



Is Nuvei (TSX:NVEI) Stock Still a Buy After 70% Jump in a Month?

Description

Nuvei ([TSX:NVEI](#))([NASDAQ:NVEI](#)) is the global payments technology solutions provider operating in a growing market. ResearchAndMarkets expects the global digital payment market to increase at a compounded annual growth rate (CAGR) of 20.5% in the 2022-30 period. Nuvei is in a hyper-growth stage, with its revenue up 93% and gross transaction volume up 121% in 2021. These growth figures partially explain the stock's 120% rally from January to September 2021.

What can you learn from Nuvei's stock price bump?

However, the stock corrected, along with other [tech stocks](#), as the liquidity driving the entire tech stock rally started easing. All tech stocks that inflated during the pandemic fell 30%-50%, losing their pandemic growth. Nuvei stock fell 65% in this sell-off from October 2021 to February 2022. It was not just the tech sell-off but a [negative report](#) from Spruce Point Capital that was responsible for 38% of the dip. The report dug into the management's negative history of being involved with controversial people and Ponzi schemes.

Despite the short seller's report, Wall Street analysts remain bullish on the payments technology provider. This is because analysts' commentary is based on the company's fundamentals and not investor sentiments. **National Bank of Canada** analyst Richard Tse has maintained his 'outperform' rating on Nuvei with a target price of US\$130/share.

What happens when a stock's price momentum is in contrast to its fundamentals? It creates an opportunity for value investors to buy good company with growth potential on the dip. Something similar has happened with Nuvei stock.

On March 8, the company released earnings that exceeded expectations. This event reversed the stock's course and sent it soaring 70% in less than a month.

Is Nuvei's stock valuation attractive?

In the stock market, entry and exit point determines your returns. If you buy a good growth stock at its peak, you are up for lower returns than those who buy it at a discount. Has Nuvei stock reached its peak, or is there more upside in 2022?

In its 2021 earnings, Nuvei management guided a 32.5% revenue growth to \$960 million at the midpoint. This guidance is pure organic growth, excluding any acquisitions the company undertakes this year. A 32.5% organic growth is a moderation from 2021's 61% organic growth. It is one of the few technology companies that have become profitable at an early stage. It has increased its adjusted EBITDA by 95% in 2021 and plans to increase it by another 31% in 2022.

Nuvei has a price-to-sales ratio of 13 times and a forward price-to-earnings ratio of 32 times. These valuations show that investors have priced the stock for the outlook, and there are no inflated expectations. However, the stock has a better valuation than its rival **Adyen**, which is trading at a forward PE multiple of 81.3 times.

Nuvei's long-term growth prospects

Nuvei is growing its business by selling more products to existing customers, tapping new customers and technology, and through acquisitions. It is using the land-and-expand strategy, wherein it retains customers and expands business with them by facilitating their growth. Nuvei's 2021 net revenue retention rate of 146% compared to 101% in 2020 shows the strong execution of the land-and-expand strategy.

Nuvei is accelerating its sales and marketing efforts to bring in new customers. New customer wins increased its global e-commerce revenue by 460% in 2021. The company is expanding beyond e-commerce to include online gaming, financial services, digital products, and cryptocurrency. The company maps its addressable market at US\$50 trillion+ global payments volume.

Nuvei is in the right business at the right time. It has the resources to tap the market growth. Any major acquisitions could send Nuvei stock surging as it is currently valued for organic growth. U.S. President Joe Biden has signed an [executive order](#) to study the use case of crypto. This is a step forward in the adoption of crypto. If the crypto boom occurs, Nuvei will be a beneficiary as it facilitates payments in more than 40 cryptocurrencies.

My take on Nuvei

Nuvei is at an attractive valuation for a hyper-growth stock. There are risks of further downside in the short term, but it has the potential to tap the 20% CAGR of the global payments market in the long term.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:NVEI (Nuvei Corporation)
2. TSX:NVEI (Nuvei Corporation)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. jguest
2. pujatayal

Category

1. Investing
2. Tech Stocks

Date

2025/08/18

Date Created

2022/04/14

Author

pujatayal

default watermark

default watermark