



Nuvei (TSX:NVEI) Stock 5-Minute Analysis: Is It Still a Buy in 2022?

Description

Welcome to a multi-part series where I break down the fundamentals of some of the most popular [TSX listed stocks](#) out there! Up today is **Nuvei** ([TSX:NVEI](#))(NYSE:NVEI), a Canadian payment technology service provider.

Although a top performer in 2021, Nuvei suffered a heavy loss on December 7, 2021, following a scathing short seller report. Many Canadians who bought Nuvei around its 52-week high of \$180 per share are in the red right now, with the stock currently trading at \$94.

Background

Nuvei provides clients from around the world with payment solutions to support the lifecycle of a transaction across mobile or in-app, online, unattended, and in-store channels. The company sells and distributes its solutions through direct sales, indirect sales for small-and-medium sized businesses, and e-commerce resellers.

Fundamentals

Nuvei is a growth stock, so we want to focus on metrics that attempt to measure the rate and consistency by which the company improves its revenue, earnings, and profitability.

Recently, Nuvei experienced 0.03% growth in its revenue for the past 12 months, which is remarkably flat compared to its pandemic highs. For many growth stocks, flat trends like this are a warning sign that the company may be unable to meet the expectations of the market.

When it comes to operations, Nuvei experienced a deterioration in its operating cash flow per share of -0.27% over the past five years. We also saw NVEI's operating income decline by -0.18%, and its EPS decrease by -0.30% over the fiscal year, which is not quite what we want from a growth stock.

When it comes to profitability, Nuvei currently has an operating profit margin of 23%, net profit margin

of 18%, return on equity of 7.6%, and return on assets of 3.94%, which are not too impressive, especially for the software sector.

Valuation

I don't have the time or space here to do a full discount cash flow analysis, but we can eyeball various valuation metrics for Nuvei to get a sense of what the intrinsic value of the stock might be.

Nuvei is currently trading with an enterprise value to EBITDA multiple of 54.93 and an enterprise value of approximately \$11.19 billion, which even compared to its peers in the tech sector looks rather overvalued.

As of last year, the book value per share for Nuvei is \$11.25, with a price-to-book ratio of 7, price-to-earnings ratio of 96.17, price-to-sales ratio of 17.47, and price-to-free cash flow ratio of -48.80. These all point to signs of Nuvei being overvalued, even at its lower current price.

The Foolish takeaway

The 52-week low for Nuvei is \$54.47, which is a useful technical indicator for determining resistance levels or a potential bottom. In my opinion, I think Nuvei will test these lows again. The stock doesn't have the greatest fundamentals and hasn't fully quite shaken off the stigma from the short seller's report. There are better beaten down tech stocks on the TSX to buy.

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