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Q4 2020 Ebix Inc Earnings Call

EVENT DATE/TIME: APRIL 27, 2021 / 3:00PM GMT

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## CONFERENCE CALL PARTICIPANTS

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## PRESENTATION

### Operator

Good afternoon, ladies and gentlemen, and welcome to the Ebix 2020 Financial Results Investor Call. (Operator Instructions) As a reminder, this call is being recorded.

I'd now like to turn the conference over to your host, Mr. Darren Joseph, Corporate Vice President.

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

Thank you. Welcome, everyone, to Ebix, Inc.'s 2020 Annual Results Earnings Conference Call. Joining me to discuss the quarter is Ebix's Chairman, President and CEO, Robin Raina; President, Insurance Services, North America, Ash Sawhney; and Ebix's EVP and CFO, Steve Hamil. 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 are -- forward-looking statements reflect our opinions only as of the date of this presentation, and we undertake no obligation to revise or publicly release 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 2020 full year and Q4 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](http://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](http://www.ebix.com). The audio and the text transcript of this call will be available also on the investor homepage of the Ebix website after 4:00 p.m. Eastern Time today.

Let me now discuss the quarter and the full year. GAAP revenue in Q4 2020 increased 52% from a year ago to \$221.1 million. The revenue improvements reflected growth in the company's EbixCash and insurance channels. GAAP revenue for the full year of 2020 increased 8% from a year ago to \$625.6 million. On a constant currency basis, Ebix's 2020 revenues increased by 12% to -- \$66.9 million to \$647.5 million versus \$580.6 million in 2019. Exchanges, including EbixCash and insurance exchanges worldwide, continue to be Ebix's largest channel, accounting for 91% of our fiscal year 2020 revenues.

The year-over-year revenues increased in Q4 2020 as a result of revenue growth from our payment solutions and continuing medical education businesses besides revenue growth generated from the company as annuity, risk management, property and casualty and bus exchanges. These growth areas were partially offset by declines in the COVID-19-affected areas of travel, foreign exchange, e-Learning and the RCS strategic consulting businesses. Our year-over-year EbixCash revenues grew 21%, while the insurance revenues declined by 6%, primarily due to COVID-19 and the strengthening of the U.S. dollar against foreign currencies.

Our businesses outside the U.S. are primarily in India, Australia, Brazil, the U.K., New Zealand and Singapore, which were impacted strongly by currency headwinds. On a constant currency basis, the overall revenue of Ebix would have been higher by \$21.9 million in 2020 at last year's average currency rate. Also on a constant currency basis, the overall revenue of Ebix in Q4 2020 would have been

higher by \$6 million.

Our revenues grew sequentially in most of the geographies of our businesses. India revenues grew sequentially by 65%, the U.S. revenues had a sequential increase of 6%, Australia had a sequential increase of 23%, Singapore had a sequential increase of 18%, and New Zealand had a sequential increase of 15%. Brazil had a sequential decrease of 8%.

Despite the devastating effects of COVID-19 on our travel, Forex, e-Learning and other businesses, our growth in the Indian market continued in 2020. The India-led ventures, including India-led revenues from billed items in other Asian countries, showed 21% year-over-year growth in 2020 by growing to \$388.2 million from \$320 million in 2019 and 78% growth when comparing the full year 2020 in Indian-led revenues of \$388.2 to 2018 revenues of \$217.5 million. Likewise, our growth in the Indian market continued in Q4 2020. The Indian-led ventures, including Indian-led revenues billed in other Asian countries showed 98% year-over-year growth in Q4 2020 by growing to \$160.4 million from \$81.2 million in the same period in 2019 and 143% growth from \$65.9 million in the same period in 2018.

International revenues in Q4 2019 accounted for 81% of the total revenues for Ebix. While India-led revenues accounted for 72% of Ebix's total revenue in the fourth quarter, exemplifying the tremendous growth we have experienced in our international businesses, primarily due to the EbixCash financial exchange business. As the vaccinations are fully implemented and the effects of COVID-19 subsides, we expect substantial revenue increases across the world.

I will now turn the call over to Steve.

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

Thanks, Darren. Good morning. The last few months have provided Ebix with some challenges. But I've seen some incredible dedication and effort by our employees to overcome these challenges to complete the 2020 audit and the 10-K preparation. I'd like to thank all of our employees for their continued dedication to Ebix and especially those employees that have shown incredible work ethic and were directly involved with successful completion of our 2020 audit.

Ebix continued to experience negative impacts from the COVID-19 pandemic during the fourth quarter of 2020. The company's foreign exchange, travel, remittance and e-Learning businesses experienced in excess of a 70% decline in year-over-year revenues during the fourth quarter of 2020, which is consistent with the third quarter of 2020 and an improvement from an approximately 90% decline year-over-year in the second quarter of 2020.

Despite the negative impact due to COVID-19, the company delivered Q4 2020 adjusted EBITDA, adding back both noncash stock compensation and the Q4 impairment charge related to our EHAE joint venture, of \$38.8 million, which is flat year-over-year and for which we are proud of in lieu of the challenges faced from COVID-19.

For the fiscal year 2020, excluding the \$6.2 million impairment charge recorded at EHAE, Ebix generated \$150.5 million of EBITDA plus noncash stock comp. 2019 adjusted EBITDA, given how negatively COVID-19 impacted some of our key businesses -- I'm sorry, sorry, I apologize. While that is a 13% decrease from comparable 2019 adjusted EBITDA, given how negatively COVID-19 impacted some of our key businesses during 2020, this level of adjusted EBITDA speaks volumes as to the diversity of Ebix and the resilience of our solutions and services globally.

Darren provided an overview of the revenue results for the quarter saw a focus on more details around the operating results. Gross margin in the fourth quarter of 2020 was 32.1%, a decline from 44.3% in Q3 2020 and 63.7% in Q4 2019. For the fiscal year 2020, gross margin was 45.1% compared to 64.7% in 2019. This decrease in gross margin in Q4 2020 and for the 2020 fiscal year was driven by increased sales of EbixCash's prepaid gift cards in India.

The payment solutions business increased 96% sequentially in the fourth quarter from Q3 2020 and for the fiscal year experienced year-over-year growth of approximately 590%. This growth was fueled by several factors. First, the Government of India has made the digitization and electronification of the Indian economy a priority in recent years. Second, actions taken in 2019 by the regulatory

authorities in India resulted in prepaid gift cards being an attractive product for customers relative to traditional debit card options. Third, COVID-19 and the lockdowns that resulted from the pandemic increased the demand for our prepaid gift cards. And lastly, Ebix consciously targeted this product with increased marketing efforts to address market demand and increase our own EbixCash brand awareness through the co-branded gift cards between EbixCash and our bank partner.

However, those revenues have materially lower margins than other Ebix solutions and services and thus, diluted our gross margins versus the 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.

Both our product development and our sales and marketing expenses decreased year-over-year in the fourth quarter of 2020 and for the 2020 fiscal year. These decreases are directly the result of cost-cutting moves that the company made when COVID-19 arose in March of 2020. For Q4 2020 and the fiscal year 2020, product development expenses decreased year-over-year, 23% and 22%, respectively. Sales and marketing expenses decreased 32% and 29% year-over-year during the fourth quarter of 2020 and full year 2020, respectively.

Ebix continues to manage its G&A and other costs proactively. Our G&A expenses declined \$17.3 million in Q4 2020 versus Q4 2019. That's a 44% reduction year-over-year. The decline was primarily due to 2 items. First, the company's employee-related costs, including travel expenses, in Q4 2020 were approximately \$7 million less than in Q4 2019. Second, due primarily to COVID-19, total rent expense for Ebix was over \$6.5 million less in Q4 2020 versus Q4 2019. The year-over-year rent decrease was primarily driven by rent forgiveness and reduced rents at international airports as a result of lockdowns and significantly diminished air travel, particularly international travel into and out of India. For the full year 2020, our G&A expenses declined year-over-year by approximately \$53 million or 38% due to the same above-mentioned COVID-19 impacts on the company's employee-related costs and rent expense.

Regarding cash flow generation. Ebix's \$100.4 million of operating cash flow produced during 2020 compares favorably to \$60.8 million of operating cash flow in 2019. The increase in operating cash flow year-over-year was most impacted by trends in our trade accounts receivable during 2020 versus 2019. With COVID-19 negatively impacting the world economy, during 2020, our accounts receivable has decreased as a result of decreasing sales in our travel, foreign exchange, remittance and e-Learning businesses.

Total cash, short-term investments and restricted cash of \$138.6 million at 12/31/2020 compares favorably to \$112.7 million at 12/31/19. Our liquidity remains ample, even after the company incurred significant cash usages in 2020, including investments of over \$14 million for acquisition activities, \$9.5 million for CapEx and software development costs and \$9 million for stock dividends as well as \$32 million used for debt repayment, \$20 million for -- \$29 million for debt service and \$21 million in cash taxes paid.

Working capital remains healthy at \$171 million at December 31, 2020, versus \$129 million at fiscal year-end 2019. Ebix's weighted-average diluted shares outstanding was 30.6 million for the fiscal year 2020. And as of today, the company expects the diluted share count for Q1 2021 will be approximately 30.7 million. Finally, Ebix's Form 10-K will be filed later today.

As I have surpassed the 1-year mark of my tenure as CFO of Ebix, I continue to believe that a collection of assets around the world are positioned to succeed over the long term and unlock significant shareholder value in the coming years. Ebix has a portfolio of solutions and services that is diverse, global and critical to our customer base. While the company has endured some hardships over the past few months, our belief in the value of this global business remains strong.

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

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

Thank you, Steve and Darren. I will provide a summary of the Q4 2020 performance for North America and the narrative of the accomplishments for the full year. I will also provide a perspective on the future outlook.

I am pleased to say that we closed Q4 on a high note. Our North America revenues compared to Q3 grew by 6%. We saw strong contributions from our medical certification business as well as our P&C exchange, life illustration exchange and CRM exchange

businesses. These were partially offset by a sequential decline in our health exchange, annuity exchange and underwriting exchange revenues.

The medical certification business fourth quarter revenues of \$7.4 million were the highest quarterly revenues for the business in more than a decade. This business went through a major transition to a digital business model in 2020. We were able to adapt rapidly to the changing COVID-19-related market conditions. As part of the digital transformation, the division also reduced its marketing spend by 13%.

Our P&C exchange added 13 new clients in Q4. We released a new version of our risk management information system with updated reporting and analysis. We expect to continue to see aggregate year-over-year growth in 2021 with new compliance services for workers' compensation forms, continued focus on compliance automation services and new risk and safety management solutions.

We saw a drop in our health and underwriting exchange revenues. These are mainly due to large enterprise nature of reimplementations. We saw a general slowdown in the industry due to COVID-19. Our enterprise businesses are supported by on-site resources. Since many offices were closed throughout 2020, our on-site billing saw a significant drop. We hope to see these units make a comeback in 2021 as the markets start to recover and offices begin to reopen. Despite the headwinds due to COVID-19, we are overall pleased with the performance of our life and annuity insurance business. We added around 25 new clients during the year and expanded relationships with several others.

On the illustration and analytics platform, we added names like OneAmerica, Fidelity and Guaranty Life, Forresters, Cincinnati Life and Zurich. We added names to our order entry and maintenance platforms, including RBC Correspondent, JPMorgan Chase, Oceanview, Brighthouse, AXA and Symmetra, just to name a few.

We added and expanded consulting relationships with several reputable carriers and distributors, including USAA, Jackson National, Delaware Life, Merrill Lynch, Pura Mutual and F&G. We saw an increased demand for direct-to-consumer solutions. We embarked on a significant initiative with security benefit and were selected to implement a direct-to-consumer solution for Navy Mutual.

In 2020, we expanded our partner network, allowing us to provide greater value to our customers and opening up avenues for incremental revenue. Significant among these partnerships were DocuSign, Annuity Ratewatch, Simon and DTCC. Our risk compliance business remained steady in Q4. Some of the new clients brought on board in Q4 2020 were New Style Contractors, County of San Diego, Pacifica Hotels, Asiana Cuisine Enterprises, Home Street Bank and several others. Altogether, we added 46 new clients in 2020, roughly the same level we did in 2019.

Ebix is fortunate to have a client mix that includes many large clients in "essential businesses" as it relates to COVID-19, such as retailers like Home Depot, Lowe's, Walmart, Costco, Whole Foods and many commercial construction companies and homebuilders. These organizations grew larger through the pandemic.

Ebix products are known to be best-of-breed in their respective categories. In order to maintain this competitive advantage, we are continuing to invest in product enhancements and in rolling out new capabilities. Significant and noteworthy initiatives in 2020 include data analytics initiatives centered around electronic applications, illustrations and underwriting. We launched our WinFlex product in Canada and are in active discussions with several carriers and distributors. We continue to enhance our direct-to-consumer solution. We believe our successful implementations on the B2C platform aligns us perfectly where the industry is headed. We were proud to be recognized by Novarica, a leading research firm in the insurance sector, as a dominant provider in their life, health and annuity new business and underwriting report.

In 2020, JPMorgan selected Ebix for their annuity processing. We are pleased to say that in Q4, we did a successful pilot launch with them. Starting in Q2 2021, all their core carrier partners will be on the platform. We have also initiated a parallel track to get them on our life exchange. This effort is underway and more to follow on this soon.

When the world was first hit with the challenges of COVID-19, we knew that it would be a challenging year in the industry. We are

pleased to say that we weathered through this due to the dedication of our employees and the trust and partnership of our diverse customer base. We continued to support our customers by quickly adapting to work from home. All our systems were up and running. We continue to add new customers, and we managed our costs prudently. I believe this has made us stronger.

As I look towards 2021 and beyond, there are a number of factors that provide a positive outlook. We will see continued growth in our core insurance business. As mentioned earlier, all the new clients added onto the platform will contribute towards incremental revenue. We are particularly excited about the progress with JPMorgan on both the life and annuity track. We believe once our clients resume on-site working, which will likely be towards Q2 and Q3 time frames, we will start to see growth again in our enterprise solution offerings for the health and life underwriting area.

We have established -- we have stabilized a consulting group, which, over the last few years, had seen a constant decline in revenues. We have successfully added many new relationships and expect to monetize them in 2021 and beyond. In Q4, we launched a joint venture with Data Glove, a specialized managed cloud services provider with a significant presence in North America. We are seeing cloud migration and modernization as the top 2 to 3 initiatives at our clients. Ebix supports these clients with several of our mission-critical exchanges. Our plan is to leverage these relationships and our domain experience to help our clients with cloud migration strategy, transition and ongoing management and support. We are in the midst of formulating the Ebix Data Glove value proposition as one of our core offerings in North America. We believe the partnership with Data Glove has the potential to significantly move the needle for us. Their engagements tend to be large and recurring in nature. Their track record and strong partnership with Microsoft are significant factors in giving us a competitive advantage. More on this in the coming quarters.

Our investment in new product launches, such as illustration analytics and direct-to-consumer initiatives, were timely, and we see more and more clients adopting these offerings. In the medical certification business, some of the noteworthy accomplishments in 2020, which will help us increase our revenues in the future, include the launch of a new dental product, launch of virtual events and a new e-commerce site.

I want to close by thanking all our employees who helped us in 2020. I'm excited about how we are positioned for the future.

I will now pass this on to Robin for his comments.

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

Thanks, Ash. Good morning. I just want to start by acknowledging the efforts and sacrifices being made by Ebix employees across the world in these pandemic head times. While I sit here announcing these results, many of our employees are in ICU fighting life and death because of COVID-19. Two of our employees passed away in the last 96 hours. I'm painfully aware of the devastating effects of COVID-19 on our staff and their loved ones. India is presently in the midst of the worst phase of the pandemic, and it's rare now to find a family that is unimpacted by the disease in India. In spite of all that, business continues, and our employees continue to find ways to do their best for the company while ensuring that our clients get the top-class uninterrupted service that Ebix is known for. I'm highly indebted to our staff across the world for their services to the company.

As we announce these results, let me remind you that Ebix has an incredible record in terms of consistency with 22 years or 88 quarters of financial performance to speak for itself. 2020 was no different with the company's consistency record impact both for the year and the quarter. The credit for this goes to the splendid effort put in by our 9,000-plus employees worldwide. I'm incredibly humbled by their effort.

Despite the efforts -- despite the effects of COVID-19 on our businesses worldwide, I am pleased to be reporting another great quarter and a year for Ebix on many fronts. Our record top line of \$647.5 million in constant currency revenues and \$625.6 million in GAAP revenues. Record quarterly top line of \$228.1 million in constant currency revenues and \$222.1 million in GAAP revenues and annualized run rate that is approaching \$900 million for the first time. Q4 2020 revenues grew 44% sequentially and 52% year-over-year.

Full year operating cash flows of \$100.4 million -- were \$100.4 million as compared to \$60.8 million in 2019. Q4 2020 non-GAAP operating margins were at 41.2%, excluding the lower-margin payment solutions business. This has been our 21st consecutive year of

sequential growth. Let's remember, these results are in spite of our travel, foreign exchange, e-Learning, remittance and consulting businesses being impacted severely besides the overall delay in the pace of new deals being granted by clients on account of COVID-19. These numbers also exclude the additional impact of foreign exchange variations, which on a constant currency basis would have added approximately \$6 million to our fourth quarter 2020 revenues and accordingly would have resulted in an additional increase in our income.

Also, what was encouraging about the fourth quarter 2020 results was the fact that our revenues grew sequentially in most of the geographies of our business. India revenues grew sequentially by 65%, U.S. revenues had a sequential increase of 6%, Australia had a sequential increase of 23%, Singapore had a sequential increase of 18%, and New Zealand had a sequential increase of 15%. Brazil was the only country that had a sequential decrease of 8%. Except for India, all the geographical revenue increases were in the area of insurance exchanges, while India primarily means financial exchanges to us at present.

Ash, Darren and Steve discussed the revenues and expenses in quite a bit of detail. So let me just talk about some of the COVID-19-affected businesses that can give us increases as COVID-19 effects reduce worldwide. Our revenues in the travel and foreign exchange area have been down approximately 85% because of the effects of COVID-19. In numerical terms, that decrease translates to revenue of approximately \$180 million a year in the pre-COVID-19 period. EbixCash has been the undisputed leader in the foreign exchange sector in India. Foreign exchange business is driven primarily by international travel and educational remittances. Both have been severely impacted because of COVID-19. EbixCash has been the market leader in the overseas students segment, serving every fourth student traveling overseas for education purposes. We cover little over 32% of student market share in India.

We have been tapping this segment through our association with all large educational loan providers, such as HDFC Credila, Avanse, Auxilo and InCred. That translates to \$1.5 billion in transaction value as COVID-19 effects subside in the U.S. and U.K. These transactions will be back as student fees need to be remitted for them to study in these countries. We are payment processing partners for international payment companies, such as PayMyTuition, PaytoStudy, (inaudible), Western Union and Global Pay. Recently, we added Flywire to that list.

Also, we have deep association with regional and national educational consultants for processing university fee payment and student maintenance through our branches situated across India. While it is hard to draw a line in the sand, we expect the overseas education segment to grow at a substantial rate, providing us the opportunity to increase the market share by innovating payment solutions offering for the student segment. In line with our endeavor for innovating this student permit solutions business, we are in the process of introducing the digital Know Your Customer module for allowing customers to complete the KYC or Know Your Customer verification process online and to enable paperless transactions. This would enable us to improve the customer journey and increase our footprint in new geographies without having new infrastructure.

In the corporate travel segment, we are the largest service partner to more than 100 companies in the Fortune 500 category, which range across various industries, such as IT, ITES, software services, manufacturing and services industry. The corporate segment predominantly uses the prepaid travel card as a convenient mode for carrying foreign exchange. The corporate travel card market is estimated at around \$4.5 billion with EbixCash having a substantial share.

We have been the pioneer for digitizing the corporate travel segment by introducing Forex requisition system for allowing corporate employees to book foreign exchange at their convenience, along with digitally managing the auto processing request. We have been servicing more than 900-plus multinational companies and large corporates and close to 1,700 plus mid-sized corporates with a regional presence through our foreign exchange network. Going forward, with the introduction of a prepaid travel card, we would be able to add more value in our proposition to the corporate.

In the COVID-19-affected times, most of the smaller players in the foreign exchange area are finding it hard to sustain themselves, and the larger foreign exchange players have increased their percentage share of the market. EbixCash in recent times has signed an exclusive arrangement with Chennai Airport besides signing up new large corporate names, like Cognosante and [TCS]. We have gone slow in certain international airport opportunities as we prefer to wait for the international travel to become more normalized. Again, this could be a meaningful 8-digit revenue area for us annually once international travel resumes. We believe that our foreign exchange

business is extremely well placed to possibly dominate the India market as the effects of COVID-19 subside. We see this as a matter of time.

In the travel business area, we have spent the last few quarters focusing on automating our travel technologies further with a view to use digital means to increase our expanse, both in the B2B and B2C space. On a pre-COVID-19 basis, we have been a leading player in key international geographies, like Philippines and Indonesia besides India. As international travel resumes, we will be uniquely positioned with our technology to empower travel agents across all these geographies. Also, we have spent time in recent times to make our hotel technology better and more agile. All of that positions us well for the more normalized times than at present.

In the area of remittances, we just added the entire 8,000 strong network of Muthoot agents to our MoneyGram remittance distribution network. We also added 13,000 Unimoni agents to our MoneyGram remittance distribution network. Both these additions are expected to significantly increase the remittance revenues. We are presently exploring the ability to bring digital transactions straight through from overseas into digital cards, e-wallets and plastic cards. That's a substantial revenue opportunity for EbixCash with our worldwide partners keen to work with us in this area. MoneyGram alone brings close to \$1 billion in digital transactions annually to India that EbixCash doesn't have access to at present.

In the area of transport management systems, EbixCash bus exchange technology initiative is focused on deploying end-to-end bus exchange solutions for bus roadway companies in India while powering integrated transport management systems across their entire portfolio of buses and bus depots. Recently, Ebix bus exchange division won the build-own-operate order to deploy and maintain one such solution across more than 2,000 roadway buses for the city of Pune. Each of these deals tend to be a multimillion-dollar recurring revenue opportunities. We are presently at advanced stages of many such deals that can contribute strongly to our numbers. Most of these deals have been delayed because of COVID-19 and the lack of bus travel. As effects of COVID-19 subside, this business will be back strongly as buses comprise the primary mode of travel in India and the bus travel market has been growing at an average rate of 27% annually before COVID-19. This is an area where a multiyear contract for just one state could mean \$40 million in revenues.

Our e-Learning businesses have also been affected quite adversely with schools closed indefinitely because of COVID-19. It has created an economic crisis for schools with parents not willing to pay fees during these COVID-19-affected days. Accordingly, schools have curtailed their budgets on e-Learning. This business will be back as schools resume and is thus a good future opportunity for us with our expanse in e-Learning across the country and our solutions that today address more than 16,000 courses prescribed by Indian government's National Council for Educational Research and Training, NCERT.

Our BSE-Ebix joint venture for insurance exchange is another one large opportunity that, in a more normalized world, could be quite lucrative. In the area of insurance distribution, Ebix joint venture with Bombay Stock Exchange positions it as a gateway for insurance carriers to sell insurance to India's vast population, combining EbixCash 320,000 physical outlets across the country with BSE's strong national network.

Basically, we want to sell insurance through any distribution outlet that has a relationship with the consumer and the last mile reach -- and use their last mile reach even if they have never sold insurance. We feel that we can make it succeed as we have 3 key ingredients already for it to succeed. One, the backing of a joint venture partner, Bombay Stock Exchange, with their reach of 300,000 terminals and financial brokers and institutions all across the country who can now sell insurance; two, EbixCash already has an existing outlet base of thousands of distribution outlets across 3,200 cities ready to sell insurance and it gives these outlets a new tool to maximize their income; three, insurance technology and functionality is Ebix core strength and an integral part of our DNA helical structure. That technology has been built for key product lines already, and we believe that this JV is well placed to embrace the opportunity ahead of it.

Let me now talk through a number of things that we are focused on as a company. We are focused on continuing to reduce our debt, and towards that we made an additional \$25.6 million in term loan payments related to our senior secured credit facility since 31st of December 2020. As of 31st December 2020, we have already paid our debt down by \$31.4 million as compared to 31st December 2019. As of 31st December 2020, we had cumulatively spent \$117.7 million on interest payments, tax payments, term loan payments, acquisition-related activities, dividends, earn-out payments and reduction of working capital facilities, et cetera, and still, our cash, cash equivalents, short-term investments and restricted cash were at \$138.6 million as of 31st of December 2020 versus \$112.7 million as of

31st of December 2019. We are pleased with that as it speaks to the fundamental strength of our businesses.

We are now targeting the EbixCash IPO for the first quarter of 2022. Accordingly, we are now getting the process started, leading to the filing of the DHRP red herring document with the Securities and Exchange Board of India. We have already hired 4 of the leading investment banks in India, namely ICICI, Axis, Edelweiss and State Bank of India CAP, providing us a dream team from an India perspective. We are in the midst now of adding an international investment banker as the fifth investment banker. We are also soon hiring an international audit firm to serve as dual auditors for EbixCash going forward and for the EbixCash IPO. This will ensure that our EbixCash results are signed off by 2 audit firms of repute, one national and one international firm, providing further solidity to our IPO.

Lastly, great companies do more than just creating great products and great services. They establish integrity, transparency and trust as their prime values. We have always endeavored to do that with our shareholders, our customers, our partners and our most prized assets, our employees. We are proud of the fact that Ebix has a strong record over the last 2 decades on that front. We may see crests and troughs in terms of perception. But finally, Ebix has always emerged fundamentally stronger than before out of every such perception event. I have always believed that to become gold, you first need to pass through fire. That has been the Ebix journey for me over the last 2 decades.

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 fourth quarter and just exceptional full year results. Thanks, everyone, for that.

With that, I will now pass the call back to you, Angela, to open it up for questions. Thank you.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Your first question is from the line of Jeff Van Rhee with Craig-Hallum Capital.

### Unidentified Analyst

(technical difficulty)

On for Jeff. My first one, I guess, is for you, Ash. As I look at the North America business, the insurance exchanges was up, I guess, about \$6.5 million sequentially. Just what all drove that? How much of that was JPMorgan related? And then on the RCS, that had about a little over \$2 million decline sequentially. Just what drove that as well?

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

Sure. So the increase, Jeff, was in several different areas. I would say the JPMorgan impact has actually yet to set in. Just to give some context, we did a pilot launch in Q4. And Q2 is when -- Q2 of 2021 is when all of their carrier partners come on to the platform. That's when we start to see the incremental upticks. But remember, last year and the year before, we added many, many other customers to the platform, and it takes a little while for them to get onboarded and the transactions to start hitting. So we are seeing strong growth across many of our groups.

On the RCS side, the core risk compliance business stayed steady. The areas where we saw a decline were mainly on the consulting side and that also in the noncore insurance consulting. We believe that business has flattened out. We added a number of new customers on the consulting side, and we expect that we'll continue to expand our relationships with them.

The medical business, as I mentioned, it is cyclical. Q4 is historically a strong quarter for us, but this was exceptionally strong. Kudos to the team, we totally transformed the business. We have, like I said, drawn digital. We had the best quarter we've had in almost 10 years, and I see us continuing to build on that foundation that we have very successfully launched in 2020.

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

So to add to what Ash said regarding us, yes, I want to just emphasize, Ash, during his talk, talked through the Data Glove relationship, and we expect that to make a meaningful impact to our RCS revenues. Their relationship with Microsoft, they're a Microsoft partner. Their relationship can result in large deals, very recurring deals, which can give us additional sources of revenues from our existing client. It's a cross-selling opportunity. We see this as a possible game changer in the consulting market. So we do expect -- we have high expectations from that relationship.

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**Unidentified Analyst**

Great. Very helpful. Robin, I guess, the payments, the prepaid/gift cards business, I think, is probably roughly \$130 million in Q4, if I have it right. And I know you expect the strength to persist in COVID. But just how -- what's the expected trajectory from here, Q1, 2, 3 and so on in '21 from that \$130 million base in Q4?

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

Look, it's very difficult to have a crystal ball to predict what will happen. But I will tell you that until COVID stays, this business will keep going up. But once COVID subsides and the effects of COVID come down, I would see a reasonable decline in this business in terms of overall numbers. There is a spurt in the market primarily driven by -- I think there are a number of factors that have driven this increase. Some of them will go away, which is mainly the COVID -- effects of COVID, but then there are certain things that will stay. One of the factors was Government of India -- India is a very cash-based economy. One of the ways Government of India felt that they should encourage people to use prepaid cards was they allowed people to not do a KYC and launch -- and they introduced this concept of cards, which were below the value of approximately \$130 where a consumer doesn't need to do a KYC. So what that did was, that really brought in a spurt in terms of people looked at those cards like cash.

Having said that, one of the key factors that we draw people to use these cards was the usage of the -- where do you use these cards. Today, what has happened is, earlier if you -- India is an economy wherein if you want to pay your electricity or your telephone bill or your cable bill or for that matter, virtually, every utility in India, most of the utilities are -- in most of the cities are actually government-driven. In earlier days, people used to stand in a queue and pay their bills. And believe it or not, that was there till a few years back and then Government of India introduced this concept of make -- allowing people at -- to make these payments digitally. So today, people make these payments using these kind of cards, these gift cards at low values, even in lower-middle class can have these cards or low -- and an underprivileged could have these cards, and they use them digitally to make these payments to pay for their utilities, for their services, for the power, gas, electricity and so on. That really brought in a spurt in this business.

So if I had a crystal ball, I would basically say that we -- this business will continue to be -- increase in the first quarter and possibly the second quarter depending on -- considering the effects of COVID seem -- don't seem to be subsiding in India at present, and India is going through the worst phase actually at present as I -- as we speak at this minute. But as I'm very hopeful that, look, the vaccinations are going to continue. It's a large country, but as vaccinations continue, I think the effects of COVID are going to reduce. And when that happens, we might see a somewhat downward trend. How much, it is very hard for me to predict at this minute.

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**Unidentified Analyst**

Got it. Very helpful. In the \$6.2 million impairment charge in the EHAE business, just what drove that?

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

Look, it's -- we have a joint venture partner in EHAE, which is IHC. It's a publicly traded company, independent holding corporation. Their business has undergone a lot of changes. They were not only a JV partner, they were also a big client. So when we originally set up the deal, because they were a joint venture partner, the customer relationship for them was set up had an indefinite value. And that was the way it was set up on day 1 many, many years back. And the reason was simply because they were, at that time, 50% plus shareholder, right now 49% shareholder. And so it was -- it didn't seem sensible, not -- for them not to be using the product simply because they were the founders of the -- of EHAE, and we had just bought the business from them. However, a lot changed over the last especially last 1 year. And in fact, the trend started almost 2 years back that their business continue to evolve. And as they evolved, they changed the nature of their business, they started rethinking, they faced some challenges. It's not my place to talk about their challenges, but all I will say is it has all resulted in lower amount of business that they were processing with us. And so we had to make a call and we kept

thinking that this is a temporary phase and it will improve. And that was the nature of our ongoing discussions. But we realized at some point as COVID came in that even if this business came back, it might be after a prolonged amount of time. So we felt that this was -- that we should take this impairment charge. And we took that impairment charge primarily because it was set up as an indefinite value. So we accordingly decided to take that hit in the fourth quarter.

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**Unidentified Analyst**

Got it. And then I just want to make sure I heard Steve correct earlier, the 10-K will be filed later today?

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

That's correct.

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**Operator**

Your next question is from the line of Chris Sakai with Singular Research.

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**Joichi Sakai *Singular Research, LLC - Equity Research Analyst***

Just wanted to kind of ask about the, I guess, product mix going into Q1 and the margins. Are they going to be similar to what they were in Q4?

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

Look, first of all, we're -- I think it is not for me to right now predict Q1 because Q1 is already over. So it will be a pretty leading statement for me to talk about Q1, considering that, we're supposed to file Q1 soon enough. In fact, what we're planning to do is, presently, we are thinking that since we need to give our auditors, KGS, enough time to do the review, we might have to seek a 10B1 extension for a week or so. So I expect that we'll possibly file Q1, Steve, if I'm thinking correctly, by May 17. And if we had to do that, it is -- I don't think it's my place right now to be talking about a quarter that we've already finished. So I would rather have these results come out for Q1, and then you'll get a better picture of how we performed.

Now if you want to talk about the future going forward, I think what is going to happen is that, for some time, we'll have a deal with the COVID impact. It's very hard for us to predict right now what is going to be the COVID impact because every day with COVID is a new day, right? And we feel that we have tried to bulletproof our businesses by -- we've learnt a lot in the last 12 months. We have -- we now know how to work from home. We already -- employees across the world are already successfully doing that. At the same time, we don't know what is next on the COVID front. Is it going to be improved dramatically? Is it going to be a downward spiral for some more time? I don't know.

From a product mix perspective, look, our products -- we talked through our products in quite a bit of detail. Our products are what they are. Our margins, we are continually -- Ash talked through some of the newer initiatives that we are launching, some of the newer products that we are launching. I talked through the EbixCash newer initiatives that if COVID effects subside, automatically, your margins will go up simply because we'll have new revenue sources that we -- that have shrunk because of COVID. When you have those new revenue sources from travel, foreign exchange, e-Learning, increased consulting, not just in India, but increased consulting in Australia, Europe, U.S., Brazil, you will have increased margins.

Now good news is, as if you look at our present margin structure, if I take that low margin, you talk through the payment solutions business, if you take that payment solutions business out for a minute, our operating EBITDA margins were very fairly high. I think if I'm remembering correctly, the non-GAAP EBITDA margins were around 41% plus, which is fairly good. And so our goal would be to keep it at those levels if we can and grow our revenue streams going forward. I think that's how I see the -- how we -- that's how I see the future happening for us.

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**Joichi Sakai *Singular Research, LLC - Equity Research Analyst***

Okay. Great. Yes, that's helpful. And then I just have one question on the new auditors. I don't know if you can say anything about this, but did the new auditors have a material effect -- or any changes on the statements?

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

Steve, you want to answer of that? A short answer is no, because then you would have seen that. But Steve, go ahead. Please answer this.

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

I'm sorry, can you clarify your question? Do they have a material...

**Joichi Sakai *Singular Research, LLC - Equity Research Analyst***

Effect on the financial statements between, say, what they were going to be and what they are now?

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

Well, we only issue one financial statement and that's the audited financial statement. So we will be filing the 10-K this afternoon with an unqualified opinion from KGS, K. G. Somani, and I would certainly welcome you to read that. And -- but we had a very productive, cooperative audit with K. G. Somani. They had an immense amount of resources that were applied to the Ebix account, 3, 4-plus times the number that we would typically have on an audit because they were trying to help us get back into compliance and get our audit done. So if you want to follow up after taking a look at the 10-K when we file it, we're happy to do that, Darren and I are. But we only have one financial statement, and that's the one that's audited and filed with the 10-K.

**Operator**

And I'm showing no further questions at this time. I would like to turn the conference back to Robin Raina for closing remarks.

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

Thanks, Angela. I think that brings us to the end of the call. We look forward to announcing our Q1 results possibly around May 17. And we will -- we look forward to speaking to each one of you during that investor call. Thanks, everyone, and be safe. Thank you.

**Operator**

Ladies and gentlemen, this concludes today's conference call. Thank you for your participation, and have a wonderful day.

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