



Nuvei Stock Is Near All-Time Lows: Should You Buy Now?

Description

The tech sector has taken a massive hit this year amid rising interest rates. [TSX tech stocks](#) have declined 42%, while Canadian markets have dropped 12% this year. However, the once-top-gainer tech name **Nuvei** ([TSX:NVEI](#)) has fared much worse, losing 56% in the same period. Nuvei stock hit fresh lows last week, indicating that the weakness is not over yet.

Should you buy NVEI stock?

Nuvei had a wonderful last year, as it saw superior financial growth in 2021. However, tables turned in the fourth quarter, and the stock started losing steam. Record-high inflation and aggressive rate hikes weighed on Nuvei this year. And it was not just Nuvei. Almost all tech names turned lower amid rising interest rates. Canada's tech titan **Shopify** has lost 80%, while **BlackBerry** stock has tanked 52% this year.

The discount rate to value an asset increases when interest rates are raised. So, it lowers the asset's present value of future cash flows, ultimately leading investors to dump those risky, overvalued assets.

Nuvei has been no exception. The stock was trading over 90 times its earnings last year. So, such a brutal fall was quite expected. Moreover, Nuvei stock still does not seem all that [attractively valued](#). It is still trading 60 times earnings, which is way higher than peers. And given the impending interest rate hikes and adamant inflation, the stock could continue to trade weakly for some more months.

Plus, consumer spending could take a serious hit if we see a severe recession in the next few months. Nuvei derives a large portion of its revenues from the e-commerce vertical. It could drop if the spending trims, ultimately bringing its revenues down.

Strong fundamentals but macro challenges could continue to weigh

At the same time, it is vital to note Nuvei's strengths in the current markets. So far in 2022, its revenues have grown by a decent 31% compared to the same period last year. Moreover, its margins have also remained healthy in the last few quarters. Remember, financial growth and margins take a hit in an inflationary environment.

The payment-processing company's financial growth and margin stability speak for its business strength. Apart from the financial growth, it has a strong balance sheet with little debt and a strong liquidity position.

Nuvei's management expects revenues to grow by around 30% annually in the long term. It is also confident about its margin stability. Nuvei aims to generate a +50% EBITDA (earnings before interest, tax, depreciation, and amortization) margin in the long term.

Nuvei will release its third-quarter 2022 earnings next month. It will be interesting to see whether it maintains its top-line growth. At the same time, management's upbeat commentary could drive the stock higher from its depressed levels.

The Foolish takeaway

NVEI stock could continue to trade lower amid macro challenges. However, it makes sense to accumulate it at lower levels once the rate-hike cycle slows, considering its fundamental strengths and optimistic guidance.

CATEGORY

1. Investing
2. Tech Stocks

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Date

2025/07/21

Date Created

2022/10/24

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