



## Here's My Top Growth Stock to Buy Now

### Description

[Growth stocks](#) have the potential to grow their financials above the industry average, thus delivering higher returns in the long run. However, these companies require higher capital to fund their growth initiatives. So, amid rising interest rates and high inflation, growth stocks witnessed substantial selling last year. Meanwhile, with inflation showing signs of cooling, investors' sentiments have improved, thus boosting the stock prices of growth companies.

Amid the signs of recovery, I am betting on **Nuvei** ([TSX:NVEI](#)) due to its solid financial performance and high growth prospects. First, let's look at its performance in the recently reported third quarter of 2022.

### Nuvei's performance in 2022

Despite challenging market conditions, Nuvei has continued to drive its financials. Its [revenue](#) grew by 7% to US\$183.9 million. However, on a constant currency basis, its growth stood at 13%. Amid the growing demand, the payment solutions provider strengthened its architecture and infrastructure to process a higher number of transactions per second. Besides, innovative product launches, geographical expansion, and new alternative payment methods (APM) drove its total volumes, which rose by 30%.

Despite the topline growth, the company's net earnings declined from US\$28 million to US\$13 million, primarily due to a rise of US\$22.6 million in its share-based payments. Meanwhile, removing its one-time expenses, the company's adjusted net income increased marginally to \$62.4 million. Adjusted EBITDA (earnings before interest, tax, depreciation, and amortization) grew from US\$80.9 million to US\$81.2 million. Further, Nuvei closed the quarter with a cash balance of US\$754 million. So, I believe the company is well-equipped to fund its growth initiatives.

### Growth prospects

The digital payments market is growing with the expansion of e-commerce and greater penetration of

internet services. Meanwhile, *Grand View Research* projects the global digital payments market to grow at a CAGR (compounded annual growth rate) of 20.8% for the rest of this decade. So, given its continued investment in technology and product development, the company is well-positioned to benefit from market expansion.

Further, the company launched “Nuvei for Platforms” in November. The highly customizable platform allows small- and medium-scale businesses to embed payments into their platforms. The company believes the platform could help its clients improve customer experience, increase customer retention, and drive sales. Further, winning gaming licenses in Maryland and Kansas has expanded its footprint in the United States online gaming industry.

Additionally, Nuvei looks to strengthen its capabilities in the growing B2B (business-to-business) market and has signed an agreement to acquire **Paya Holdings** for US\$1.3 billion. Notably, the management hopes to complete the transaction by the end of this quarter. So, considering its multiple growth drivers, I am optimistic about the company’s growth prospects. Meanwhile, Nuvei’s management is hopeful of growing its topline at over 30% annually in the medium term while expanding its adjusted EBITDA margin to 50% in the long run.

## Bottom line

Nuvei has outperformed the broader equity markets this year, with returns of over 29.5%. Despite the recent rise, it still trades at a 75% discount from its 52-week high. Also, its valuation looks cheap, with its NTM (next 12 months) [price-to-earnings](#) and price-to-book multiples standing at 17.2 and 2.4, respectively.

So, considering its cheaper valuation and high-growth prospects, I expect Nuvei to deliver oversized returns over the next three years.

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