



Why Nuvei Stock Plunged 33% Last Week

Description

Shares of **Nuvei** ([TSX:NVEI](#))([NASDAQ:NVEI](#)) sank as much as 56% on Wednesday after a [major short-seller](#) said he was betting against the Montreal-based payment processor. The stock recouped some of those losses. But Nuvei stock is still down 33% for the week.



Nuvei share price was already under pressure in recent weeks amid the wider [tech sector](#) pullback and is now significantly lower from the 2021 high due to the negative report.

Spruce Point attacked Nuvei

The publication on Wednesday of a 119-page research report by New York-based short-selling firm Spruce Point Capital caused Nuvei stock price to collapse. The electronic payment-processing

company went public 15 months ago.

Spruce Point raised concerns about Nuvei and its senior management. The investment firm also denounced a lack of disclosure regarding the predecessor entities of Nuvei, in addition to criticizing the organic growth trend and the acquisition strategy of the payment-processing company. Spruce Point issued a “strong sell” opinion on the stock and said it believed Nuvei’s shares could drop as much as 60%.

“Nuvei commands a premium valuation to financial technology peers at 15x and 34x 2022E sales and EBITDA, but we believe it should trade at a discount to incorporate our documented concerns,” Spruce Point said in a statement that accompanied its report.

The New York-based firm, however, had to clarify that it held a short position in Nuvei and owned derivative securities that could benefit from the fall in its share price.

Nuvei is the second Canadian payments stock targeted by activist short-seller Spruce Point Capital Management. Spruce Point recently attacked **Lightspeed Commerce** with a short attack. Lightspeed’s stock subsequently fell almost 60% from all-time highs set this year.



Nuvei dismissed short-seller accusations

Meanwhile, in a statement released Wednesday evening, Nuvei dismissed Spruce Point Capital’s 119-page report. The Montreal-based company said it “believes the recent report issued by a short-seller is intentionally misleading and draws inaccurate conclusions, innuendo and character attacks on key executives, among numerous other issues ... The company urges investors to not make decisions based on the short-seller report and to review public filings for material information that pertains to its business.”

The company also reiterated its financial forecast.

In its third quarter, Nuvei swung to a profit, with revenue increasing 96% year on year to \$183.9 million, while payments volume increased 88% to reach \$21.6 billion.

Nuvei stock is oversold

Despite criticism from the short-seller, analysts remain largely bullish on Nuvei. They seem unanimous enough that the Spruce Point Capital report has huge analytical flaws and is riddled with unsubstantiated allegations.

Andrew Left of Citron Research, another firm known for its short calls, tweeted on Wednesday morning that Citron was buying Nuvei stock after it became “significantly oversold” following Spruce Point report.

Investors might consider taking advantage of the sharply declining share price to take a position in Nuvei stock. Based on the third-quarter and year-to-date results, the company is growing at a decent pace, and the international payments segment has significant growth potential in the coming years.

If the market decides the pullback is overdone, Nuvei stock could deliver big gains for new investors in the days and weeks to come. That being said, expect continued volatility and be prepared for possible further declines.

CATEGORY

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2. Tech Stocks

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