How a fintech blockchain company is using technology to solve a standing financial problem in Canada.

Case Study Proposal: Nuvei

**What is it?**

Nuvei is a global electronic payment processing company. They provide payment technology solutions to businesses around the world and delivers a secure payment experience for merchants and their customers in over 200 markets worldwide. Nuvei operates on a transaction-based model. It charges a fee for each transaction. . A secondary source of revenue comes by providing value-added services and monthly subscription fees by offering service tools such as risk management and analytics.

The company’s products currently support nearly 150 currencies, 480 alternative payments methods (APMs), and 40 cryptocurrencies. Merchants can capture every payment opportunity that comes their way.

In 2021, Nuvei acquired Simplex Ltd, a fintech startup providing the fiat infrastructure to the cryptocurrency industry, for approximately $250 million. Simplex delivers the infrastructure for consumers to buy or sell cryptocurrencies using credit and debit cards. This is a game-changer event for the Nuvei.

From humbled beginnings, Nuvei began operations in 2003 in Montréal, Quebec and now have offices around the world. It has now become Canada’s largest private, non-bank payment processor.

**Why this Matters?**

If you ask the question: is there a global currency? The official answer is No. The only currency that comes close to being a global currency is the US Dollar (USD). You can go anywhere in the world (restaurants and stores) and conduct the transaction or pay in USD. Everyone accepts it. It is also the global reserve currency for central banks. In some smaller emerging markets countries USD is the unofficial currency as locals prefer USD over their local currency. Though, it is not a true global currency for global companies. A foreign company can accept revenues in USD but pay expenses in local currency. There are transactions and exchange rates costs involved.

What is also compelling is there is a finite number of coins. With a fiat currency, the central can keep printing it and devalue it. This often happens in countries facing economic collapse, such as Turkey is today.

Crypto can help in cross-border transactions, it cheaper and relatively easier and quicker to do. Crypto can help citizens in countries that are going through an economic collapse and preserve their net worth by holding crypto than their local currency.

**Why this may be interesting?**

As Nuvei likes to state: We want to make the world a local marketplace.

By offering its customers to buy or sell 40 types of cryptocurrencies using credit and debit cards Nuvei is doing just that. A global marketplace using one currency (crypto currency).

Crypto currency is still in its infancy but the potential for higher growth and more transactions involving crytpo in the future is likely to witness explosive growth over a year-over-year basis.

According to CoinPayments, as of June 2021, Bitcoin, Ethereum, and Litecoin combined processed “about 1.5 million transactions per day. In 2016, the daily transactions were less than 250,000.” Each year, more and more consumers are not just buying and holding crypto but actually using it for transactions.

As well, we see businesses benefitting from accepting cryptocurrency payments. According to CoinPayments, on average businesses are seeing crypto purchase orders being 2x higher than fiat currency purchases with a 55% reduction in transaction fees.

We’re now seeing global institutions, embracing it. Crypto is going mainstream. It has the potential to be the de facto global currency.

It can become the preferred cross border payment since it offers a lower fee than a regular fiat currency payment. The question is not if but when Amazon will start accepting cryptocurrency directly. This will create huge momentum and domino effect for other corporations to jump on board and create more business for Nuvei.

Because Nuvei is a publicly traded company on the TSX and Nasdaq, it has a currency (it’s stock) to continue to make acquisitions and expand. I would not be surprised over the coming years if one the larger online institutions, i.e. PayPal or Block (formerly known as Square), acquires them at a premium price. Paypal’s market-cap is $146 Billion (USD), Block is $47 Billion (USD), while Nuvei is $8.3 Billion (USD).

**Regulations – Biggest Hurdle facing Nuvei**

The regulatory issues are coming at the forefront Securities regulators are concerned about rapid rise of thousand of cryptocurrencies. The SEC chairman says “it is like the Wild West that can be rife with fraud, scams, and abuse.” The Federal Trade Commission reported that consumers lost more than $80 million in cryptocurrency investment scams between Oct-2020 to May 2021. Regulation is coming, it remains to be seen how big of an impact it will have on cryptocurrencies.

[About Nuvei](https://investors.nuvei.com/English/overview/default.aspx)

[Growth in Crypto transactions](https://www.visualcapitalist.com/visualizing-the-rise-of-cryptocurrency-transactions/)

Founded in 2003, Montreal, Canada-based Nuvei is a provider of payment technology solutions to merchants and partners in North America, Europe, Asia Pacific, and Latin America. Following the acquisition of SafeCharge in 2019, the company’s technology platform is intended for high-growth mobile commerce and eCommerce markets. Nuvei’s solutions span the entire payment stack and includes end-to-end processing, global gateway and acquiring, currency management, risk and fraud prevention tools, analytics dashboard, and payment checkout forms. Nuvei built its platform through the combination of internal product development, tuck- in acquisitions, and large-scale acquisitions (i.e., SafeCharge). As of June 2020, Nuvei has more than 50,000 merchants and processes over $35B in annual transactions.

**RISKS**

Regulatory – regulations in crytpo

NOTES:

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic, resulting in significant disruption to a wide range of activities that had an impact on all aspects of life.

**Key Risks:** Key risks include: (1) dual-class share structure; (2) changes to regulatory regimes; (3) inability to complete acquisitions; (4) data security; (5) elevated expectations; (6) operational risks inherent in the payment processing business; and (7) reliance on senior management team – in particular, CEO Philip Fayer.

If your goal is to build and run your own application, you will need to deploy several hardware and software solutions that work together to deliver the desired features and services - you'll need a technology stack.

A technology stack includes all of the hardware and software systems that are needed to develop and run a single website, web app or mobile application.

From firm web site:

Support for over 500 local and alternative payment methods, nearly 150 currencies and 40 cryptocurrencies, merchants can capture every payment opportunity that comes their way. Our purpose is to make our world a local marketplace.

There are different and confronting opinions regarding the future of cryptocurrencies in general and bitcoins in particular. Whils, those with libertarian views of life are optimistic and embrace the cryptocurrency system, other authors, economists, and scholars from this field are not enthusiastic about the use of cryptocurency in the system of payments and financial transactions. The optimistic view of cryptocurrencies use is backed by the fact that they make it easier to transfer funds between two parties in a transaction; these transactions are facilitated through the use of public and private keys for security purposes. These fund transfers are done with minimal processing fees, allowing users to avoid the steep fees charged by most banks. In addition, many countries have started to accept bitcoin as a valid currency. Especially, countries that aim to get rid of cash have a very friendly approach to cryptocurrencies. An argument that promoters of bitcoin use is Market Capitalization of bitcoin, ethereum and other cryptocurrencies, claiming that cryptocurrency

**RBC**

**Improving visibility to sustainable >30% revenue growth.** Nuvei has reported an average of 45% organic growth over the last 5 quarters as a public company. Additionally, the company provided a medium- term target for >30% revenue growth. We believe Nuvei sustaining >30% revenue growth through COVID-19 reopening would lift sentiment and diminish concerns regarding the sustainability of Nuvei’s growth.

**Winning in digital.** Digital (e-commerce, mobile, in-app, online) accounts for 84% of Nuvei’s TTM total volume, whereas card present is only 16% of total volume. We believe Nuvei’s >30% growth over the medium-term implies that the company is gaining share as a key provider of payments in the company’s target markets. **The competitive advantages of Nuvei’s technology (single tech stack, pay-in/pay-out, 450 APMs, 150 currencies) are resonating for the more complex use cases in these markets.**

**High-margin economics empower M&A strategy.** Payments offer attractive economics, and we believe that Nuvei’s scale and operational discipline will help sustain high margins. Our forecast calls for Nuvei to sustain low 80% gross margins and low 40% adj. EBITDA margins and realize 70% adj. EBITDA to FCF conversion. In light of Nuvei’s history, we believe the company is likely to continue to deploy excess FCF on acquisitions of payments companies.

**Attractive valuation below high-growth payments peers.** Nuvei’s shares have declined 58% since its 52-week high on September 17 (S&P500 +6% over the same time frame). Nuvei is now trading at 22x CY22e EV/EBITDA, below high-growth peers at 41x. Nuvei’s valuation has more than discounted Nuvei’s 30% medium-term growth outlook (prior to Q2 results, investors perceived Nuvei as a mid-teens growth story).

The global payment technology partner of thriving brands, announces today it has been granted approval by the New York State Gaming Commission to process payments with recently licensed digital sports betting platforms launching in the state.

The commission approved five operators this month - Caesars Sportsbook, BetMGM, DraftKings, FanDuel and Rush Street Interactive - to accept mobile and online sports wagers.

Nine operators are expected to be fully operational once regulatory approvals are finalised.

The regulatory reform means New Yorkers can make wagers on their preferred digital devices, rather than being limited to brick & mortar betting stores.

“Nuvei announced strategic alliances this past year with multiple US-regulated operators. We are pleased to now be supporting online sports betting operators and platform providers with a convenient, fast and secure payments capability to serve their New York customers,” said Nuvei Chair and CEO Philip Fayer. “This marks another step in our journey to expand with the growing industry as several states and countries are in the process of regulating online sports betting.”

Drawing on its deep roots with leading iGaming operators internationally and capabilities in the U.S. market, Nuvei stands as a proven solution provider to assist New York operators with industry expertise and payment processing technology. This includes a revenue optimization suite, providing frictionless deposit experience for millions of players through a variety of payment methods including cards, ACH and digital wallets, net deposits, real-time fraud prevention, risk management, and instant payouts.

**Yahoo**

Weaving its way into growth mandates: crypto and gambling.

Make the world a local marketplace.

Provide payment technology to help our customers in all four corners of the world. – CEO quote.

Over 50,000 customers use the platform

Available in 204 countries in 150 currencies

Also provide fraud mgmt., currency mgmt.

As a frame of reference their main competitors are

Acquired Simplex? AI powered solution. It has a fraudless solution based on AI where they guarantee the transaction, they make it seamless for people to purchase digital assets. Want to provide risk-free purchasing for our customers.

Largest tech IPO on the TSX history at time of listing

Recently listed with Nasdaq, has a US stock ticker, company ins growing now it is considered a Mid-cap company. The US listing is a currency to drive more potential mergers or acquisitions

Any firms in this space, what will it take to survive – eventually there will be consolidation.

Press releases

FTX is one of the world’s largest digital currency exchanges, and we are thrilled to partner with them to help simplify the transaction experience for their customers and speed processing times. Together, we will provide instant payment deposits, supporting the higher value transactions that are often required in cryptocurrency trading. We look forward to continuing our collaboration with FTX and to expand the partnership to provide more APMs and enable payouts, bringing the latest innovations to their payment capabilities.

has been selected by Kreatorhood, an environmentally-friendly global NFT (Non-Fungible Token) marketplace, to power payments for digital content creators and sellers around the world.

Kreatorhood is an NFT marketplace focused on art, music, performance and sports that helps creators turn their digital content into limited edition NFTs on the blockchain.