



## Why Nuvei (TSX:NVEI) Stock Fell 12% Last Week

### Description

Tech investors are feeling the brunt of massive value erosion in the last six months. Faster interest rate hikes and stretched valuations have cut TSX tech stocks in half this year. Canadian fintech stock **Nuvei** ([TSX:NVEI](#))([NASDAQ:NVEI](#)) has been unable to hold gains and lost almost 12% last week. There has been no respite for Nuvei investors, as the stock has dropped 65% since September 2021.

### Why is Nuvei stock dropping?

After a brutal Q4 2021, investors hoped for some recovery in NVEI this year. However, this year has been equally gruesome for almost all tech stocks. Nuvei stock fell last week after investor sentiment went for a toss after **Shopify**'s weak quarterly results. Shopify fell short of analyst expectations amid its muted growth outlook.

Canadian payment processor Nuvei will release its Q1 2022 earnings on May 10. E-commerce-enabling companies saw huge growth, as the pandemic and movement restrictions facilitated online shopping. Nuvei experienced superior contributions from its e-commerce verticals in the last few quarters. So, as COVID-related growth triggers will not be as effective as during the pandemic, commerce-enabling companies like NVEI might see slower growth in 2022.

Apart from Shopify's poor performance, the Federal Reserve's 50 basis-point hike also weighed on [TSX tech stocks](#) last week. To make matters worse for growth investors, the central bank also conveyed the possibility of similar hikes in the next meetings.

When rates rise, the discount rate to value stocks also rises, eventually lowering the present value of its future cash flows. That's why the stock's fundamental value drops in a rising-rate environment, and we see lower price targets from analysts. Notably, richly valued companies like NVEI see an outsized impact in such an environment. As a result, NVEI stock has seen a sharp pullback whenever it breaches \$90-\$95 levels.

Whether its quarterly earnings bring some respite for investors remains to be seen. According to analysts' estimates, Nuvei will report revenues of \$270 million for the quarter that ended on March 31,

2022. For the same quarter last year, the company saw revenues of \$150 million.

## What's next for NVEI stock?

Though the stock has seen a steep slide in the last six months, Nuvei management has been quite optimistic about its [growth outlook](#). Very few tech companies operate with a handsome gross margin of 80% as Nuvei does. The company projects to grow its volumes and revenues by +30% in the medium term with an EBITDA margin of 50%. I think those are some impressive numbers in the industry.

However, NVEI stock is currently trading 70 times its earnings. So, if you value the stock from traditional metrics, it looks stretched. It might have to grow much faster to justify its current [valuation](#).

If you are an aggressive investor and are okay with its large swings, buying NVEI stock at these levels makes sense.

### CATEGORY

1. Investing
2. Tech Stocks

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