

Transcript of the 2008 Investor Conference Call

Date: 17th March 2009 @ 11am EST

Speaker: Robin Raina, Ebix Chairman of the Board, President & CEO

Good morning Gentleman. Thank you for attending Ebix's 2008 Annual Investor Conference call. I have also with me today Mr. Robert Kerris, Ebix CFO on this Investor conference call.

We announced our 2008 financial results on Friday last week and all of you must have seen those numbers by now. I will take a few minutes to summarize these results for you.

Each of the last few years has been a record year for Ebix in terms of beating all its results in the last 33 years. This year was no different from the last few to the extent that the financial results for the year 2008 are record results again – the best ever in our 33 year young history.

Ebix's total revenue rose 74% to \$74.75 million in 2008, compared to \$42.84 million in 2007. Ebix's operating income rose 129% to \$29.26 million in fiscal 2008, compared to operating income of \$12.80 million in 2007. In 2008, the Company's net income rose 116% to \$27.31 million, or \$2.28 per diluted share, compared to net income of \$12.67 million, or \$1.20 per diluted share, in 2007.

Our operating margins continue to improve, increasing to 39% for 2008 from 30% in 2007. Net margins for the full year of 2008 grew to 37% vs. 30% in the full year of 2007. For the twelve months ended December 31, 2008, the Company generated \$26.79 million of net cash flow from operating activities compared to \$14.4 million for the year ended December 31, 2007, a 78% increase in operating cash flows year over year.

In 2008, the Company's basic earnings per common share rose to \$2.78 as compared to basic earning per common share of \$1.36 in 2007. Results for 2008 and 2007 were based on 9.84 and 9.31 million weighted average basic shares outstanding respectively.

Ebix's 2008 fourth quarter revenue rose 65% to \$20.14 million, compared to \$12.20 million during the fourth quarter of 2007. Q4 '08 net income rose 76% to \$7.91 million, or \$0.66 per diluted share, versus Q4 '07 net income of \$4.50 million, or \$0.40 per diluted share. Results for Q4 2008 and Q4 2007 were based on 12.29 and 11.33 million weighted average diluted shares outstanding respectively.

Our net margins grew to 39% in the fourth quarter of 2008 vs. 37% in the fourth quarter of 2007.

The sudden strengthening of the US\$ had a clear impact on our revenue numbers in Q4 of 2008 since we convert all international results into US\$ for reporting purposes. For example, our Q4 2008 results would have been approximately \$1.981 million higher if the exchange rates had not strengthened so appreciably since June 2008.

Our revenue in 2008 was split across the four channels that we focus on. The largest percentage was in the area of Exchanges with a 57% share, broker channel had 19%, carrier channel had 12%, and the BPO channel had 11% of our 2008 revenues. We expect this composition to change with Exchanges and BPO channel constituting a larger percentage of our revenues in 2009.

In the year 2008, US accounted for 65% of the revenue while international accounted for 35% of the revenue. This was very much on the lines predicted earlier.

I am often asked about our guidance on future quarters and years. We have always believed in letting our past performance and numbers speak for themselves and thus I will abstain from issuing any guidance on numbers. For those of you who have been investors in the Ebix stock for sometime, you have heard me say this many a times earlier. I am not going to depart from that thought process and issue a future guidance. Instead I will lay out a few metrics from the past three years, for you to discover an answer for yourself.

Let us look at three measures over the last few years – Revenue, Net income and Diluted EPS. Ebix's 2008 fourth quarter revenue rose 65% to \$20.1 million, compared to \$12.2 million in 2007, \$ 9.28 million in 2006 and \$6.16 million during fourth quarter of 2005. Our revenues grew 74% annually in 2008 as compared to 2007, 155% as compared to 2006 and 210% as compared to 2005. Ebix 2008 net income in 2007 grew 116% year over year, 358% as compared to 2006, and 532% as compared to 2005. Ebix diluted EPS for 2008 grew 90% year over year to \$2.28, 218 % as compared to 2006, and 341% as compared to 2005. If you looked at the year 2008 itself, each sequential quarter was an improvement over the previous quarter in the year.

	2008	2007	2006	2005
Revenues in million \$	74.75	42.84	29.25	24.1
Growth of 2008 over other years		74%	156%	210%

	2008	2007	2006	2005
Net Income	27.31	12.67	5.96	4.32

in million \$				
Growth of 2008 over other years		116%	358%	532%

	2008	2007	2006	2005
Diluted EPS in \$	2.28	1.20	0.72	0.52
Growth of 2008 over other years		90%	218%	341%

I am also often asked whether the Ebix net margins of 35% plus are sustainable? Our belief has always been that a business in which the selling price is a lot higher than the cost price is a viable business. A few years back, we publicly announced our goal of getting to a net margin level of 30% plus. Consequently these margins today are a result of meticulous planning, centralized cost control processes, effective utilization of offshore services and a rather simple approach to business that requires income growth to be directly proportional to revenue growth. Our net margins were 11% in 2004, 18% in 2005, 20% in 2006, 30% in 2007 and 39% in 2008. In the year 2008, our net margins were 34% in Q1, 36% in Q2, 37% in Q3 and 39% in Q4. These numbers speak for themselves. While we cannot guarantee that these margins are sustainable, yet our attempt is certainly going to be to live up to the benchmarks defined by us.

	2004	2005	2006	2007	2008
Net Margins (after taxes)	11%	18%	20%	30%	37%

	Q1 2008	Q2 2008	Q3 2008	Q4 2008
Net Margins (after taxes)	34%	36%	37%	39%

Over the last 6-7 months, I have spoken to broad spectrum of investors across the world. Based on interactions with them and the fact that we have a number of new investors on the call, I felt it important to proactively address some questions that you might have as regards the company.

So, what is Ebix's vision plan? Ebix is a rather complex company to understand. Can you sum up what Ebix sells in a few sentences? Ebix has shown a good amount of growth consistently over the last few years. Has Ebix reached a plateau now in terms of growth? Ebix margins of 30% plus seem rather high as compared to the industry. Are these margins sustainable? Ebix has made a number of acquisitions over the years. How successful has Ebix been with these acquisitions and their integration with Ebix? Which divisions of Ebix are growing? Does Ebix expect to grow more in domestic markets or internationally? Where is Ebix headed from here? Are these results flash in the pan performances? What is Ebix's long term vision? These are some of the questions that you might have in your mind. During this call, I will try to answer these questions for you.

Let us start with the first question – what is Ebix's vision plan?

Ebix goal is to be the leading backend powerhouse of insurance transactions in the world. The company's technology vision is to focus on convergence of all insurance channels, processes and entities in a manner that data can seamlessly flow once a data entry has been made. We intend to do that by designing products and services that are pioneering and at least a few years ahead of our competition. We believe that profitability and revenue growth must go hand in hand. We intend to do all this in a transparent and sincere manner, while ensuring a high level of satisfaction to all the entities that we deal with - customers, employees, investors, and the society around us on whom we can have a positive influence. In the year 2008, we took some strides towards that vision plan.

Second question – Ebix is a rather complex company to understand. Can you sum up what Ebix sells in a few sentences?

Ebix is a insurance services player that provides 4 different services in the worldwide insurance markets – 1. B2B Exchanges 2. Insurance Company Backend Systems 3. Broker Systems and lastly 4. BPO Insurance Services to insurance companies, brokers, large corporates etc.

Over the years Ebix has completely transformed itself from a broker system player to an end to end services player. Does that not defocus Ebix? Who does Ebix compete with most of the time?

Yes, Ebix today is a complete end to end insurance services player. Our belief is that efficiencies in insurance can truly happen if a transaction can be electronically carried from one end to another with just one data entry. To do that, one has to drive paper out of the process and converge all the systems that power insurance across all entities – be it brokers, carriers, distributors, corporates or consumers. That is precisely what Ebix is set out to do. Today the need and complexity for this can be best expressed by the fact that outside Ebix,

there is no single one entity that can boast of having tried to do this worldwide. That is a challenge and an opportunity by itself. In international markets, increasingly we compete with local regional players or in-house IT departments of insurance companies. There is no one competitor we face across the world or even across the United States on our different products.

How key is Ebix to the insurance industry today? Are its solutions replaceable?

Ebix remains committed to converging any islands that exist in insurance today (consumers, brokers, insurance companies), converging B2C and B2B processes in insurance, converging front end and back end processes in insurance. Our goal remains to be the Cisco of the insurance industry – in terms of powering transactions as a back-end player. Today our exchanges power transactions between hundreds of brokers and carriers in P&C insurance, our life exchange powers close to 12 million life sales illustrations every year, we power an annuity exchange on which close to \$36 billion in premiums are presently conducted yearly. We run an exchange in Australia that powers all electronic property & casualty insurance transactions in that country. We recently launched an exchange in NZ while teaming up with the top 4 P&C carriers who account for 90% of the P&C business there. We handle 7 million insured lives on our employee benefits exchange.

For a company our size, we have a rather large global reach and domain knowledge. We power businesses in more than 50 countries today across all continents. We have in excess of twenty offices today worldwide. We provide a multi-national broker or carrier a common code base world wide and frankly we do not know of a vendor who has our geographical reach and can do that in our industry. Our systems are multi-lingual, multi-currency and work in French, Portuguese, Spanish, Japanese and of course English. We have the domain knowledge of insurance that spreads all across the world today. With our fully owned offshore facilities in India, we have the ability to make an acquisition, bring India to reduce their cost structure and make them more efficient. Our center in India has Carnegie Mellon's highest CMMi 5 rating and that establishes the quality of our operations to any of our prospective customers.

There are three kinds of companies – products, services and infrastructure focused companies. With each passing day, we are becoming an infrastructure company. In my early years with Ebix, I used to metaphorically ask our folks as to what they would want Ebix to be – an airport or an airline. We could choose which airline to fly by, while the airport is not really a choice, as there is typically one airport in the city. Ebix goal was and is to be the airport rather than the airline and that is why a lot of our business now is exchanges or infrastructure business.

We are one of the few companies in the insurance industry that can provide solutions across the world for a customer while keeping the code base same worldwide. That fact by itself, besides the fact that our retention rate of existing customers is almost perfect over the last five years in the international markets, coupled with the fact that our solutions are designed to be a few years ahead of our competition in terms of technology design and functionality, have led Ebix today to a position where we have a who's who customer base and a pending order base spanning product implementations across thirty countries or more at this time.

Do we intend to pursue acquisitions in the near and long term future?

We believe in growing the company revenues and income proportionately and have abstained from going after opportunities that provide us market share at the cost of profitability. For us a key criterion in an acquisition candidate is the chances of dominance in that area of the business. Recurring cash flows, profitability and accretiveness is a given in our book. We intend to pursue acquisitions that help us sell or cross-sell our existing products. For an acquisition to interest Ebix the acquisition must deliver convergence with our technology, convergence with our existing platforms, cross-selling opportunities, and clearly be accretive for our shareholders either immediately or in the near future.

We see the present economic time as an opportunity to make the right acquisitions at sensible costs. So, we intend to make use of our cash besides paying down any debt on our balance sheet.

Lastly, let me say that we have recently launched a new comprehensive Investor home page on the Ebix site with a view to providing a one stop place to analyze Ebix from an investor perspective. The audio and the text transcript of this call will be available also on the investor home page at the Ebix web site located on www.ebix.com

With that, I am going to hand it over back to the moderator to open the call for questions.

Thank you.

Robin Raina