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Ebix Delivers on Its Promise: Under the Radar

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ATLANTA ([TheStreet](#)) -- Software-company investments can be sketchy.

Many companies look promising based on cutting-edge software that make claims to revolutionize some industry or another. More often than not, the realization doesn't match expectations. Atlanta-based **Ebix**([EBIX Quote](#)) is the other sort of software company, the kind that actually follows through on the promise.

Over the past year, Ebix's stock has risen 165%, with a return on equity of 39% and net income that has increased with every accounting period. Ebix has found a profitable niche and is exploiting it.

With a range of software offerings, support and consultancy that benefit the insurance industry, Ebix isn't the first company to come to mind when considering business software or determining which companies may thrive during a recession. Ebix has managed to sell the cost-saving advantages of its software well enough to thrive despite the slump in business spending.

Ebix may not appear cheap after its impressive run. Its price-to-earnings ratio has crept up to just over 22, but when compared with other business-software companies, such as **Wipro**([WIT Quote](#)) and **Citrix**([CTXS Quote](#)), it indeed looks inexpensive. Wipro has a P/E ratio of 35 and Citrix's is 48. The average for business IT companies is 38.

Analysts project 2010 earnings will hit \$3.63 a share, an increase of \$1.70 over this year's expectations. At that level, Ebix's valuation would support a future share price of about \$80, an increase of 23%.

Durable growth and impressive performance have set up Ebix nicely as the economy turns around. Its debt is relatively low, and strong cash flows should keep the company in good shape financially and build up cash, which was depleted by acquisitions. Ebix continues to purchase companies that provide value, such as its acquisition of **E-Z Data** earlier this month.

Ebix is expected to implement a stock split, a sign from management that it believes in further gains.

TheStreet.com Ratings recommends Ebix with a "buy" rating and a grade of A-minus.

-- Reported by David MacDougall in Boston.

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IDC calculates the Market Cap for the basic symbol to include common shares only. Year-to-date mutual fund returns are calculated on a monthly basis by Value Line and posted mid-month.

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