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Better Buy: FactSet Research Systems or Ebix?

<http://www.fool.com/investing/general/2009/12/16/better-buy-fds-or-ebix.aspx>

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In a new Motley Fool series, we pit two stocks against each other on five criteria to determine the better buy.

Today's matchup is FactSet Research Systems (NYSE: [FDS](#)) vs. Ebix (Nasdaq: [EBIX](#)). Using five short-of-scientific-but-carefully chosen criteria, let's determine which is the better buy according to the numbers:

	Factor	FactSet Research Systems	Ebix
Cheapness	(P/E ratio)	25.6	16.7
Growth	(5-year growth rate)	20.8%	65.3%
Operations	(net margin %)	23.3%	40.03%
Balance Sheet	(debt/equity ratio)	.00	.53
CAPS Rating	(scale of 1 to 5 stars)	★★★★★	★★★★★

Round 1: Cheapness

Advantage: Ebix. Cheapness is determined by P/E ratio. The lower the better. Be careful of earnings near zero that skew the ratio, one-time gains and losses, and pasts that aren't indicative of futures (the more dynamic the industry, the more this is true).

Round 2: Growth

Advantage: Ebix. Growth here is the trailing 5-year [EPS](#) growth rate. This trailing earnings growth helps put notoriously-optimistic Wall Street projections in perspective.

Round 3: Operations

Advantage: Ebix. Net margin percentage shows how efficiently a company turns revenue into profit. The more similar the business models, the more relevant the comparison.

Round 4: Balance sheet

Advantage: FactSet Research Systems. As with net margins, the debt to capital ratio is most relevant in comparing companies in similar industries. In this battle we give the nod to the lower-debt company, but attention should also be paid to the cost of debt, interest coverage ratios, and the stability of the business (the more stable a company's operations, the more debt it can safely carry).

Round 5: CAPS rating

Advantage: FactSet Research Systems. A company's CAPS rating is our community's opinion of the stock. You can get more information on your stocks -- and our community's opinions of those stocks -- by clicking over to [CAPS area](#).

Each of these five rankings need more context -- like, how these companies stack up against key competitors such as Informatca (Nasdaq: [INFCA](#)) and MICROS Systems (Nasdaq: [MCRS](#)). But these basic numbers suggest that Ebix is a better buy. What do you think? Let us know in the comments section below.

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