Ebix, Inc. 4th Quarter 2018 Investor Call
March 1, 2019

Corporate Speakers

- Darren Joseph; Ebix, Inc.; Corporate Vice President of Finance & Human Resources
- Sean Donaghy; Ebix, Inc.; CFO, Principal Accounting Officer, Company Secretary
- Robin Raina; Ebix, Inc.; Chairman of Board, President, CEO

Participants

- Jeff Van Rhee; Craig-Hallum; Analyst
- Allen Klee; Maxim Group; Analyst

PRESENTATION

Operator: Good day, ladies and gentlemen, and welcome to the Ebix Inc. Fourth Quarter 2018 Investor Call. (Operator Instructions) As a reminder, today's conference may be recorded.

I would now like to turn the call over to Mr. Darren Joseph, Corporate Vice President. Sir, you may begin.

Darren Joseph: Thank you. Welcome, everyone, to Ebix Incorporated's 2018 Fourth Quarter Earnings Conference Call. Joining me to discuss the quarter is Ebix Chairman, President and CEO, Robin Raina; and Ebix CFO, Sean Donaghy.

Following our remarks, we will open up the call to your questions.

Now let me quickly cover the safe harbor. Some of the statements that we make today are forward-looking, including, among others, statements regarding Ebix's future investments, our long-term growth and innovation, the expected performance of our business and our use of cash. These statements involve a number of risks and uncertainties that might cause actual results to differ materially from those projected in the forward-looking statements.

Please note that these forward-looking statements reflect our opinions only as of the date of this presentation, and we undertake no obligation to revise or publicly release the results of any revisions to these forward-looking statements in light of new information or future events. Additional information concerning factors that could cause actual results to materially differ from those in the forward-looking statements made today are contained in our SEC filings, which list a more detailed description of the risk factors that may affect our results.

Our press release announcing the fourth quarter 2018 results were issued this morning. The audio of this investor call is also being webcast live on the web at www.ebix.com/webcast. You can look at Ebix's financials beyond what has been provided in the release on our website, www.ebix.com. The audio and the text transcript of this call will be available also on the investor homepage of the Ebix website after 4:00 p.m. Eastern Standard Time today.

Let me now discuss the quarter from our perspective. This has been a record quarter in terms of revenue, operating income and non-GAAP EPS. Revenue in the fourth quarter 2018 increased 30% from a year ago to $136.3 million. On a constant currency basis, Ebix's fourth quarter 2018 revenue increased 34% year-over-year to $140.7 million as compared to $104.7 million in the fourth quarter 2017.

The revenue improvements reflected growth in the company's exchange channel with the revenues from the EbixCash Financial Exchange service reflected in the exchange channel. On a constant currency basis, year-to-date revenue increased 39% to $504.8 million as compared to $364 million during the same period in 2017.

Full year GAAP revenue of $497.8 million is up 37% year-over-year in 2018 as compared to 2017. In Q4 2018, our exchange revenue continued to be the largest channel for Ebix, accounting for 85% of the company's revenues.

The year-over-year revenues increased as a result of revenue growth from the life exchanges, annuity exchanges, underwriting exchanges, health content, e-learning exchanges and the EbixCash financial exchanges aided by revenue growth generated from the company's various inward remittance, ForEx, finance, and travel businesses, offset primarily by declines in the area of third-party administration exchange, EA, CRM and the RCS strategic consulting business.

Our growth in Indian market continued in Q4 2018. The Indian-led ventures including India led revenues from build in other Asian countries showed 154% year-over-year growth in Q4 2018 by growing to $69.2 million from $27.3 million in the same period in 2017, and 233% growth when comparing the full year 2018 Indian-led revenues of $218.8 million to the 2017 revenues of $65.7 million.

We are pleased with the sequential growth in the top line in our overall businesses. Q4 2018 revenues sequentially grew by 6% to $136.3 million over Q3 2018 revenues of $128.6 million. On a constant currency basis, the revenues sequentially grew by 7% to $140.7 million in Q4 2018 from $131.5 million in Q3 2018.

The revenue growth was driven by growth in most of our geographical markets. We experienced sequential growth in 2018 over Q3 2018 in the U.S., Australia, Brazil, New Zealand, Singapore and India.

Growth in India was primarily driven by the growth in the EbixCash Financial Exchange businesses. Our India revenues grew 15% sequentially from $60.3 million in Q3 2018 to

$69.2 million in Q4 2018, including some of the India-led revenues that got billed in other Asian countries.

On a statutory stand-alone consolidated basis, India-led revenues accounted for approximately $85.5 million in Q4 of 2018, translating to an annualized run rate of $362 million. We expect this growth to continue and have a number of organic and inorganic initiatives targeted at growing our India revenues continually in a sequential manner.

International revenues in Q4 2018 accounted for 64%, while India-led revenues accounted for 51% of the Ebix revenues in the quarter, exemplifying the tremendous growth we've experienced in our international businesses, primarily due to the EbixCash Financial Exchange business.

As we deploy our insurance exchanges in India through the new BSE-Ebix venture, we expect that our insurance businesses will start to account for substantial revenue streams in India. During his talk, Robin will discuss a number of new initiatives that should contribute to our growth in 2019.

I will now turn the call over to Sean.

Sean Donaghy: Thank you, Darren, and thanks to all on the call for your interest in and support of Ebix.

At the outset, let me say that I'm pleased to convey that the company's consolidated auditors have concluded that the company has successfully remediated the weakness in its internal controls structure in the areas of income taxes and business combinations as of December 31, 2018.

This follows a similar determination by a renowned third-party U.S.-based firm that specializes in accounting investigations and compliance that the company is remediating the weaknesses. The weaknesses were declared by the company in early 2018 on announcing its 2017 fourth quarter earnings results.

Q4 2018 was a strong quarter in terms of not only revenues and operating income, but diluted non-GAAP EPS. Fourth quarter GAAP earnings -- diluted earnings per share was $0.27 and non-GAAP diluted earnings per share was $1.06. This compares to $0.84 in the fourth quarter of 2017 -- excuse me, the difference between the GAAP and non-GAAP EPS was because of a onetime effect of $24.5 million associated with the 2017 tax cuts and jobs growth transition.

Robin Raina: I'll take it from there. Sean, what line were you on?

Sean Donaghy: (Inaudible - microphone inaccessible).

Robin Raina: For the full fiscal year [2000]. Just a second, sorry. Sean isn't feeling well quite at this minute. So I'm going to take on from here. Sorry for that. Sean, I'll speak then.

For the full fiscal year 2018, GAAP diluted earnings per share was $2.85 and non-GAAP diluted earnings per share was $3.73 as compared to $3.17 in 2017. Ebix weighted average diluted shares outstanding decreased to 31.2 million in fourth quarter 2018 compared to 31.7 million in Q4 of 2017. As of today, the company expects the diluted share count for Q1 2019 will be approximately 30.7 million.

Operating income for Q4 2018 rose 26% to $41.5 million compared to $33.1 million in Q4 of '17, while the operating margin stood at 30% in the quarter.

Q4 income before income taxes was up 24% at $34.7 million from $27.9 million a year ago, with a onetime transition tax of $24.5 million under the Trump tax plan on our foreign earnings. Q4 2018 net income decreased to $8.5 million compared to $26.6 million in Q4 of 2017.

We are pleased with the fact that the company continues to report sequential quarterly revenue growth, robust cash flow from our operating activities, consistent operating income and attractive operating margins above 30%.

As we scale our business up over the next six months, we expect our operating margins to grow by a few points. Operating income for 2018 rose 35% to $153 million as compared to $113.2 million in 2017. Full year 2018 operating margins were at 31%. Cash generated from operations increased 17% to $89.9 million in 2018 compared to $76.8 million in 2017. During Q4, 2018, we invested a total of $2.2 million in dividend payments, $4.5 million on CapEx, $3.8 million on principal payments towards the term loan and $581,000 on tax payments.

We funded these initiatives from existing cash plus operating cash flow in the quarter, while drawing $76.1 million from our bank credit facilities to fund the closing of six of our acquisitions in Q4.

Ebix ended the quarter with cash, cash equivalents and short-term investments of $184.6 million with available cash reserves of approximately $186.6 million, including the available borrowing capacity under the accordion available to the company.

Furthermore, after the key balance sheet metrics, our balance sheet remains healthy and company's financial position remains solid with a current ratio of 1.34, a working capital short-term liquidity position of $108.3 million, a debt leverage ratio of 3.40 and a debt-to-equity ratio of 1.50, as of December 31, 2018.

Finally, Ebix Form 10-K is being filed today. This was me speaking for Sean. I'm actually concerned about Sean as he had a bad voice but apparently he isn't feeling well. So I'm sorry for that, but I'll continue now here.

Good morning, everyone. I'm speaking as Robin now. I just want to start my -- by congratulating our entire company and all of our shareholders and investors on just what has been an outstanding fourth quarter. It has capped off just a truly record year for Ebix. These are record results on many fronts.

One, record top line of $140.7 million in constant currency revenues and $136.3 million in GAAP revenues. Record EBITDA plus stock-based compensation of approximately $45.5 million in Q4 2018, translating to an annualized run rate of $182 million. Record non-GAAP diluted EPS of $1.06 in one quarter before taking the impact of onetime transition tax.

Full year 2018 operating margins were at 31%. This has been our 19th consecutive year of sequential growth. Annualized revenue run rate is approaching $550 million for the first time. In the Q4 2017 investor call, I had also talked about getting to the stretched revenue goal of $500 million annualized revenue while retaining our operating margins of 30% or above. I'm pleased that we are now getting close to $550 million in annualized revenue, while still keeping our operating margins at 30%.

It's especially pleasing as we have done that in spite of not having had the time to put all synergies in place with respect to many of our recent acquisitions. We have always believed in letting our 80 quarters of financial performance speak for itself. And in that direction, I'm especially pleased that we were able to keep our consistency record intact and also letting our financial results speak for themselves again. The credit for this goes to the splendid effort put in by our 10,000-plus employees worldwide. I'm incredibly humbled by their effort.

Sean and Darren have talked about the financial performance of the company in the quarter. Let me now talk about the state of the business today from my perspective.

Ebix is today head on a path to be the largest exchange in the world that would have converged insurance and finance, while establishing a leading role in each segment. We would not have got to this point without the support of all our employees, our customers, our partners and, of course, all our shareholders. Ebix is today not just a great company with an incredible culture but a company that's on a mission.

A few days back, the company partnered with India's Network18 Group to host one of India's biggest leadership summits in New Delhi on February 25, 2019. Network18 is India’s largest media and television group that owns and operates 21 news channels, including CNBC, TV18, CNN 18 and CNBC Awaaz. The honorable Prime Minister of India, Shri Narendra Modi, delivered the summit keynote at the India Rising event presented by Ebix on February 25, 2019.

Formally titled, Ebix Presents TV18 India Rising Summit 2019, the summit was a pan-India thought leadership initiative designed to explore and celebrate the rising emergence of India as an economic superpower with the theme: Rising Above, Going Beyond. The summit which included a wide array of leaders in India included top policymakers, unit cabinet ministers, chief ministers, entertainment icons, global visionaries, economists, writers and corporate leaders and was nationally telecast live on CNBC, TV18, CNN 18 and CNBC Awaaz. I also participated in a group panel discussion with other business and top policymakers of India to discuss business issues and opportunities for the continued emergence of India.

Let me now discuss the results of the company geographically. In Q4 2018, the company experienced growth in most of our key geographies including U.S., India, Australia, New Zealand, Singapore and Brazil. Ebix Q4 2018 revenues grew 6% sequentially worldwide over Q3 2018 while increasing 3.9% in the United States. Our India-led revenues in Q4 2018 grew 15% sequentially to $69.2 million. Our Australia and Brazil operations have achieved -- have both achieved record revenues quarters in local currency terms. Our U.S. revenue growth was aided by growth in the areas of underwriting, life exchanges, health content, annuities, health commerce, e-commerce, et cetera.

Q4 performance was also aided by the seasonal upsurge in our continuing education business wherein traditionally our revenues go up every year in Q4 because of doctors wanting to claim tax deductibility on their continuing education expenses.

In Q4, our U.S. operations signed new contracts in all facets of our business. Today, our U.S. operations have a stronger pipeline than ever and are actively involved today in closing many large deals in the traditional insurance exchange sector. We feel good about the year ahead of us and opportunities ahead of us.

Our Australia and Brazil operations recorded their best year in local currency terms and also a record quarter in local currency terms. We've signed a number of new opportunities in both these countries, with large carriers as also are involved in creating new product lines in these markets that will contribute to our results in the year 2019. We're very pleased with that.

Our U.K. operations have continued to grow from strength to strength. Our market aggregation exchange has beaten all the targets set up by PPL in terms of usage, as of now, and forms the lifeline of London insurance markets now. While the Brexit confusion has not helped things in London, we expect our exchange and business operations to benefit from these increased transactions in the year 2019.

India continues to be a strong area of growth for the company today. We have momentum on our side, and we are fast emerging as the largest financial exchange in the country and the subcontinent already.

Considering that we expect 2019 to be a momentous year for the company with respect to India, I will discuss our business there in some detail and also what is ahead of us possibly this year. We see India as a very large business opportunity and honestly believe that the India operations can be many times larger than our existing operations in the U.S. We see India as a multibillion-dollar opportunity, possibly in the short term depending on how we execute in the short and long term in India.

Let me discuss what we are trying to do in India. We're trying to build an India-based knowledge center for financial services, travel distribution and travel technology, insurance distribution and e-learning, that can then be deployed across the world. We branded the entire India-based global operation as EbixCash to encapsulate that effort of ours.

EbixCash operation in India today is 9,000-plus people strong and is divided into many divisions, each managed by a Managing Director. All the core services like HR, finance, IT, development, admin, legal, et cetera, are centralized and are under our corporate management team, primarily based in Noida.

We also run two start-ups, managed by erstwhile founders and director-level people besides our Ebix BSE insurance operation. Besides that, we run a number of healthcare-related services, managed out of the corporate and international sales teams in India, that are managed finally by the U.S. senior sales management. Each of these divisions has a manpower, expertise and growth prospects to continually grow at 20% growth rate year-over-year.

Let me discuss each one of them and their prospects for 2019 and beyond. Division one, managed by MD -- Managing Director level person, includes all our retail finance operations, inward and outward remittance and foreign exchange operations. This division has created end-to-end, integrated financial products, common retail and corporate sales teams, common operational backbone, interfaced and integrated technology and, of course, ample opportunity for cross-selling.

In the area of domestic remittances, this division has led EbixCash to become one of the largest domestic remittance exchanges in India with domestic remittance volume of approximately $1.2 billion annually. In the area of gift cards, EbixCash is now recognized as a leader in the gift cards space with branded gift cards across all categories in 100-plus brand co-partners.

In the area of utilities payments, EbixCash today is a leading domestic payment exchange, enabling consumer payment for large utility providers. In the area of international inward remittances, EbixCash now has an estimated 90% share of Western Union inward remittance business in India with gross merchandise value of approximately $5 billion annually, while having an undisputed leadership position in the Indian market.

In the area of outward remittance and foreign exchange, EbixCash now has an undisputed dominant leadership position in the outward remittance and foreign exchange markets in India with gross merchandise value of $4.8 billion plus annually.

In recent times, we made two acquisitions, namely Weizmann and Essel Forex, that will both fall under this division. The complete impact of that -- of these two acquisitions should be visible in the first quarter of 2019 and beyond. We are in the midst of many large business opportunities in this division, both in domestic markets and outside India.

For example, the Dubai airport foreign exchange contract would fall under this division. That by itself is a very large revenue opportunity for 2019 and beyond and a recurring one at VAT, the tough handling, VAT refunds at the airport besides foreign-exchange conversion for 80-plus currencies at the busiest airport in the world in terms of international travelers. We are at the last stages of another international airport deal in the Middle East, more on that when we sign the agreement.

We see tremendous opportunities for all these services in key markets like Singapore, Australia, Philippines, Indonesia, GCC countries, London, Brazil, Thailand and, of course, the U.S.

Recently, we agreed to partner with a large household name, M&C, in Singapore to use all their high-street locations in Singapore to sell our services in a close partnership with them. We're also exploring many new large business opportunities at present in Hong Kong, London, Canada, et cetera, besides, of course, India. We dominate Indian market with respect to this division, placing us in a strong position to further grow the business in India and also abroad as our numerical and functional strength competes with anybody across the world today in these areas.

We're also pursuing some acquisition opportunities in this sector in international markets outside India. In Q4, all these businesses grew sequentially with respect to Q3 of 2018.

The second division is a travel division that encompasses diverse areas like airline ticketing, domestic and international ticketing, hotels, trains, buses, cabs, sports and business events et cetera.

EbixCash travel portfolio of two travel brands, Via and Mercury, today has second-largest position in India's B2B and corporate markets in terms of net revenues, with an estimated growth merchandise value of around $2.5 billion. EbixCash today is amongst the top few named travel players in terms of GMV, the 2,200-plus employees and agent network in excess of 212,450, 25 branches and 9,800-plus corporate clients. Via is a retail and SME brand, while Mercury is a luxury corporate and MICE brand. Both have independent sales team and Senior Managing Director and Chief Operating level people managing the business. They both run on a common technology backbone, common procurement, negotiation with airlines, hotels, et cetera, and have a common executive team driving their business convergence.

In Q4, both these businesses grew sequentially with respect to Q3 of 2018. We continue to add new corporate and consumer clients in the fourth quarter. I see travel as one of the fastest-growing areas for EbixCash and an opportunity to lead India's fast-growing travel markets. India's travel markets are growing at the rate of 27% to 30% annually and it is important that we take a leading position in this market. We are second today in B2B/consumer/retail markets behind NASDAQ-listed Yatra today, and we are focused on being number one by the end of the year. I see this as a 20% growth business organically. We're also pursuing a number of opportunities that can fast forward our attempt to dominate India's travel markets.

We recently took a 80% controlling stake in India-based Zillious Solutions Private Limited. Zillious is an on-demand, fast travel technology solution with market leadership in the corporate travel segment in India. The Zillious Exchange processes over 8 million travel bookings annually while conducting gross merchandise value of approximately $1.4 billion per annum.

We intend to keep Zillious as a non-aligned technology platform that we intend to promote internationally in key markets like the Middle East, United States and Asia, besides further establishing it as a pure-play, on-demand, travel technology exchange within India. We see opportunities to white label the platform and allow various international travel aggregators to sell the platform to their corporate clients in continents like the United States and Europe.

In the area of transport management systems, EbixCash business exchange technology initiative is focused on deploying end-to-end bus exchange solutions for bus roadways companies in India while powering integrated transport management systems across their entire portfolio of buses and bus depots.

Recently, Ebix bus exchange division won the build-own-operate order to deploy and maintain one-set solution across more than 4,500 buses and 50 bus depots, involving an estimated count of approximately 300 million passengers traveling annually for the Rajasthan Public Roadways Corporation. Each of these deals tends to be multimillion-dollar recurring-revenue opportunity. We are presently in the midst of many deals that can contribute strongly to our number in 2019. We expect good returns from this business segment in terms of revenues and operating income beginning Q1 of 2019.

In the area of cab travel, EbixCash AHA Taxis asset-light venture with a network of more than 15,000 registered AHA taxis and growing, focuses on an on-demand, intercity cab market in India. AHA Taxis has pioneered in offering a one-way fare for hiring taxis for outstation trips whereas the trade norm is charge the return fare. AHA solved this problem while managing its proprietary technology, algorithm and network. We see this as a perfect complement to our airport exchange business and our corporate travel and foreign exchange business and also our retail operations.

We're working on launching a country-wide campaign to make AHA a household name in India. We expect strong revenues from this segment in 2019. We are presently working on deals wherein we would possibly brand a luxury train as an EbixCash train while having a dominant share of the tickets in the train reserved by EbixCash. We are already a large e-ticketing player for Indian Railways.

We today are blending our travel exchange with our Himalayan Expedition venture that is focusing on adventure travel, Himalayan expos, helicopter rides, et cetera, as a part of our portfolio. Towards that extent, EbixCash now owns a property that is used for Himalayan expos for our international adventure-friendly travel clientele. We recently created a new EbixCash financial technology division under the leadership of a Managing Director that focuses on enterprise technology, back-end and exchange needs of clients in the area of lending, asset and wealth management and stock trading.

In fourth quarter, all these businesses grew sequentially as compared to Q3 of 2018. Our clientele in this area includes leading banks and financial institutions in Europe, Asia, Middle East, Africa and India with approximately 50% of the business coming from India. For example, in the last quarter, we started implementing a new enterprise contract for BDO Insurance in Philippines. We're also presently in the midst of a large implementation for India's largest bank, State Bank of India, wherein we have around 200 technology folks working on the implementation of our lending enterprise solution that encompasses all aspects of lending.

In coming days, we are looking to add stock broking technology solutions to this division, wherein, we would like to become the desktop and the enterprise solution for top brokers powering their CRM broking functionality, interfacing with stock exchanges, et cetera. This will allow us to cross-sell various solutions like lending, insurance, wealth management, mutual funds, et cetera, by interfacing them tightly with the stock brokers' platform. We are at fairly advanced stages of getting to that end-to-end play.

Our digital e-learning business has the EbixCash Smartclass e-learning venture, which is again led by another Managing Director. This business today has more than 70,000 content classrooms contracted and is one of India's fastest-growing and leading e-learning companies, catering to fast-growing K-12 education sector in India. With 500-plus sales staff out of a total of 1,100-plus employees dedicated to this venture, the company caters to accredited school education through rich media like 2D, 3D, virtual-reality, animation, et cetera. We believe that this division will continue to contribute strongly to our top line and bottom line in 2019.

Another start-up effort that we expect to start contributing strongly in 2019 is trucking logistics. EbixCash-Routier venture strives to be the Uber of trucking logistics with a focus on an asset-light model that brings an aggregation of truckers across the country to top logistics-driven businesses that depend on timely and efficient freight moment. With committed clients today like Coca Cola, Escort, Asian Paints, Geo, Samsung, et cetera, Routier's marketplace is likely to be a significant contributor to EbixCash growth in 2019 and beyond.

In the area of insurance distribution, Ebix's joint venture initiative with Bombay Stock Exchange has positioned us as a gateway for insurance carriers to sell insurance to India's vast population, combining EbixCash 320,000-plus digital outlets across the country with BSE's strong national network. While the technology and functionality is ready, we await approval on our license application from the insurance regulatory body. We expect the regulatory license anytime now and believe that this is one of the biggest opportunities that we are pursuing. We're endeavoring to do something that has never been done earlier in any part of the world.

Traditionally across the world, insurance is only sold by insurance agents, brokers or directly by carrier salespeople who want -- who have to be like licensed agents. We wanted to do something completely different. We're trying to sell insurance in every nook and corner of India through distribution outlets that, for example, could be a grocery shop or a mobile phone outlet or a financial outlet or a travel outlet. Basically, we want to sell insurance through any distribution outlet that has a relationship with a consumer and the last-mile reach even if they have never sold insurance before. We feel that we can make it succeed as we have the three key ingredients already for it to succeed: One, the backing of our joint venture partner, Bombay Stock Exchange, with their reach of 300,000-plus terminals and financial brokers and institutions all across the country who can now sell insurance; two, EbixCash already has an existing outlet base of 320,000-plus distribution outlets across thousands of cities ready to sell insurance as it gives these outlets a new tool to maximize their income; three, insurance technology and functionality is in Ebix's DNA, I'd like to say, an integral part of our DNA helical structure.

Overall, EbixCash venture in India, on a stand-alone basis, generated $88 million of revenue in fourth quarter of 2018, implying an annualized revenue run rate of $352 million. These numbers only included $800,000 of revenue from e-governance in fourth quarter of 2018. That number is important. The number of $88 million is important as that would be a number that investors in India would evaluate the EbixCash venture in India on, in case we go for an IPO for EbixCash.

Sean talked about the successful remediation of the material weakness and a successful confirmation by two agencies, an outside renowned U.S. accounting firm and a consolidated auditor, both. I congratulate our finance staff and Sean as regards to that. We agreed to pay $24.5 million in transition tax on our accumulated foreign earnings as for the Trump jobs act and tax plan over a period of eight years while expensing it in one go in the fourth quarter of 2018.

We like the overall impact of the Trump tax reform as it reduces the corporate tax rate going forward to 21% while opening up tremendous possibilities for American companies to do business globally and keeping the U.S. at the center of their growth activity. It also, in my view, will allow U.S. companies to be more competitive abroad and also allow U.S. companies to repatriate money a lot more easily from abroad. These are all good things in my view as they finally translate to putting more money in the pockets of our investors through enhanced net income, enhanced EPS, higher dividends and higher valuation for the stock.

Let me now summarize my talk today and essentially, lay out our financial vision for 2018.

When I gave my fourth quarter 2017 investor talk, I said and I quote, "We believe that by the time we finish 2018, India could be at a run rate north of $200 million with profitability levels that will be north of 30%." The currency depreciated by 10%. I mean, the Indian currency depreciated by 10% compared to the U.S. dollar. And we still clearly beat that aspirational number of $200 million run rate by a wide margin.

So what should be the new aspirational goal worldwide for the fourth quarter of 2019? Today, as I talk in front of you, I'd like to set up an aspirational, annualized revenue run rate goal of $750 million by the fourth quarter of 2019, implying $187.5 million in quarterly revenue that quarter. I would like to get to that aspirational goal while having 30% or more in operating income.

Let me add that we are seriously contemplating the possibility of a public IPO for our Indian operations in 2019 or early 2020, and are in active discussions with a few private equity players to see if we can set up a pre-valuation benchmark. Our ultimate goal is to ensure that Ebix Inc. hold a large stake in the IPO. We see that as a possible multibagger opportunity for the shareholders of Ebix Inc. as all other financial exchange sector companies in India with billions of dollars in valuation do not have the strong financial metrics that our EbixCash operation in India have today.

Great companies do more than just create great products and great services. They establish integrity, transparency and trust as their prime values. We have always endeavored to do that with our shareholders, our customers, our partners and our most-prized asset, our employees. It has translated into Ebix having the unique distinction of featuring in Fortune's list of fastest-growing companies five times in the last decade, including in the year 2017. That's incredibly humbling for us.

In closing, I want to thank our customers, our partners and our employees for their continued trust in us and for contributing to an outstanding Q4 and just an exceptional -- and for exceptional full year results. Thanks, everybody, for that.

That brings me to the end of my talk. I'll now hand it over to the operator to open it up for questions.

QUESTIONS AND ANSWERS

Operator: (Operator Instructions) And our first question comes from the line of Jeff Van Rhee with Craig-Hallum.

Jeff Van Rhee: Number of questions for me. I'm going to start with the travel side, Robin. Obviously, just massive demographic waves coming your way in India, and I think you talked a little bit about your relative position. But I wonder if you'd expand a little bit more.

So a couple of questions in here. One, you sort of broke it down, B2B, B2C, which is the priority? How do you think about the balance between the B2B, B2C travel markets?

And then as you address those, will you just touch maybe a bit more on the pure landscape and what -- ultimately, what is your competitive advantage to win that battle?

Robin Raina: Thanks, Jeff. So let me start with the positioning in travel. I think your three questions are actually related as I see them. You're talking about positioning, you're talking about B2B versus B2C and then the landscape. So let's start with the landscape first.

The landscape of the market is, on one side, you have consolidators who have a -- who conduct big GMV, some players like [Riya and Akbar]. They conduct a lot of GMV at the same time what they do there in consolidation air-ticketing business. They basically pass on most of their margins to the agents, to the thousands of agents that work under them and they end up with much lower revenue ultimately.

So in net revenue terms, while these guys have pretty high GMV, gross merchandise value, at times in $2 billion plus, but when you look at their net revenues, their net revenues are a lot lower because they tend to share most of their margins with smaller agents. So that's consolidated on one side.

Then on the other side, you can divide the market into two main parts, the B2B side of the business and then the B2C side of the business. So if I start with the B2C side of business, there is one established player who is the leader in the market. And that player is MakeMyTrip. MakeMyTrip is a publicly traded company, I think they're $3.5 billion or somewhere around that or more in market cap today.

The company basically has around $200 million of losses, I believe, around $0.5 billion in revenues. But their main focus has been on domestic and international travel, in the B2C area. Most of their losses originate out of the hotel subsidies and the subsidies that they provide to their consumers. So it's a different approach from ours in terms of winning business. They are keen to win the business and they're using marketing subsidy as a way of winning the business.

Then you go to a second-largest player who tries to compete with MakeMyTrip and that is the Yatra, who is also publicly traded and is on the NASDAQ. Both MakeMyTrip and Yatra are on the U.S. exchange. Yatra basically is a number one player in the B2B side of the business, number two player in the B2C side of the business. Yatra does tend to subsidize a lot of their hotel rates. So if you look at their B2B business, it's fairly profitable, the B2C business is not profitable, and they lose a lot of money in that and overall, lose a lot of money, mainly because of the subsidies they try -- because they are trying to compete with MakeMyTrip.

Then you go to third-largest player, which is us. If you look at the B2B business, we are second-largest. Our focus -- from a perspective of looking at the market, our focus has not necessarily been going to the B2C market. We want to reach the B2C market, but we want to reach the B2C market through the B2B market. What we want to do is, we want to sell into the consumer through retailers, through our phygital outlets. We want to sell to the consumers who are employees of corporate. So we want go through the corporate channel per se. And of course, we have online forums wherein we sell directly whether it is on Via.com, whether it is on SastiTicket.com. SastiTicket means cheaptickets.com basically in India, and in Hindi sasti means cheap.

So we have a lot of these branded players and we have a lot of co-branding relationship on the B2C side. But if you look at it, we took a very emphatic decision that we will not subsidize anything. We made a very simple decision that we absolutely want to make 30%-plus operating margins in the travel business.

Now having said that, the business characteristic is such, the business will require cash. As you grow the business and some of it gets reflected in the cash flows, you will see in this quarter, at Ebix, we are continually trying to invest in our business. Whether we invest in foreign exchange, whether we invest in travel or both, as we do invest in cost exchange initiatives and so on, we are coming up with the money upfront. You pay your airlines upfront, then you do the business through your agents and ultimately, you're going to create a cycle of 15, 30 days in which the money will roll over.

Having said that, you have to keep coming -- as you grow their business, you have to keep coming up with the cash and continuing to grow the business. So that's what you see reflected in the cash flows.

But coming back to you question on landscape, we made a notional, very simple decision, we want to dominate the B2B market. Our simple goal this year is to be the number one player beyond Yatra in the B2B market, in terms of both metrics. We want to be number one in gross merchandise value; we want to be number one in net revenues. And of course, if you look at the top three, MakeMyTrip, Yatra and ourselves, we're the only ones who make money, none of them makes money.

So having said that, our positioning is rather clear. We want to first be the number one in B2B. We want to parallelly use that -- our marketing strength, the financial strength that we acquire in the B2B player market to enter the B2C market without subsidizing. We don't believe that we need to subsidize if we have a strong enough network. What these companies are lacking, they don't have a phygital network. They're not there in a C-grade city or a D-grade city. They don't have 320,000 retail outlets sitting in every nook and corner of India, which we have, which means, I don't need to go to a remote corner on Nagpur, let's say, in India and try and compete with anybody in that business. It necessarily means that if we can establish our business, if we can be in every side of the business, if we are in the last mile, and we have great technology, if you have great technology to convert that phygital outlet into a digital outlet, wherein a consumer can walk in and that business can happen, or if the consumer wants to do that business over a mobile phone or through any other means, whether they are traveling in a bus and they want to book their next bus ticket or their next train ticket or their next airline ticket, we want to facilitate all of that. And we are trying to do that through the corporate channel, through the retail outlet and also the B2C, but without subsidizing the consumer.

So that's where our differentiation lies with the absolute detailed retail network chain that we have built, the greatest technology we have created. Remember, in travel, we have two things that nobody has: One, we have the retail technology available which is deployable intentionally and today works internationally, that's the Via's technology.

The second thing we have, we have the backbone of travel, which is Zillious. Zillious is today being used by the who's who of the travel market in India. Our competitors tend to use it and today we own, Zillious, which means we have an edge in terms of, if we want to tomorrow provide a self-booking tool to a large corporate, we have that ability. If I want to go into Bahrain and provide a travel solution, I could do that. I can convert a D-grade in a C- or a D-grade city, I can -- we can convert a small outlet into a digital outlet simply because we have on-demand technology that does that today.

Now that's not the positioning of any of these players. All these players are distribution players. They are involved in distribution, they are like agents but they're trying to be super agents whereas Ebix is investing heavily in technology, and Ebix is putting technology as a center of all our travel initiatives. So that's the big difference that we have.

Jeff Van Rhee: Got it. Okay. And then just a couple of particulars. The EbixCash business, I mean, obviously, big numbers there in terms of the overall aspirational goals, $750 million Q4 of '19. What's implicit in there for the EbixCash business? And then along those same lines, you have laid out Q4 '19, Q1 '20 time line for IPO. Just sort of the over under sort of the puts and takes on what would have to happen to have it in '19 versus '20, how that plays?

Robin Raina: Well, I think these are two separate questions. One on the IPO and then the EbixCash, what do we believe EbixCash can get to. So look, we are -- we want to be on a -- when we look at the IPO market in India, we are going to consider as part of that would be our intercompany revenue in EbixCash because EbixCash also does work for some of the other companies outside India.

So if I include that revenue in that because that would generate real cash for our investors in India and that is like a shuttle in India does or an exchange in India does. Those are all publicly traded corporations in India. But they are basically working for their sister companies. If I include that revenue, you're basically talking about, we would like to see revenue -- Q4 of '19, we would like to see India being at $125 million of revenue run rate, which means around $0.5 billion in revenue -- annualized revenue by the end of this year.

So in our math, we're basically thinking that transfer pricing revenue might translate to around $50 million. So you could -- if you want to substract that, you'll basically say, they're basically targeting on aspirational goal in India for $450 million to external customers. So I think that's what we're looking for from an India perspective. And again, we want to have 30% or more in operating income from India when we get to that -- if we get to that aspirational goal.

With respect to the IPO, look, we are looking at the IPO as a two-step process. One is, we could just go straight into an IPO, or we might take an interim step. We might pick up 5% or possibly 10% of the EbixCash operation in India and establish a pre-valuation benchmark by involving a large private equity group.

We are in discussions. We have -- we're basically getting a lot of inward requests from the who's who of the private equity world. If we are successful with that, I think our investors are going to be extremely happy because we think our company today, forget '19 and 20, we think our company -- we believe that Ebix valuation should be a few -- should be at least two times more than what Ebix is trading at in the U.S. today.

Now that's our belief. We have to see whether the outside investors believe in that belief or do not or recognize that, but we are today in active discussions with the private equity groups if viewing that -- some of that works out, then you're going to see -- we'll publicly obviously announce that, and we will take it up from there. But having said that, if we do that, why would we do that, we might do that simply to establish a pre-valuation benchmark, simply to ensure that the when we go for an IPO, there is already a pre-valuation benchmark that's already established with respect to the Indian IPO.

Now with respect to when do we go for an IPO? The IPO could be towards the end of '19, depending on the political climate in India. We would like to see how the election pans out; we don't want to hurry up before that. We'd like to see how it goes. It's a very involved process in India, the election. So we'd like to all play all or let that play out. We also want to see how our private equity discussions go and so on. From there onward, as things play on, we would either do an IPO towards the end of '19 or we might take that IPO into early 2020, but we will keep you informed as we make those decisions.

Jeff Van Rhee: Okay. Good. And two last brief ones, I'll let someone else jump on here. The cash flow statement references a, third-party loan, just fill in the gaps on that. And then domestically, you called out the growth rate rebound there, but what's the expectation for 2019 domestically, just growth-wise? How do you view the year at this point?

Robin Raina: Sorry, the first question I heard that, I didn't understand the second one. Can you repeat that, I lost you in between on that?

Jeff Van Rhee: The domestic business, thoughts on growth rates for '19?

Robin Raina: Got it. So let me start with the first one. You talked about a short-term loan. I believe what that is, that's the first -- sometimes when we are making these acquisitions, we tend to loan money to third-party sellers only to ensure that before we acquire so -- we want to make sure there is sometimes an overlap in dates, we want to make sure that we're not requiring any overdraft cost or interest cost. So we tend to sometimes loan them the money to ensure that they can pay off all of that before we acquire the business and then we offset that money, the loan with the money we -- or have to pay to them for the purchase of the business. I believe that's what you're referring to.

With respect to your second question, I think you talked about -- sorry, I didn't take the notes. Can you just tell me the topic and I'll just --

Jeff Van Rhee: Yes. Just the domestic, the non-India, the non-EbixCash business, the domestic business. I know you put Ash Sawhney in place in August in the U.S.

Robin Raina: So the domestic U.S. business, we expect anywhere between 5% to 10% growth this year with respect to U.S. If that's what you're referring to in terms of insurance and so on. So Ash is in charge, we have a fantastic group of people leading it. We're in the midst of lots and lots of deal, we'll keep announcing them, we'll keep telling you about anything material. But we sometimes have been very sensitive to the carriers not wanting to make announcement with their names in it, but sometimes we don't go for the jugular.

But having said that, the business is on the right path, and we think we're absolutely well situated to grow that business. So right now, I would -- if I have to place my bets on that, I would basically say that we're targeting anywhere between 5% 10% kind of a growth rate this year in the U.S.

Operator: (Operator Instructions) Our next question comes from the line of Allen Klee with Maxim Group.

Allen Klee: It would be -- could you help us understand for your aspirational goal of $750 million of annualized revenue run rate by 4Q of '19? Is there a way to think of how much of that is coming from businesses that you already own and how much is coming from the acquisitions that have not yet been announced?

Robin Raina: Well I hate to give you that number, but I would -- I kind of answered that in a way that we're expecting U.S. to -- we would like to see U.S. do between 5% to 10% growth, we'd like to see India basically going at 20%-plus in terms of growth. And the remaining can come possibly through acquisitions. Again, that's the extent of detail that I could go into, I think, but that's primarily what we're thinking.

Allen Klee: Okay, great. And then you said that you thought that as you get some synergies from some of the acquisitions as the year goes, operating margins could improve by a few points. Could you drill down into that a bit in terms of how you think about how that progresses and just kind of what you have set up to try to get those synergies given you have a lot of companies that you acquired and just trying how the discipline to be able to get it?

Robin Raina: Well, I think, the synergies are going to happen as we -- as a public company, you are always under the pressure because investors expect you to deliver each and every quarter. But basically, what happens is when you make an acquisition, you need time to really synergize, right? So if you're going to buy a company and you want to get x number of employees, you want to synergize the businesses, you want to centralize HR, finance, admin and so on, it takes you a little bit of time.

But having said that, we feel that -- if we are able to 30%-plus today, with some of the synergies that we have not put in place, we think we should be doing a lot better. But our focus is rather simple. We're not happy with 30% in operating margin, we'd like to get -- we want to inch it up to 35%. At the same time, that's not going to be our goal for 2019.

In 2019, we would be happy just being above 30%, purely frankly because we're investing very heavily right now in the business. We're trying to grow our business, we're trying to invest in -- as you invest in your business, you have to -- you also, for example, if you're thinking of an IPO in India, we're also going to invest in branding. We're going to be all across trying to put the message out there and so on. And we're also trying to invest a little bit in B2C also.

So these are some of the investments that we have to continue making. But again, there are substantial synergies that will keep happening. At the same time, if you're not making any new acquisitions, then you will see the impact of those synergies pretty quick. But if you're making newer acquisitions all the time, what's going to happen is, some of that impact goes away because some of the new acquisitions don't have that much of synergy value yet because it takes you time, and you're also expensing out a lot of onetime cost as you're doing that.

And so until that, until you come to a period where you haven't really made acquisitions, any new acquisitions and you're stable for a 12-month period, you're not really going to see the entire impact of those synergies. But in any case, considering our goal to invest in the business and to grow our revenues, I think our goal in 2019 will be to be at 30%-plus in operating margins and work on synergies continually but then we're not going to go heavy on trying to go crazy on getting to this 35% margin level. Yes, I think there's another time for that.

Sean, do you want to add something to this?

Sean Donaghy: One of the other things we're looking at is we're looking a couple of days ago, the accounting system globally for the company over the next year, and we think that will give us more flexibility into the cost structures across the globe. And I'd like to apologize to everyone on call. I've been traveling a bit lately and I'm a little under weather, I just lost my breath. Thank you.

Robin Raina: No issues, Sean. So Allen, I think that you should see substantial synergies emerging out of the business as we continue to move forward. I think the challenge comes in -- I'll give you very simper example. This is -- we just reported 30% but then we just bought Weizmann.

We have very aggressive goals out of the Weizmann and the Essel Forex acquisition in terms of operating margins, way beyond 30%. But to get to that margin level, we will have to take some onetime decisions. We'll have to make -- and that's going to take us another quarter to just expense out those things, right?

So what will happen is, you're not going to see those synergies so quickly. So that's the challenge. As you're making newer acquisitions, you have to continually keep thinking about it and if you get too shortsighted about wanting to get your margin levels up, you can hurt your business and not do the right thing, and we want to do the right thing. So I think that's going to be one of the challenges.

So if you buy a company with, let's say, 1,400 employees and you only want to keep 600 because you think that synergy is going to be fantastic, now you'll have to take the cost of those 800 employees. And that's going to impact their margin in the short term. But ultimately, you might get 50% margin out of that business if you really do the right thing and synergize properly. It might take you six months to get there, but you have to take those steps and that's what Ebix likes -- tries to do. And sometimes we do get shortsighted and that's something that I'm very scared of that in our bid to get investor-friendly and try to give the investors higher margins, we'll make short-time decisions. And I don't think that's right for the business. You have to be smart in making synergistic decisions.

Allen Klee: My last question is, is there any update on the Educomp bankruptcy process?

Robin Raina: Unfortunately, Allen, I don't have an update on it. Last I knew -- because it's a court-bound process. So everything gets dictated by the court. Last I knew they had given another date. So I couldn't really tell you since it's a subjudice matter. Last I knew, we were the lowest and the courts were opining on what to do and how to do but the NCLT process is fairly complicated. Frankly, the question now is, let's say, sometime from now if the courts come in and say, yes, we want you to go ahead.

Look, Ebix will have to reconsider the entire asset base now because one year is a very long time. We need to look at, does that business have still the same value which we bid on. It's not so simple that after 12 months, if the court now says, look, we love your offer, please go ahead. We'll have to stop, we'll have to rethink about it, is that in our interest. Because depending on what the business is doing today, depending on the asset base, how can I know, how do we know today, how good or bad the business is because when a matter is subjudice, they don't share anything with you.

So I think we'll almost have to press the reset button once the legal process goes through, assuming that it goes in a way, they say that please, we'd like to move ahead with you. I think we'll have to press the reset button and really request them to share a little bit more data, the current values 12-month back values because for all you know the business might have -- not have had much value, we're hoping that the business would have still that much value, but I couldn't confirm to you without looking at it. So we will ask all the right questions and ensure and try to do right thing at that point.

Operator: And I'm showing no further questions at this time. I'd now like to turn the call back to Robin Raina, CEO, for closing remarks.

Robin Raina: Thank you. So I want to ask myself a question because as I was talking to you guys, I saw an e-mail pop up from one of our investors, another question they had was: Why is your cash flow lower than your operating income, why was it not as good as cash flow quarter? I think that I partly answered that question when Jeff was asking me that question but I want to elaborate more on it.

I think in our businesses, what we are focusing on, we're trying to grow our business today in India. So all our businesses, I'll give you two examples of the businesses that we're involved in. So take the core businesses in India, whether it is -- let's start with travel. As we grow our travel business, we have to invest more money. We have to pay the airlines in advance. Then we go out and sell the inventory and that inventory in turn basically we get paid for by the agents, by the consumers and so on.

There's a timing difference between the two in terms of buying the inventory and going with the agents, which is our prime source of differentiation from the market. And so that's one. And in Q4, in Via loan, we have $12 million in new investments with respect to investing in the business.

Then we go into the area of foreign exchange. In foreign exchange, there are many factors in which you have to invest money. If you want to decide we're not going to grow the business, then our cash flows will start looking more positive. What we are doing today, we're investing our own capital into growing the business.

So in foreign exchange, for example, we're continuing to have to invest in buying more currency, we're going -- we have to put in money into airports. So to give you a simple example, we talked to one of our international airport deals that we have announced, we had to deposit $2.5 million in advance with that particular airport simply because that's a requirement in each airport. Now you multiply that by all the new airports that we're continuing to sign and that will give you a feeling of what we're doing.

Also all these acquisitions we are making, when we make these acquisitions, whether it is the travel acquisition or whether it is a Essel Forex or whether it is Weizmann, in all these acquisitions, they have -- the sellers are going to take out as much cash as possible because they're going to handle a debt-free company to us, they're going to take most of the cash out. So now, we have to fund all the new cash to fund the operating cash flows of the business.

What I mean by that is, if we buy Weizmann or we buy Essel Forex or we buy Lawson Travels or we buy Pearl, there is an immediate requirement for us now to come up with a cash to fund the business, to buy the inventory from the foreign exchange. We're holding at any point of time to give you enough -- at any point of time in our pre-Weizmann exchange, foreign exchange model, we were holding cash reserves, cash of somewhere around $15 million just in cash currency at any point of time.

You add to that all the airport money that you're going to handle, all the corporates you're funding because corporates will have a delay in paying you for foreign exchange, for travel. You're going to pay that money in advance to the airlines.

Take the remittance business. In remittance business, we are settling our money five times a day with our agents. So we need additional cash as we grow the business, if we keep the business at a particular level, then we won't need any cash, simply because we'll keep rotating the cash. But if you're going to invest more in the business and you're investing in the operations of the business, you're going to have to put in more cash to grow the business.

So we have a good problem to have. What the good problem to have is, if we go to into Rajasthan Roadways, in a build-operate-transfer model and, let's say, we think that deal will give us x millions of dollars a year, you have to now come up and invest, for example, in 5,000 firmware devices, installing of them. And then you're going to ultimately get paid once you've installed all of them, now you're ultimately, you have a transaction model. In some businesses, like in some of these bus exchange initiatives, we actually own the hardware, we actually own the firmware. So now you're getting transactions, every ticket you're getting money for, it's a much more -- it's a highly profitable model. But in that particular model, you're first coming up with all the cash to fund all those initiatives.

So today, we are in a mix of so many such initiatives where we are -- we're having to come -- we're having to fund all of these new initiatives and that's resulted in temporary operating cash flow drop. But that's something that we're going to continue doing in the business, simply because we want to grow our business. So I think that's a question that I just saw, so I thought I'll kind of talk about it.

But having said that, we think that if we decided we're not going to invest more in the business or we started taking overdraft that you might see a possible different answer. And again, we use minimal overdraft. We are using our own money and we're continuing to invest in the business and that will always result in some of these differences in terms of operating cash versus operating income. But I believe this is in a nice problem to have as we move ahead simply because we are part of a fast-growing company right now.

So having said that, since there are no further questions, I'm going to close the call now. I thank each one of you for coming in onto the call. We'll speak to you again at the end of Q1. I apologize for the temporary drop in the call when Sean was speaking. I'm just glad that he is feeling well now. So having said that, we will close the call now, and thank you. Thanks, everyone.

Operator: Ladies and gentlemen, thank you for participating in today's conference. This concludes the program. You may all disconnect. Everyone, have a great day.