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Q2 2020 Ebix Inc Earnings Call

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Ebix, Inc. second quarter financial results investor call. (Operator Instructions)

I would now like to hand the conference to your speaker today, Darren Joseph, Corporate Vice President of Investor Relations. Please go ahead, sir.

Darren Joseph Ebix, Inc. - Corporate Vice President

Thank you. Welcome, everyone, to Ebix, Inc.'s Second Quarter 2020 Earnings Conference Call. Joining me to discuss the quarter is Ebix Chairman, President and CEO, Robin Raina; Ebix Global CFO, Steve Hamil; and Ebix North American President, Ash Sawhney. 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 revision to these forward-looking statements in light of new information or future events.

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

Our press release announcing the second quarter 2020 results was issued 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 present the key metrics in our second quarter 2020 release. Q2 diluted EPS was \$0.76, and non-GAAP diluted EPS was \$0.88. Q2 operating cash flow was \$28.8 million with 6-month year-to-date operating cash flow of \$58.4 million; revenues of \$111.3 million and constant currency revenues of \$117.4 million; GAAP operating income of \$31.9 million and non-GAAP operating income of \$35.7 million.

For me, the highlight of the quarter were mainly 3 things. One is that despite the impact of lockdowns, foreign currency hits on account of U.S. dollar strengthening and many of our divisions being severely impacted by COVID-19 across the world, we are still reporting Q2 2020 EBITDA plus stock-based compensation of \$36.3 million, an impressive 32% of total revenues; two, our strong year-to-date operating cash flows of \$58.4 million; and three, the fact that despite COVID-19, our Q2 worldwide revenues, excluding revenues from area directly impacted by COVID-19, namely the foreign exchange, travel, e-Learning and remittance businesses grew 16% as compared to Q2 2019.

Exchanges, including EbixCash and our worldwide insurance exchanges continued to be Ebix's largest channel, accounting for 86% of Q2 2020 revenues. FX also played a role in the quarter with the U.S. strengthening in light of COVID-19. On a constant currency basis, Ebix's Q2 2020 revenues would have been \$6.1 million higher, while the 6-month year-to-date revenues would have been \$9.8 million higher as compared to the GAAP revenues numbers reported.

The EbixCash financial exchange revenues declined by \$25.9 million from \$79 million in Q2 2019 to \$53.1 million in Q2 2020. However, that decline is understood clearly when one looks at the temporary impact of COVID-19 on our travel, ForEx, e-Learning and remittance businesses that were down by \$47 million in Q2 2020 as compared to Q2 2019.

Excluding travel, ForEx, remittance and e-Learning businesses, EbixCash revenues grew 47% in Q2 2020 and versus Q2 2019.

Beginning March 2020, our businesses in the area of on-site consulting, travel, foreign exchange, remittance and education were hit severely because of COVID-19. Once the pandemic led to a global shutdown and a virtual human curfew was imposed in countries like India, the effect of these business lines was natural.

Considering that, we feel good about the second quarter 2020 results and the resilience shown by our employees across the world to allow us to keep supporting our B2B clients.

I will now turn the call over to Steve.

Steven M. Hamil *Ebix, Inc. - Executive VP & Global CFO*

Thanks, Darren. I want to start by thanking our employees around the world for working together to ensure that Ebix serves its customers as the COVID-19 pandemic continues. I have now been in the CFO role for 4 months and I am as bullish today on the investment strategy of Ebix as I was on day 1.

While we continue to be impacted negatively by this global pandemic, the breadth and strength of Ebix's solutions drove our solid results in the second quarter. Some may scoff at the term "solid results" when revenues and EPS are down year-over-year by double digits on a percentage basis, but I beg to differ. Ebix's foreign exchange, travel and remittance businesses experienced an approximately 90% decline in year-over-year revenues during the second quarter. Yet, the company delivered adjusted EBITDA of \$36.3 million during the second quarter of 2020. That level is within 5% of the average quarterly adjusted EBITDA produced by Ebix since the beginning of 2019. This performance was accomplished because Ebix has a diverse set of global software solutions and services, a large recurring and repeating revenue base, an investment strategy that's sound, a workforce dedicated to serving its customers and a management team that has proactively addressed our cost structure so that the company, our employees and shareholders will be in the best possible position as we endure the current global economic upheaval.

I'm excited to be the CFO of Ebix and believe we have a bright future.

Now let me discuss some specific financial results and metrics. Darren already walked through the revenue results for the quarter. I would just add that our worldwide markets also experienced negative impacts during the quarter in consulting revenues due to COVID-19. Our recurring subscription revenues continue to hold up across the world and is indicative of the strength of Ebix in light of current market conditions.

Gross margin in the second quarter of 2020 was 55.9%, a decline from 64.7% in Q1 '19 and 58.3% in Q1 '20. EbixCash continued to see strong revenue performance within its payment solutions business in India during Q2 2020 as a result of increased demand for electronic payment products. Restrictions of movement in India due to COVID-19 resulted in higher demand for these products. These revenues have lower margins than other Ebix solutions and thus diluted our gross margins to some extent versus prior year.

We expect elevated levels of demand for our payment solutions products in India while the pandemic persists and possibly longer as consumers and businesses change their payment habits.

Operating income in Q2 '20 was \$31.9 million, a 7% decrease sequentially from Q1 '20 and a 23% year-over-year decline. This decline was primarily due to the impact of COVID-19. With the company's foreign exchange, travel and remittance businesses experiencing COVID-19-related revenue losses of close to \$50 million in Q2 '20 versus the prior year, the company took aggressive steps to manage its G&A expenses, including permanent expense reductions in certain business areas and implementing short-term expense savings in businesses temporarily impacted by the pandemic. These steps resulted in year-over-year G&A expense reduction in Q2 '20 of over 40% and operating income that was outsized versus the revenue declines we experienced in key businesses.

The \$58 million of operating cash flow produced during the first 6 months of 2020 is a strong sign of the fundamental strength of our solutions and services. Solid expense management and stickiness in our core insurance solutions has helped Ebix increase total cash and short-term investments to \$117 million during the first 6 months of 2020 from \$113 million at 12/31/19.

We maintained our cash position for the first half of 2020 while expending \$61 million of capital for investment purposes and servicing our obligations, including \$29 million of debt repayment, \$18 million of cash interest and taxes paid, \$5-plus million for acquisitions, \$4.6 million of dividends to our shareholders and \$4 million for CapEx and capitalized software development.

Working capital has remained flat at approximately \$130 million during the first half of 2020 despite our revenue declines. And our current ratio of 1.7x is flat year-over-year and slightly improved from 1.6x at March 31, 2020. Ebix's weighted average diluted shares outstanding was 30.7 million in Q2 2020. As of today, the company expects the diluted share count for Q3 2020 will be approximately 30.8 million.

Our recent credit facility amendment has provided the company with ample room to operate through the COVID-19 impacted global pandemic. Ebix is committed to decreasing its leverage over time through both its operating cash flows and the EbixCash IPO, an event that remains strategically important to the company.

With a consolidated debt leverage ratio of approximately 4.1x at June 30, EBIT should be able to endure COVID-19 impacts that are similar to what we faced in Q2 for the remainder of 2020 without running afoul of our financial covenants. Our net leverage covenant will be 5.5x, 5.5x for the next 3 quarters beginning September 30, which we believe provides ample operating flexibility to Ebix. Our syndicate of banks led by Regions Bank has once again shown the supportive Ebix through the recent amendment, and we thank them for their long-term partnership.

In addition to the EbixCash IPO, the company will monitor the debt capital markets closely in the coming months, with the goal of having an optimal long-term capital structure that provides operating flexibility that aligns with our strategic vision for Ebix.

Finally, Ebix's Form 10-Q will be filed later today. While we cannot predict the longevity of this pandemic, we are confident that on the other side of this unprecedented global economic disjointedness, Ebix will be poised to recoup the losses we have sustained and reestablish our leadership in the ForEx, travel and remittance businesses. We will continue to execute on our core strategy of being a global insurance and financial technology leader. We will protect market share in long-term core markets such as the U.S. and Australia. And we will be a catalyst to the electrification of international economies.

I would like to now turn the call over to the President of our North American businesses, Ash Sawhney, for his remarks on our quarter.

Ash Sawhney Ebix, Inc. - President -- Insurance Solutions of North America

Thanks, Steve and Darren. While Q2 continued to be a challenging business environment for corporations across the globe due to COVID-19, the Ebix North American business during this period stayed level relative to Q1. Our core exchanges, including annuities, health, WinFlex life, underwriting, medical certificate tracking, continue unabated. These were offset by certain areas that were impacted due to COVID-19. These include our noninsurance services business, certain segments of our A.D.A. M. business and our work-side benefits business.

We continued with the work-from-home model in Q2, as did most of our clients. All our major exchanges continued to run smoothly, and

there was no major impact to any of our in-flight implementations.

I will now provide a brief narrative on the performance of our core business units in Q2 as well as provide an outlook for the remainder of the year. Our core annuities exchange grew year-over-year in the same period as well as sequentially compared to last quarter. We saw steady growth in transactional volume. In the month of June, we saw the highest level of transactional volumes on record compared to any month dating back 4 years. That trend has continued in the month of July.

In Q1, we announced that we were in late stages of engaging with one of the largest distributors in the country. We are pleased to report that in Q2, we signed a master agreement with one of the largest banks in the U.S., JPMorgan Chase. This is a major deal that I referenced in my last call without providing the name at that time for confidentiality reasons. We are on track with the implementation to onboard JPMorgan onto the platform by Q4 of 2020.

While specifics of this engagement cannot be disclosed due to confidentiality, all the carriers within the JPMorgan network have been notified, and we are working closely with them to set up their products on the exchange. We expect a healthy uptick in transactional revenue once the implementation is completed in Q4. Meanwhile, we will continue to see our consulting unit benefit from the implementation as we work with the carriers.

Also in Q2 2020, RBC Wealth Management deployed the AnnuityNet solution. And we are seeing a steady flow of requests from customers that are looking to digitize the order entry process.

On the life illustration exchange, we added Forrester's Insurance, our first Canadian client on the platform. We are in discussions with several others in the market. We also signed up Zurich Insurance and Fidelity and Guaranty Life on the WinFlex analytics platform. We have at least another half a dozen carriers that are in various stages of evaluating our life analytics platform.

Our life underwriting exchange was marginally up in Q2 relative to Q1. All our clients stayed stable and committed to the long-term transformational initiatives. We added Prudential Insurance to our life exchange platform.

The insurance and annuities consulting division, which was in the midst of transformation and realignment with the exchange division, is finally showing signs of bottoming out. Despite a slowdown of some clients due to COVID-19, this unit stayed level with Q1, thanks to expanded relationships with JPMorgan and Jackson National. We are pleased with the pipeline that has developed for this unit.

In Q2, we also expanded several of our existing relationships. Guardian upgraded to a cloud-hosted option for our CRM solution. Pacific Life expanded products on the life exchange. HSBC expanded the use of our platform to support additional regulatory requirements. Jackson National expanded the relationship with our consulting group.

In Q2, we saw strong contributions from our continuing medical education business. The unit was up approximately 16% compared to Q1 and level compared to the same period last year despite the fact that most conferences were canceled. This unit traditionally relies on conferences to create medical certification content, which is recorded, repackaged and sold to physicians. We were able to adapt to a model where we are able to record and package the content remotely.

We have also enhanced our digital marketing efforts, and we are working with an outside consulting firm in this endeavor, which has started to show results both on the top line and bottom line.

Our insurance certificate tracking business also stayed steady in Q2 2020 despite a lockdown and slowdown in several industry groups. We added 29 new customers this quarter compared to 17 in the last quarter. The new clients include Turner Broadcasting, Hungry Howie's and Rich Food Corporation.

Our health exchange business was flat relative to Q1 and approximately 7% -- and up approximately 7% compared to the same period last year. We did see several deals get delayed due to COVID-19. Despite that, the business unit continue on a steady path.

On the A.D.A. M. health side, we saw a slowdown in some areas. However, we were able to renew most of our customer contracts. Our partnerships with eClinical Works remain steady. We are also in final stages of implementing A.D.A. M. SmartCare with other EMR companies, including Cerner and Allscripts.

Our employee benefits and wellness division relies on employees being at work. Therefore, we saw a slowdown in Q2 as medical screening and orders for wellness publications was deferred. We will see a reversal of this business unit once offices start to reopen and employees are back to work.

In businesses that were susceptible to COVID-19 impact, we took swift measures to hunker down and manage our costs. These measures have enabled us to stay strong and healthy and will enable us to tie it through the difficult period.

To summarize, overall, we continue to hold steady in the most difficult of environments due to COVID-19. This was possible because of the strength, quality and diversity of our products and customer relationships and the dedication of our employees. Our exchanges operate on a subscription and transactional fee basis, which insulates us in periods like we are in.

In terms of the outlook in our markets, we believe the cloud of uncertainty will persist until the end of the year. But we are also seeing certain trends playing into our strengths. Our customers are reassessing their plans. The focus is on digitizing core processes, particularly customer acquisition, underwriting and policy issuance. These dynamics are favorable to us, and it is the reason why we are seeing growth in our core annuities exchange and several of our life and health exchanges.

We are continuing to see a drive towards direct-to-consumer business model. This is an area of strength for Ebix and one where we will continue to grow and invest. We are engaged with several large clients who are implementing some aspect of a direct-to-consumer experience. We are actively looking at acquisitions and strategic partnerships in this area. We will continue to see a moderate uptick in our core exchanges for the remainder of the year.

Business units that were impacted by COVID will continue to see some softness until businesses start getting back to normal.

All in all, we will continue to hold steady for the remainder of the year.

I will now pass it on to Robin.

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

Thanks, Ash. Thanks to all of you for joining this call. I hope that each one of you and your loved ones are keeping safe. Darren, Steve and Ash have presented the quarter in quite a bit of detail. I will first just summarize a few highlights from the quarter for me.

The year-to-date cash flow of \$58.4 million is definitely something that I like, considering the times we are in at present. EBITDA plus SBC stood at 32% per quarter. If we excluded payment services from this analysis, EBITDA plus SBC would be more like 46%, implying that our EBITDA plus SBC in all businesses outside payment services basically came at 46%.

On the revenue front, we took a hit of \$47 million in the quarter year-over-year in the COVID-affected businesses of travel, ForEx, school -- education and remittance. All of these are good income-intensive areas of business for us, especially ForEx remittance, B2B travel and e-Learning. We were able to offset a sizable part of the drop by showing 47% growth in EbixCash businesses outside the COVID-19-impacted businesses of travel, ForEx, remittance and education.

Our high-margin international revenue sources in countries like Australia, Brazil, Singapore, U.K., et cetera, were impacted by the strengthening of the U.S. dollar that accompanied the COVID-19 pandemic. It hurt our revenues by \$6.1 million in the quarter and \$9.8 million in the 6-month period. That is noteworthy as a high percentage of that number would have served to increase our operating income in the quarter and the 6-month period.

As I speak to you today, most of our employees across the world are still functioning from their home. Travel to client sites is nonexistent

at present, clearly hurting our consulting businesses across the world. Considering all of this, I am very pleased to report our income, operating cash and revenue numbers in the quarter.

Let me give you an idea what a lockdown means in countries outside the U.S.. India has been virtually in a day-and-night curfew with all shops closed through middle of June. At present, 30% shops are open. And most offices are still not functioning for most companies as government guidelines only allow between 15% to 30% attendance in an office anyways, which makes it useless to run an office and endanger employees who anyway don't want to come to office in a pandemic like this. If you walk in into the rare coffee shop that might be open, the coffee shop will not allow you to go to the counter but will insist that you order your coffee using your digital money by scanning a bar code from the table. And the server will deliver you the coffee.

With international travel basically becoming a rare commodity, travel and ForEx have been directly hit quite badly. E-Learning in schools has also been hit, with schools completely closed through September as of now. Remittance industry is starting to come back up as money origination from countries in the Middle East, U.S. and Europe are inching back up and have some semblance of normalcy starts prevailing. We are leaders in many of these regulated areas like ForEx and remittance. As these areas come back up, our numbers will look that much better.

Let me briefly talk about a few other highlights for me in the quarter. Last quarter, Ash talked about a transformational business deal with a large financial institution that he could not name at that point for reasons of confidentiality. I'm pleased to now name the financial institution, JPMorgan, with whom we have inked a formal contract. I see this as a very prestigious win for Ebix, with many exchange services of Ebix being involved like annuities, LifeSpeed, CRM, et cetera, helping JPMorgan in its endeavor to be even more efficient and growth-oriented using our straight-through processing technology. I believe that a few years from now, the JPMorgan network could generate upwards of \$10 million a year in recurring revenues just in the form of transactions. I congratulate Ash and the North American team for this wonderful win that was a result of the team effort of various divisions in North America.

On the international front, we have also now received a go-ahead from some of the super broker client of ours to commence the implementation of Ebix Evolution in many countries over the next few quarters. This implementation was to commence in Q2 but was delayed because of COVID-19 and is now expected to start soon. These clients presently use our product eGlobal. Ebix Evolution, implementation will imply much higher recurring revenue streams from these clients than at present, besides the increase in professional services associated with these implementations.

In Q2, we completed the acquisition of Trimax. Besides the bus exchange in various states, Trimax provides us with a world-class hosting facility that will help us reduce our hosting costs by moving existing outsourced hosting in India to this hosting center. We also inherited a large client in the form of the government-owned National Information Center, NIC, that is at the core of India's information superhighway infrastructure.

COVID-19 also made us realign and relook at our strategy. We had to differentiate between our short-term tactical goals and long-term objectives and still marry them into each other. Let me give you a few examples.

Take the area of e-Learning, where schools are just -- are presently closed with minimal sources of revenue and are presently not inclined to spend any more money. We created a new product set through a strategic partnership and created a product named Ebix STEP-Up. This product set uses artificial intelligence and gaming technology to impart courseware education to students wherever they are across 15,000 courses. The product set uses embedded tools like videoconferencing to connect teachers and students while the children get educated in a fun-oriented manner, sitting at their home, using gaming and artificial intelligence technology.

India's celebrity icon, Mr. Amitabh Bachchan, is today the ambassador to this product set. We're trying to sell this product directly to students through schools while creating a new revenue source for the schools. We focused our attention on technology-focused products during the COVID period and, accordingly, also identified a few new acquisition targets that could complement us tremendously. We focused our attention on improving our cost base permanently wherever we could.

We are presently looking at reducing our physical office expense by employing just-in-time technology and allowing a decent part of our

employee base to work from home. This can save a substantial cost and improve productivity. With respect to working from home, we are presently doing a worldwide review to see whether by the end of 2021, we can have at least 40% of our employees functioning for home.

In spite of COVID, we just became Ria's largest partner in India in the field of remittance. We are already exclusive for MoneyGram in India, and we already own a dominant share of Western Union's business in the remittance business in India. We are working on rolling over MoneyGram existing distributors under our network at present. As that work is fully carried out, we should see substantial improvement in revenues from MoneyGram.

Our biggest competitor in ForEx outside India, Travelex, went into bankruptcy. That potentially could be a big opportunity for us in many countries. More on that in coming quarters.

We, at present, are in the midst of many large bus exchange deals that can be substantial and have great margins. We are hoping to close at least one of them, if not more, in the third quarter of 2020.

In terms of acquisitions, past or present, our priorities are absolutely clear. We have 3 key financial goals: minimize -- one, minimize any risk for Ebix in terms of any additional debt overhang; two, make an acquisition that can be nicely accretive in the short term for our shareholders, even if we are using stock as an instrument of purchase, still try to construct terms that delay dilution ideally for many years; three, target companies that get us near the 30% or higher EBITDA number.

The acquisition of Trimax fitted all these 3 criteria extremely well, with the acquisition being made in cash, with no stock being issued and no additional debt being taken. Also, it fitted our 30% operating margin profile requirement perfectly.

With regards to our IPO plan for EbixCash, we think that it is prudent to let the COVID-19 crisis blow over and let the markets normalize before we launch our IPO. Accordingly, we intend to work closely with all our investment bankers through this period and keep ourselves in a ready mode for the IPO.

While we wait for this pandemic to pass, we are keeping a close watch on financial markets in India. There are a number of big IPOs planned next year, and we hope that we'll be one of them.

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

QUESTIONS AND ANSWERS

Operator

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

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

Congrats, Robin and the team. I mean in a tough environment, really impressive to see this level of margins and love the cash flow. Thanks, Ash, for the color. I think you did a great job on the transparency in the U.S. And maybe, Robin, if you could expand a little bit on the EbixCash how you're thinking sequentially. I realize we don't have a forward guide but kind of just the puts and takes how each of these lines are likely to behave on a sequential basis going into Q3.

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

Look, I think we -- from an EbixCash perspective, we feel pretty comfortable with respect to what we did with Q2, at least repeating that much kind of a performance in Q3. Now we would like to see Q3 to be substantially higher. Now how could that be higher? I mean there are 2, 3 areas where we would like to see increased revenue streams. One of them clearly is ForEx, another one is travel, and the third one is bus exchange. These are 3 key areas where we are starting to see some major opportunities.

Now travel is very -- right now is very rare. People are not really traveling domestically and internationally. However, there are some major sports events happening from time to time in international countries that are backed up by India, and they'll create some new

opportunities for us. So we do -- we are hoping that we can basically be the travel provider in some of those large mega events. And if that happens, then we should have some -- at least some semblance of revenues from travel, a lot more than what we had last quarter.

ForEx will automatically accompany travel. We presently know that ForEx is going to be better than what we did in Q2 and Q3. And at the same time, a lot will depend on how many international flights are opened up both ways, into India, outside India and so on because that's a critical element for ForEx. You see educational remittances in the area of ForEx have also slowed down dramatically simply because schools aren't open in most of the countries abroad. And once schools aren't open, they have given their leverage to the students to pay their fees on a little bit more delayed basis.

So if I -- the third area is bus exchange wherein we are in the -- I referenced that in my talk. We are in the midst of some mega deals, some really large deals. Now those deals may not give us the vendor revenue. It will all depend on how revenue gets recognized. But the good news is all those deals will result in very strong recurring revenue streams over the next 5 years for us. And these are large deals. We feel very comfortable. We are the leader in these deals at present. We would like to close at least one of them in Q3, if not 2.

So I believe that when you take these 2, 3 areas, those -- we should see some increases from some of these areas.

In the area of payment services, our margins are low. So there is an upsurge in digital money being used at present in India, especially because like the example I gave you of somebody walking into a coffee shop and being able to -- and still having to use digital money, in spite of being inside the shop, gives you a good insight into how the country is operating because people are very risk-averse and because of distancing guidelines and stuff.

So having said that, we are seeing a pretty good uptake in payment services. The month of July was pretty strong in payment services. So I would think that we would do pretty strongly in the area of payment services in the third quarter. However, remember, payment services is not a very high-margin area. It's a very low-margin area, wherein you're working at 2% to 3% margin. You're pretty much competing with people who want to lose money. And so it's an area where we use that as a foot holder -- as a footfall. It gives us a lot of footfall. It gives us tremendous marketing. It gives us some amount of margin. It doesn't give us the margin that we would like to see.

But when you blend all of this into our overall margin structure, we feel good about where we are headed from a margins perspective. So I would like to see some decent increase in Q3 in terms of revenue from the EbixCash businesses also.

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

Yes. And while you're on that, Robin, on the EbixCash side, as you -- obviously, G&A, a lot of lines show that you took very aggressive actions in the quarter. Just how do you think about Q3? Did we get a full quarter benefit in Q2? Do you start to sort of shift some of those costs back into investment mode? Just on a sequential basis again, talk about anything we should be thinking about from an expense standpoint.

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

Look, you will not see a major change in terms of sudden cost increases in Q3. Part of the reason is we didn't just make changes that were temporary. We made some temporary changes, but the quantum of that is not as big. We made permanent changes. Incidentally, those are not only in EbixCash. We did it all across the world.

We did those in the U.S. also. We -- it gave us an opportunity to kind of rethink where we are, how we are functioning. I'll give you an opportunity, a very simple -- I talked about rental costs. And if you look at our rental costs across the world, they're pretty sizable. And if we can somehow move 40% of our employee base to work from home, that would substantially decrease our cost.

Now would that be a good productivity measure? We actually have come to realize that, that's actually -- we've done fantastically well in terms of productivity over the last few months. Our clients are happy. Our employees seem happier. And while it wasn't the easiest transformation for us, at the same time, it's been a learning process. So we do believe there is room for cost improvement as we go into subsequent quarters.

Now that's not going to suddenly come in, in Q3. But if you're comparing Q2 to Q3 from a perspective of ongoing costs, I wouldn't think that there would be major -- we're not -- if your question is that did we have full quarter benefit of something and which won't happen in Q3, we're -- look, it's going to -- it's -- we are -- presently, you will not see major changes in that area in Q3, at least.

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

Okay. That's helpful. And then just maybe 2 others. One on the BSE JV. I wonder if you would update us there. I think -- certainly, you've launched and been expanding the breadth of lines. I wonder if you could just update policies and some of the traction you're getting there. And then along the lines of Ash, your comments on the JPMorgan win, I wonder if you could talk about the competitive landscape there. I mean clearly, that had to be a super competitive deal. And congratulations on getting it. Just talk about what you learned in the competitive bake-off there.

Ash Sawhney *Ebix, Inc. - President -- Insurance Solutions of North America*

Yes..

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

Look, first of all, BSE -- Ash, you want to take this? Go ahead. Go ahead. Go. ahead, please.

Ash Sawhney *Ebix, Inc. - President -- Insurance Solutions of North America*

Sorry. Yes, on -- Jeff, thanks. On the JPMorgan side, yes, it was a competitive deal. These kinds of deals also take a lot of time. It's a significant initiative, quite frankly, for the industry.

The learning, obviously, was that Ebix still is a very, very strong player in this market. Outside of just technology, the reason large distributors like JPMorgan come on to our platform is because of the network that we can offer them. Practically every large carrier is on our annuity platform.

So yes, we are excited about this. We believe that it's going to help the industry. We believe that it's a good step towards digitization.

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

Yes. So Jeff, with respect to your question on BSE JV, look, we're going from strength to strength. It's an operation. I mean COVID is not obviously going to help the BSE JV in this time, simply because our big -- how are we growing this initiative? Our basic growth will happen with respect to how many agents, how many franchises can we create. We have to create, basically, we would like to see closer to 100,000 franchises in Phase 1 in terms of franchises that sell insurance, because that's how the volumes will come into BSE-Ebix venture.

So presently, what we are doing is we're presently having people -- we're presently running an aggressive sales program. At the same time, as you can imagine, with no events being organized, it's all happening over the phone. And that's not as easy in countries like India, where people like to be -- talk in person and stuff like that. So having said that, the -- we believe we have done quite well. We have taken that opportunity to timing to also deploy newer products. So recently, we deployed Life. That was a pretty big step for us. We had deployed Health earlier, Auto earlier. We're going to deploy Home next, and we're going to expand on Life in a quite a bit of -- in detail. We are presently recruiting for a CEO for the BSE-Ebix venture. We're looking for some of the superstars from the insurance industry that could work for us and take this venture forward.

So this is going to take some time. This is not an overnight venture. This is a venture where we believe we can be the largest game in town in the insurance D2C sector in India. And that's the only reason both sides got together, BSE and Ebix. And we're very pleased right now with where we are, what we have done from a product set perspective.

First of all, the things we can do, nobody else can do. Writing up a policy in a matter of minutes, being able to service that policy in a matter of minutes, those kind of things. And then when you add the network of BSE and Ebix, we think we are very well situated. Again, we haven't even been able to do a formal launch.

Our plan was, for example, to have a cabinet-level minister who would come in and inaugurate this because it's also

semi-government-backed because of BSE. And unfortunately, we haven't even been able to do a simple launch because of COVID. So that's the extent of where -- how difficult things have been.

At the same time, our -- in the short term, our -- we are absolutely focused on adding as many franchises as we can. Until we do that, we have to see -- to get the volumes on a daily basis. We got to have tens of thousands of franchises out there. So that's the clear focus right now we have. And our technology guys are obviously focusing at the back on making the product the best in the market in every way, right, and from a business functionality, technology perspective and so on.

So this is -- it's -- over the next 12 months, the strategy -- the BSE-Ebix strategy will come out. It's not going to be a quiet behind-the-scenes effort. It's going to be a venture where we will -- it'll stand on its own feet. It will be a venture which we believe has the opportunity to be a mega venture. And we will go and market this venture in a very strong manner in -- both in terms of advertising as well as in terms of building its own investor base, its own strength, its own institutional base. So we feel very good about it. Both sides are very highly committed at the highest level to this venture.

Operator

(Operator Instructions) And our next question will come from the line of Jim Larkins from Wasatch.

Jim Larkins Wasatch Advisors Inc. - Portfolio Manager

Could you tell us where the BSE joint venture resides? Is that inside of your EbixCash business? And would that be part of the contemplated IPO of the EbixCash business?

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

Jim, you're absolutely correct. It is -- it will be within the EbixCash venture, and it will be part of the IPO. Yes.

Operator

(Operator Instructions) And I'm currently showing no questions at this time.

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

Thank you. I think since we don't have any more questions, I will close the call now. Thanks, everyone, for joining in the call. I hope each one of you keeps safe, healthy. And we look forward to speaking to you again at the end of Q3. Thank you, and take care. With that, I'll end the call.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.

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