



Here's My #1 Canadian Growth Stock Pick to Buy for 2023

Description

[Growth stocks](#) would grow their financials higher than the industry average, thus delivering superior returns over the long run. However, last year was tough for growth stocks, as high inflation, rising interest rates, and an uncertain economic outlook weighed on their stock prices. The steep selloff has created an excellent buying opportunity in some quality stocks. Meanwhile, I am choosing **Nuvei** ([TSX:NVEI](#)), a Canadian fintech company, as my top pick for this year.

First, let's look at its quarterly performance in 2022.

Nuvei's 2022 performance

Despite the challenging environment, Nuvei continued to grow its financials last year, with its revenue growing by 22% in the first nine months to \$623.0 million. The company has enhanced its platform and architecture to support more transactions per second than earlier. It has also expanded its APM (alternative payment methods) portfolio by adding new payment forms, thus allowing its customers to accept regionally familiar and preferred digital payment methods.

Supported by these growth initiatives, the transaction on the company's platform increased, with the total volume growing by 36% in the first nine months to \$87.4 billion. Meanwhile, its net income per share declined by 47% to \$0.34. However, by removing special items, the company's adjusted EPS (earnings per share) increased by 14% to \$1.39.

Also, Nuvei generated an adjusted EBITDA (earnings before interest, tax, depreciation, and amortization) of \$265.6 million, an 18% increase compared to its previous year. Meanwhile, it closed the third quarter with a cash balance of \$754 million. So, the company is well positioned to fund its growth initiatives.

Nuvei's outlook

With the growing internet penetration, technological advancements, and increased adoption of online

shopping, digital transactions are becoming popular. Meanwhile, *Precedence Research* projects the global digital payment market to grow at a CAGR (compound annual growth rate) of 17.25% to US\$375 billion by 2030. So, the expanding addressable market could benefit Nuvei.

Meanwhile, Nuvei is expanding its offerings to new markets across the world. It is also developing innovative product offerings that could improve its customer's experience. In the third quarter, the company launched "Nuvei for Platforms," allowing users to implement all functionalities via a single integration. So, this platform could strengthen its position in the marketplace offerings.

Further, yesterday, Nuvei announced that it had signed a definitive agreement to acquire **Paya Holdings**, which offers integrated payment and commerce solutions in the United States, for \$1.3 billion. The acquisition would expand the company's presence in non-cyclical end markets. The company's management expects to close the deal by the end of the first quarter of 2023. So, Nuvei's growth prospects look healthy.

Meanwhile, Nuvei's management has maintained its medium- to long-term guidance. The management expects its volume and revenue to grow at an annualized rate of over 30% in the medium term. The management hopes to increase its adjusted EBITDA margin to over 50% in the long run.

Bottom line

Nuvei has been under pressure over the last 12 months, with its stock price correcting over 62% from its 52-week high. A short report from Spruce Point Capital Management and weakness in the growth stocks appear to have dragged down the company's stock price. The steep pullback has dragged its valuation down to attractive levels, with its NTM (next 12-month) [price-to-earnings ratio](#) at 14.2.

So, considering its healthy growth prospects and attractive valuation, I expect Nuvei to outperform the broader equity market this year.

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