THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

EBIX - Q3 2017 Ebix Inc Earnings Call

EVENT DATE/TIME: NOVEMBER 08, 2017 / 4:00PM GMT

THOMSON REUTERS

CORPORATE PARTICIPANTS

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

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

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

CONFERENCE CALL PARTICIPANTS

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

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

PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Ebix Third Quarter 2017 Financial Results Call. (Operator Instructions) As a reminder, this conference is being recorded. I would now like to hand the floor over to Darren Joseph, Corporate Vice President. Please go ahead, sir.

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

Thank you. Welcome, everyone, to Ebix Inc.'s 2017 Third 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 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 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 Q3 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 available on the Investor homepage of the Ebix website after 4 p.m. Eastern Time today.

Let me now discuss the quarter from a numerical perspectives. Revenue in Q3 2017 increased 24% from a year ago to $92.8 million. On a constant currency basis, Ebix's Q3 2017 revenue increased 23% year-over-year to $91.6 million as compared to $74.6 million in Q3 of 2016. The revenue improvements were -- reflected growth in the company's exchange channel, as well as higher revenue from the risk compliance channel, with the revenues from the financial exchange service reflected in the exchange channel.

Also on a constant currency basis, year-to-date revenue increased 18% to $257.1 million as compared to $218.2 million during the same period in 2016. In Q3, our exchange revenue continued to be the largest channel for Ebix, accounting for 69% of the company's revenues. The year-over-year revenue has primarily increased as a result of revenue growth from P&C, life exchange, underwriting exchanges, CRM, RCS, financial exchanges, in addition to revenue growth generated from the company's acquisition of Wdev, YouFirst and ItzCash, and the new e-governance contracts in India, offset by declines in areas of health e-commerce, annuities and health content.

Q3 and Q2 2017 both included a full quarter of revenues from EbixCash Financial Exchange, with Q3 2017 revenues of $11.1 million as compared to $8.4 million in Q2 of 2017. The only change in Q3 2017 recorded results as compared to Q2 2017 results was a reporting of 1 month of YouFirst revenues equivalent to $540,000.

Revenues from the acquisition of Paul Merchants, Wall Street and Via will be reflected in the Q4 2017 results. Our explosive growth over the last 9 months has been in 2 key markets: India and Latin America. The Indian venture showed 271% year-over-year growth in the 9-month period ending September 30, 2017 by growing to $37.5 million from $10.1 million in the same period in 2016. The Latin American venture showed 272% year-over-year growth in the 9-month period ending September 30, 2017, by growing to $14.5 million from $3.9 million in the same period in 2016. Both India and Brazil are 2 of the emerging economies today that we intend to continue to invest in over the next few years as these are economies with one of the largest middle classes in the world that have continued to grow even in diverse economic periods.

We are pleased with sequential growth in top line in our overall business and our various business segments. Q3 2017 revenues grew 6% by $5.4 million over Q2 2017 revenues of $87.4 million. Our financial exchange operations grew at 32% sequentially from $8.4 million to $11.1 million with only about $550,000 coming inorganically out of that.

In Q3 2016, besides financial exchange growth rate of 32%, our P&C revenues grew 11% sequentially, RCS revenues grew 7%, underwriting exchange revenues grew 6%, and life exchange revenues grew 1%. Our Australia revenue grew at 13% sequentially, India revenues grew 22%, while our Brazil revenues grew 45% sequentially. The company's revenues from health e-commerce were down 5% sequentially; life consulting revenues were down 11% sequentially, with the company focusing on giving up revenue sources that do not have the right operating margin perspective.

Year-over-year, our Q3 2017 revenues were up 13% in P&C; 4% in life exchanges; 3% in reinsurance; 14% in life underwriting; 32% in RCS; and 3% in CRM.

Also year-over-year, our health e-commerce revenues were down 7%; health content down 6%; while annuity revenues were down 6%, driven by an overall slowdown in the industry, driven by the DOL regulations.

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 interest in and support of Ebix. Q3 2017 diluted earnings per share increased 4% to $0.76 as compared to $0.74 in the third quarter of 2016. Ebix's weighted average diluted shares outstanding decreased to 31.6 million in Q3 of 2017 compared to 32.7 million in Q3 of 2016. As of today, the company expects the diluted share count for Q4 2017 will be approximately 31.6 million shares.

Q3 2017 operating margins remained consistent at 30% as compared to Q2 2017, and were down as compared to 33% in Q3 of 2016. Excluding the impact of the recent ItzCash acquisition, Q3 2017 operating margins would have been 33%.

Operating income for Q3 2017 rose 15% to $27.9 million as compared to $24.3 million in Q3 of 2016. Q3 2017 net income slightly increased to $24.2 million compared to $24.1 million in Q3 of 2016, primarily due to $3.6 million of higher operating income, offset by increased bank interest expense of $1.6 million, increased foreign exchange losses of $1 million and reduced nonoperating income of $1.2 million.

We are pleased by the fact that the company continues to report sequential quarterly revenue growth, robust cash flows from our operating activities, consistent operating income and attractive operating margins above 30%. As we scale our businesses up over the next 6 months, we expect our operating margins to increase by a few points.

Cash generated from operations was $18.9 million in Q3 2017 as compared to $22.1 million in Q3 2016 and $15.5 million in Q2 2017. The operating cash in Q3 reflected the increased receivables associated with some of the contracts in Brazil, the U.S. and India that have longer payment terms.

During Q3 2017, we invested a total of $2.4 million on dividend payments, $1.4 million on CapEx, $3.1 million on principal payments towards the term loan and $579,000 on tax payments.

We funded these initiatives from existing cash plus operating cash flows of $18.9 million during Q3 2017, while drawing $20 million from our bank credit facilities to fund the closing of one of our Q4 acquisitions.

Ebix ended the quarter with cash, cash equivalents and short-term investments of $102.3 million, with available cash reserves of approximately $243 million, including the available borrowing capacity and the accordion feature available to the company.

Furthermore, as to key balance sheet metrics, our balance sheet remains healthy and our company's financial position remains solid, with the current ratio of 1.62, working capital short-term liquidity position of $92 million, debt leverage ratio of 3.12 and a debt-to-equity ratio of only 0.75 as of September 30, 2017.

Finally, Ebix's Form 10-Q will be filed tomorrow, November 9. I'll now pass the call on to Robin.

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

Thanks, Sean. I'm pleased with the Q3 2017 results and the fact that these results are in line with aspirational goals that I set for Ebix sometime back. I am pleased with the Ebix Q3 2017 revenues being $92.8 million and on track to be at $100 million or more by the first quarter of 2018. I'm pleased that we bought share while reporting 30% plus in operating margins and operating cash flows of $18.9 million.

Before taking our recent ItzCash acquisition into account, our operating margins would be approximately 33%. If we excluded both ItzCash and e-governance, our margins will be approximately 35%. If you excluded U.S. strategic consulting business, along with ItzCash and e-governance, our margin will be 36%.

If you just looked at our insurance exchange operating margins itself, they tend to be even higher. I feel good about our operating margin for 2018 as we have a number of initiatives that should help us grow our operating margins by 3 to 5 points in 2018.

One, all our recent acquisitions have strong operating margin characteristics associated with them. Two, we are setting up our financial exchange initiative with the same fundamental blocks as our insurance exchanges, implying that we expect strong operating margins from that.

Three, over the next 6 months, we expect the combined remittance business under our EbixCash Financial Exchange to deliver 35% to 40% operating margins.

Four, as disclosed earlier, we expect the travel exchange under our EbixCash Financial Exchange to deliver 30% plus in operating margins over the next 6 months.

Five, we are continuing to take additional steps in our existing businesses to further synergize our businesses and also utilize our existing strengths to make the consulting, e-governance and core payment solutions business leaner and stronger.

Six, we believe that as we pass more functions and transactions through our existing pipe of 224,000 plus financial exchange distribution outlets, our margins will continue to grow as beyond the point incremental transactions come with incremental margins.

Q4 2017 revenues are the highest revenue reported by Ebix in any quarter -- sorry, Q3 2017 revenues are the highest revenue reported by Ebix in any quarter through its history. I am pleased that we're reporting these numbers while having growth momentum on our sites and a pipeline of organic and inorganic initiatives like never before.

Our Q3 2017 diluted EPS of $0.76 is in line with our expectations. Between our accretive acquisitions, new deal pipeline, new cost synergies and our stock buyback, we are hopeful that we can keep it moving in the right direction. Ebix has always been a cash story, and all our recent investments have one common characteristic, that they are strong, cash-oriented businesses.

In our financial exchange business, all our money collections happen, at the latest, within a few days of a transaction. Regulations around the financial exchange market mandate that all transactions be settled immediately. Also, there are many safeguards built by the regulators in terms of escrow accounts, with Ebix cash holding deposits from distribution outlets and guidelines that every constituent must meet in terms of net economic worthiness, all leading to a quick money collection cycle.

As we start to generate strong operating margins from our financial exchange businesses, our cash returns will be quick. Clearly, we like that.

Let me talk about the top line and some of our new initiatives. We signed new contract with clients in Q3 2017 in every facet of our business, including RCS, CRM, health e-commerce exchanges, underwriting exchanges, annuity exchanges, back-end systems, consulting contracts, financial exchanges, et cetera. Darren already talked about the core areas and associated top line growth in Q3 of 2017, so I'll concentrate on new areas and the future trends in terms of top line.

When we bought ItzCash financial exchange, we have talked about their 35% year-over-year growth rate in terms of top line. In Q3 of 2017, we sequentially grew the core ItzCash business by 25% as compared to Q2 of 2017. That translates to an annual year-over-year rate of approximately 144% growth. If we were able to keep that trend, it's only for us to provide any guidance in terms of year-over-year growth expectations, but let's say, we're pleased with the organic momentum we have delivered in our business. We are bullish about our ability to grow our financial exchanges sizably, and towards that extent, now have 450-plus sales people helping us in our financial exchange-related growth initiative in India.

We intend to ramp up the team sizably as we grow our business. We recently launched our EbixCash brand and a super set of all our financial exchange initiatives. We launched the brand through a campaign in all the key national newspapers in India, with 600-plus billboards all across the country, from our perspective, the launch of a great success.

In recent times, we bought 3 inward remittance businesses, by virtue of which we now have close to 65% of Western Union's remittance business in India. We have evolved a strong working relationship with Western Union, and we are hopeful to grow that relationship strongly in many other countries in a symbiotic manner for both sites.

India, incidentally, is the largest inward remittance market in the world today.

In recent times, we also signed an agreement to buy the premier travel exchange, Via, the online channel travel exchange, the site being one of the top 3 players in India, is the #1 travel exchange in Philippines and the #2 travel exchange in Indonesia, besides having a strong presence in Singapore and a number of Middle Eastern countries like United Arab Emirates, Saudi Arabia and Oman. Travel is always considered a key part of a financial exchange. Last year, 600 million Indians took some kind of travel voyage. That's equal into twice the population of the United States. When people travel, besides making airline, rail, bus, rental cars, hotel, bookings, et cetera, they tend to buy foreign exchange, they need to have insurance, prepaid cards or gift cards, et cetera.

Our travel exchange will offer all of these services through our EbixCash financial exchange. Since we will now have an international presence in Philippines, Indonesia, Singapore and a number of Middle Eastern countries, thus with the Via acquisition, we now have the base infrastructure and reach to launch our other EbixCash financial exchange services in these markets. For example, remittance companies worldwide would be keen to team up with us in these countries to utilize our broad distribution reach there. We are already in discussions with a number of large companies to pursue that initiative. We recently announced our entry into insurance markets in India by announcing the JV with India's oldest financial institution, Bombay Stock Exchange, BSE. We signed a Memorandum of Understanding with BSE to set up a pioneering insurance distribution network in India. The new venture, to be branded as BSE-Ebix, intends to deploy an insurance distribution exchange platform that will allow distribution outlets, stockbrokers, wealth management advisers and financial institution across the length and breadth of the country to sell life and nonlife products. The venture will utilize the distribution reach of both Bombay Stock Exchange and Ebix. Besides 300,000 plus terminals in the country that BSE has today, the BSE-Ebix JV will have access to more than 200,000 outlets across the entire expanse of the country. The state-of-the-art platform will leverage Ebix world-leading end-to-end insurance exchange technology and will encompass the entire insurance life cycle, from customer relationship management, agency management, multi-quoting, underwriting, policy creation, claims filing and supplement to back-end insurance policy administration. We're excited about this venture. We'll be aggressively promoting this venture in 2018.

We're also looking at a new area that could generate meaningful results for Ebix in the future. Specifically, we seek to convince insurance or banking entities to break out their IT services and insurance processing and administration services into a separate joint venture entity with Ebix. Or if any such venture already exists, then take an operational control and make a strong investment in it. Our goal is to provide end-to-end technology through a 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 forming a JV with Ebix, with them getting the new starts and a part of the profits and dividends, while Ebix recovered its profit in providing [ancillary] services to the JV partner through this entity. We'll report more on it once we put any such contract at JV in place.

We are pleased with the continued progress of our PPL initiative in London. We committed to doing everything in our means to make this initiative a roaring success for the London insurance markets. We just successfully deployed another product line, property and casualty insurance, in November 2017 after earlier having deployed a number of other lines successfully. Terrorism, business, directors and officers, financial institutions and professional indemnity, finpro, and marine are already live on the platform. JLT became the latest large broker to join the platform last month, taking the total amount of large brokers, using it 26, alongside 90 insurance carriers.

As regards acquisition targets, 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 realized that it takes just one bad acquisition to taint that record. Accordingly, we're highly disciplined and selective in how we approach an acquisition target. We try to cover any perceived risk to really form the backups built into the deal. Anytime an acquisition target gets out of those metrics, we're prepared to give up on the acquisition even if we have spent a lot of time, energy and cost. For every one acquisition that Ebix announces, we have walked away from many because if something did not seem right or fit into our business model or risk profile, at no point I'll be ready to take a risk that could derail the success of the past 18 years through 1 bad acquisition.

We look at the first -- we look at the worst scenario first to ensure that the worst scenario does not have a big risk associated with it. Ebix today has dreams of being many times larger than its trended size. We are in the midst of implementing our plans to implement our vision while protecting a marginal structure. We feel that we have the backing of our banks to head in that direction, and also strong access to resources.

As Sean conveyed during his talk, Ebix ended the quarter with cash, cash equivalents and short-term investments of $102.3 million, with available cash reserves of approximately $243 million, including the available borrowing capacity and accordion available to the company. As to that, the prospective continued cash flows generated from operations by the company over the next 12 months, and that leads us to believe that we have the financial resources to carry out all the growth initiatives with the added goal of delivering improved diluted EPS and increased shareholder value.

On November 1, 2017, I finished 20 years in Ebix. In my time at Ebix, I have seen Ebix deliver 72-plus quarters of profitability growth and consistent results. I've seen the company rise from a loss of $19 million in 1999 to become one of the highest-margin technology companies in the United States. Recently, we were named amongst the 100 fastest growing companies by Fortune Magazine. Ebix has a unique distinction of being in the list 5 times in the last decade, exemplifying its consistency of growth and shareholder returns. I've also seen the company deliver a total shareholder return of approximately 22,000% since January 1, 2001.

Lastly, let me thank each one of you for having given me the opportunity to lead this company. I feel truly blessed to have that opportunity, and also humbled by the clasp repulse by each one of you in the company. I'm still here with the basic belief that the best is yet to come. I'm hopeful that the 42nd year of Ebix birth spells the beginning of a new era of growth and profitability. That brings me to the end of my talk. I'll now hand it over to the operator to open it up for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first 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*

Just -- wow, a great quarter across the board. A bunch of things, I'll to try to run it through then relatively quickly. The EbixCash sequential, just exceptionally strong, certainly material acceleration from what that had been running standalone. Can you take a second and just dive a little deeper in terms of what has driven that out? Again, I know you didn't want to suggest that, that 100% plus per se was sustainable on an annualized basis, but yet it sounded like the were things in there you did think were sustainable, so a little color there?

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

I think let me talk about EbixCash. So basically, what you see in terms of our growth, the 25% sequential growth, is purely organic. I think what is driving it is one, Prime Minister Modi came up with demonetization a year back. Actually, as I speak to you, we are at the anniversary -- at the first anniversary of the demonization drive that Mr. Modi started. It has had its impact in the sense that at least, culturally, people are starting to believe that cash needs to be out of the system, government has implemented new tax policies all across the country, the GST policy, which incidentally now forces people to somewhat -- all transactions are getting tracked a little bit more keenly, and that's forcing almost people to do transactions digitally. So having said that, there is -- there are multiple things that are happening. One, the regulatory environment in the country is clearly moving in the direction of digital money versus -- and trying to get cash out of the system. So that's helpful. But then, on the other side, companies like us, we believe we are in the business of simplifying use of any -- simplifying business for our consumer. So if a consumer wants to do a transaction digitally, we're there. If a consumer wants to call and do a transaction, we should be there. If the consumer wants to walk into an outlet of ours, we are there. So what Ebix has done is Ebix has really transformed this digital move that Prime Minister Modi was talking about into what we call a digital move. We, by the term digital, what we mean is we're combining brick-and-mortar businesses with digital strategies. Our expanse is humongous today. When you have 224,000 outlets across the country, this is a fight about the last mile. Who has the last mile? If we only went digital, we would be spending billions of dollars trying to advertise and reach out to the consumer. Now we have 224,000 outlets besides being digital, and all of these outlets are completely digital. And what it does is it actually multiplies our reach. Each of these distribution outlet becomes our sales person in a way, because they only make money if they transact business. And as they make money, we make money too. In addition to that, we have kept accelerating and ramping up our sales force. Today, we have 450-plus sales guys in the country, and they're going to keep ramping it up as we accelerate business. What we've also been able to do is we've been able to assimilate multiple businesses. Traditionally, what's happening in the financial exchange markets in India, which in my view is a mistake, is that the markets -- there were individual companies focusing on individual functionalities. So there would be a company which is focused just on mobile wallet, e-wallet for somebody would call them. There's another company that is focused just on trying to be insurance brokers, somebody is trying to handle inward remittance, another player is trying to handle outward international remittance. A different player is trying to handle domestic remittance. Gift card is a completely different ball game. Prepaid card is a different ballgame, and so on. I mean, what Ebix has done, Ebix has virtually brought 45 different services under one roof. Part of our belief is that the consumer is the same. The consumer, whether -- it's the same consumer who wants to insure his car or buy life insurance, or buy home insurance, or remit money domestically, or wants to travel abroad or wants to get money or send money out and so on. Or buy a prepaid card or buy a gift card, or at times, people in India, employees receive part of their salary in the form of prepaid cards that helps them from a tax perspective. And so when you look at it from that perspective, Ebix has been able to converge all these services. And that by itself has created a market for us. So we are just -- the growth that you're seeing is a function of a different strategy that Ebix do. It's very similar to what we have been doing in insurance in the U.S. market. We were assimilating insurance, for example, with a newbie. For example, in health care. And we took the path of bringing health content, health care, all of that together with financial exchanges and annuities, and so on. And that really puts us in a different place. We were the only operator converting all these processes and doing straight through processing. We're trying to do the same in India today, and that by itself has kind of virtually -- that's your basically seeing the beginnings of the success of that strategy. So I was going say, your other question was, is that really sustainable, meaning, is that 25% sequential growth. Well, we would like it to be sustainable, but yes, it may not be sustainable in the long term, right? We could possibly -- so we'll see, it's too early for me to comment and tell you that we can sustainably keep growing this business 25% quarter-over-quarter. So I think it's too early for me to comment on that. I think that -- but I promise you that we will keep you updated as we announce our quarterly results. What we think about this business in terms of growth, right now, I could just tell you that we're quite bullish about the organic momentum that we are experiencing.

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

Got it. And then just 2 other quick ones for me. The JVs with respect to the back-office servicing processing, if you will, can you take just a second and expand on that? What do those deals look like size wise? What's the margin profile, just fill in a few gaps there if you could.

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

So to me, an ideal one would be, just to give you an example, let's say, a bank in a particular country said, or an insurance company said, you know what, we're going to break out our IT, we're going to break out our IT and hand over the IT, the entire resources to you to manage, to run our business process outsourcing. So for example, they could be a bank that could say, why don't you manage all my account opening, take over the entire electronic, make the entire manual written process into electronic and automate it into my back-end system, or take over my entire IT, my platform support, my software and hardware support and also take over my entire development operation. Now this could be large possible JVs in the sense that when I say large, my definition of large is that this could be a $35 million to $50 million kind of an operation a year for you, and you could end up with anywhere between 25% to 30% in operating margins out of that business. So what I like about this business is that it's become the captive business. When you have a venture like this, you will have a short revenue streams and because the insurance company or the bank, whichever the entity is, is going to be completely aligned with you, it will be their interest to keep you happy, keep you strong, simply because their entire IT, BPO and hardware support kind of operations are centralized with you. It's in their interest to keep you strong. So having said that, that becomes a very long-term, sustainable cash-oriented business, right? So that's the kind of stuff that I was talking about.

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

Got it. Very helpful. And then just lastly, you referenced the international deals, primarily Brazil and India, as drivers of the DSO increase. Just to be clear, if you exclude, because you then referred to the EbixCash business as having very, very good cash flow characteristics, very quick collections. If you exclude the impact that is to come from the EbixCash business and you just look at the business as it stands today, would you expect this level to have normalized from a DSO basis? Or would you expect it to come down? How would you think about that?

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

I think the DSO, I don't have the right number in front to give you a very numerical answer, but I could tell you that our DSO would be pretty strong If you took e-governance and some of the other consulting deals that we have signed inside the U.S. So because we're dealing with payment terms that -- when we walked into these deals, so it's not like a surprise for us, we knew what we were walking into. But the financial exchanges deals, you're absolutely correct that all the financial exchange deals, most of the deals, you actually get money either one day advance before a transaction, and how does it happen because the (inaudible) is supposed to keep an escrow deposit with you. That's the only when they're allowed to handle that transaction. So on the other side, when there's a remittance transaction happening, we get the money in 1 day virtually from the principals, and so on. So those businesses are very strong cash-oriented businesses. All our insurance businesses, typically, are very strong in terms of cash collection. So the -- primarily, the delays you see are -- some of them are related to some of our Brazil initiative and some of them are related to our India e-governance initiative, where the government of India in the deal itself, that will mean these are the payment terms, which have defined us all 4 when we agree to attend that. So it's not -- as I said in the last time, you're going to see that we're going to be -- this is going to substantially improve as we go into Q4, part of it is because we are new to the e-governance business, so we haven't set up cycle yet. So as we set up this cycle, we're automatically -- the DSO will automatically improve. Also, it will get blended with some of the financial exchange stuff. As we grow our financial exchange initiative, the DSO will come down dramatically. So we're not concerned at all about the DSO.

Operator

And our next question comes from the line of Allen Klee with Sidoti.

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

Can you tell me the closing date of Wall Street finance deal?

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

Allen, the Wall Street deal will be October 1. It will be effective October 1.

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

Okay, thank you. And then just -- is there a way you could maybe simply kind of explain the revenues and cost for ItzCash for -- I'm sorry, for EbixCash to -- for how you can get the type of margins that you're expecting to get there?

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

Well, first of all, I'll let you -- you said it correctly, EbixCash. So EbixCash is a super set of everything that ItzCash did, and a lot of other new stuff that have been able to build out and bring in. For example, we've now brought in entire fire insurance domain into it. We are now bringing in -- we brought the entire remittance markets into it, with these 3 acquisitions. We also brought in traveling to it. And we're also bringing in lending in coming days into it. So as we bring those in, part of it is, I just talked to it during my talk, that first of all, look at the 3 acquisitions we made on the remittance side, Paul Merchants, Wall Street, and the third one was YouFirst. I talked about that our belief is that we're going to generate anywhere between 35% to 40% operating margins from those businesses over the next 6 months. Then you go to the travel business of Via that we bought, and that would have become part of this EbixCash initiative. We believe in the next 6 months, we will get to a 30% plus kind of an operating margin structure. We believe that the operating margin structure in our lending business can be even higher, insurance business will be around 30% or so also. So when you look at these businesses itself, that will, by itself, bring up the EbixCash margin because these are very strong numbers that I just talked to you about. And then you look at the core business of what used to be the core business of ItzCash. We are redefining everything, right? So it's not -- there's nothing called core and not core. So what we are doing and we are relooking at everything as -- the beauty of this business is your cost has already sunk in. When you have a cost, to give you a simple example, let's say we bought company A, and then we bought company B. and we already have the ItzCash operation. ItzCash already was -- let's say, the ItzCash operation was already managing 3,000 cities and already has the operational force to manage it, already has all the sales people in that area. So what we will do, we'll ramp up the sales force, but in the same site, what will happen is as we synergize these businesses, we will be able to use people on either site in terms of operations. So what really happens is that as we keep now adding, as we increase the ItzCash even from the core businesses, as we increase the revenue stream from those businesses, what will happen is that an incremental margin will start growing up because your base cost is already there. And as you increase your transaction number through that pipe, your incremental margin will continue going up. This is no different from what Ebix did. When we started off in Ebix insurance exchanges, our margin used to be way lower. We first grew them to 20%, then to 30% and then I started talking about 40%, and then you started reporting consistently 40% or so in our operating margins. So it's a question of cash flow numbers, it's a question of transactions, and then once your infrastructure in terms of IT, in terms of operations, in terms of software, in terms of locations, locations, all of that is there, the more transaction, the more functions you pass through that pipe, your margins will keep going up. So that's how we intend getting there.

Operator

And that concludes our question-and-answer session for today. I'd like to turn the conference back over to Ebix for closing comments.

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

Thanks, Karen. I don't see any questions in the queue, so with that, I would close the call, and thank you again for participating in the call. And we look forward to announcing our 2017 results, and we will be talking again. Thank you. with that, I'll close the call.

Operator

Ladies and gentlemen, thank you for your participation in today's conference. This does conclude the program, and you may now disconnect. Everyone, have a great day.