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EBIX - Q2 2016 Ebix Inc Earnings Call

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## CORPORATE PARTICIPANTS

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## CONFERENCE CALL PARTICIPANTS

**Jeff Van Rhee** *Craig-Hallum Capital Group - Analyst*

## PRESENTATION

**Operator**

Good day, ladies and gentlemen. Welcome to the Ebix second-quarter 2016 investor call. (Operator Instructions) As a reminder, today's conference call is being recorded.

I would now like to turn the conference over to Mr. Darren Joseph, Corporate Vice President. Please go ahead, sir.

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**Darren Joseph** - *Ebix, Inc. - Corporate VP, IR*

Thank you. Welcome everyone to Ebix Incorporated's 2016 second-quarter earnings conference call. Joining me to discuss the quarter is Ebix Chairman, President and CEO Robin Raina; and Ebix EVP and CFO Robert Kerris. Following our remarks, we will open up the call for your questions.

Now let me quickly cover the Safe Harbor. Some of the statements that we make today are forward-looking, including, among others, statements regarding Ebix's future investments, our long-term growth and innovation, the expected performance of our businesses and our use of cash. These statements involve a number of risks and uncertainties that might cause actual results to differ materially from those projected in the forward-looking statements. Please note that these forward-looking statements reflect our opinions only as of the date of this presentation, and we undertake no obligation to revise or publicly release the results of any revisions of these forward-looking statements in light of new information or future events.

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

Our press release announcing the result second-quarter 2016 results was issued earlier this morning. The audio of this investor call is also being webcast live on the Web on 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 also on the investor homepage of the Ebix website after 4 p.m. Eastern Standard Time today.

Let's start by discussing the results announced today. Bob and I will talk about the Company from a financial perspective, and Robin will sum up and provide some added color in the quarter and the times ahead of us.

We clearly are excited by the momentum we have generated in our business both in terms of the top line and operating margins. Revenue in Q2 2016 increased 12% from a year ago to $72.6 million. On a constant currency basis, Ebix's second-quarter 2016 revenue increased 14% year over year to $73.8 million as compared to $64.7 million in Q2 of 2015.

In Q2 2016, our exchange revenue continued to be the largest channel for Ebix, accounting for 68% of the Company's revenues. The year-over-year revenues increased as a result of revenue growth from life, annuity, underwriting, reinsurance, RCS and health e-commerce services in addition to revenue growth generated from the Company's 2015 acquisition of PB Systems.

The Australian division continued to generate the same level of revenues as Q2 2015 in spite of the strengthening US dollar, while the UK and EMEA division showed very strong year-over-year growth. The Brazil, New Zealand and Singapore divisions continue to show reduced year-over-year revenue as a result of the strengthening US dollar.

Reinsurance exchange revenues grew 162%, underwriting exchange revenues grew 21%, annuity exchange revenues grew 2% year-over-year in Q2 of 2016, while life and health e-commerce exchange improvement grew 4% in the same year-over-year period.

RCS revenues were up 39% because of the new e-governance revenues in India as also the acquisition of PB Systems business in 2015.

Ebix's presence in the life and annuity sector is presently annualized at approximately $115 million based on the Q2 2016 run rate. The year-over-year international revenues in Q2 of 2016 were impacted negatively by a $1.2 million because of the strengthening of the US dollar. The Company's pharmaceutical, health content and PNC carrier back in operations showed decreased year-over-year revenues. The Company's health content revenues were down 11% year over year, affected by increased price competition in the sector and the decision of the Company to scale down its life sciences division as part of its focus on increased margins, resulting in the life sciences group revenues being 65% lower year over year.

I will now turn the call over to Bob.

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**Robert Kerris** - *Ebix, Inc. - CFO and Corporate Secretary*

Thank you, Darren, and thanks to all of you on the call for your continued interest and support of Ebix. Q2 2016 diluted earnings per share increased 29% to $0.70, as compared to $0.54 in the second quarter of 2015. For purposes of the Q2 diluted EPS calculation, there was an average of 32 million diluted shares outstanding during the quarter, compared to 35.3 million in the second quarter of 2013 and 33.3 million in this previous quarter of Q1 2016. As of today, the Company expects the diluted share count for Q3 2016 will be approximately 32.7 million.

Our operating income for the second quarter of 2016 rose 15% to $23.6 million, as compared to $20.4 million a year ago in the second quarter of 2015. The operating margins in Q2 2016 were adversely impacted by lower margins associated with our strategic consulting and e-governance business. In that regard, Ebix's consulting group and e-governance business combined had operating margins of approximately 16%, while Ebix's other businesses generated strong margins of 37% in the aggregate. This then translated into 32% operating margins as reported for the entire Company in the second quarter 2016, consistent with the same level of operating margins in Q2 a year ago on the team.

We are pleased with the fact that the Company continues to attract a top-line revenue growth and cash flow from our operating activities and operating income, along with operating margins consistently in the 30% to 35% range. In our viewpoint, one of the true measures of enterprise's fundamental strengths is its ability to generate sustainable cash flows from these operating activities.

In that regard, cash provided from our operating activities rose to $20.4 million in the second quarter of 2016, compared to $17.5 million in the second quarter a year ago of 2015, and improved significantly from the $10.5 million in cash provided by operations during the first quarter of this year. This was in spite of the fact that the Company made tax payments around $2.7 million in the second quarter, including $2.2 million of advanced minimum alternative tax payments in connection with our operations in India. The Company also used $1.1 million for the continued buildout of headquarters here in John's Creek, Georgia, and the buildout of our new facilities in India to support our continuing park development operations in that country.

That said, the Company closed the quarter with cash, cash equivalents and short-term cash deposits in the aggregate of $80.9 million as of June 30, 2015 -- up by $9.6 million, as compared to the previous quarter at March 31, 2016, and up by $52.5 million as compared to a year ago at June 30, 2015.

In regards to our continuing initiatives to target and enhance shareholder value, Ebix utilized $25.5 million of cash during the second quarter to repurchase 544,000 shares of our common stock and pay $2.5 million in quarterly dividends during the quarter. The share buybacks was $22.9 billion expenditure.

On a year-to-date basis then since January 1, 2016, the Company has repurchased total of 1 million shares of (inaudible) common stock for $38.2 million and paid $5.9 million in dividends. (inaudible) through August 5, 2016, the Company has repurchased an additional 30,000 shares of cash consideration of $1.6 million. With these additional share repurchases, the Company has now repurchased approximately 6.2 million shares of its common stock for an aggregate amount of [$155.5 million] at an average price of $24.98 since August 1, 2014, when we announced Ebix's Board decision to repurchase its own stock on a continuing basis over the next several years. We expect to continue the share buyback utilizing our operating cash flows from the business as market conditions and strategic plans dictate.

From a liquidity perspective, we have $80.9 million in cash, cash short-term deposits and an access to approximately [$216 million] of potential available capacity under our recently expanded syndicated credit facility with Regions Bank, which includes the $100 million accordion option. This will be used to support the continued profitable growth of the Company both organically through accretive acquisitions, to efficiently integrate recent business acquisitions and to repurchase shares of our common stock as market conditions warrant. The current interest rate on our credit facility is a very attractive 2.75%.

Furthermore, our balance sheet is healthy, and our Company's financial position is solid with a current ratio of 2.48%, a working capital short-term liquidity position of $87 million, a DSO of only 65 days, a debt leverage ratio of 2.24% and a debt to equity ratio of only 0.59% as of June 30, 2016.

Finally, the Company's Form 10-Q will be filed tomorrow, Tuesday, August 2016. I will now pass the call on to Robin.

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

Thanks, Bob. Good morning to everyone listening on the call over the phone and over the Web. Bob and Aaron have explained the quarter numerically, so I will try to give you an insight into what is behind these numbers and transparently lay out our operating style and vision plan so that you can be co-partner (inaudible) in this journey that lies ahead of us.

Over the last few quarters, we've been trying to lay the foundation of our Company that has scale and size in addition to its ability to deliver consistent, attractive operating income streams. When we started on the strategy of building an Ebix that could possibly be many times larger in the future than its size today, we realized that Ebix had many basics already in place to get there. But it also had to operate a bit differently on many fronts to achieve scale and size.

Second quarter of 2016 has been another quarter in that journey of building a much larger Ebix that can become one of the largest end-to-end insurance, finance, health care and e-governance players in the world while trying to deliver profitability margins that could possibly be unprecedented for a company of that size.

Over the last six to seven years, Ebix has delivered operating margins that has been a benchmark in our industry. Our strategy had been to build Ebix brick by brick by adding customers on our on-demand platform through networking. This strategy has delivered very rich results in terms of consistently higher operating margins in the range of 35% or so plus or minus a few points.

As a part of that exercise, we looked at some of the high-growth large players operating in different market segments whose stock have had also done well in terms of multiple shareholder respect. We found that each one of these so-called low- and high-growth players had either no profitability or, at best, minimal profitability and in many cases were delivering non-GAAP results to shroud the lack of profitability. However, we came to a quick conclusion: that while we want to embrace and possibly strive to beat their growth rate, we are definitely not going to do so while embracing their lack of profitability.

An analysis of our customer base and growth over the last decade pointed to us that our growth has never been on the basis of very large individual deals but on the basis of lots of average-sized deals that had consistently high operating margins. We realized that would need to operate a bit differently in the future if we had to build an Ebix that had scale and a lot bigger size. We decided that we will need to follow a two-pronged strategy in terms of organic growth. One, keep growing the same way that we did over the last decade, consistently by networking and picking up deals with fully high operating margins that can possibly go even higher than before. Two, go after large-size deals at operating margins of 15% to 20%, which can allow us to deliver a much higher-growth Company with scale. We believe that if we can pursue both these approaches, then we can lay the foundation stone of our Company that can deliver high growth and profitability levels still in the range of around 30% operating margins.

Q2 of 2016 was another step in that direction. We continued to make investments in that direction and laying the foundation of that vision. Q2 of 2016 was a great quarter for Ebix as the Company kept tasting success in that direction. The Company today is in the midst of growth initiatives in three separate streams. One, we are in the midst of many large-size value deals that will have operating margins in the 15% to 20% range, with revenues spread over a span of five to seven years. Two, we are continuing to grow our existing businesses through networking and direct sales contacts while trying to increase operating margins beyond our present levels. Three, we are pursuing acquisitions of various sizes that at present in various geographies. We believe that we can convert these acquired companies into 30% margin businesses because of the to-be-acquired synergies and our ability to centralize functions and eliminate redundancies, as also our ability to leverage our offshore development, back-office processes and manpower capabilities.

In second quarter of 2016, we delivered record revenues that in constant currency terms translated to $73.8 million with 32% operating margin.

Our operating margin was strong at 37%. But for the (technical difficulty) and consulting segments, that translated to an average of 16% operating margins. Cumulatively, it translated to operating margins of 32%.

Second quarter of 2016 had one-time expenses and one-time tax benefits that for the most part offset each other. We picked up one-time expenses in many areas, including, amongst other things, non-recurring interest costs associated with (inaudible), one-time bank and legal costs against setting above the new expanded bank credit facility, growing our bad-debt reserves in second-quarter 2016 and other nonrecurring costs associated with a one-time tax initiative in Europe. On the flipside, that tax benefit was one-time, associated with an initiative led by Ernst & Young which will further optimize our tax structure globally on a continued basis.

We are also presently in the midst of setting up a large operational base in the Middle East with a goal of targeting the growing insurance and health care segments in the Middle East with the buyer assuming IP rights for furthering Ebix's products that are either new or/and have value in that Middle Eastern market segment. Shutting up that base will further rationalize our tax structure globally as Dubai has a 0% tax rate. This initiative is presently being handled by E&Y along with KPMG.

Second quarter of 2016 net income was $23 million, with EBITDA of $26.2 million. EBITDA excluding the stock-based compensation expense was $26.7 million, which translated into annualized EBITDA, excluding stock-based compensation expense, of $106.8 million. I am pleased with that trend of reporting EBITDA consistently higher than $25 million a quarter. Our reconciliation of any of these non-GAAP figures backed to net income will also be available in the text version of the investor script found on the Ebix website.

As regards cash and associated operating cash flows, I am pleased that second quarter of 2016 delivered strong operating cash flows at $20.4 million. That operating cash flow number looks even better when you consider the fact that the Company made tax payments of $3.7 million in the second quarter 2016.

With approximately $260 million of bank credit line, including the accordion facility, and $80.9 million of cash and cash equivalents in the bank and a continued strong cash generation rate, we feel that we have the ability to fund many of our growth initiatives.

We are presently pursuing a number of acquisition initiatives that if accomplished can deliver an EPS of $1 or more in the short term. We have tight NDAs in place and thus at this point cannot share much except to say that we are in serious discussions on two such initiatives in the US and abroad. Rest assured that we will use the right blend of cash or stock with the goal on maximizing EPS. Stock, if utilized, will be to a minimal degree, with a view to align the acquired company's management and shareholder interest.

With regards to Patriot National, I can now disclose that the company in conjunction with its advisors, E&Y, expects to finish its due diligence into Patriot National by 31 August 2016 and will accordingly communicate the next steps to our shareholders after that date in consultation with Patriot National.

We continue to be excited about the possibilities of this prospective merger. It could create the world's largest insurance services provider of straight-through processing with a wide repertoire of end-to-end services under one roof while complementing the relative strengths of both parties in terms of products, services and client base. We see substantial synergies, economies of scale and expanded growth potential for the combined business. We believe that our offshore and technology capabilities could serve to improve Patriot National's operating income substantially, making it possibly a 30% operating margin business. That could result in delivering a highly accretive transaction for both sides in the short term.

Darren talked about the effect of foreign exchange on our second-quarter 2016 results. Over the last three years, the US dollar has strengthening in that currency, and that has obviously not helped Ebix. It is reassuring that in spite of that, our results have continued to improve. Clearly, the Brexit vote is not going to help either, and it's continuing to have a material impact on revenues coming out of the UK for all companies; we are no exception to that.

On the topic of London, we are excited by the possibility of a new exchange initiative in the area of accounting reconciliation. This is an area where the large brokers and carriers in the UK at times have hundreds of accounts -- accountants hired to simply do manual accounting reconciliation of accounts between the brokers and insurance carriers. We today have the technology to do the reconciliation automatically across thousands of carriers if required. We have successfully deployed the solution across one of the largest brokers in the world in London. We believe that an end-to-end service that can automate this reconciliation for the most part as also can take up the manpower required to administer this reconciliation function, could save the industry tens of millions of pounds. We intend to pursue this initiative building upon the successful launch of our PPL initiative in London.

A few quarters back, we announced a contract with IHC to automate their PP operations and reinforce them with the power of our offshore manpower and processes. That initiative has progressed well, and we are now ready to build upon those successes and go to the next level to get scale, implying even higher revenue than income from these kind of initiatives. I will share more on that in coming months.

Darren already talked about our growth drivers and exchanges as also the areas where we need to turn the tide. In summary, we continue to build upon our network continually while signing new contracts with clients in second-quarter 2016 in every facet of our business, including RCS broker systems, health, e-commerce, health content exchanges, underwriting exchanges, annuity exchanges, back-end systems, consulting contracts, et cetera. I am pleased that we have been able to weather the substantial FX headwinds in Brazil, Australia, Singapore, India and New Zealand, et cetera, in spite of the fact that local currencies have devalued substantially over the last few Years. And it could have had a material impact on our global revenues. We have been able to weather that simply by performing better in each of these countries in local currency terms while allowing us to substitute a shortfall and a lot more through new contracts.

We are today focused on building a very large Company that could have scale and margins both. Some of our initiatives -- both large acquisitions that can double our size in the short term and transformational large value deals can help us possibly get there. Rest assured that we intend to get there while delivering at least 30% operating margins. We don't have the liberty of following in the footsteps of another company in our industry, as no company has built, for example, a $600 million business with $180 million in operating income. That's what we would like to do. Let me emphasize that there are no guarantees that we will be able to do that, but rest assured that we would use all our experience, discipline and past successes to endeavor for that.

Lastly, let me add that we remain focused on maximizing shareholder value. Bob talked about our continued dividends, as also the continued share buybacks worth $22.9 million in the second quarter of 2016 and $155.5 million of share buybacks since August of 2014, when we announced our buyback plan. We are presently endeavoring a broader outreach to prospective shareholders and analysts alike, as there is lots of interest in the Ebix success story at present. Our strategy is to worry less about the short-term holder than traders and instead be focused on maximizing value for the long-term shareholders. In that direction, we are confirmed to be participating at the Deutsche Bank global tech conference in Las Vegas on September 13 and the Credit Suisse small mid-cap conference on September 15 in New York.

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) Jeff Van Rhee, Craig-Hallum.

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**Jeff Van Rhee** - *Craig-Hallum Capital Group - Analyst*

A handful of questions for you, Robin. Maybe along the lines of the reconciliation opportunity that you touched on, can you expand just a bit on that? I'm curious -- a little better sense of magnitude of the revenue opportunity there. And then also any sort of bounds you can put around the timing?

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

Jeff, let me give you a simple example, and that will sum it up for you about the opportunity. Since I can't go into specifics there, one of -- I will give you an example of one of the larger brokers. Any of the larger brokers in the UK at times just to do an accounting reconciliation could have anywhere between 500 to 600 people whose job is ultimately just trying to reconcile what comes out of s a carrier and what goes from them into the carrier side. The reason for this is at times the broker has 20 different booking systems. And on the other side -- most of the larger brokers in reality -- I will give you an example of the larger ones -- they actually have systems around 180 different broker systems at times because these large brokers have made a lot of acquisitions over the years. So on one side, you have 180 broker systems. On the other side, you have carriers sending you data in different streams. There's an insurance policy for which -- let's say the combined insurance policy which has five different elements to that policy -- the five different elements have to go into five different broking systems. The data comes in from the carrier side, and the first thing they do, they realize that the data doesn't match. What they were expecting in installments or in commissions doesn't match with their numbers. So now somebody has to do a manual reconciliation on both sides -- on the carrier side and the broker side.

In the US, most of the vendors, the larger ones, have built this automation technology as a part of their broker system. In London, there is no such thing. So that by itself is a huge opportunity because on one side you have 1,000-plus carriers sitting out there. And on the other side, you have all these large brokers who are spending -- all these brokers have set up large offices in London or outside London. The costs, obviously, are exorbitant to have these people in London. London doesn't come cheap. So this is a very large opportunity. This is a lot bigger opportunity than what we have done until now with BPL, meaning it is -- BPL itself has many facets, to be fair. But at the same time, what we just announced is a relatively small number when you look at the accounting ones.

So, where do we go from here? We have the technology; we just have to figure out trying to assimilate all these functions, trying to assimilate and bring brokers and bring them -- at least bring the larger ones onto the table with us. And if we can do that, then the networking effect takes place.

So, part of the value that we want to offer is -- one is doing the automation, providing the entire technology, taking data out of 180 broking systems into one broking system and then making sure that you can assimilate that data -- reconcile it in one place that pulls the data back into 180 different broking systems. So that's what we are trying to do.

Now, having said that, what we also believe is this is also a BPO opportunity. It's also an administration opportunity. So that is where, for example, our acquisition of -- if we ever got to acquire Patriot National, that's where it comes in. They have all the knowledge and all the ability to do that kind of administration. As also, we have all the India manpower to be able to administer that like we do for IHC today for the BPO operations.

So, we feel a common solution that can provide the technology, the automation, the manpower is what we would like to do. The size of the opportunity is absolutely enormous. Nobody has touched it, and that's where we want to go next. And we are going to be jumping into it in a -- we've already -- our first step was making sure that what we have built works. That we know now that it all works because we have large brokers already using it with close to 1,000 carriers. So now it's more a question of evolving the business arrangements and trying to go to the next level. And we'll keep you informed as we go into more details on it. But right now, I feel there's too much competitive stuff there at stake, so I don't want to go into more details beyond what I did already.

**Jeff Van Rhee** - *Craig-Hallum Capital Group - Analyst*

Okay. Fair enough. Just one clarification on the acquisitions. You mentioned Patriot and that there was a second. And you said it quickly, but I want to make sure I heard it right that both can double in size. So, giving a sense of magnitude of whatever the second acquisition is is certainly meaningful magnitude exists relative (multiple speakers).

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

No, no, I think I -- maybe I misspoke when I -- the second one is a relatively smaller one. It's a broad. And I was trying to cumulatively talk about both of them together. So the other one is -- we are looking at an opportunity outside the US. And that one, it's got very high EBITDA margins, and we'll see where it goes from there. But it's not of the size of the other one.

**Jeff Van Rhee** - *Craig-Hallum Capital Group - Analyst*

Okay. Great. So then -- and I guess to the key of your prepared remarks, the discussion around the trade-off between revenue growth and operating margins, can you expand a bit on that? The 30% operating margin as a longer-term sort of framework of how to think about things -- over what time period do you see the business transitioning to an operating margin more in that range? And what kind of growth do you think is the offset when you think about, hey, I'm willing to give up a handful of points on the margin side, but I think we can grow the business X? Any thoughts about either the timing on the path to that margin as well as what kind of -- when we see the impacts and to what magnitude on revenue growth?

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

Jeff, in some of the larger-size deals, as we go into them -- and some of those will start coming in as we go along in this year, in 2016. So you will start seeing the impact of those. Now, our strategy here is to try and -- if the accounting allows us, if the contracts allow us, we would like to defer revenue and be as conservative as we can. But we have to follow the accounting rules. And having said that, if we defer for a longer time, the impact is smaller.

At the same time, what we are trying to do -- we believe that if we can convert this Company into a much larger Company, way bigger than what it is today, and still end up with 30% operating margins or a little bit more, I think that's -- it will work because we're talking about not a 10% or 15% growth Company; we're talking about much larger numbers here.

So having said that, what period am I -- I think right now what we are doing in the short term, we are making a lot of investments also. We are going in into some of these areas. You don't get a large deal just like that. You have to go in, make those investments -- you are making (inaudible) investments and so on, and we are continuing to make all of those.

Some of it will -- so, you will over the next few quarters -- the only request I would make is that we are going to be consistent -- we will be relatively consistent. At the same time, I wouldn't read anything into plus minus 2% here or there. I would let the Company get to the point of where it wants to be, which -- we are trying to combine the mix of Ebix consistently high margin of structure, and we're trying to mesh it up with a high-growth company. And to do that is relatively easy when you're small. But as you become larger and larger, to start giving those kind of returns is obviously harder. We believe we can do that. Meaning, at the same time I think my first goal is to ensure that we don't let 30% slip. And that's what we are going to try to do -- meaning, take this quarter, for example. Meaning, you take -- if I take primarily one deal out in this particular quarter, our margin number actually goes a lot higher. But that particular deal had very low operating margin in this quarter. It had much higher operating margin last quarter. Part of it was a mix of professional services, and some of the margin with that in this quarter was abnormally low for us. And that impacted our operating margin. So our operating margin would have been even higher than the 32% that you saw.

So, at the same time, I wouldn't worry about that. Meaning, ultimately Ebix has a very consistent business model. What we are now trying to do is we are trying to marry the business model with a high-growth business model. And so it will take us some time to get there. I believe that if I can first build the 30% kind of structure -- and let's say this Company -- let's assume for a minute that we are able to reach the goal of doubling this Company's size and still achieve 30% operating margin, I think there is enough room for us to go to the next level of increasing that margin sector. Because one of the values we have is once we get deep into things, we are able to bring the manpower from India, we are able to bring the power of our offshore development abilities, and we gradually but surely we are able to increase our margins. So, I am pretty confident if we can first ensure that our 30% doesn't slip, then we will absolutely get to the 32% and 33%, and we will -- I think our -- again, I am not predicting that next quarter you are going to see 30%. That's definitely not my goal or suggestion. All I'm trying to say is let's all be patient with where Ebix is headed. Because what Ebix is trying -- what I have heard from shareholders again and again -- and I've spoken to tons of institutions, large funds -- I've heard again and again, everybody loves Ebix's consistent returns. And people have told me that we would be okay with you compromising those margins a little bit here and there as long as you can create a high-growth Company. And that's what I'm trying to do; I'm trying to respond to their wishes here.

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**Jeff Van Rhee** - *Craig-Hallum Capital Group - Analyst*

Yes. Got it. Okay. Two last ones, and I'll let somebody else jump on. One briefly, I guess you had suggested an aspirational goal of $350 million run rate by Q1 2017. Does that remain the aspirational goal?

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

Our aspirational goal has increased quite a bit right now with respect to -- but it includes the acquisition revenue. So let's wait for another 30 days, and maybe we will redefine that whole aspirational goal (multiple speakers).

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**Jeff Van Rhee** - *Craig-Hallum Capital Group - Analyst*

Has the underlying aspiration outside that changed? Outside of the potential for Patriot, has the underlying aspirational goal (multiple speakers)?

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

First of all, Jeff, we are very serious about Patriot, and hopefully we can accomplish this deal. We see the synergies, we see the value and we see that the value of putting these two organizations together; so that's one. And if that happens, that by itself changes the gamut of it.

But beyond that, we have enough going on organically right now. We have lots of deals that are transformational for getting the acquisition. So, I think we have -- we will redefine as we go forward another few -- as we -- I prefer to talk about it again -- I've already defined the aspirational goal of $350 million. I would rather talk about it after delivering some real organic deals -- some new organic deals. And once we do that, then we will redefine and talk more about it.

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**Jeff Van Rhee** - *Craig-Hallum Capital Group - Analyst*

Okay. Great. Last one, then -- with respect to the pipeline, certainly nice organic top-line growth acceleration this quarter. Can you just maybe just expand a bit on the pipeline? And particularly interested in sort of the core business and your long-time vision of straight-through processing, if you are seeing acceleration, sort of steady demand. Any notable changes from prior updates?

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

We are seeing two trends. One is in the annuity business. There is a little bit of -- it's not the same high-growth business that it was. There's many reasons for it. The rules are changing in the annuity business, so we'll keep a very close watch on it. That's the one side.

But on the other side, when you look at the life business, we are seeing a consistently -- we're consistently growing at that business. At the same time, we see underwriting as one of our high-growth areas. And I believe we are going to continue -- based on the deals we already have in hand, based on the deals that we have already signed, we are going to continue to see a revenue uptick going through Q3 and Q4. And these are substantial increases of revenue, at least in that market segment -- in that product segment.

With respect to our core businesses, the health e-commerce is another area where we feel that we can grow our revenue very substantially. We also believe that this is one of the reasons we like the Patriot possible merger acquisition. We believe that for a technology company if you can get into services, you can mesh your technology into the service angle. And now when you do that, you actually sell an end-to-end service. It's easier to sell technology when you are the provider of a service. When you say, listen, I'm just going to make your business happen and I want a piece of your premium, but only once you're successful. That's a different ball game from walking in and saying, I'm selling you technology. So we also believe that those are the kind of things we have to do.

So, our core business from perspective of our pipeline is we have a very strong pipeline. In most areas, we have -- as you know, we have suffered in the area of life sciences, which is our pharma sector, but that was by choice. We decided we weren't making enough money, and we felt that we were going to take our margins down, so we stepped out of that business more or less. We are there, but we are on a lower scale right now.

Then when you look at some of the health content business, it's a very price-competitive business. We are trying to respond to it differently than try to sell a commodity product. What we want to do -- we are trying to convert this entire solution into an end-to-end solution services business.

So, those are the two areas where we have to continue to improve and do a much better job than we are doing right now. At the same time, when I look at the businesses like health e-commerce or life exchanges or even the area of PNC exchanges are clearly the larger areas where we are entering now like the e-governance or e-learning. These are all great areas for us, meaning our core businesses, our broker systems -- that's going to be always relatively small. We will keep growing. But this is not a big focus area for us. We are not, for example, going in after broker systems in the US today -- at least not now. In the international market, sure. But it's never going to be the cause of Ebix's growth. It will keep growing, but it will be -- comparatively when you look at the larger scheme of things, it's clearly going to get lost a little bit, the growth.

Then we look at our carrier segment. That is more of a -- frankly, as we go forward we will have to look at the carrier segment. From a PNC -- we are not really a large PNC player. We never were. We don't think we can get the kind of margins we are looking for, so we will have to relook at that and see what our focus area in the segment is, and we are continuing to do that.

So I think the core exchange business continues to be very strong, barring a few exceptions that I talk through. And the new businesses that we are getting into continue to be very strong. For example, the exchange business -- the reinsurance business -- clearly, that's something we have talked about at length over the last few calls and the London deal and some of the other things that we are pursuing. Those are all great stuff.

So the advantage of exchanges is that one thing leads to another. One functionality leads to the next functionality. Once you get entrenched, you are able to bring the new functionality and build upon that. It takes you -- but it's a networking effect. You continually keep working at it, you keep improving your margins, you keep signing new clients, and, at the same time, it's a steady growth kind of business.

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**Jeff Van Rhee** - *Craig-Hallum Capital Group - Analyst*

Got it. Great. Thank you.

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**Operator**

(Operator Instructions) And I'm showing no further questions at this time. I'd like to turn the conference back over to Mr. Raina for closing remarks.

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

Thank you. I think that brings us to the end of the call. We look forward to speaking to you guys again at the end of the next call. Thank you, ladies and gentlemen. We will speak to you again at the end of Q3. Thank you. With that, we will close to call.

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**Operator**

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

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