

**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!

- $ROIC = \text{Earnings} / (\text{Equity} + \text{Debt} - \text{Cash}) = \text{Earnings} / (\text{Assets} - \text{non-debt liabilities} - \text{Cash})$

- $= 38.8 / (170.7 + 60 - 20) = 18.4\%$  2009

# Is business cheap?

- ROE 22.7%, ROIC 18.4% - assume 18%
- Earnings in 10 years =  $\text{ROE} \times \text{Equity} \times (1 + \text{ROE})^9 = \$136\text{M}$
- Equity in 10 years =  $\text{Equity} \times (1 + \text{ROE})^9 = 757\text{M}$
- Market cap =  $136\text{M} \times \text{P/E (15)} = \$2\text{B}$
- Rate of return =  $\sim 11.5\%$  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
  - $38.8\text{M} / (588\text{M} + 60\text{M} - 20\text{M}) = 6.2\%$