



Nuvei stock: Can This Gainer Keep on Running?

Description

[Technology stocks](#) have outperformed the broader equity markets this year. Amid signs of inflation cooling down, investors expect the U.S. Federal Reserve to ease its monetary tightening policies. Earlier this week, the central banker raised its benchmark interest rate by 25 basis points, easing off from its earlier rise of 50 basis points in December. The slowdown in rate hikes appears to have improved investors' sentiments. Further, the solid fourth-quarter performance from **Meta Platforms** yesterday drove tech company stock prices higher.

Amid the favourable environment, **Nuvei's** ([TSX:NVEI](#)) stock price has increased by 43% this year, beating the **S&P/TSX Composite Index**, which rose by 7%. Despite the surge, NVEI stock is still trading at a substantial discount of over 50% from its 52-week high. So, let's assess whether the global payments processor can maintain its uptrend by discussing its recent performance, growth prospects, and valuation.

Nuvei's third-quarter performance

Despite inflationary pressure, Nuvei delivered solid performance in the third quarter. Its sales volume and [revenue](#) grew by 30% and 7%, respectively. New customer acquisitions, geographic expansion, technological advancements, and product innovation drove its growth.

Notwithstanding the topline growth, the company's net earnings declined by 54% to \$13 million, primarily due to an increase of \$22.6 million in share-based payments. However, removing special items, Nuvei's adjusted net income came in at \$62.4 million, slightly higher than the previous year's quarter. Besides, it generated an adjusted EBITDA (earnings before interest, tax, depreciation, and amortization) of \$81.2 million. It closed the quarter with a cash balance of \$754 million. So, the company's balance sheet looks solid to fund its growth initiatives.

Nuvei's growth prospects

The pandemic has been one of the primary drivers of digital payment popularity. Meanwhile, given the

convenience and efficiency of electronic payments, I expect the growth to continue. Besides, the increasing internet penetration and innovative payment product launches could also boost the sector's growth in the coming years. Meanwhile, The Business Research Company projects the digital payment market to grow at a CAGR (compounded annual growth rate) of 15.5% over the next four years.

To capitalize on an expanding addressable market, Nuvei has strengthened its architecture and infrastructure to simultaneously support more transactions. It has expanded its products and services to more countries worldwide while accommodating local data protection residency rules. The company is investing in developing new innovative products that could boost its growth.

In November, Nuvei launched "Nuvei for Platforms," which offers more flexible payment solutions to e-commerce platforms, marketplaces, and banks. The platform will have all of the company's core modular platforms, which the clients can easily integrate. Additionally, the company recently received gaming licenses to operate in Maryland and Kansas, strengthening its footprint in the United States online gaming industry.

Further, Nuvei has signed a definitive agreement to acquire **Paya Holdings** for US\$1.3 billion, which could expand its capabilities in the large and growing B2B (business-to-business) market. As a result of these growth initiatives, Nuvei's management expects its total volume and revenue to grow at over 30% per annum in the medium term. While management expects its adjusted EBITDA margin to cross 50% in the long run. Given its multiple growth drivers, I am optimistic about the company's growth prospects.

Cheaply valued?

Despite rising over 43% since the beginning of this year, Nuvei still trades at 5.6 times its projected sales for the next four quarters. The [valuation](#) looks cheap for a company projected to grow its sales at 30% per annum in the medium term. So, given the growing addressable market, its growth initiatives, and cheaper valuation, I expect Nuvei to deliver multifold returns over the next five years.

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