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EBIX - Q3 2016 Ebix Inc Earnings Call

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PRESENTATION

Operator

Good day ladies and gentlemen and welcome to the Ebix, Incorporated third quarter 2016 financial results investor call.

(Operator Instructions)

I would now like to introduce your host for today's conference, Mr. Darren Joseph, Corporate Vice President. Please go ahead Sir.

Darren Joseph - *Ebix Inc. - Corporate VP of IR*

Thank you. Welcome everyone to Ebix, Incorporated 2016 third-quarter earnings conference call. Joining me to discuss this quarter is Ebix's Chairman, President and CEO, Robin Raina, and Ebix's EVP and CFO, Robert Kerris. Following our remarks, we will open the call up 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, 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 statements.

Please note that these forward-looking statements reflect our opinions only, as of the date of this presentation and we undertake no obligation to revise or publicly release the results of any 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 2016 results, was issued earlier 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 text transcript of this call will be available also on the investor homepage of the Ebix website after 4 PM Eastern time today.

Let me now discuss the quarter from a numerical perspective. Revenue in Q3 2016 increased 12% from a year ago, to $74.6 million. On a constant currency basis, Ebix's Q3 2016 revenue increased 12% year-over-year to $75 million, as compared to $66.8 million in Q3 of 2015.

The revenue improvements reflected growth in the companies exchange channel, as well as higher revenue from the risk compliance channel. Also on a constant currency basis, year-to-date revenue increased 13% to $221.6 million, as compared to $195.3 million during the same period in 2015. The continuing strengthening of the US dollar year-over-year, has compared to the international currencies, decreased revenue by $0.4 million in Q3 2016 and $3.3 million during the nine months ended September 30, 2016.

In Q3, our exchange revenue continued to be the largest channel for Ebix accounting for 70% of the companies revenues. The year-over-year revenues increased as a result of revenue growth from life, annuity, underwriting, reinsurance, RCS and health e-commerce services; in addition to reported revenue growth generated from the Company taking a 51% controlling position in Ebix Health Administration Exchange, [EHAE]; the joint venture with IHC, which is now fully consolidated with Ebix.

The European division showed 156% year-over-year growth in a nine-month period ending September 30, 2016, by growing $13.5 million from $5.3 million the same period in 2015. This revenue growth is largely associated with PPL insurance underwriting exchange platform contract, which was executed and initiated earlier this year. Quarter-over-quarter revenues for Europe grew by 140% to $4.4 million in Q3 2016, from $1.7 million in Q3 2015.

This growth is in spite of the fact that post Brexit currency devaluation has caused Ebix $0.7 million and reduced quarterly revenues. The India division showed 295% year-over-year growth in the nine-month period ending September 30, 2016, by growing to $10.1 million from $2.5 million in the same period in 2015.

This revenue growth is largely associated with the companies e-governance efforts in India. Quarter-over-quarter revenues for India grew by over 354% to $3.8 million in Q3 2016, from $0.8 million and Q3 2015.

The Brazil, New Zealand and Australian divisions continue to show reduced year-over-year revenues in a nine-month period of 2016, a result of the strengthening US dollar. While Singapore division grew by a modest 14% in the same period in spite of being impacted by the strong US dollar. The Q3 2016, all the international regents grew 12% year-over-year as compared to Q3 2015.

Reinsurance exchange revenues grew 140%, underwriting exchange revenues grew 20%, life exchange revenues grew 2% year-over-year in Q3 in 2016, while health e-commerce exchange revenues grew 46% each in the same year-over-year period. RCS revenues were up 15% because of the new e-governance revenues in India.

The Company's pharmaceutical health content and [PC] carrier backend operations show decreased year-over-year revenues. The Company's health content revenues were down 11% year-over-year affected by the increased price competition in the sector and a decision of the Company to scale down its life sciences division, as part of its focus on increased margins, resulting in the life sciences group revenues being 51% lower year-over-year.

In Q3 2016, operating margins remain consistent at 33% as compared to Q3 2015. Operating income for Q3 2016 rose 11% to $24.3 million, as compared to $22 million in Q3 2015. Our operating income of $24.3 million was impacted by a number of one-time events in Q3 2015.

It was impacted by one-time operating expenses of $1.9 million in Q3 that won't appear in Q4 in 2016; including amongst other things certain one-time legal settlement cost, self-administered insurance costs associated with certain one-time claims, one-time increased expenses associated with the CEO salary change and other -- and a few other non-reoccurring costs associated with the valuation tax restructuring and acquisition related initiatives such as Patriot National.

Partially offsetting these cost increases, and improving the operating income was $1.21 million associated with the release of contingent earn outs based on remeasurement of the earn out allowance as of September 30, 2016. Q3 2016 net income rose 19% to $24.1 million, compared to Q3 2015 net income of $20.2 million.

The net income reflected both one-time charges of approximately $2.5 million as previously detailed in a one-time benefit of approximately $2.3 million essentially offsetting each other. Also, as reported in this press release earlier today, the Company is presently working on the cost rationalization exercise which is expected to deliver reduced expense of approximately $1.5 million per quarter beginning in Q1 of 2017.

I will now turn the call over to Bob.

Robert Kerris - *Ebix Inc. - CFO and Corporate Secretary*

Thank you Darren and thanks to all of you on the call for your interest in continued support of Ebix.

Q3 2016 diluted earnings per share increased 26% $0.74 as compared to $0.59 in the third quarter of 2015. For purposes of the Q3 2013 diluted EPS calculation, there was an average of 32.7 million diluted shares outstanding during the quarter. Compared to 34.5 million shares in Q3 of 2015 and 33 million shares last quarter of 2016.

As of today, the Company expects the diluted share count for the fourth quarter, will be approximately 32.3 million. Operating income for Q3 2016, rose 11% to $24.3 million, as compared to $22 million in Q3 of last year. The operating margins in the third quarter remain consistent at 33% as compared to Q3 2015.

Despite been adversely pressured by lower margins associated with our strategic consulting and e-governance businesses; through essentially to the higher margins realized by our exchange related businesses. Specifically, the Ebix consulting group and e-governance business combined had operating margins of approximately 20%.

While Ebix's other businesses -- business lines generated strong margins of 35% plus any aggregate. We are pleased that with the fact that the Company continues to report sequential quarterly revenue growth, robust cash flows from operating activities, consistent operating income and attractive operating margins in the 30% to 35% range.

In terms of cash flow, during the past quarter, we generated $22 million for our ongoing operating activities, an increase of $6.6 million or 43% from Q3 of last year. In the nine-month period ending September 30, 2016, the Company generated $53 million of operating cash flow, an increase of $27.4 million or 107%, as compared to the same period in 2015.

Regarding the uses of cash during this past quarter, the Company utilized $1.5 million for the continued build-out of our headquarter campus, here in Johns Creek, Georgia. And to build-out our expanding product development facilities in India, consisting of our local headquarter campus in Noida. And the build-out of a new 65,000 square foot software development facility in Hyderabad.

The Company also invested $700,000 to support our growing server needs for our exchange operations in international markets.

In regards to initiatives targeted at enhancing shareholder value, Ebix utilized $8.6 million of cash during the third quarter towards repurchasing 118,200 shares of our common stock, for $6.1 million and paying a $2.5 million towards the quarterly dividend. On a year-to-date basis, since January 1 of this year, the Company has purchased a total of 1.12 million shares of common stock for $42.8 million in the aggregate and paid $7.4 million in quarterly dividends.

With these additional share repurchases, and since August 1, 2014, when the Company announced that the Ebix Board's decision to repurchase stock on a continual basis over that subsequent three or four year period. The Company has now repurchased approximately 6.2 million shares of its common stock, for an aggregate amount of $158.7 million. Reflecting an average purchase price per share of $25.26.

We expect to continue the share buybacks utilizing operating cash from our business, as market conditions and strategic plans dictate. That said, the Company still closed the quarter with cash equivalents and short-term deposit investments of $111.8 million in the aggregate. Up $30.8 million as compared to the previous quarter ending June 30, but up by $76.6 million as compared to a year earlier in 2015.

From a liquidity perspective, we have $170 million of cash and short-term investments on hand. And, access to $244 million of potential available capacity under expanded credit facility with Regions, which includes $100 million accordion. To support the continued profitable growth of the Company, both organically and through accretive acquisitions, to efficiently integrate business acquisitions and to repurchase shares of our common stock as market conditions warrant.

The current interest rate on our syndicated credit facility is a very attractive 2.81%. Furthermore, as to key balance sheet metrics, our balance sheet remains healthy and our company's financial position is strong. With our current ratio of 2.6, our working capital short-term liquidity position of $114 million, a debt leverage ratio of 2.27 and a debt-to-equity ratio of only 0.6 as of September 30.

Finally, Ebix's Form 10-Q will be filed with the FCC, later this afternoon. I will now pass the call onto Robin. Thank you.

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

Thanks Bob. Good morning to everyone joining in on the call, over the phone and the web. I am pleased with the Q3 2016 results and the fact that these results are in line with our aspirational goals that I set out for Ebix sometime back.

I'm pleased with the Ebix Q3 2016 revenues being $75 million on a constant currency basis. I am pleased that we [got here] while reporting 33% in operating margins and operating cash flows of $22 million. Q3 2016 revenues are the highest revenues reported by Ebix in any quarter through its history.

I am pleased to be reporting these numbers while having a large [deal] pipeline like never before. Our third quarter 2016 diluted EPS of $0.74 is a record number for the Company. Between accretive acquisitions, new deal pipeline, new [cost] synergies and our stock buybacks we are hopeful that we can keep it moving in the right direction.

Darren talked about the effect of FX on our third quarter 2016 and nine-month results ending September 30, 2016. Over the last three years, the US dollar has kept strengthening and that is obviously not helped the reported results of Ebix foreign operation. It's reassuring that in spite of that, our results had continued to improve.

The drop-off, $3.3 million in the nine-month period on account of Ebix, can be better understood if you ran that analysis with respect to three years back. As the currency has continually kept declining each year over the last few years, cumulatively affecting our revenue by much larger numbers when you compare it to three years back.

We feel, that we have momentum on our side. The area of life reinsurance exchanges and e-governance, have all been good growth drivers of top line throughout the year 2016. That trend has continued in the third quarter of 2015 and with many large players deciding to deploy a platform.

We expect, depending on the momentum, that we have build in this area as we are in the midst of many such deals at present. We signed new contracts with clients in the third quarter of 2016 in every facet of our business, including RCS, CRM, health e-commerce exchanges, underwriting exchanges, annuity exchanges, backend systems and consulting contracts, et cetera.

Our deal pipeline is strong with Ebix being the contender for many large deals. I prefer not to provide any details about the perspective deals at this time for [competitive reasons]. While there no guarantees that any of these deals will come true, yet if secured, these deals could make our previously announced large deals look rather small in comparison.

We are putting in our best efforts to secure these contracts and will announce them formally, if and when any of these deals are closed. We're also looking to expand our presence [in the area] of health exchanges. Towards that extent, we exercise the right to take controlling interest in Ebix Health Administration Exchange, EHAE, by taking up [61%] of the shareholding in Q3.

A number of things to note on that front, EHAE is in the business of processing insurance claims on behalf of various carriers. The two biggest components that drive efficiency and cost for an entity like that are technology and manpower. Our Ebix enterprise technology is an end-to-end solution that can fulfill the technology role. While a [domain] knowledge of health insurance, spread across India and the US puts us in a strong position to handle that too.

Ebix Health Administration Exchange has evolved from a cash burned rate of $1.1 million in the first quarter of 2016 to an anticipated break-even point in the fourth quarter of 2016. While revenues have increased by 12% to 13% since Ebix got involved. We feel, that as we implement our other qualitative changes [EA] is poised to generate decent profitability in 2017.

What interested us to this business, is the fact that most [PPAs] in the US are running at low margins and that we could superimpose our success with EA in these PPAs and create a new revenue line and business model in the process. Our [USP] this area is a success with having implemented claims handling out of India while providing [end-to-end enterprise solutions] to power the systems for the PPAs concerned.

We're also looking at a new area that could generate meaningful results for Ebix in the future. Specifically, we seek to commence insurance entities to breakout their IT services and insurance processing and administration services, into a separate joint venture entity with Ebix. Our goal is to provide end-to-end technology to our wide repertoire of products to any such entity, besides utilizing offshore and on-site resources, to efficiently power this entity.

This can result in a win-win for both Ebix and the Company performing the JV with Ebix. With them getting a new start and a part of the profits of dividend, while Ebix recovers the profits to providing [on-demand] services to the JV partner through this entity. We will report more on it once we put any such contract in place.

We are continuing to grow our presence in the e-governance area in India. We are the midst of many large size deals in this area that we will report on, once we signed any one of such a large size deals. In recent times, we have changed [scale] to target e-governance deals that have relatively high margins in sync with our divide margin level -- more on it later.

We're pleased with the continued progress of our PPL initiative in London. We're committed to doing everything in our means to make this initiative a roaring success for the London insurance market. We just successfully deployed another product line facilities [insurance] in November 2016, after earlier having deployed [terrorism] insurance successfully.

We have aggressive plans in terms of new product rollout for PPL in 2017. As regards acquisition target, we have aggressive short term and long-term plans on that front. Ebix has an acquisition record that is second to none in terms of success rate.

We realize that it takes just one bad acquisition to change that record. Accordingly, they're highly disciplined and selective in how we approach an acquisition target. We tried to cover any perceived risks through various forms of backup built into the deal.

Anytime an acquisition target gets out of those metrics, we are prepared to give up on the acquisition. Even if we have put in a lot of time, energy and cost in the target. For every one acquisition that Ebix announces, we have walked away from many because something did not seem right or fit into our business model or risk profile.

At no point are we ready to take a risk that could derail the success of the past 17 years through one bad acquisition. We look at the [worst] scenario first, to ensure that the worst scenario does not have a big risk associated with it. We have a very strong pipeline of healthy deals that we're evaluating at present.

We prefer not to talk about any individual deal until we close it, for competitive reasons. We're looking to create a separate M&A function in the Company, to be led by a dedicated senior person, to oversee the execution of our plans in that area. We remain focused on protecting and growing our margins.

As the press release indicated, were presently in the mix of a [cost specialization] exercise, to try and improve our cost structure by a few margin points. We feel that our margins will improve, as more of the EA related initiatives are fully deployed, especially related to England in the coming quarters. Also, in case international currency starts strengthening as compared to the US dollar, we're going to see our revenues grow, as also our income, at approximately 40% or more of that revenue increase translates into increased margins for Ebix worldwide.

Ebix has always been a [cash] generation story over the last 17 years. Q3 of 2016 was no different in that area, with the Company reporting cash flows of $22.1 million. We have always had a stellar record in terms of quickly converting net income into operating cash flow.

Also, in the constantly growing Company like Ebix, where year-over-year revenues continually have kept moving upward and the Ebix [DSO] 73 days at present, any increase in revenues in operating income will have a lag; which basically because of the DSO and the [continually growing delta] revenue. We expect to keep going at operating cash flow and remain and continually to remain focused on that.

Ebix today has dreams of being many times larger than its present size. We're in the midst of it implementing our plan to implement that vision, while protecting our margin structure. We feel that we have the backing of our banks to head in that direction, as also strong access to resources, as Bob conveyed during his talk.

We have access to approximately [$107] million of financial resources in the form of cash and cash equivalent and access to bank credit facilities of approximately $244 million and more if we need it. Add to that, the prospective continued cash flow generated from operations by the Company over the next 12 months, [because] we believe that we have the financial resources to carry out all the growth initiatives, with the added goal of delivering improved diluted EPS and increase shareholder value.

Part of that vision is to reinvent in the culture of Ebix and position it as an energetic generation X company. We are today in the midst of many steps in that direction, including creating a work environment that can compete with the best of the best in the technology industry. We built a [world-class] 17 acre campus in Johns Creek Georgia in that direction.

Not only has it helped us achieve a desired work environment, but it has also help us rationalized the cost structure each time we moved in a disjointed operation from another city into this campus. For example, in recent times we successfully moved our RCS, certificate tracking operation from Hemet, California into the Johns Creek, Georgia office.

It's a blessing that we have done that while securing tax rebates from the local government. Great employee retention rate and the city naming the road of our campus as Ebix Way, with our campus address being One Ebix Way, Johns Creek, Georgia.

We are presently finishing, a similar low cost effort in India, to build out our Indian headquarters in Noida. That effort should be accomplished by February 2017. We are also presently building out another large 65,000 square foot facility in Hyderabad, to keep pace with our growth initiative.

All this has translated into a retention record for us, that is rivaled by a few in India. At present, our employees accretion rate in India, is close to 2%, as compared to 8% to 10% for the known large multinational names operating in India. We are proud of that record.

A few days back, one of my colleagues Mr. Muthu Arumugham, Corporate Vice President of Technology at Ebix, was named Georgia CIO of the year by Atlanta Business Chronicle, in the corporate category. He received a well-deserved award from Hewlett-Packard CEO, Meg Whitman, after having beaten many contenders to the award from the Who's Who of the Georgia-based companies.

I'm proud to see Muthu get this award, especially because it's an award that's given by a committee comprising other CIOs from other companies. This award is a reflection of the [IT] standing of the Company today in technology circles and how other technology leaders perceive the Company today.

Lastly, Ebix will be 41 years old in 2017. I've been involved in this journey with Ebix for almost 18 years now. And I've seen the Company deliver 68 quarters-plus of profitability growth and consistency.

I've the Company rise from a loss of $19 million in 1999 to become one of the highest margin technology companies in the US. I have witnessed the Company deliver top-line compounded annual growth rate, CAGR, of approximately 20.3% since 1999. I've also seen the Company deliver a total shareholder return, [TSR], of approximately 13,815% since January 1, 2001. I'm still here, with the basic belief that the best is yet to come.

I'm hopeful that the 41st year of Ebix [birth] starts the beginning of a new era of growth and profitability. That brings me to the end of my talk. I will now hand it over to the operator to open it up for questions. Thank you.

QUESTIONS AND ANSWERS

Operator

Thank you.

(Operator Instructions).

Jeff Van Rhee Craig-Hallum. Your line is now open.

Jeff Van Rhee - *Craig-Hallum Capital Group - Analyst*

Hi great. Thank you. Several questions for you guys.

First, Robin with respect to the operating margins, I'm going to give my take. Last quarter it seems you're getting a bit more cautious in the near term about operating margins as you commented about some of these larger India contracts even lower margins and that you thought you could rebuild over time.

The message this quarter, seems to be a bit more conviction about operating margin expansion outside of the cost savings you are going to take out of the business; excluding that, is that an accurate, a sort of read back of what is going on? And your take on the operating margin progression here?

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

Jeff, let me give you a candid answer to this one. Last quarter when I presented, I talked to -- I was going to present the range. I believe it is my responsibility to be transparent to shareholders and to prevent the thinking to shareholders as we see it in the management.

And my thinking was, I was not at any point suggesting that Ebix goal is to definitely take the margins down to 30% or lower. What I was trying to say, that don't read too much into the operating margin just in case in a political quarter you see the number go down a little bit, because we're trying to build the company. We're trying to build the revenue.

We're trying to make sure that we build a company for growth now, a growth we would like to -- make Ebix into a growth story, which we believe we have done over the years. But we believe we can do a much better job on that. So having said that, at no point was I suggesting that that's a planned strategy, that we're going to definitely take it to 30%. I was just trying to create a range and tell them that just in case you see that happen, don't read much into it.

Having said that, at no point would I be comfortable with a margin of 30%. I believe that we work very hard to take this company and to 35% to 40% range. I'd like to keep the company at least at somewhere in that range of 35%.

You know, right now are at the 33% mark and we will, we will try to stay somewhere in that range between 30% and 35% for now as we build up a growth story [up there]. So that's going to be our foot in, and in one political quarter you might; as we build a growth story, part of it is were not shy of making difficult decisions. To give you an example, you might see in a political quarter where we feel will take a higher expense in the political quarter and the reason we might do it, simply because sometimes you make these decisions to clean up your financial for the future.

For example, if you can take and expense now and in the future, it reduces your expenses on a continual basis. I think we're all for it. We're going to take that expense and possibly take our margin down in a political quarter to a 30% level, because it helps us in the future.

So, all I was trying to do was set up expectations and try and say that look, we're -- we are going to do a little bit experimentation. We're going to try and build Ebix into a high growth story, at the same time just be patient with us. That's basically what I was saying, rather than saying that I definitely wanted to take down the 30%.

Does that answer your question?

Jeff Van Rhee - *Craig-Hallum Capital Group - Analyst*

It does. It does. The second question, then, around pipeline. You know, you referenced in the past, some transformation of large customer deals working through the pipeline. You've talked about your ENOI venture in India.

I think you called out a little more specifics on this call about the revenue flow, in India. How do you characterize the help of the pipe now?

I think you talked over the last few quarters, you felt that the pipeline was in outstanding shape. Is it is it equivalently outstanding, if that's a good question? I'm curious if it's getting better?

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

Yes it is. It is. It did equally good. Is continuing to grow.

What is happening, as we've become a larger company. We are being brought into deals. It's also now, that companies reach out to us and try to bring us into a deal, so that makes our work a lot more easier. But it is as we become bigger, a lot of the larger companies; who are shy of talking to you about larger deals, now start reaching out to you because they think you're one of the larger players.

Earlier they thought the risks were higher because we were a small company and so on. So having said that, our pipeline is stronger than ever before. I think part of what I would change majorly is our approach to things. We're also looking at things -- we want to be in the mix of larger deals.

Again, what hasn't changed is, that our focus on recurring revenue. We are very focused on the current revenue. We're still not willing to take shots (inaudible). We're not willing to take the low margin deals for example, or taking perpetual license deals, which might be very -- which is sometimes very attractive, because they could be large value deals.

What we are trying to do, we're trying to at least operate in a business environment. That we could get a bigger deals, recurring deals. Now having said that, we're also trying to take the company in various areas. For example, one of the areas I covered today. I talked, I think in some detail about the concept of convincing insurance companies, convincing large brokers, to breakout their IT and services group into a separate venture with us.

What that does is, that we basically believe were good at this. We're good at technology. We're good at manpower. We also believe we're good at financial [equivalent].

We can bring the value of Ebix to that broker, to that carrier, and basically say, listen, we're going to float this JV with you. And we're [oh part] expense with you in this area. At the same time, you outsource your entire business. Now, this could be over a large -- let's say there's a large broker, who has $200 million operation, just related to services. We would rather -- we would want to put that $200 million operation into a [possible JV].

And then become a joint venture partner and basically say, listen we will give you -- part of the profit to be given you as a dividend and the JV partner, it brings their part down because now they're getting, you know they're getting a dividend on something which where if they were spending $100 earlier, now they might be spending only $70 because $30 or $20 is coming back to them and on, so that's the business venture that we are pursuing aggressively and seeing what we can do.

The company approaches -- jus as an example, the company that (inaudible) we're also looking at areas like health co-ops for example. The concept of health co-ops in the US; but again, as you know with the present election, with the change, that yesterday happened; we don't know which way it's going to go with respect to Obamacare, so we'll watch this. But one thing is for, you have to know, that health insurance needs a fix in virtually every state that we go across.

It's not a hidden secret that out of the 23 co-ops that were started under Obamacare, only six are remaining right now. Which means, you go to states like New Jersey and you see one carrier, health carrier operating out there. That requires a fix with all that is going on.

There is a place for vendors like us in there, to try and make some of these co-op, some of these insurance companies a lot more efficient. So that -- what you're seeing in the market, the premiums go up tremendously. Part of the reason the premiums are going up because, they're not efficiently run. A big part of their cost is technology. Manpower.

If somebody can step in and give them their value and bring that technology cost down, you'd be pretty amazed. If you did a study of any co-op, for example in the US, and looked at what does the technology cost; our manpower cost related to administering that technology, these are mind-boggling shocking numbers. If you can bring that technology or that manpower cost down; you are going to see a big improvement in terms of, first of all, their survival rate.

Second of all, better premiums. You're going to see better returns to people, that will get better health insurance coverage and so on. And we feel there is a room for players like us to come into that market and we're going to do -- we're not going to go into that market into a traditional role. We have her own ideas of how we want to step in. So, this is an example of what Ebix is thinking.

We have a very different style of thinking right now. We feel that we can make Ebix into a much larger player. So we are start -- thinking outside the box.

We're not wanting to operate like another vendor who steps into the markets and says well, I want to sell another product and try to compete with somebody. We're trying to define the market. We're trying to change the way the market has operated, because we believe if we can do that directly, revenue will happen. Margins will happen, because we can redefine the business by doing that.

Jeff Van Rhee - *Craig-Hallum Capital Group - Analyst*

Got it. A couple of brief ones for me. I see you consolidated this quarter. I guess, size the impact: what was the revenue impact? Did you get a full quarter, just a month of revenue out of there? Just trying to get a sense of how that mold (multiple speakers).

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

Revenue impact of that, you will see in the queue. But basically; what we did, when we acquired that revenue, we also had -- we also lost some revenue, because there is revenue happening from IC, from this [EME]. For example, we're doing all that [recession] work out of India for them. We were doing all the custom development. We were providing all the technology.

Now we can't count that revenue, so that revenue had to be removed from the overall revenue, so there is a bit of, you know -- there is a bit of a trade-off in what the revenue we acquire. If we acquire X amount of revenue, we didn't really acquire X because it was X minus our existing revenue that we had from them. But approximately, you could say, approximately $3 million of add-on revenue that got added to the mix.

But you also have to remember that's a very good question you ask. That $3 million, that we got added into the mix, came with zero profit. It came with zero profit and the reason we are bullish about it is, when we acquire -- took a position in this, in Q1 of 2016; they were losing $1.1 million a quarter.

Today they're reporting zero. Why, we did something right in there. And we feel, we think 2017 will be a fantastic year. We took an early position by taking control in that Company.

So again, when you look at it, if you are reporting our operating margins with zero profitability out of -- something like that, you can imagine that clearly we have some room to grow in our operating margins.

Jeff Van Rhee - *Craig-Hallum Capital Group - Analyst*

Yes. Got it. Okay and then had two brief ones and I will let somebody else slip on. You, obviously the Patriot National offer you have put out there and then had a portion of your release today dedicated to Patriot.

Not sure if there's any incremental color that you're able to provide there, but if so would love to hear it. And then also, just throw this out there, I know you commented about hitting your aspirations this quarter. Any updated color in terms of aspirations or thoughts going forward?

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

Look, I talked about our acquisition strategy. I think you could -- I already gave my comments about how we approach acquisitions, how we're willing to walk out of deals and so on. So I'll just stop at that.

I don't want to go into specifics of Patriot simply because we have very tight deal with them. I think you'll read through our release today and we talked to, what we had to say about Patriot National. I will just stay with that.

I think the important part to remember is, that Ebix doesn't like getting carried away by anything. I think the important part to know is, we're not just going to -- if something appears very good, we will not take that for granted.

We want to be, we want to absolutely be 100% sure or at least 80% sure, that, what we are approaching, at least has a risk mitigation strategy. And if we feel uncomfortable with something, we will walk out of it. That's the extent to which I could say in general about our acquisition strategy. So, beyond that, I don't have anything to add on that front.

Jeff Van Rhee - *Craig-Hallum Capital Group - Analyst*

Okay. Okay and any updates that you're willing to share on the aspiration side?

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

I think on the aspiration side, I think all I will say at this point; because I have talked in the past about -- I think right now, all I'll tell you that, we have a very aggressive plan over the next three years. We feel we have money on our side and we feel we have deals on our side. We feel that this company can be a few times larger as we approach the next, you know I don't want to give you a timeline.

I'm hesitant to give you a timeline, but basically let's put it that way; we feel we can be the largest player in the market in the insurance and financial services area in terms of specialty on demand area. We feel that the challenge there is, we believe we can do that while protecting our margins. And that's basically why, part of it is, we took a very serious look at our own costs, our own internal costs and how we are running the company.

Part of it just feels that as companies grow, there is a big danger of losing your efficiency. Fat just creeps in. Part of what happens is, when you get too close to a subject, you lose objectivity. And I am always scared about it. And I talk to my senior management all the while about this.

I've been here 17 to 18 years and I dread the part of -- that am I being -- have I lost my objectivity. Have I lost the ability to see that fat exists. And I always believe that if I wasn't at Ebix, and a new CEO was running Ebix, I believe he would probably drive more efficiency than I have. I believe he would come in and say look, Robin wasn't noticing these things.

Our management wasn't noticing these things. There is so much fat sitting here. So it's something that keeps us always on our toes. We don't want to get carried away by the successes of the last 17 or 18 years.

We want to be focused and that's the next side to continually undertake, especially in the last 90 days. We took a very serious, hard look at where we are. We aren't done with what we need to do in that area, but over the next 60 to 90 days, we're going to implement some of these steps, which I believe will be good for Ebix in the near future and the long-term future.

Jeff Van Rhee - *Craig-Hallum Capital Group - Analyst*

Okay. Great. Thanks for taking my questions.

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

Thank you.

Operator

I'm not showing any further questions. I'd like to turn the call back over to management for any further remarks.

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

Thank you. I think that brings me to the end of the call. I look forward to speaking to you guys again as we announce our year-end results.

Thanks everyone. Thank you. And with that I'll close the call.

Operator

Ladies and gentlemen thank you for participating in today's conference. This does conclude today's conference and you may all disconnect. Everyone, have a great day.

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