



3 Justifiably Overpriced Stocks to Buy in January 2022

Description

When looking for a growth stock, undervalued is one characteristic you may have to compromise on. But an overpriced stock is not necessarily a liability. There are many overvalued stocks that are justifiably overpriced, and the return potential they offer easily offsets the inflated price tag. Here are three of them that should be on your radar.

A mildly over-priced growth stock

Brookfield Asset Management (TSX:BAM.A)([NYSE:BAM](#)) is one of the largest asset management companies in the world and has \$650 billion worth of assets under management. It has been around for over 100 years and has assets in about 30 countries. The asset classes include real estate, infrastructure, renewable, and private equity.

The bulk of its fee-bearing capital is tied to real estate. As a stock, Brookfield Asset Management has risen at an incredible pace in the last decade or so. The stock has grown by about 940% since its 2009 dip. It's just slightly overvalued right now, with the price-to-earnings at 27.3 times and the price-to-book is at 2.4 times. It also pays dividends, but the yield is quite low at 0.7%.

An IT service management company

Converge Technology Solutions ([TSX:CTS](#)) is a Toronto-based IT service management company founded in 2016. It has been trading on the TSX since 2018, and since its inception, the stock has grown over 1,000%. However, this [robust growth](#) in less than five years comes with its own additional cost. The price-to-earnings (182.5 times) is through the roof, while price-to-book is quite high as well (3.8).

But the financials of the company are quite solid. It has minimal debt, a sizeable sum in cash/small-term investments, and the revenue has been growing quite steadily for a while now. The diversification in the solutions it offers adds another layer of security to this overpriced company. It generates the bulk of its revenue through its products and a relatively smaller portion through its services.

An electronic payment processing company

[Another stock](#) that has soared quite powerfully since its inception is **Nuvei** ([TSX:NVEI](#))([NASDAQ:NVEI](#)). It grew 272% since its inception to its peak in mid September. But the stock has cratered almost 59% from its peak; and this fall has little to do with the tech sector's recent decline. A report published by a U.S.-based, short-seller research firm has caused this rapid downfall.

The same firm published a report about **Lightspeed**, triggering its downfall. But what might seem like a curse to Nuvei investors might actually be a blessing. Now, investors have the chance to buy this powerfully potent and overpriced company at a heavily discounted rate. And if the company and its future performance can refute the claims made in the report, the rebound might be just as impressive and aggressive as the slump it triggered.

Foolish takeaway

The three overpriced [growth stocks](#) offer powerful capital appreciation potential. The high price tag adorning these companies is an endorsement of the potential they promise, and the combination of value and return prospects is significantly better than many fairly priced modest growth stocks.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NASDAQ:NVEI (Nuvei Corporation)
2. NYSE:BN (Brookfield Corporation)
3. TSX:BN (Brookfield)
4. TSX:NVEI (Nuvei Corporation)

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