



Nuvei (TSX:NVEI): A Growth Stock That Looks Intriguing After its Crash

Description

Nuvei ([TSX:NVEI](#))([NASDAQ:NVEI](#)) stock has been feeling a great deal of selling [pressure](#) over these past few months. Undoubtedly, investors have turned their back on growth and high-multiple names in a huge way. Thanks in part to rising rates and an exhaustion of euphoria, the big “growth and momentum at any price” trade has backfired in a huge way. Undoubtedly, if a stock can double, triple, or even quadruple over a concise timespan (think over just a few months or quarters), you can be sure that it can get cut in half in a hurry. In some instances, momentum stocks can get cut in half twice, punishing dip-buyers who attempt to catch a bottom without putting in the due diligence.

Nuvei stock is way oversold here

Indeed, Nuvei was such a [magnificent](#) Canadian growth story. Payments and fintech were the place to be back in the late stages of 2020. In late-2021 and early-2022, the fintech trade crumbled like a paper bag, surrendering losses in a hurry. If you chased, you got hurt, which goes to show the true dangers of chasing hot stocks or neglecting the valuations process. Remember, you can only ignore valuation for so long. Eventually, the tides turn, and those who don't have margins of safety will see their invested principal tumble into a seemingly endless abyss.

Now, Nuvei was abruptly placed into the penalty box as fintech, and high-multiple growth names crashed. But it didn't stop there. Short-sellers took aim at the Montreal-based payments company late last year. Any short report is concerning. So, if you've yet to dig into the details, I'd encourage you to do so before placing a bet, even as shares of NVEI show signs of easing negative momentum in the low-\$80 per share range.

Shorts take aim

Spruce Point Capital, a well-known short seller, slammed the company for its acquisition strategy in addition to concerns it had with hiring. Undoubtedly, soured acquisition strategies may bring back memories of the old days of Valeant Pharmaceuticals. As shorts gathered more evidence against the company, the stock went into free-fall, and those who stood by the name were wiped out as losses

mounted.

Nobody wants to be on the wrong side of a short report. Allegations are alarming, but they're not always to be taken as gospel. Indeed, short sellers can be wrong. They tend to talk up their book, and they may be inclined to exaggerate certain details. At this juncture, I think it's tough to tell if Nuvei deserved to have taken such a massive uppercut to the chin. In any case, I do think NVEI stock has what it takes to move past the shorts, though many will likely stick to the sidelines until things blow over. For now, the stock goes for 14.4 times sales, which is not cheap, even with the baggage in the form of short sellers.

Can Nuvei stock move on?

Personally, I think Nuvei can move on from its fiasco. I don't think there's any smoking gun yet. Of course, there's always the risk that shorts bring in more reports against the firm. In any case, Nuvei is a high-risk/high-reward bet that many sell-side analysts are standing by. After such a substantial decline, I'd have to stick with analysts when it comes to shares of the Canadian payments play. Many remain incredibly bullish, and it's hard not to be, given the firm's growth and the scarcity premium that comes with being the only big fintech firm trading on the TSX Index.

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