



Why Nuvei Stock Fell 10% Last Week

Description

Shares of Canadian fintech company **Nuvei** ([TSX:NVEI](#))([NASDAQ:NVEI](#)) declined by 10% in the last week, valuing it at a [market cap](#) of \$8.56 billion. Several growth stocks have lost momentum in recent trading sessions, as investors are worried about interest rate hikes and steep valuations surrounding equities.

Further, an uncertain macro environment and the rise in COVID-19 infections all around the world might also slow down economic recovery. Keeping these factors in mind, let's see if Nuvei stock is a top contrarian bet at current valuations and if it can stage a comeback in 2022.

NVEI stock is down 57% from record highs

Last month, [a short-seller report](#) from Spruce Point Capital decimated Nuvei stock. Spruce Point Capital is a noted hedge fund that raised questions over Nuvei's hiring decisions and outlined concerns with respect to the latter's acquisition strategy.

The report detailed Nuvei is struggling with organic growth and its top-line growth was driven primarily due to acquisitions. [Spruce Point](#) also alleged, "Multiple Nuvei acquisition targets have been purchased from controversial figures tied to Ponzi schemes and fraudulent activity."

According to the hedge fund, Nuvei does not disclose metrics, such as its merchant base or the geographic breakdown of sales. Spruce Point had then reported the downside risk for Nuvei investors could range between 40% and 60%.

How Nuvei continues to gain traction

Nuvei continues to expand its payments ecosystem and was recently granted approval by the New York State Gaming Commission to process payments with licensed digital sports betting platforms. Nine betting platforms will be fully operational on the finalization of regulatory approvals. Over the past year, Nuvei has announced strategic alliances with multiple regulated betting operators to provide

secure payments capabilities.

Earlier this month, Nuvei announced a partnership with SaaS company **Wix** to create, manage, and grow an online presence to facilitate payment processing for the latter's merchant base in North America.

Volodymyr Tsukur and Amit Sagiv, co-heads of Wix Payments, stated, "We are constantly finding new ways to support our merchants and offer them the tools to grow their businesses, so they can continue to expand their online presence and provide the best service to their customers."

What's next for investors?

According to **Bank of America**, the fundamentals of several growth stocks including Nuvei remain intact. The investment bank explained that the revenue outlook for these companies is favourable and is disconnected from their stock prices.

In the last three months, we have seen market sentiment shift, as institutions and investors are increasing exposure to value stocks, resulting in an exaggerated selloff for Nuvei in addition to many others. However, the pullback also presents long-term investors with an enticing opportunity to buy the dip.

Unlike several other tech stocks, Nuvei already reports an adjusted profit. Its asset-light model allows the company to benefit from high operating leverage, which means Nuvei can grow profitability at a higher rate compared to revenue growth.

For example, Nuvei's sales have risen from US\$149.7 million in 2018 to US\$627.37 million in the last 12-month period. Comparatively, its operating income has grown from US\$5 million to US\$151.26 million in this period.

Nuvei stock should be on your radar, as it is expected to more than double in the next 12 months, according to consensus price target estimates.

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