

Nuvei

Decent 4Q/guide with some moving parts

Reiterate Rating: BUY | PO: 29.00 USD | Price: 23.19 USD

Shares deserve better on this print

Given current valuation/sentiment, we think this morning's pull back in shares is overdone. That said, there were a couple of pieces to unpack in NVEI's initial '24 guide. While 4Q results were in-line+ across key metrics, the midpoint of '24 revs and adj. EBITDA margins were slightly below ests on customer grow-over headwinds and margin-dilutive Till acquisition. Management emphasized prudence embedded in initial '24 outlook, which should be welcomed by investors, and organic growth should accelerate throughout '24. Reiterate Buy as we believe NVEI's growth warrants a higher multiple.

Midpoint of '24 revs/margins below estimates

For '24, NVEI guided to total volume of \$246B-\$252B (21%-24% y/y growth) vs. BofAe/Street at \$243B/\$247B. Midpoint of '24 revenues guide of \$1.34B-\$1.38B is below BofAe/Street of \$1.40B/\$1.37B. Cadence-wise, NVEI expects organic revenue growth of M-HSD in 1Q and 2Q, low DD in 3Q, and 15%-20% exiting 4Q (consistent with reiterated medium term guide). '24 adj. EBITDA of \$480M-\$510M implies margins of 36.8%, slightly below BofAe/Street at 36.9%/37.1% and flat y/y. Management expects to exit '24 with Till at break even or better.

1Q guide: revs ahead, margins a little light

NVEI guided to 1Q total volumes of \$57B-\$58B (25%-37% y/y growth) vs. BofAe/Street at \$54B. 1Q revenues are expected to be \$322M-\$330M, vs. BofAe/Street at \$314M/\$318M. 1Q adj. EBITDA guidance of \$110M-\$116M implies margins of 34.7% at the midpoint, below BofAe/Street at 36.7%/36.4% (\$115M/\$116M). Normalizing for Till, NVEI cited adj. EBITDA margins would have been 36%-37%.

More on 4Q; introducing '26 estimates

4Q revs grew 46% (7% organic CC) to \$322M vs. BofAe/Street at \$323M/\$320M. Vols grew 53% (19% organic CC) to \$62B, vs. BofAe/Street at 45%. By channel, y/y pro-forma growth in global commerce was 12% (vs. 25% in 3Q due to tough World Cup comps), B2B/gov't/ISV was 19% (vs. 16% in 3Q), and SMB was 2% (vs. -4% in 3Q). Adj. EBITDA of \$120M was above BofAe/Street/guide of \$117M/\$116M/\$111M-\$119M. Following the print, we adjust our '24 revs/adj. EBITDA to \$1,367M/\$492M from \$1,397M/\$515M prior. For '26, we model revs/adj. EBITDA of \$1,798M/\$676M.

Estimates(Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	1.86	1.69	2.03	2.46	2.67
GAAP EPS	0.39	(0.06)	0.49	0.85	1.07
EPS Change (YoY)	10.1%	-9.1%	20.1%	21.2%	8.5%
DPS	0	0	0	0	0
Common - Dual Listed EPS (C\$)	2.42	2.28	2.75	3.34	3.62
Common - Dual Listed DPS (C\$)	0	0	0	0	0
Valuation (Dec)					
P/E	12.5x	13.7x	11.4x	9.4x	8.7x
GAAP P/E	59.5x	NM	47.3x	27.3x	21.7x
EV / EBITDA*	11.5x	9.3x	8.2x	6.9x	6.0x
Free Cash Flow Yield*	6.6%	6.3%	8.8%	10.4%	12.6%

* For full definitions of *IQmethod*SM measures, see page 4.

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Timestamp: 06 March 2024 02:15PM EST

06 March 2024

Equity

Key Changes

(US\$)	Previous	Current
2024E Rev (m)	1,397.4	1,367.4
2025E Rev (m)	1,647.2	1,587.2
2026E Rev (m)	NA	1,797.8
2024E EPS	2.14	2.03
2025E EPS	2.69	2.46
2026E EPS	NA	2.67

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Stock Data

Price (NAS / TOR)	23.19 USD / 31.40 CAD
Price Objective	29.00 USD / 39.00 CAD
Date Established	22-Sep-2023 / 22-Sep-2023
Investment Opinion	C-1-7 / C-1-7
52-Week Range	13.32 USD - 43.81 USD
Market Value (mn)	3,309 USD
Free Float	99.3%
Average Daily Value	9.16 USD
Shares Outstanding (mn)	142.7 / 142.7
BofA Ticker / Exchange	NVEI / NAS
BofA Ticker / Exchange	YNVEI / TOR
Bloomberg / Reuters	NVEI US / NVELOQ
ROE (2024E)	12.5%
Net Dbt to Eqty (Dec-2023A)	52.7%
ESGMeter TM	NLA

ESGMeter is not indicative of a company's future stock price performance and is not an investment

iQprofileSM Nuvei

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	2.6%	2.1%	4.0%	4.6%	4.8%
Return on Equity	13.3%	12.0%	12.5%	12.9%	12.4%
Operating Margin	9.6%	9.8%	13.2%	15.5%	15.9%
Free Cash Flow	219	208	290	343	416

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	1.0x	1.1x	1.3x	1.3x	1.4x
Asset Replacement Ratio	5.7x	3.8x	0.5x	0.6x	0.5x
Tax Rate	29.2%	104.7%	23.0%	26.0%	26.0%
Net Debt-to-Equity Ratio	-12.6%	52.7%	22.2%	9.7%	-3.1%
Interest Cover	3.6x	1.0x	2.0x	2.9x	3.4x

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	843	1,190	1,367	1,587	1,798
% Change	16.5%	41.1%	14.9%	16.1%	13.3%
Gross Profit	672	967	1,109	1,276	1,443
% Change	17.0%	43.9%	14.7%	15.0%	13.1%
EBITDA	351	437	492	591	676
% Change	10.7%	24.5%	12.6%	20.0%	14.4%
Net Interest & Other Income	(24)	(122)	(78)	(75)	(75)
Net Income (Adjusted)	265	240	284	339	363
% Change	6.4%	-9.6%	18.4%	19.5%	7.0%

Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	67	6	88	135	164
Depreciation & Amortization	8	14	133	155	175
Change in Working Capital	(11)	(12)	(15)	(20)	(22)
Deferred Taxation Charge	26	16	(2)	(2)	(2)
Other Adjustments, Net	177	239	154	167	192
Capital Expenditure	(48)	(55)	(68)	(92)	(92)
Free Cash Flow	219	208	290	343	416
% Change	-8.5%	-5.2%	39.5%	18.2%	21.5%
Share / Issue Repurchase	0	0	0	0	0
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	(10)	726	234	234	234

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	752	170	592	1,066	1,613
Trade Receivables	61	106	119	137	158
Other Current Assets	843	1,488	1,493	1,499	1,505
Property, Plant & Equipment	32	33	33	33	33
Other Non-Current Assets	1,837	3,338	3,290	3,230	3,170
Total Assets	3,525	5,135	5,527	5,965	6,479
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	979	1,681	1,684	1,692	1,698
Long-Term Debt	502	1,248	1,153	1,335	1,517
Other Non-Current Liabilities	64	162	162	163	165
Total Liabilities	1,545	3,091	2,998	3,190	3,381
Total Equity	1,979	2,044	2,529	2,775	3,098
Total Equity & Liabilities	3,525	5,135	5,527	5,965	6,479

* For full definitions of iQmethodSM measures, see page 4.

Company Sector

Computer Services

Company Description

Headquartered in Canada, Nuvei is a single-source global provider of payment solutions for merchants with particular expertise in eCommerce (88% of volumes in 2Q23) in verticals including regulated/social gaming, online retail/marketplace, digital goods, regulated financial services, and travel. In FY23, NVEI generated \$843M of revs and \$437M of EBITDA.

Investment Rationale

Nuvei has deep expertise in and is significantly levered to fast growing eCommerce and mobile commerce channels, which make up 88% of total payment volume year to date. NVEI has been able to successfully capture additional share of wallet from existing merchants while new merchant wins have continued to accelerate driven by ongoing investment and expansion of the direct sales force. We believe there is upside based on attractive valuation.

Stock Data

Average Daily Volume	394,931
Shares / Common - Dual Listed	1.00

Quarterly Earnings Estimates

	2023	2024
Q1	0.44A	0.45E
Q2	0.39A	0.48E
Q3	0.39A	0.52E
Q4	0.47A	0.57E

Key Changes

(C\$)	Previous	Current
2024E EPS	2.90	2.75
2025E EPS	3.65	3.34
2026E EPS	NA	3.62

Price objective basis & risk

Nuvei (NVEI / YNVEI)

We calculate our price objective of \$29 USD (CAD 39) based on a 50/50 blend of 13x our 2024E EPS estimate and our DCF model. We apply around a 60% discount for NVEI relative to its comp group based on lower revenue growth relative to peers and in-line profitability. Our DCF model assumes a WACC of 15% and a terminal growth rate of 3.5%.

Risks to our PO: 1) increased regulation for online gaming and financial services, 2) end-to-end conversions fall short of internal expectations, 3) take rate compression from mix shift to larger merchants

Analyst Certification

I, Jason Kupferberg, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Payments, Processors, Specialty Finance and IT services Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Accenture Plc	ACN	ACN US	Jason Kupferberg
	American Express Company	AXP	AXP US	Mihir Bhatia
	Block Inc	SQ	SQ US	Jason Kupferberg
	Capital One Financial	COF	COF US	Mihir Bhatia
	Enact Holdings	ACT	ACT US	Mihir Bhatia
	Essent Group	ESNT	ESNT US	Mihir Bhatia
	Fidelity National Information Services	FIS	FIS US	Jason Kupferberg
	Fiserv Inc	FI	FI US	Jason Kupferberg
	FleetCor Technologies Inc.	FLT	FLT US	Mihir Bhatia
	Flywire	FLYW	FLYW US	Jason Kupferberg
	Global Payments Inc	GPN	GPN US	Jason Kupferberg
	Jack Henry & Associates	JKHY	JKHY US	Jason Kupferberg
	Marqeta	MQ	MQ US	Cassie Chan
	Mastercard Inc	MA	MA US	Jason Kupferberg
	MGIC Investment Corp.	MTG	MTG US	Mihir Bhatia
	NMI Holdings	NMIH	NMIH US	Mihir Bhatia
	Nuvei	NVEI	NVEI US	Jason Kupferberg
	Nuvei	YNVEI	NVEI CN	Jason Kupferberg
	OneMain Holdings, Inc.	OMF	OMF US	Mihir Bhatia
	Shift4 Payments, Inc	FOUR	FOUR US	Jason Kupferberg
	Telus International	TIXT	TIXT US	Cassie Chan
	Telus International	YTIXT	TIXT CN	Cassie Chan
	Visa Inc.	V	V US	Jason Kupferberg
	WEX Inc.	WEX	WEX US	Mihir Bhatia
NEUTRAL				
	ADP	ADP	ADP US	Jason Kupferberg
	Affirm Holdings	AFRM	AFRM US	Jason Kupferberg
	Bread Financial Holdings Inc	BFH	BFH US	Mihir Bhatia
	DLocal	DLO	DLO US	Jason Kupferberg
	Globant SA	GLOB	GLOB US	Jason Kupferberg
	PayPal Holdings Inc	PYPL	PYPL US	Jason Kupferberg
	Synchrony Financial	SYF	SYF US	Mihir Bhatia
	Thoughtworks	TWKS	TWKS US	Jason Kupferberg



US - Payments, Processors, Specialty Finance and IT services Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Toast	TOST	TOST US	Jason Kupferberg
	TTEC Holdings	TTEC	TTEC US	Cassie Chan
UNDERPERFORM				
	CGI Inc.	GIB	GIB US	Jason Kupferberg
	CGI Inc.	YGIBA	GIB/A CN	Jason Kupferberg
	Cognizant Technology Solutions	CTSH	CTSH US	Jason Kupferberg
	Coinbase	COIN	COIN US	Jason Kupferberg
	DXC Technology	DXC	DXC US	Jason Kupferberg
	EPAM Systems	EPAM	EPAM US	Jason Kupferberg
	Paychex	PAYX	PAYX US	Jason Kupferberg
	Radian Group Inc	RDN	RDN US	Mihir Bhatia
	Rocket Companies, Inc.	RKT	RKT US	Mihir Bhatia
	TaskUs	TASK	TASK US	Cassie Chan
	Western Union	WU	WU US	Jason Kupferberg
RSTR				
	SoFi Technologies Inc	SOFI	SOFI US	Mihir Bhatia

iQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

EV / EBITDA

Basic EBIT + Depreciation + Amortization

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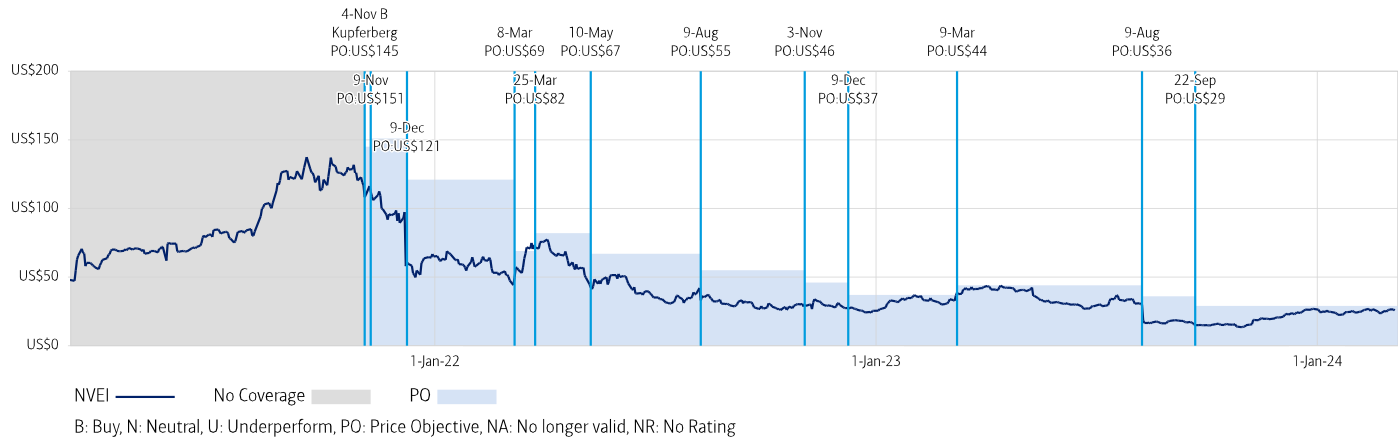
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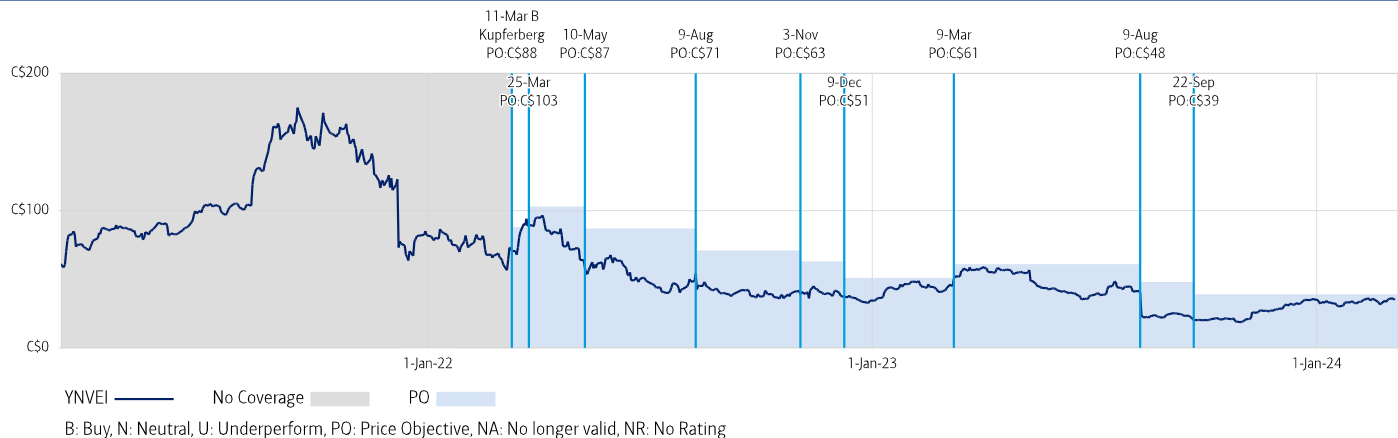
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Nuvei (NVEI) Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Nuvei (YNVEI) Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Technology Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	215	53.09%	Buy	111	51.63%
Hold	97	23.95%	Hold	45	46.39%
Sell	93	22.96%	Sell	24	25.81%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.



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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2}Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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