Navellier Growth

Small-Cap Stock Ebix Quietly Soaring

One of my favorite stocks came out with blow-out earnings on Wednesday, yet Wall Street yawned. In fact, they couldn't even work up a yawn–they just ignored it. But this isn't a bad thing! In fact it's one of the best things that could have happened for investors like you.

Here's the deal:

On Wednesday, tiny Ebix (EBIX) reported third-quarter profit of 76 cents a share. That was a record high for the company, and it was more than 22% over last year's third-quarter. All across the board, Ebix had great numbers. Sales rose 16%. Net margins are now at 41% compared with 37% last year. Last year's Return-on-Equity was over 41% and when this year is done, it may be even higher. The stock is a true gem.

So why did Wall Street ignore these fantastic results? For one, this Atlanta-based firm is small–very small. As last count, the company has less than 700 employees and a market value of around $500 million. That may sound big, but on Wall Street, it is small potatoes. When companies are that small, they usually don't generate big underwriting fees. As a result, Ebix is barely covered on Wall Street. There are just two analysts who currently follow the stock. So despite the fantastic growth, the company is still flying under the radar.

That's why I'm so excited about this company and why it can offer such a huge opportunity for you.

200% Profits in Eight Months!

Even though Ebix is small, they currently have over 100 insurance companies as clients. What I like about the company is that 80% of their revenue is recurring. That's always a good sign. Ultimately, what Ebix does is make the back-end operations of an insurance outfit run smoothly. That means more efficient operations which translate to lower costs. While everyone else talks about rising insurance costs, Ebix is one of the few firms doing something about it. The company's Ebix.com web site acts as an online auction house for auto, home, health, life and other types of insurance–and Ebix gets a fee on each transaction. It's cutting-edge applications like this that make Ebix an industry leader.

I first recommended Ebix to subscribers of my Emerging Growth service in March. Despite pulling back 20% from its recent high, the stock is a triple for us in just eight months with gains of over 200%! If the Dow had done that well, then it would be over 20,000 today.

And this 200% gain came under Wall Street's nose and they still didn't notice. But it's not long before EBIX is going to start popping up on screens and the secret is out.

Buy Ebix Before It Splits 3-for-1

There's also something important to note. Ebix released its third-quarter earnings on November 4. The fourth-quarter earnings probably won't come out until mid-March, maybe even April (companies are allowed more time with their year-end reports). This means the stock will go about 4-1/2 months without any public information. As a result, the few people who even bother to follow the stock will start to ignore it.

So you have a nice window of opportunity to pick up shares over the course of the next few months. Remember, this is a small company so don't buy it like you would Apple (AAPL) or any other well-known stock. Because of the light trading volume you could quickly overpay for shares . So I suggest that you take advantage of the extended period before the next earnings report and pick up a few shares at a time over the next several months.

If Ebix registers another 22% earnings gain for the fourth quarter, that will come out to 80 cents a share, or $2.98 a share for the entire year. That means the stock is going for less than 18 times earnings while it's growing over 22% a year.

This is an especially good time to buy Ebix since the company recently announced a 3-for-1 stock split. The company said the split will come around November 30 and the split-adjusted shares will start trading around December 10. So if you want to buy the stock, buy your first lot before then.

If you can't count on the big name stocks in these uncertain times, whom can you trust? If you are over 50, this is not an academic question. You need an answer. You need a plan. You need a measure of certainty. Download the new special report, 5 Rules for Investors Over 50, for more details.