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Ebix: Still Undervalued After a Huge Quarter

by: Harry Long

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On April 20, I wrote that Ebix's (EBIX) valuation, given its excellent growth record, was one of the market's great inefficiencies.

I estimated that Ebix would generate between $40-$55 million in free cash flow in the coming year. Accoring to Ebix's earnings release this morning: "The Company believes that at its present income rate, it expects to generate cash flows of approximately $50 million over the next 12 months."

Ebix recorded revenue growth of 53% year-over-year and diluted EPS growth of 38% year-over-year in the latest quarter. At a valuation of slightly over 10X forward Price / Cash flow, the company is very undervalued, in my view.

In addition, I think it is highly signifigant that CEO Robin Raina gave guidance on cash flow. He is famous for avoiding making projections, so he must have a very high degree of confidence in his forecast. He listed some major financial institutions as new customers, which suggests to me that Ebix has already grown to a size where it can compete with much larger IT firms for large accounts.

Disclosure: Long Ebix

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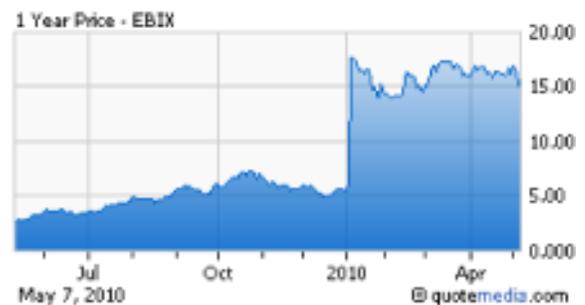Follow
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