Ebix Inc (EBIX) – Long

Brennan McGowan, btm5jg@virginia.edu, Monday, August 13, 2018

Investment Summary

This memo recommends Ebix Inc as a long position due to its growing strength as a global leader in insurance exchanges, remittance, and transportation. Ebix Inc has established itself in the Unites States, United Kingdom and Australia as a successful brokerage and is beginning to expand into emerging markets.

Company Description

Ebix Inc. is a worldwide supplier of software-as-a-service (SaaS) and e-commerce solutions for the insurance and financial industries. Ebix works hand in hand with several top life insurance and annuity companies to provide up to date software for an industry that is transitioning to a more e-commerce focused business model.

Business Model

Exchanges (78.8% of total revenue)

- The main component of Ebix's business model is its insurance and financial exchanges. Ebix Inc. operates in several major insurance markets such as the U.S., the UK, and Australia. Ebix also has growing exposure to emerging markets such as India and Brazil. Ebix's remittance exchange, EbixCash has over 70% of the market share of inward remittance in India.
- Ebix's insurance revenue for the 6 month YTD period 2018 has increased 62% over the same 6 month period from 2017.
- Ebix continues to acquire new exchange companies in the emerging markets, most recently Via.com which serves as one of India's leading remittance and travel exchange.

Broker Systems (3.1% of total revenue)

- In addition to operating insurance and financial exchanges, Ebix also provides software solutions to other large insurance and financial exchanges. A recent partnership with Lloyd's Bank of London will see new growth opportunities in the UK and other European countries who do business through Lloyd's.
- Ebix is setting itself up to be the premier backend software in foreign markets. As of Q4 2017, Ebix provides software for 80% of Australia's broker systems.
- Although backend software only makes up a small percentage of Ebix's current revenues, its increasing exposure to emerging markets with less competition could be a primer for rapid growth.

Carrier Systems and Risk Compliance Solutions (18.1% of total revenue)

- Ebix Inc also offers consulting for Fortune 500 companies under its RCS segment through project management, call center outsourcing and back-end office support.

Thesis & Key Points

1. **Ebix Inc is rapidly expanding in emerging markets where insurance and healthcare software has not yet caught up to the U.S.**
   a. International revenue is up to 57% for the 6 months ended June 30th 2018 which is up from 36% over the same period last year. Ebix is cornering markets and partnering with large foreign brands. Ebix's dominance in the Indian and Australian markets showcase how it can be a force in emerging markets as it continues to expand its services into Latin America and Southeast Asia.
2. **Ebix has a strong record of successful acquisitions and is aggressively continuing this model to expand into new sectors.**
   a. Ebix's expansion and success in India's remittance industry where it holds 70% of the market share of the world's largest remittance market is a sign of Ebix being able to seamlessly add new components to its business model.
   b. Due to Ebix's worldwide infrastructure, instead of having few but large competitors, Ebix competes with several regional competitors that simply do not have the expandable cash flows that Ebix does.
   c. Ebix only seeks to make acquisitions when the company has sufficient liquidity, stable or increasing cash flows and attractive interest rates as well as selecting companies that are competitors or are synergistic to a market that Ebix is already established in.

Risks

1. **Ebix has a high exposure to emerging markets.**

a. While international revenue sources are growing and expansion into new markets is increasing, this also means that a considerable amount of Ebix can be affected by political and economic instability in the regions it operates in.
b. As a counter to this, Ebix has much of its emerging markets exposure further diversified into separate areas of the world. Its foreign revenues include South America, Asia, and India and economic downturn in one of these areas may not put too much stress on the rest of the company.

REFERENCES

1. Ebix's most recent 10-Q's and the 10-K for 2017.
2. Ebix Q2 2018 Conference Call and Q4 2017 Conference Call.
3. https://www.ebix.com/pdf/ebix_investor_presentation_web.pdf