



Fintech Investors: Buy This, Not That!

Description

When it comes to investing for the long term, you need to identify companies that have the ability to outpace the broader markets consistently. One such group of companies that should be on the radar of growth investors is the fintech space. Several fintech companies raked in stellar gains in 2020 before losing steam in recent months, allowing investors to buy the dip.

The fintech vertical includes payments transfer companies such as **Remitly** and **Wise** which may be high-risk bets. According to Alon Rajic, the managing director of [Money Transfer Comparison](#), “These companies are essentially all competing on the same, limited, market share, and moreover – racing to the bottom in terms of slashing off their fees. After 10 years in the business, Remitly is still not profitable and it raised \$500 million in funding prior to going public. Wise is profitable but its growth, moving forward, strictly from international transfer fees is limited, due to the fact it’s already the most dominant company in its sub-niche of expatriates and immigrants in Europe, USA and Australia.”

Rajic explains that the money transfer fintech companies will have to reinvent themselves and branch out to additional profit-generating services such as banking, credit, and mortgages to match up to their current valuations.

While Remitly stock is down 78% in the last year, Wise has lost close to 40% in market value since February 2021. Let’s take a look at one other fintech stock that should be on your watchlist right now.

The bull case for Nuvei stock

Investors looking to add a profitable [growth stock](#) to their portfolio should consider **Nuvei** ([TSX:NVEI](#))(NYSE:NVEI). While Remitly and Wise are international payment transfer platforms, Nuvei is an enterprise-focused payment processing company.

Similar to Remitly and Wise, Nuvei has burnt [significant investor wealth](#) in the last year and is down 61% from all-time highs. However, unlike the two fintechs mentioned above, Nuvei has expanded its product portfolio and focused on aggressive acquisitions that have bolstered its revenue in the last few years.

In 2022, Nuvei disclosed it was selected by Kreatorhood, an environmentally-friendly non-fungible token marketplace to power payments for content creators and sellers. Additionally, the company was granted approval by the New York State Gaming Commission to process payments with licensed sports betting platforms such as **DraftKings** and FanDuel. Nuvei also announced a partnership with **Wix** to facilitate payment processing for the latter's merchants in North America.

The Foolish takeaway

Nuvei is forecast to increase sales from US\$375 million in 2020 to US\$1.2 billion in 2022. Its adjusted earnings per share are estimated to rise from US\$0.84 to US\$2.66 per share in this period. So, Nuvei is valued at a forward price to 2022 sales multiple of 6 and a price to earnings multiple of 20. Remitly is trading at a lower multiple but is posting an adjusted loss. Comparatively, Wise though profitable is valued at a far higher multiple compared to Nuvei.

Analysts tracking Nuvei also expect its stock to touch \$136 in the next 12 months, which is an upside of 100% from its current trading price.

CATEGORY

1. Investing
2. Tech Stocks

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