2 Top Wealth Destructors of 2022: Will These TSX Stocks Change Course in 2023?

Description

The year 2022 was indeed a challenging one for investors as stocks, cryptocurrencies, and even gold underperformed. And why not? The global economy suffered from a war in Europe early last year, which was followed by higher inflation amid higher oil prices. Then you know how the whole inflation and rate hike story unfolded last year.

But notably, all those things are still there in 2023. The Fed minutes show that the policy tightening is going to continue as inflation remains sticky. There seems to be no respite on the war front as well. Moreover, even if oil prices have eased a bit of late, they are not sufficiently low to bring inflation down.

So, the point I'm trying to make here is that it's still a testing time for growth investors. Even though TSX tech stocks experienced massive drawdowns in 2022, they may not see a meaningful recovery soon.

Here is a quick look at last year's big losers. Let's also check if anyone of them still offers value.

BlackBerry

Canadian cybersecurity stock **BlackBerry** (TSX:BB) lost 60% of its value last year. Investors should understand that it was not among those names that were down due to broad market pressures. Rather, it was a confluence of factors that brought BB stock down to its multi-year lows. And one major factor behind its fall was its consistently poor quarterly performance.

BlackBerry has seen declining revenue growth for the last several years. In 2020, its revenues were US$1.04 billion, which came down to US$690 million in the last 12 months. Its margins have also been waning fast, which could be concerning to investors.

Moreover, even if its IoT (Internet of Things) segment is seeing rapid growth, it still forms a smaller part of the company. Cybersecurity is BlackBerry's mainstay that's been losing value for the last few years. Higher competition has weighed on its margins and revenue growth in this vertical.

So, even if the picture on the macro front improves in 2023, BB might see a subdued recovery due to its fundamental issues. A reversal in the rate hike stance might push the stock higher in the short term. However, the stock might not create significant shareholder wealth until it sees stable operational and financial growth.

Nuvei

Canadian payment processor stock **Nuvei** (TSX:NVEI) dug a deep hole in investors' pockets last year. The stock came down from $93 in March 2022 to $32 at the end of the year. That's a notable 65% value erosion.

However, Nuvei looks different after the correction. It has a fast-growing top line and a healthy margin profile. It derives revenues from cryptocurrency exchanges, e-commerce websites, and even regulated sports betting platforms. Nuvei's diversified revenue base and scale bode well for its business growth.

The management has kept its long-term guidance intact amid the challenging macro scene. It expects to see over 30% revenue growth annually and adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization) margins of over 50%. That's a decent set of numbers for a tech company.

Notably, Nuvei stock continues to look expensive even after a steep correction. However, it could bottom out around the $32-$35 levels, as we have seen in the past. If the rate hike and inflation scenario ease this year, Nuvei will likely see a decent recovery and handsome shareholder value.

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

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