

Mossberg's Investor Digest

Best Idea Profile:

Ebix, Inc (NASDAQ:EBIX)

DESCRIPTION:

Headquartered in Atlanta, Ebix, Inc is a leading international supplier of software and e-commerce solutions to the insurance industry. These solutions range from carrier systems, agency systems and exchanges to custom software development entities involved in the insurance and financial industries. Ebix's goal is to be a leading provider of back end insurance transactions in the world. Ebix combines the newest technologies along with its internal capabilities in consulting, systems design and integration, and web and application hosting to meet the needs of organizations. Increased M&A activity along with competitive pressures have left many insurance industry participants looking for more efficiency. Ebix believes the insurance industry will increasingly need to drive efficiencies through online exchanges and reduced paper based processes, thereby creating additional opportunities for the company.

KEY INVESTMENT CONSIDERATIONS:

International Footprint – Ebix's innovative exchange strategy and its global reach positions the company as an industry leader in the worldwide insurance exchange industry. Ebix systems are multi-lingual, multi-currency and work in French, Portuguese, Spanish, Japanese, Chinese and English. The company currently works with businesses in more than 50 countries across six continents. Ebix has a global footprint and currently has over 30 offices world-wide.

Strategic Industry Position – Ebix's Life Exchange unit processes close to 16 million life sales illustrations every year. Ebix's annuity exchange assists with producing over \$60B in premiums annually in the United States. The company's solution is used by over 100,000 users in the United States. With the aggregation of a large community of insurance companies and brokers on its exchanges, Ebix is seen as a vehicle to insurance markets by these entities. Companies not using Ebix exchanges risk losing access to the aggregated markets that Ebix could offer them access to.

Market Consolidator – The company has a proven record as a market consolidator. Ebix has announced nearly a dozen acquisitions over the last two years. Yet the company has performed quite well financially with strong growth in revenue, cash flow, and earnings-per-share. The company has depth within its management structure with a team of 63 VP level and above seasoned professionals that collectively have over a thousand years of executive leadership with rapidly growing organizations. Ebix's also owns IT centers in India that help it maintain quality and cost control.

Strong Financial Track Record – Ebix has an exceptionally strong record of growth and profitability. From FY05 through FY09, the company grew rev from \$24MM to nearly \$100MM. During the same period, Ebix more than doubled net margin from 19% to 40%. For Q310, Ebix reported that 3 of its four reporting channels had double digit rev growth. Ebix reported \$33MM in 3Q rev with net income of \$17MM, or a 77% increase over the same period.

Recurring Revenue Model – Over 70% of the company's revenues are generated from recurring sources. With a 99% plus customer retention rate, Ebix has a solid revenue base to build upon that produces a high degree of visibility into its growth earnings.

Non-Cyclical Business – Ebix has accelerated its growth during the recession. The company has seen only one of its four reporting lines affected due to general economic conditions.

VALUATION:

Estimates are \$1.45 for FY10, which gives the stock an attractive multiple of 17x. While prospects for growth appear strong, there are some doubters. As of the end of Nov, almost 30% of the float was short, which may create some near term volatility in the stock. However, it appears Ebix has built a strong competitive moat with recurring revenue streams and attractive returns. For long term holders, shares should appreciate from both multiple expansion and earnings growth.

(Ebix, Inc: NASDAQ)

Investment Data (as of 12/29/10)

Recent Price	\$23.74
52-Week Range	\$6.25 - \$28.21
Fiscal Year End	Dec
Shares Outstanding	34.8MM
Average Trading Volume (3 mos)	730,000
Market Capitalization	\$826MM
Cash	\$18MM
Long Term Debt	\$44MM
Enterprise Value (EV)	\$852MM
LT Debt/ Equity	N/A
BV/ Share	\$6.13
TTM Revenue	\$128MM
P/ Revenue	\$6.4x
TTM EPS	\$1.41
P/ EPS	17x
TTM EBITDA	\$57MM
EV/ EBITDA	15x

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