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EBIX - Q1 2018 Ebix Inc Earnings Call

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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Ebix First Quarter 2018 Investor Call. (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. Please begin.

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

Thank you. Welcome, everyone, to Ebix Inc. 2018 First Quarter Earnings Conference Call. Joining me to discuss the quarter is Ebix's Chairman and President and CEO, Robin Raina; and Ebix CFO, Sean Donaghy. (Operator Instructions) 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 business 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 to these forward-looking statements in light of new information or future events.

Additional information concerning factors that could cause actual results to materially differ from those in the forward-looking statements made today is contained in our SEC filings, which list a more detailed description of the risk factors that may affect our results.

Our press release announcing the Q1 2018 results was issued earlier this morning. An audio of this investor call is also being webcast live on the web at www.ebix.com/webcast. You can look at Ebix's financials beyond what has been provided in the release on our website, www.ebix.com. The audio and text transcript of this call will be available on the Investor homepage of the Ebix website after 4 p.m. Eastern Time today.

Let's start by discussing results announced today. We are excited by the results that we announced this morning. Revenue in Q1 2018 increased 37% from a year ago to $108.2 million. On a constant currency basis, Ebix's Q1 2018 revenue increased 35% year-over-year to $107.2 million as compared to $79.1 million in Q1 of 2017. The revenue improvements reflect a growth in the company's exchange channel as well as higher revenue from the risk compliance channel with revenues from the EBIT cash financial exchange services reflected in the exchange channel.

Also on account -- in Q1 2018, our exchange revenue continued to be the largest channel for Ebix accounting for 76% of the company's revenues. The year-over-year revenues increased as a result of revenue growth from P&C, life exchange, annuity exchange, underwriting exchange, the traditional RCS business, health, e-commerce exchange and the financial exchanges aided by revenue growth generated from the company's various inward remittance, finance and travel acquisitions, offset primarily by declines in the area of EHAE, continuing medical education business, P&C Carrier and the life strategic consulting businesses.

In Q4 of 2017, we had a seasonal revenue increase of around $4 million as compared to Q1 of 2018 in the medical continuing education business and the Health Administration Exchange business. The increase in the CE area in Q4 2017 was primarily associated with doctors trying to get beneficial tax treatment by purchasing the CE courses while the administration exchange increase was associated with policy renewals that happened at year-end. Our Q1 2018 revenues are also impacted downwardly in the short term by $1 million because of the new KYC, Know Your Customer norms introduced by the Government of India.

Considering these headwinds in Q1 2018, and we believe that Q1 2018 top line performance of $108.2 million is strong and in line with our expectation. In growth -- in the -- our growth in 2 key markets, India and Latin America, continued in Q1 2018. The Indian led venture showed 548% year-over-year growth in Q1 2018 by growing to $36.3 million from $5.6 million in the same period in 2017 with some of the India led revenues sitting in other Asian countries.

The Latin American ventures showed a 38% year-over-year growth in Q1 2018 by growing to a $5.4 million from $3.9 million in the same period in 2017. 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 adverse economic period.

We are pleased with the sequential growth in top line and our overall business. Q1 2018 revenues sequentially grew 3% by $108.2 million over Q4 2017 revenues of $104.7 million. Our EbixCash Financial Exchange revenues grew 14% sequentially from $25.9 million in Q4 2017 to $29.4 million in Q1 2018. We expect this growth to continue and have a number of organic and inorganic initiatives targeted at growing our financial exchanges to an annualized run rate of $200 million by Q4 2018.

I will now turn the call over to Sean.

Sean T. Donaghy - *Ebix, Inc. - CFO, Principal Accounting Officer & Company Secretary*

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 first quarter 2018 financial results and operating performance and look forward to the rest of the year.

Q1 2017 operating income was $25.7 million. The Q1 2018 operating income was 32% higher at $33.9 million. However, there were a number of nonoperating expenses that led to the net income in Q1 2018 being 1% lower at $26.2 million versus $26.4 million in Q1 of '17. The decrease principally reflected an $8.4 million increase in nonoperating expenses such as foreign exchange loss, net interest charges and tax expense.

From Q1 2017 to Q1 2018, the changes are as follows: There was a $600,000 foreign exchange loss in Q1 2018 versus a gain of $3.5 million in Q1 2017. There was a $3 million increase in net interest expense in Q1 2018 versus Q1 2017; there was $2.1 million in tax expenses in Q1 2018 versus $900,000 in Q1 of '17. The Q1 2018 taxes reflect a provision for the global intangible low taxed income, GILTI tax, as per the 2017 Tax Cuts and Jobs Act, i.e. the Trump tax plan. Thus, in spite of the operating income being 32% higher at $33.9 million, the Q1 2018 diluted earnings per share remained unchanged at $0.83 as compared to the first quarter of 2017.

Ebix's weighted average diluted shares outstanding were 31.7 million shares in Q1 2018 versus 32 million shares in Q1 2017. As of today, the company expects the diluted share count for Q2 2018 to be approximately 31.7 million shares. Cash generated from operations rose $10.6 million or 67% in Q1 2018 to $26.4 million compared to $15.8 million in Q1 of 2017. Q1 2018 cash flows reflected cumulative cash payments of $11 million for bank interest and income tax, including nonrecurring advanced minimum alternative tax, MAT, tax payments in India. We are pleased by the fact that the company continues to deliver attractive top line growth, cash flows and operating profits with a 31% operating margin during Q1 of 2018 for the entire business and approximately 34.1 operating margin -- 31.4 -- 34.1% operating margin for the core exchange business.

In Q1 2018, we spent a total of $9.8 million on dividends, tax payments and building construction. Specifically, during the quarter, we paid $6.8 million in taxes, spent $1.2 million on capital expenses, spent $6.6 million for the purchase of Transcorp's inward remittance assets and paid dividends of $2.4 million, while drawing just $20 million from our bank credit facilities.

After these significant uses of cash, Ebix still ended the quarter with $132 million of cash, cash equivalents and short-term investments, an increase of $43 million as compared to 31 -- December 31, 2017. We are very pleased with the company's continued ability to generate cash and fund its growth and investor friendly initiatives.

As of March 31, 2018, the company still had access to approximately $488 million of readily available cash resources from its financing arrangement with its syndicated bank credit facility, combined with cash on hand 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. We will soon be announcing the record date for the Q2 2018 dividend payable to our shareholders.

In Q1 2018, we paid a quarterly cash dividend of $0.75 per common share to our shareholders. Finally, Ebix's Form 10-Q will be filed tomorrow afternoon on Thursday, May 10, 2018. I'll now pass the call over to Robin.

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

Thanks, Sean. Good morning, everyone. I will today focus my talk on vision and new opportunities, especially in India, as I have been receiving lot of requests from our investor base to lay out a vision for India and spell out the opportunity as I see it. I will briefly discuss Q1 2018 results, as Sean and Darren have already done that in detail.

In 2017, I had set a number of aspirational goals for the first quarter of 2018. One of the goals was to achieve $400 million in annualized revenue by Q1 of '18 with 30% plus in operating income. Thus, this has been an incredible quarter on many fronts for me.

Q1 2018 translates to a record annualized revenue run rate of $432.8 million. Q1 2018 also translates to a record annualized EBITDA, excluding stock-based compensation, of $149.2 million. Q1 results translate to a record annualized operating income of $135.6 million, strong operating cash flows of $25.5 million, $0.83 diluted EPS despite an $8.4 million increase in nonoperating expenses like foreign exchange loss, net interest charges and tax expenses from Q1 '17 to Q1 '18.

The diluted number of $0.83 is pleasing for me, especially since it includes the effect of the global intangible low taxed income, GILTI tax, imposed on international income beginning 1st of January 2018 as per the 2017 Tax Cuts and Jobs Act. When I was laying the Ebix vision for my Board a few years back, I had set up an aspirational goal of $150 million EBITDA when we reach the $450 million revenue mark. I'm excited that we already had an annualized run rate rather close to the $150 million EBITDA mark. That $149.2 million in Q1 2018 while our annualized revenue run rate is at $432.8 million presently. That's just incredible.

2017 and '18 have set the foundation of what I call Ebix 2.0. Ebix 2.0 is a company that has redefined its growth trajectory, expands our services and geographical reach considerably. The company is today set to meet or beat its aspirational goal of $500 million annualized revenue run rate by fourth quarter of 2018 or earlier. There are many things that should contribute to that aspirational goal. The main ones amongst them being as follows: Our insurance businesses worldwide that intends to keep strengthening; two, our EbixCash business that at present has more than 500 salespeople and 260,000 plus distribution outlets working to grow our sales number continually; new revenue streams from areas like foreign exchange, outward remittance, e-learning, lending technology ventures, et cetera; 500 plus sales staff just in the area of e-learning, continually trying to expand our e-learning reach across the country.

India is today emerging as a market that all top MNCs are targeting and excited about because of the high economic growth rate associated with India. A few days back, Walmart agreed to pay $16 billion to buy 77% stake in one of India's leading e-retailers, Flipkart, after the Flipkart Board rejected an even higher offer from Amazon. One of the EbixCash competitors in India, an e-wallet company with financial metrics that pale in comparison to us in terms of revenue and operating income both is presently being valued at $10 billion as per a recent article in Wall Street Journal. These are just a few examples of how companies in India are being valued at much higher multiples by international investors because of the size of the opportunity involved.

Let me now discuss our new and ongoing India initiative and why we are excited about them. On 3rd April 2018, we announced that the company has entered into an agreement to acquire Centrum Direct Limited, CDL, the undisputed leader in India's foreign exchange and outward remittance markets. CDL's foreign exchange has an approximate 70% share of India's airport foreign exchange business, encompassing 24 international airports, like Delhi, Mumbai, Bangalore, Chennai and Kolkata International Airports, while conducting over 1 million transactions per annum. The CDL exchange is also in the process of initiating contracts with a number of International airports outside India in countries like Sri Lanka, Singapore, Bangladesh, Maldives and Seychelles, to name a few. The CDL exchange also had 15% market share in India's fast-growing $1.5 billion education outward remittance business.

The CDL exchange will bring thousands of travel agents, large corporates, SMEs and new outlets to EbixCash's existing travel network offering. EbixCash through its travel portal Via.com is one of Southeast Asia's leading travel exchanges with over 110,000 distribution outlets and 8,000 corporate clients processing over 24.5 million transactions every year.

The CDL exchange is highly complementary to EbixCash Via.com travel exchange offering because it now allows EbixCash travel outlets to sell ForEx to its clients buying international travel. CDL's corporate business is highly synergistic with EbixCash's existing corporate business as it now provides EbixCash the ability to sell digital ForEx and multicurrency cards, et cetera, to its existing thousands of corporate clients.

ItzCash existing corporate clients are presently provided a variety of offerings, including utility payments, corporate gifting, cash management, telemedicine for employees, travel bookings and prepaid gift cards, et cetera. CDL's presence in 24 international airports lends itself well to marketing the EbixCash brand to Indian and international consumers at these airports besides being a very recurring source of business for EbixCash.

CDL Direct will be rebranded as EbixCash WorldPay and has the potential to deliver revenues of $40 million or upwards in the coming 12 months with 30% or more in operating income. We are projecting a growth rate of approximately 20% in this business area.

On 19th of April 2018, we announced our agreement to acquire a 60% stake in India-based Smartclass Educational Services Private Limited, a leading e-learning company engaged in the business education services, development of education products and implementation of education solutions for K-12 schools.

Ebix also is a front bidder to acquire India's leading e-learning company, Educomp, in India's Bankruptcy Court. While Educomp is India's undisputed market leader in e-learning, it landed up in Bankruptcy Courts because of certain ambitious decisions that turned out to be too risky in hindsight. Ebix, over the years, has made a business model out of buying companies in such distressed situations and turning them around and converting them into highly recurring and 30% plus operating margin businesses as long as they have great products and technology, along with a strong, sticky customer base.

The e-learning business model is typically asset light and caters itself well to strong recurring operating margins once the customer aggregation across a threshold level. We have been eyeing India's fast-growing e-learning sector for many years now, fueled by education being one of the highest spending area traditionally for an Indian median household.

Smartclass is one of India's leading e-learning companies catering to the fast-growing K-12 education sector in India with approximately 500 sales staff out of a total of 1,000 employees. The company caters to accredited school education through rich media like 2D, 3D, virtual reality, animation, et cetera. Smartclass 500 strong sales and marketing staff across the country has helped create a strong growth trajectory in terms of top line and reach for the company.

Smartclass today had a customer base encompassing thousands of classrooms paying for Smartclass e-learning products and services in an on-demand subscription basis. Smartclass will be tightly integrated into Ebix's education and e-learning initiatives in India and in one of the many steps that we intend to take to consolidate the e-learning sector in India.

One of our new initiatives in e-learning is to combine our continuing medical education business with e-learning businesses in India and target India's largest -- India's large medical community comprising of doctors, nurses and pharmaceutical companies, et cetera, to sell our existing CME products that we presently sell primarily in the United States. This offers a fantastic opportunity for us to maximize our gains by selling our existing U.S. assets in new markets like India.

We're going to make a strong attempt to consolidate India's e-learning market and create an undisputed leader. We intend to rebrand e-learning for K-12 markets as Ebix Smartclass and set the vision for an independent division that on its own has a valuation potential of being equivalent to Ebix's present worldwide valuation. We believe that Ebix Smartclass has the potential of generating $30 million or more in revenues over the next 12 months with 30% or more in operating income. The annualized revenue generated can be cumulatively as high as $80 million in case the Educomp acquisition goes through.

There are a number of new initiatives that we plan to undertake that all have the potential of helping us expand our revenue base sizably in India and abroad. I will discuss 2 such new initiatives in this call.

One, Ebix sees bus travel as a strong area of growth in the Indian marketplace. With 1.3 billion people and 70% of the country in an income bracket that does not allow for them to afford airline travel, bus travel has emerged as a single biggest growing travel medium in the country for both intracity and intercity travel. Especially in intercity travel, buses are the only real medium of mass transportation with less than 10 cities in India having intracity train system. We have evolved a comprehensive strategy to become an end-to-end solutions player in the bus market as it holds the potential for a large value of recurring revenue for Ebix with 30% plus in operating margins. It also is a perfect complement to our travel and EbixCash smart card business.

We intend to take a position in 3 areas of the bus travel business to establish a strong end-to-end airport like presence in the bus market. One, we want to take a strong position in the bus e-ticketing business organically and inorganically both. The right acquisition in the bus e-ticketing market once combined with our 260,000 strong distribution network and the Via travel brand can cater to a new recurring revenue stream for Ebix. More on that later.

Two, we intend to possibly become an airport for bus travel if we can facilitate the technology that connects bus operators to the distribution, OTAs, travel agents and the e-ticketing markets. Any company that can dominate that exchange connectivity will have natural means to cross-sell and grow all facets of its business.

Three, we intend to take a strong position in the area of facilitating technology that allows consumers to pay for their tickets using smart cards when inside the bus. This technology involves each bus to carry certain hardware and software to allow passengers to pay using smart cards inside the bus, facilitate bus traffic control systems, keep a counter and track of all passengers in the bus, remote management of certain e-ticketing and camera function, et cetera. This can be a very recurring area of revenue and high profit as each of the 28 states in India has a fleet of thousands of buses catering to the high-volume traffic of Indian bus passengers. The business model in this business is to make transaction money out of every ticket sold.

EbixCash today is emerging as an end-to-end financial exchange that can cater to a disparate set of entities ranging from B2B entities like corporates, banks, insurance companies, to B2C entities like consumers, e-retail websites and digital outlets. Banks and lending institutions are key facets of a financial exchange, and we intend to grow -- we intend to continue to grow our presence in that segment. We today work with banks in many areas ranging from them serving as remittance distribution outlet. We work with them for co-branded prepaid and credit cards, real-time settlement of money with tens and thousands of outlets everyday using our banks, receiving daily deposits every day from our outlet using banks, et cetera. We intend to grow on our position with banks by potentially emerging as a technology player who can facilitate lending technology for them. Lending technology play can involve provisioning a CRM, loan origination, loan management and loan servicing systems all with the goal of providing a comprehensive transaction based lending technology to them. That also will facilitate the launch of a lending exchange that will allow lenders to reach out to tens of millions of consumers in the last mile using our fantastic distribution network.

We today have a distribution reach that is 5x the distribution reach of India's largest bank, State Bank of India. More on this later as we undertake more steps in this area.

Our sales team of over 500 EbixCash executives is working diligently to expand our reach in the markets, both in terms of geography and outlet numbers. We are presently running a targeted campaign in the area of inward remittance and travel to move high-performing distribution outlets from competitors to EbixCash. We have a few things going for us in that direction.

One, we are the only company that can provide the outlets the ability to represent market-leading brands in multiple areas ranging from inward remittance, outward remittance, utility payments, domestic remittance, prepaid and gift card, airline, bus, train ticketing, hotel room bookings and of course, insurance sales.

Two, the EbixCash brand, along with our top-notch provider relationships, provides assurance of a high level of footfall into each of the outlets.

Three, we're able to provide the outlets a higher level of productivity, customer satisfaction and ROI than others because of the volumes we manage and our ability to invest accordingly higher amounts in that direction.

Lastly, we have the most organized and numerically largest sales force in the area of remittance and travel, et cetera, in the country to help us aggressively take on our competitors. We are working presently on increasing our reach in the corporate segment aggressively. EbixCash corporate clients are now provided a variety of offerings that include utility payments, corporate gifting, cash management, telemedicine for employees, travel bookings, purchase of foreign exchange and prepaid gift cards, et cetera. We have a separate corporate sales group that handles all of this for us in terms of sales. In addition to that, EbixCash has a few other things going for it.

One, EbixCash already has a dominant leadership position in the inward remittance exchange arena in India.

EbixCash is already the largest domestic remittance exchange in India with domestic remittance volume of approximately $100 million per month. EbixCash is also recognized leader in prepaid cards, domestic remittances and bill payments, processing approximately 600,000 transactions per day and approximately $2 billion in annual payment volumes. EbixCash is also recognized as a leader in the gift card space with brand gift cards across all categories with 100 plus brand co-partners, like Amazon, Flipkart.com, Croma, Lifestyle, Big Bazaar, Tanishq, BookMyShow.com, Reliance Digital, MakeMyTrip.com, Café Coffee Day, Pizza Hut, Myntra.com and Pantaloon, et cetera.

EbixCash is a leader in the utilities payments space serving as a payment exchange for the large utility providers like BSES, Tata Power, NDPL, Reliance Energy and Mahanagar Gas, et cetera. Ebix's recent joint venture with Bombay Stock Exchange positions as a gateway for insurance carriers to sell insurance to India's vast populations through EbixCash tens of thousands of digital outlets across the country besides BSE's strong network across the country.

As of Q1 2018, India led ventures were translating to an annualized run rate of $145 million with approximately $118 million coming from EbixCash financial exchanges. With all these opportunities ahead of us, we feel that we are on track to meet the $200 million India aspirational goal by fourth quarter of 2018.

Our aspirations are high now and so are the facts from the ground. We feel we have momentum on our side with incredible products, aggregated networks, incredible reach, great partners and an unparalleled reference customer base. We seem to be on track to meet or beat the aspirational goals for Ebix to be at an annualized run rate of $0.5 billion by fourth quarter of 2018 or earlier. We would like to get there with at least 32% in operating margins. In closing, I want to thank our customers, our partners and our employees for their continued trust in us and for contributing to an outstanding Q1 and just exceptional results.

That brings me to the end of my talk, I will now hand it over to the operator to open it up for questions. Thank you.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) We have a question from Jeff Van Rhee of Craig-Hallum.

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

So Robin, with respect to the bus opportunity, can you just expand a bit more on the timing there? It sounds like you've got it pretty fleshed out in your mind as to what you want to accomplish. You referenced organic and inorganic. Just a little bit of sense of when that hits the streets in terms of something you're actually driving revenue from and whether the bias there is more towards acquire versus what you have. Just expand on that a bit, if you would.

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

Well, I think, first of all, let me address the bias part. Meaning, we clearly feel that as we today do bus ticketing using the Via brand. At the same time, we're not allowed to play in the bus market. And to give you an exact size of the market, there's a player that recently got sold to MakeMyTrip. And the evaluation of that player is approximately -- in the private market is seen as $1 billion, and all they do is bus ticketing. It's a very large market, the bus -- the e-ticketing market. So having said that, we feel, for us to organically just keep growing that business, we will absolutely do that at the same time and not going to move the needle much. If we want to be a leader in that business, we need to have a very comprehensive strategy. To have that comprehensive strategy, you need to have these 3 different pieces. You need to be on the B2C front, but then you need to be at the back end front. What I mean by that as I talked through 3 different pieces. On the front end, you have the ticketing module, which we today have with Via. At the same time, we would like to acquire somebody who would -- who has size, who's already done -- seen as a large player in that market and amalgamate that, integrate that player within Via that by naturally will bring synergies to Via as also expand our reach. Some of these players have -- already have relationships with private operators and with government operators. It so happened that the largest bus operators in the country are the state government, the state transport corporations. Each of those transport corporations can have buses in the range of 10,000 to 50,000 buses in their fleet. So they tend to be -- they can be generating decent amount of revenue. So the way we look at it, we have 3 different opportunities. One, to be on the e-ticketing front, increasing our base or present base of e-ticketing sizably by acquiring somebody and then amalgamating it within that distribution reach. If somebody who we acquire already comes with existing contract with bus operators, government or private, now we -- it gives us that license to go out through our distribution reach to really use that -- those contracts very well and generate a lot more transactions. So there is a complete synergy on the e-ticketing side. Then you look at the second piece, which is basically owning the telephone wire, right? It's -- to own the telephone wire, what I mean by that is to make any transaction happen in any business, you need an in-between via medium and exchange that connects the e-ticketing business operators, the bus operators, for example, to the e-ticketing front end operators, whether it is travel agents, whether it is OTAs, whether it is any other entity, to connect them to the bus operator, you need an in-between exchange in the middle. And it so happened that, that business is centralized in a few names who dominate that market. So that is an inorganic -- would be an inorganic thing that we would need to acquire if we want to be in that market. However, anybody who owns that in-between piece and if they have the front end and the back end, they will absolutely be able to establish dominance because you own the telephone wire and you own -- and you will now be and you also on one end of the telephone, to some extent, that by itself can drive -- get you customers on the other end of the telephone. So the third piece of it is when you get into the bus as I defined, this is more of devices. These are devices that sit inside a bus. Now this is a business that we don't have today. So we would have to acquire it. We would have to acquire. Ideally, you want to acquire somebody who already has -- has a very good role in the market, who already has all these strong relationships, let's say, with government roadways transport cooperation's because if you do that, you're going to, on Day 1, know that you will be able to transact sizable amount of business. And so when you put these 3 pieces together, right, you get an end-to-end approach to things. Now a timing on this is -- this is -- I would like to see this happen in the near future. I mean, it might be that we take all 3 pieces. It might be that we succeed at 2 of those pieces and the third piece doesn't happen so soon. But at the end of the day, where -- our goal is to make things happen over the next 90 days with respect to -- so this is in the short term.

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

Got it. Got it. Okay, that's helpful. I appreciate it. And then just jumping over to the e-learning side. Obviously, you've got Smartclass here. I guess, you're in process on Educomp. The way you phrased it, looking at it as the potential could be as large as the existing valuation of the current company. Is there -- are there other issues to drop there in terms of other pieces that you expect to bolt on to those 2? Or if you get those 2, is it primarily, you've got the core assets and you can execute from there?

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

Well, I think, the -- when you look at those 2 core assets, especially when you combine those with the medical assets that we already have, I think that gives us a very comprehensive offering. Then what you would really need to do, in addition to what they presently have, I think the market is more and more moving towards. And again, this is a relatively new concept. But if you, for example, watch Tim Cook stock when he was showing the new Apple, he talked about all the new concepts, augmented reality. He actually showed a particular presentation with a frog in it and showed how that frog pops out of the iPad and it seems as if the frog is sitting on a table. That's what augmented reality is all about. What's happening in the education markets is that that's a big thing. And that's what Tim Cook actually talked about. He talked about specifically about the education markets and he was trying to emphasize on Apple's foray into the education market. So having said that, I think that's an important piece for Ebix to have, whether to build it in house or to acquire, but it will be a piece that we would we need to have. So I think between -- if we had both Smartclass and Educomp and we already have the CME knowledge, I think the only thing we would like to kind of build or acquire would be new technology in the area of augmented reality rather than anything else.

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

Got it. And then just a couple cleanups for me. The Ebix India business, I recall that you said in Q4 it was $125 million run rate and then at the end of the quarter, it was running, if I remember, $137 million and then in the press release today, you talked about $33 million of revenues in Q1, which would translate to $132 million run rate. So the question is, I guess, if it was running $137 million run rate at the end of Q4 and $133 million in Q1, obviously, that's a step down, but some of the other math that you referenced seem to suggest...

Sean T. Donaghy - *Ebix, Inc. - CFO, Principal Accounting Officer & Company Secretary*

No, it's $145 million. So just the number -- the number for the quarter is, we're basically at $145 million, India led initiative. What happens with some of the revenue is, we actually report that revenue. It's all lead from India. But we report that revenue under different heads. You're going to now see new heads come in. You're going to see Philippines. You're going to see Indonesia. So all of that revenue is serviced and driven out of EbixCash initiative, which are led from India. But then we report some of that revenue in places like the Philippines and Dubai and Indonesia and Singapore. So when you add those together, the India lead initiative on EbixCash and e-governance, they add up to $145 million. So that's the number you should be thinking about, apples-to-apples comparison. So when you look at... Yes. Sorry, go ahead.

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

So last quarter, everything fell under Ebix India, whereas this quarter, the India business quote of $32.9 million in the quarter does not include the portions outside of the country (inaudible)?

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

Correct. So the total number, including those numbers for EbixCash and e-governance included that adds up to annualized run rate of $145 million. So that is approximately, I would say, $36.25 million.

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

Got it. Got it. That makes sense. Okay.

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

That's more of a reporting issue from a perspective of where do we -- where does some of that revenue get reported, right?

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

And for closing date, Centrum and Smartclass, what's your expectation there?

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

So closing date of Centrum is virtually we are days away from that. And Smartclass is again days away.

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

Okay. And then with respect to the taxes, you referenced the increase related to GILTI as well as you had some advanced MAT taxes. How do you think about the remainder of '18 when you think about taxes in general included in those 2 items? Do we have additional MAT taxes to come? And does GILTI recurs? Just help us there.

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

Yes. So I think last quarter, when I talked, I actually talked about the fact that we don't have all the right answers yet on the Trump tax plan. As you know, that at that time, the tax plan was relatively new. People -- the implementation of that plan was still questionable. Big firms were grappling with the art of how does GILTI work? How does a BEAT tax work? Ae there any ways of saving money and so on. So having said that, this quarter in Q1, we have had a lot of clarity related to GILTI tax. So this is an ongoing tax. So basic premise of this tax is that the U.S. government basically wants to tax, wants to ensure that if you have any region anywhere, when you sum total your international income outside the U.S., they want to make sure -- U.S. government wants to make sure that you have at least paid 10.5% taxes. So let's say you have a tax in a place like Dubai was 0%, right? But when you cumulatively added up every tax in other places and let's say you ended up with 2% tax that means you still have a delta of 8.5% that U.S. government will charge you on top of that. So I think that's the kind of stuff that has happened. So the net reality of that is, so we need to -- this is a complex area, where you have to absolutely add up all your taxes in all areas and basically then figure out what's your international income overall in terms of percentage. And let's say, your income is 4% that means you have a shortfall of 6.5% and that's going to be a GILTI tax in the quarter. So that's the way the GILTI tax works. So this is going to be an ongoing tax. This is not going away. You see over a period of time, I'm sure firms will find other ways in terms of what it really means. They might be -- people don't have as much of a clear understanding of the GILTI tax today. But I would say, we're more well-informed today than we were at the end of the last quarter. So today, it seems like that this is an ongoing tax that we would have to pay to make up for that 10.5%, if we have any income in a zone where your tax -- where your income is being taxed at less than 10.5%.

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

Okay, all right. And then one last for me then, just circling back to the sort of the core EbixCash business. Maybe just spend a minute and talk about the differentiation. Paytm seems to -- their $10 billion valuation be the name that most know or the name that people know the best, I guess. Just compare and contrast where they're going? What they're doing versus what you see clearly? You focused on the digital. You've got the distribution locations. And they've gone a different direction. But I get a lot of questions along that line. Maybe just spend a minute on that.

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

Jeff, I think the biggest differentiation to start with is purely on financial metrics. If you compare the 2 businesses, right, we've obviously -- we're not burning any marketing money, we're not putting money in people's wallets to gain them as a customer. The joke I like to give is that if I stand outside Ebix India's office and I start handing over $50 to everybody who walks around and say, if you become my customer, I'm going to put $50 in your wallet. I'm sure everybody would become a customer. That's how I feel about some of these names. Because that's what exactly they're doing. What they're doing is they are putting money in e-wallets of people. If you become a customer, they give you cash back. If you study players like -- there have been players in the past that have collapsed, players like FreeCharge have been there who haven't done as well in the market and so on. So we're not a big fan of that concept. And overall, if you look at the financial metrics of what was declared last year from some of these players and you compare it to Ebix, I mean, there's a day and night difference in terms of what we produce, in terms of income and also, in terms of our revenue generation. We actually -- if you look at our revenue numbers right now, and compare it to let's say what -- one of these players that you named was doing last year, you're going to see that our revenue number is more than what they were producing last year. Now they might have increased it, but so are we going to increase it this year. So we think we're doing extremely well. So our biggest appreciation is, one, they have focused on spending money, marketing money to get the consumer. That's basically their business model. Two, they're basically focused on the e-wallet, right? We're not a big proponent, while we have an e-wallet, and we're going to aggressively launch actually a new e-wallet in India. At the same time, for us it's an add-on activity. It's an additional tool to give consumer -- to give a metropolis consumer more ways of doing a transaction. For us, we're not hanging our hat on e-wallets. Whereas, these companies are focused completely on the e-wallet. And so having said that, our business model has been focusing on reaching out to the consumer without burning money by reaching out through our distribution outlets because we established the last mile. Today, when we say we have 500 salespeople in the business, let's not forget that each one of those 260,000 outlets is a sales person for us. Each one of those distribution outlets don't make money until they sell. So they are our salespeople. They're sitting in the last mile. They're advertising free for us because that's how they get their -- the client, customer coming in. So that's one of our major differentiating factors. And then you look at the expanse of services. On one side, you have basically an e-wallet in the front and then you have a number of other services that are basically catering to the e-wallet. Whereas, what we have done, we have taken very focused, dominant position in the business. When we -- if we entered the area of remittance, international remittance, we became the dominant player with majority of the market. When we entered the area of ForEx with Centrum on Day 1, we would have 25 international airports and we would have a very viable, profitable 30% plus operating business, margin business. When we entered the business of, you name any business, of domestic remittance, for example, we are today India's leader in that market. If you look at utilities, we're one of the leaders, one of the top 2, 3 players in the market. Similarly, you look at travel, we're the only player out of the 3 players in India, the only 2 other travel players known in the market are, there is MakeMyTrip.com, who in size is #1, and the #2 is Yatra. If you look at both of these players, they're not making any money. And then you look at Via.com, our effort, what we have done, not only do we generate strong operating margins, but we have created a business model that does not wait for a consumer to come to Via.com in terms of having to spend burned dollars, marketing dollars. What we did, we created, first of all, a digital outlet model whereby, each of our outlets is -- was available to make those bookings and advertise for us, market for us. But what we also did, we became the largest player in the corporate market. Today, we have 8,000 corporates in India who are standardized on us. It's not just a travel solution. It's a workflow solution. We provide them internal expense management. We provide them the workflow to decide on the travel. And then we provide them a comprehensive discount strategy, whereby, they get to, every year as they generate revenue for us, we're generating increased dollars back for them. What we also did, we then integrated our ForEx management into each of those corporates. To give you an example, if you are a large corporate, you have employees traveling across the world, and then they travel across the world, as a business you need to buy them foreign exchange for their travel. You either will give them a multicurrency card or you'll buy foreign exchange in cash, either of those Ebix will cater to. You will need to buy them health insurance. Again Ebix caters to that too. So what we did, we interfaced a variety of all these solutions and kept integrating them into this and created one of the largest travel omnichannel brands Via. So I think our differentiation is more in the area -- is in the area of technology superiority, functional superiority, I think business model superiority because our business model is recurring. Our business model is not dependent on spending marketing dollars. I'll challenge anyone of these companies to stop spending the marketing dollars in the sizes that they're spending and to see what the result would be, and then look at Ebix, it won't -- it makes no difference to us because of the model that we have created. So there are so many differentiating factors that we have baked in. When you look at insurance, for example. A company like Paytm doesn't really have a comprehensive insurance fee. We are -- what we are doing, we are -- we took up again a pioneering role by setting a joint venture in place with the most eminent financial institution in the country, Bombay Stock Exchange. Bombay Stock Exchange is known to every individual, every kid in India. And when you look at Bombay Stock Exchange, it's represented. Bombay Stock Exchange is represented by the who's who of the financial institutions. They have 300,000 terminals in addition to that. And last time, when Bombay Stock Exchange entered the mutual fund market, almost 2.5, 3 years back, today they own 26% of that market. We would like to believe that we can do the -- we can have huge success with the insurance arena. What we are trying to do in the insurance arena is create a new market that nobody has created by selling insurance through mom-and-pop shop, through grocery shop, through watch shop, through agents, of course. But what we are also doing, we're opening up a new medium, a new distribution medium for international carriers. Many international carriers don't work in India today because they don't understand the distribution medium. What we believe we can do, we can bring in distributors to the table and say -- big carriers to the table, international carriers to the table and say, "Look, you don't have to worry about distribution, we'll handle your distribution, you need to write new paper to handle these policies." So I think it's a completely new paradigm what we are trying to do. We're trying to create an end-to-end financial exchange, an airport. Whereas, Paytm is a pure -- is a B2C operation, where they want to make a few percentage points out of every transaction that you do today in the market in terms of using your e-wallet. So I think companies like Paytm are going to be very threatened when WhatsApp comes in and launches their e-wallet or when Amazon comes in and launches their e-wallet, these are all real threats like Google Pay's have come in India and so on. It doesn't matter to us because our business model is so integrated and so key to the various facets of India's financial industry that it doesn't impact us how people use it. For example, Paytm is also our partner in -- for Centrum for foreign exchange. So we don't really see them as competition. We see our activities as complementary to them in a way. And we want to be the airport who can work with virtually anybody, including Paytm.

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

Got it. Got it. Okay. And then the last for me, the sales headcount, you just said you had 500 reps. How do you think about that number, say, by the time we hit the end of the year?

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

Well, we have 500 reps just in EbixCash. And then we have 500 reps in the e-learning operation also. And then we have more reps in a few other areas. So this is purely -- when you look at our sales force, we have -- we believe we have the largest sales force in the remittance, in the travel, in the utility business area in India, the most organized and professional sales force. So we expect this number to continue to grow as we have more success in the market. So I don't have a targeted number frankly, in terms of sales, in terms of salespeople purely because we want to scale it up as our business grows, as we keep increasing the reach, the expanse. If we, for example, add new bus technology, for example. We're going to add a lot more salespeople to that area simply to cater to that. So what we're trying to do is, on one side, we're driving convergence amongst all these tools. On the other side, we realize that there is a threat of losing focus. For example, if we're going to converge all of this, and let's say we converge outward remittance and inward remittance, a simple example. We might overall meet our numbers. But how do we make sure that the outward remittance is generating continual growth while inward remittance is generating inward -- is generating enough growth, too? So there is -- there has to be a system in this convergence wherein you want to create focus on one side and you want to create convergence on one side. So you'll have salespeople who are getting incentivized on a weightage basis with respect to each of these products to ensure that we're selling almost everything. So we expect to keep scaling up our sales force, but I don't have a specific target in terms of sales numbers, in terms of sales employees. I have targets in terms of sales numbers. And as we go through the year, we're going to keep deciding based on where we're, and how we're gaining success, we accordingly going to keep scaling up our sales force.

Operator

(Operator Instructions) This will conclude the Q&A session. I'll turn the call back over to Robin Raina for closing remarks.

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

Thank you. Thank you, [Sara]. I think that brings me to the end of the call. Thank you, everyone, for participating in the call. We look forward to the second quarter call. Thank you. And with that, I'll close the call.

Operator

Thank you. Ladies and gentlemen, this concludes today's conference. You may now disconnect. Good day, everyone.