Ebix (EBIX)

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Disclaimers

• I am not a registered investment advisor and I do not offer any investment advise

• No parts of this talk are suggestions to invest, not invest, buy or sell any kind of securities or other financial instruments
Ebix - business

• Software and e-commerce solutions to the insurance industry primarily in North America, Australia, New Zealand, India, and Singapore.

• Operates data exchanges, which provide connectivity between consumers, agents, carriers, and third party providers.

• Offers business process outsourcing services, which include certificate origination, certificate tracking, claims adjudication call center, and back office support.

• Designing and deploying broker systems comprising three back-end systems consisting of eGlobal for multinational P&C insurance brokers; WinBeat for P&C brokers in the Australian and New Zealand markets; and EbixASP for the P&C insurance brokers in the United States.
Ebix - Misc thoughts
Is it a good business?

• 9 year history of profits

• ROE:
  • 2.80 10.60 24.80 12.60 24.70 22.80
  • 21.10 38.90 2009:22.7

• Margins
  • 2007: 29.5  2008: 36.5  2009:39.7

• Balance sheet – OKish, but...
  • Cash 20M, debt 60M, equity 171M
  • Negative net tangible assets!

• ROIC = Earnings / (Equity + Debt – Cash) = Earnings / (Assets – non-debt liabilities - Cash)
  • =38.8/(170.7+60-20) = 18.4% 2009
Is business cheap?

- ROE 22.7%, ROIC 18.4% - assume 18%
- Earnings in 10 years = ROE*Equity*(1+ROE)^9 = $136M
- Equity in 10 years = Equity*(1+ROE)^9 = 757M
- Market cap = 136M x P/E (15) = $2B
- Rate of return = ~11.5% after tax (calculations omitted)
- If we assume 20% ROE: 14%

- >3.4 P/Book – not a net net
Is business cheap?

• Discounted cash flow
  • Current earnings of ~38.8M
  • 10% growth for 10 years, leveling after that
    • 10% discount -> $776M current valuation (if you buy company at <$3.6B, you will get 10% return or higher)
    • 15% discount -> $472M current valuation
  • 15% growth for 10 years, leveling after that
    • 15% discount -> $646M current valuation

• Owner’s yield = earnings / (market cap + debt - cash) = earnings/EV
  • 38.8M / (588M + 60M - 20M) = 6.2%