



Short-Seller Target: 1 Top-Tier TSX Stock Could Tank Next

Description

New York-based Spruce Point Capital Management released a damning report in September 2021 that unsettled **Lightspeed Commerce** investors and caused the stock's downward spiral. The U.S. forensic fundamentally-oriented investment manager that focuses on short selling, raised issues against another [top-tier](#) Canadian [technology stock](#).

This time, the short-seller's target was **Nuvei** ([TSX:NVEI](#))([NASDAQ:NVEI](#)). The fintech stock is down 9.38% year to date and has fallen by 38.66% in the last 10 trading sessions. On December 17, 2021, it recovered and advanced 10.8% to \$70.64. Still, the current share price is 59.6% lower than its peak of \$175.04 on September 16, 2021.

The beef against Nuvei

Spruce Point's report contains serious allegations against the Montreal-based payment technology solutions provider and its chairman, CEO, and founder, Philip Fayer. Apart from not completing an undergraduate degree, the short-seller firm said Fayer didn't disclose that he previously ran PaySystems, a company that collapsed and left many merchants without funds.

The same report states it found evidence that the company experienced practically no growth between 2010 and 2018. Nuvei went public in September 2020 and raised around \$805 billion, TSX's largest tech IPO ever at that time. The opening price of \$46.15 rose 119.8% to \$101.46 on June 30, 2021.

In early October 2020, Nuvei started trading on the Nasdaq. As expected, the price soared 160.8% in 10 months. In Q3 2021, Philip Fayer said, "The third quarter also marked our one-year anniversary as a public company trading on the TSX, which was followed by our successful IPO in the United States."

Financial highlights

In the nine months ended September 30, 2021, the \$10.07 billion company reported total volume and revenue increases of 119% and 97% versus the same period in 2020. Its net income hit US\$94.7

million compared to the US\$126.2 million net loss in the prior-year period.

Nuvei completed the acquisitions of Simplex and Paymentez in Q3 2021. The former expands its capabilities to offer bespoke fraud prevention and risk management tools backed by AI technology. The latter increases the total addressable market and expands presence in Latin America.

Management projects an identical 30%+ annual growth in the medium term in total volume and revenue. It forecasts 50% [growth over the long term](#) in adjusted EBITDA margin.

More allegations

The biography of the founder and non-organic growth aren't the only issues against Nuvei. Spruce Point cites the highly questionable appointments in key financial and business leadership positions; and three senior executives were involved in fraud or criminal lawsuits.

Moreover, the short-seller firm notes the rapid share price appreciation on the Canadian and American stock exchanges. However, it believes Nuvei doesn't provide full disclosures to investors. It points to limited or non-disclosures on quarterly merchant additions, breakdown of merchants by large and small enterprise, sales by channel or vertical, sales by credit, debit, or prepaid cards, and sales by geography.

Another serious claim is that Nuvei's multiple acquisition targets were purchased from controversial figures tied to Ponzi schemes and fraudulent activity. A case in point was Vantage Payments, whose founder was part of litigation in one the world's largest Ponzi schemes.

Steer clear

Nuvei said the short-seller's report is intentionally misleading and draws inaccurate conclusions. However, it might be wise to steer clear of this falling stock despite management's denials.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

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

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