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## Why I Love Ebix's \$75 Million Buyback Program

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After a shorting report labeled Atlanta-based **Ebix** (Nasdaq: [EBIX](#) ) a "house of cards," the software and e-commerce solutions provider's stock has been on a severely downward trend.

The stock plunged [more than 26%](#) after the report was released and has since been quite volatile. And Ebix's efforts to contain the drop via share buybacks has failed to bear fruit. Nonetheless, in an attempt to rub it in the face of bears, the company plans to raise its buyback to \$75 million after revising it to \$45 million this year.

### The repurchase

Most American firms big and small alike have turned to share repurchases lately to return value to shareholders. In the past, such big names as **Intel** and **Pfizer** have announced buyback plans that ran into the billions. However, in Ebix's case, things are a bit different.

Since March 29, Ebix has bought back more than a million shares, spending more than \$20 million. It plans to use an earlier \$45 million authorization to buy back its shares before seeking the approval of the new \$75 million buyback. The company is strongly placed financially, so funding shouldn't really be a problem as it looks to bring in more money as the year rolls on.

For such a relatively small company (\$800 million in market cap), this is a pretty aggressive strategy. But I'll be darned if I'm not impressed. Clearly, the folks in charge think they're better off keeping those shares out of your hands. And that's precisely the type of management team I want to invest into.

### What's its value?

There's no small amount of method to this madness, however. Ebix's stock is way undervalued compared with the industry average multiple, which might provide some rationale behind the buyback. The company's P/E stands at 13.0, way below the general business software and services industry P/E of 39.5. Its closest competitor, **InsWeb** (Nasdaq: [INSW](#) ) , also has a much higher P/E of 36.3.

Considering this, there is no question that something is amiss, especially as the company's revenues and earnings have both been on the rise and it has affirmed expectations for further growth. There is clearly a fundamental disconnect between the market and the company's stated potential.

### The Foolish bottom line

This massive buyback is a fascinating strategy, and if you believe in Ebix's management, you may consider getting in while the getting's good. Then again, if you're not convinced, this could be just a ploy to generate confidence in a company that is already overvalued.

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