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Marginal Performance at Ebix

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Margins matter. The more **Ebix** (Nasdaq: [EBIX](#)) keeps of each buck it earns in revenue, the more money it has to invest in growth, fund new strategic plans, or (gasp!) distribute to shareholders. That's why I check on my holdings' margins at least once a quarter. I'm looking for the absolute numbers, comparisons to sector peers and competitors, and any trend that may tell me how strong Ebix's competitive position could be.

Here's the current margin snapshot for Ebix and some of its sector and industry peers, and direct competitors.

Company	TTM Gross Margin	TTM Operating Margin	TTM Net Margin
Ebix	77.3%	40.7%	40.5%
Microsoft (Nasdaq: MSFT)	80.2%	39.5%	30.0%
Wright Express (NYSE: WXS)	68.5%	40.7%	24.2%
Oracle (Nasdaq: ORCL)	78.5%	36.7%	22.9%
International Business Machines (NYSE: IBM)	45.8%	19.8%	14.4%

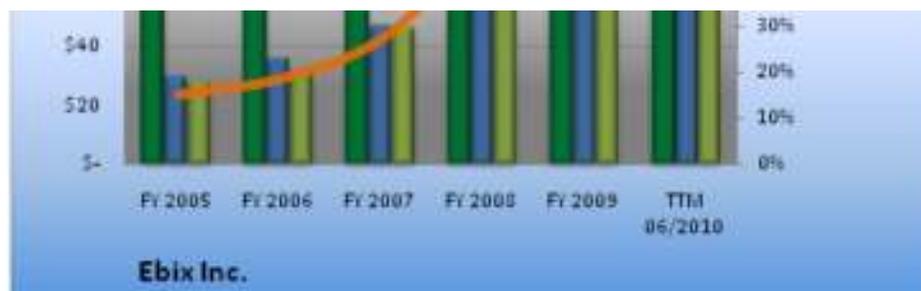
Source: Capital IQ, a division of Standard & Poor's. TTM=Trailing 12 Months.

Unfortunately, that table doesn't tell us much about where Ebix has been, or where it's going. A company with rising gross and operating margins often fuels its growth by increasing demand for its products. If it sells more units while keeping costs in check, its profitability increases. Conversely, a company with gross margins that inch downward over time is often losing out to competition, and possibly engaging in a race to the bottom on prices. If it can't make up for this problem by cutting costs -- and most companies can't -- then both the business and its shares face a decidedly bleak outlook.

Of course, over the short term, the kind of economic shocks we recently experienced can drastically affect a company's profitability. That's why I like to look at five fiscal years' worth of margins, along with the results for the trailing 12 months (TTM), the last fiscal year, and last fiscal quarter (LFQ). You can't always reach a hard conclusion about your company's health, but you can better understand what to expect, and what to watch.

Here's the margin picture for Ebix over the past few years.





(Because of seasonality in some businesses, the numbers for the last period on the right -- the TTM figures -- aren't always comparable to the FY results preceding them.)

Here's how the stats break down:

- Over the past five years, gross margin peaked at 83.4% and averaged 79.6%. Operating margin peaked at 41.0% and averaged 30.4%. Net margin peaked at 39.7% and averaged 28.8%.
- Fiscal year 2009 gross margin was 78.2%, 140 basis points worse than the five-year average. Fiscal year 2009 operating margin was 41.0%, 1,060 basis points better than the five-year average. Fiscal year 2009 net margin was 39.7%, 1,090 basis points better than the five-year average.
- TTM gross margin is 77.3%, 230 basis points worse than the five-year average. TTM operating margin is 40.7%, 1,030 basis points better than the five-year average. TTM net margin is 40.5%, 1,170 basis points better than the five-year average.
- LFQ gross margin is 76.9%, 290 basis points worse than the prior-year quarter. LFQ operating margin is 40.4%, 90 basis points worse than the prior-year quarter. LFQ net margin is 43.5%, 360 basis points better than the prior-year quarter.

With recent 12-month-period operating margins exceeding historical averages, Ebix looks like it is doing fine.

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