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PRESENTATION

Operator

Good day, and thank you for standing by. Welcome to the Ebix, Inc. Second Quarter Financial Results Investor Conference Call. (Operator Instructions) Please be advised that today's conference is being recorded. (Operator Instructions)

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

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

Thank you. Welcome, everyone, to Ebix, Inc.'s 2021 Second Quarter Earnings Conference Call. Joining me to discuss this quarter is Ebix's Chairman, President and CEO, Robin Raina; Ebix's Global CFO, Steve Hamil; and Ebix's North American President, Ash Sawhney. Following our remarks, we'll 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 looking, 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 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 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 second quarter 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 our Investor homepage of the Ebix website after 4:00 p.m. Eastern Time today.

Let me now present the key metrics in our Q2 2021 results. Q2 diluted EPS GAAP was $0.51 and non-GAAP diluted EPS was $0.76, GAAP revenues of $246 million, GAAP operating income of $27.3 million and non-GAAP operating income of $33.9 million.

Let me at the outset tell you what we are against in this quarter. The second wave of COVID-19 put Brazil and India to almost a standstill for the 2 months of April and May, squeezing our revenue opportunities in these 2 countries. The second wave of COVID-19 created conditions where we suddenly had shortage of staff to execute business in hand even from the U.S. and other international countries.

We reversed the vast majority of salary cuts that we have put in place in 2020 because of COVID-19. We reviewed the salary of all of our software developers in India and offered them raises between 15% and 20%. Just these 2 steps resulted in a year-over-year increase of approximately $4.1 million in personnel-related costs. We had elevated health insurance costs due to COVID-19 as we act as a self-insured insurer for our staff health insurance. Our bank interest costs were higher by $3.3 million in Q2 2021 as compared to Q2 2020 for reasons beyond our control. We have substantially elevated costs associated with banks, legal and outside accounting firms in

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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 this that we had to deal with, we are still reporting Q2 '21 non-GAAP EBITDA plus stock-based compensation of $35.1 million, GAAP operating income of $27.3 million and GAAP revenues of $246 million. We feel good about that as it speaks to the fundamental strength of our business and its ability to deal with tough times.

Exchanges, including the EbixCash and our worldwide insurance exchanges continue to be Ebix's largest channel, accounting for 94% of Q2 2021 revenues. The EbixCash Financial Exchange revenues increased by 257% from $53 million in Q2 2020 to $109 million in Q2 2021. The insurance exchange revenues decreased marginally by 2% in Q2 2021 due to COVID impact, as stated earlier.

With close to 500 million people receiving their first vaccination already in India, we are starting to see signs of recovery in the businesses affected severely by COVID-19. We have handled our resource issue now with the impact of COVID-19 dramatically lower in India, where a majority of our software development manpower is placed. We look forward to better times in coming days from here.

I will now turn the call over to Steve.

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

Thanks, Darren. Ebix continues to feel the effects of COVID-19 in our businesses across the globe. Both India and Brazil have experienced incredible adversity regarding the second wave of this pandemic, which dampened our performance during Q2 2021. Additionally, the Indian labor pool was locked down for weeks during the first half of 2021, which had a far-reaching impact on development and consulting projects across the globe as Ebix was resource-constrained as a result of the pandemic.

While we have addressed these constraints, the negative impact on our Q2 2021 results was real. We continue to believe that when the day comes that COVID-19 is not restricting normal business and personal life, when businesses free up resources that have been conserved due to the unknown duration of this pandemic, when businesses return to normal in-office routines and when people across the globe begin operating normally and traveling unabated, Ebix has fantastic brands that will rebound and return to their pre-COVID leadership positions and that our consulting and project development rhythms will normalize.

This will create great opportunity for Ebix, both on the top line and in cash flow generation. We highly anticipate the return to normality as soon as possible. In the meantime, we are pleased that we have a diverse set of solutions and services that continues to allow us to generate substantial EBITDA to operate our business without the need for additional leverage during the pandemic. In the past year, we have reduced our total debt by over $40 million while facing the challenges of COVID-19 on our operations.

Ebix's gross margin in Q2 2021 was 27.7%, an increase sequentially from 24% in the first quarter of 2021, but a decline from 55.9% in Q2 2020. Our gross margins continued to be diluted by the robust demand in our low-margin payment solutions business in India. GAAP operating income for Q2 2021 of $27.3 million decreased 13% sequentially from $31.2 million in Q1 2021, while declining 14% year-over-year from $31.9 million in Q2 2020.

In addition to continuing dampening of our revenues in EbixCash travel remittance, foreign exchange and e-learning businesses and consulting revenues globally, Ebix experienced elevated health insurance costs due to COVID-19 during the first half of 2021. In addition, Ebix incurred increased personnel-related costs year-over-year during Q2 2021. As Darren explained, not only did the company reverse much of the salary reductions for 2020 over the last few months, but Ebix increased salaries of key developers and other personnel during 2021 to react to a tightening labor market in India and to position ourselves for anticipated growth in business activity on the other side of COVID-19.

Non-GAAP operating income for Q2 2021 was $33.9 million. The company's operating margin was 11.1% in the second quarter of 2021, a slight increase sequentially from Q1 2021. Excluding the payment solutions business in India, we generated 31.7% operating margins in the second quarter of 2021, 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.

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During Q2 2021, we had major cash uses of approximately $42 million, including $25.6 million used to reduce the principal on our corporate term loan; $6.6 million for cash interest related to our corporate credit facility; $2.4 million for income related taxes paid globally; $2.3 million to reduce our working capital facilities in India; $2.3 million for dividend payments; and a combined $2.9 million expended on CapEx and software development costs. We funded these initiatives from existing cash flow plus operating -- I'm sorry, existing cash plus operating cash flows generated during Q2 2021. Ebix ended the quarter with a strong liquidity position with cash, cash equivalents, short-term investments and restricted cash of $107.4 million versus $116.6 million at June 30, 2020.

Our balance sheet remains healthy with a current ratio of 2x at June 30, 2021, and working capital of $170 million. We continue to explore refinancing options regarding our core debt capital at Ebix. We are hoping to be able to share exciting news regarding this corporate priority in the next quarter or 2.

In closing, Ebix continues to weather the storm of COVID-19 and are hopeful that the worst is behind us. Ebix has exciting days ahead. We anticipate the day when we will see our core businesses running free from COVID-19 impacts, when we will complete the IPO of our EbixCash business and when we refinance our existing capital structure that will result in an alignment of our strategic goals with the structure and investor makeup of our primary debt capital at Ebix. 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 second quarter operations.

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

Thanks, Darren and Steve. I will provide a summary of the Q2 North America results and updates on the outlook for full year. Our North America revenue stayed essentially level with Q1 2021, though we were expecting solid gains in Q2 of 2021. This was mainly because of all the COVID-19-related reasons described in detail by Darren and Steve. In summary, despite COVID-19, we still showed solid gains in all our core life and annuity divisions that were offset by declines in our CRM, underwriting exchange and P&C exchange.

We saw record revenues in several of our core exchanges. The life and annuity exchange revenues were up 11% compared to Q1 and 12% compared to Q2 of last year, reaching highest levels ever recorded for this group. Annuity transactions were up across the board, rising 33% compared to the same quarter last year. This was a result of continued growth from existing clients and contributions from new distributors and carriers added to the platform over the past 18 months.

This quarter, we added new carriers to the annuity AMP platform, including Western National Life and Allianz. We are continuing to expand the JPMorgan annuity platform for annuities, which was -- which has been a hugely successful implementation. The life order entry platform achieved the highest level of revenue going back more than 5 years. Revenue more than doubled compared to the same period last year and grew 73% compared to Q1. The increase was a result of higher transactional revenue and higher professional services from new clients being onboarded to the platform, including MassMutual. We are on track to onboard JPMorgan and its network of carriers in Q2 of 2022. We also successfully launched the Ed Jones term express products, which support expedited court to issue.

The illustration exchange grew 9% compared to Q1 and 14% compared to Q2 of 2020. This is the highest ever revenue recorded for this unit, the previous high being in Q1 of 2015. Since the launch of our new analytics platform, we have added 6 carriers and we have several more in the pipeline. Our partnership with Ensight is also contributing to incremental revenue.

Our core consulting group saw the highest revenue since Q3 of 2019. This was aided by an increase in onboarding services for carriers and initiation of new project with Oxford Life, pickup in BPR augmentation business and additional work related to the JPMorgan platform. We strengthened our exchange and consulting sales team by adding more sales executives, and we expect to add more in the coming quarters.

The CRM exchange revenue was down 11% due to a slowdown in retail sales as well as a redirection by a large customer who decided to reduce the subscription for their financial advisers. However, we are in the process of engaging directly with these financial advisers to convert them into direct Ebix customers. We are also doing a holistic reorganization of this unit with the goal of improving our market

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penetration and revenue. Our focus will be on the retail CRM side, where we believe we have an immediate opportunity to significantly expand our presence.

The underwriting exchange division was down 4% compared to last year. We have several committed projects that we did not have enough resources to service. Historically, this unit has been a strong growth area for Ebix. The impact due to on-site travel restrictions has made things worse. We expect this unit to start growing once again as the impact of COVID-19 subsides.

The impact on our P&C business, which was down 9% compared to Q2 of 2020 is also temporary and cyclical. We saw a drop in workers comp claims in the quarter. We anticipate being back to Q1 levels for the remaining 2 quarters and are still anticipating that overall we will have a 5% to 7% revenue increase year-over-year. We added 5 new clients to the RiskEnvision platform and 3 clients on the workers comp EDI platform.

While the core health exchange revenue remains steady, the medical certification business grew by 12% compared to Q1. We typically see a sequential increase in revenue during the year. In Q2, we saw our accreditation business grow by 37% compared to the same period last year. Also, the Dental Decks business was up 140% year-over-year.

We added 11 new programs in the second quarter, including UCLA Geriatrics and John Hopkins Liver Pathology. We started a new virtual events business in 2021 to tackle the COVID-related conference restrictions and are pleased to add Harvard Psychopharmacology, UCLA Brain Attack and Harvard Vascular Ultrasound in Q2. Our risk compliance business held steady and we added Pharmavite, [Agri Farm and Home], REXXON, Swift Oil Company and Los Angeles County Sanitation Districts to our customer list. We are in the process of expanding our sales organization to capitalize on our market-leading position.

Overall, despite a temporary slowdown in certain divisions, we remain steady this quarter, thanks to a strong performance from our core life and annuity exchanges. With all the programs we are implementing, I expect we will finish this year with record revenue for these units. As the business climate turns back to normalcy, we are starting to ramp up our sales teams in several business units.

I would like to close by thanking our teams across the globe that have continued to perform at the highest level during very challenging times. We have emerged stronger due to the efforts of our staff.

I will now pass it on to Robin for his comments.

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

Good morning, everyone. From my perspective, it will be an understatement to call the Q2 2021 condition severe, considering what India and Brazil experienced in the period. With the second wave of COVID-19 impacting almost every household in these countries, the health system and hospitals were found to be completely inadequate to handle the patients. Oxygen supply was found to be completely inadequate, and availability of hospital beds was a huge challenge.

The country got into a complete lockdown mode for the month of April and May, with COVID-19 creating a situation of complete panic in every household. Our staff and their loved ones were not immune from this pain and had to endure all this while trying to work for Ebix and keep the Ebix flag flying. I personally experienced what I just described and can tell you that I never thought that in this day and age, we would ever see such a difficult period of time.

While all this was happening, Ebix had to deal with a number of topics, all of which were cost and time-intensive: timely filing of the audit for the year 2020, followed by Q1 2021 RF; forensic audits undertaken by third-party accounting firms; continued work leading to a prospective IPO; statutory audits in countries for 2020-'21; negotiating a new amended agreement with the lenders; staff health and work issues worldwide on account of COVID-19.

COVID-19-related elevated health claims and costs associated with our U.S. employees since we serve as a self-insurer for our health insurance bill a particular stop loss limit; COVID-19-related health issues for employees in India, especially wherein the company stepped in to help employee families in times of distress; unavailability of staff to handle business in hand, impacting our revenues on various

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products substantially; salary restoration in India for our software development employees who had been temporarily -- who had temporarily been given a COVID-19 salary cut in 2020; a 15% to 20% salary increase for India software development staff to ensure that we retain and motivate these employees as things got dramatically better towards the end of June on the COVID-19 front.

Our bank rates were higher by $3.3 million in Q2 2021 as compared to Q1 of 2021 in spite of us reducing our debt by $40 million as of June 30 for reasons beyond our control. We had to catch up to a government guideline in India in terms of certain CSR social work spend, costing us approximately $1.3 million in the quarter.

All of these were highly time-intensive and cost-intensive activities with a direct effect on our second quarter 2021 revenues, expenses and income. When you take all of this into account and then review our results, you would know why I feel good about these results.

Let me now present to you a numerical analysis, which will tell you why the second quarter of 2021 top line performance was quite encouraging from my perspective. One, out of 11 profit and loss regions, 9 regions showed double-digit or triple-digit revenue growth in the quarter as compared to second quarter of 2020. U.S. top line was essentially level in Q2 of 2021 as compared to Q1 of 2021, while reducing by 9.5% year-over-year. This was primarily associated with the COVID-19-related issues that caused a drop in revenues in spite of having business in hand.

Brazil revenues were essentially level as compared to Q1 of '21, but down 13% year-over-year, primarily on account of the second wave of COVID-19. European revenues were up 25% year-over-year in Q2 of '21. Canada revenues were up 43% year-over-year in Q2 of '21. Australian revenues were up 17% year-over-year in Q2 of '21. Singapore revenues were up 42% year-over-year in Q2 of '21. New Zealand revenues were up 44% year-over-year in Q2 of '21. India revenues were up 258% year-over-year in Q2 of '21. Indonesia revenues were up 156% year-over-year in Q2 of '21. Philippines revenues were up 51% year-over-year in Q2 of '21. UAE revenues were up also substantial year-over-year in Q2 of '21.

If we look at this top-line analysis, in terms of insurance versus finance channels, it would reveal the following: insurance channel outside the U.S. grew by 16% year-over-year to a healthy $19.1 million in second quarter of '21. EbixCash channel grew by 257% year-over-year in Q2 of '21. In summary, it shows our worldwide revenue in Q2 '21 grew by 121% year-over-year. Our non-U. S. countries revenues in Q2 '21 grew by 200% year-over-year. 3 P&L geographies had between 156% to 258% growth. 4 P&L geographies at 42% to 51% growth. 2 P&L geographies at between 17% and 25% growth. 2 P&L geographies showed a decline in Q2 '21 though essentially level sequentially with Q1 '21.

I feel encouraged by these results as we speak to the fundamental resilience of our business. We have a number of things going for us, hopefully, in the future. One, the effects of COVID-19 in India have dramatically reduced at present, with close to 500 million people already getting their first vaccination. Two, we are pursuing many large-sized opportunities in many sectors that were affected by COVID-19, like e-learning and health care.

As vaccinations continue to happen, travel and foreign exchange sectors will continue to improve as international borders are open. We are already seeing substantial improvement in the foreign exchange sector because of the educational remittances opening up in July as U.S. schools welcomed international students back. Our recently announced Punjab National Bank deal has already started providing recurring revenues in Q3 of '21 itself. A large international super broker had asked us to deploy Ebix Evolution in 15 European countries. This would include large installations like Germany and Spain for this super broker, implying new recurring revenue streams for Ebix. All pricing arrangements for this super broker have already been inked.

U.S. revenues are expected to go up as the resource situation in India has continued to improve with COVID-19 effects reducing there. Substantial seasonal improvement in CME revenues in the U.S. is bound to happen as is traditional, especially in Q4. A number of new U.S. revenue streams like WinFlex Analytics and the JPMorgan network effect that should continue to happen. Launch of a new insurance product in Europe soon that we have kept as a surprise announcement for the European market, that should contribute well to the 25% year-over-year growth already shown in the second quarter of 2021 for Europe.

We are pursuing some new payment solutions opportunities, namely AEPS, cash in, micro ATM opportunities in India, and are targeting

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transaction volume of $1.5 billion in the next 12 months just with this opportunity. More on this later, although we have already started exercise to staff ourselves countrywide to address this opportunity.

We will continue to balance our organic growth targets with our operating margin targets. Excluding the payment solutions business in India, we generated 31.7% operating margins in the second quarter of 2021, a figure in line with our goal of greater than 30% operating margins for a suite of solutions and services outside of the low margins card business. Also, as we show success with all the opportunities I discussed, the operating margins should automatically improve.

Steve talked about us having reduced the debt by $40 million as of 30th June, 2021. We remain committed to reducing our debt in a continued manner in 2021 and beyond, using the cash generated from our operations. We also intend to streamline the financing to a new structure and rate that is in line with the interest of our shareholders.

Let me now talk about the EbixCash IPO briefly. The audits by 2 audit firms, leading to the draft red herring prospectus, DRHP, are in process at present. We are targeting the IPO in January or February of 2022 with the DRHP being filed in October or November of 2021. There's a lot of work to be accomplished between now and then to meet these timelines.

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. Let me take you through some of the names that have already been announced. S.P. Kothari joined our EbixCash Board a few months back. Most recently, from 2019 to 2021, he 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 the Assistant Dean and Professor of Accounting and Finance at MIT's Sloan School Management.

S Ravi joined the EbixCash Board as an independent Board member a few months back also. His rich experience includes having served as the Chairman of Bombay Stock Exchange and as the Chairman of UTI Trustee Company Pvt. Ltd., one of the largest mutual funds in India. He has served on the Board of over 40 leading institutions in India, including insurance companies, a number of public sector banks and public sector enterprises, such as UCO Bank, Union Bank, Hindustan Aeronautics Ltd., BHEL, State Bank of India - SG Global Securities. He was also appointed by the Government of India and Reserve Bank of India as Chairman of the Technical Experts Committee for Punjab & Sind Bank's strategic turnaround. Ravi is also presently serving as the Chairman and Director of Tourism Finance Corporation of India Ltd., the premier government-owned financial institutions set up to promote tourism in India.

Sunil Srivastav joined the EbixCash Board recently. Sunil is a career banker, having retired as Deputy Managing Director of the Corporate Accounts Group at India's largest bank, State Bank of India, after serving the bank for 38 years. Sunil brings a vast repertoire of experience across the international banking sector, having spent a major part of his career in corporate banking at State Bank of India, investment banking at SBI Capital Markets Ltd., besides a 5-year stint at State Bank of India, New York office. Sunil is presently serving as a senior adviser to one of India's largest investment banking firms, Edelweiss. He's also serving as a senior adviser to the World Bank for their Energy and Extractives program in India. Sunil is also an independent director on the Board of a number of public companies.

We intend to add further diversity to our EbixCash Board by announcing a few other additions that are expected to carry the same amount of gravitas and expertise. At some point towards the end of the year, the EbixCash Board will decide on the valuation it is seeking for the IPO after consultation with advisers and bankers and taking a 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. My talk would be incomplete without thanking all the staff of Ebix across the world who have stood for the company while dealing with the pain associated with COVID-19 in their personal life. I also want to take the opportunity to pay condolences to the family and colleagues of one of our senior employees, David Barron, who we lost recently to this dreadful disease after having served Ebix for 20 years.

With that, I'll now hand over the call to the operator to open it up for questions. Thank you.

QUESTIONS AND ANSWERS

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Operator

(Operator Instructions) Our first question comes from Jeff Van Rhee with Craig-Hallum Capital.

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

A couple from me. Maybe just start with the U.S. business, curious on the U.S. insurance business. I mean there's a lot of moving parts there as you walk through, trying to give the visibility and transparency. But what I'd love to understand, I think you said Brazil was flattish sequentially and the overall combined insurance RCS businesses were down, call it, about $1 million, give or take sequentially.

So you mentioned being India we sort of constrained and implying that was maybe the key driver. But 80-20 rule, just help us understand what the key headwind is in the U.S. and then play that forward into Q3, do you think Q3 for those 2 combined businesses is sequentially up quarter? Just maybe a little clarity there would help.

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

Yes. So Jeff, I'll let Ash add to the answer. Let me first try to address your question. So with respect to U.S., the U.S. business was essentially level and so are the Brazil business as compared to Q1 of '21. Now what's a major headwind we're dealing with? The major headwind we're dealing with is, if you look at the strongest part of our business in the U.S. where we have traditionally done extremely well, that's our underwriting exchange business. When you look at that business, that's a business that has suffered the most. It so happens that all our staff, the way we built that in the underwriting business, we centralized all our resources in the south of India, in a city called Hyderabad.

With COVID-19, it created a complete crisis for us. And suddenly, we ran into a situation where we had abundant amount of work, business in hand, but we couldn't execute because we don't have people to execute it. A lot of that doing is purely time and material because you're customizing the product for these insurers. So that's the first biggest issue that we ran into.

We ran into similar issues, in fact, even on other life exchanges, where even -- where we have showed growth. If you look at some of the area when Ash talked -- Ash talked about some of the growth, some of the high-growth that we experienced in areas like life and annuities and [life annuities], WinFlex Analytics and so on. But if you even consider these areas, we had business at hand that we couldn't execute because we didn't have developers available. And now, again, that was another problem.

So having said that, are we out of that rut? Are we out of that mode? So I will tell you what has happened in India. Situation has dramatically changed. Fortunately, third wave hasn't really hit India as yet. Now we're hoping that it will have a muted effect in India, primarily because what has changed in India is that 500 million people have been vaccinated out of 1.3 billion people. Now it sounds like 500 million sounds like a 40% number. But then one has to remember the majority of India resides in villages, and the majority of the vaccination that have happened, have happened in cities, which means that a vast majority of the city's population has been -- have gotten their first vaccination.

And it so happens in India, everybody does wear a mask. There's -- you will not find any exceptions to that rule. Having said that, the numbers have come down quite dramatically. June itself, the change was very visible. July, we can see the country is coming back to -- it isn't exactly normal, but things are improving dramatically in India. As -- so what I perceive, with respect to development, we took a number of steps, which are hard steps we had to take. On one side, we had a COVID crisis that we didn't have developed our availability.

On the other side, we were dealing with the onslaught of some of these larger multinationals who saw an opportunity in these times and tried to put resources by offering higher salaries. It has created -- if you search this, you're going to find that this has created a bit of a crisis in India in -- which is kind of weird that in 2021 has become a time where the software developers are in the highest demand right now in India. The salary levels have gone up very substantially. So we had to make a very hard decision.

We realized on one side, we already have a shortage of available -- of people because of health-related issues and COVID-related issues. And the other side, we have the risk of losing people to all these multinationals. So we went in, not only did we restore our salaries, we gave them a 15% to 20% raise to try and retain each one of these resources. Now having said that, things have improved dramatically. I

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do expect that in Q3, we are going to see U.S. back on the growth path.

I do expect that Brazil will also be back on the growth path. Brazil has traditionally been a strong performer for us. Meaning -- Brazil in the past has been hampered a lot by the currency devaluations of the Brazilian real. But in local currency terms, they have continued to do amazingly well. I would say that primarily the majority of the business in Brazil, it banks a lot on the consulting business. And as there was shortage of availability -- Brazil was like India, hit very badly by COVID-19. So I do expect improvement in both these countries in the third quarter of 2021 and the fourth quarter should obviously be better from there on.

But Ash, you want to add something to it?

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

I think you covered that well, Robin, maybe just a couple of points I will add. So in some of our groups, yes, we would typically have people on site, right? And on-site billing for us is higher, it's more profitable in some areas. But what happened was that the offices are being shut down across the board with our customers, we had to scale back on the on-site representation. And even now, there are travel restrictions from India.

So like Robin said, as things start to open up, we will start to get back to the pre-COVID levels. And we will also see, because of the resource constraints that we've been facing, things will start to open up. So the outlook is definitely brighter. And we obviously are working with a situation that is a little bit out of our control, but the outlook is better.

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

So Jeff, actually, what Ash added was a very important point, which I completely had missed, which is on-site resources. As you know, that, that's a major part of our business because we tend to -- we typically, meaning -- without giving rates this -- in the call, we basically bill at reasonably good rates. And the margin on those rates tends to be very pretty solid, and that's a very good part of our business in the U.S.

At present, what has happened is, with the majority of the talent, the way some of our exchanges work, we would have these people fly in from time to time, come in the U.S., work with the clients and then go back to India and then build the product further. So it would be a very good mix of on-site consulting, and then they would take the work back into India and continue to work with it, right? So it will be a good mix of on-site and offshore consulting.

What has happened is the on-site consulting has completely dried out. Because nobody wants anybody on your -- on site. So majority of our developers, we had to send them back. Anybody who was from India, we sent them back. Anybody who was in the U.S. basically is now sitting at their homes and doing work for us. So now we had a cost, but we don't have a revenue stream associated with it. So that has been a little bit challenging, for sure.

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

Yes. Got it. And on the EbixCash business, a couple of questions. One, on the -- what was the payments component in the quarter? And then secondly, I know as that payments business has exploded the last several quarters, it's enabled you to build a lot of customer relationships. I'd be interested what the number of individuals now that have a relationship with EbixCash through those cards?

And even maybe more importantly, what's been the ability to translate those initial purchases to follow on business/cross-selling? You've got a lot of other capabilities, that was the entrée to hook them. You're doing it at no margin, but it gives you visibility. What's the ancillary benefit you're seeing there? So maybe those 2 questions on the EbixCash business.

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

Yes, I think the -- let me address them in reverse order. So the ancillary benefit is basically, if you look at all the deals that we are putting together today in EbixCash, cards are always a component of those deals. Virtually, any deal we are right now structuring, even if we structure a deal in a health care area, the cards are a component of that.

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We -- to give you a simple example, we are presently working with various state governments, wherein when a state government wants to dole out money -- let's say, the government wants to dole out money to a patient who has to use -- so what they're doing, we are providing them EbixCash cards that they can provide these prepaid cards to the consumers. These consumers can then go into a hospital and pay for their services and the government has a complete track on who's spending money on where and so on.

And the hospital is just one example. But India has a society wherein the government tends to dole out money across the country in various states on all kinds of different issues. They're actually using that for the corporate sector. We are using the cards in many other ways. In coming days, one of the projects we're working on right now is the project that I just talked about, where we are trying to basically target transaction volume of $1.5 billion, and that's a whole area of cash in, wherein majority -- government of India is trying to encourage digital money in a big way across the country in places where somebody may not even have a bank account, right?

And the government of India wants to ensure that there is a way for these people to, first of all, walk in into a simple shop -- maybe they don't want to go to a bank. And you'd say why, but that's the nature of India in the rural areas or in the lower middle class, wherein they prefer talking to somebody and getting a card and that card ultimately becomes their -- the way they work and use their money. So we are continuing to deploy these cards for -- whether it is for bus travel, using a smart card to pay for your bus travel, whether in educational institutes to pay -- for students to pay for their [4] items. But I could give you umpteen number of examples of how we are now utilizing these cards for various modes, various different things.

We are also continuing to add newer banks to the mix to continue to expand our portfolio with respect to the card -- the cards business. So having said that, the card business in Q2 was actually comparatively lower as compared to Q1 by almost, I think, $40 million mainly because of the second wave, the second phase of COVID. And so I think that was basically the impact of it.

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

Got it. And so, I guess, let me take a swing one -- third question, the EbixCash IPO. So obviously, working towards your -- through your audit. I think you recapped a lot of things in motion. Give us a preview of just sort of the health of capital markets right now. I mean, obviously, with COVID and all the related chaos, I think there's probably some questions about the willingness and receptivity of the markets to take an IPO. And then any sort of preliminary color that the bankers are sharing with you about, again, receptivity, valuations, peers, maybe just a bit of a preview there.

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

So Jeff, I think our bankers feel that this is the time to go for an IPO. Indian markets are right now presently very bullish. If you Google, you'll be able to search all of this. If you look at some of the recent IPOs on an average, meaning the -- on an average, the valuations have been rather bizarre in India, meaning their valuations have been somewhere around between 36 to 80x past revenues. And again, I could give you the names of some of these companies, whether it is Zomato, whether it is the Ease My Travel (sic) [EaseMyTrip], there's a long list of names virtually that have come out.

All those issues have been oversubscribed. Some issuers have been oversubscribed 7x. Some have been oversubscribed 36x and so on. But on an average, if you look at some of the newer ones that have been -- that have -- the IPOs that have been filed, whether it is Paytm, whether it is Nykaa -- I'll give you an example of one that we just saw in the field of insurance, Policybazaar, wherein a Policybazaar is -- basically has past revenues of $68 million, losses of around $28 million. They're seeking $5.5 billion in valuation.

So it's been a real market, a bit very bullish at present. We're keeping our fingers crossed. Like I said in my talk, we will work with our bankers, with our advisers to figure out what is the valuation we seek, primarily because the market has been reasonably bullish. So we are hoping that we can get some benefit out of that.

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

Yes. And maybe just one follow-on there. I think as you talk through the EbixCash business, it looks like the nonpayment card business bottomed in Q2 '20 in the midst of initial onset, bounced some in Q3 '20, and then it has stabilized at that level since. Do you think we're at the point now based on July activity levels that you're seeing that Q3 can be a meaningful resumption of, let's call it, sequential growth with meaningful resumption of sequentials? Or you still feel like we're sort of putting in a bottom? How do you think about that?

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

See Q3, with respect to EbixCash business, in Q3, you will not see a very meaningful increase. You will see an increase, but it may not be a meaningful increase. I'll tell you the trends of what I've seen between June and July. In June and July, the payment solutions business is up, the remittance businesses are substantially up, the foreign exchange businesses are substantially up.

Now when I say substantially -- so for example, I'll give you a look into it as an example. If in a foreign exchange business, in pre-COVID days, if we were doing around $22 million to $25 million a quarter in pre-COVID, in the last quarter, we did around $3.5 million. In -- if we go into Q3, even if that number jumps up by 100%, let's say, $3.5 million becomes $7 million, it is still nowhere close to $22 million to $25 million that we are used to doing, right, in pre-COVID days.

So you are going to see improvements. We are absolutely seeing improvements, especially in the area of foreign exchange, you are going to see, obviously, some of the newer deals like Punjab National Bank kicked in, in July itself, that will increase some of our revenue streams in various areas. So you are going to see improvements in remittance businesses.

Travel business, you might not see a meaningful increase, again, simply because one, 2 countries that we depend on are Indonesia and Philippines. These are very highly profitable units for us. We are the #1 travel provider in both these countries now, Indonesia and Philippines. However, these countries haven't really opened up. Now the governments in those countries are talking about opening up in August. Now if that opens up, we have a tremendous expense in these countries. Between these 2 countries itself, we have 110,000 agents, just in Philippines and Indonesia. So that's a pretty substantial revenue stream and a very highly profitable stream where we do upwards of 40% in operating margins.

So what we are seeing, as international -- it will all depend on the pace of international borders being opened up. For example, Switzerland opened its borders on a muted basis and a few flights have resumed now from India. Now those flights are getting fully booked and they're jampacked right now, but not many countries have done that. One, England still has a 15-day quarantine period, to give you an example. So it is relatively muted.

Domestic travel has started to increase in India. So we are expecting increases in travel in the area of foreign exchange, pretty substantial increase. We're going to -- we think we're going to see substantial improvement -- one of the areas where we are expecting sizable improvements between now and December, a very meaningful improvement is going to be e-learning. We -- as I referenced in my talk, we are presently in the midst of a few deals that can really move the needle for us on -- in size. And these are large deals for e-learning that we are trying to structure, and we are at very advanced stages right now. So we're hoping whether we can close them in Q3, I couldn't tell you right now, but I think it's -- we'll start getting these revenues either in Q3 or Q4.

So e-learning is going to be a substantial mode of revenue stream for us. Foreign exchange is definitely going to be an -- we're going to start seeing increases in Q3 itself. But the Q3 foreign exchange increases are primarily because of educational remittances because as U.S. opened up, the school started opening up for foreign student. All those foreign students have to remit money. We're the largest player in the remittance market in the education market. We handle 30% of India's educational remittances, which means we should have a good quarter with respect to educational remittances between now and October.

Having said that, the remaining foreign exchange business is completely dependent on the international borders being opened up. So until that happens -- so it's very unpredictable right now. But I will tell you that there is a constant improvement in the environment right now. With respect to international borders, there is -- we do expect that, if not Q3, by Q4, we should start seeing substantial improvements in travel and in the non-educational remittance foreign exchange businesses.

E-learning, for sure, we will see improvements. We actually are also pursuing some large sized deals in the health care arena. We should start seeing revenues from those areas, which I prefer to talk about in subsequent calls. And having said that, we do think that in India, the impact of COVID is starting to reduce, which means that we should start seeing improvements in most of the sectors.

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Operator

(Operator Instructions) Our next question comes from Chris Sakai with Singular Research.

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

I just I had a question on the salary increases in Q2. Just wanted to see, will these -- are these going to continue? And if you're going to go over to other areas of your staff besides software development?

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

So look, meaning, this salary -- Chris, these salary raises are permanent, for sure, meaning when you do a salary raise, you have to stay with it. So we have done salary raises pretty much across the board for all software development resources. So that is going to stay and that's not going to obviously come down. But having said that, we -- when you look at some of the other businesses, we are continuing to also make changes and improve salaries in some of the other areas. But there is no hard and fast rule right now regarding, for example, a travel business or a ForEx business. As that business improves, we are going to start -- we haven't fully restored salaries for example, on -- in the area of foreign exchange.

We haven't fully restored our salaries in the area of travel, but we have restored them to a pretty high level now, but we haven't fully restored them. But as our business comes back, as the revenues grow -- start coming back, we're going to restore them. Our first goal in these 2 areas will be to restore the salary rather than increase salaries. And then we'll worry about -- because we don't have -- there is no such demand issue in the market with respect to these areas.

The opposite has happened. What has happened is some of the smaller players have just collapsed. In COVID times, we believe our market share has increased in all these areas, simply because not many -- some of the smaller players have just collapsed. And in the process, there is abundance of people availability right now. So we don't have a gun on our head with respect to any salary raises in some of these areas. But in other areas, we are committed to ensuring that our employees are rewarded in the right fashion as we go along the way.

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

Okay. Great. And then you talk about improvements in the remittance business. Just wanted to get your idea, I guess, relatively, where is the remittance business now compared to where it was, say, prepandemic? And how fast do you think it will get back to those levels prepandemic?

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

So remittance business is probably between 50% and 60% of prepandemic level. We do expect continued improvement in the remittance business as we go along. We've also added a lot of new agents in that business. Through this period, we have actually substantially improved our experience in the market. One of the things that has contributed to it that we signed an exclusive deal with MoneyGram. As we signed the exclusive deal with MoneyGram, not only did we sign -- we add a lot of new agents. What we also did, we were also able to bring in some of their existing subagents underneath them.

For example, one of the largest chains -- agent chains in India is under the name of Muthoot. Muthoot is one of the largest finance houses in India, so that Muthoot moved underneath us for the MoneyGram business recently. We also moved Unimoni which was a network of around 8,000 agents underneath us. So we are continuing to add a suite of cooperative banks, nationalized banks who have thousands of branches underneath us for this business.

So we have created the expanse -- we have increased our reach pretty substantially in the remittance business in -- during these pandemic times. We have actually used the time to build up or increase our reach. However, ultimately, we are dependent on how much money does a Western Union or a MoneyGram or a -- we bringing to the country. And that volume isn't really fully there right now. So I do expect that as we go into 2022, we should be back to somewhere in the range of plus/minus 5% to 10% of the pre-COVID levels.

Operator

And at this time, there are no further questions in the queue.

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

Thanks, Norma. I think with that, we will -- I'll close the call. Thanks, everyone, for joining in into the call. We look forward to the third quarter call and speaking to you again. Thank you.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for your participation. You may now disconnect. Everyone, have a wonderful day.

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