

Script – Q4 2019 and Full year 2019 Investor Conference Call

Darren Joseph: Welcome everyone to Ebix, Inc.'s 2019-Annual results earnings conference call. Joining me to discuss the quarter is Ebix Chairman, President & CEO Robin Raina, President Insurance Services North America Ash Sawhney 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 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 2019 full year and Q4 2019 results was issued today 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 web site www.ebix.com. The audio and the text transcript of this call will be available also on the investor home page of the Ebix web site after 4 pm EDT.

Let me now discuss the quarter and the full year.

GAAP Revenue in Q4 2019 increased 7% from a year ago to \$146.2 million. The revenue improvements reflected growth in the Company's EbixCash channel. In Q4 EbixCash was the largest channel for Ebix accounting for 56% of the Company's revenues and our Insurance Exchange channel accounting for 32%.

GAAP Revenue for the full year of 2019 increased 17% from a year ago to \$580.6 million. On a constant currency basis, Ebix 2019 revenues increased 19% by \$92.1 million to \$590.0 million vs. \$497.8 million in 2018. Exchanges including the EbixCash and the remaining insurance exchanges worldwide, continued to be Ebix's largest channel, accounting for 88% of our Q4 2019 and full year 2019 revenues.

The year-over-year revenues increased in Q4 2019 as a result of revenue growth from the area of Annuities, Health ecommerce, RCS, CME, Reinsurance and EbixCash Financial Exchanges aided by revenue growth generated from the Company's various inward remittance, forex, Payment solutions, logistics, bus exchange, financial technology and travel businesses offset primarily by declines in the areas of Third party administration exchange EHAE, elearning, CRM, health content and the RCS strategic consulting businesses.

Sequentially our revenues grew in the area of life exchanges, health ecommerce, health content, reinsurance, annuities, life underwriting, EbixCash exchanges in the area of forex & remittance, payment solutions, bus exchange and financial technologies offset by declines in the area of P&C, CRM, Health administration, travel, logistics, western union remittance and e-learning.

In numerical terms, our year over year EbixCash revenues grew 47% while the insurance revenues declined by 1% primarily because of the strengthening of the US Dollar against foreign currencies. Our insurance businesses outside the US are primarily in Australia, Brazil, UK, New Zealand, Singapore and Dubai which were impacted strongly by the currency headwinds, exhibited by the overall revenue of Ebix being higher by \$10 million at the last year average currency rate.

In key geographies - US and Brazil revenues were essentially flat sequentially while India revenues grew sequentially. Australia had a sequential decline of \$1.5 million primarily because of exchange rates and traditional seasonal activities.

Our growth in the India market continued in 2019. The Indian led ventures, including India led revenues from billed in other Asian countries, showed 47% year over year growth in 2019, by growing to \$320 million from \$217.5 million in the same period in 2018, and 387% growth when comparing the full year 2019 Indian led revenues of \$320 million to 2017 revenue of \$65.7 million. On a statutory stand-alone consolidated basis, India led revenues (including transfer pricing revenues earned by India that get counted in local Indian books) accounted for approximately \$96.9 million in Q4 2019 translating to an annualized run rate of \$388 million with approximately 28.3% operating income. We expect this growth to continue and have a number of organic and inorganic initiatives targeted at growing our India revenues continually in a sequential manner.

International revenues in Q4 2019 accounted for 68% while India led revenues accounted for 56% of the Ebix revenues in the quarter, exemplifying the tremendous growth we have experienced in our International businesses, primarily due to the EbixCash Financial Exchange business. As we deploy our Insurance exchanges in India through the new BSE-Ebix venture, we expect that our insurance business will start to account for substantial revenues streams in India. During his talk, Robin will discuss a number of new initiatives that should contribute to our growth in 2020.

I will now turn over the call to Bob.

Bob:

Thank you, Darren, and thanks to all on the call for your interest in and continued following of Ebix's financial and operating performance. As we close out a successful 2019, we look forward to a year of significant top-line growth and improved operating profit margins in 2020.

Now I will comment on the 4th quarter and full year 2019 financial results.

We continued to grow our core Insurance and EbixCash businesses in the quarter with a combined 19% growth in these Exchange operations as compared to Q4 a year earlier in 2018. Our overall revenues in Q4 2019 grew 7% as compared to Q4 2018 while our full year revenues grew 17% year over year.

Q4 2019 GAAP net income increased 154% to \$21.7 million as compared to \$8.5 million in Q4 2018. Interest expenses quarter over quarter were up approximately by \$744,000 associated with additional funding from our bank credit facilities to provide funding for our strategic business acquisitions within the Company's EbixCash division. Also, Foreign exchange headwinds of \$4 million impacted the comparative net income of Q4 2019 as compared to Q4 2018, since Q4 2019 had a FX loss of \$1.9 million while Q4 2018 had a FX gain of \$2.1 million. On the flip side, the comparative net income in Q4 2018 was adversely impacted by the one-time tax expense impacts recognized on account of the transition tax resulting from enactment of the TCJA in the United States

Full year 2019 GAAP net income increased 4% to \$96.7 million compared to \$93.1 million in 2018. Interest expense in 2019 is up \$15.2 million or 56% due to additional funding from our bank credit facilities which was necessary to provide funding for our strategic business acquisitions within the Company's EbixCash division. The one-time Litigation settlement disclosed in Q1 2019 adversely effected our net income in the year 2019 by \$21.14 million.

During 2019 we used significant portions of our cash reserves and cash generated from our operations for the following:

- \$110.8 million was for business acquisitions
- \$9.2 million was used for the scheduled dividend payment
- \$13.0 million was used for share repurchases
- \$12.9 million was used for Capex and Software development
- \$15.1 million was used for principal payments towards the term loan
- \$24.0 million was used to pay taxes
- \$21.1 million was used for a legal settlement

The Company still generated cash from operations of \$64.7 million, while ending the year with cash, cash equivalents, short-term investments & restricted cash of \$113

million in the aggregate. We are pleased with that as it was achieved while our Net Debt (including the working capital facilities, short term debt, long term debt, current portion of long-term debt, and the revolving line of credit) remained essentially flat as of December 31, 2019 as compared to a year earlier at December 31, 2018.

As to the key balance sheet metrics, our balance sheet is healthy and our Company's financial position is sound with a current ratio of 1.55, a working capital position of \$129.0 million, a debt-leverage ratio of 3.63.

Ebix's weighted average diluted shares outstanding decreased to 30.6 million in Q4 2019 compared to 31.4 million in Q4 2018. As of today, the Company expects the diluted share count for Q2 and Q1 2020 will be approximately 30.8 million.

Finally, Ebix's Form 10K will be filed later this afternoon. I will now pass the call onto Ash.

Ash Sawhney:

Thank you, Bob and Darren. I would like to now summarize the key accomplishments in 2019 in North America and also share our vision and strategy for 2020 for the region.

Let me start by saying 2019 was an important year in establishing a strong foundation for growth in North America. Our focus this past year has been in strengthening our insurance exchanges, enhancing our products, adjusting our pricing, and creating a strong leadership team that will take Ebix in North America on a progressive journey.

Let me give you specific details on our progress, while discussing some of our key insurance exchanges.

On our AnnuityNet exchange, where we already have a dominant position, we added 9 new carriers and several distribution partners. This is more than we have done in any year in the recent past. Amongst others, Companies like USAA, Centaurus, Liberty Bankers, Brighthouse, RBC, Baird and MassMutual signing on to our Annuity maintenance platform (AMP) in 2019

We continue to drive forward our partnerships with other industry leading financial services technology firms like Envestnet, FidX and SIMON and look forward to going live on integrated services platforms with these exciting partners in 2020.

We are currently in discussions with some very large distributors that can significantly enhance our exchange in 2020. More to come on that. With the addition of each carrier and distributor we realize multiple revenue streams, including License, Professional Services, Maintenance, and Transactional Fees.

In Q4 2019, we announced the much awaited release of our Analytics tool on the Winflex life illustration exchange. Based on the sheer volume of data that we process through our

Winflex platform, which exceeds 18 million illustrations a year, we are now able to assist our carriers and distributors in analyzing the performance of their products, and to benchmark them against industry peers. We are also presently actively involved in creation of an illustration exchange in Canada, similar to the successful illustration exchange we established in the US.

We saw steady increase in our Underwriting exchange revenue starting in Q2 of 2019. We are engaged in enterprise deals that converge several of our platforms, such as order entry, illustration, quoting, and underwriting. Converging multiple platforms and getting large financial institutions to adopt them has a strong networking effect, as each institution brings its own network of carriers and agents with itself. We are seeing steady business from existing clients and have also added new customers like Navy Mutual and GenRe. Our pipeline on underwriting is strong and we expect accelerated growth in the second half of 2020.

We are pleased with the progress of our Health Exchange. We on-boarded the largest ASP customer on the Health Exchange in an end-to-end deployment from enrollment to policy administration and claims. This gives us great reference-ability and allows us to expand our presence in the voluntary market. We also engaged with industry subject matter experts and third-party analysts who are assisting with positioning us in these new markets.

In our Risk Compliance Services group, we added 49 new customers, including names like Dominos Pizza, Minneapolis Airport, Johnny Rockets, and CSAC just to name a few. We are a dominant player in this market, servicing hundreds of customers including over 80 Fortune 500 companies. We upgraded our product in 2019, consolidated our operations, and added to the sales team. With all these initiatives, and our already strong presence in the market, we are excited about the prospects for growth.

In our ADAM Medical Certification business, we are instituting several measures to strengthen our position in the market. We are focusing more on digital sales, repositioning our products in new market segments, and instituting an outbound sales program, in addition to our traditional direct marketing program. We are optimistic about the growth of this business in 2020, which has industry leading products and an amazing brand equity in the market, through partnerships with Harvard Medical School, John Hopkins, Cleveland Clinic, Brigham and Women's hospital, just to name a few.

We are seeing a big trend around Wellness offerings in the financial services sector. Therefore, in 2019 we repositioned our wellness assets to tightly align with our insurance offerings. We are also expanding our partnerships with large brokerage houses like AON, CBIZ and several other industry participants.

In our services and administration business, we have taken an approach to reset our focus and offerings in the market. Our goal is to play in specific segments of the market that give us higher margins and a sustained competitive differentiation. We are working on getting out of certain market segments, while preparing for expansion in others. The

service segments where we wish to expand include strategy services, program management, platform outsourcing, training, and automated testing. In 2019, we took measures to stabilize and streamline our delivery capabilities in the administration business. We also intend to expand in this area through strategic acquisitions and providing platform-based outsourcing in the insurance segments, to spur organic growth.

In 2019 we continued to strengthen the management team. In addition to previously announced additions, we recently hired Jeff Hasty as Head of insurance marketing and strategic business development. Jeff is a recognized name in the industry, with over 30 years' experience, including most recently as Senior VP at LIMRA and LOMA, a renowned industry consortium. We also recently added an industry veteran Alan Bett to our enterprise and exchange sales team. Alan is an industry veteran who has experience of working both in the Insurance and Fintech industry.

Finally, and importantly, we announced also in 2019, Genie Ebix our initiative in AI and Machine learning. This initiative is gaining momentum as we apply these tools to our existing platforms. Gagan Sethi, our CTO is leading that initiative and closely working with our industry exchanges to make them AI enabled. These initiatives will provide us incremental avenues of revenue.

I would now like to spend a few minutes discussing our strategy and vision in 2020.

In our core life, annuity, and health exchanges we are riding a tail-wind. Our goal is to continue to build on the foundation we laid in 2019. We believe our upgraded products, new participants on the exchange, and new partnerships, has positioned us well for growth.

A big focus for us in 2020 will be in the area of direct to consumer insurance sales. This has emerged as one of the hottest trends in insure-tech, and we are pleased that we have been investing in this area over the past several years and have an edge over the competition. We have been enhancing our tools to harness the opportunity and have successfully partnered with firms in implementing industry leading solutions. These companies include MetLife, John Hancock, CUNA Mutual, Cooperators, Navy Mutual, etc. Our offerings will manifest as both exchanges, which we are extremely adept at running, and also as enterprise solutions for our insurance and brokerage clients.

We continue to explore acquisitions in areas that are synergistic to our products, and offerings that can enhance our footprint in the market. Synergistic acquisitions that will enhance our services and administration businesses are of specific interest. As always, these acquisitions will follow a tight and deliberate strategy for accretive growth.

AI enablement of our core platforms will be an ongoing effort in 2020. We will partner with our clients in specific areas that give meaningful benefits and provide replicable applicability of our offerings and a sustained revenue stream.

We will also find avenues to bring to North America some of the assets we have acquired in South East Asia. These include solutions in Wealth Management and Lending. We are continuing to pursue new deals while leveraging these platforms, and partnering with clients that have a multi-national footprint and foster the same drive for innovation as we do here at Ebix.

We find ourselves in the midst of a market where there is significant interest in companies that are focused on insure-tech in North America. Companies that are at the forefront of digitizing a traditionally staid, manually intensive industry fraught with inefficiencies. Ebix is uniquely positioned as a major player that is enabling automation in this industry. We have industry leading products across all our market segments, including Life, Health, Annuities, Medical, Risk Compliance, and Wellness. Our customer base and network includes hundreds of carriers, top banks, top brokerage and wire houses, thousands of distributors, top brand name medical institutions, and thousands of employers' groups, including many of the top Fortune 500 companies, all this providing Ebix a fantastic opportunity to make an impact in 2020 and beyond. We are excited about the opportunities ahead of us.

I will now pass the call onto Robin.

Robin:

Good morning everyone.

Darren, Bob and Ash have given you a good insight into the Company's performance in 2019.

I will concentrate my talk on the times ahead of us – while discussing revenue growth, margin improvement, and the EbixCash IPO.

I started the year 2019 by targeting \$600 million in annualized revenues by Q4 of 2019. I subsequently upgraded my target substantially keeping in view three key acquisitions that we were targeting to close over the next few months. Because of regulatory and legal delays, all three acquisitions were delayed into 2020. Also, the implementation of two large possible ventures was delayed into 2020 - again on account of local regulatory delays, namely the UAE airport and the BSE-Ebix insurance exchange.

In spite of that, we still got very close to the \$600 million revenue mark in 2019, with 2019 GAAP revenues of \$580.6M. I am pleased with that. With the already announced prospective Yatra and Trimax acquisitions ahead of us, combined with our focus on organic revenue growth, we believe that revenue in the \$700M to \$750M range, in terms of annualized revenue by Q4 of 2020, seems clearly achievable.

Let me first talk about our focus on revenue growth. I will only talk about key initiatives that should contribute to substantial revenues and are high margin deals.

In the US, we recently agreed on what we consider a game changer deal in the United States life insurance exchange arena. One of the largest financial institutions in the US, that we are not allowed to name at present agreed to move on to our exchanges while deploying many of our key enterprise exchange offerings. That should have a network effect in terms of bringing partners, carriers and agents to our platform. We will disclose the name and the details as soon as we have approval from the client to do so.

As Ash explained, we are pursuing a new D2C exchange opportunity in the US that can open up a substantial revenue base for us.

Besides, we are also pursuing a number of strategic insurance targets in the US that would help further complement our insurance offerings.

In the field of insurance distribution, our BSE-Ebix venture is now live and writing real policies in minutes in India. We will be announcing details soon.

Over the last 6 to 8 months, we have been building up a franchisee channel for EbixCash in terms of assimilating all our services. That franchisee channel with branded EbixCash stores is going live now in a matter of days with 75 new branded stores in India and abroad. That should nicely contribute to our revenues and margins in 2020.

We are presently targeting new organic business contracts worth at least \$50 million in the area of Bus exchanges in 2020. We are the front runner on most of the Bus exchange deals and thus have a high margin opportunity in this area.

Recently we announced inking a contract with MoneyGram, whereby MoneyGram decided to go exclusive with us in India. That's a \$20m to \$25 million revenue opportunity for us.

We are pursuing two key acquisitions – Yatra and Trimax at present. Between the two, the revenue opportunity is approximately \$130 million. Yatra Board has already approved the sale through a formal SPA as announced earlier. We have already filed the S-4 with SEC and after that it will go for the Yatra shareholder vote.

Trimax sale to Ebix has already been approved by their Banks and lenders through a formal notification to us. We presently await approval by the relevant NCLT courts and expect that approval in the next few weeks.

In the area of Foreign exchange, we are pursuing a number of large airport forex opportunities in the US, UK and the Far East besides waiting for a formal forex licensing approval from the UAE Central Bank to launch the UAE Airport forex implementation. Each one of these are large value deals with great margins.

We today have a large expanse worldwide and thus are pursuing a lot of different deals across the world at any time. I just focused on taking you through a few of the substantial deals that get me excited.

Over the last few months we have taken a strong effort in the area of margin improvement. We will have to balance those efforts with our need to market and put our brand out in front of the relevant people, especially keeping our EbixCash IPO in mind.

Our margins in the insurance businesses and the EbixCash businesses for the most part are strong. Insurance is our traditional stronghold and over the last two decades we have worked hard to grow our margins to where they are today. As our volumes grew, and crossed the threshold levels, every new dollar of revenue increased our margins as it was accompanied with a much lower cost. This is an evolutionary journey in the cycle of margin improvement that every exchange has to go through.

Our EbixCash Financial technology businesses generate very high margins already.

Our remittance business margins are equally strong and they will further get enhanced by the new MoneyGram deal as our incremental cost is low on the deal.

Our international travel businesses have satisfactory high margins.

Our forex business is expected to give us 30% plus margins in 2020. In recent times, we proactively took steps to renegotiate some contracts like the Goa airport, Trivandrum airport, Cochin airport and Mangalore airport to secure our margins. We also synergized our forex operations substantially in recent times that are likely to bring significant margin improvement in 2020

Our India travel businesses except for MICE travel generate margins close to 25% while MICE travel business margins are in low single digits primarily because revenue there gets recognized at the GMV level.

Our payment solutions area is growing fast but has margins in single digits. We are working to see what we can do there to improve margins – either to only focus on selling higher margin services or to change the way we look at revenue in the business area.

I believe that by the end of 2020, EbixCash cumulatively will achieve the same margins that our insurance exchanges achieved after being in business for 10+ years.

We expect our legal costs to come down considerably in 2020, as we have a relatively clean slate at present ahead of us in terms of legal or regulatory issues.

Off course, any margin improvement efforts have to delink themselves from our efforts at marketing our brand and then our IPO. Overall, I feel good about our margin improvement efforts and am highly committed to improving our margins substantially.

Before I talk about the prospective EbixCash IPO, let me briefly talk about our cash generation efforts. 2019 cash generation was strong. We had a number of large operating payments like the \$24 million tax payments and \$21.1 million of legal settlement

payment. On top of it, we paid \$110.8 million related to acquisitions, \$13.0 million for share buybacks, and \$9.2 million for dividend payments, \$12.9 million for CapEx and Software Development, and \$15.1 million for principal payments towards the term loan. This adds to approximately \$208 million in overall payments. Add to that, our payments to fund our EbixCash GMV growth while trying to reduce our use of bank lines by paying them down continually. Add further to it our expenses on the EbixCash IPO, the EbixCash marketing efforts to become a household name etc. We are pleased with the fact that this was achieved without increasing our net debt in 2019 vs. 2018. Our Net Debt remained flat as of December 31, 2019 as compared to a year earlier at December 31, 2018.

Let me lastly talk about the EbixCash IPO and its status at present.

Firstly, why should the EbixCash IPO generate excitement in the markets?

Let me talk about why EbixCash seems like an attractive investment as per our bankers.

- EbixCash is the first consumer-focused Digital conglomerate of India, with a highly integrated platform with strong upsell and cross sell capabilities across multiple areas.
- Consumer reach next to none in the industry at no marketing cost – EbixCash franchisee channel is 5 times larger than the largest bank’s network in India.
- Proven M&A track record
- Only Player in the industry with no cash burn and clocking high margins – three of the others collectively lost \$1 billion in losses last year.
- Seen as a disruptive force in the industry that is pioneering “Airport” creation across various functions in the industry.
- Visionary strategic partnerships like BSE, MoneyGram, Western Union, Amadeus, Visa, Master card, Republic TV, PayTM, and Ria etc.
- Strong technology focus
- Strong B2B revenue base that makes majority of the revenue recurring
- Only player from India who has successfully deployed Indian IP abroad in multiple countries
- Emerged as a Leader in most market segments already
- Already conducting \$18 billion of GMV
- Unique combination of strong physical footprint and digital platform that offers last mile reach, while leveraging the network across industries.
- Extremely strong blue-chip client base – serving 2,000+ corporates and brands in payment solutions, 10,000+ clients in travel, financial technology footprint in 40 countries already across travel, lending, wealth and asset management, auto finance, telecom, brokerage and stock exchanges etc.
- Strong who’s who management strength with six executive team members who have been doyens in their respective field

How has EbixCash’s financial performance been?

Year over year growth in 2019 – 47%
2019 growth as compared to 2017 – 387%

Actual 2019 EbixCash Statutory Revenue - \$376.2 million
This includes transfer pricing revenue for services provided by India to other Ebix companies.

Present statutory operating margin – 28.3%

Present Annual revenue run rate - \$388 million

Targeted revenue run rate by the time IPO is launched - \$135M a quarter or Annualized revenue run rate of \$540M a year

Yatra, Trimax, MoneyGram and a few large organic initiatives like the Bus exchange deals should give us the \$150 million Bridge between our present EbixCash numbers and the \$540m targeted number.

Targeted operating margin by the time IPO is launched – 30%

Where are we with the IPO?

- We presently have three of India's top banks as our investment bankers – ICICI, Axis & Edelweiss
- We have already hired a renowned Big 4 Firm as an industry analyst for the creation of the IPO prospectus to be filed with SEBI
- We have appointed three legal firms to handle the IPO – two domestic and one international legal firm
- We have appointed an audit firm to handle the 3-year EbixCash audit to be filed with our DHRP document

What's next with the IPO?

- We are getting ready to announce the fourth international banker to our IPO investment banking team. It will be done soon.
- We are contemplating adding a joint big-name auditor to the EbixCash audit.
- Once the audit is complete, we will file the DHRP document with SEBI

Timing of the IPO?

The timing will depend on the regulatory process involved and the time taken by SEBI to approve the DHRP

With that I will close the call and open it up for questions.

Thanks