5 Superball Stocks

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In my recurring Fool column, "Get Ready for the Bounce," we search for future winners in a pile of 52-week losers. But do we really need to sit around for a whole year, waiting for a fallen stock to bounce back?

Nope. Sometimes stocks fall hard, in far less time than a year. And like a superball dropped from the balcony, the harder they fall, the higher they bounce. Today, we'll look at a few equities that've suffered dramatic drops over the past week. With a little help from the 170,000 members of Motley Fool CAPS, we hope to find an opportunity or two for you:

Stocks	How Far From 52-Week High?	Recent Price	CAPS Rating (out of 5)
Ebix (Nasdaq: EBIX)	(23%)	$21.72	*****
Cisco Systems (Nasdaq: CSCO)	(27%)	$20.15	****
Micron Tech (NYSE: MU)	(32%)	$7.72	****
Boeing (NYSE: BA)	(15%)	$63.09	***
Trina Solar (NYSE: TSL)	(23%)	$24.51	**

Companies are selected by screening on finviz.com for abrupt 10% or greater price drops over the past week. 52-week high and recent price data provided by finviz.com. CAPS ratings from Motley Fool CAPS.

Five super falls -- one superball
Investing in some of the world's greatest businesses turned out to be ... a really bad idea last week. China's move to clamp down on inflation, and raise the cost of lending, did a real number on shares of solar power producer -- and historical cash-consumer -- Trina Solar. And it wasn't alone. The ranks of 10% losers last week were chock-full of Chinese solar names, as **Yingli Green Energy** (NYSE: YGE) and **Solarfun Power** (Nasdaq: SOLF) also shriveled under the heat of investor scrutiny.

Nor did the damage end there. Speaking of conflagrations, Boeing investors wrinkled their collective noses and declared "Do you smell smoke?" Micron shareholders got burned on fears of plunging semiconductor prices, and Cisco got shellacked (for no good reason, if you ask me) after warning that its sales might slow in Q4.

None of which, however, gives us a clue why the top-ranked stock on this week's list took a hit.

The bull case for Ebix Inc.
Ringing up 43% sales growth, and beating earnings estimates by a good $0.09, you might have thought Ebix was in for a good week -- but the truth was far from it. The up-and-coming insurance industry software supplier signed multiple new clients last quarter, brought in half-again as much cash flow in 2010 as it had by this time last year, and promised to double the size of its sales force to keep the growth coming -- and then got 14% whacked off its market cap for its trouble.

The incongruous result left CAPS member Speed03 wondering "what did Ebix do to deserve this punishment? I like this long term." sodapops sees nothing wrong with Ebix's "solid business plan which is likely to create growth for years to come." And according to vetrisks, the company's **"**high margins [make] this software developer likely to dominate insurance industry software product."

So, why did the stock fall so hard? Will it make like a superball and bounce right back? It really depends on what numbers you look at.

You see, with a P/E of 15, and consensus estimates projecting 10% long-term growth, Ebix actually looks a bit on the overvalued side. Toss in the observation that, with barely $43 million in free cash flow generated over the past 12 months, Ebix isn't really as profitable as its GAAP "earnings" suggest, and the case for buying Ebix weakens still further.

Wait one cotton-pickin' minute
And yet, "10% growth?" Has anybody stopped to ask where Wall Street came up with that number? I mean, this is a company that grew its earnings at better than 65% per year over the last five years. It's operating in an industry where the *average* company is expected to post better than 15% growth over the next five years -- yet somehow, perennial outperformer Ebix is going to suddenly slow down, underperform that average number, and grow at just 10%?

Call me a skeptic, call me a Fool, but that assumption looks just the tiniest bit conservative to me. Conservative like the estimates Wall Street has tossed out -- and that Ebix beat with a stick -- in each of the last four quarters.

Foolish takeaway
If I'm right, Ebix only has to grow at about 17% a year to justify its current valuation -- and could make for a truly great investment at today's deflated price. But ... *am* I right? This is just one Fool's opinion, after all. So what's yours? Tell us about it -- on Motley Fool CAPS.

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