



Nuvei Is Under Short Attack! What Should You Do?

Description

Spruce Point Capital has come out scathing with yet another short report. This time, **Nuvei** ([TSX:NVEI](#))([NASDAQ:NVEI](#)) is in its crosshairs.

After a devastating report that sent **Lightspeed Commerce** stock tumbling, Spruce Point is again accusing a Canadian tech company of major wrongdoing. Nuvei, a payments company, had been soaring this year. From the start of the year to its peak price, it rose 142%. Later it started tumbling with broader volatility in the tech sector. Then Spruce Point's report dropped, [sending NVEI down more than 40%](#) in a single day.

Nuvei is one of many “hype” stocks that rallied this year thanks to strong revenue growth and a compelling story. But Spruce Point's claims have evidently hit home, as investors are selling NVEI at a breakneck pace. In this article, I will explore the claims made in Spruce Point's short report and examine whether NVEI is still worth owning after this report.

Spruce Point alleges connection to Ponzi schemes

In its short report on Nuvei, Spruce Point accused the company of a number of misdeeds, including

- Not having enough organic growth;
- Having suspiciously high margins from acquisitions when the acquired companies weren't profitable prior to being acquired;
- Putting out weak financial reports;
- Having at least two executives who are tied to companies that previously committed fraud; and
- Having ties to the adult film industry.

These are pretty serious claims — the one about executives having ties to previous frauds in particular. From what I've seen, a lot of corporate frauds tend to be committed by the same people who move from one company to the next. This pattern can proceed through many different companies until the people involved are finally caught. I don't know enough about Nuvei to say whether that's happening in this case. But Spruce Point has definitely made an accusation worth taking seriously.

Also interesting are the claims about ties to the adult film industry. If Nuvei is indeed processing payments for porn companies, then that could, in fact, harm its access to capital. Adult films have been under fire lately due to claims that they are involved in sex trafficking and exploitation. These concerns are serious enough that OnlyFans had to briefly ban pornography on its platform because of them. Later, the company reversed the policy, but only after it found an alternate route to going public that didn't involve working with banks. It was unable to secure IPO help from mainstream investment banks due to its involvement in adult content.

A word of caution

As I've shown in this article, Spruce Point Capital has made a number of serious accusations against Nuvei that could harm the bullish thesis on the stock. I've also shown that these claims, if true, would imply downside for the stock. However, with serious claims like these, you always need to do your own research. Read [Spruce Point's report](#) yourself before jumping to conclusions. It may be that Nuvei is a fraud waiting to go bust, but the opposite could also be the case.

CATEGORY

1. Investing
2. Tech Stocks

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