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Call of the Week: A Battle Ground Stock With Some Sass

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This week at Singular Research, we took a closer look at Ebix, Inc. ([EBIX](#)), a software and e-commerce solutions provider for the insurance industry. EBIX is a “battle ground” stock because bears contest its growth through acquisition and global tax reduction strategies. We believe Ebix, with its software-as-a-service solutions for insurance vendors and carries, provides investors with a way to play the cloud at a more reasonable price. The company trades at 12x earnings and we think it has strong long-term growth potential.

Mark Rye, who covers the company for Singular Research, reiterated his Buy rating on the company and has a price target of \$28 per share. Ebix is currently trading at about \$20 per share.

One of the reasons why we like Ebix is because of the recent acquisition of HealthConnect, which should be an accretive addition. HealthConnect makes sense because the company’s online comparative quoting exchange complements Ebix’s existing products in the Health Exchange business. It currently processes 12,000 quotes a day from over 50 carriers, including Aetna ([AET](#)) and Horizon. The 85-percent recurring revenue with good profitability and low customer attrition rates also means this acquisition fits Ebix’s criteria.

The company also added seven new senior executives, with five of them brought on to help grow sales. On a pro-forma basis, we see Ebix consistently growing earnings by about 14 percent in 2011 and 2012.

While we do think the company will continue to make a few smaller acquisitions in 2012, management remains focused on growing the business organically and maintaining high margins and operating cash flow.

Here’s what Mark had to say, “We expect Ebix to continue to build competitive strength with its exchange-based aggregation business model and recurring revenues from selling its software as an internet hosted service (i.e. SaaS, On Demand). We see long term potential for growth to accelerate from the ability to cross sell products through the market network of clients it now has access to, through its acquisitions. We expect 2012 results to benefit from the expanded sales force and new integrated products the Company is now developing that will provide its customers with more straight-through-processing functionality across the four lines of insurance, Life, Annuity, P&C and Health.”

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