



IPOs Gone Bust: Is the Future Brighter for Nuvei Stock and Telus International?

Description

Investors hope a new year will come with a new bull market, even as we inch closer to a [recession](#). Broader markets rallied on Wednesday following a slight uptick in the number of jobless claims. Undoubtedly, we've entered a kind of "bad news is good news" type of environment. A softer jobs market could entail less-aggressive rate hikes from the U.S. Federal Reserve.

As employment numbers gradually descend and other signs of the recession (many expect it'll be tough to avoid one at this juncture) begin to show, the Fed will have reasons to hit the pause button. And depending on the severity of the ensuing downturn, rate cuts (possible, albeit improbable) may be in the cards. Such cuts are sure to catch investors off guard and result in a bit of pressure alleviation for a rate-rattled market.

Right now, it's hard to tell what's on the Fed's mind, as the macro gradually deteriorates before our eyes. While it feels like a slow and steady descent into a deep abyss, investors shouldn't buy into too much of the bearish commentary of the pessimistic majority. There's fear in the Street right now. And it's times like these when investors should feel slightly greedier.

Checking in with freshly flopped IPOs

Many recent initial public offerings (IPOs) have gone bust on both sides of the border. With higher interest rates, it's the "sexier" growth-focused firms that could continue to go out of style with investors who have a newfound taste for profits in the present.

In this piece, we'll check in with two firms that had IPOs within the last three years that have since gone bust. After 2022's brutal plunge, I believe such names are worthy of a second look for those looking to get a growth bang for their invested buck!

Consider shares of **Nuvei** ([TSX:NVEI](#)) and **Telus International** ([TSX:TIXT](#)): two relative TSX newcomers that you may have forgotten about amid the market-wide slump.

Nuvei

Nuvei was an exciting play when it went live on the TSX. The stock stormed out of the gate, eventually peaking on September 2021 at \$171 and change. Shares have been on a ticket back to IPO prices ever since. Today, the stock is making new lows at \$34 and change. Indeed, those who didn't chase the name now have a chance to grab the promising fintech at a compelling discount.

At writing, the payments play is down around 80% from its high. While Nuvei remains a growth-focused play, the stock has become that much harder to value with rates on the rise. At nearly 62 times trailing price to earnings (P/E), you could make a case that the stock is still expensive.

Indeed, it's pretty jarring that a stock can suffer such a drop and still not be [cheap](#). Despite the seemingly "rich" multiple, I think Nuvei's growth prospects make the name a relative discount for those who are willing to endure more pain if rates surge much higher from here.

Telus International

Telus International wasn't as hot an IPO as Nuvei. Still, the bust has been painful for those who got excited in 2021. The stock is now down 45% from its high. At 28.9 times trailing P/E, TIXT isn't all too expensive a firm for the type of growth you'll get.

The stock has been weighed down by quarterly flops and a reduced 2022 revenue outlook. Longer term, I'd not give up on the firm, as it moves past economic headwinds. Indeed, Telus International's managers have done a reasonable job of improving its operating margins. With such best-in-breed managers, I'd argue TIXT stock should be worth a larger premium.

Bottom line

I'm a fan of both flopped IPOs right now. Between the two names, I think NVEI is a spicier and higher-upside bet for risk-taking investors.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:NVEI (Nuvei Corporation)
2. TSX:TIXT (Telus International)

PARTNER-FEEDS

1. Business Insider
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3. Koyfin
4. Msn

5. Newscred
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