



Why Nuvei Stock Lagged and Gained Only 5% in 2021

Description

What happened?

Canada's fast-growing fintech stock **Nuvei** ([TSX:NVEI](#))([NASDAQ:NVEI](#)) lost its sheen in Q4 2021 after its vertical rise earlier in the year. Since October 2021, NVEI stock has fallen 55%, driven by valuation concerns and a short report. The stock gained a mere 5% in 2021, notably underperforming TSX stocks that soared a decent 20% last year.

So what?

A \$12 billion Nuvei began trading on the TSX after a blockbuster IPO in September 2020. NVEI stock returned 650% in the subsequent year, mainly driven by superior financial growth. So, consistent monthly declines in November and December 2021 should concern investors.

On December 8, activist short-seller Spruce Point Capital Management [targeted](#) Nuvei for its poor disclosure practices. In addition, the short-seller accused the company of having connections with individuals with fraudulent backgrounds.

By the time Nuvei management could respond, the damage was done, and the stock fell 40% for the day, reaping enormous profits for Spruce Point. Nuvei denied these allegations and maintained its growth outlook for the future.

Nuvei reported total revenues of \$627 million in the last 12 months, marking a stellar increase of 67% relative to 2020. Importantly, the company sees above-average revenue growth to continue for the next few years.

The year 2021 had been phenomenal for Nuvei with its organic and inorganic growth. It completed important acquisitions of Simplex and Mazooma last year. Simplex provides an AI-backed fiat-[cryptocurrency](#) payment gateway processor platform, while Mazooma expands Nuvei's portfolio of alternative payment methods.

Now what?

Though analysts have kept their price targets for NVEI, and management has maintained upbeat guidance, the stock has not seen a meaningful recovery.

However, the company's upbeat guidance should be a bigger cue for the stock at this point. After all, it is the earnings growth that gets seeped into the stock price and drives shareholder returns.

One can expect more strategic acquisitions from Nuvei in the new year, with its flourishing balance sheet. The company could see stellar growth in its core area — sports wagering — where regulations are becoming more favourable.

Rising inflation could be a risk for Nuvei stock going into 2022. [High-growth stocks](#) typically underperform in an inflationary environment.

However, Nuvei looks well placed to grow due to its large addressable market, diversified revenue base, and superior margins. NVEI could change course and will likely move higher in 2022.

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Author

vinitkularni20

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