3 Hot Stocks That Could Live up to Their Lofty Valuations

Description

Right now, Motley Fool investors continue to seek out cheap stocks. And they're not hard to come by. With the **TSX** today down 6% year to date at the time of writing, there are a large number of companies trading at low valuations.

But honestly, high valuations can tell Motley Fool investors a lot about a stock. While I wouldn't necessarily purchase stocks *because* of high valuations, it can tell you that financial institutions believe the value is coming. And that's something to consider.

Today, I'm going to cover three hot stocks that continue to live up to their lofty valuations.

Calian Group

Shares of **Calian Group** (TSX:CGY) are about where they were at the start of 2022. And that's saying something all on its own. While many other tech companies have seen shares fall further into the gutter, Calian stock remains one of the hot stocks performing well on the TSX today.

That's because the software-as-a-service company created a tried-and-true method of growth. That's through acquisition. The company buys smaller tech companies and gives them what they need to succeed within essential services. That includes healthcare and government as well as agriculture and defence. It then rakes in the revenue. Now, it trades at a price-to-earnings multiple of 80.78.

Dye & Durham

Dye & Durham (TSX:DND) received a lot of attention followed by a lot of volatility thanks to rumours it would be acquired. When that fell through, it was then under fire as the company increased its software prices multiple times over. Add this to the tech fall, and Dye & Durham stock is one of the hot stocks not doing well in the first few months of 2022.

But now the company is back in performance mode, with shares rebounding slightly in the last month or so. Shares are still down 55%, yet it trades at a lofty 59.61 times earnings. Still, the company also has a method of growth through acquisition, and also works with providing software to essential services. That mainly includes government institutions, law firms, and financial institutions. Since these are the last to go during a recession or otherwise, it's a great time to consider this highly valued stock.

Extendicare

Finally, **Extendicare** (TSX:EXE) is a strong option among hot stocks on the TSX today. Shares have performed similarly to the TSX, down 6% year to date after a large fall in April. Yet the company is a strong long-term option, as the Canadian population continues to age.

There is about to be a massive influx of senior citizens seeking long-term care. And with Extendicare as one of those solutions, it's likely to see massive investment and growth. Plus, you can lock in a monthly dividend yield of 7% as of writing! So, even while it trades at a lofty 115 times earnings, this is one stock that has a strong future ahead in regards to its earnings.

Foolish takeaway

The price-to-earnings ratio is a great way to find cheap stocks, it's true. But don't let that be the only thing Motley Fool investors look for. These three hot stocks have high valuations but a solid future ahead thanks to their paths towards growth.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:CGY (Calian Group Ltd.)
2. TSX:DND (Dye & Durham Limited)
3. TSX:EXE (Extendicare Inc.)

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