TSX:NVEI) Response Could Take its Stock After a 40% Drop

Description

In response to a short-seller Spruce Point Capital Management's report, **Nuvei** ([TSX:NVEI](#)) ([NASDAQ:NVEI](#)) has reaffirmed its growth outlook for the long term. That might help restore investor sentiment to a certain extent and might give a stock an upward push. NVEI stock fell 40% on December 8 to its nine-month low levels after the short-seller made several accusations against the management.

Should you buy NVEI stock?

Nuvei is Canada's fast-growing payment-processing company that has seen superior operational and financial growth since last year. The stock touched an all-time high of \$180 in September, marking a stellar 650% growth from its IPO price. However, driven by valuation concerns, and thanks to the latest short report, the stock has fallen 60% from its peak.

Spruce Point accuses Nuvei management of fraud and limited disclosures. According to the report, Nuvei hired Allan Lacoste, EVP of North American Partnerships, 2017, who was allegedly a part of a \$100 million fraud. Spruce Point also [claimed](#) that Lacoste's biography "curiously disappeared" from the company website and made no regulatory filings about his departure. While these could be seen as corporate governance issues, these can be addressed with detailed disclosures.

There is nothing in the report that questions or should concern shareholders about Nuvei's operational and financial growth. However, the damage has been done, and [NVEI stock](#) at one point during the day lost 55%. There was heavy selling on December 8, with its daily trading volume reaching 10 times its three-month average.

The company keeps its growth outlook intact

The company's management sees \$720 million in revenues in 2021, which marks a handsome 92% year-over-year growth. Moreover, Nuvei sees 30% annual revenue growth in the medium term and an adjusted EBITDA margin of 50% in the long term. I think the recent reaffirmation of the growth outlook

could restore some faith among Nuvei shareholders. After all, it is the financial growth, which seeps into the stock performance, that matters the most.

Looking at the massive selloff on December 8, another short-seller, Citron, turned a buyer in NVEI after claiming the shares were “way oversold.” A relative strength index of below 30 indicates that the stock is oversold and implies an impending trend reversal.

In September 2021, Spruce Point Capital Management issued a short report against another Canadian tech company **Lightspeed Commerce** ([TSX:LSPD](#))([NYSE:LSPD](#)). The report lashed out at the company’s corporate governance practices. It also alleged to knowingly blow up business metrics to mislead investors. LSPD stock has fallen 55% since then.

Even after a recent fall, NVEI stock does not look cheap from the traditional [valuation](#) metrics. However, growth stocks generally trade at a large premium. Interestingly, a 60% correction from the peaks and management’s upbeat commentary for the future could invite buyers back in the near term.

CATEGORY

1. Investing
2. Tech Stocks

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

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Date

2025/08/18

Date Created

2021/12/09

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