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EBIX - Q2 2017 Ebix Inc Earnings Call

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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Ebix second quarter results investor call. (Operator Instructions) As a reminder, this conference call is being recorded.

I would now like to introduce your host for today's conference, Mr. Darren Joseph, Corporate Vice President of Ebix. Sir, you may begin.

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

Thank you. Welcome, everyone, to Ebix Inc.'s 2017 Second Quarter Earnings Conference Call. Joining me to discuss the quarter is Ebix Chairman, President and CEO, Robin Raina; and Ebix CFO, Sean Donaghy. Following our remarks, we will open up the call 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 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 Q2 2017 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 made available on the Investor homepage of the Ebix website after 4 p.m. Eastern Time today.

Let's start by discussing the results announced today. We are excited by the results that we announced this morning. Revenue in Q2 2017 increased 20% from a year ago to $87.4 million. On a constant currency basis, Ebix's Q2 2017 revenue increased 20% year-over-year to $87.1 million as compared to $72.6 million in Q2 of 2016.

In Q2 2017, our exchange revenue continued to be the largest channel for Ebix, accounting for 69% of the company's revenues as compared to 68% in Q2 last year. The year-over-year revenue has primarily increased as a result of revenue growth from life underwriting, CRM, RCS, the health e-commerce services, in addition to revenue growth generated from the company's 2016 acquisition of Wdev and the recent acquisition of ItzCash, the net effect of consolidating Ebix health joint venture and new e-governance contracts with a number of large clients in India.

Underwriting exchange revenues grew 16%. Health e-commerce exchange revenues grew 47% year-over-year in Q2 of 2017. Life exchange revenues grew 3%. CRM revenues grew 10%, while life sciences revenues grew 66% in the same year-over-year period. Our e-governance revenues were up 53%, and in turn, RCS revenues were up 21% because of the new e-governance contracts in India and the acquisition of Wdev business in Brazil in 2016.

Our reinsurance revenues were down 12% because of the large exchange drop associated with the Brexit's vote in 2016. The company's A.D.A.M. Health content revenues were down approximately 5% year-over-year, affected by increased price competition in the sector. We completed the successful acquisition of ItzCash in India and are pleased to report that we have already successfully centralized many of their functions at our India headquarters.

Finally, let me say that these are record results for the company in terms of top line, and we are pleased to get there with 30.4% in operating margins. These operating margins are significant, considering that they include operation -- operating margins of less than 10% from the recently acquired ItzCash business.

As we implement some of our strategic initiatives related to ItzCash, we expect the ItzCash operating margins to go north of 25% in the next 6 months. Once that happens, our operating margins will accordingly go up substantially.

I will now turn the call over to Sean.

Sean T. Donaghy - *Ebix, Inc. - CFO*

Thank you, Darren, and thanks to all on the call for your continued interest and support of Ebix. At the outset, let me say that we are very pleased with the company's second quarter 2017 financial results and operating performance and look forward to the rest of the year.

Q2 2017 diluted earnings per share increased 6% to $0.74 as compared to $0.70 in the second quarter of 2016. For purposes of Q2 2017 EPS calculation, there was an average of 31.6 million diluted shares outstanding during the quarter as compared to 33 million shares in Q2 of '16 and 32 million shares in Q1 of 2017. As of today, the company expects the diluted share count for Q3 2017 to be approximately 31.5 million shares.

Q2 2017 operating margins decreased to 30% as compared to 32% in Q2 of '16. Operating margins for Q2 2017 were at 33%, excluding the operating margins from the recent ItzCash acquisition. Operating income for Q2 2017 rose 13% to $26.5 million compared to $23.6 million in Q2 of 2016. We are pleased that the company continues to deliver attractive top line growth, cash flows and operating profits, with a 34% operating margin during Q2 of 2017 for the entire business, excluding e-governance and financial exchanges.

Cash provided by our operating activities was $15.5 million in Q2 2017 as compared to $20.4 million in Q2 of 2016. Q2 2017 cash flows reflect cumulative cash payments of $4.1 million for bank interest and income tax as well as the increased receivables associated with some of the enterprise contracts that have longer payment terms. We expect to catch up on our operating cash flow soon as we collect some of these payments on the scheduled time lines.

In Q2 2017, we spent a total of $11.1 million on share buybacks, dividends, tax payments and building construction. Specifically during the quarter, we used $5.2 million to repurchase 93,000 shares of Ebix's common stock, paid $1.2 million of taxes, spent $2.3 million on building out our facilities in India and Johns Creek, Georgia, and paid dividends of $2.4 million. We also invested $75.2 million in acquisitions and in escrow for continued earn-out payments while drawing just $20 million from our bank credit facilities.

After these significant uses of cash, the company still ended the quarter with cash flow from operating activities of $15.5 million and $81.3 million of cash, cash equivalents and short-term investments. We are very pleased with the company's continued ability to generate cash and fund its growth and investor-friendly initiatives. With these additional share repurchases, the company has now repurchased approximately 7.1 million shares of its common stock for an aggregate amount of $217 million at an average price of $30.53 since August 1, 2014, when the company announced the Ebix board's decision to repurchase its own stock consistently over the next few years.

We expect to continue the share buyback, utilizing our operating cash flows from the business. As of June 30, 2017, Ebix had access to approximately $242 million of readily available cash resources from its financing arrangement with its syndicated bank credit facility, combined with cash equivalents and short-term investments to adequately support continued organic and acquisitive growth and to expand the existing operations of the company as needed to meet the demand for our products and services.

Furthermore, our balance sheet is healthy, and our company's financial position remains solid, with a current ratio of 2.25, working capital to short-term liquidity position of $107.7 million, a debt leverage ratio of 3.02 and a debt-to-equity ratio of only 0.75 as of June 30, 2017.

We will soon be announcing the record date for the Q3 2017 dividend payable to our shareholders. In Q2 2017, we paid a quarterly cash dividend of $0.075 per common share to our shareholders. Finally, Ebix's Form 10-Q will be filed tomorrow, August 9, 2017.

I will now pass the call to Robin.

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

Thanks, Sean. Good morning. Let me start my talk by sharing my views on the top line and bottom line in the quarter and how I see things in the future on that front.

In Q2 2017, we generated $87.4 million in revenues, with 30% plus in operating margins. Before taking our recent ItzCash acquisition into account, our operating margin would have been approximately 33%. If we excluded both ItzCash and e-governance, our margins would be approximately 34%. If we exclude our U.S. strategic consulting business, along with ItzCash and e-governance, our margins would be 36%. If we just looked at our insurance exchange operating margin itself, they tend to be even higher.

To me, any discussion on top line growth needs to be accompanied by a related discussion on bottom line. When you consider these operating margin numbers, you can see that our operating margins continue to be very strong in most areas. And if we can improve our operating margins in the area of ItzCash, consulting and e-governance, our operating margins would look even stronger cumulatively. And that's precisely what we will endeavor to do as we grow Ebix in all areas.

We intend to target insurance exchange operating margins to be upwards of 40% while endeavoring to get to 30% plus in strategic consulting area, 30% plus in the area of financial exchanges or ItzCash and 23% plus in e-governance. If we can do that, then our overall operating margins could be in the range of 35%.

Over the next few quarters, we expect substantial revenue growth from a number of areas. A number of areas that can contribute to that growth, principal amongst them are the revenues expected to be generated from the execution of a large contract with one of the largest insurers in Brazil; a large e-governance contract with a public sector undertaking in India; continued growth from a financial exchange initiative in India; and many new insurance exchange-related contracts in U.S. and Australia. Ebix Inc. contracts across the world every day. However, I specifically mentioned a few named contracts as they are good emerging areas of growth for us based on present commitments and pipelines.

We were recently asked to ramp our resources substantially in Brazil by one of the largest insurers in Brazil to meet their ongoing demand. We expect substantial improvements in our revenue from Brazil over the next 5 to 6 months.

In the area of e-governance, we agreed on a large contract to be implemented by March of 2018, which should give a substantial improvement in our e-governance revenue streams. We expect to continue to grow our financial exchange revenues in India substantially over the next 2 quarters. Based on the run rate achieved in July, we are quite heartened by the momentum we have set in our business and feel that we can achieve 35% plus annual top line growth in the area of financial exchanges.

Over the last 4 to 5 months, I myself have spent time in the trenches understanding the area of financial exchanges, the growth opportunities, the overall vision and how to focus our attention on opportunities that are higher-margin intensive. My belief is that the area of financial exchanges is a very large opportunity for Ebix and for its investors.

With a population of 1.3 billion people and the country just getting started in the area of digitization of finance and related areas like travel, insurance, lending, remittances, et cetera, it's important for Ebix to take an early position in the area of financial exchanges.

In my view, the opportunity is not just to address the market but to be a pioneer and create end-to-end concepts and functionality that no one has thought. To me, the opportunity is to create true end-to-end convergence in the area of remittances, both domestic and international, lending, insurance, payments, travel, banking, et cetera and doing so by employing a healthy blend of B2B networks and B2C networks.

Having a continued reach across the length and breadth of the country in an economically sustainable manner is best achieved by having distributors paid on a performance basis rather than through traditional marketing or lots of paid salespeople in every part of the country. Having a strong B2B network of distributors is the most sustainable way to evolve a brand in every corner of the country while ensuring that we have a highly motivated distribution force who gets paid only if they generate transactions and revenues. We intend to multiply our reach in the country from our present 75,000 strong distribution base to a multiple of that number over the next 12 to 16 -- 12 to 18 months, both organically and inorganically.

We intend to rebrand ItzCash and launch Ebix Cash as a financial exchange brand in the market. We intend to focus our attention on consolidating the market, specifically in a few areas like remittances, since consolidation will lead to not only increased market share but increased operating margins because of redundant operations across these functions. We intend to take a few steps in this area soon. And thus, I'll wait for now to elaborate on our strategy and specific steps, for competitive reasons.

We earnestly believe that technology needs to play a much more efficient role in convergence and creating efficiency than anywhere -- than anyone has endeavored to do so in India as of now in these areas. If one can consolidate the market, introduce the right technologies, disintermediate a few steps and entities, then operating margins will flow automatically.

We intend to bring our learning from the pioneering role we played in the U.S. in insurance exchanges to India to try and replicate our success there. We believe that our big strengths to get there are our vision to converge functionalities, our focus on cutting-edge technology and processes and our financial discipline and focus on high-margin growth.

We're today focused on growing the top line while ensuring that the bottom line does not slip and stay at healthy levels above 30%. We have a lot of opportunities ahead of us, both organic and inorganic, that seem exciting. These opportunities span various geographies and encompass insurance exchanges, e-learning and financial exchanges.

We, however, remain focused on being disciplined and yet adventurous and opportunistic in our pursuits. We want to build the top line aggressively while ensuring that the bottom line does not slip and stay at healthy operating margin levels above 30%.

Lastly, let me finish by defining a new aspirational goal. We would like to be at a quarterly run rate of $100 million by the first quarter of 2018, with at least 30% in operating margins. While there are no guarantees that we can achieve this aspirational goal, yet be assured that we will make a strong endeavor to get there.

Thank you. With that, I'll hand the call over to the operator.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Allen Klee with Sidoti.

Allen R Klee - *Sidoti & Company, LLC - Senior Equity Research Analyst*

In terms of the exchange segment, it looked like you clearly outperformed the revenues I had been expecting. And I was trying to understand, besides ItzCash, was there any other areas that -- new contracts that revenue contributed to? And should we consider that kind of an ongoing run rate?

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

Thanks, Allen. So Allen, with respect to exchanges, I mean, clearly, the ItzCash revenues are included in the exchange bucket. At the same time, as Darren talked through, we saw substantial growth in the area of underwriting exchanges. Underwriting exchanges is an area where we believe that we will continue to see growth over the next few quarters. As of now, every time Ebix lands up in a deal, 9 out of 10 times, we walk out of being -- winning the deal. And basically, we, one by one, we're landing up all the larger underwriting deals in the market. And as we keep finding those deals, we're going to see revenue continue to ramp up. So that's one area where we have seen substantial amount of growth. We've also seen revenues grow in the CRM area this quarter, as Darren explained. We've also seen revenues grow in a few other areas, like life exchanges and the health e-commerce exchange area and so on. I would have liked to see our reinsurance revenues go up substantially at the same time. Our PPL contractors is doing quite well. And more and more brokers are signing up each and every day. At the same time, as you know, we have a particular bucket right now in terms of revenue. We're limited by that bucket in terms of the revenue that we will make this year. At the same time, we're also limited by the exchange rate with respect to the PPL deal. And the exchange rate hasn't worked to our advantage year-over-year simply because Brexit happened in April last year. And when it happened, the rates dramatically fell down. Last quarter, same time 2016, we had already collected our payments. So we collected our payments in advance. So it really didn't impact us in terms of exchange rates. At the same time, when (inaudible) dramatic drop in exchange rates between last quarter, Q2 last year versus this year. So I think that -- if that had sustained itself, we would have seen -- if for example, reinsurance exchange had -- revenues had just stayed at the exchanged levels of last year, you would have seen a pretty large revenue increase this year in reinsurance itself. Having said that, I think we are overall pleased with the momentum we have gathered in the area of exchanges.

Allen R Klee - *Sidoti & Company, LLC - Senior Equity Research Analyst*

Okay, great. And then you highlighted a large contract with a large insurer in Brazil and also, a large e-governance contract with the public sector in India. Could you maybe go -- give us a little more color on both of them?

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

So Brazil is a very -- is a -- we're not allowed to give the name right now. They're a client we've worked for, for a very long time. So they have asked us to ramp resources up pretty sizeably. We should see a pretty good chunk of revenue come through over the next 5 to 6 months, like I said. We're talking about the ramping up of people somewhere in the range of 150 people or so or possibly more as we go into future quarters. This is a large P&C and life insurer for whom we do a lot of technology work. So that's the extent to which I can talk about Brazil (inaudible) I named one of the largest carriers in the -- in Latin America. Then I go into e-governance. In e-governance, we continue to go from strength to strength. We recently agreed to -- we accepted an e-governance contract recently, which will -- basically, which has to be executed over the next 7 months. So we should see substantial revenue come out of that contract over the next 7 months. But we expect these contracts to keep flowing. We are in the midst of many such deals, many such bids in India. So we should see a, hopefully, a continual pipeline of e-governance contracts. We're trying to balance these e-governance contracts with everything else, frankly, because as I explained in my discussion on operating margins, that -- for us, it's very important that we want to try and keep our operating margins above 30%. And any e-governance deals, at best, will have an operating margin level of -- they're going to be, at best, be at operating margin level of 20%, 23% and, most of the time, at operating margin levels between 15% and 20%. So we have to balance them up. When we pick up these larger deals, we want to make sure that we can -- we want to take deals that don't heavily dilute us and decrease our operating margin. So we're trying to be very careful and selective in how we pick up these deals. We're trying to balance it off. It becomes easier to pick up these larger deals when you are picking up other high-margin larger deals. So then you're able to balance them off. So that's what we are trying to do, yes. Does that answer your question, Allen?

Allen R Klee - *Sidoti & Company, LLC - Senior Equity Research Analyst*

Yes, excellent. And then for ItzCash, can you talk a little about the competitive environment and how they're distinguishing themselves and some of the ways that you're going to get to the higher margins that you targeted?

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

Yes. So ItzCash is, today, a leader in many areas. If you look at domestic remittance, I just saw some numbers come out recently for last month, for example, in India by the government body. Last month, for example, ItzCash was the largest player, by far, in the domestic remittance, money movement domestically. However, they were a nonentity in the international remittance market. They've been a very strong player in utilities payments. They're a strong player in the gift card segment and so on. So there are lots of segments they are very strong. At the same time, one of the things we need to do is to bring higher-margin services to them. So what are higher-margin services? Higher-margin services, for example, would be areas like international remittance, areas like lending. And you also have greater means to improve your margins in existing areas by possibly either disintermediating a few players, building better technology and so on. And there are -- you see, I don't want to spell out my entire strategy simply because I think it's a bit early for me to spell it out. I'd like to execute the strategy and then as I maybe take some of those steps, let the market understand it. Simply, for competitive reasons, I don't want to get into more detail at this point. But I could just tell you that I see a large opportunity with respect to ItzCash. I think we're going to rebrand it as Ebix Cash. And our basic goal is to converge the markets. We want to consolidate the markets. We believe that we can have a distribution force that's much larger than the force they have. We're continually ramping up our sales people. We're continually making sure that as we grow this distribution force, we converge all these processes, all these functionalities, common sign on. I would like to give -- provide a CRM to each and every distributor out there. That's unheard of in India right now to have a shop or a distributor have a wireless CRM. Similarly, as we converge some of these technologies, part of it is -- my belief is that when you converge these technologies into functionalities, you're going to see a lot more better stickiness. You're also going to see increased margins, and you will have better ability to pass some of those margins to your distributors and so on. So we're -- you're going to see us do -- take many steps in organic area that continuing to show growth. You see, if I had to put my hands on a -- if I had to guess something, I would say organically, ItzCash can continue to grow at a 35% plus rate. Now if I add inorganic means to it, we can grow much faster. And what I mean by inorganic means is there's an opportunity to consolidate the market in many areas. In coming weeks and months, you'll understand that a little bit better, because if I talk about it right now, I would be revealing my hand to the entire Indian market. So I don't want to -- we are today -- we are being watched by each and everybody in the financial markets in India. So I prefer not to reveal my hand as of yet. So as we take some of the major steps in that area over the next few months, it's going to come out what we're trying to do. But rest assured, we're going to try and converge technologies. We're going to make sure we do what we did with insurance, basically ensure straight-through processing. We're going to cut through disintermediate entities. We will also ensure that the entire process is completely seamless end-to-end. And when you go widely seamless end-to-end processes, you create more margins. Yes, there's also an opportunity -- when you're creating these exchanges, there's also an opportunity at times to consolidate the market. And if you can do that quickly, without people really going -- without people really understanding in detail what you're trying to do in specific niche areas, you could be in a -- you could become a pioneer in that specific niche area and become a driving force in that area. So I think that's going to be our strategy as we go forward with respect to ItzCash.

Allen R Klee - *Sidoti & Company, LLC - Senior Equity Research Analyst*

Okay. And finally, I -- you've kind of touched on this, but it's more modeling related. I kind of want to -- so based on all the things you have happening, it sounds like, it's -- I know you don't give quarterly guidance, but it sounds like we could see sequential improvement in revenue for the next couple of quarters. Does that sound right?

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

I think that's a reasonable assumption.

Operator

(Operator Instructions) Our next question comes from the line of Jeff Van Rhee with Craig-Hallum.

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

A number of places I wanted to dig a little deeper. Maybe, Robin, first, just with respect to the larger deals that you called out, I'd like to maybe start with India. Can you talk in a little more depth what it is you're doing? And then just the progression of revenue billing and cash collection. It sounded like it's a 9-month project and then maybe a pipeline of deals similar to this. So it's a little out of the ordinary in the sense that you always go for the straight sort of pure recurring revenue stream. So I just wanted to understand a little bit of, one, did you take any revenue this quarter? Two, what are you doing for them? And then just sort of that revenue bill collect cycle so I can think about this and model this correctly.

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

Right. So with respect to the larger e-governance deal, we did not make any revenue from that particular deal in this quarter. At the same time, we have a continual -- we've signed deals, e-governance deals in the past. So there was -- as in every quarter, we've had revenue this quarter, too, from e-governance. And so -- but there was nothing from the newer -- the larger deal that I referenced. I think that was your first question. I didn't understand your second question. You said something about collections.

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

Yes, along those same lines. So just to follow on to that was what are you doing for them? And then just a little more clarity on the cycle from booking it to collecting the cash. Obviously, DSOs was up. That would be my next question. I want to understand how the DSOs are going to behave here. But you called out that the payment cycles are a little different on a deal like this. So I'm just trying to understand that.

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

Yes. So these are government deals. These are deals with public sector undertaking. So first question is what do we do for them? I think we're doing exactly what we've been doing in the past. In all our e-governance deals, we're doing turnkey projects. We're writing -- we're basically providing everything from hardware to software to virtual implementing that. And this is for organizations that are public sector undertaking. What a public sector undertaking in India means it's, basically, it's a publicly-listed company at the same time. They're -- a majority is owned by the government of India. So one thing good about all these deals is the payment terms are short. You always get your payment. At the same time, there's a -- they're very firm about their payment terms. And the payment terms -- because these cycles -- these are enterprise deals, your payment terms tend to be a little bit longer. And so that's about it. So the DSO will be increased, obviously, simply because -- the DSO has increased because of 2 or 3 reasons, primarily because of some of the India enterprise deals. At the same time, the DSO has also increased because of some of the newer deals that we have picked up in the deal and so on. So having said that, we expect this -- the payment cycle to keep improving as -- because we haven't set our cycle in India, because we are now an old player in the e-governance market. So as we continue to set a cycle, there -- the payment term, the cycle will start on payment, and you're going to start seeing operating cash flows smoothen out. Now having said that, it also will ultimately reflect in many other ways. What I mean by that is that as we set up this cycle of -- payment of a continual payment cycle and we continue to execute deals, it also becomes recurring. So typically, we don't -- we have -- we used to pick up only recurring deals. Why did we decide -- that was part of your question -- why did we decide to pick up e-governance deals? Because they actually tend to be recurring. How they tend to be recurring is when you go into a larger organization and you implement -- as they give you -- let's say they tell you to do something in 25 different cities, the next 25 come to you automatically and so on. So while technically I wouldn't call it recurring, but in reality, the next time they get out -- they look out, they're going to -- they will come back to you, provided you've done a good job, provided you're pricing is right. So those are the 2 important elements in the government. So having said that, we feel that ultimately, you set up a recurring cycle because that's what has happened if you look at it. We've built a business from 0 in India. Virtually, we were a nonentity in India in the e-governance field, and we organically built the business up. And now we're continually ramping it up. And as we ramp it up, we're now becoming a player who has been there for more than a year. And as you finish the year, you're going to start now setting up a payment cycle, even though the payment cycle is a bit longer, but you're going to set up a continual supply of payment come through, because the deals that you executed earlier, you start getting payments from them and so on. And that sets up a complete cycle of payments for you. So I think we expect that to get reflected in our operating cash flows as we go -- move forward. And I would expect that even in Q3, you're going to see improvements.

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

Yes. And before I jump to Brazil, just staying on India for a second, aspirationally or at least a frame of reference, how do you think about the scope and size of that business when you look out 12, 18, 24 months? Just sort of get us in the ballpark of how big you can see that business getting...

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

Are you talking about e-governance? Are you talking about our e-governance business?

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

I'm talking about your India business in total.

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

Well, India has many pieces. Look, India is continually evolving. So let me define how I see India evolving. I see India having 3 or 4 key components of revenue. One is going to be financial exchanges. Second is going to be the area of e-governance. The third area is going to be the area of strategic consulting. I'm going to stop at that for now and not discuss what I mean by that. You're going to see that as we move forward. And the fourth area is going to be the area of e-learning. In all 4 areas, if I looked at these 4 areas, these are all -- each one of these areas is a very large opportunity area. So I believe that India -- in each of these areas, we could create a business line somewhere in the range of, and please don't hold me in terms of, I'm not going to take your question and give you -- I'm not going to give you an answer in terms of time lines. I'm going to give you a more generic answer simply because I don't like to give guidance. So I'm going to give you a more generic answer. And I'm going to say that each one of these areas has an opportunity to be a revenue source of $50 million to $75 million and be a very solid source. 3 out of the 4 areas can contribute 30% or so in operating margins. The fourth area, which is e-governance, will always be in the range of 15% to 25% operating margins to 23%, let's say. So that's the fourth area. So each one of these areas will have -- 3 of these areas can be very operating margin intensive, and the fourth area will be less operating margin intensive. But each one of these are very opportune areas. So insurerance will get somewhere embedded inside financial exchanges. And you will understand this more as we go forward. Don't be surprised if you see, as a part of our ItzCash initiative, us launching an insurance exchange on a larger scale in India as a subset of a financial exchange, because -- and I will elaborate more on it once we do something like that, and you will understand more about it. There is absolute value in building convergence, because ultimately, look, the same -- to give you a simple example, the same stockbroker is selling stock and selling mutual funds and selling insurance in India. So doesn't it mean that we should be converging all 3? And so that's what we will endeavor to do.

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

Sounds good. I'll leave the ItzCash alone. It sounds like we're going to hear a lot more about that in the relatively near future. And then just jumping to my last one, with respect to Brazil, obviously, you're talking adding 150-plus people. Understanding the buyer is not named, can you talk about the specifics of the services? What are they buying? What are you going to do for them?

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

Well, we would be doing strategic consulting for them. We would be -- in some of these deals, the intellectual property is typically owned by the insurer, and the insurer wants us to deploy projects and to do end-to-end projects. And basically, they commit to guaranteed man-hours of time.

We bring the insurance competence to the table and we help them build some unique projects. So that's the extent of what we would go into that. Again, remember that Brazil currency hasn't been amazingly good. So while -- in a good time, this could -- this 150 people could be worth a lot more than it will be. It will be still a lot of revenue at the same time. The current currency rate is somewhere around BRL 0.3 to $1 versus -- it used to be BRL 0.74 to $1, so -- but it still will be substantial.

Operator

And I am showing no further questions at this time. I would like to turn the call back to Mr. Raina for closing comments.

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

Thank you. With that, I think we'll finish the call. Thanks, everyone, for joining us on the call. We look forward to announcing our Q3 results and -- when the time comes. And thanks again.

Operator

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