



Why I Think Nuvei Stock Has Market-Beating Potential

Description

Nuvei ([TSX:NVEI](#)) is a [technology company](#) that offers next-generation payment solutions to small- and medium-scale businesses across multiple industries. The rising interest rates and inflationary environment have been weighing on tech stocks, including Nuvei. It has lost around 67% of its stock value compared to its 52-week high. The steep correction has dragged its NTM (next 12-month) [price-to-earnings](#) multiple down to 15.8, which is lower than its historical average.

Meanwhile, I believe the correction is overdone, thus offering an excellent buying opportunity for long-term investors. Given its solid quarterly earnings, healthy growth prospects, and attractive valuation, I am bullish on the stock. Meanwhile, let's first look at its third-quarter performance in more detail.

Nuvei's third-quarter performance

In the September-ending quarter, Nuvei's revenue grew by 7% to US\$197.1 million. Higher volumes, new customer additions, expanded product offerings, and geographical expansion drove its revenue. However, unfavourable currency translation lowered its top line by US\$11.5 million. The company witnessed strong growth across regions, with its overall volumes growing by 30% to US\$28 billion.

Its adjusted EBITDA (earnings before interest, tax, depreciation, and amortization) increased marginally from US\$80.9 million to US\$81.2 million. Meanwhile, its net income fell 54% to US\$13.0 million, primarily due to higher share-based payments. However, removing one-time items, its adjusted net income increased marginally to US\$62.4 million. The company's balance sheet looks solid, with its net cash at US\$754 million at the end of the third quarter. So, the company is well equipped to support its growth initiatives. Meanwhile, let's look at its growth prospects.

Nuvei's growth prospects

The e-commerce growth has made digital transactions popular, thus creating a multi-year growth potential for Nuvei. The company has expanded its APM (alternative payment method) portfolio to 586, allowing its customers to receive payments from various digital payment methods. Also, it has

strengthened its platform architecture and infrastructure, which could support a more significant number of transactions per second.

It has launched various innovative products across multiple markets to enhance its customers' experience. Its "Nuvei for Platforms" launched in the September-ending quarter and could accelerate its marketplace offerings with a fully customizable solution. Further, Nuvei also received gaming licenses in Maryland and Kansas, expanding its online gaming industry presence in the United States. So, its growth prospects look healthy.

Meanwhile, Nuvei's management has raised its volume and adjusted EBITDA guidance for this year. The management hopes to achieve volume and revenue growth of over 30% in the near to medium term. Its adjusted EBITDA margin could cross 50% over the long run.

Macro factors

Rising interest rates have severely hurt [growth stocks](#), including Nuvei, this year. However, amid cooling inflation, Jerome Powell, the chairman of the Federal Reserve, stated that the central bank could announce smaller interest rate hikes in the coming months, which could be positive for the company.

Bottom line

Given the uncertain economic outlook and higher interest rate environment, I expect Nuvei to be under pressure in the near term. However, given its growth initiatives, expanding addressable market, and attractive valuation, I believe Nuvei to outperform the market over the next three years.

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