



Why Nuvei Stock Fell Over 5% Last Week

Description

Shares of Canadian fintech company **Nuvei** ([TSX:NVEI](#))([NASDAQ:NVEI](#)) continued to trail the broader indices in the first week of 2022. Nuvei stock fell over 5% in the last week and is currently trading 54% below record highs. Let's see what impacted the stock in recent months and if it is poised to stage a comeback this year.

Spruce Point Capital outlined multiple issues surrounding Nuvei

In December 2021, noted short-seller Spruce Point Capital released [a detailed report](#) about Nuvei. In the report, Spruce Point alleged that Nuvei made several questionable hiring decisions. It also raised concerns about the company's acquisition strategy. Spruce Point Capital also claimed Nuvei has struggled with organic growth for a significant period of time in recent years.

The hedge fund alleged, "Multiple Nuvei acquisition targets have been purchased from controversial figures tied to Ponzi schemes and fraudulent activity." We can see why investors were nervous about Nuvei stock, triggering a steep selloff in the last month.

Spruce Point emphasized that Nuvei does not provide updates about the number of merchants part of its platform or the geographic breakdown of sales. According to Spruce Point, the downside risk for Nuvei's stock is between 40% and 60%.

Is NVEI stock a buy?

While short-sellers regularly publish scathing reports targeting a company, investors need to consider if it's reason enough to liquidate their investment and sell their shares. NVEI, however, has grown its revenue from US\$149.7 million in 2018 to US\$375 million in 2020.

Analysts tracking the company [expect sales to rise](#) by 145% to US\$920 million in 2021 and by 31% to

US\$1.21 billion in 2022. Comparatively, its adjusted earnings are forecast to rise from US\$0.84 per share in 2020 to US\$2.67 per share in 2022.

Nuvei's proprietary platform is available in over 200 markets globally and it supports 150 fiat currencies as well as 40 [cryptocurrencies](#), allowing merchants to capture almost every payment opportunity that comes their way.

NVEI processed US\$21.6 billion in payments in Q3 of 2021, which was 88% higher than the year-ago period. Its revenue almost doubled year over year to US\$183.9 million, while adjusted EBITDA also rose by 97% to US\$80.9 million in Q3.

What's next for Nuvei investors?

Nuvei is well positioned to benefit from long-term growth. The company derives a majority of its revenue from e-commerce, which is a rapidly expanding addressable market. In addition to expanding in other international markets, Nuvei can improve customer engagement, which will result in higher spending over time. Nuvei is reporting consistent profits, allowing it to pursue strategic acquisitions and gain traction in other payments verticals.

Nuvei forecasts payments volume to range between US\$90 billion and US\$91 billion in 2021 while revenue is forecast between US\$717 million and US\$723 million. While the company's top-line growth is decelerating, Nuvei stock is valued at a forward price-to-2022-sales multiple of 7.5 and a price-to-earnings ratio of 24, which is very reasonable.

Analysts believe NVEI is the ultimate contrarian bet and expects the stock to more than double in the next 12 months.

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