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EBIX - Q4 2016 Ebix Inc Earnings Call

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CORPORATE PARTICIPANTS

Darren Joseph *Ebix Inc. - Corporate VP*

Sean Donaghy *Ebix Inc. - CFO*

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

PRESENTATION

Operator

Good day ladies and gentlemen and welcome to the Ebix 2016 annual results conference.

(Operator Instructions)

As a reminder, this conference call is being recorded. I would now like to turn the conference over to Darren Joseph, Corporate Vice President. Sir, you may begin.

Darren Joseph - *Ebix Inc. - Corporate VP*

Thank you. Welcome everyone to Ebix, Incorporated's 2016 annual results earnings conference call. Joining me to discuss the year and the fourth quarter of 2016 is Ebix Chairman, President, and CEO, Robin Raina, and Ebix CFO, Sean Donaghy. 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-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 the revisions of 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 fourth-quarter 2016 and full-year 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 the text transcript of this call will be available also on the investor homepage of the Ebix website after 4:00 PM Eastern time today. Sean and I will talk about the Company from a financial perspective, while Robin will delve into the qualitative aspects of the quarter, the year, and the future ahead of us.

Let me start by reviewing the results announced today. In Q4, our exchange revenue continued to be the largest channel for Ebix, accounting for 69% of the Company's revenues.

The Brexit vote in the UK had a major negative effect on our expected UK revenues in 2016. Our revenues from the New London reinsurance deal alone in 2016 could have been $2.2 million higher for 2016, using the 2015 average exchange rate for the British pound, or $825,000 for Q4 2016 alone.

In spite of the steep currency drop of 11% for the year and 18% for Q4 2016, versus Q4 2015 in British pounds relative to the US dollar, our reinsurance revenues quarter over quarter grew to 18%. We expect that we will be able to improve revenues -- during 2016, the change in foreign currency exchange rates decreased reported Australian and Latin American operating revenues by $410,000 and $300,000 respectively.

Europe's revenues increased 8 $8.8 million, net of $2.2 million decrease due to the change in foreign currency exchange rates, due primarily to the execution and commencement of certain significant contracts. On a quarter over quarter basis, our health e-commerce sector revenues grew by 70% in Q4 of 2016 as compared to Q4 of 2015. In the same comparative period, our P&C revenues grew 7%, life annuity revenues grew a combined 3%, RCS sector revenues grew by 30%, and the life sciences revenue grew by 60%.

In the same period, our health content revenues were down by 9%, partially offsetting the increase in revenues from all of these areas. Overall Q4 2016 reported revenues were 14% higher at $80 million, as compared to $70.2 million in Q4 2015. On a sequential basis, Q4 2016 revenues were 7% higher as compared to $74.6 million in Q3 of 2016.

Let me now review the annual results on a comparative year-over-year basis. Full-year 2016 GAAP revenues were 12% higher at $298.3 million, as compared to $265.5 million in 2015. Full-year revenues for 2016 were 14% higher at $301.6 million on a constant currency basis, as compared to $265.5 million in 2015.

The year-over-year revenues increased as a result of revenue growth from life and annuity, underwriting, reinsurance, health e-commerce, and RCS services, partially offset by the drop in revenue from our health content and life sciences businesses, in addition to the effect of the strengthening US dollar on our international revenues. Our reinsurance revenues grew by 104% year-over-year, health e-commerce revenues grew 32%, life underwriting revenues grew 24%, and our life and annuity revenues grew a combined 5% year-over-year in 2016.

In the same comparative period, our RCS revenues grew approximately 28%. While the growth in reinsurance, life and annuity, RCS, and underwriting sectors were organic, the health e-commerce growth was aided by the creation of the Ebix health administration exchange joint venture, in which Ebix holds a 51% interest.

Between all this organic growth, the EHA joint venture and the comparative partial revenues of 2016 for a few months from a few small acquisitions, as compared to 2015, our overall revenues in 2016 grew to 14% to $301.6 million, from $265.5 million in 2015 on a constant currency basis. Our overall 2016 revenue growth could have been much higher but for the Brexit vote impact on our UK revenues, 11% drop in our health content revenues, and a 38% drop in our life sciences revenues.

The professional services revenues in 2016 continued to be impacted negatively in the life sciences division, due to already announced decision of the Company to deemphasize certain operations, which we don't think can give us the same margin profile and market positioning that fits in with our present strategy and growth plans. We expect that we will be able to improve revenues and margins in this area as our offshore operations are set up to take this business ramp up fully, in terms of knowledge and number of people.

The health content revenues were impacted negatively by many factors, with the key ones being comparative price dropping by one of our competitors to gain market share, and Ebix' unwillingness to do so. As also, the uncertainties surrounding ObamaCare that has impacted various players into the recent healthcare strategy.

Overall, we're quite pleased with our top line results in 2016, and the positive momentum that we were able to generate in 2016. I will now turn the call over to Sean.

Sean Donaghy - *Ebix Inc. - CFO*

Thank you Darren, and thanks to all on the call in your interest in Ebix. We are very pleased to have delivered fourth-quarter results. Full-year 2016 diluted earnings per share increased 25% to $2.86, from $2.28 in 2015. Reflecting the benefit of ongoing share repurchase activity, Ebix's weighted average diluted shares outstanding decreased to 32.9 million shares in 2016, compared to 34.9 million shares in 2015.

Q4 2016 diluted earnings per share of $0.76 were up $0.11, or 17% from the fourth quarter of 2015. For purposes of the Q4 2016 EPS calculation, there was an average of 32.5 million diluted shares outstanding during the quarter, as compared to 33.9 million diluted shares outstanding in Q4 of 2015. Based on share repurchases completed to date, Ebix expects its diluted share count to be approximately 32.0 million shares in Q1 of 2017, and 31.7 million shares in Q2 of 2017.

Cash flow provided by operations for Q4 of 2016 was $30.7 million, up $8.6 million or 39% from Q3 of 2016, and up by $6.5 million or 27% from Q4 of 2015. Operating income for Q4 2016 rose 7% to $27.7 million, as compared to $25.8 million in Q4 2015. In spite of the Company's revenues in the quarter translating to an annualized revenue rate of $320 million, the highest quarterly revenues reported by the Company since its inception, the Company had strong operating margin of 35% for Q4 of 2016, up from the 33% of Q3 of 2016, and the 37% from Q4 of 2015 a year earlier.

Full-year 2016 operating margins were at 34%. Accordingly operating income for 2016 rose 13% to $100.3 million, as compared to $88.7 million in 2015. Operating cash flow totaled $83.7 million in 2016 up 72%, as compared to $48.7 million in 2015. We are pleased with the growth in operating margins, as it in line with what we had expected.

The Company continues to produce robust operating cash flows, generating $30.7 million during Q4 of 2016. Our financial position remained strong, with $117 million in aggregate cash, cash equivalents, and short term cash deposits. Combined with available borrowing of $212 million under our syndicated bank facility, the Company presently has access to approximately $329 million of cash to support continued organic and acquisitive growth, as well as opportunistic share repurchases.

Amongst other initiatives targeted at maximizing shareholder value, Ebix utilized $22.4 million of cash during Q4 of 2016, on repurchasing 382,064 shares of Ebix's common stock, and paying $2.5 million in quarterly dividends. Subsequent to December 31 and through February 28, 2017, the Company has repurchased an additional 594,048 shares for cash consideration of $34.17 million. During 2016, the Company repurchased 1,479,454 shares of its outstanding common stock, for an aggregate cash consideration of $65.3 million.

In 2016, the Company also made a number of key investments. The Company's capital expenditures were $6 million for 2016, primarily due to the expenditures on the build out of the new Johns Creek, Georgia headquarters facility, and the purchase of new buildings in India to support our expanding world-class product development facilities.

The Company also incurred $4 million in capitalized software development costs associated with the Company's continuing medical education service offerings, and the recent development of its new global reinsurance framework. The Company also spent $8.7 million in the form of acquisition-related and joint venture investments, WDEV in Brazil, [Hopelt] and the Ebix Health Solutions LLC.

Furthermore, as to key balance sheet metrics, our balance sheet is healthy with $120.2 million of working capital, our current ratio of 2.34, DSO of 69 days, a debt leverage ratio of 2.46, and a fixed charge coverage ratio of 6.52 as of 12/31/2016. The Company will pay its next quarterly cash dividend of $0.075 per common share, payable on March 15, 2017, to shareholders of record on February 28, 2017.

Finally, Ebix's Form 10-K will be filed tomorrow afternoon. I'll now pass the call onto Robin.

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

Thanks, Sean. Good morning everyone. Thank you for joining us today.

Darren and Sean have already cover the quarter and the full year in numerical terms. I'll try to focus my comments on a number of topics, my viewpoint on the quarter and the year, new aspirational goals for the Company, and where we head from here.

When I evaluate any company's performance over any period of time, as an acquisition target or an investment target, I look at a number of key metrics that help me analyze the business fundamentals and future viability of the business. Frankly, when you get close to a subject, you tend to lose your objectivity, and I'm quite aware of the risks of Ebix management suffering from the same.

So I have tried to look at Ebix in the same manner as any other company, and study its performance on each of these metrics, simply to hopefully give the management an arm's-length view of Ebix performance. While evaluating companies, the key metrics we look at are consistency of revenue streams; consistency of financial results; whether the Company has experienced crests and troughs in its quarterly and yearly performance, in terms of revenues and operating income; consistency and trajectory of operating cash flows; Company ability to deploy large products on a timely basis; financial leverage taken by the Company; Company's customer attrition rate; whether the business model caters to recurring or non-recurring revenue streams; customer concentration percentages; business model to sell, whether it is on demand or perpetual; senior management retention rate; Company adherence to processes and discipline; Company's chances of being a dominant player in this space they operate in; and finally, the nature of the Company's technology.

Let me now analyze Ebix on some of these metrics. Firstly, on the topic of consistency of revenue streams, 2016 was the 20th straight year of continuous sequential growth for Ebix, in terms of its top line. Sean and Darren talked about the year-over-year growth percentages and the respective areas of growth already.

I feel that Ebix performance in 2016 was strong, considering that it had to deal with currency headwinds in the UK, because of the unexpected effects of the Brexit vote. When we were negotiating the market aggregation reinsurance deal in the UK, it was supposed to fetch guaranteed revenue approaching $17 million annually; however, between the signing delays in 2015 and 2016, we saw the British currency exchange rates decline tremendously to make it a $12.5 million annual deal at current exchange rates.

Similar trends have happened in Australia and Brazil, two of our larger important international geographies, where currency rates have declined over the last four years tremendously. For example, over the last many years, the Brazilian dollar has moved from 1.14 times the US dollar to 0.74 times the US dollar. Brazilian currency has moved from 0.7 times the US dollar to 0.3 times the US dollar. Once the US dollar starts weakening, we will see opposite effects and see the top line grow, just because of that.

In spite of that headwind of currency, and a drop in revenue in the health content arena, Ebix grew fourth-quarter 2016 revenues by 14% to $80 million, as compared to Q4 of 2015, while continuing to grow revenue sequentially in every quarter of 2016. Also, the annual 2016 revenues grew by 12% to $288 million.

Sean and Darren already talked about the areas of our business that aided this growth. In my metric, Ebix performed well on this top line metric, especially when you look at the consistency of this growth over the last 17 years. When you look at Ebix performance on the metrics of operating income and operating margin, you see that Ebix was equally consistent there.

Its operating income grew sequentially each quarter in 2016 and the Company also fared extremely well on a year-to-year performance metrics. Whatever period of time we analyze the company on, whether one year or three years or five years or a 10-year comparative metric, or even the 17 year comparative metric in my book, Ebix again had a great deal of this metric.

In terms of operating margins, some time back I had talked about the possibility of Ebix operating margins approaching 30% as we focus on top line growth. Fortunately, we have not let that happen. With Ebix operating margins for fourth quarter of 2016 being at 35%, with 2016 full-year operating margins at 34%, I am pleased with our performance. As the Company has stuck to its financial discipline and business model, while pursuing top line growth.

That's never an easy proposition, and thus in my book, the Company fared extremely well on that metric. For any company who has aspirations of being the largest on-demand insurance and financial software services player in the world, it's important to ensure that it can deploy large enterprise deals on a timely basis. This is extremely important, if the company wants other large prospective clients, to deploy Ebix enterprise solutions.

The year 2016 saw Ebix implement large complex enterprise deals for clients like CUNA, [Cooperate], SunLife, American Family, MetLife, PPL, BFNL, and [Pumi] et cetera. In each of these deployments, Ebix' work was not only timely but also widely applauded by our clients. In many of these enterprise deals, we were deploying highly complex end-to-end solutions that had never been implemented by any other vendor or client. That is what made it even more remarkable.

A complex deployment like PPL in London required us to carry the entire London reinsurance market together, and cater to its every need and yet drive a common market aggregation platform. I thank Lloyds and the other key London insurance bodies like LIBA, IUA, besides of course PPL, who has led cooperative effort on behalf of all the large and small brokers and underwriters across the market.

As of now, Ebix deployment has been very successful. We intend to keep launching new products on this exchange in 2017. I'm extremely proud of what the Ebix software artists have been able to accomplish in the year 2016.

Let's now look at Ebix performance in terms of other metrics, like customer concentration and customer attrition. Ebix has built a business with very little customer concentration, with no one client being more than 2% of our worldwide revenues in 2016. The strength of Ebix's business lies in its business model, wherein Ebix owns the IP and the clients get to use the service on an on-demand and usage basis.

With the aggregation we have built and the network effect it leads to, Ebix had a great year in 2016 on the customer retention front, also. A key metric in my book to evaluate a Company's financial performance, and the management's ability to stick to the basics, is to look at the financial leverage taken by the Company. In recent times, I have looked at lots of large companies in our sector, and the net debt they carry on their balance sheet.

While many of these companies have performed well in terms of top line growth, yet they don't pass my test of financial discipline and sensible growth. Most of these companies carry net leverage varying between 6 to 10 times in terms of their EBITDA. That to me is a very risky proposition, since one bad year or a few large headwinds could cause tremendous damage to the future of these companies, as high leverage comes with the Company basically risking the future in the hands of their bankers, warrant holders and other financial lenders.

Let's now calculate Ebix leverage by comparing the Company's net debt, debt minus cash reserves, to its quarterly annualized EBITDA or even 12-month trailing EBITDA. You will realize that the Company's net leverage is below 1.5 times, whichever way you run the mathematics. That to me speaks to the financial discipline of Ebix, and the one factor that puts Ebix apart on the fundamental landscape. It allows us tremendous opportunity for growth, as and if we decide to leverage the company a bit more.

The Company has continued to focus on on-demand cutting edge technology and state-of-the-art quality processes. Our expertise in that area can be understood from the basic fact that we started deploying fast enterprise software in 2001, when the entire insurance industry saw us as ahead of the times. However, our steadfast focus on on-demand fast deployments, with IP being owned by us, has led to us creating aggregations that encompass hundreds of thousands of users on a platform.

The Company has kept adapting to change, and getting its technology, hosting, and quality processes to be tested and certified by premier outside agencies. Ebix considers itself technology agnostic, while creating technology that met its standards, and can interface with hundreds of waiting partners, vendors and technologies. In the year 2016, Ebix had 270 different disparate products being built in its Ebix India headquarters. Incidentally, all on SaaS technologies.

Before I go into aspirational goals for Ebix, I want to talk about a few key areas in which we would like to possibly take the Company. We would like to expand the Company into the area of financial exchanges, especially in the area of cash settlement and digital money. We see this is a big opportunity, especially in emerging countries, where the governments are trying to ensure that cash as an instrument of play is minimized, and all money can be tracked and taxed.

We feel that there's an opportunity to take an early place in these markets and deploy exchanges to trace and move money digitally across retailers, distributors, corporates, consumers and banks. We see the opportunity not to be an underwriting agent or a risk-bearing agent but as an in between exchange that offers the enterprise ability to facilitate that money movement as business happens, while getting others to underwrite that risk, and simply be an exchange in the middle. If we go into this area, it is likely that we will go there in step one, by buying a growing sensible business, with a good record in that area.

We would also like to enter the area of e-learning, as we see that as an area where we have expertise, and also an area that caters itself to the possibility of 40% plus EBITDA margins, simply because the nature of the business requires selling the same asset on a cloud computing basis and recurring basis to a large number of clients. Again, if we enter this area, it will be through a decent sized sensible acquisition.

Now let me briefly talk about new aspirational goals for Ebix. Let me start by saying that these aspirational goals, as the word conveys, are an aspiration, and by no means are projections or guidance into the future of Ebix. There are no guarantees that we will achieve these aspirational goals. I've been talking about aspirational goals over the last two years, and once we meet them, investors reach out to me, wanting me to spell out new aspirational goals for Ebix to get an understanding of where Ebix aspires to head in the next two years.

Our Q4 2016 results show that the annualized Q4 2016 revenues translate to an annualized run rate of approximately $320 million, with 12-month trailing revenue approaching $300 million. That, incidentally, was the previous aspirational goal that I had defined. I also defined an EPS metric to accompany it that we basically have met also.

I'm accordingly that aspirational goal to $100 million in quarterly revenues, by the second quarter of 2018. This goal will be aided by the growth initiative that I discussed during the call, as also by our acquisition strategy. I do not want to talk about our aspirational goals beyond 2018 at present, as I prefer that the Company first meet this goal before I spell out the next aspirational goal.

Clearly, we would like to get to this aspirational goal while keeping our operating margins in check. We also believe that we need to concentrate on the areas of aggregation, where in we have little competition. We would also need to create new services and products in niche market or geographies, where we can dominate the organic or and inorganic means. Dominance in any area comes with the ability demand higher operating margins, and extremely strong and sticky recurring revenues. We like that.

We intend to continue to endeavor to deliver shareholder value on a recurring basis. We intend to do that to increase transparency, better outreach, accretive acquisitions, focus on higher-margin services, dividends, and ongoing share buybacks.

We continue to believe that repurchasing our own stock is one of the most accretive uses of our cash. Accordingly, since January 1, 2017, we have purchased approximately 594,000 shares for a cash consideration of $34 million, at an average price of $57.50 per share. Based on these purchases already made, the Company's diluted share count is now expected to be approximately 31.7 million shares at our second quarter in 2017.

On February 6, 2017, we announced that our Board of Directors has approved a new $150 million share repurchase plan. This was our third repurchase plan approval since the Board had approved two repurchase plans earlier, $100 million each. Accordingly, we intend to continue opportunistically buying the stock over the next few years.

As regards our acquisition pipeline, it remains strong and healthy with a number of targets that can be an symbiotic and accretive for us. We will continue to pursue those targets. Our banking syndicate, under the leadership of Regions Bank has been strong in the support of our efforts. We expect that we will have their support as we expand the Company in terms of a larger and more expanded credit line, if we so desire.

Ebix today is thinking at a different level, in terms of its future growth opportunities. We believe that we can use our present expanse of customer depth to be a much larger player. We intend to do that both from within and throughout the accretive acquisition in the near and long-term future both.

In summary, I'm very pleased with the strong finish we delivered through the year 2016. We have a focused simplified business model, with a strong P&L and a strong balance sheet, which should continue to catalyze our growth.

We are in the lead position to enable and power some of the world's largest insurance exchanges. All of this translates into a tremendous growth opportunity for us, and I'm very pleased with how our journey continues to progress.

Thank you. With that I'm going to hand it back over to Sharon.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Jeff Van Rhee Craig-Hallum. You may begin.

NEW SPEAKER

Thank you congrats Robin quarter looks great cash flow to scrape purchase a handful of clarifications. I guess in the released for civilian talk about a number of large value contracts that started treating in 2017. Can you talk a bit to those contracts may be narrowed down what a large contract is to you and then maybe a sense of which segments those appalling and in particular any margin impact in terms of margin uplift or drag is related to this new contracts?

NEW SPEAKER

I think I can go into specifics of any of these deals simply because in a complicated situation and we wouldn't want to talk about it but I think I could answer it in terms of size of these deals. The size of these deals, of these that any of these contracts when I called him large I mean any contract which is anywhere between $10 million-$70 million for example. So it has to be we're looking at varying amount of deals varying sizes. And so I think at this minute I would just start with that and not talk about specific areas of where we think that business can come in.

NEW SPEAKER

Okay and just to be clear then these are deals that are similar these are still competitive deals working towards (Inaudible)

NEW SPEAKER

We have some deals that are signed. Again I wouldn't want to talk about the size of those deals right now and we will let the market no once we have PORTAL from those lines to talk about them and declare them at the same time I think there are others that are in active negotiations.

NEW SPEAKER

Okay. And then with respect to the acquisitions in the quarter I think you touched on a couple of them. Could you just expand on those a bit in terms of what were the drivers. What are you actually buying their curious sort of the strategic fit and then if you can quantify to some degree the impact certainly some of these be by a wide margin versus my estimate for the quarter just trying to figure out how much of that came from acquisitions to the quarter so help us size but the impact was and then as I said in particular what are they bringing.

NEW SPEAKER

I think just once you get I believe tomorrow you'll see a performance and it which will likely reflect the year-over-year kind of comparison. It's kind of hard for me to answer that question because most of these acquisitions are relatively small that we have made this year. I think most of our growth is coming out of two or three areas as Darren detailed out during his talk which is we're all familiar with the insurance dilemma and then also familiar with some of the larger key governance deals that we have signed. We've also seen a lot of action and a light area. We've also seen lots of BPO action with respect to moving for example the (Inaudible) over to India that we talked about in the past we also saw the JB being loaded with respect to how. So those are some of the key growth drivers. We were off a little bit by a number of factors as we talk through. We talk about the health content space where we our revenue declined. We also talked about the life sciences phase where revenue declined. I think the praxis warded other cost like I said we're negotiating the deal with the London aggregation deal. We've got the guaranteed revenue is going to be $70 million plus a vendor that pain as of now $12.5 million plus the guaranteed revenue. Which will obviously a decent drop and that we get the Brexit word just came out of nowhere. So having said that, I think this will be good year for us in terms of moving and continuing to work on the momentum. I couldn't give you more specific set this minute in terms of you know, we don't definer business in that manner.

NEW SPEAKER

Okay. And then just a few others in terms of these new were areas and focused financial exchanges, can you expand a bit on both the finance exchanges in e-learning? It is primarily international opportunities and are there players that are established during each of these instances Secretary the opportunity very nascent markets just a little more color on her might be there already you compete with and whether it's domestic or international?

NEW SPEAKER

It is international. And clearly as I addressed these opportunities in emerging markets I think the biggest opportunity and emerging markets where the two dynamics happening. One in emerging markets you know every country is trying to make sure that they have a standard of education. And one way to ensure a standard of education, especially in countries a large population is to provide e-learning, digital e-learning. And that's where the e-learning model comes in very handy. And secondly when you look at the area of financial exchanges, again in emerging markets, one of the challenges that governments are facing, the governments are trying to collect taxes. Governments want to be able to trace every transaction and most of the emerging markets you're going to see our cash based were a lot of the transactions happen in cash and governments are very keen to kind of remove that cash out of the process and digitize as much of the money transactions as possible. There is a large opportunity now. Our intent is if we step into these areas, our intent is to step in. Acquisitions, companies who have leading space in these markets, for one of the key players already in the market and our goal would be to try and establish to them first and then grow on that strength of theirs.

NEW SPEAKER

Okay. And then just a couple last I guess cleanups with respect to the financials. Tax rate, how do you think about the forward year obviously bounces around quarter to quarter but just any thoughts on what the range for tax rate and then --

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NEW SPEAKER

So just this is do with respect to tax rate does this the one timers in this year in the one timers are more with associated with remove some of the rightly Singapore to divide and we did that it ended up you know giving us a little bit of again with respect to the BPL. So that's one but having said that's a one-time but at the same time we do expect the tax rate to come down and be at single-digit levels worldwide. And part of the rationale is our dicey move from Singapore to Dubai has resulted in us getting the 0% tax rate of Dubai which is a 17% tax rate and Singapore. That by itself is a fairly dark marketable change secondly we have started taking, in the US we get access to a number of things. One is we get access to benefits and we started a villain those benefits. Those are getting reflected in our tax rate. So some of the things we expect our going to be continued and there are of the one timers in this year which is mainly the detail about that having said that we do expect the tax rate to be an overall cap consolidated tax rate to be in single digits. Part of the is a lot of our operations are in IP is based mainly in Dubai and some of it in Singapore and then all the work that's happening in India we right now have a professional tax rate in India of 0% until we can out of those software exporters to buy rate is continually has no time limit to it. It's a percent tax rate. And then and Singapore for the Limited IP that will basically have a 17% tax rate so those three are our key elements. As we go forward there are the things that will happen as we take bigger space and markets like Brazil. We also get access to want to make acquisitions in the right manner you also get ability to be able to do more type of goodwill for tax purposes as for Brazilian model that should help keep rationalizing the tax rate. So that's a little bit more color into the overall purchase.

NEW SPEAKER

Okay I guess last one for me the PPL obviously the first of its kind in the world seems like it's me all the timelines and benchmarks if you will. What about other geographies following suit? You know I would assume as you're hitting those benchmarks I guess that maybe there needs to be a little more data as to what they are and why in the benefits are but do you see other geographies attempting to follow suit?

NEW SPEAKER

Well I wouldn't know I would want a comment on whether they are attempting to follow suit but yes we are absolutely pursuing opportunity across the world and clearly the London deal we have an edge. We are the only game in town with respect to the insurance markets meaning there's nobody else that can do that. We have proven that not only do we have the solution we have also proven that we can implement it in a timely basis and make it very successful. So right now our big focus is expanding the number of products in London. Expanding adding new accounting functionality to it launching some of the more common purpose lines in London. With respect to there are markets, many markets out there for example if you look at the Singapore government's mission statement that they recently announced, you are going to see that they are talking about market aggregation exchanges with respect to insurance and so on and that the first time you would've seen that in the vision statement. So there's a change that happening. Again I don't want to go into more specifics with respect to other countries but let's put that way that we feel we can be a player in other places.

NEW SPEAKER

Okay. Thank you.

NEW SPEAKER

Thank you.

NEW SPEAKER

(Operator Instructions) Alan Klee Sidoti. You may begin.

NEW SPEAKER

Yes good morning.

NEW SPEAKER

Good morning Alex expect good morning. Anything in the fourth quarter results that we should think of as one time or seasonal or is it better to think of this as kind of a decent ongoing run rate of what you can do?

NEW SPEAKER

Well look every quarter will have something that will be one time. So that I couldn't tell you that there's nothing on-time in the quarter. At the same time you will have certain one timers in Q1 and Q2 as well so that will continue to happen. For example in the fourth quarter our medical division, the only one timers the seasonal ones that I can think of are basically in the area are continuing education business so what happens in continuing education business is at the end of the year people have doctors tend to take tax deductibility in a tend to use they want to buy credits and they want to claim tax forget a little bit of growth it's not a major number but basically your number growth by 1/2 million compared to at times and a half to 2 million depending on our business to previous quarters. Having said that you'll see seasonality in Q1 with respect to Australia there are certain things that happen in Australia in Q1. We see seasonality in the third quarter sometimes that are related to some of our PPOs surrogate work and new work so that goes through it but these are not major numbers. You can talk about the seasonality more in terms of anywhere ranging between $1 million-$2 million. Now, you see every quarter will have professional services. Professional services by nature while we would like to believe that it is occurring, you know, I always make that assumption that professional services is not recurring, even if it's inclined given a professional services for the last 10 years in my definition is still nonrecurring. So having said that, Q4 for example had reasonable amount of questions with it. Now will that happen in Q1 and Q2? Will there be pushes of it. Short but at the same time by nature I wouldn't say that everything we do is reoccurring in any quarter. There is a part of professional services always and every quarter. But with respect to seasonality question there's very little seasonality barring the continuing education business that I just talked through in Q4.

NEW SPEAKER

Okay. Thank you. And then in India could you maybe just go into a little bit of how you would rank some of from a bigger share the opportunities there?

NEW SPEAKER

To see India is a pretty exciting place right now. Part of what is happening in India is that you finally have a new government and the Prime Minister Modi and Prime Minister Modi has a big mission, he calls a made in India kind of is his main game plan and what he is trying to do, just trying to amend the notion of digital India. And he is trying to challenge China. India will always be an intelligent, but now what they're trying to do their trying to also build India as a market on its own. India earlier was more than outsourcing unit that we were using a country we were using today India believes that it can great a market of its own because it's got population of 1.3 billion people. Now in the process that the country is obviously growing quite well meaning in a bad so-called bad year there still growing at 5.5% to 6% year-over-year is their growth rate. Which incidentally by the reckoning is considered not a good year because they've been doing seven the reckoning is considered not a good year because they've been doing 7.5% to 8% growth also. So having said that by itself Chris a lot of opportunity for the opportunity and marketable sector as the government tries to improve its infrastructure that also in India is not up to the levels of the Western world as India tries to improve its infrastructure it clears a lot of opportunity. The opportunities in the area of building systems and they are not that many companies who are out there. There are as you know there are larger players like (Inaudible) and did a stochastic job of going after these enterprise opportunities. One of the challenges in Indian market per se is that the debt rate the interest rates tend to be very high so when you look at and Indian player trying to go after opportunities, they have to deal with the interest rate 412% to 14% per year. That by itself becomes a drag on their ability to go after some of these enterprise deals. We feel that a player like us who (Inaudible) cash brings in cash from international markets that are fairly low rate subjects. We have the ability to go off of those opportunities and a more sensible way. Having said that the basic opportunity in India is with respect to building systems helping government build those systems. The opportunity is to be up there in the point new exchanges. The modernization and they have been in the new you've seen a lot of these articles and Wall Street Journal and so on and talking about the modernization removal of some of the currency and so on. That by itself is created a lot of opportunity with respect to cash movement for example. Meaning when you look at the country the country have 65% of its population in the approaching age of 35. If the of the society in the world today and we look at that paradigm and the one thing that we know is the younger people are more Internet savvy. They have less patients. They want to do their transactions with speed and that's where Internet comes in. And that's where fast processes come in and ask for cloud computing comes in. And that by itself creates a lot of opportunity out there. so I think that's what we're trying to go after.

NEW SPEAKER

Thank you. And finally, can you talk a little selections you've taken on cost-cutting and also shifting some business like claims processing to India like the opportunity there and to the extent that because you've been spending maybe above level on CapEx some related to building out some things but maybe any commentary on what that might normalized to. Thank you.

NEW SPEAKER

Thank you. So look at the cost-cutting is a continual process. I have been here for more than I'm going to finish 20 years this November with Ebix. And in these 20 years you could asked me this question in any one of these years and I would've given you the same answer, which is that excise can never finished that you have to keep your feet on the ground and you have to always look at cost (Inaudible) it always have to keep thinking about how do you make yourself more efficient. Now, we have on basic advantage that we're not just out sourcing things to India any more part of us think there are products have been built there. we stepped into India in 2001 and we have a diverse knowledge drain issue which means a lot of the knowledge now fits in India. And that result is it's a natural does naturally the world goes to India from our perspective. Is not a question of we're trying to outsource and we are trying to transfer knowledge. We have the reverse problem. There's more knowledge sitting in India than sitting in any of these countries. So having said that adjusted surplus. India is a learning organization. India we have created all this knowledge India is where all our product knowledge said are artists and when we look at India, cost-cutting is a positive. At the same time and look at India as a quality center of learning center for us we can multiply knowledge with is the same relatively dependent on one individual and one particular specific business area. We can multiply that knowledge and have it in the hands of 10 people and have backups and that's the advantage India offers us. So that process of cost-cutting cost synergies will continue. Now we undo the cost-cutting at the cost of efficiency. We'll actually see India as the efficiency rather than anything else and would like to replicate it with India has been able to achieve for Ebix all across the world because it's the best met this affected. So with respect to a question on claims we obviously been very successful in that area. We created a model whereby our goal was that we're going to take the entire claims processing. We will keep all the customer interaction and the last and we will take all the backend processing into India. Now we wanted the only ones doing it. There are very large players can US players large insurance companies who are already doing it and have thousands of people exactly in that area doing that. So our model was our goal was to create to do this processing and India part of it was we were not only trying to target the current opportunities you are looking on. We're trying to create a business model. We're trying to create a business model that we could replicate and multiply because part of when you look at it this is the key problem in the US When you look at the healthcare space when you look at the margin profile of the third-party administrator who are processing these claims you're going to see that typically ranging between 5 to 12%. That the typical deep day which means there's always that pressure on them in terms of margins. And we feel that sector. The whole market is dependent on technology, is dependent on manpower. And it so happens that India excels in both areas and has a lot of healthcare knowledge so we can and felt that if we can do this well for our joint venture that we created Kevin we can multiply, we can not only convince other insurers are other areas we can also buy other (Inaudible) and we can buy these DPAs of low margins and take them into India, not only from a perspective of manpower in technology but then we can also have the opportunity to make them efficient simply by deploying our own technology one of the tools we have built at 10 to enterprise. Ebix Enterprise is an end to deadened health e-commerce tool which takes everything from CRM to enrollment to claims processing to general ledger to claims education to 401(k), you name it. We handle all of that from one end to another for all the entities that are involved in the process and we kind of feel that when you look at -- take an example of anything that's happening in the US or even if you look at some of in the cooperative space in the healthcare area for example, you know were all familiar with ObamaCare in some of the cooperators that came in. If you look at them one of the things that gave these is the cost of technology. Just spending a lot of money with respect to administering that, those claims. And then outsource that technology to third-party payers and that becomes a big part of their cost frame and has a big role to play in their overall dynamics of efficiency. If Ebix can step in and provide the back end systems which provide that efficiency, and provide India as a means of handing that claims processing and you know handling virtually everything from the technology and manpower perspective, I think we will have kind of made that same sector which is low margin sector and high-margin sector. That is why we are still there and we are after the larger picture of wanting to try and replicate what we have already done through acquisition and convincing other insurance companies to hire us to do that.

NEW SPEAKER

Thank you. I'm showing no further questions at this time. I'd like to turn the call back over to Robin Raina for closing remarks.

NEW SPEAKER

Fiction. I think that brings me to the end of the call. I thank you everyone for being on the call. I look forward to first quarter calls. Thanks everyone.

NEW SPEAKER

Ladies and gentlemen, this concludes today's conference. Thanks for your participation. Have a wonderful day. [End of transcript]