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Get Ready for the Fall?

<http://www.fool.com/investing/high-growth/2009/08/31/get-ready-for-the-fall.aspx>

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"The bigger they are, the harder they fall." It's the worst nightmare of every investor in today's market -- buying a rocket stock just before it takes a nosedive.

Every day, WSJ.com publishes a list of stocks whose shares have just hit new 52-week highs. And every day, investors read the list and tremble -- some with greed, others with terror. On our [Motley Fool CAPS](#) investing community, these top stocks usually enjoy favorable ratings, since everyone loves a winner.

But not always ...

Stock	52-Week Low	Recent Price	Recent CAPS Rating (out of 5)
Ebix (Nasdaq: EBIX)	\$17.12	\$48.18	*****
EMC (NYSE: EMC)	\$8.25	\$16.13	****
NVIDIA (Nasdaq: NVDA)	\$5.75	\$14.73	****
Texas Instruments (NYSE: TXN)	\$13.38	\$24.97	***
Western Digital (NYSE: WDC)	\$9.48	\$34.35	***

Companies are selected from the "New Highs & Lows" lists published on WSJ.com on Friday last week. 52-week low and recent price provided by Yahoo! Finance. CAPS ratings from [Motley Fool CAPS](#).

Here in the midst of our market rebound, [Big Tech is all the rage](#). EMC, NVIDIA, Texas Instruments, Western Digital -- they're all names you know. They occupy pride of place at your workplace, and some of them, a place in your home office as well. Yet none of these names fill the top spot on today's list.

That honor -- and the five-star CAPS rating that goes with it -- belongs to software maker Ebix. Now, maybe you've never heard of Ebix. But if that's the case, don't feel bad; only one analyst follows the company, so even the "experts" on Wall Street are clueless. And today, we're giving you a chance to get a leg up on the competition. Read on, as we review ...

The bull case for Ebix

CAPS All-Star [MJKpayday](#) introduces us to Ebix as a provider of "software to insurance companies. It has [a record of solid growth](#), even through this 'great recession' the valuations of price over potential earnings and current book value are reasonable and management has ownership."

"Solid growth?" I'll say. As [KevinMih](#) pointed out last week, Ebix "has had continued quarter over

quarter EPS increases for almost nine years. It appears that [EPS growth is accelerating](#) in the last year. The operating margin is also increasing and due to the nature of the business higher sales should equate to increased operating margins. The P/E is extremely low considering the growth."

KevinMih also sheds some light on why Ebix gets so little attention from the Street despite its superb performance: "The company is run by an outstanding CEO. ... Does not speak to analyst and doesn't give guidance." So basically, because Ebix does not "play ball" with Wall Street, Wall Street has [taken its ball and run home](#).

The company you keep

I think that's their loss -- and your potential gain. You see, some investors might look at the stock's near-tripling off its lows and wonder whether all the gains that were *to* be had, have already *been* had. But I don't think so. Even after the run-up, this stock still sells for only 18 times trailing earnings -- and those earnings have grown at an average compounded rate of 71% per year over the last five years. Ebix's performance is *so* good, in fact, that today's edition of *Fortune* just named Ebix the No. 4 [fastest-growing company in the world](#) behind list-leader **Research In Motion** (Nasdaq: [RIMM](#)) and **Sigma Designs** and **Sohu.com** (Nasdaq: [SOHU](#)), second and third place, respectively.

Even better, the quality of Ebix's earnings growth is high. Free cash flow for the past 12 months backs up more than 90% of its reported GAAP earnings. And having proven itself so adept at generating cash, Ebix has had no need to load itself up with debt to fuel its growth. Net debt today amounts to just \$31 million -- a pittance for a company with a \$500 million market cap.

Foolish takeaway

A high stock price does not necessarily mean an overpriced stock. [Under-covered on Wall Street](#), with a nearly spotless balance sheet and plenty of new cash rolling in the door, Ebix has no reason to fall from its 52-week perch. To the contrary, I see every reason why this stock should [continue to excel](#).

(Disagree? Feel free. Just click on over to Motley Fool CAPS and [tell us why](#). I promise -- you won't hurt our feelings.)

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