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Ebix: Fast Growth, Low P/E

by: R. Raynovich

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The more I look at the shares of Ebix (Nasdaq: [EBIX](#)), the more I like it. This just seems like a fast-growing company whose stock is priced cheaply.

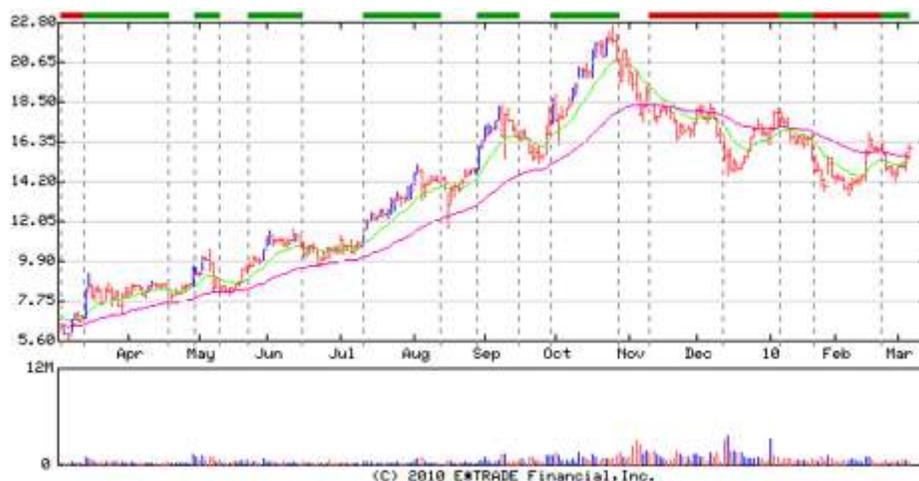
With a quarterly earnings call coming up on Monday, March 8, and the stock having pulled back 25% or so from its recent highs, it's a good time to take a look at Ebix shares. It's been perking up into the earnings report, up 10% in just two days.

The stock seems underpriced. For example, the five-year revenue growth rate is 39% and profits have grown 79% annualized. You would think a company growing at these rates would be priced at a premium, but it's not. The forward P/E multiple is 13, though its quarterly profit growth rate (trailing twelve months) has been about 15%. It's got \$32 million in cash and \$64 million in debt on a \$543 million market cap. The most impressive numbers are these: Operating margin, 41% and Return on Equity (ROE), 37%.

Ebix was formerly known as Delphi, but changed its name in 2003. It's focused on selling software and e-commerce software for the insurance industry. Many of its software products are customized, allowing insurance carriers to design systems for policy and claims administration.

Since CEO Robin Raina took over as the CEO of the company in 1999, he's done a great job at growing the company. To put things in perspective, the company was doing just \$30 million in business in 2006, but looks on track to do about \$90 million in 2010. It has grown in each of the last five years, even through the recession.

Raina, a native of India, has expanded globally and has driven the company into the Indian market, where they recently bought an office building. It also [recently acquired a Brazilian tech company](#), so clearly emerging markets is a focus. The company [was number 4 on Fortune's best small business list](#).



Disclosure: Long EBIX

About the author: [R. Scott Raynovich](#)



R. Scott Raynovich is an internationally recognized expert in technology, telecom, and investment markets. He has been quoted in publications including Reuters, Dow Jones, Barron's, and the San Jose Mercury News. He has also been interviewed on CNN and National Public Radio. From 2000 to 2008, ... [More](#)

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