Ebix Inc(Q1 2019 Call)

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Corporate Speakers:

- Darren Joseph; Ebix, Inc.; Corporate VP of Finance & HR
- Sean Donaghy; Ebix, Inc.; CFO & Secretary
- Robin Raina; Ebix, Inc.; Chairman, CEO & President

Participants:

- Jeffrey Van Rhee; Craig-Hallum Capital Group LLC; Research Division, Partner & Senior Research Analyst
- Allen Klee; Maxim Group LLC; Research Division, Senior VP & Senior TMT Analyst

PRESENTATION

Operator: Good day, ladies and gentlemen, and welcome to the Ebix, Inc. First Quarter 2019 Investor Conference Call.

(Operator Instructions)

As a reminder, today's program may be recorded. And now I'd like to introduce your host for today's program, Darren Joseph, Corporate Vice President. Please go ahead.

Darren Joseph: Thank you. Welcome, everyone, to Ebix, Inc. 2019 First Quarter Earnings Conference Call. Joining me to discuss the quarter is Ebix Chairman, President and CEO, Robin Raina, and Ebix CFO, Sean Donaghy. Following our remarks, we will open up the call for your questions. Now let me quickly cover the safe harbor.

Some of the statements that we make today are forward-looking, including among others, statements regarding Ebix' future investments, our long-term growth and innovation, the expected performance of our businesses and the 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 revisions to these forward-looking statements in light of new information or future events.

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

Our press release announcing the Q1 2019 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 also on the investor homepage of the Ebix website after 4:00 p.m. Eastern time today. Let me now discuss the quarter from a numerical perspective. Revenue in Q1 2019 increased 32% from a year ago to $142.9 million.

On a constant currency basis, Ebix' Q1 2019 revenue increased 37% year-over-year to $148 million as compared to $108.2 million in Q1 of 2018. Exchanges cumulatively, including the insurance and EbixCash financial exchanges, accounted for 88% of Q1 2019 revenues.

In Q1, our EbixCash exchanges emerged as the largest channel for Ebix, accounting for 54% of the company's revenues and our insurance exchange general accounting for the remaining 34%.

The year-over-year revenue has primarily increased as a result of revenue growth from the field of munis, life underwriting, CME, e-learning, health content, all travel sectors, including the Via and Mercury brands, lending and wealth management technology, ForEx, remittances and trucking logistics.

These gains are offset primarily by declines in the areas of strategic consulting, third-party administration exchange, EHAE and the e-governance business in India.

India is one of the emerging economies today that we intend to continue to invest in over the next few years. As a result -- as this is an economy with one of the largest middle classes in the world that has continued to grow even in adverse economic periods. Our explosive growth in the Indian market continued in Q1 2019.

Excluding e-governance ventures, the India-led EbixCash ventures, including India EbixCash products built in other Asian countries, showed 152% year-over-year growth in Q1 2019 by growing to $77.7 million from $30.8 million in the same period in 2018.

The India-led ventures, including India-led revenues built in other Asian countries, showed 17% sequential growth in Q1 2019 by growing to $77.7 million from $66 million in Q4 2018.

We are pleased with sequential growth in top line and our overall business and the various business segments. Q1 2019 revenues grew 5% by $6.6 million over Q4 2018 revenues of $136.3 million. I will now turn the call over to Sean.

Sean Donaghy: Thank you, Darren, and thanks to all in the call for your interest in and support of Ebix. Q1 2019 GAAP diluted earnings per share rose 1% to $0.84 from Q1 2018, $0.83. The non-GAAP diluted earnings per share in Q1 2019 grew 25% to $1.04 as compared to Q1 2018.

Q1 2019 GAAP net income decreased 2% to $25.7 million compared to $26.2 million in Q1 2018, principally due to a $20.5 million derivative case legal settlement and other related legal fees reported in nonoperating expenses.

Non-GAAP net income increased 21% to $31.8 million after excluding certain items, including the onetime earn-out reversal of $15.4 million, onetime legal expenses of $20.4 million and onetime acquisition-related expenses of $3.4 million.

As of today, the company expects the diluted share count for Q2 2019 will be approximately 30.7 million shares. Q1 2019 GAAP operating margins increased to 38% as compared to 31% in Q1 2018.

GAAP operating income for Q1 2019 rose 60% to $54.1 million compared to $33.9 million in Q1 2018 due to a $15.4 million reduction of the acquisition accrual for ItzCash, offset by $3.4 million of onetime expenses primarily associated with new acquisitions.

Non-GAAP operating margins for Q1 2019 were 30% while non-GAAP operating income was $42.8 million in the quarter.

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

Cash generated from operations was $38.5 million in Q1 2019 compared to $25.5 million in Q1 of 2018 and $15.7 million in Q4 of 2018. Ebix' $38.5 million of Q1 2019 operating cash flow is a 145% improvement sequentially over Q4 2018 and a 51% improvement over Q1 2018.

The operating cash flow in Q1 2019 reflected the decreased receivables associated with some of our Indian acquisitions. During Q1 2019, we spent $10.2 million on dividend, tax payments and principal bank payments.

Specifically in Q1 2019, we paid taxes and principal bank payments of $7.9 million, invested $90.4 million on acquisitions, paid $4.9 million to reacquire the balance 10% stake in the MTSS business, repurchased Ebix stock worth $11 million and returned $2.3 million in dividends to shareholders, while we drew only $13.5 million from our bank credit facilities. In spite of that, Ebix ended the quarter with $96.4 million of cash, cash equivalents and short-term investments.

Furthermore, as to key balance sheet metrics, our balance sheet remains healthy and our company's financial position remained solid with a current ratio of 1.46, a working capital short-term liquidity position of $110 million, a debt leverage ratio of 5.03 and a debt-to-equity ratio of 1.44 as of March 31. Finally, Ebix's Form 10-Q will be filed tomorrow. I'll now pass the call on to Robin.

Robin Raina: Good morning, everyone. Let me first start my talk on a personal note. A few days back, I saw Tiger Woods being handed over the Presidential Medal of Honor by President Trump after his Masters in -- at Augusta.

As I and the world saw Tiger emerge again as the champion golfer, it reminded me about the futility of life and why one needs to remain humble and yet focused on the task at hand. It reminded me of me. It reminded me about my own journey over the last 12 months.

In April of 2018, I was headed to the Augusta Masters with my son in a limousine bus to watch Tiger play. 7:00 a.m. in the morning, we are possibly 10 miles away from Augusta when the limousine bus we were in overturned while the driver was speeding at breakneck speed.

The bus went to a few flips and then went on a flight for 1,000 feet. This was a major accident, and I really thought that we were all going to die. Thankfully, all 18 passengers survived, though many had extremely serious injuries. My son was one of the few people who came out unscathed out of the accident.

After cutting the bus, the paramedical team, another 1 hour, drove me to the Augusta Medical Center. I was immediately operated upon and three screws inserted in my legs as I was discovered to have a broken femur bone in the right leg beside the fracture in my knees.

As I sat in the hospital over the next few days trying to do my work over my laptop, it occurred to me how fragile our life is.

On one side, I was extremely thankful to God for saving my son while on the other, I looked at an uncertain physical future, what it -- whether I would be able to walk again. I realized how fragile life is and that how lucky I was to be alive. I realized how blessed I was to be able to work and at the same time, lead a quality company like Ebix.

After 5 days in the medical center, I took a flight to Delhi to try and get out of the self-sympathy mode and concentrate on my work. Since then, I spent 10 months on two crutches dealing with mixed emotions, physical pain on one side and excitement of working through it all. I finally gave up on crutches almost 2 months back.

Today, I sit here feeling enormously blessed and humbled by the love that was passed on to me by Ebix employees worldwide throughout this time. These 12 months have made me more aware of the futility of life that need to keep one feet over on the ground and the fact that coffin does not have a pocket.

I also realized that I wanted to focus my life on not only building shareholder value, but also trying to pioneer and change the lives of all constituents in any sector remain involved with, be it my work, insurance or finance sector or my compassionate ventures.

I am more focused and motivated than ever to date to lead Ebix to bring the paradigm shift in the industry's sectors that Ebix is involved with anywhere across the world today.

I wanted to start my talk today walking you through this rather emotional phase of my life while also thanking each one of you for trusting me to run this company. Let me now talk in summary about what I think about the results announced today.

From my perspective, these are outstanding results on many fronts. In constant currency terms, we are now getting closer to $600 million in annualized revenues. What triggers me even more is that we have done that while sticking to the 30% or above operating margin levels.

The other takeaway from these results is the strong operating cash flow number of $38.5 million. I feel great about that as it reinforces my view that India led EbixCash ventures are very cash intensive and have a rather short collection cycle associated with them.

Our cash flow will get impacted in a particular quarter if we invest our cash into growing the size of the business and funding gross merchandise value. Once the cycle is set, the cash flows can be consistently strong.

I believe that we can target Ebix worldwide revenues to be at $800 million plus in annualized revenues by fourth quarter of 2019.

I'm [poised] by the growth we have experienced in our various businesses that I will talk through in the stock play. This growth have been specifically aided by cross-selling and market leadership in various functional areas that we have entered.

Sometimes I'm asked, who would be the one company that I will consider as a competitor? I also get asked as to why we are going into diverse areas of businesses and if it defocuses us in any manner?

The answer to that question is at the root of the Ebix vision. Our vision is to bring a paradigm shift in the way businesses carried out and to drive efficiencies for all constituents involved.

We believe that the single biggest opportunity is to create an ecosystem of finance, insurance and travel converged tightly together, build an airport that converges all these sectors together and allow the consumers and providers to be on one airport or you might call it, an exchange platform.

I call this convergence of functionalities as building an airport. When you fly anywhere, you can choose your flight, but you really don't choose your airport, as airport is an infrastructure while airline is a competitive product.

Ebix wants to build infrastructure airports that converge all functionalities, both on the B2C and the B2B side, bring in efficiencies to the consumers and also the constituents while Ebix remains the non-align market maker powering the transactions.

If I was to fly safe from Delhi to Rome, I need a number of things. I need a visa, airline booking, hotel booking in Rome, cabs in Delhi, health insurance, a mandatory -- is a mandatory requirement by the embassies, travel insurance, foreign exchange in the form of cards or cash, rental cars or possibly cabs in Rome, et cetera.

I might -- possibly to even borrow money from a bank to fund the travel trip of my family. Today, for all of this, a consumer has to go to multiple players to seek all of this. Ebix strives to provide all of these cohesively under a single window approach.

Ebix provides the consumers all of these services under one window besides driving to power the technology of the end providers who provide these services to the consumer, thereby converging not only functionalities as diverse as travel, cash, ForEx, visas, finance, insurance, lending, but also creating a non-aligned airport to do so. This is a paradigm shift in thinking and is a pioneering attempt that doing something that the markets worldwide have never seen.

Our belief is that if we can lead in each of these sectors, then we are all at more capable of bringing this paradigm shift. Also, when you pioneer something and also dominate in each of these sectors, then you don't have to worry as much about competition or competitively pricing yourself.

Each one of you know that when you line up at any of your airports in the United States, you don't get to choose whether you pay $1 for a baggage cart or $7 for the baggage cart.

You pay what the airport ask you to pay as you need that cart to move your baggage. Ebix' game plan is to create such infrastructure-based airports that will convert insurance and finance together.

In the year 2019, we intend to not only grow our presence in each international geography in the field of insurance but also to bring these concepts of convergence into the United States, Europe, Australia and Latin America besides Asia, Africa and the Middle East.

I believe that we can do that while building a very large multibillion-dollar EbixCash organization worldwide while powering its technology and back end functionalities out of Asia, providing us not only economies of scale, but a very high margin business. With that background, let me now cover a few specific areas to give you a flavor of what we are excited about today.

With respect to the IPO, our Indian EbixCash -- with respect to our IPO of our Indian EbixCash operations, we will decide on a more definitive time line once the Indian elections are over in June 2019.

When we go for our Indian EbixCash IPO, the company in local markets from an IPO perspective will be evaluated for its overall revenue, including any revenue it generates from sister Ebix companies for the technology work it asked for them.

Including that intercompany revenue number, EbixCash revenues in the first quarter of 2019 were approximately above $92 million.

Our outward remittance, ForEx, inward remittance and retail card operation revenues sequentially grew quarter-over-quarter, not only individually, but also as a business unit. Cumulatively, the combined business unit sequentially grew its revenues 28% in Q1 2019 over Q4 2018.

Between these units, we now handle gross merchandise value approximately $12 billion annually. We are today the dominant leader in the segments of ForEx, outward remittance, inward remittance, et cetera, in India. All these businesses are highly cash intensive with short-term collection cycles.

In the last few months, we have won many new international mandates in these areas. One of them is to sell EbixCash, travel and ForEx services through a U.S.-based worldwide financial giant at their Singapore outlets to start with, followed by adding other ASEAN countries a bit later.

We announced this relationship to a joint press release at the opportune time. In addition to the international airport mandate already announced in the Middle East, we are now at advanced stages of adding two more Middle East country airports to our ForEx client list.

We have also started our ForEx operations in Hong Kong and are at advanced stages of trying to secure a large mandate in an ASEAN country. We now have an exclusive mandate in 25 airports in India out of 32 and a nonexclusive mandate in four more.

We are already at advanced stages of launching remittance operations in two ASEAN countries while working with a few international players. We see this as a very large business area for us.

In the area of insurance financial technology, we recently announced that we added 10 new international clients, including Standard Chartered Bank in India, BOC Bank of Commerce in Philippines, Sampat Bank in Sri Lanka, Prime Bank in Kenya, Emirates NBD out of UAE, GIC HF out of India, Kotak Bank out of India, Mcredit out of Vietnam, et cetera, to our roster of technology clients.

The division's success in the Middle East markets can be gauged from the fact that it today have all the top three leading banks in the Middle East or GCC countries as its clients. To give you a flavor of the growth we are experiencing in the EbixCash financial technology area, let me walk you through a few numbers.

On September 4, 2018, we announced to purchase Miles Software that was a key player in the wealth management and asset management technology sector. When we bought Miles, their quarterly revenue run rate was less than $2 million with EBITDA of approximately 8%.

As of Q1 2019, the quarterly revenue from this wealth management and asset management segment was $4.6 million in the quarter with 35% plus in operating margins. The business sequentially grew 34% in Q1 2019 over Q4 2018.

The lending technology business also grew sequentially by 6% in Q1 2019 as compared to Q4 of 2018. In the area of travel, each of our businesses in the area of B2B travel, corporate travel, cabs, MICE business, et cetera, grew sequentially over Q4 of 2018 and Q1 of 2019. Cumulatively, travel business grew sequentially by 25% in Q1 of 2019 as compared to Q4 of 2018.

In the area of trucking logistics, namely Routier, we are experiencing strong momentum today. We have signed a strong, rough draft corporate and government clients for our Routier trucking logistics application.

Our revenue sequentially grew from $46,000 in Q4 of 2018 to $941,000 in the first quarter of '19. We are targeting a revenue run rate of $5 million a quarter by the fourth quarter of 2019 from this segment.

In the bus exchange segment, we had 0 revenues in the first quarter of 2019 but are targeting substantial revenues beginning second quarter of 2019 as we have just finished the deployment of our solution at Rajasthan Roadways

for 5,700-plus buses. This is a highly recurring business with minimum moneys secured as per contract from the clients. We have many other large bus undertaking deals in the work at present, which can move the needle substantially for us in terms of revenue contribution from this area.

In the field of e-learning, our revenue was down sequentially by $2.8 million in the quarter along expected lines as the business tends to be seasonal. We expect the business to grow substantially in Q2 along historical seasonal lines.

In the area of travel technology, we now own Zillious that powers the technology of many of our competitors in the travel area. Sequentially, the revenue grew more than 50% in this area in the first quarter of '19.

We intend to white-label this technology platform and sell it through large travel exchanges in the U.S. and Europe besides Asia and Africa.

Cross-selling has always been a strength for us, and our EbixCash financial technology team has used that to date, for example, to open a large international opportunity for our broker system platform, for an insurer-broker system platform.

We are today at the final stages of a multimillion-dollar business deal with a large financial institution to deploy our insurer-broker system platform Ebix Evolution for their insurance division in an ASEAN country. We expect the deployment for this client to happen sometime from June onwards, June of 2019 onwards.

Another example of cross-selling resulting in a substantial new opportunity, even in an African country we are in, we are today in the midst of a large multimillion dollar recurring opportunity to provide a high-margin exchange for visa services to multiple countries.

More on this one later. In coming quarters, we expect our Australia, Brazil and Singapore divisions to continue to grow both in terms of revenues and margins. This is driven by some of the recent engagements that we have signed.

In the U.S. and Canadian businesses that are driven out of the U.S., we expect to show growth in each of the coming quarters as we have stabilized the consulting and content businesses that had large declined over the last 12 months.

The year-over-year revenues in the U.S. increased in the areas of annuities, life underwriting and e-learning. These gains -- and actually CME -- these gains were offset primarily by declines in the area of strategic consulting and claim administration.

Also, sequentially, we had a $4 million decline from Q4 of 2018 to Q1 of 2019 in the area of CME and health e-commerce. The CME business, the continuing medical education business, continues to go up beginning Q2 historically and will ultimately always reach it high by the fourth quarter of a year.

So expect the same trend this year wherein Q1 of '19 would have lower revenues, Q2 would be slightly higher, Q3 will be even more and then Q4 will be at the peak. Q4 of '19 will be at the peak. That is historically traditional in this business segment.

We have a strong business pipeline in the U.S., both in terms of organic opportunities and inorganic opportunities, and we are pursuing both today. We remain confident that 2019 will be a good year for our U.S. businesses in terms of growth.

With that, that brings me to the end of my talk. I will now hand it over to the operator to open it up for questions. Thanks. Jonathan, would you take this from here?

QUESTIONS AND ANSWERS

Operator: (Operator Instructions)

Our first question comes from the line of Jeff Van Rhee from Craig Hallum Capital.

Jeffrey Van Rhee: Robin, just -- you -- first of all, congrats. I mean the numbers look really, really good as do the aspirations. Can you talk about the IPO? You referenced the conclusion to the elections.

And at that point, you sort of sit down and evaluate the pros and cons of hitting that. So that gets previously targeted end of your window. What are the puts and takes for you? What are the things that you're going to consider at that point?

And then just one other question, if I could. The -- with respect to Yatra, you had made the offer, and I think we're working through that due diligence process. I realized there's probably limits to what you can share. But any update there would be helpful as well.

Robin Raina: Thank you. So I think -- with respect to the IPO, India, they're the largest democracy in the world. And these are large elections and you have to get votes out of 1.3 billion people.

So as the elections come to a conclusion, we expect that all process to get over by the beginning of June. Depending on which -- whether it's a stable government or an unstable government, I think that has some impact on the decision-making.

We've -- having said that, I think India has always been a reasonably stable country, especially depending on which party comes to power. I think the [tracks] happen to be better.

Any of those parties can provide -- is it a coalition government or is it a one-party government or a multiple party government. As long as they're stable, coalitions [at worse]. So I think that's the extent of what we would be looking at from an election perspective.

So presently, what it looks like, I think we are thinking that we probably won't target an IPO in the first quarter of 2020 right now. And however, we'll keep you informed as we go forward into it.

At this minute, we are more focused on -- we are in deep discussion with a few private equity groups in terms of a possible pre-IPO valuation benchmark in terms of them taking up a small position to some extent. And we'll keep you informed about that as we go forward.

With respect to Yatra, we have been deep in due diligence. I will -- I don't have anything negative to report as of now. I think our intent remains to possibly make this acquisition.

That's fixed into what I could tell you. We are committed to trying to -- if we make this acquisition, we're committed to doing this in an expeditious manner.

Clearly, Yatra shareholders would need approval from their own -- Yatra management would need approval from the own shareholders. That would be a process they would have to follow.

But we expect that either way is that decision, if we are going to move forward with Yatra, we will make our intent rather clear in the month of May itself. So I think that's the extent I would -- I could answer about Yatra right now.

Jeffrey Van Rhee: Okay. Great. And one last from me. The -- obviously, the ton of detail there with respect to the Indian operations whereas you're just flat out crushing it. It seems like virtually everything is headed in the right direction.

The U.S. business, you had said last quarter, you were looking for that 5% to 8% growth. And I think you took it a few steps forward. Further, this quarter, you said you expect growth here, growth there going forward in the coming quarters.

Can you just take a second and talk about the third -- the TPA EHAE side of the business and the consulting business, the two areas you called out that were historical decliners? And walk through maybe just a couple levels deeper. What gives you the conviction that they've now bottomed?

Robin Raina: Look, we think -- once that a revenue decline has happened to a level that it becomes meaningless, it does bottom out. That's how I look at it. But having said that, the consulting business has kind of bottomed out. When you look at the overall revenue numbers that we have, we have already seen the momentum.

We're trying to -- there's a substantial shift in terms of what we are trying to do in both these businesses. We've already secured some kind of engagements out of area of consulting and TPA areas. So that's the extent of what I could go into details right now.

But having said that, basically, we feel that at this minute, we feel we have fairly strong recurring opportunity that we can count on in both these areas. And anything new we add to that would actually help our revenue growth in those areas.

I would be very disappointed if I don't see revenue growing in both these areas from here onwards. And I -- we are in the midst of a lot of such possible opportunities.

What we have done, a major change that we have made in the strategic consulting area is that we've integrated it rather tightly into everything we do. So most of our salespeople in every facet of our business today are exploring strategic consulting opportunities. And it's a little bit more deeper in terms of integration today than it was earlier.

So that has opened up a lot of new pipelines in terms of prospect base for us. So that what makes me feel. And also, the numbers have come to a point where they're not as meaningful for us.

And so it means that any more decline are not going to have a meaningful impact on us. And we feel that we have enough other opportunities in any case out there that can outnumber any possible decline if it ever happened in any of these areas.

So we feel good about all the areas we are pursuing in the U.S. -- with the U.S. and Canada. We look at Canada as a partner of our U.S. operation in a way because we actually deploy all our solutions in Canada from the U.S. itself.

So I think we feel pretty good about where we are with respect to those businesses, and we feel that from here onwards, we should start seeing some growth.

Jeffrey Van Rhee: Okay. got it. And just -- I'm sorry, one more. The -- back to India for a second. The BSE relationship obviously was announced some time back.

And I realize it takes a lot of regulatory approvals with respect to insurance and sort of the go-to-market that you were proposing there. We haven't seen an announcement, maybe just an update on the BSE, how you expect that to play out going forward.

Robin Raina: Thanks, Jeff. So Jeff, that's a very large opportunity, as you know. And what we're trying to do is clearly an example of a paradigm shift. And when you try to do something which involves a paradigm shift, then you have to go to the regulators.

You have to make sure that the regulators also have to think and rethink everything simply because if you're trying to do something dramatically different from what insurance markets have done in the past, then the regulators really have to see -- they have to grant a license. So they need to evaluate the business proposition and understand that doesn't, in any way, undo anything that they set out to do as a regulator.

So having said that, there's been a very deep dive by the regulators into it. But we feel we're on the right path. We have, besides Ebix, we have the backing of Bombay Stock Exchange, one of the most imminent and trusted institutions in the country.

BSE, as you know, is semi government. They are owned by a public institution itself, so that gives us a lot of support anyways to our venture.

So I feel very confident about getting that regulatory approval. We have already built all our technology. In a way, it has given us a lot of -- a good time. We needed the time to basically interface our solutions.

To give you an example, one of the things we have now built is because we have the time to do it, what we have done is, today, on our platforms, once the BSE relationship happened, so if somebody owns a vehicle or however they have insurance, they would be virtually be able to renew their insurance using our platform in a very non-align manner virtually in minutes.

Or they can just tell us, as long as they tell us their policy number or what they have, we have created technologies whereby you could be working with ABC company today. And we know that -- they give us a policy number of ABC company, our technology is going to figure out the details on what it says and the policy as long as they've given us -- the client have given us the approval.

And we will lay out all the other opportunities, possible choices you have now from all the remaining players. And so our goal is obviously to be the market maker in a non-align manner, offer that opportunity.

Now something like that is easier said than done today in the market. So it has given us -- we've had the time to integrate, to interface, to work one with -- one on one with each other's companies trying to interface this technology, talk to them about our other insurance technology effort so that we can also create two different ventures. One is on the front end side, distribute all the products and make money in that.

And -- but on the other side, we want to be powering the technology of the provider simply because we want to be non-align. And we want to be providing all the Ebix range of products and services and charging those providers for transactions.

So those are the -- it's giving us time to do that. So we are basically waiting the regulatory approval. So both BSE and Ebix are very excited about this, very eager to go into the market with this.

But clearly, we'll have to wait for the regulatory approval. We -- the way the process goes, we have been -- interact -- in continuous touch with the regulatory authority.

We don't see a large stumbling block anywhere or anything like that. But we think that this is a process every company has to go through. And we just need to be patient with regulators and give them the time to make the right judgment.

Operator: (Operator Instructions)

Our next question comes from the line of Allen Klee from Maxim Group.

Allen Klee: Can you remind us what borrowing capacity you still have remaining?

Robin Raina: So Sean, do you want to answer that? I -- to the best of my knowledge, it's -- our present line has probably less than $15 million on the borrowing line. But we have the ability to expand it if we wanted it and so on. So do you remember the exact number, Sean? Do you have it?

Sean Donaghy: It -- that's correct. It's just under $15 million. Under our current arrangement, we do have a capacity to extend the accordion to, I think, another $50 million over and above that.

Robin Raina: Yes. I would say it's a great question purely because I got asked, are we feeling any pressure in terms of money and so on? And the answer to that is no. First of all, we believe we produce substantial cash flows. Secondly, we have a who's who of the banking mode lining up with us.

We have the ability to do term As and term Bs and stuff like that. So all we could do, convert if we ever want it. Now I will tell you, we don't have that intent to do a convert simply because there's really no such situation or eagerness to do it.

We also are fully aware that we are in the process of possible 3 IPO valuation round that could bring in pretty good substantial amount of money into the company depending on the valuation that we would like to get from private equity that by itself would -- could make us -- we would -- we may not need any more money from the banks. Let's look at it that way.

That is why we haven't really gone to the banks because we don't see -- we want to go about it in a very analytical, step-by-step manner because we also have -- then after that, we also have a second event, which is the IPO, where we believe we will raise a pretty substantial amount of money because we believe in the sense of what we have built in EbixCash there and the size of the IPO, we believe, can be pretty large.

So having said that, we don't want to -- we want to be patient and we want to do the right thing for the company. And we believe, if we raise our money through one of the two means that I told you or both of the means that I told you about, that will be the cheapest way to raise money.

And so we don't want to rush into it and rake money through a convert or through an enhanced term A or term B kind of a loan or a possible convert. So we have all those options available if we ever want it.

Allen Klee: My last question is in terms of your aspirational goal with $800 million in quarterly annualized revenue by 4Q of 2019, could you give us a sense of what that number might be if no new acquisitions that haven't been announced yet were not included in it?

Robin Raina: Well, look, I think first of all, I said above $800 million. So this $800 million could be $850 million, could be $830 million, could be anything, right? So I just said above $800 million is an aspirational goal.

Now having said that, at this point, I think we would be including at least one acquisition in this goal. And that number is included in it, but having -- in a possible aspirational numerical number that we have come up with.

So I feel that if you look at it from a perspective of -- could I give you a breakup of it? I think at this minute, I probably won't simply because the number is going to be -- because I didn't really define a hard number of $800 million today.

All I wanted to say was that we would like to see a much higher number than $800 million by the time we finish Q4 in terms of quarterly annualized revenue.

So this number could be a $20 million, could be a $50 million, could be any of those numbers. So having said that, then depending on what that number is, whether it is $800 million or $850 million, then the revenue coming from a particular acquisition would accordingly be the same.

And so the number -- you could possibly say that an acquisition number that -- if you wanted to look at, possibly, we're counting on an acquisition number of around $120 million upwards, slightly above $120 million coming through acquisition, $30 million a quarter basically that we are counting on in terms of future acquisitions.

Allen Klee: Okay. Maybe actually, one last question I just thought of. Do you think it's -- you've done a very good job keeping your margins high. Is it -- do you think it's a good way to think of kind of maintaining them at around 30% for the next year or two, is probably a reasonable way to look at things?

Robin Raina: Look, I think what we need to be very careful with, we need to be very pragmatic about our margins. I think in the -- I clearly feel that the company needs to be focused on 30% or more in operating margin.

At the same time, as we get in into some newer ventures, we might have onetime costs associated with it. So it will -- what we will intend to do, part of the reason why we are giving all these non-GAAP results now is to simply give you more detail into what's going on in the company, simply because we are taking onetime costs.

And when you invest in newer ventures, whether organic or inorganic, you need to take onetime costs. So if I exclude those onetime costs, I feel very good about the fact that we would for sure do -- I'd like to believe that we can do 30% and above in operating margins, excluding the cost of any onetime cost that might happen in a particular quarter, depending on what our newer actions are.

So I think that's kind of a safe harbor kind of a statement that I'm making simply to give you a flavor into our thinking. Because what we are trying to do, we're trying to do both.

On one side, we want to create -- we want to convert Ebix into a very high growth company, and that's what our focus has been over the last 18 months. And as we are doing that, we're also trying to keep our margins intact.

But to balance that up, we need to make sure that we're not hurting our business because there might be short-term things we might have to do, which might ensure our 30% plus margin ultimately.

And so I think our job would be to be a very tough parent with our investor and walking our investors through what is the onetime cost that we are incurring and kind of lay it out from that perspective and then give people an idea where we are. So I feel if you exclude that onetime cost, our target would be, for sure, to be above 30% and hopefully going forward in each quarter.

Operator: Our next question comes from the line of [Steven Murr] from [Indus Capital]. All right. I'm not showing any further questions in the queue at this time. I'd like to hand the program back to Robin Raina for any further remarks.

Robin Raina: Thanks, Jonathan. I think that brings us to the end of the call. Thanks, everyone, for joining in on the call today, and we look forward to our Q2 call and laying out in equal detail at that time for all of you. Thanks for your time today. And with that, I'll close the call. Thank you.

Operator: Thank you, ladies and gentlemen, for your participation in today's conference. This does conclude the program. You may now disconnect. Good day.