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PRESENTATION

Operator

Good day, and thank you for standing by. Welcome to Ebix, Inc. Third Quarter 2021 Investor Call. (Operator Instructions)

I would now like to hand the conference over to your speaker today, Darren Joseph. Please go ahead.

Darren S. Joseph ***Ebix, Inc. - Corporate VP of Finance & HR***

Thank you. Welcome, everyone, to Ebix, Inc.'s 2021 Third Quarter Earnings Conference Call. Joining me to discuss the quarter is Ebix Chairman, President and CEO, Robin Raina; Ebix Global CFO, Steve Hamil; and Ebix North American Vice President, Ash Sawhney.

Following our remarks, we will open up the call for your questions. Now let me quickly cover the safe harbor. Some of the statements that we make today are forward including, among others, statements regarding Ebix's future investments, our long-term growth and innovation, the expected performance of our businesses 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 statement. 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 revision 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 is 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 Q3 2021 results was 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 Time today.

Let me now present the key metrics in our Q3 2021 release. Q2 diluted EPS gap was $0.50 and non-GAAP diluted EPS was $0.72.

GAAP revenues of $191.7 million. GAAP operating income of $28.1 million and non-GAAP operating income of $35.3 million. We had a number of headwinds to deal with in Q3 2021. Continued effects of COVID-19 on many of our businesses, including our U.S. product consulting businesses.

While business has not yet fully recovered from COVID-19 effects, yet we are -- we have restored the salaries of our employees in India besides increasing software developer salaries substantially as compared to the salary cuts we have put in place last year during COVID-19.

Just this step resulted in a year-over-year increase of approximately $3 million in personnel-related costs. Our bank interest costs were higher by $3.7 million in Q3 2021 as compared to Q3 2020 and higher by $600,000 sequentially for reasons beyond our control though we have lowered our overall debt by $50.1 million year-over-year.

We had substantially elevated costs associated with banks, legal and outside accounting firms in the quarter. We had to meet a government guideline in India in terms of certain CSR social work spend in the quarter worth approximately $1.3 million.

In spite of all of that, we are reporting $18.2 million in operating cash flow in Q3 2021 as compared to $13.1 million in Q2 2021 and $28.1 million in operating income as compared to $27.3 million in Q2 2021.

On the revenue front, our Q3 2021 revenues increased 24% to $191.7 million as compared to $154.3 million in Q3 2020. Our prepaid card revenues grew by 53% in Q3 2021 as compared to Q3 2020, while declining 38% sequentially as compared to Q2 2021.

We expect this drop to be transitory and expect to grow these revenues back again in Q4, which traditionally sees an upsurge in the fourth quarter.

Out of 10 major geographies worldwide, revenues grew year-over-year in 7 regions while declining in 3. Despite the impact of COVID-19, especially on our consulting revenue line, insurance revenues worldwide were essentially flat year-over-year.

Our worldwide revenues, excluding prepaid cards, grew 5% sequentially and 4% year-over-year in Q3 2021. The U.S. revenues grew 1.5% sequentially, while EbixCash revenue excluding the prepaid card business, grew 12% sequentially.

Our RCS revenues grew 8% sequentially and 3% year-over-year in Q3 2021. The EbixCash financial exchange revenues increased 40% by $38.2 million from $96.8 million in Q3 2020 to $135.3 million in Q3 2021.

With close to 1 billion people receiving their first vaccination already in India, we are starting to see signs of recovery in businesses affected severely by COVID-19. Our travel and ForEx businesses have started to recover ground growing 63% and 51%, respectively, on a sequential basis in Q3 2021 as compared to Q2 2021. We expect this trend to continue as the effects of COVID-19 continue to reduce.

Let me add that the exchanges, including EbixCash and our worldwide insurance exchanges continue to be Ebix's largest channel, accounting for 93% of Q3 2021 revenue. I will now turn the call over to Steve.

Steven M. Hamil ***Ebix, Inc. - Executive VP & Global CFO***

Thanks, Darren. Ebix is seeing early signs of a rebound in our most negatively affected businesses from the COVID-19 global pandemic, especially in our travel and foreign exchange operations. Our remittance, e-learning and financial technologies businesses continue to operate at depressed levels versus pre-COVID operating conditions, but we are hopeful that these businesses will start to show the kind of rebound, we are in the early stages of within our travel and ForEx businesses.

Additionally, we continue to see solid performance from our non-U.S. and non-Indian geographies with growth in year-to-date revenues in all but one of our international geographies and double-digit growth rates in the U.K., Australia and New Zealand.

The U.S. and Brazil continue to be negatively impacted in professional services and consulting revenues due to a combination of less customer activity during the pandemic, and development staffing challenges that we have faced in the past few quarters.

The company continues to train recently hired development staffers and recover from a combination of reduced staff levels at the onset of the pandemic and unexpected turnover within our development staff in the past few quarters. While we acknowledge the road to pre-COVID normality will take some time, our company is armed with very solid and predictable insurance exchange and RCS businesses globally that generate substantial cash flow as well as a collection of solutions and services in our EbixCash operations in India that will provide us with both substantial short-term growth opportunity as COVID-19 wanes and opportunities to grow long term given India's economic growth projections, the continued development of the middle class and an Indian government that is supportive of measures to digitize the economy over time.

Let me pivot to discuss some financial metrics for the third quarter. Our gross margin in Q3 2021 was 37%, an increase sequentially from 28% in the second quarter of 2021, but a decline from 44% in Q3 2020. Our gross margins continue to be diluted by our low-margin prepaid gift card revenues in India. GAAP operating income for Q3 '21 of $28.1 million increased 3.2% sequentially from $27.3 million in Q2 '21 while declining 11.8% year-over-year from $31.9 million in Q3 2020.

In addition to continuing effects of COVID-19 on our travel, ForEx, remittance, financial technologies, e-learning and consulting revenues, Ebix had year-over-year product development personnel costs increased by over $1 million and G&A personnel costs increased over $3 million in Q3 '21 versus Q3 '20.

As the company reinstated 2020 salary reductions made at the onset of COVID-19 during the fiscal year 2021. Additionally, we continue to have higher-than-normal legal expenses in 2021 as a result of actions taken earlier this year. Non-GAAP operating income for Q3 '21 was $35.3 million.

The company's operating margin was 14.7% in Q3 '21 and increased sequentially from 11.1% in Q2 '21. Excluding the Payment Solutions business in India, we generated 30.9% operating margins in the third quarter of 2021 and a figure in line with our goal of greater than 30% operating margins for our suite of solutions and services outside of the low-margin gift card business.

During Q3 2021, we had major cash uses of approximately $26.8 million, including $5.6 million used to reduce the principal on our corporate term loan, $9.7 million for cash interest related to our corporate credit facility, $2.4 million for income-related taxes paid globally, $1.7 million to reduce our working capital facilities in India, $2.3 million for dividends and a combined $5.1 million expended on CapEx and software development costs.

We funded these initiatives from existing cash plus operating cash flows generated during the third quarter of 2021. Ebix ended the quarter with a solid liquidity position with cash, cash equivalents, short-term investments and restricted cash of $109.8 million versus $120.4 million at 9/30/2020.

Our balance sheet remains healthy with a current ratio of 1.97x at September 30, 2021 and working capital of approximately $176 million. In closing, while the overall results in Q3 2021 are not what we strive for long term, Ebix continues to manage its businesses in the face of the global pandemic and we are encouraged by the early signs of a rebound in some of our more negatively impacted operations, and we will continue to improve our staffing model globally to address the demand from our customers regarding professional services and consulting needs.

Finally, Ebix's Form 10-Q will be filed later today. I would like to now turn the call over to the President of our North American insurance businesses, Ash Sawhney, for his remarks on our third quarter operations.

Ash Sawhney ***Ebix, Inc. - President -- Insurance Solutions of North America***

Thank you, Darren and Steve. I will now talk about the North America results and outlook. Third quarter North America revenue was up approximately 1% sequentially compared to the previous quarter. We continue to see signs of recovery and strength in all our core exchanges, including life, P&C, CRM, Health and Annuities.

This was offset with marginal declines in our noncore services businesses and the underwriting exchange. Several of our core exchanges demonstrated record performance in this quarter. The annuity exchange reached another record with 13% growth compared to Q3 2020 and 2% growth sequentially. This is despite the fact that there was a temporary softness in transactional volume in the industry.

This is the fourth consecutive quarter of sequential growth for this exchange. We added Guardian to the Annuity Axchange. We continue to roll out new functionality on the product, including a new agent compliance functionality in partnership with the Depository Trust & Clearing Corporation, also called DTCC. The life Exchange saw growth in several areas. The illustration platform was up 13% compared to the same quarter last year, reaching its highest level ever.

We are moving our analytics solution to a robust new platform in partnership with [Sisense]. We are also piloting new capabilities in the area of pre-underwriting analytics. Our life order entry platform, LifeSpeed, continued a record run, reaching the highest quarterly revenue ever more than double the level compared to Q3 of 2020.

We added Western & Southern to the platform, bringing the total count of carriers to 14 and growing. The CRM exchange is in a restructuring phase. We are rebuilding the sales team and repositioning the product in the market. The CRM exchange was up 7% sequentially. While we still have work ahead of us in terms of fully executing the restructuring plans, we remain confident of the turnaround and uptick in 2022.

The P&C exchange delivered a strong quarter growing 24% sequentially and 11% compared to the same quarter last year. We had 5 new sales and 16 successful implementations in this quarter. The core consulting business continued on a recovery path, growing 15% compared to the same quarter last year and approximately 2% compared to last quarter. This is the third straight quarter of sequential and quarter-on-quarter growth, and the group has achieved the highest level of revenue going back 9 quarters.

We have continued to benefit from the onboarding of new carriers on the life and annuity platforms as they are using our consulting services to be onboarded. The pipeline for consulting remains strong. The health exchange was marginally up in Q3 compared to Q2, and we are starting to see a pickup in new business activity.

We added Georgia Dental Association in Q3 to our client place and are in the process of implementing for a Q4 go live. We also have been given a verbal approval by a large carrier to proceed with the new claims platform. We are finalizing the contracts at the current time, and we'll announce more details in the coming months.

We also signed up 2 new partners in Q3 EQHealth Medical management and [Zakipoint]. Overall, we are encouraged with the pickup of activity in the pipeline. In Q3, we also realigned our wellness program with the health division. We are targeting our TPA clients to promote our wellness assets.

We are seeing an update in pipeline activities for printed wellness materials with orders coming in from several clients, including New York City Transit, [Alliant], MetLife and BB&T. The medical certification business was up marginally in Q3 compared to Q2, but sequentially down roughly 5% compared to the same period last year.

We believe the slowdown is temporary as many specialties extended their accreditation deadlines due to COVID-19. The fundamentals of this business remains strong. We added 16 new programs in Q3 including Brigham Critical Care Board review, Harvard Surgical Pathology and UCLA Pathological Surgery. We also conducted 5 virtual conferences for Harvard and UCLA.

The new Dental Decks program we launched last year is up 48% compared to the same period last year. We held steady in the risk compliance division with 8 new clients added this quarter. We are in the process of ramping up the sales team as well as explore synergies with our P&C group. We hope to expand and strengthen our leadership position in the market.

Our underwriting exchange division was down 4% compared to last quarter and 22% compared to the same quarter last year. While hiring of resources continue to be the single biggest issue this year, we are encouraged by the progress we made in Q3 with the recruitment of a large batch of associates that are undergoing through training and will be productive in the coming quarters, giving us the much needed capacity to take on new projects.

We are also pleased with the opening of foreign travel from India to the U.S., which will have a positive impact on our on-site billings. Despite the tough times, we are proud of the effort of our teams that help many production launches at clients like Nationwide, John Hancock, Sun Life, on-hand Fox, Sun Life, BMO and American Family.

Looking ahead at Q4, we anticipate continued sequential growth. Traditionally, the last quarter is strong for us for our medical certification business. On the annuity exchange, if the industry transactions rise up to normal levels, we could see further uptick in our exchange revenue. We anticipate continued strength in our life exchange and consulting business. The JPMorgan Life and Annuity charts are progressing as planned, and we are starting to see the network effect starting to kick in.

The optimizing expense to the outlook for 2022 and beyond. Several factors will contribute to this. We believe the COVID-19-related constraints will be behind us. Clients will reinitiate projects that were on a temporary hold. Work from office will help stabilize the workforce and hiring will be a lot easier. Reinitiation of business travel to the U.S. would contribute towards higher on-site billings.

The Fintech market is going to be a vibrant space for years to come. The industry has long lagged other verticals in digitizing core processes, but it is now poised to catch up. Our strategic initiatives to restructure the CRM exchange will revitalize this division. Our core exchanges will continue to grow as a result of all the carriers and distributors we have added to the platform.

The Life Exchange, in particular, will have more carriers on the platform than ever before, providing significant opportunities. Our core construction business which had been dragging us down for a few years has stabilized and we expect sustained growth now.

The underwriting exchange, which has been a growth area for us, which was hampered due to COVID-19-related factors, will make it way back to normal stage in growth. We anticipate and we will be back into the acquisition mode which will augment our organic growth.

I want to thank the team for their dedication and hard work. We are on this progressive path despite headwinds due to the efforts. I will now pass it on to Robin for his comments.

Robin Raina *Ebix, Inc. - Chairman, CEO & President*

Good morning, everyone. I'm dialing into this call from the EbixCash headquarters in Noida, India. We are getting ready to bring people with 2 vaccinations back into this office beginning 15th November, a few days from now. We are implementing a similar strategy across India in terms of bringing a good cross section of our employees back into office, ASAP.

With more than 1 billion vaccinations already done in India, things have dramatically started improving across the country on the COVID-19 front. We see this as a major event to start getting back to pre-COVID levels in many of our businesses.

Let me start by telling you that I have always been very proud of the business diversity that we have in terms of products and clients as also the lack of concentration in terms of clients as it provides us the ability to absorb any economic downturns better than other companies. COVID-19 was a good example of that, wherein we took big hits to some of our large value business lines like foreign exchange, travel, consulting and e-learning, et cetera and yet we continued to be consistently profitable and produced solid cash flows.

A great proof of that strength is our present employee count in EbixCash that has grown to approximately 10,500 employees today from the pre-COVID number of approximately 7,250 employees because of our business growth in the non-COVID hit areas.

That business diversity has continued to work for us during COVID-19 and helped us deliver another great quarter in Q3 2021. Steve and Darren talked about the headwinds that we had to face in Q3. The increased financing cost of $3.7 million in spite of substantially lower debt than last year alone cost us $0.12 in diluted EPS. Add to that list, the $0.22 in the non-GAAP calculation table as detailed out in the press release.

Add to that, the increased employee salary costs of $3 million year-over-year, without the effect of COVID-19 not having gone away on the revenue front, costing us another $0.10 in diluted EPS. Let me now present to you a numerical analysis, which will tell you why the Q3 2021 top line performance was quite encouraging from my perspective. We experienced year-to-date growth in all but one of our international geographies.

We showed year-to-date double-digit growth rates in India, United Kingdom, Australia and New Zealand. Our worldwide revenues, excluding prepaid cards, grew 5% sequentially and 4% year-over-year in Q3 of '21. Our U.S. insurance revenues grew 1.5% sequentially in spite of U.S. reporting at least $1.5 million lower revenue than expected in one of our most successful product lines, the underwriting exchange TPP because of temporary employee shortfall in spite of having business in hand.

Our RCS revenue grew 8% sequentially and 3% year-over-year in Q3 '21. Our EbixCash revenues grew 40% in Q3 2021 as compared to

Q3 2020. Our EbixCash revenues, excluding the prepaid card business grew 12% sequentially. Prepaid card revenues grew by 53% in Q3 '21 as compared to Q3 '20. Prepaid card revenues declined 38% sequentially as compared to the second quarter '21 on account of temporary issues but are expected to grow sequentially sizably in fourth quarter of '21.

What is especially encouraging is that our COVID-19 hit business areas of travel and foreign exchange have started to recover ground, growing 63% and 51%, respectively, on a sequential basis in third quarter of '21 as compared to second quarter of '21.

We expect this trend to continue as the effects of COVID-19 continue to reduce. Ash talked about the U.S. annuity exchange reaching another record level with 13% growth in Q3 '21 as compared to Q3 '20 and 2% growth sequentially. Ash also talked about the U.S. life illustration exchange growing 13% in third quarter '21 compared to the same quarter last year, reaching again its highest level ever.

The U.S. P&C exchange there were 24% growth sequentially and 11% compared to the same quarter last year. The U.S. core consulting business, which was struggling a year back, continued on a recovery path in 2021, growing 15% compared to the same quarter last year and approximately 2% compared to last quarter.

The United Kingdom reinsurance exchanges delivered another stellar quarter with 24% year-over-year revenue growth in third quarter of '21. Considering all that, I feel good about these results as I speak to the fundamental resilience of our business. As the effects of COVID-19 subside, we expect to get back to doing substantially better in terms of revenues and income metrics both.

To add to what Ash laid out in terms of future opportunities, let me say a few things. Our recently announced Punjab National Bank multiyear deal has already started providing recurring revenues. A large international super broker deal that I talked about last quarter in 15 -- which has an implementation of Ebix Evolution in 15 European countries. That include installations like Germany and Spain for the super broker implying new recurring revenue streams for Ebix.

U.S. and India consulting revenues have to go up sizably in coming quarters as the resource situation in India will continue to improve with recently -- with our recent large salary raises and our continued new hiring. Substantial seasonal improvement in CME revenues is expected in the fourth quarter in the U.S.

A number of new U.S. avenue streams like WinFlex Analytics and the JPMorgan network effect should continue to happen. We are getting ready to launch a new insurance exchange product in Europe soon. That should contribute well to the 24% year-over-year growth already shown in the third quarter of '21 in Europe. As declared earlier, we are pursuing some new AEPS opportunities in India and are targeting transaction volume of $1.5 billion in the next 12 months just with this opportunity.

We are presently in the process of adding approximately 150 new staff to handle this business line. We have continued to move forward and strengthen our audit function and our SOX processes further. We undertook a multistep exercise amongst many other steps.

One, we brought in a renowned New York-based independent accounting firm to do a forensic analysis. We passed that analysis with flying colors and filed that clearance in the year-end 10-K. We brought in Grant Thornton in India, also known as Walker Chandiok in India as statutory auditors for our entire EbixCash business.

We brought in KG Somani to do an independent audit of our entire Ebix cash business. And finally, we took the tough step of asking auditors to independently do the audit of EbixCash consolidated and all the major entities underneath it, including payments, gift cards, travel, ForEx, technologies, et cetera, and then sign for the audit on a dual basis. Idea was to have a bullet proof audit process. Let me share with you that we recently filed the audit report signed by 2 independent auditors, namely Walker Chandiok, our Grant Thornton India and KG Somani for our Ebix payment subsidiary, which includes our prepaid gift card business for the year ended March 31, 2021, along with 9 other EbixCash subsidiary audits. The 3-year audit for the remaining subsidiaries and the EbixCash consolidated entity by the 2 audit firms leading to the Draft Red Herring Prospectus, DRHP for EbixCash is in process at present.

I'm pleased with that as it speaks to the transparency of our businesses and our processes. Let me talk about the EbixCash IPO briefly. We now have added a number of investment bankers to our team. We now have 5 investment bankers, 3 legal firms, 1 big 4 consulting firm and 2 auditors engaged with respect to the IPO.

We presently have 5 dedicated Company Secretaries working on the IPO documentation. There's a lot of work to be accomplished to accomplish a successful IPO, but we are at it. In recent times, we have been encouraged by the strong positive energy generated around the EbixCash IPO.

Notable amongst those are 2 prime time stories on EbixCash by CNBC India. Fantastic EbixCash stories, run on ZEE Business, one of the largest business channels in India. 3 cover stories are presently in the works by top independent business magazine in India.

EbixCash, our EbixCash studio with India's #1 English news channel and #2 Hindi news channel. In terms of viewership, this channel, which is Republic TV commands a 100 million viewership. All their studios are called EbixCash Studios, providing us around-the-clock branding.

EbixCash studios are now live with India's #1 business news channel, CNBC on all their channels, namely CNBC TV18, CNBC Prime HD, CNBC Awaz and CNBC Bajar. All their studios are called EbixCash Studios providing us around-the-clock branding.

We now have a highly integrated partnership with India's #1 Hindi news channel in terms of viewership, Aaj Tak TV. Aaj Tak has a viewership of 120 million viewers that provides us continuous branding and reach. EbixCash continues to be a principal sponsor to 2 cricket teams in the Indian Premier League, IPL, Punjab Kings and Delhi Capitals, both team players wear EbixCash on their T-shirt on front and back, respectively, amongst other things.

The reach of cricket in India is between 300 million to 400 million TV viewers for IPL games. As you know, we have now assembled a high-quality independent board for EbixCash that comprises leaders from the field of banking, regulation, stock exchanges, finance, insurance and education.

I am today honored to convey that one of the U.S.-based EbixCash Board members, Mr. SP Kothari was yesterday awarded one of the highest civilian honors by the President of India for his work in the field of economics and education.

Mr. Kothari joined the EbixCash Board sometime back. Most recently, from 2019 to 2021, Mr. Kothari served as the Chief Economist and Director of the division of Economic and Risk Analysis at the U.S. Securities and Exchange Commission. He presently serves as an assistant Dean and Professor of Accounting and Finance at MIT Sloan School of Management.

On the Board front, we intend to add further diversity to our EbixCash Independent Board by announcing a few other additions that are expected to carry the same kind of gravitas and expertise.

Finally, the EbixCash Independent Board will soon decide on the timing of the EbixCash IPO. It is likely to be in the early part of 2022. The EbixCash Board will also decide on the valuation it's seeking for the IPO in consultation with the advisers and bankers, and taking a good look at the ground realities and comparative valuations in recent IPOs in India.

With that, it brings me to the end of my talk today. I will now hand over the call to the operator to open it up for questions. Thank you.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from the line of Jeff Van Rhee of Craig Hallum.

Jeffrey Lee Van Rhee ***Craig-Hallum Capital Group LLC, Research Division - Partner & Senior Research Analyst***

I've got a number of them. First, Robin, is the rate for the quarter, at least on my model, you beat me on everything but to gift cards. So let's just take their gift card real quickly off the top. I know it's a low-margin business. It tailed off meaningfully in the quarter, but yet you're guiding to a reversal, and it's going to go higher. Talk to why it tailed off this quarter, why it will rebound next quarter?

Robin Raina ***Ebix, Inc. - Chairman, CEO & President***

See, the gift card revenue is going to be back next quarter. First of all, traditionally, fourth quarter, you always see an upsurge in gift card revenues. We also diversified our bank portfolio. We actually added a number of other banks to the portfolio. Last quarter, there's a little bit of seasonality, but there's also a bit of renegotiation.

We went in, some of the banks had changed the rates across the board with respect to the gift card business, which made the economics quite terrible, worse than they were. And so we had to go back and renegotiate those terms with those banks and diversify the portfolio. And having said that, we did that quite successfully, and -- we -- as we go -- as we went into October, we are seeing the signs of recovery. If you see at where we are in October, it clearly shows our revenues are recovering.

Jeffrey Lee Van Rhee ***Craig-Hallum Capital Group LLC, Research Division - Partner & Senior Research Analyst***

Yes. Okay. So then to the part it matter more, obviously, you talked about the U.S. business, you've got some sequential growth, which is really a landmark getting some of the headwinds you faced. But talk about expectations. I know you don't give formal guidance for '22, but at least get us some bounds about how you're thinking about growth for the U.S.-based insurance operations in FY '22?

Robin Raina ***Ebix, Inc. - Chairman, CEO & President***

So look, I think as I spoke, I actually hinted at it, that even if you take this present quarter and -- if I just take this present quarter where we showed sequential growth, right, with respect to our U.S. businesses, if we had just executed our TPP business well, we are at least lost anywhere between upwards of $1.5 million in revenue, maybe more, in the ready revenue that we have from orders in hand, simply because we didn't have enough people to execute that business.

If that had happened, our revenue in the quarter would have been much higher and your growth would have been accordingly that much higher sequentially with respect to the insurance business. So I am expecting that U.S. businesses next year will get back into the growth mode of high single digit in terms of the businesses. Now why is the consulting business, first of all, suffering? And this is a very important thing to discuss there.

Part of the challenge, I can -- I've been reading -- if you read some of these articles, what has happened, forget Ebix for a minute, I have never seen the phenomena that I am seeing right now in India with respect to software, fintech, fintech development people.

A lot of the money from -- that were going to China is now gravitating to India. And that is part of the reason you're seeing the fintech markets, the IPO markets boom, you're seeing the Indian markets have been pretty bullish in stock markets overall. What has happened is a lot of new start-ups are getting started virtually every other day.

And in the process of these start-ups, they're going after valuation. There's no real business model in terms of commercial model. They're not really focused on that I'm going to make money in the next 3 years. So what these guys are doing backed by private equity, they are stepping into the market. And for somebody who made, let's say, $1,500 in a month, they go in and offer them $3,000.

They just offered double the salary. So today, what has happened, the developer expectations for salaries have suddenly gone up. Traditionally, if you look at some of the major giants in India, whether it is Wipro or Infosys or Tata, because they publicly announced their increases, you will see that their increases used to range in the -- somewhere between 8% to 12%, depending on which year they were in on an annualized basis.

Today, what has happened, if you read the attrition rates, whether it is of Cognizant, whether it is or Wipro, whether it is of Infosys, these are all public numbers, and that is why I can talk about it. These numbers are in upwards of 25% attrition in the last quarter for these giants in the consulting arena.

Why did that happen? What is happening is people are being offered the 70% raises, 100% raises. So I will give you an example of what we have to do. When you look at our cost there, we have gone in and in certainly regions offered 45% of salary raises. Meaning (inaudible), it sounds, that's what we have done in -- to retain our talent.

And I've never seen anything like this in 20 years I've been managing India. I do believe this is a temporary phenomenon, and it's a bubble that is happening, and it will finally pass. But in the meanwhile, we need to hold on to our people. And COVID made it worse. So suddenly now, it didn't only affect our U.S. consulting business. It actually affected, if you look at our financial technology businesses in India, which are lending, wealth and asset management, we have orders in hand that we weren't able to execute in the quarter because suddenly we ran into attrition issues.

So what we did, we -- see what COVID did. Normally, if there is a plan, most companies run a continued plan of hiring fresh employees. They keep hiring fresh employees who typically stay with you for at least 3 years. So you run a regular program of bringing young employees who come in, they are typically on a bond, they don't move out for the next 3 years, and you can afford to give them very higher wages.

Having said that, that cycle broke during COVID. When COVID happened, all companies, irrespective of whether it is Ebix or whether it is any of these larger names, since schools were closed, there was no question of hiring freshers. So suddenly, the cycle broke for 2 years, you're not hiring any freshers. Now the pressure -- so what is happening is you're not -- you need an input and output in the system. If people leave, you should have a ready supply of new trained manpower that you build, and that's how India development operation has run.

But in this -- in the last few quarters, that hasn't been able to happen because of -- because attrition was happening on one side, but your supply of people wasn't there because you didn't have the freshers. So now you have to go after the same pool of people. And the only way to get them, the only motivator was cash.

What COVID also did was that it took away one of the negatives of COVID besides everything else, you see when you build a culture, when you bring people into office, you also build culture. Today, what I'm proud of in -- if you look at our, for example, our worldwide operations, whether you go to New Zealand or Australia or Singapore or London or U.S. or wherever, right, or India, I have my 1, 2, 3, #1 employee, #2 employees that are hired in India or #3 employee. They all work for us even today.

So why did they stay with us? Because there's something called culture that you build, you build a motivation, bringing people into office. Last 2 years, it became all about money because people are at home. And now you're getting all these great raises and so people became a bit more detached.

So part of the reason that's why we are starting these offices. So look, I am very bullish about the U.S. I genuinely believe that U.S. is going to do very strongly in 2022. I feel Ash has done a phenomenal job in building the U.S. business, each and every product line. They have really built it up from ground up. And I believe we're going to have a good year ahead of us.

Steven M. Hamil ***Ebix, Inc. - Executive VP & Global CFO***

Robin, this is Steve. Let me add a little context. In the U.S., year-over-year Q3 revenues were down, let's just say about $1.6 million. If you take the TPP life underwriting revenues, which are heavy reliant on consulting, such professional services because the customization of those -- that product on an ongoing basis and then our product consulting that revenue was down about $2.1 million year-over-year. So it's masking some nice growth that we saw in our other life exchange businesses and the annuity business.

Jeffrey Lee Van Rhee ***Craig-Hallum Capital Group LLC, Research Division - Partner & Senior Research Analyst***

That's helpful. On the -- Robin, on the EbixCash side of the business, certainly a nice sequential improvement and yet a long way to go to get back to the pre-COVID levels. And maybe just talk for a second, I don't know if you talk at a high level, how you envision a return to similar pre-COVID levels of revenue, sort of a time line, maybe that's the way to frame it back to the pre-COVID level, how do you think about?

Robin Raina ***Ebix, Inc. - Chairman, CEO & President***

Look, I will tell you, I've been pleasantly surprised by what I have seen in India in terms of improvement. It's probably -- if you go across into Delhi or on the roads of Delhi, road are back, jam packed. The numbers have dramatically declined. I think the vaccinations have really done it and Indian government forced people to do vaccinations by blowing different tactics, right?

Having said that, so there was really not a choice for people to choose, am I going to take a vaccination or I'm not going to do it? They wouldn't give people that choice. So having said that, the -- it has really worked. So today, we are seeing things improve quite a bit. I am expecting that when you look at ForEx and travel, so let me focus on 2 major areas.

As you know, between ForEx and travel, our overall revenue drop was around $200 million a year, net revenues, right? How soon can we get there? I think we're going to take almost a year to get there. I do believe you are going to continually see strong sequential raises. You're going to see Q4 do a lot better than Q3. Q3 did a lot better than Q2. As you saw I talked about I think ForEx group, I think, 51%, sequentially, travel grew 63% sequentially.

We have done -- ForEx, we believe -- look, we're the #1 dominating player in India as flights start taking off, remember, at the present minute, we are not showing any airport business. Our airport business is our strongest, most profitable business in foreign exchange or our port business, now -- or the corporate business, where people travel using our EbixCash Mastercard or EbixCash Visa card, we process around $7 billion in ForEx, pre-COVID.

So today -- we believe, today, what has happened is our domination has improved -- increased. If you look at the market in the COVID period, we actually kept signing players. In the midst of this crisis, we signed TCS, Cognizant, we signed the largest religious temple that -- which has been big time in the news in India, the Ayodhya, the Ram Temple as they call it. It's been -- and Ayodhya temple alone, we estimate gross revenue of a few hundred million dollars just from that one temple in foreign exchange.

So we do believe we are very well placed in the foreign exchange business. There's virtually nobody who can come close to us and where we are. So having said that, it's a matter of time.

As travel opens up, which it is opening up, with each passing day, people coming into India, people going out of India. As that improves, you're going to see phenomenal in changes -- sequential changes in our ForEx and travel business. Now travel we, for example, yesterday, we just launched a charter program. So we are launching brand-new products in travel.

We have learned a lot during COVID, what not to do and how to make our businesses better. If you look at our performance in travel with respect to you take individual airlines and see how we are performing, we're actually doing quite well.

If you -- where do we do the best in travel? We are #1 in Indonesia. We are #1 in Philippines. These are the strongest economies in terms of tourism travel, right? Indonesia and Philippines have just announced opening up. I expect that opening up effect start happening in Q4 simply because Indonesia has Bali, right? One of the most touristic parts, people come from across the world into Bali and Indonesia it's one of the oldest Hindu civilizations. Having said that, we -- our profitability is very high in these businesses. We do upwards of 40% margins combined between Indonesia and Philippines.

And if we can do revenue, the margins will happen. So I do believe that the -- we have taken a lot of these hits in travel, and we are still standing look to past 2 years simply by having a few thousand employees whose cost you're picking up and you don't have revenue against it.

We have done that while being profitable. And that speaks to the diversity of our business. So I do feel that we -- these businesses will recover. Now what is the percentage pace? It's a little bit harder to answer because I remember the answer is dependent on some of the countries abroad. For example, Switzerland is opening up now on a continuous basis, but then you have to kind of look at each country on a specific basis and kind of see what is going on with respect to -- I think most countries are now allowing if somebody has 2 vaccinations, they're just allowing travel. So that is really making a huge difference because once you -- most of the people are now taking vaccination or have taken vaccination, and that is making a huge difference in terms of -- business is going back to normalcy.

So I do expect things to improve dramatically in these 2 business areas. And let me not forget that it's not just these 2 business areas. The third thing that it would impact is e-learning. Now e-Learning can be a highly profitable business, and we've taken a lot of hits in e-learning because our focus was the schools. We were the -- one of the largest players in the school business, classroom, inside the classroom we were providing these electronic boards and these courseware, 16,000 different courseware to classrooms, schools were closed.

I will tell you that a few weeks back, Government of India across the country now is opening of schools. They've announced that they're opening of schools, whether it is Delhi or whether it is Mumbai, they are opening up schools.

The moment schools open up, our business would be back. So I feel we have a lot of growth that has to happen in some of these areas. And then there will be smaller growth in remittance and those kind of businesses because as COVID opens up, what will happen is that places like Qatar, places like U.S. windows will open up a bit and the remittance business volumes will go up.

And finally, consulting. If my consulting businesses, if I have availability to people and COVID wasn't affecting them and I would have the right, I could retain them. I would basically show growth in every area of the business, be it -- whether it is U.S., whether it is India, in consulting because all our products, we have orders in hand that need to be executed. And of course, we'll sign new business. So I do feel that those are a number of things that are in play. So I feel good about the year ahead of us.

Steven M. Hamil ***Ebix, Inc. - Executive VP & Global CFO***

And Jeff, this is Steve. Let me just add. I think this speaks to kind of the long runway that we have from an opportunity standpoint in EbixCash. It also speaks to the hit we've taken. We've seen some of the early stages of the rebound in ForEx and the travel. But if you look at financial technologies, ForEx, travel, remittance, E-learning, none of those businesses are even at, well, 50% of what they were pre-COVID. So we've got a great opportunity to restore a lot of revenue and cash flow over the coming quarters as COVID-19 wanes and people kind of return to normal activity.

Jeffrey Lee Van Rhee ***Craig-Hallum Capital Group LLC, Research Division - Partner & Senior Research Analyst***

Yes. Yes. Fair enough. Last then for me. Last quarter, you had commented on a refi was in process or something we're looking at on the debt? And then also, as it relates to the red herring, I think the expectation had previously been, they probably get it filed in November. What's the updated filing on that? And then again, the debt, in fact...

Robin Raina ***Ebix, Inc. - Chairman, CEO & President***

Yes. So let me address it in the reverse order. In terms of DRHP, I think DRHP, I think hint -- I talked about in my -- that we are still focused on an IPO in the early part of 2022. That's where we are focused. Now whether we file the DRHP in December or early January, either way, we can meet that time line.

There are a number of things that we need to do before we file the DRHP. The process of DRHP is such that once you file it, there is -- you have to have certain things done, and we are working through it. One of those key factors, for example, getting the 3-year audit done, right? So as we -- as I announced through my talk, most of those audits are done, a few are remaining. So we are getting those finished.

But we also need to work with our bankers on certain other things that we are working through. So our EbixCash independent Board is going to meet soon and decide on the timing of the DRHP. Now I will tell you what is materially known should be that whatever we choose. So let's say, we decide that we are going to file DRHP, let's say, in December or November, let's say, we had done it in November. What would have had to happen, we might have had to update our numbers for December in January, simply because the way the process in India is, India gives you 135 days from the end of the fiscal period to do your IPO.

So if we have -- if we do our IPO based on December numbers, then what will happen is that we have time till May 15 to do our IPO. Now that doesn't mean we have to wait until May 15. We could do it in March. We could do it in April or we could do it in February. But that's ultimately you have 135 days. Normal companies get 180 days, we will get -- any company that wants to market in the U.S. they have a Rule 144 that they need to follow. So within that rule, you have 135 days.

So having said that, our advisers, our bankers, they are working through all of this to make sure our timing is right. We also want to make sure we take advantage of some of the improvements post-COVID that are happening in the business because it establishes a trend for our IPO. So there are a number of things that we are working through. So I think the short answer is that EbixCash Independent Board is going to make the right call on this soon enough.

But presently, the plan still stays that we want to be doing an IPO in early 2022, which means sometime before end of April. It could be a lot earlier. But as I said, there's a 135-day time line that you have to typically follow. So I think that's your answer on the DRHP. I didn't understand your first question. Can you repeat that again? And I will...

Steven M. Hamil ***Ebix, Inc. - Executive VP & Global CFO***

Robin, he was asking about the refinancing effort. I can take that. Jeff, we're actively engaged in foreign refinancing options and alternatives for Ebix. And as soon as we have something material to announce, we certainly will, but we are and have been working with outside advisers to explore those options.

Operator

Your next question comes from the line of Chris Sakai of Singular Research.

Joichi Sakai ***Singular Research, LLC - Equity Research Analyst***

Robin, I just had a question on -- you mentioned about next quarter is going to be higher and prepaid gift cards but also as well, seeing a lot of improvement in India and your other businesses like foreign exchange and remittance. So I just wanted to see if you could sort of give me an idea of where you see gross margin heading for next quarter? It's sort of like you've got 2 separate things, one lower gross margin item getting more, but then you also see some higher items coming in. So can you provide some color there?

Robin Raina ***Ebix, Inc. - Chairman, CEO & President***

So look, meaning, I think the challenge is, if your gift card revenue grows up sizably, which I believe it will. If your gift card revenue growth up sizably, even if you show growth in all the other areas, which is foreign exchange, travel, which I believe we will, continuing medical education, U.S., let's say, what will happen is that your gross margin, if I'm thinking the correct way, will actually go down a little bit in terms of gross margin, simply because the gift card numbers can be phenomenally higher, right, if we have a strong quarter, in fourth quarter.

So it's very difficult for me to predict it at this minute because it depends on the upsurge, the volume of upsurge that we get on gift card because the margin on gift card is lower. That is why we typically announce both separately, where that is why Steve when he was talking, he talked about the fact that if you -- on one side, we have the low-margin gift card business, where we do a lot of volumes and revenue and cross-selling opportunity that opens up products.

But on the other side, if you look at our worldwide businesses, we are still above the operating margin number of 30%. You take the gift card business out, and we are still doing quite well. We're still doing that 30% plus margins in a COVID period. To me, that is what is to be focused on from a gross margin perspective, look, it all comes down to gift card. If gift card volume goes very high, then you accordingly will see the gross margin come down or be up or depending on where our gift card numbers come out.

Joichi Sakai ***Singular Research, LLC - Equity Research Analyst***

Okay. Great. And then -- You mentioned 7 of the 10 largest geographic regions experienced growth. What were the 3 that didn't? And can you share the magnitude?

Robin Raina ***Ebix, Inc. - Chairman, CEO & President***

So we talked about year-over-year -- remember, this is year-over-year. This was not about year-to-date. I think if you look through the thing, we actually talked about that almost all geographies in international geographies, in almost all international geographies except one, which was Brazil, had year-to-date growth.

Now if you take quarter-over-quarter, we talked the 7 versus 10 is basically talking about Q3 '21 versus Q3 '20. So what is that difference? One is U.S., I believe, one is Brazil. And I believe the third one is a much smaller geography. I think it might be Indonesia in that case. So it is basically -- as you know, U.S. actually is doing quite well. It's sequentially increased pretty -- 1.5% over Q2 and so on. But again, we're talking about the 7 versus 10 was a year-over-year number.

In Brazil, we had the same effect of consulting. Brazil is basically suffering because the consulting, because Brazil is affected the most like any other -- any countries like India, Brazil had the biggest effects of COVID as you would have been reading. And that was where consulting, we do a lot of consulting business in Brazil. It's a very large part of our business there, product consulting, and that business completely got affected.

But I feel pretty good about Brazil. If you talk about '22, I think Brazil has tremendous -- our businesses have shown tremendous resilience over the years in Brazil. And I'm expecting 2022 to be a very solid year for Brazil.

Steven M. Hamil ***Ebix, Inc. - Executive VP & Global CFO***

Chris, this is Steve. The other geography that Robin was trying to pull related to just Q3, it was slightly down would have been Singapore.

Robin Raina ***Ebix, Inc. - Chairman, CEO & President***

Yes. So it's not Indonesia. It's Singapore. But it's a slightly -- it's a much -- it's a very, very -- it's not a meaningful revenue.

Steven M. Hamil ***Ebix, Inc. - Executive VP & Global CFO***

Yes, it's a smaller geography for us, and that decline is very immaterial to overall Ebix...

Robin Raina ***Ebix, Inc. - Chairman, CEO & President***

But again, Chris, if I come back to Singapore, when I talked about all the evolution business arrangements, as I was talking through the new deals, all of that revenue will flow back to Singapore. So that gets reported in Singapore.

So you should see pretty -- Singapore do quite well in 2022 simply because of all the consulting just with that one business. Just with that one business opportunity, which is basically one of the largest brokers in the world who wants to move -- who is aggressively moving forward in 15 implementations. And these are countries like Germany, Spain, Italy, France, Belgium. These are big countries.

Operator

(Operator Instructions)

Robin Raina ***Ebix, Inc. - Chairman, CEO & President***

Great. I think maybe we don't have any more questions. So I think you could close the call. Thank you very much for participating in the call. We look forward to speaking to you at the end of the year. Thanks, everyone.

Operator

This concludes today's conference call. Thank you for participating. You may now disconnect.