EBIX INC
Form 10-Q
November 09, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

þ QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2018

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 0-15946
Ebix, Inc.
(Exact name of registrant as specified in its charter)

DELAWARE	77-0021975
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1 EBIX WAY JOHNS CREEK, GEORGIA	30097
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: 678-281-2020
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes þ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer þ	Accelerated filer o
Non-accelerated filer o	Smaller reporting company o
	Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ
As of November 7, 2018 the number of shares of common stock outstanding was 31,270,168.

FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 30, 2018
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PART I — FINANCIAL INFORMATION

Item 1: CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Ebix, Inc. and Subsidiaries
Condensed Consolidated Statements of Income
(In thousands, except per share data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Operating revenue	$128,643	$92,800	$361,499	$259,290
Operating expenses:				
Cost of services provided	42,963	34,937	126,113	91,056
Product development	11,010	8,536	28,115	25,303
Sales and marketing	4,721	3,833	13,542	12,312
General and administrative, net (see Note 1)	28,188	14,874	74,416	42,156
Amortization and depreciation	2,523	2,709	7,864	8,323
Total operating expenses	89,405	64,889	250,050	179,150
Operating income	39,238	27,911	111,449	80,140
Interest income	103	375	309	1,614
Interest expense	(7,467)	(3,552)	(18,064)	(9,038)
Non-operating income	7	—	60	—
Foreign currency exchange (loss) gain	(921)	(400)	(2,919)	2,705
Income before income taxes	30,960	24,334	90,835	75,421
Income tax benefit (expense)	(1,679)	204	(6,027)	(363)
Net income including noncontrolling interest	29,281	24,538	84,808	75,058
Net income attributable to noncontrolling interest (see Note 8)	39	354	178	1,013
Net income attributable to Ebix, Inc.	$29,242	$24,184	$84,630	$74,045
Basic earnings per common share attributable to Ebix, Inc.	$0.93	$0.77	$2.69	$2.34
Diluted earnings per common share attributable to Ebix, Inc.	$0.92	$0.76	$2.67	$2.33
Basic weighted average shares outstanding	31,492	31,453	31,480	31,582
Diluted weighted average shares outstanding	31,628	31,622	31,638	31,743

See accompanying notes to the condensed consolidated financial statements.

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Ebix, Inc. and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income
(In thousands)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net income including noncontrolling interest	$29,281	$24,538	$84,808	$75,058
Other comprehensive income:				
Foreign currency translation adjustments	(30,873)	659	(61,810)	3,917
Total other comprehensive (loss) income	(30,873)	659	(61,810)	3,917
Comprehensive income	(1,592)	25,197	22,998	78,975
Comprehensive income attributable to noncontrolling interest (see Note 8)	39	354	178	1,013
Comprehensive income attributable to Ebix, Inc.	$(1,631)	$24,843	$22,820	$77,962

See accompanying notes to the condensed consolidated financial statements.

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Ebix, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(In thousands, except share amounts)

	September 30, 2018 (Unaudited)	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$ 134,987	$ 63,895
Short-term investments	20,481	25,592
Restricted cash	—	4,040
Fiduciary funds- restricted	7,254	8,035
Trade accounts receivable, less allowances of $6,382 and $4,143, respectively	153,171	117,838
Other current assets	32,799	33,532
Total current assets	348,692	252,932
Property and equipment, net	45,648	41,704
Goodwill	870,311	666,863
Intangibles, net	36,948	45,711
Indefinite-lived intangibles	42,055	42,055
Capitalized software development costs, net	10,039	8,499
Deferred tax asset, net	44,656	43,529
Other assets	30,546	11,720
Total assets	$ 1,428,895	$ 1,113,013
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 109,458	$ 75,073
Accrued payroll and related benefits	9,801	8,201
Cash overdraft	8,703	9,243
Fiduciary funds- restricted	7,254	8,035
Short term debt, net of deferred financing costs of $449 and $136, respectively	13,825	14,364
Capital lease obligations	100	17
Deferred rent	121	278
Contingent liability for accrued earn-out acquisition consideration	14,202	4,000
Deferred revenue	30,174	22,562
Other current liabilities	29,274	5,159
Total current liabilities	222,912	146,932
Revolving line of credit	399,694	274,529
Long term debt and capital lease obligations, less current portion, net of deferred financing costs of $1,523 and $298, respectively	229,982	110,978
Other liabilities	11,158	11,658
Contingent liability for accrued earn-out acquisition consideration	15,083	33,096
Deferred revenue	8,153	1,423
Deferred rent	323	638
Total liabilities	887,305	579,254

Commitments and Contingencies (see Note 5)

Stockholders' equity:		
Preferred stock, $0.10 par value, 500,000 shares authorized, no shares issued and outstanding at September 30, 2018 and December 31, 2017	—	—

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Common stock, $0.10 par value, 120,000,000 shares authorized, 31,501,029 issued and outstanding, at September 30, 2018, and 120,000,000 shares authorized, 31,476,428 issued and outstanding at December 31, 2017	3,150	3,148
Additional paid-in capital	1,414	1,410
Retained earnings	577,353	510,975
Accumulated other comprehensive loss	(85,833)	(24,023)
Total Ebix, Inc. stockholders’ equity	496,084	491,510
Noncontrolling interest (see Note 8)	45,506	42,249
Total stockholders' equity	541,590	533,759
Total liabilities and stockholders’ equity	$1,428,895	$1,113,013

See accompanying notes to the condensed consolidated financial statements.

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Ebix, Inc. and Subsidiaries
Condensed Consolidated Statements of Stockholders' Equity
(unaudited)
(In thousands except for share figures)

	Common Stock						
	Issued Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling interest	Total
Balance, January 1, 2018	31,476,428	$3,148	$ 1,410	$510,975	$ (24,023)	$ 42,249	$533,759
Cumulative effect of accounting change (adoption of Topic 606), net of tax effect	—	—	—	(8,802)	—	—	(8,802)
Cumulative effect of accounting change (adoption of ASC 340-40), net of tax effect	—	—	—	(1,460)	—	—	(1,460)
Net income attributable to Ebix, Inc.	—	—	—	84,630	—	—	84,630
Net income attributable to noncontrolling interest (see Note 8)	—	—	—	—	—	178	178
Cumulative translation adjustment	—	—	—	—	(61,810)	—	(61,810)
Repurchase and retirement of common stock	(30,000)	(3)	(1,339)	(884)	—	—	(2,226)
Vesting of restricted stock	53,956	5	(5)	—	—	—	—
Exercise of stock options	2,283	—	42	—	—	—	42
Share based compensation	—	—	2,240	—	—	—	2,240
Forfeiture of certain shares to satisfy exercise costs and the recipients income tax obligations related to stock options exercised and restricted stock vested	(1,638)	—	(147)	—	—	—	(147)
Recognized noncontrolling ownership of joint venture	—	—	(787)	—	—	3,079	2,292
Dividends paid	—	—	—	(7,106)	—	—	(7,106)
Balance, September 30, 2018	31,501,029	$3,150	$ 1,414	$577,353	$ (85,833)	$ 45,506	$541,590

See accompanying notes to the condensed consolidated financial statements.

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Ebix, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2018	2017
Cash flows from operating activities:		
Net income attributable to Ebix, Inc.	$84,630	$74,045
Net income attributable to noncontrolling interest	178	1,013
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization and depreciation	7,864	8,323
Benefit for deferred taxes	(3,077)	(6,327)
Share based compensation	2,240	1,994
Provision for doubtful accounts	2,622	1,107
Unrealized foreign exchange loss	1,337	432
Amortization of capitalized software development costs	1,608	1,304
Reduction of acquisition earnout accruals	(645)	(164)
Purchase accounting adjustment	—	(948)
Changes in assets and liabilities, net of effects from acquisitions:		
Accounts receivable	(12,518)	(30,250)
Other assets	(655)	212
Accounts payable and accrued expenses	6,811	838
Accrued payroll and related benefits	322	(1,009)
Deferred revenue	(10,772)	(3,160)
Deferred rent	(458)	(292)
Reserve for potential uncertain income tax return positions	88	3,335
Other liabilities	(5,410)	(255)
Net cash provided by operating activities	74,165	50,198
Cash flows from investing activities:		
Acquisition of Transcorp	(6,554)	—
Cash received from Paul Merchants for 10% stake in MTSS combined business	4,996	—
Acquisition of beBetter, net of cash acquired	—	(1,000)
Acquisition of ItzCash, net of cash acquired	—	(70,184)
Acquisition of Centrum, net of cash acquired	(176,137)	—
Acquisition of SmartClass, net of cash acquired	(7,593)	—
Acquisition of YouFirst, net of cash acquired	—	(1,806)
Cash paid for acquisition of Indus, net of cash acquired	(24,261)	—
Cash paid for acquisition of Mercury, net of cash acquired	(11,356)	—
Cash paid for acquisition of Miles, net of cash acquired	601	—
Cash paid for acquisition of Leisure, net of cash acquired	(1,304)	—
Additional Investment in ItzCash	(3,831)	—
Capitalized software development costs paid	(3,574)	(2,109)
Maturities of marketable securities	4,444	7,517
Capital expenditures	(5,840)	(6,370)
Net cash used in investing activities	(230,409)	(73,952)

Cash flows from financing activities:

(Repayments of) Proceeds from revolving line of credit, net	125,165	80,000
Proceeds from term loan	124,250	—
Principal payments of term loan obligation	(6,250)	(9,375)
Repurchases of common stock	(2,226)	(45,732)
Proceeds from the exercise of stock options	42	52
Forfeiture of certain shares to satisfy exercise costs and the recipients income tax obligations related to stock options exercised and restricted stock vested	(147)	(327)
Dividend payments	(7,106)	(7,176)
Cash Overdraft	609	—
Payments of capital lease obligations	(6)	(7)
Net cash provided by financing activities	234,331	17,435
Effect of foreign exchange rates on cash	(11,444)	381
Net change in cash and cash equivalents, and restricted cash	66,643	(5,938)
Cash and cash equivalents, and restricted cash at the beginning of the period	70,867	116,941
Cash and cash equivalents, and restricted cash at the end of the period	$137,510	$111,003
Supplemental disclosures of cash flow information:		
Interest paid	$16,865	$8,474
Income taxes paid	$9,320	$8,536

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See accompanying notes to the condensed consolidated financial statements.

Supplemental schedule of noncash financing activities:
As of September 30, 2018 the $18.3 million of consideration for the Miles acquisition was included in other current liabilities of the Company's Condensed Consolidated Balance Sheet as it was not funded until October 2018.

During the nine months ended September 30, 2018 there were 1,638 shares, totaling $147 thousand, used to satisfy exercise costs and the recipients' income tax obligations related to stock options exercised and restricted stock vesting.

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Ebix, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements

Note 1: Description of Business and Summary of Significant Accounting Policies

Description of Business— Ebix, Inc., and its subsidiaries, (“Ebix” or the “Company”) is a leading international supplier of on-demand infrastructure Exchanges to the insurance, financial e-learning, and healthcare industries. In the insurance sector, the Company’s main focus is to develop and deploy a wide variety of insurance and reinsurance exchanges on an on-demand basis, while also providing Software-as-a-Service ("SaaS") enterprise solutions in the area of customer relationship management, front-end & back-end systems, outsourced administrative and risk compliance. The Company's products feature fully customizable and scalable on-demand software designed to streamline the way insurance professionals manage distribution, marketing, sales, customer service, and accounting activities. With a "Phygital” strategy that combines physical distribution outlets in many Association of Southeast Asian Nations (“ASEAN”) countries to an Omni-channel online digital platform, the Company’s EbixCash Financial exchange portfolio encompasses leadership in areas of domestic & international money remittance, foreign exchange, travel, pre-paid & gift cards, utility payments, etc., in emerging countries such as India. EbixCash through its travel portal Via.com is also one of Southeast Asia’s leading travel exchanges with distribution outlets and corporate clients processing millions of transactions every year. EbixCash, also, is a provider of lending software solutions to financial institutions and on-demand software on wealth and asset management to banks, asset managers and wealth management firms. The Company’s E-learning solutions are provided to schools across the breadth of India with the goal of educating students in a classroom through high quality 2-D and 3-D animation and multimedia learning. The Company has its headquarters in Johns Creek, Georgia and also conducts operating activities in Australia, Canada, India, New Zealand, Singapore, United Kingdom, Brazil, Philippines, Indonesia, and United Arab Emirates. International revenue accounted for 59.4% and 39.2% of the Company’s total revenue for the nine months ended September 30, 2018 and 2017, respectively.

The Company’s revenues are derived from four product/service channels. Presented in the table below is the breakout of our revenue streams for each of those product/service channels for the three months ended September 30, 2018 and 2017.

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
(In thousands)	2018	2017	2018	2017
Exchanges	$106,853	$64,130	$290,292	$177,117
Broker Systems	3,414	3,715	10,720	11,098
Risk Compliance Solutions (“RCS”)	18,066	24,265	59,340	68,780
Carrier Systems	310	690	1,147	2,295
Totals	$128,643	$92,800	$361,499	$259,290

The Company is continuing to evaluate the classification of the 2017 and 2018 acquisitions that collectively make up the EbixCash Financial Exchanges, refer to Part I, Item I Business in our Form 10-K for the year ended December 31, 2017. Currently these acquisitions are reported under the Exchange channel, but this classification is subject to change based on the conclusions of our continued evaluations.

Summary of Significant Accounting Policies

Basis of Presentation—The accompanying unaudited condensed consolidated financial statements and these notes have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") and in

accordance with U.S. Generally Accepted Accounting Principles ("GAAP") with the effect of inter-company balances and transactions eliminated. Certain information and note disclosures normally included in annual financial statements prepared in accordance with GAAP and SEC rules have been condensed or omitted as permitted by and pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information not misleading. These unaudited condensed consolidated financial statements contain adjustments (consisting only of normal recurring items) necessary to fairly present the consolidated financial position of the Company and its consolidated results of operations and cash flows. Operating results for the nine months ended September 30, 2018 and 2017 are not necessarily indicative of the results that may be expected for future quarters or the full year of 2018. The condensed consolidated December 31, 2017 balance sheet included in this interim period filing has been

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derived from the audited financial statements at that date, but does not necessarily include all of the information and related notes required by GAAP for complete financial statements. These condensed interim financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

Restricted Cash- As part of the Wdev Solucoes em Technologia SA ("Wdev") acquisition, upfront cash consideration is being held in an escrow account for the thirty-eight month period following the effective date of the acquisition to ensure that the acquired business achieves the minimum specified annual net revenue threshold, which if not achieved will result in said funds being returned to Ebix. As of September 30, 2018 there is $2.5 million included in other long-term assets of the Company's Condensed Consolidated Balance Sheet.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows:

	Nine Months Ended September 30,	
(In thousands)	2018	2017
Cash and cash equivalents	$134,987	$96,734
Restricted cash	—	11,219
Restricted cash included in other long-term assets	2,523	3,050
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	$137,510	$111,003

Advertising—Advertising costs amounted to $6.2 million and $4.4 million in the first nine months of 2018 and 2017, respectively, and are included in sales and marketing expenses in the accompanying Condensed Consolidated Statements of Income. Under legacy US GAAP 340-20, direct response advertising was eligible for capitalization if certain conditions were met. During the first nine months of 2017 reported sales and marketing expenses included $3.0 million of amortization of certain direct-response advertising costs associated with our medical education services, which have been capitalized in accordance with Accounting Standards Codification ("ASC") Topic 340. These costs were previously amortized to advertising expense over periods ranging from twelve to twenty-four months based on the type of product the customer purchased. Effective January 1, 2018 Subtopic 340-40 replaced that guidance to require the costs of direct-response advertising to be expensed as they are incurred or the first time the advertising takes place. The Company was required to recognize a cumulative effective change to opening retained earnings in the year of adoption of the standard. The Company recorded a one-time $1.9 million adjustment to retained earnings on January 1, 2018 and is expensing all future costs from this date forward. Under the new guidance Subtopic 340-40, the Company's expense decreased by $625 thousand during the first nine months of 2018 from what would have been recorded under legacy US GAAP 340-20.

Fair Value of Financial Instruments—The Company follows the relevant GAAP guidance concerning fair value measurements which provides a consistent framework to define, measure, and disclose the fair value of assets and liabilities in financial statements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction. This guidance establishes a three-level hierarchy priority for disclosure of assets and liabilities recorded at fair value. The ordering of priority reflects the degree to which objective data from external active markets are available to measure fair value. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. The classifications are as follows:

- Level 1 Inputs - Unadjusted quoted prices available in active markets for identical investments to the reporting entity at the measurement date.
-

Level 2 Inputs - Other than quoted prices included in Level 1 inputs, which are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

- Level 3 Inputs - Unobservable inputs, which are used to the extent that observable inputs are not available, and used in situations where there is little or no market activity for the asset or liability and wherein the reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

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A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

As of September 30, 2018, the Company had the following financial instruments to which it had to consider fair values and had to make fair value assessments:

- Short-term investments (commercial bank certificates of deposits and mutual funds), for which the fair values are measured as a Level 1 instrument.
- Contingent accrued earn-out business acquisition consideration liabilities for which fair values are measured as Level 3 instruments. These contingent consideration liabilities were recorded at fair value on the acquisition date and are re-measured quarterly based on the then assessed fair value and adjusted if necessary. The increases or decreases in the fair value of contingent consideration payable can result from changes in anticipated revenue levels and changes in assumed discount periods and rates. As the fair value measure is based on significant inputs that are not observable in the market, they are categorized as Level 3.

Other financial instruments not measured at fair value on the Company's unaudited condensed consolidated balance sheet at September 30, 2018 but which require disclosure of their fair values include: cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, accrued payroll and related benefits, capital lease obligations, and the revolving line of credit and term loan debt under the syndicated credit agreement facility with Regions Financial Corporation. The Company believes that the estimated fair value of such instruments at September 30, 2018 and December 31, 2017 approximates their carrying value as reported on the unaudited Condensed Consolidated Balance Sheet.

- Additional information regarding the Company's assets and liabilities that are measured at fair value on a recurring basis is presented in the following tables:

	Fair Values at Reporting Date Using*			
Descriptions	Balance, September 30, 2018	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(In thousands)			
Assets				
Commercial bank certificates of deposits ($2.86 million is recorded in the long term asset section of the consolidated balance sheets in "Other Assets")	$23,342	$ 23,342	$ —	$ —
Mutual Funds (recorded in the long term asset section of the consolidated balance sheets in "Other Assets")	9,668	9,668	—	—
Total assets measured at fair value	$33,010	$ 33,010	$ —	$ —
Liabilities				
Derivatives:				

Contingent accrued earn-out acquisition consideration (a)	$29,285	$ —	$ —	$ 29,285
Total liabilities measured at fair value	$29,285	$ —	$ —	$ 29,285

(a) The income valuation approach is applied and the valuation inputs include the contingent payment arrangement terms, projected cash flows, rate of return, and probability assessments.
* During the three and nine months ended September 30, 2018 there were no transfers between fair value Levels 1, 2 or 3.

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Descriptions	Fair Values at Reporting Date Using* Balance, December 31, 2017	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(In thousands)			
Assets				
Commercial bank certificates of deposits ($2.19 million is recorded in the long term asset section of the consolidated balance sheets in "Other Assets")	$22,293	22,293	$ —	$ —
Mutual Funds ($785 thousand recorded in the long term asset section of the consolidated balance sheets in "Other Assets")	6,278	6,278	—	—
Total assets measured at fair value	$28,571	$ 28,571	$ —	$ —
Liabilities				
Derivatives:				
Contingent accrued earn-out acquisition consideration (a)	$37,096	$ —	$ —	$ 37,096
Total liabilities measured at fair value	$37,096	$ —	$ —	$ 37,096

(a) The income valuation approach is applied and the valuation inputs include the contingent payment arrangement terms, projected cash flows, rate of return, and probability assessments.
* During the twelve months ended December 31, 2017 there were no transfers between fair value Levels 1, 2 or 3.
For the Company's assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3), the following table provides a reconciliation of the beginning and ending balances for each category therein, and gains or losses recognized during the nine months ended September 30, 2018 and during the year ended December 31, 2017:

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Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

Contingent Liability for Accrued Earn-out Acquisition Consideration	September 30, 2018	December 31, 2017
	(In thousands)	
Beginning balance	$37,096	$8,510
Total remeasurement adjustments:		
Gains included in earnings **	(645)	(164)
Reductions recorded against goodwill	(13,718)	(4,007)
Foreign currency translation adjustments ***	(2,843)	522
Acquisitions and settlements		
Business acquisitions	13,226	34,156
Settlement payments	(3,831)	(1,921)
Ending balance	$29,285	$37,096
The amount of total (gains) losses for the period included in earnings or changes to net assets, attributable to changes in unrealized gains relating to assets or liabilities still held at period-end.	$(645)	$—

** recorded as a reduction to reported general and administrative expenses
*** recorded as a component of other comprehensive income within stockholders' equity

Quantitative Information about Level 3 Fair Value Measurements
The significant unobservable inputs used in the fair value measurement of the Company's contingent consideration liabilities designated as Level 3 are as follows:

(In thousands)	Fair Value at September 30, 2018	Valuation Technique	Significant Unobservable Input
Contingent acquisition consideration: (Wdev, ItzCash, Indus, and Miles acquisition)	$29,285	Discounted cash flow	Projected revenue and probability of achievement

(In thousands)	Fair Value at December 31, 2017	Valuation Technique	Significant Unobservable Input
Contingent acquisition consideration: (Wdev and ItzCash acquisition)	$37,096	Discounted cash flow	Projected revenue and probability of achievement

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Sensitivity to Changes in Significant Unobservable Inputs

As presented in the table above, the significant unobservable inputs used in the fair value measurement of contingent consideration related to business acquisitions are projected revenue forecasts as developed by the relevant members of Company's management team and the probability of achievement of those revenue forecasts. Significant increases (decreases) in these unobservable inputs in isolation would result in a significantly higher (lower) fair value measurement. The Company applies these terms in its calculation and determination of the fair value of contingent earn out liabilities for purchased businesses as part of the related valuation and purchase price allocation exercise for the corresponding acquired assets and liabilities. During 2017 and 2018, certain of the Company's contingent earn out liabilities were adjusted because of changes to anticipated future revenues from these acquired businesses, or as a result of finalizing purchase price allocations that were previously provisional.

Revenue Recognition—In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, Revenue from Contracts with Customers ("Topic 606"). Topic 606 outlines a single comprehensive model for companies to use in accounting for revenue arising from contracts with customers, and supersedes most current revenue recognition guidance, including industry-specific guidance. In March 2016, the FASB issued ASU 2016-08, Principal Versus Agent Considerations (Reporting Revenue Gross Versus Net), which amends the principal-versus-agent implementation guidance and in April 2016 the FASB issued ASU 2016-10, Identifying Performance Obligations and Licensing, which amends the guidance in those areas in the new revenue recognition standard.

The Company derives its revenues primarily from subscription and transaction fees pertaining to services delivered over our exchanges or from our application service provider ("ASP") platforms, fees for risk compliance solution services, and fees for software development projects including associated fees for consulting, implementation, training, and project management provided to customers with installed systems and applications. Sales and value-added taxes are not included in revenues, but rather are recorded as a liability until the taxes assessed are remitted to the respective taxing authorities.

Under Topic 606, revenue is recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services.

We determine revenue recognition through the following steps:

- identification of the contract, or contracts, with a customer;
- identification of the performance obligations in the contract;
- determination of the transaction price;
- allocation of the transaction price to the performance obligations in the contract; and
- recognition of revenue when, or as, we satisfy a performance obligation.

For contracts that contain multiple deliverables, we analyze the revenue arrangements in accordance with the relevant technical accounting guidance, which provides criteria governing how to determine whether goods or services that are delivered separately in a bundled sales arrangement should be considered as separate performance obligations for the purpose of revenue recognition. These types of arrangements include obligations pertaining to software licenses, system set-up, and professional services associated with product customization or modification. Delivery of the various contractual obligations typically occurs over periods of less than eighteen months. These arrangements generally do not have refund provisions or have very limited refund terms.

Software development arrangements involving significant customization, modification or production are accounted for in accordance with the appropriate technical accounting guidance issued by FASB using the percentage-of-completion method. The Company recognizes revenue using periodic reported actual hours worked as a percentage of total expected hours required to complete the project arrangement and applies the percentage to the total arrangement fee.

Financial exchange revenue consists largely of transaction-based fees and fees from the corporate and retail segments. The transaction-based fees are primarily based on a percentage of payment value processed for solutions such as retail and corporate payments, international and domestic money transfers, foreign exchange, travel related transactions and general purpose reloadable cards. Transaction-based fees are recognized at the completion of the transaction.

The Company adopted Topic 606 as of January 1, 2018 using the modified retrospective method and applying the new standard to those contracts which were not completed as of January 1, 2018. Therefore, the comparative financial information has not been restated and continues to be reported under the accounting standards in effect for those periods. The adoption resulted in a decrease to retained earnings of $11.6 million for the cumulative effect of applying the Topic 606. This decrease was principally driven by the deferral of certain services revenues associated with programming, setup, and implementation activities related to our SaaS offering and changes related to costs to obtain customers, including the related amortization period.

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Impact of New Revenue Recognition Standard on Financial Statement Line Items

The cumulative effect of applying Topic 606 to all contracts was recorded as an adjustment to retained earnings as of the adoption date. As a result of applying the modified retrospective method to adopt the new revenue guidance, the following adjustments were made to accounts on the condensed consolidated balance sheet as of January 1, 2018:

	Impact of Change in Accounting Policy		
(In thousands)	As Reported December 31, 2017	Adjustments	Adjusted January 1, 2018
Other Current Assets	$33,532	$ 898	$34,430
Current Assets	252,932	898	253,830
Deferred tax asset, net	43,529	2,843	46,372
Other Assets	11,720	1,502	13,222
Total Assets	1,113,013	5,243	1,118,256
Current Deferred Revenue	22,562	5,124	27,686
Current Liabilities	146,932	5,124	152,056
Long Term Deferred Revenue	1,423	8,921	10,344
Total Liabilities	579,254	14,045	593,299
Retained Earnings	510,975	(8,802)	502,173

The following tables present the impact of adopting Topic 606 on the Company's unaudited consolidated financial statements as of and for the three and nine months ended September 30, 2018:

	Impact of Change in Accounting Policy		
	As Reported Three Months Ended September 30, 2018	Adjustments	Balances without adoption of Topic 606
Condensed Consolidated Statement of Income	(In thousands)		
Operating Revenue	$128,643	$ 32	$128,675
Costs of Services Provided	42,963	(2)	42,961
Total Operating Expenses	89,405	(2)	89,403
Operating Income	39,238	34	39,272
Income before income taxes	30,960	34	30,994
Income tax (expense) benefit	(1,679)	(8)	(1,687)
Net income including non-controlling interest	29,281	26	29,307
Net income attributable to Ebix, Inc.	29,242	26	29,268
Basic earnings per common share attributable to Ebix, Inc.	0.93	—	0.93
Diluted Earnings per common share attributable to Ebix, Inc.	0.92	—	0.92

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	As Reported Nine Months Ended September 30, 2018	Adjustments	Balances without adoption of Topic 606
Condensed Consolidated Statement of Income	(In thousands)		
Operating Revenue	$361,499	$ (592)	$360,907
Costs of Services Provided	126,113	(122)	125,991
Total Operating Expenses	250,050	(122)	249,928
Operating Income	111,449	(470)	110,979
Income before income taxes	90,835	(470)	90,365
Income tax (expense) benefit	(6,027)	115	(5,912)
Net income including non-controlling interest	84,808	(355)	84,453
Net income attributable to Ebix, Inc.	84,630	(355)	84,275
Basic earnings per common share attributable to Ebix, Inc.	2.69	(0.01)	2.68
Diluted Earnings per common share attributable to Ebix, Inc.	2.67	(0.01)	2.66

	As Reported September 30, 2018	Adjustments	Balances without adoption of Topic 606
Condensed Consolidated Balance Sheet	(In thousands)		
Other current assets	$32,799	$ (843)	$31,956
Total current assets	348,692	(843)	347,849
Deferred tax asset, net	44,656	(2,056)	42,600
Other assets	30,546	(1,273)	29,273
Total assets	1,428,895	(4,172)	1,424,723
Current Deferred Revenue	30,174	(4,618)	25,556
Total current liabilities	222,912	(4,618)	218,294
Long Term Deferred Revenue	8,153	(6,866)	1,287
Total liabilities	887,305	(11,484)	875,821
Retained earnings	577,353	7,312	584,665

	As Reported Nine Months Ended September 30, 2018	Adjustments	Balances without adoption of Topic 606
Condensed Consolidated Statement of Cash Flows	(In thousands)		
Net income attributable to Ebix, Inc.	$84,630	$ (355)	$84,275
Other assets	(655)	(122)	(777)
Deferred Revenue	(10,772)	2,561	(8,211)
Net cash provided by operating activities	74,165	2,084	76,249

Disaggregation of Revenue

The following tables present revenue disaggregated by primary geographical regions and product channels for the three months and nine months ended September 30, 2018:

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	(In thousands)		(In thousands)	
Revenue:	2018	2017[1]	2018	2017[1]
United States	48,395	52,603	$146,697	$157,682
Canada	1,267	1,827	4,323	5,969
Latin America	4,586	6,268	15,141	14,486
Australia	8,576	8,575	26,803	25,091
Singapore*	1,731	1,368	5,871	4,493
New Zealand	454	462	1,467	1,485
India*	56,631	17,509	139,985	37,508
Europe	3,854	4,188	11,726	12,576
United Arab Emirates*	319	—	694	—
Indonesia*	1,683	—	5,052	—
Philippines*	1,147	—	3,740	—
	$128,643	$92,800	$361,499	$259,290

*India led businesses, except for portion of Singapore which is not part of EbixCash. Total revenue in the third quarter of 2018 was $60.3 million. See Note 7 for additional geographic information

	Three Months Ended September 30		Nine Months Ended September 30	
(In thousands)	2018	2017[1]	2018	2017
Exchanges	$106,853	$64,130	$290,292	$177,117
Broker Systems	3,414	3,715	10,720	11,098
RCS	18,066	24,265	59,340	68,780
Carrier Systems	310	690	1,147	2,295
Totals	$128,643	$92,800	$361,499	$259,290

(1) Prior period amounts have not been adjusted under the modified retrospective method.

Costs to Obtain and Fulfill a Contract

The Company capitalizes certain costs in order to maintain the ability to obtain and fulfill new contracts and contract renewals. These costs are primarily related to the setup and customization of our SaaS based platforms and such costs are amortized over the benefit period. Under our treatment prior to implementing Topic 606, these costs were expensed as incurred. As of September 30, 2018, the Company had $844 thousand of contract costs in “Other current assets” and $1.3 million in “Other Assets” on the Company's Condensed Consolidated Balance Sheets.

(In thousands)	September 30, 2018
Balance, beginning of period	$ —
Topic 606 adjustment	2,401
Adjusted beginning balance	$ 2,401
Costs recognized from adjusted beginning balance	(686)
Additions, net of costs recognized	402
Balance, end of period	$ 2,117

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Deferred Revenue

The Company records deferred revenue when it receives payments or invoices in advance of the performance of services. A significant portion of this balance relates to contracts where the customer has paid in advance for the use of our SaaS platforms over a specified period of time. This portion is recognized as the related performance obligation is fulfilled (generally less than one year). The remaining portion of the deferred revenue balance consists primarily of customer-specific customizations that are not distinct from related performance obligations that transfer over time. This portion is recognized over the expected useful life of the customizations.

(In thousands)	September 30, 2018
Balance, beginning of period	$ 23,985
Topic 606 adjustment	14,045
Adjusted beginning balance	$ 38,030
Revenue recognized from adjusted beginning balance	(26,902)
Additions from business acquisitions	12,223
Additions, net of revenue recognized and currency translation	14,976
Balance, end of period	$ 38,327

Practical Expedients and Exemptions

We do not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less, (ii) contracts for which we recognize revenue at the amount to which we have the right to invoice for services performed, and (iii) contracts from periods prior to the application of Topic 606.

Income Taxes

The adoption of Topic 606 resulted in an increase to deferred revenue, which in turn generated an additional deferred tax asset that increased the Company’s net deferred tax asset position.

Accounts Receivable and the Allowance for Doubtful Accounts—Reported accounts receivable include $111.0 million of trade receivables stated at invoice billed amounts and $42.2 million of unbilled receivables (net of the estimated allowance for doubtful accounts receivable in the amount of $6.4 million). The unbilled receivables pertain to certain projects for which the timing of billing is tied to contractual milestones. The Company adheres to such contractually stated performance milestones and accordingly issues invoices to customers as per contract billing schedules. Approximately $5.3 million of deferred revenue is included in billed accounts receivable at September 30, 2018. The Company recognized and recorded bad debt expense in the amount of $524 thousand and $2.6 million for the three and nine-month periods ended September 30, 2018 and $385 thousand and $1.1 million for the three and nine-month periods ended September 30, 2017, respectively. Accounts receivable are written off against the allowance account when the Company has exhausted all reasonable collection efforts. During the nine months ended September 30, 2018 and 2017, $332 thousand and $513 thousand, respectively, of accounts receivable, which had been specifically reserved for in prior periods, were written off.

Goodwill and Other Indefinite-Lived Intangible Assets—Goodwill represents the cost in excess of the fair value of the net assets of acquired businesses. Indefinite-lived intangible assets represent the fair value of certain acquired contractual customer relationships for which future cash flows are expected to continue indefinitely. In accordance with the relevant FASB accounting guidance, goodwill and indefinite-lived intangible assets are not amortized but are tested for impairment at the reporting unit level on an annual basis or on an interim basis if an event occurs or circumstances change that would likely have reduced the fair value of a reporting unit below its carrying value. Potential impairment indicators include a significant change in the business climate, legal factors, operating performance indicators, competition, and the sale or disposition of a significant portion of the business. The impairment evaluation process involves an assessment of certain qualitative factors to determine whether the existence of events or circumstances would indicate that it is more likely than not that the fair value of any of our reporting units was less than its carrying amount. If after assessing the totality of events or circumstances, we were to determine that

it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then the Company would not perform the two-step quantitative impairment testing described further below.

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The aforementioned two-step quantitative testing process involves comparing the reporting unit carrying values to their respective fair values; we determine fair value of our reporting units by applying the discounted cash flow method using the present value of future estimated net cash flows. If the fair value of a reporting unit exceeds its carrying value, then no further testing is required. However, if a reporting unit's fair value were to be less than its carrying value, we would then determine the amount of the impairment charge, if any, which would be the amount that the carrying value of the reporting unit's goodwill exceeded its implied value. Projections of cash flows are based on our views of growth rates, operating costs, anticipated future economic conditions and the appropriate discount rates relative to risk and estimates of residual values. We believe that our estimates are consistent with assumptions that marketplace participants would use in their estimates of fair value. The use of different estimates or assumptions for our projected discounted cash flows (e.g., growth rates, future economic conditions, discount rates and estimates of terminal values) when determining the fair value of our reporting units could result in different values and may result in a goodwill impairment charge.

In 2017 the goodwill residing in the Exchange reporting unit, the RCS reporting unit, and the Carrier reporting unit were evaluated for impairment using step-one of the quantitative testing process described above. The fair value of all three of these reporting units were found to be greater than their carrying value and,therefore, step-two of the quantitative testing process described above became unnecessary because no impairment was indicated. In specific regards to the RCS reporting unit, its assessed fair value was $158.0 million which was $42.4 million or 36.7% in excess of its $115.6 million carrying value. Key assumptions used in the fair value determination were annual revenue growth of 7.5% to 12.5% and discount rate of 16%. As of September 30, 2017 there was $78.2 million of goodwill assigned to the RCS reporting unit. A significant reduction in future revenues for the RCS reporting unit would negatively affect the fair value determination for this unit and may result in an impairment to goodwill and a corresponding charge against earnings. We perform our annual goodwill impairment evaluation and testing as of September 30th of each year. This evaluation is performed during the fourth quarter each year. During the year ended December 31, 2017 we had no impairment of our reporting unit goodwill balances.

Changes in the carrying amount of goodwill for the nine months ended September 30, 2018 and the year ended December 31, 2017 are reflected in the following table.

	September 30, 2018	December 31, 2017
	(Unaudited)	
	(In thousands)	
Beginning Balance	$666,863	$ 441,404
Additions (see Note 3)	261,428	233,095
Purchase accounting adjustments	(12,745)	(12,158)
Foreign currency translation adjustments	(45,235)	4,522
Ending Balance	$870,311	$ 666,863

Capitalized Software Development Costs—In accordance with the relevant FASB accounting guidance regarding the development of software to be sold, leased, or marketed, the Company expenses such costs as they are incurred until technological feasibility has been established, at and after which time those costs are capitalized until the product is available for general release to customers. Costs incurred to enhance our software products, after general market release of the services using the products, are expensed in the period they are incurred.

Finite-lived Intangible Assets—Purchased intangible assets represent the estimated acquisition date fair value of customer relationships, developed technology, trademarks and non-compete agreements obtained in connection with the businesses we acquire. We amortize these intangible assets on a straight-line basis over their estimated useful lives, as follows:

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Category	Life (yrs)
Customer relationships	7–20
Developed technology	3–12
Dealer networks	15-20
Trademarks	3–15
Non-compete agreements	5
Backlog	1.2
Database	10

The carrying value of finite-lived and indefinite-lived intangible assets at September 30, 2018 and December 31, 2017 are as follows:

	September 30, 2018	December 31, 2017
	(Unaudited)	
	(In thousands)	
Finite-lived intangible assets:		
Customer relationships	$72,665	$ 73,725
Developed technology	16,613	15,076
Dealer network	5,496	10,581
Trademarks	3,169	2,698
Non-compete agreements	764	764
Backlog	140	140
Database	212	212
Total intangibles	99,059	103,196
Accumulated amortization	(62,111)	(57,485)
Finite-lived intangibles, net	$36,948	$ 45,711
Indefinite-lived intangibles:		
Customer/territorial relationships	$42,055	$ 42,055

Amortization expense recognized in connection with acquired intangible assets was $1.6 million and $5.2 million for the
three and nine months ended September 30, 2018, respectively, and $1.8 million and $5.4 million for the three and nine months ended September 30, 2017, respectively.

Foreign Currency Translation—The functional currency for the Company's foreign subsidiaries in India, Dubai, and Singapore is the U.S. dollar because the intellectual property research and development activities provided by its Dubai and Singapore subsidiaries, and the product development and information technology enabled services activities for the insurance industry provided by its India subsidiary, both in support of the Company's operating divisions across the world, are transacted in U.S. dollars.

The functional currency of the Company's other foreign subsidiaries is the local currency of the country in which the subsidiary operates. The assets and liabilities of these foreign subsidiaries are translated into U.S. dollars at the rates of exchange at the balance sheet dates. Income and expense accounts are translated at the average exchange rates in effect during the period. Gains and losses resulting from translation adjustments are included as a component of accumulated other comprehensive income in the accompanying consolidated balance sheets, and are included in the condensed consolidated statements of comprehensive income. Foreign exchange transaction gains and losses that are derived from transactions denominated in a currency other than the subsidiary's functional currency are included in the determination of net income.

Income Taxes—Deferred income taxes are recorded to reflect the estimated future tax effects of differences between the financial statement and tax basis of assets, liabilities, operating losses, and tax credit carry forwards using the tax rates expected to be in effect when the temporary differences reverse. Valuation allowances, if any, are recorded to reduce deferred tax assets to the amount management considers more likely than not to be realized. Such valuation

allowances are recorded for the portion of the deferred tax assets that are not expected to be realized based on the levels of historical taxable income and projections for future taxable income over the periods in which the temporary differences will be deductible.

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The Company also applies the relevant FASB accounting guidance on accounting for uncertainty in income taxes positions. This guidance clarifies the accounting for uncertainty in income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. In this regard we recognize the tax benefit from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position.

Recent Relevant Accounting Pronouncements—The following is a brief discussion of recently released accounting pronouncements that are pertinent to the Company's business:

In August 2018 the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820) Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement. ASU 2018-13 is intended to improve the effectiveness of ASC 820’s disclosure requirements. The amendments in this ASU are effective for public business entities for fiscal years beginning after December 15, 2019, including interim periods within that fiscal year. The Company has yet to assess the impact that the adoption of this ASU will have on Ebix's consolidated income statement and balance sheet.

In June 2018 the FASB issued ASU 2018-07, Compensation-Stock Compensation (Topic 718) Improvements to Nonemployee Share-Based Payment Accounting. ASU 2018-07 is intended to reduce cost and complexity and to improve financial reporting for share-based payments to nonemployees. The amendments in this ASU are effective for public business entities for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. The Company has yet to assess the impact that the adoption of this ASU will have on Ebix's consolidated income statement and balance sheet.

In February 2018, the FASB issued 2018-02, Income Statement-Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. The ASU provides that the stranded tax effects from the Tax Act in accumulated other comprehensive loss may be reclassified to retained earnings. The amendments in this ASU are effective for all entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The Company has yet to assess the impact that the adoption of this ASU will have on Ebix's consolidated income statement and balance sheet.

In January 2017 the FASB issued ASU 2017-04, Intangibles—Goodwill and Other (Topic 350) Simplifying the Test for Goodwill Impairment. To simplify the subsequent measurement of goodwill, the FASB eliminated Step 2 from the goodwill impairment test. In computing the implied fair value of goodwill under Step 2, an entity had to perform procedures to determine the fair value at the impairment testing date of its assets and liabilities (including unrecognized assets and liabilities). Instead, under the amendments in this ASU, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. A public business entity filer should adopt the amendments in this ASU for its annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. The Company has yet to assess the impact that the adoption of this ASU will have on Ebix's consolidated income statement and balance sheet.

In January 2017 the FASB issued ASU 2017-01, Business Combinations (Topic 805) Clarifying the Definition of a Business which amended the existing FASB ASC. The standard provides additional guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The definition of a business affects many areas of accounting, including acquisitions, disposals, goodwill, and consolidation. ASU 2017-01 is effective for fiscal 2019 with early adoption permitted. The Company has yet to assess the impact that the adoption of this ASU will have on Ebix's consolidated income statement and balance sheet

In November 2016 the FASB issued ASU 2016-18, Statement of Cash Flow (Topic 230) Restricted Cash (A Consensus of the FASB Emerging Issues Task Force) which amends ASC 230 to add or clarify guidance on the classification and presentation of restricted cash in the statement of cash flows. The amendments in this ASU require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within

those fiscal years. The amendments in this ASU should be applied using a retrospective transition method to each period presented. The Company adopted the new guidance on January 1, 2018 with no material impact to its statement of cash flows. For the nine months ended September 30, 2018 and 2017, the Company held zero and $11.2 million, respectively, in "Restricted cash" and $2.5 million and $3.1 million, respectively, in "Other long-term assets" of the Company's Condensed Consolidated Balance Sheet.

In October 2016 the FASB issued ASU 2016-16, Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory. Current GAAP prohibits the recognition of current and deferred income taxes for an intra-entity asset transfer until the asset has been sold to an outside party. This prohibition on recognition is an exception to the principle of comprehensive recognition of current and deferred income taxes in GAAP. The amendments specified by ASU 2016-16 require an entity to recognize the income

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tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The amendments eliminate the exception for an intra-entity transfer of an asset other than inventory. Two common examples of assets included in the scope of the amendments are intellectual property, and property, plant and equipment. The amendments do not include new disclosure requirements; however, existing disclosure requirements might be applicable when accounting for the current and deferred income taxes for an intra-entity transfer of an asset other than inventory. The amendments align the recognition of income tax consequences for intra-entity transfers of assets other than inventory with International Financial Reporting Standards. IAS 12, Income Taxes, requires recognition of current and deferred income taxes resulting from an intra-entity transfer of any asset (including inventory) when the transfer occurs. The amendments are effective for public business entities for annual reporting periods beginning after December 15, 2017, including interim reporting periods within those annual reporting periods. Early adoption is permitted for all entities in the first interim period if an entity issues interim financial statements. The amendments should be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. The Company adopted the new guidance on January 1, 2018 with no material impact to its consolidated financial statements.

In August 2016 the FASB issued ASU No. 2016-15 Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. This ASU addresses the following eight specific cash flow issues: Contingent consideration payments made after a business combination; distributions received from equity method investees; debt prepayment or debt extinguishment costs; settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies and bank-owned life insurance policies; and beneficial interests in securitization transactions; and also addresses separately identifiable cash flows and application of the predominance principle. The amendments in this ASU apply to all entities, including both business entities and not-for-profit entities that are required to present a statement of cash flows under Topic 230. The amendments are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The amendments should be applied using a retrospective transition method to each period presented. If it is impracticable to apply the amendments retrospectively for some of the issues, the ASU for those issuers would be applied prospectively as of the earliest date practicable. The Company adopted the new guidance on January 1, 2018 with no material impact to its consolidated financial statements.

In February 2016 the FASB issued ASU 2016-02, Leases (Topic 842). This new accounting guidance is intended to improve financial reporting about leasing transactions. The ASU affects all companies and other organizations that lease assets such as real estate, airplanes, and manufacturing equipment. The ASU will require organizations that lease assets referred to as “Lessees” to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. An organization is to provide disclosures designed to enable users of financial statements to understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements concerning additional information about the amounts recorded in the financial statements. Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than twelve months. Consistent with current GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. However, unlike current GAAP which requires only capital leases to be recognized on the balance sheet the new ASU will require both types of leases (i.e., operating and capital) to be recognized on the balance sheet. The FASB lessee accounting model will continue to account for both types of leases. The capital lease will be accounted for in substantially the same manner as capital leases are accounted for under existing GAAP. For operating leases there will have to be the recognition of a lease liability and a lease asset for all such leases greater than one year in term. Public companies will be required to adopt the new leasing standard for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted for all companies and organizations. For calendar year-end public companies, this means an adoption date of January 1, 2019 and retrospective application to previously issued annual and interim financial statements for 2018 and 2017. Lessees with a large portfolio of leases are likely to see a significant increase in balance sheet assets and liabilities. See Note 5

for the Company’s current lease commitments. The Company is evaluating the impact that this new leasing ASU will have on its financial statements.

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Note 2: Earnings per Share

A reconciliation between basic and diluted earnings per share is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(In thousands, except per share data)			
Net income attributable to Ebix, Inc.	$29,242	$24,184	$84,630	$74,045
Basic Weighted Average Shares Outstanding	31,492	31,453	31,480	31,582
Dilutive effect of stock options and restricted stock awards	136	169	158	161
Diluted weighted average shares outstanding	31,628	31,622	31,638	31,743
Basic earnings per common share	$0.93	$0.77	$2.69	$2.34
Diluted earnings per common share	$0.92	$0.76	$2.67	$2.33

Note 3: Business Combinations

The Company seeks to execute accretive business acquisitions (which primarily targets businesses that are complementary to Ebix's existing products and services), in combination with organic growth initiatives, as part of its comprehensive business growth and expansion strategy.

During the nine months ended September 30, 2018, the Company completed seven business acquisitions, as follows:

Effective August 1, 2018 Ebix entered into an agreement to acquire India based Miles Software ("Miles"), a provider of on-demand software on wealth and asset management to banks, asset managers and wealth management firms, for approximately $18.3 million, included in other current liabilities of the Company's Condensed Consolidated Balance Sheet as it was not funded until October 2018, plus possible future contingent earn-out payments of up to $8.3 million based on earned revenues over the subsequent twenty-four month period following the effective date of the acquisition. The valuation and purchase price allocation remains preliminary and will be finalized as soon as practicable but in no event longer than one year from the effective date of this transaction.

Effective July 1, 2018 Ebix entered into an agreement to acquire India based Leisure Corp ("Leisure") for approximately $2.1 million, with the goal of creating a new travel division to focus on a niche segment of the travel market. The valuation and purchase price allocation remains preliminary and will be finalized as soon as practicable but in no event longer than one year from the effective date of this transaction.

Effective July 1, 2018 Ebix entered into an agreement to acquire India based Mercury Travels for approximately $13.2 million, with the goal of creating a new travel division to focus on a niche segment of the travel market. Mercury’s Forex business will be integrated into EbixCash’s existing CDL Forex exchange business. The valuation and purchase price allocation remains preliminary and will be finalized as soon as practicable but in no event longer than one year from the effective date of this transaction.

Effective July 1, 2018 Ebix entered into an agreement to acquire India based Indus Software Technologies Pvt. Ltd. ("Indus"), a global provider of enterprise lending software solutions to financial institutions, captive auto finance and telecom companies, for approximately $22.9 million plus possible future contingent earn-out payments of up to $5.0 million based on earned revenues over the subsequent twenty-four month period following the effective date of the acquisition. The valuation and purchase price allocation remains preliminary and will be finalized as soon as practicable but in no event longer than one year from the effective date of this transaction.

Effective April 1, 2018 Ebix entered into an agreement to acquire India based CentrumDirect Limited ("Centrum"), a leader in India’s foreign exchange and outward remittance markets for approximately $179.5 million. This acquisition was funded June 2018. Centrum will be tightly integrated into Ebix’s Financial Exchange EbixCash offering in India and abroad, with key Centrum business executives becoming an integral part of the combined EbixCash senior leadership. The valuation and purchase

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price allocation remains preliminary and will be finalized as soon as practicable but in no event longer than one year from the effective date of this transaction.

Effective April 1, 2018 Ebix entered into an agreement to acquire a 60% stake in India based Smartclass Educational Services Private Limited ("Smartclass"), a leading e-learning Company engaged in the business of education services, development of education products, and implementation of education solutions for K-12 Schools. Under the terms of the agreement Ebix paid $8.6 million in cash for its stake in Smartclass. The valuation and purchase price allocation remains preliminary and will be finalized as soon as practicable but in no event longer than one year from the effective date of this transaction.

Effective February 1, 2018 Ebix acquired the Money Transfer Service Scheme ("MTSS") Business of Transcorp International Limited (BSE:TRANSCOR.BO), for upfront cash consideration in the amount of $7.25 million, of which $6.55 million was funded with cash and $700 thousand assumed in liabilities. Ebix is consolidating this recent acquisition into Ebix's Financial Exchange operations which will bring synergies and reduce certain redundancies to the combined operation.

During the twelve months ended December 31, 2017, the Company completed six business acquisitions, as follows:

Effective November 1, 2017 Ebix acquired Via.com ("Via"), a recognized leader in the travel space in India and an Omni-channel online travel and assisted e-commerce exchange. Ebix acquired Via for upfront cash consideration in the amount $78.8 million plus possible future contingent payments of up to $2.3 million based on any potential claims made by tax authorities over the subsequent twelve month period following the effective date of the acquisition and $2.0 million based on the receipt of refunds pertaining to certain advance tax payments and withholding taxes, both of which are included in "Other current liabilities" in the Company's Consolidated Balance Sheet.

Effective November 1, 2017 Ebix acquired the MTSS Business of Paul Merchants, the largest international remittance service provider in India, for upfront cash consideration in the amount $37.4 million.

Effective October 1, 2017 Ebix acquired the MTSS Business of Wall Street, an inward international remittance service provider in India, along with the acquisition of its subsidiary company Goldman Securities Limited for upfront cash consideration in the amount $7.4 million.

On August 18, 2017 Ebix entered into an agreement to acquire MTSS Business of YouFirst Money Express Private Limited ("YouFirst") for upfront cash consideration in the amount $10.2 million. The acquisition, effective September 1, 2017, was funded in October following the securing of requisite approvals for the closing.

Effective June 1, 2017 Ebix acquired the assets of beBetter Health, Inc., ("beBetter"), a technology enabled corporate wellness provider that provides end-to-end wellness solutions offering a variety of tools and programs, including interactive platforms, health screening, coaching, tobacco cessation, weight and stress management, health information, and numerous other products and services. Ebix acquired the assets and intellectual property of beBetter for $1.0 million plus possible future contingent earn-out payments of up to $2.0 million based on earned revenues over the subsequent twenty-four month period following the effective date of the acquisition. The Company has determined that the fair value of the contingent earn-out consideration is zero as of September 30, 2018.

Effective April 1, 2017 Ebix entered into a joint venture with India-based Essel Group, while acquiring an 80% stake in ItzCash Card Limited ("ItzCash"), India’s leading payment solutions exchange. ItzCash is recognized as a leader in the prepaid cards and bill payments space in India. Under the terms of the agreement, ItzCash was valued at a total enterprise value of approximately $150 million. Accordingly, Ebix acquired an 80% stake in ItzCash for $120 million including upfront cash of $76.3 million plus possible future contingent earn-out payments of up to $44.0 million based on earned revenues over the subsequent thirty-six month period following the effective date of the acquisition. During the third quarter of 2018 $3.8 million of the possible future contingent earn-out payments which was previously being held in escrow accounts for the twelve-month period following the effective date of the acquisition to ensure that the acquired business achieved the minimum specified annual gross revenue threshold, was paid. The Company has determined that the fair value of the contingent earn-out consideration is $14.8 million as of September 30, 2018.

A significant component of the purchase price consideration for many of the Company's business acquisitions is a potential subsequent cash earnout payment based on reaching certain specified future revenue targets. The terms for

the contingent earn out payments in most of the Company's business acquisitions typically address the GAAP recognizable revenues achieved by the acquired entity over a one, two, and/or three-year period subsequent to the effective date of their acquisition by Ebix. These terms typically establish a minimum threshold revenue target with achievement of revenues recognized over that target being awarded in the form of a specified cash earn out payment. The Company applies these terms in its calculation and determination of the fair value of contingent earn out liabilities for purchased businesses as part of the related valuation and purchase price allocation

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exercise for the corresponding acquired assets and liabilities. The Company recognizes these potential obligations as contingent liabilities and are reported as such on its Condensed Consolidated Balance Sheets. As discussed in more detail in Note 1, these contingent consideration liabilities are recorded at fair value on the acquisition date and are remeasured quarterly based on the then assessed fair value and adjusted if necessary. During the nine months ended September 30, 2018 and 2017, these aggregate contingent accrued earn-out business acquisition consideration liabilities were reduced by $14.4 million and $3.6 million, respectively, due to remeasurements based on the then assessed fair value and changes in anticipated future revenue levels. In the first nine months ended September 30, 2018 and 2017 these reductions to the contingent accrued earn-out liabilities resulted in a corresponding reduction of $645 thousand and $164 thousand, respectively to general and administrative expenses as reported on the Condensed Consolidated Statements of Income and a reduction of $13.7 million and $3.4 million, respectively to goodwill as reported in the enclosed Condensed Consolidated Balance Sheets. As of September 30, 2018, the total of these contingent liabilities was $29.3 million, of which $15.1 million is reported in long-term liabilities, and $14.2 million is included in current liabilities in the Company's Condensed Consolidated Balance Sheet. As of December 31, 2017 the total of these contingent liabilities was $37.1 million, of which $33.1 million was reported in long-term liabilities, and $4.0 million was included in current liabilities in the Company's Condensed Consolidated Balance Sheet.

Consideration paid by the Company for the businesses it purchases is allocated to the assets and liabilities acquired based upon their estimated fair values as of the date of the acquisition. The excess of the purchase price over the estimated fair values of assets acquired and liabilities assumed is recorded as goodwill. Recognized goodwill pertains to the value of the expected synergies to be derived from combining the operations of the businesses we acquire including the value of the acquired workforce.

The aggregated unaudited pro forma financial information pertaining to all of the Company's acquisitions that have an impact on the nine months ended September 30, 2018 and September 30, 2017, which includes the acquisitions of the ItzCash (acquired April 2017), beBetter (acquired June 2017), YouFirst (acquired September 2017), Wall Street (acquired October 2017), Paul Merchants (acquired November 2017), Via (acquired November 2017), Transcorp (acquired February 2018), Centrum (acquired April 2018), Smartclass (acquired April 2018), Indus (acquired July 2018), Mercury acquired July 2018), Leisure (acquired July 2018), and Miles (acquired August 2018) and as presented in the table below is provided for informational purposes only and is not a projection of the Company's expected results of operations for any future period. No effect has been given in this pro forma information for future synergistic benefits that may still be realized as a result of combining these companies or costs that may yet be incurred in integrating their operations. The 2018 and 2017 pro forma financial information below assumes that all such business acquisitions were made on January 1, 2017, whereas the Company's reported financial statements for the three and nine months ended September 30, 2018 only include the operating results from these businesses since the effective date that they were acquired by Ebix.

	Three Months Ended September 30, 2018		Three Months Ended September 30, 2017		Nine Months Ended September 30, 2018		Nine Months Ended September 30, 2017	
	As Reported	Pro Forma	As Reported	Pro Forma	As Reported	Pro Forma	As Reported	Pro Forma
	(unaudited)		(unaudited)		(unaudited)		(unaudited)	
	(In thousands, except per share data)							
Revenue	$128,643	$129,081	$92,800	$141,057	$361,499	$401,295	$259,290	$425,413
Net Income attributable to Ebix, Inc.	$29,242	$29,097	$24,184	$26,434	$84,630	$86,742	$74,045	$86,060
Basic EPS	$0.93	$0.92	$0.77	$0.84	$2.69	$2.76	$2.34	$2.72
Diluted EPS	$0.92	$0.92	$0.76	$0.84	$2.67	$2.74	$2.33	$2.71

During the three months ended September 30, 2018 the Company's reported total operating revenues increased by $35.8 million or 39% to $128.6 million as compared to $92.8 million during the same period in 2017.

During the nine months ended September 30, 2018 the Company's reported total operating revenues increased by $102.2 million or 39% to $361.5 million as compared to $259.3 million during the same period in 2017.

With respect to business acquisitions completed during the years 2018 and 2017 on a pro forma basis, as disclosed in the above pro forma financial information table, combined revenues decreased 8.5% and 5.7% for the three and nine months ending September 30, 2018, respectively, versus the same periods in 2017. The 2018 and 2017 pro forma financial information assumes that all business acquisitions made during this period were made on January 1, 2017, whereas the Company's reported financial statements for three months and nine months ended September 30, 2018 only includes the revenues from these businesses

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since the effective date that they were acquired or consolidated by Ebix, being April 2017 for Itzcash, June 2017 for beBetter, September 2017 for YouFirst, October 2017 for Wall Street, November 2017 for Paul Merchants, November 2017 for Via, February 2018 for Transcorp, April 2018 for Centrum, April 2018 for Smartclass, July 2018 for Indus, July 2018 for Mercury, July 2018 for Leisure, and August 2018 for Miles.

The above referenced pro forma information and the relative comparative change in pro forma and reported revenues are based on the following premises:

•2018 and 2017 pro forma revenue contains actual revenue of the acquired entities before acquisition date, as reported by the sellers, as well as actual revenue of the acquired entities after acquisition, whereas the reported growth in revenues of the acquired entities after acquisition date are only reflected for the period after their acquisition.

•Revenue billed to existing clients from the cross selling of acquired products has been assigned to the acquired section of our business.

•Any existing products sold to new customers obtained through a newly acquired customer base are assigned to the acquired section of our business.

•Pro formas do not include post acquisition revenue reductions as a result of discontinuation of any product lines and/or customer projects by Ebix in line with the Company's initiatives to maximize profitability.

Note 4: Debt with Commercial Bank

On April 9, 2018 the Company and certain of its subsidiaries entered into the Seventh Amendment (the “Seventh Amendment”) to the to the Regions Secured Credit Facility increasing the permitted indebtedness in the form of unsecured convertible notes from $250 million to $300 million.

On February 21, 2018, Ebix, Inc. and certain of its subsidiaries entered into the Sixth Amendment (the “Sixth Amendment”) to the Regions Secured Credit Facility, dated August 5, 2014, among the Company, Regions Bank as Administrative and Collateral Agent ("Regions") and certain other lenders party thereto (as amended, the "Credit Agreement"). The Sixth Amendment amends the Credit Agreement by increasing its existing credit facility from $450 million to $650 million, to assist in funding its growth. The increase in the bank line was the result of many members of the existing bank group expanding their share of the credit facility and the addition of BBVA Compass and Bank of the West to the Banking Syndicate, which diversifies Ebix’s lending group under the credit facility to ten participants. The syndicated bank group now comprises ten leading financial institutions that include Regions Bank, PNC Bank, BMO Harris Bank, BBVA Compass, Fifth Third Bank, KeyBank, Bank of the West, Silicon Valley Bank, Cadence Bank and Trustmark National Bank. Regions Bank continued to lead the banking group while serving as the administrative and collateral agent. PNC Bank and BMO Harris Bank were added as co-syndication agents, BBVA Compass and Fifth Third Bank as co-documentation agent, while Regions Capital Markets, PNC Capital Markets and BMO Harris Bank acted as joint lead arrangers and joint bookrunners. The new credit facility has the following key components; A five-year term loan for $250 million, with initial repayments starting June 30, 2018 due in the amount $3.13 million for the first eight quarters and increasing thereafter and a five-year revolving credit facility for $400 million. The new credit facility also allows for up to $150 million of incremental facilities. The Credit Agreement carries a leverage-based LIBOR related interest rate, which currently stands at approximately 4.63%.

On November 3, 2017 the Company and certain of its subsidiaries entered into the Fifth Amendment (the “Fifth Amendment”) to the Credit Agreement to exercise $50 million of its aggregate $100 million accordion option, increasing the total Term Loan Commitment to $175 million. $20 million of the increase was funded on November 3, 2017 and the remaining $30 million shall be disbursed upon the satisfaction of certain closing requirements set forth in the Fifth Amendment. Both such disbursements are tied to permitted acquisitions as set forth in the Fifth Amendment.

On November 3, 2017, the Company and certain of its subsidiaries entered into the Fourth Amendment and Waiver (the “Fourth Amendment”) to the Credit Agreement. The Fourth Amendment waives certain technical defaults related to

the failure to give required notice with respect to i) the existence of a subsidiary having intellectual property with an aggregate value above a stipulated amount and ii) the additional investment in a joint venture entity resulting in that entity becoming a subsidiary of the Company for the purpose of the Credit Agreement. In addition to such waiver, the Fourth Amendment also loosened the leverage ratios the Company is required to satisfy in connection with permitted acquisitions and for compliance generally.

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On October 19, 2017, the Company and certain of its subsidiaries entered into the Third Amendment and Waiver (the "Third Amendment") to the Credit Agreement. The Third Amendment waives certain technical defaults related to the Company's making certain restricted payments in excess of those permitted under the Credit Agreement. In addition to such waiver, the Third Amendment also loosened the limitations on the restricted payment covenant under the Credit Agreement.

On June 17, 2016, the Company and certain of its subsidiaries entered into the Second Amendment (the "Second Amendment") to the Credit Agreement, Regions Capital Markets, PNC Capital Markets, LLC, and TD Securities (USA) as joint Lead Arrangers for the syndicate of lenders (the "Regions Secured Credit Facility"). The Second Amendment increases the total credit facility to $400 million from the prior amount of $240 million, and expands the syndicated bank group to eleven participants by adding seven new participants which include PNC Bank, National Association BMO Harris Bank N.A., Key Bank National Association, HSBC Bank National, Cadence Bank, the Toronto-Dominion Bank (New York Branch), and Trustmark National Bank. The Credit Agreement now consists of a five-year revolving credit component in the amount of $275 million, and a five-year term loan component in the amount of $125 million, with repayments due in the amount $3.13 million due each quarter, starting September 30, 2016. The Credit Agreement also contains an accordion feature, which if exercised and approved by all credit parties, would expand the total borrowing capacity under the syndicated credit facility to $500 million.

As of September 30, 2018 the Company's consolidated balance sheet includes $5.1 million of remaining deferred financing costs in connection with this credit facility, which are being amortized as a component of interest expense over the five-year term of the financing agreement. In regards to these deferred financing costs, $3.1 million pertains to the revolving line of credit component of the Credit Agreement, and $2.0 million pertains to the term loan component of the Credit Agreement of which $449 thousand is netted against the current portion and $1.5 million is netted against the long-term portions of the term loan as reported on the Condensed Consolidated Balance.

At September 30, 2018, the outstanding balance on the revolving line of credit under the Credit Agreement was $399.7 million and the facility carried an interest rate of 4.63%. During the nine months ended September 30, 2018, $246.0 million of draws were made off of the revolving credit facility. The revolving line of credit balance is included in the long-term liabilities section of the Condensed Consolidated Balance Sheets. During the nine months ended September 30, 2018, the average and maximum outstanding balances of the revolving line of credit component of the credit facility were $288.8 million and $399.7 million, respectively.

At September 30, 2018, the outstanding balance on the term loan was $243.8 million of which $12.5 million is due within the next twelve months, with $6.25 million payments having been made during the nine months ended September 30, 2018. This term loan also carried an interest rate of 4.63% . The current and long-term portions of the term loan are included in the respective current and long-term sections of the Condensed Consolidated Balance Sheets, the amounts of which were $12.5 million and $231.3 million respectively at September 30, 2018.

Note 5: Commitments and Contingencies

Contingencies- Following the announcement on May 1, 2013 of the Company's execution of a merger agreement with affiliates of Goldman Sachs & Co., twelve putative class action complaints challenging the proposed merger were filed in the Delaware Court of Chancery. These complaints named as Defendants some combination of the Company, its directors, Goldman Sachs & Co. and affiliated entities. On June 10, 2013, the twelve complaints were consolidated by the Delaware Court of Chancery, now captioned In re Ebix, Inc. Stockholder Litigation, CA No. 8526-VCS. On June 19, 2013, the Company announced that the merger agreement had been terminated pursuant to a Termination and Settlement Agreement dated June 19, 2013. After Defendants moved to dismiss the consolidated proceeding, Plaintiffs Desert States Employers & UFCW Union Pension Plan and Gilbert C. Spagnola (collectively, "Lead Plaintiffs") amended their operative complaint to drop their claims against Goldman Sachs & Co. and focus their allegations on an

Acquisition Bonus Agreement ("ABA") between the Company and Robin Raina. On September 26, 2013, Defendants moved to dismiss the Amended Consolidated Complaint. On July 24, 2014, the Court issued its Memorandum Opinion that granted in large part the Company's Motion to Dismiss and narrowed the remaining claims. On September 15, 2014, the Court entered an Order implementing its Memorandum Opinion. On January 16, 2015, the Court entered an Order permitting Plaintiffs to file a Second Amended and Supplemented Complaint. On February 10, 2015, Defendants filed a Motion to Dismiss the Second Amended and Supplemented Complaint, which was granted in part and denied in part in a January 15, 2016 Memorandum Opinion and Order. On October 25, 2016, the Court entered an Order permitting Lead Plaintiffs to file a Verified Third Amended and Supplemented Class Action and Derivative Complaint, which made additional claims and added two directors as Defendants. The Verified Third Amended and Supplemented Class Action and Derivative Complaint was then filed on October 26, 2016. On October 31, 2016, Lead Plaintiffs filed a Motion for Class Certification. On November 1, 2016, Lead Plaintiffs moved for partial summary judgment on Claims (ii), (iii), and (vi) as described below. The directors added as Defendants in the Third Amended and Supplemented Class Action and Derivative Complaint moved to dismiss all Claims against them. The remaining Defendants

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moved to dismiss certain Claims, and filed answers to the other claims in the Verified Third Amended and Supplemented Complaint. On December 12, 2017, the Court postponed the pending hearing on the Plaintiffs' Motion for Class Certification and the Defendants' motions to dismiss and, instead, granted the Plaintiffs leave to file a Verified Fourth Amended and Supplemented Class Action and Derivative Complaint, which pleading was filed on January 19, 2018. The claims in the fourth amended complaint are as follows: (i) a purported class and derivative claim for breach of fiduciary duty for improperly maintaining the ABA as an unreasonable anti-takeover device; (ii) a purported class claim for breach of the fiduciary duty of disclosure to the stockholders with respect to the Company's 2010 Proxy Statement and 2010 Stock Incentive Plan; (iii) a purported derivative claim for breach of fiduciary duty to the Company in causing incentive compensation to be awarded under the 2010 Stock Incentive Plan; (iv) a purported class and derivative claim for breach of fiduciary duty in adopting certain bylaw amendments on December 19, 2014; (v) a purported class and derivative claim seeking invalidation of the December 19, 2014 bylaw amendments under Delaware law; (vi) a purported claim for breach of fiduciary duty for not duly adopting the ABA at the July 15, 2009 Board meeting, and seeking declaratory relief invalidating the ABA; (vii) a purported claim for breach of the fiduciary duty of disclosure to the stockholders with respect to the ABA, and seeking declaratory relief invalidating the ABA; (viii) a purported claim seeking invalidation of the 2008 Stockholder Meeting, 2008 Certificate Amendment, 2008 Stock Split and subsequent corporate actions; (ix) a purported class claim for breach of fiduciary duty, and seeking declaratory relief invalidating the 2016 CEO Bonus Plan because of incomplete disclosures with respect to the ABA; and (x) for breach of fiduciary duty and declaratory judgment relating to the interpretation of the ABA. Lead Plaintiffs sought declaratory relief with respect to the ABA, the 2010 Stock Incentive Plan, the 2010 Proxy Statement, the bylaw amendments, the 2008 Stockholder Meeting, the 2008 Certificate Amendment, the 2008 Stock Split, and the 2016 CEO Bonus Plan. Lead Plaintiffs also seek compensatory damages, interest, and attorneys' fees and costs, all in unspecified amounts. On May 31, 2018, the plaintiffs filed their Verified Supplement (the "Supplement") to their Verified Fourth Amended and Supplemented Class Action and Derivative Complaint in which they sought to have the April 10, 2018 Stock Appreciation Rights Agreement (the "SAR") adopted by the board of directors of Ebix, which agreement expressly canceled the July 15, 2009 Acquisition Bonus Agreement declared void ab initio. Specifically, the Supplement added to the Verified Fourth Amended and Supplemented Class Action and Derivative Complaint: one count purporting to state class and derivative claims against all Defendants for such a declaration; one count purporting to state class and derivative claims for breach of fiduciary duty in adopting the SAR; and one count purporting class and derivative claims for breach of fiduciary duty in adopting the SAR as an improper anti-takeover defense. On July 5, 2018, the court entered as an order the parties' stipulation dismissing Count VIII of the FAC, which count had purported to state a claim seeking invalidation of the 2008 stockholders meeting, the 2008 certificate amendment, the 2008 stock dividend and subsequent corporate actions. On July 17, 2018 the court entered an order granting summary judgment as to all Defendants with respect to Counts I, IV, V, VI, VII and X of the FAC, and as to Ebix and Defendants Joseph R. Wright, Jr. and George W. Hebard III with respect to Count IX. Following the court's July 17, 2018 order, the claims remaining from the Verified Fourth Amended and Supplemented Class Action and Derivative Complaint are Count II (against all directors other than Messrs. Wright and Hebard for allegedly false disclosures in Ebix's 2010 proxy statement); Count III (against all directors and challenging grants under a 2010 stock incentive plan); and Count IX (against all directors other than Messrs. Wright and Hebard for allegedly failing to disclose certain unwritten terms of the ABA). On August 9, 2018, the Court denied Defendants' Motion to Dismiss the Supplement under Court of Chancery Rule 23.1, and granted in part and denied in part Defendants' motion under Court of Chancery Rule 12(b)(6). On July 24, 2018, Plaintiffs filed a motion for leave to file a second supplement to the FAC to assert claims relating to Ebix's July 16, 2018 proxy statement. On August 15, 2018, during the telephonic pretrial conference, the Court denied that motion. The parties then filed pre-trial briefs, and a trial was held on the remaining claims on August 20, 21, and 23, 2018. The parties are currently conducting post-trial briefing, with a hearing scheduled for January 2019. The Company denies any liability and intends to defend the action vigorously.

The Company is involved in various other claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate likely disposition of these matters will not have a material adverse effect on the

Company’s consolidated financial position, results of operations or liquidity.

Lease Commitments—The Company leases office space under non-cancelable operating leases with expiration dates ranging through 2029, with various renewal options. Capital leases range from three to five years and are primarily for office equipment. There were multiple assets under various individual capital leases at September 30, 2018 and 2017. Rental expense for office facilities and certain equipment subject to operating leases for the nine months ended September 30, 2018 and 2017 was $14.7 million and $4.3 million (net of a $(948) thousand purchase accounting adjustment), respectively.

Business Acquisition Earn-out Contingencies-A significant component of the purchase price consideration for many of the Company's business acquisitions is a potential future cash earn-out based on reaching certain specified future revenue targets. The terms for the contingent earn-out payments in most of the Company's business acquisitions typically address the GAAP recognizable revenues achieved by the acquired entity over a one, two, and/or three-year period subsequent to the effective date of their acquisition by Ebix. These terms typically establish a minimum threshold revenue target with achievement of revenues recognized over that

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target being awarded in the form of a specified cash earn-out payment. The Company applies these terms in its calculation and determination of the fair value of contingent earn-out liabilities for purchased businesses as part of the related valuation and purchase price allocation exercise for the corresponding acquired assets and liabilities. As of September 30, 2018, the total of these contingent liabilities was $29.3 million, of which $15.1 million is reported in long-term liabilities, and $14.2 million is included in current liabilities in the Company's Condensed Consolidated Balance Sheet. As of December 31, 2017, the total of these contingent liabilities was $37.1 million, of which $33.1 million was reported in long-term liabilities, and $4.0 million was included in current liabilities in the Company's Condensed Consolidated Balance Sheet.

Self-Insurance—For some of the Company’s U.S. employees the Company is self-insured for its health insurance program and has a stop loss policy that limits the individual liability to $120 thousand per person and the aggregate liability to 125% of the expected claims based upon the number of participants and historical claims. As of September 30, 2018, the amount accrued on the Company’s Condensed Consolidated Balance Sheet for the self-insured component of the Company’s employee health insurance was $282 thousand. The maximum potential estimated cumulative liability for the annual contract period, which ends in September 2019, was $2.8 million.

Note 6: Income Taxes

The Company recorded income tax expense of $1.68 million (5.42%) and $6.03 million (6.64%), respectively, during the three and nine months ended September 30, 2018 which included discrete items for additions to the reserve for uncertain tax positions. The income tax expense exclusive of discrete items for the three and nine months ended September 30, 2018 is $1.65 million (5.33%) and $5.94 million (6.54%), respectively. Our tax expense and effective tax rate increased year over year, exclusive of discrete charges, due to a new minimum tax on global intangible low-taxed income (“GILTI”) earned by foreign subsidiaries as part of the Tax Act. The Company expects its full year tax rate before discrete items to be approximately 6.54%.

On December 22, 2017, the U.S. enacted the Tax Act, which implemented a number of changes that took effect on January 1, 2018, including but not limited to, a new minimum tax on GILTI earned by foreign subsidiaries. The Company estimated the impact of GILTI on the expected annual effective income tax rate and recorded a provisional tax expense. Any adjustment of the Company’s provisional tax expense will be reflected as a change in estimate in its results in the period in which the change in estimate is made in accordance with ASU 2018-05 Income Taxes (Topic 740), Amendments to SEC Paragraphs Pursuant to Staff Accounting Bulletin No. 118. ASU 2018-05 allows for a measurement period of up to one year after the enactment date of the Act to finalize the recording of the related tax impacts. In addition, the Company continues to gather information to compute the amount of the Transition Tax under the Tax Act and will complete the accounting in its December 31, 2018 financial statements.

The Company’s effective tax rate reflects the benefits of having significant operations outside the United States, which are generally taxed at rates lower than the US statutory rate of 21% and where the Company enjoys a tax holiday in India. During 2015, the Company secured an additional tax holiday in India until the year 2020 to support certain portions of its expanding operations there. The Company also had income during the quarter ended September 30, 2018 in the United Kingdom, Dubai, and Sweden, where the statutory tax rates are lower than the US rate of 21%.

As of September 30, 2018 a liability of $9.2 million for uncertain tax positions is included in other long-term liabilities of the Company's Condensed Consolidated Balance Sheet. During the three and nine months ended September 30, 2018 there was $29 thousand and $88 thousand in additions to this liability reserve, respectively. During the three and nine months ended September 30, 2017, there were $55 thousand and $3.3 million, respectively, in additions to this liability reserve. The Company recognizes interest accrued and penalties related to unrecognized tax benefits as part of income tax expense.

Note 7: Geographic Information

The Company operates with one reportable segment whose results are regularly reviewed by the Company's CEO, its chief operating decision maker as to performance and allocation of resources. External customer revenues in the tables below are attributed to a particular country based on whether the customer had a direct contract with the Company which was executed in that particular country for the sale of the Company's products/services with an Ebix subsidiary located in that country.

During the first nine months of 2018 the United States' revenues decreased $11.0 million primarily due to a combination of decreased professional services and a decrease of third party administrator services. Canada's revenues decreased by $1.6 million primarily due to decreased revenue from professional services. Australia's revenues increased by $1.7 million primarily due to a combination of increased professional services and transaction fees, net of a $(276) thousand increase due to changes in foreign currency exchange rates. India's revenue increased $102.5 million due to $103.8 million of revenues associated with the acquisitions

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of ItzCash (Q2 2017), YouFirst (Q3 2017), Wall Street (Q4 2017), Paul Merchants (Q4 2017), Via (Q4 2017), Transcorp (Q1 2018), Centrum (Q2 2018), Smartclass (Q2 2018), Indus (Q3 2018), Mercury (Q3 2018), Leisure (Q3 2018), and Miles (Q3 2018). Partially offsetting this was a $(900) thousand decrease in e-governance contracts. Increases in Indonesia, Philippines, Singapore and United Arab Emirates are due to the November 2017 acquisition of Via (Q4 2017).

The following enterprise-wide information relates to the Company's geographic locations:

	As of and for the Nine Months Ended September 30, 2018		As of and for the Nine Months Ended September 30, 2017	
	External Revenues	Long-lived assets	External Revenues	Long-lived assets
	(In thousands)			
United States	$146,697	$393,066	$157,682	$390,950
Canada	4,323	6,265	5,969	6,674
Latin America	15,141	18,338	14,486	23,919
Australia	26,803	1,605	25,091	1,273
Singapore*	5,871	19,054	4,493	17,427
New Zealand	1,467	267	1,485	251
India*	139,985	561,966	37,508	268,449
Europe	11,726	24,852	12,576	22,613
United Arab Emirates*	694	54,252	—	53,602
Indonesia*	5,052	64	—	—
Philippines*	3,740	474	—	—
	$361,499	$1,080,203	$259,290	$785,158

*India led businesses, except for portion of Singapore which is not part of EbixCash and United Arab Emirate long-lived assets pertain to intellectual property research and development activities located in Dubai which is not part of EbixCash either. Total revenue in the third quarter of 2018 for India led businesses was $60.3 million.

In the geographical information table above the significant changes to long-lived assets from September 30, 2017 to September 30, 2018 were comprised of an increase in the United States of $2.1 million primarily due to capitalized continuing medical education product costs and the continued build out of our global corporate headquarters campus in Johns Creek, Georgia. A decrease occurred in Latin America of $5.6 million primarily due to a 22.0% weakening of the Brazilian Real versus the U.S. Dollar which caused a $5.2 million decrease in the translation of long-lived assets plus continued amortization of intangible assets. An increase in India of $293.5 million is primarily due to a $319.5 million increase associated with the acquisitions of Wall Street (Q4 2017), Paul Merchants (Q4 2017), Via (Q4 2017), Transcorp (Q1 2018), Centrum (Q2 2018), Smartclass (Q2 2018), Indus (Q3 2018), Mercury (Q3 2018), Leisure (Q3 2018), and Miles (Q3 2018), partially offset for purchase accounting adjustments made for ItzCash (Q2 2017) acquisition. The Europe increase of $2.2 million is primarily due to an increase in deferred tax assets primarily due to the release of valuation allowances of operating loss carryforwards, partially offset by the amortization of intangible assets and capitalized software development costs.

Note 8: Investment in Joint Ventures

Effective April 1, 2018 Ebix entered into an agreement to acquire a 60% stake in India based Smartclass, a leading e-learning Company engaged in the business of education services, development of education products, and implementation of education solutions for K-12 Schools. Under the terms of the agreement, Ebix paid $8.6 million in cash for its stake in Smartclass.

Effective January 2, 2018 Paul Merchants acquired a 10% equity interest in Ebix’s combined international remittance business in India (comprised of YouFirst, Wall Street , Paul Merchants, and Transcorp) for cash consideration of $5.0 million. The consolidation of these acquisitions into Ebix's Financial Exchange operations will bring synergies and reduce certain redundancies to the combined operation. As part of this agreement Ebix retains an irrevocable option to reacquire 10% of the equity interest after one year at a predetermined price which is included in other current liabilities of the Company's Condensed Consolidated Balance Sheet.

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Effective April 1, 2017 Ebix entered into a joint venture with India-based Essel Group, while acquiring an 80% stake in ItzCash, India's leading payment solutions exchange. ItzCash is recognized as a leader in the prepaid cards and bill payments space in India. Under the terms of the agreement, ItzCash was valued at a total enterprise value of approximately $150 million. Accordingly, Ebix acquired an 80% stake in ItzCash for $120 million including upfront cash of $76.3 million plus possible future contingent earn-out payments of up to $44.0 million based on earned revenues over the subsequent thirty-six month period following the effective date of the acquisition. During the third quarter of 2018 $3.8 million of the possible future contingent earn-out payments which was previously being held in escrow accounts for the twelve month period following the effective date of the acquisition to ensure that the acquired business achieved the minimum specified annual gross revenue threshold, was paid.

Effective February 7, 2016 Ebix and Vayam Technologies Ltd ("Vayam") formed a joint venture named Ebix Vayam Limited JV. This joint venture was established to carry out IT projects in the government sector of the country of India and particularly in regards to the implementation of e-governance projects in the areas of education and healthcare. Ebix has a 51% equity interest in the joint venture, and Vayam has a 49% equity interest in the joint venture. Ebix is fully consolidating the operations of the Ebix Vayam Limited JV into the Company's financial statements and separately reporting the Vayam minority, non-controlling, interest in the joint venture's net income and equity.

Effective September 1, 2015 Ebix and IHC formed the joint venture EbixHealth JV. This joint venture was established to promote and market an administrative data exchange for health and pet insurance lines of business nationally. Ebix paid $6.0 million and contributed a license to use certain CurePet software and systems valued by the EbixHealth JV at $2.0 million, for its initial 40% membership interest in the EbixHealth JV. IHC contributed all if its shares in its existing third party administrator operations (IHC Health Solutions, Inc.), valued by the EbixHealth JV at $12.0 million for its 60% membership interest in the EbixHealth JV, and received a special distribution of $6.0 million. Effective July 1, 2016 Ebix and IHC jointly executed a Call Notice agreement, whereby Ebix purchased additional common units in the EbixHealth JV from IHC constituting eleven percent (11%) of the EbixHealth JV for $2.0 million cash which resulted in Ebix holding an aggregate fifty-one percent (51%) of the EbixHealth JV. Commensurate with additional equity stake in the joint venture and a new contemporaneous valuation of the business the Company realized a $1.2 million gain on its previously carried 40% equity interest in the EbixHealth JV. This recognized gain was reflected as a component of other non-operating income in the accompanying Condensed Consolidated Statement of Income. Beginning July 1, 2016 Ebix is fully consolidating the operations of the EbixHealth JV into the Company's financial statements and separately reporting the IHC minority, non-controlling, 49% interest in the joint venture's net income and equity, and thereby reflecting Ebix's net resulting 51% interest in the EbixHealth JV profits or losses. IHC is, also, a customer of the EbixHealth JV, and during the three and nine months ending September 30, 2018 the EbixHealth JV recognized $1.7 million and $6.4 million, respectively, of revenue from IHC, and as of September 30, 2018 the EbixHealth JV had $642 thousand of accounts receivable from IHC. Furthermore, as a related party, IHC also has been and continues to be a customer of Ebix, and during the three and nine months ending September 30, 2018 the Company recognized zero and zero revenue from IHC respectively, and as of September 30, 2018 IHC had $23 thousand of accounts receivable with Ebix.

Note 9: Capitalized Software Development Costs

In accordance with the relevant authoritative accounting literature the Company has capitalized certain software and product related development costs associated with both the Company's continuing medical education service offerings, and the Company's development of its property and casualty underwriting insurance data exchange platform servicing the London markets. During the nine months ended September 30, 2018 and 2017, respectively, the Company capitalized $3.6 million and $2.1 million of such development costs. As of September 30, 2018 and December 31, 2017, a total of $10.0 million and $8.5 million, respectively, of remaining unamortized development costs are reported on the Company's consolidated balance sheet. During the nine months ended September 30, 2018 and 2017, the

Company recognized $1.6 million and $1.3 million, respectively, of amortization expense with regards to these capitalized software development costs, which is included in costs of services provided in the Company's consolidated income statement. The capitalized continuing medical education product costs are being amortized using a three-year to five-year straight-line methodology and certain continuing medical education products costs are immediately expensed. The capitalized software development costs for the property and casualty underwriting insurance data exchange platform are being amortized over a period of five years.

Note 10: Other Current Assets

Other current assets at September 30, 2018 and December 31, 2017 consisted of the following:

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	September 30, 2018	December 31, 2017
	(Unaudited)	
	(In thousands)	
Prepaid expenses	$24,147	$ 29,347
Sales taxes receivable from customers	—	2,218
Due from prior owners of acquired businesses for working capital settlements, etc...	1,346	284
Accrued interest receivable	247	515
Tax refunds receivable	5,035	—
Credit card merchant account balance receivable	1,126	1,008
Other	898	160
Total	$32,799	$ 33,532

Note 11: Concentrations of Credit Risk

Credit Risk

The Company is potentially subject to concentrations of credit risk in its accounts receivable. Credit risk is the risk of an
unexpected loss if a customer fails to meet its contractual obligations. Although the Company is directly affected by the financial condition of its customers and the loss of or a substantial reduction in orders or the ability to pay from the customer could have a material effect on the consolidated financial statements, management does not believe significant credit risks exist at September 30, 2018. The Company had one customer whose accounts receivable balances individually represented 10% or more of the Company’s total accounts receivable.

Major Customer

As previously disclosed in Note 8, effective February 7, 2016 Ebix and Vayam Technologies Ltd ("Vayam") formed a joint venture named Ebix Vayam Limited JV. This joint venture was established to carry out IT projects in the government sector of the country of India and particularly in regards to the implementation of e-governance projects in the areas of education and healthcare. Ebix has a 51% equity interest in the joint venture, and Vayam has a 49% equity interest in the joint venture. Ebix is fully consolidating the operations of the Ebix Vayam Limited JV into the Company's financial statements and separately reporting the Vayam minority, non-controlling, interest in the joint venture's net income and equity. Vayam is also a customer of the Ebix Vayam Limited JV, and during the three months ending September 30, 2018 and 2017 the Ebix Vayam Limited JV recognized $2.6 million and $6.0 million of revenue from Vayam, respectively. During the nine months ending September 30, 2018 and 2017 the Ebix Vayam Limited JV recognized $12.8 million and $16.5 million of revenue from Vayam, respectively and as of September 30, 2018 the Ebix Vayam Limited JV had $35.1 million of accounts receivable with Vayam.

Note 12: Subsequent Events

Repurchases of Common Stock

Subsequent to September 30, 2018 and through November 9, 2018 the Company has re-purchased an additional 243,651 shares of its outstanding common stock for aggregate cash consideration in the amount of $14.0 million and at an average rate of $57.60 per share. All share repurchases were done in accordance with Rule 10b-18 of the

Securities Act of 1934 as to the timing, pricing, and volume of such transactions, and were funded from available cash resources, cash generated from the Company's operating activities and draws from the Company's revolving line of credit with our syndicated commercial banking facility.

Acquisitions

On October 23, 2018 the Company announced that one of its India-based EbixCash subsidiaries has acquired a 67 percent stake in Routier, a Delhi-based B2B Marketplace for Trucking Logistics for approximately $400 thousand. Routier is pioneering a cloud based technology to change the way people move and receive inland goods in India.

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On October 22, 2018 Company announced that it decided to further invest in the growth of its B2B business by acquiring the assets of travel company Business Travels Private Limited for approximately $1.1 million.

Stock Split

Ebix is holding a special meeting of shareholders on November 16, 2018 to approve an amendment to the Company's certificate of incorporation to increase the number of authorized common shares. The increase is required to effect a five-for-one split of the Company's common stock which has been approved by Ebix's Board of Directors, subject to shareholder approval of the amendment. Provided shareholders approve the amendment, the Company plans to set a record date for the stock split, and thereafter shareholders of record on such date will receive four additional shares of common stock for each share of common stock held on the record date. Assuming shareholder approval, trading is expected to begin on a split-adjusted basis prior to December 15, 2018.

Item 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

As used herein, the terms "Ebix," "the Company," "we," "our" and "us" refer to Ebix, Inc., a Delaware corporation, and its consolidated subsidiaries as a combined entity, except where it is clear that the terms mean only Ebix, Inc.

Safe Harbor for Forward-Looking Statements—This Form 10-Q and certain information incorporated herein by reference contains forward-looking statements and information within the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934. This information includes assumptions made by, and information currently available to management, including statements regarding future economic performance and financial condition, liquidity and capital resources, acceptance of the Company's products by the market, and management's plans and objectives. In addition, certain statements included in this and our future filings with the SEC, in press releases, and in oral and written statements made by us or with our approval, which are not statements of historical fact, are forward-looking statements. Words such as "may," "could," "should," "would," "believe," "expect," "anticipate," "estimate," "intend," "seeks," "project," "continue," "predict," "will," and other words or expressions of similar meaning are intended by the Company to identify forward-looking statements, although not all forward-looking statements contain these identifying words. These forward-looking statements are found at various places throughout this report and in the documents incorporated herein by reference. These statements are based on our current expectations about future events or results and information that is currently available to us, involve assumptions, risks, and uncertainties, and speak only as of the date on which such statements are made.

Our actual results may differ materially from those expressed or implied in these forward-looking statements. Factors that may cause such a difference include, but are not limited to, those discussed in Part I, Item 1A, "Risk Factors" in our Form 10-K for the year ended December 31, 2017 which is incorporated by reference herein, and in Part II, Item 1A "Risk Factors" in this Form 10-Q, including but not limited to: the willingness of independent insurance agencies to outsource their computer and other processing needs to third parties; pricing and other competitive pressures and the Company's ability to gain or maintain share of sales as a result of actions by competitors and others; changes in estimates in critical accounting judgments; changes in or failure to comply with laws and regulations, including accounting standards, taxation requirements (including tax rate changes, new tax laws and revised tax interpretations) in domestic or foreign jurisdictions; exchange rate fluctuations and other risks associated with investments and operations in foreign countries (particularly in Australia, Asia, Latin America, and Europe wherein we have significant and/or growing operations); fluctuations in the equity markets, including market disruptions and significant interest rate fluctuations, which may impede our access to, or increase the cost of, external financing; and international conflict, including terrorist acts. The Company undertakes no obligation to update any such factors, or to publicly announce the results of, or changes to any of the forward-looking statements contained herein to reflect future events, developments, changed circumstances, or for any other reason.

Other important factors that could cause actual results to differ materially from those in our specific forward-looking statements included in this Form 10-Q include, but are not limited to, the following:

- Our ability to efficiently and effectively integrate acquired business operations, as discussed in Note 3 of the Condensed Notes to the Condensed Consolidated Financial Statements pertaining to the business acquisitions we have made;
- Note 4 of the Notes to the Condensed Consolidated Financial Statements, "Debt with Commercial Bank" and our future liquidity needs discussed under “Liquidity and Financial Condition” regarding our ability to generate cash from operating

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activities and any declines in our credit ratings or financial condition which could restrict our access to the capital markets or materially increase our financing costs;

- Note 5 of the Notes to the Condensed Consolidated Financial Statements, “Commitments and Contingencies”, and “Contractual Obligations” in Management's Discussion and Analysis of Financial Condition and Results of Operation ("MD&A") regarding uncertainties pertaining to the actual ultimate cost of our legal contingencies;
- MD&A and the analysis of the nine-month revenue trends regarding actual realized level of demand for our products during the immediately foreseeable future, and fluctuations thereof.

Readers should carefully review the disclosures and the risk factors described in this and other documents we file from time to time with the SEC, including future reports on Forms 10-Q and 8-K, and any amendments thereto. You may obtain our SEC filings at our website, www.ebix.com under the “Investor Information” section, or over the Internet at the SEC’s website, www.sec.gov.

The following information should be read in conjunction with the unaudited condensed consolidated financial statements and the notes thereto included in Part 1, Item 1 of this Quarterly Report, and the audited consolidated financial statements and notes thereto and MD&A contained in the Company’s Annual Report on Form 10-K for the year ended December 31, 2017.

Company Overview

Ebix is a leading international supplier of on-demand infrastructure exchanges to the insurance, financial, and healthcare industries. In the insurance sector, the Company’s main focus is to develop and deploy a wide variety of insurance and reinsurance exchanges on an on-demand basis, while also, providing SaaS enterprise solutions in the area of CRM, front-end and back-end systems, outsourced administrative and risk compliance.

With a "Phygital” strategy that combines 231,500 physical distribution outlets in many ASEAN countries to an Omni-channel online digital platform, the Company’s EbixCash Financial exchange portfolio encompasses leadership in areas of domestic and international money remittance, travel, pre-paid and gift cards, utility payments, etc., in emerging countries such as India. EbixCash, through its travel portal Via.com, is also one of Southeast Asia’s leading travel exchanges with over 110,000 distribution outlets and 8,000 corporate clients processing over 24.5 million transactions every year.

Ebix's goal is to be the leading powerhouse of insurance and financial transactions in the world. The Company’s technology vision is to focus on the convergence of all channels, processes and entities in a manner such that data seamlessly flows once a data entry has initially been made. Ebix strives to work collaboratively with clients to develop innovative technology strategies and solutions that address specific business challenges and requirements. Ebix combines the newest technologies with its capabilities in consulting, systems design and integration, IT and business process outsourcing, applications software, and web and application hosting to meet the individual needs of organizations.

Offices and Geographic Information

The Company has its worldwide headquarters in Johns Creek, Georgia with its international operations being managed from its Singapore offices, and it also has domestic operations in Santa Barbara, Pasadena and Hemet, California; Miami, Florida; Pittsburgh, Pennsylvania; Salt Lake City, Utah; Grove City, Ohio; Bohemia, New York; Norwalk and New Britain, Connecticut; Portland, Michigan; Birmingham, Alabama; Iselin, New Jersey as well as an additional operations office in Johns Creek, Georgia. The Company also has multiple operating facilities and offices in Australia, Brazil, Thailand, New Zealand, the United Kingdom, Canada, Singapore, United Arab Emirates, and India. In these operating offices, Ebix employs insurance and technology professionals who provide products, services, support and consultancy to thousands of customers across six continents.

Results of Operations — Three Months Ended September 30, 2018 and 2017

Operating Revenue

The Company derives its revenues primarily from subscription and transaction fees pertaining to services delivered over our exchanges or from our ASP platforms, fees for business process outsourcing services, and fees for software development projects including associated fees for consulting, implementation, training, and project management provided to customers with installed systems, e-governance solutions to governmental agencies in the health and education sectors, as well as foreign exchange, remittance (both inward and outward) and related services, including travel, from our new financial exchange. International revenue accounted for 62.4% and 43.3% of the Company's total revenue for the three months ended September 30, 2018 and 2017, respectively.

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Ebix's revenue streams come from four product/service channels. Presented in the table below is the breakout of our revenues for each of those product/service channels for the three and nine month periods ended September 30, 2018 and 2017.

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
(In thousands)	2018	2017	2018	2017
Exchanges	$106,853	$64,130	$290,292	$177,117
Broker Systems	3,414	3,715	10,720	11,098
RCS	18,066	24,265	59,340	68,780
Carrier Systems	310	690	1,147	2,295
Totals	$128,643	$92,800	$361,499	$259,290

The Company is continuing to evaluate the classification of the 2017 and 2018 acquisitions that collectively make up the EbixCash Financial Exchanges, refer to Part I, Item I Business in our Form 10-K for the year ended December 31, 2017. Currently they are reported under Exchange channel, but this is subject to change based on the conclusions of our evaluations.

During the three months ended September 30, 2018 our total operating revenues increased $35.8 million or 39%, to $128.6 million as compared to $92.8 million during the third quarter of 2017.

With respect to business acquisitions completed during the years 2018 and 2017 on a pro forma basis, as disclosed in the pro forma financial information table in Note 3 of the Condensed Notes to the Condensed Consolidated Financial Statements, combined revenues decreased 8.49% for the three months ending September 30, 2018 versus the same periods in 2017. The 2018 and 2017 pro forma financial information assumes that all business acquisitions made during this period were made on January 1, 2017, whereas the Company's reported financial statements for three months ended September 30, 2018 only includes the revenues from these businesses since the effective date that they were acquired or consolidated by Ebix, being April 2017 for Itzcash, June 2017 for beBetter, September 2017 for YouFirst, October 2017 for Wall Street, November 2017 for Paul Merchants, November 2017 for Via, February 2018 for Transcorp, April 2018 for Centrum, April 2018 for Smartclass, July 2018 for Indus, July 2018 for Mercury, July 2018 for Leisure Corp and August 2018 for Miles.

The above referenced pro forma information and the relative comparative change in pro forma and reported revenues are based on the following premises:

•2018 and 2017 pro forma revenue contains actual revenue of the acquired entities before acquisition date, as reported by the sellers, as well as actual revenue of the acquired entities after acquisition, whereas the reported growth in revenues of the acquired entities after acquisition date are only reflected for the period after their acquisition.

•Revenue billed to existing clients from the cross selling of acquired products has been assigned to the acquired section of our business.

•Any existing products sold to new customers obtained through a newly acquired customer base are assigned to the acquired section of our business.

•Pro formas do not include post acquisition revenue reductions as a result of discontinuation of any product lines and/or customer projects by Ebix in line with the Company's initiatives to maximize profitability.

Cost of Services Provided

Costs of services provided, which includes costs associated with maintenance, customer support, call center, consulting, implementation and training services, increased $8.0 million or 23%, to $43.0 million in the third quarter of 2018 as compared to $34.9 million in the third quarter of 2017. This increase is primarily due to costs associated with operations of recent acquisitions of Via, Ebix Money, and Leisure partially offset by reduced U.S. consulting salary costs and a reduction of our e-governance service contracts executed within the Ebix Vayam Limited JV.

Product Development Expenses

The Company's product development efforts are focused on the development of new processing technologies, software, systems and related services for use by healthcare professionals, consumers, insurance carriers, brokers and

agents, and the development of new data exchanges for use in the domestic and international insurance markets.
Product development expenses

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increased $2.5 million or 29% to $11.0 million during the third quarter of 2018 as compared to $8.5 million during the third quarter of 2017. This increase is primarily due to costs associated with the operations of the recent acquisition of Indus.

Sales and Marketing Expenses

Sales and marketing expenses increased $888 thousand or 23%, to $4.7 million in the third quarter of 2018 as compared to $3.8 million in the third quarter of 2017 primarily due to costs associated with operations of recent acquisitions of SmartClass and Centrum.

General and Administrative Expenses

Reported general and administrative expenses increased $13.3 million or 90% to $28.2 million in the third quarter of 2018 as compared to $14.9 million in the third quarter of 2017 primarily due to costs associated with operations of recent acquisitions of Centrum, SmartClass, Via, Mercury and Indus.

Amortization and Depreciation Expenses

Amortization and depreciation expenses decreased $186 thousand or 7% to $2.5 million in the third quarter of 2018 as compared to $2.7 million in the third quarter of 2017.

Interest Income

Interest income decreased $272 thousand or 73% to $103 thousand in the third quarter of 2018 as compared to $375 thousand in the third quarter of 2017 primarily due to interest earned from our EbixCash Financial exchanges included in operating revenue in 2018.

Interest Expense

Interest expense increased $3.9 million or 110%, to $7.5 million in the third quarter of 2018 as compared to $3.6 million in the third quarter of 2017. Interest expense increased primarily due to the increase in the average outstanding balance on our commercial banking credit facilities, which increased 86% to $618.1 million during Q3 2018 from $331.7 million during Q3 of 2017, as well as an increase in the underlying interest rate which increased to 4.63% for Q3 2018 versus 4.0% for Q3 2017.

Foreign Currency Exchange Gain (Loss)

Net foreign currency exchange losses for the three months ended September 30, 2018 in the amount of $921 thousand consists of $846 thousand of losses realized upon the settlement of receivables or payables and re-measurement of cash balances denominated in currencies other than the functional currency of the respective operating division recording the instrument, and $75 thousand of unrealized losses pertaining to the re-measurement of outstanding receivables or payables denominated in currencies other than the functional currency of the respective operating division recording the instrument.

Income Taxes

The Company recorded income tax expense of $1.68 million (5.42%) during the three months ended September 30, 2018 which included discrete items for additions to the reserve for uncertain tax positions. The income tax expense exclusive of discrete items for the three months ended September 30, 2018 is $1.65 million (5.33%). Our tax expense and effective tax rate increased year over year, exclusive of discrete charges, due to a new minimum tax on global intangible low-taxed income (“GILTI”) earned by foreign subsidiaries as part of the Tax Act. The Company expects its full year tax rate before discrete items to be approximately 6.54%.

On December 22, 2017, the U.S. enacted the Tax Act, which implemented a number of changes that took effect on January 1, 2018, including but not limited to, a new minimum tax on GILTI earned by foreign subsidiaries. The Company estimated the impact of GILTI on the expected annual effective income tax rate and recorded a provisional tax expense. Any adjustment of the Company’s provisional tax expense will be reflected as a change in estimate in its results in the period in which the change in estimate is made in accordance with ASU 2018-05 Income Taxes (Topic 740), Amendments to SEC Paragraphs Pursuant to Staff Accounting Bulletin No. 118. ASU 2018-05 allows for a measurement period of up to one year after the enactment date of the Act to finalize the recording of the related tax impacts. In addition, the Company continues to gather information to compute the amount of the Transition Tax under the Tax Act and will complete the accounting in its December 31, 2018 financial statements.

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Results of Operations — Nine Months Ended September 30, 2018 and 2017

Operating Revenue

During the nine months ended September 30, 2018 our total operating revenues increased $102.2 million or 39%, to $361.5 million as compared to $259.3 million during the same period in 2017.

International revenue accounted for 59.4% and 39.2% of the Company’s total revenue for the nine months ended September 30, 2018 and 2017, respectively.

With respect to business acquisitions completed during the years 2018 and 2017 on a pro forma basis, as disclosed in the pro forma financial information table in Note 3 of the Condensed Notes to the Condensed Consolidated Financial Statements, combined revenues decreased 5.7% for the nine months ending September 30, 2018 versus the same periods in 2017. The 2018 and 2017 pro forma financial information assumes that all business acquisitions made during this period were made on January 1, 2017, whereas the Company's reported financial statements for nine months ended September 30, 2018 only includes the revenues from these businesses since the effective date that they were acquired or consolidated by Ebix, being April 2017 for Itzcash, June 2017 for beBetter, September 2017 for YouFirst, October 2017 for Wall Street, November 2017 for Paul Merchants, November 2017 for Via, February 2018 for Transcorp, April 2018 for Centrum and April 2018 for Smartclass, July 2018 for Indus, July 2018 for Mercury, July 2018 for Leisure Corp and August 2018 for Miles.

The above referenced pro forma information and the relative comparative change in pro forma and reported revenues are based on the following premises:

•2018 and 2017 pro forma revenue contains actual revenue of the acquired entities before acquisition date, as reported by the sellers, as well as actual revenue of the acquired entities after acquisition, whereas the reported growth in revenues of the acquired entities after acquisition date are only reflected for the period after their acquisition.

•Revenue billed to existing clients from the cross selling of acquired products has been assigned to the acquired section of our business.

•Any existing products sold to new customers obtained through a newly acquired customer base are assigned to the acquired section of our business.

•Pro formas do not include post acquisition revenue reductions as a result of discontinuation of any product lines and/or customer projects by Ebix in line with the Company's initiatives to maximize profitability.

Cost of Services Provided

Costs of services provided, which includes costs associated with maintenance, customer support, call center, consulting, implementation and training services, increased $35.1 million or 39%, to $126.1 million during the nine months ended September 30, 2018 as compared to $91.1 million during the same period in 2017. This increase is primarily due to costs associated with operations of recent acquisitions of ItzCash,Via, Ebix Money, Leisure and Smartclass partially offset by reduced U.S. consulting salary costs and a reduction of our e-governance service contracts executed within the Ebix Vayam Limited JV.

Product Development Expenses

The Company’s product development efforts are focused on the development of new processing technologies, software, systems and related services for use by healthcare professionals, consumers, insurance carriers, brokers and agents, and the development of new data exchanges for use in the domestic and international insurance markets. Product development expenses increased $2.8 million or 11%, to $28.1 million during the nine months ended September 30, 2018 as compared to $25.3 million during the same period in 2017. This increase is primarily due to costs associated with operations of recent acquisitions of Indus and Miles.

Sales and Marketing Expenses

Sales and marketing expenses increased $1.2 million or 10%, to $13.5 million during the nine months ended September 30, 2018 as compared to $12.3 million during the same period in 2017 primarily due to promotional activities in India.

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General and Administrative Expenses

Reported general and administrative expenses increased $32.3 million or 77% to $74.4 million during the nine months ended September 30, 2018 as compared to $42.2 million during the same period in 2017 primarily due to costs associated with operations of recent acquisitions of Via, Ebix Money, Centrum, Mercury, Miles, Indus and Smartclass, a $1.9 million increase in professional fees, and a $1.5 million increase in bad debt expense.

Amortization and Depreciation Expenses

Amortization and depreciation expenses decreased $459 thousand or 6% to $7.9 million during the nine months ended September 30, 2018 as compared to $8.3 million during the same period in 2017.

Interest Income

Interest income decreased $1.3 million or 81% to $309 thousand during the nine months ended September 30, 2018 as compared to $1.6 million during the same period in 2017 primarily due to interest earned from our EbixCash Financial exchanges included in operating revenue in 2018.

Interest Expense

Interest expense increased $9.0 million or 100%, to $18.1 million during the nine months ended September 30, 2018 as compared to $9.0 million during the same period in 2017. Interest expense increased primarily due to the increase in the average outstanding balance on our commercial banking credit facilities, which increased 67% to $514.0 million during during nine months ending September 30, 2018 from $307.1 million during nine months ending September 30, 2017, as well as an increase in the underlying average interest rate which increased to an average of 4.4% during nine months ending September 30, 2018 versus 3.6% for the same nine-month period in 2017.

Foreign Currency Exchange Gain (Loss)

Net foreign currency exchange losses for the nine months ended September 30, 2018 in the amount of $2.9 million consists of $1.6 million of losses realized upon the settlement of receivables or payables and re-measurement of cash balances denominated in currencies other than the functional currency of the respective operating division recording the instrument, and $1.3 million of unrealized losses pertaining to the re-measurement of outstanding receivables or payables denominated in currencies other than the functional currency of the respective operating division recording the instrument.

Income Taxes

The Company recorded income tax expense of $6.03 million (6.64%) during the nine months ended September 30, 2018 which included discrete items for additions to the reserve for uncertain tax positions. The income tax expense exclusive of discrete items for the nine months ended September 30, 2018 is $5.94 million (6.54%), respectively. Our tax expense and effective tax rate increased year over year, exclusive of discrete charges, due to a new minimum tax on global intangible low-taxed income (“GILTI”) earned by foreign subsidiaries as part of the Tax Act. The Company expects its full year tax rate before discrete items to be approximately 6.54%.

On December 22, 2017, the U.S. enacted the Tax Act, which implemented a number of changes that took effect on January 1, 2018, including but not limited to, a new minimum tax on GILTI earned by foreign subsidiaries. The Company estimated the impact of GILTI on the expected annual effective income tax rate and recorded a provisional tax expense. Any adjustment of the Company’s provisional tax expense will be reflected as a change in estimate in its results in the period in which the change in estimate is made in accordance with ASU 2018-05 Income Taxes (Topic 740), Amendments to SEC Paragraphs Pursuant to Staff Accounting Bulletin No. 118. ASU 2018-05 allows for a measurement period of up to one year after the enactment date of the Act to finalize the recording of the related tax impacts. In addition, the Company continues to gather information to compute the amount of the Transition Tax under the Tax Act and will complete the accounting in its December 31, 2018 financial statements.

Liquidity and Capital Resources

The Company's ability to generate significant cash flows from ongoing operating activities is one of its fundamental financial strengths. Our principal sources of liquidity are the cash flows provided by the Company's operating activities, the Company's commercial banking credit facility, and cash and cash equivalents on hand. Due to the effect of temporary or timing differences resulting from the differing treatment of items for tax and accounting purposes (including the treatment of net operating loss carry-forwards and minimum alternative tax obligations in the U.S., Great Britain, and India), future cash outlays for income taxes are expected to exceed income tax expense. We intend

to utilize cash flows generated by our operations, in combination with our

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commercial bank credit facility, and the possible issuance of additional equity or debt securities, to fund capital expenditures and organic growth initiatives, to make strategic and accretive business acquisitions in the insurance services sector, and to re-purchase shares of our common stock as market conditions warrant.

We believe that anticipated cash flows provided by our operating activities, together with current cash and cash equivalent balances, access to our credit facilities, and access to the capital markets, if required and available, will be sufficient to meet our projected cash requirements for the foreseeable future, although any projections of future cash needs, cash flows, and the condition of the capital markets in general, as to the availability of debt and equity financing, are subject to substantial uncertainty.

Our cash and cash equivalents were $135.0 million and $63.9 million at September 30, 2018 and December 31, 2017, respectively. The $7.3 million of restricted fiduciary funds is associated with the EbixHealth JV and pertains to un-remitted insurance premiums and claim funds established for the benefit of various carriers which are held in a fiduciary capacity until disbursed.

The free flow of cash from certain countries where we hold significant cash balances may be subject to repatriation tax effects and other restrictions. Specifically the repatriation of earnings from some of our foreign subsidiaries could result in the application of withholding taxes at that foreign source as well as a tax at the U.S. parent level upon receipt of repatriated amounts. The approximate cash, cash equivalents, and short-term investments balances held in our domestic U.S. operations and each of our foreign subsidiaries as of November 5, 2018 are presented in the table below (figures denominated in thousands):

Country/Region	Cash and ST investments
United States	$ 10,004
Canada	311
Latin America	1,385
Australia	3,459
Singapore	4,913
New Zealand	622
India	78,189
Europe	473
Mauritius	59
Philippines	5,973
Indonesia	4,244
United Arab Emirates	482
Total	$ 110,114

Our current ratio slightly decreased to 1.56 at September 30, 2018 from 1.72 at December 31, 2017 while our working capital position increased to $125.8 million at September 30, 2018 from $106.0 million at the end of 2017. While our Current ratio decreased, our short-term liquidity has primarily increased due to increased cash and cash equivalents and accounts receivables. Partially offseting these are increased accounts payable and accrued expenses, deferred revenues, and other current liabilities. The Company's days sales outstanding in accounts receivable ("DSO") was 108 days at September 30, 2018 up 16 days from 92 days at December 31, 2017. The increase is primarily due to the timing of credit card transaction settlements in our Via.com division and certain e-governance and other India contracts that have longer payment terms.

We believe that Ebix's ability to generate sustainable and robust cash flows from operations will enable the Company to continue to fund its current liabilities from current assets including available cash balances for the foreseeable future.

Business Combinations

The Company seeks to execute accretive business acquisitions in combination with organic growth initiatives as part of its comprehensive business growth and expansion strategy. The Company looks to acquire businesses that are complementary to Ebix's existing products and services.

During the nine months ended September 30, 2018, the Company completed seven business acquisitions, as follows:

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Effective August 1, 2018 Ebix entered into an agreement to acquire India based Miles Software ("Miles"), a provider of on-demand software on wealth and asset management to banks, asset managers and wealth management firms, for approximately $18.3 million, included in other current liabilities of the Company's Condensed Consolidated Balance Sheet as it was not funded until October 2018, plus possible future contingent earn-out payments of up to $8.3 million based on earned revenues over the subsequent twenty-four month period following the effective date of the acquisition. The valuation and purchase price allocation remains preliminary and will be finalized as soon as practicable but in no event longer than one year from the effective date of this transaction.

Effective July 1, 2018 Ebix entered into an agreement to acquire India based Leisure Corp ("Leisure") for approximately $2.1 million, with the goal of creating a new travel division to focus on a niche segment of the travel market. The valuation and purchase price allocation remains preliminary and will be finalized as soon as practicable but in no event longer than one year from the effective date of this transaction.

Effective July 1, 2018 Ebix entered into an agreement to acquire India based Mercury Travels for approximately $13.2 million, with the goal of creating a new travel division to focus on a niche segment of the travel market. Mercury’s Forex business will be integrated into EbixCash’s existing CDL Forex exchange business. The valuation and purchase price allocation remains preliminary and will be finalized as soon as practicable but in no event longer than one year from the effective date of this transaction.

Effective July 1, 2018 Ebix entered into an agreement to acquire India based Indus Software Technologies Pvt. Ltd. ("Indus"), a global provider of enterprise lending software solutions to financial institutions, captive auto finance and telecom companies, for approximately $22.9 million plus possible future contingent earn-out payments of up to $5.0 million based on earned revenues over the subsequent twenty-four month period following the effective date of the acquisition. The valuation and purchase price allocation remains preliminary and will be finalized as soon as practicable but in no event longer than one year from the effective date of this transaction.

Effective April 1, 2018 Ebix entered into an agreement to acquire India based CentrumDirect Limited ("Centrum"), a leader in India’s foreign exchange and outward remittance markets for approximately $179.5 million. This acquisition was funded June 2018. Centrum will be tightly integrated into Ebix’s Financial Exchange EbixCash offering in India and abroad, with key Centrum business executives becoming an integral part of the combined EbixCash senior leadership. The valuation and purchase price allocation remains preliminary and will be finalized as soon as practicable but in no event longer than one year from the effective date of this transaction.

Effective April 1, 2018 Ebix entered into an agreement to acquire a 60% stake in India based Smartclass, a leading e-learning Company engaged in the business of education services, development of education products, and implementation of education solutions for K-12 Schools. Under the terms of the agreement Ebix paid $8.6 million in cash for its stake in Smartclass. The valuation and purchase price allocation remains preliminary and will be finalized as soon as practicable but in no event longer than one year from the effective date of this transaction.

Effective February 1, 2018 Ebix acquired the MTSS Business of Transcorp for upfront cash consideration in the amount of $7.25 million, of which $6.55 million was funded with cash and $700 thousand assumed in liabilities. Ebix is consolidating this recent acquisition into Ebix's Financial Exchange operations which will bring synergies and reduce certain redundancies to the combined operation.

During the twelve months ended December 31, 2017, the Company completed six business acquisitions, as follows:

Effective November 1, 2017 Ebix acquired Via, a recognized leader in the travel space in India and an Omni-channel online travel and assisted e-commerce exchange. Ebix acquired Via for upfront cash consideration in the amount $78.8 million plus possible future contingent payments of up to $2.3 million based on any potential claims made by tax authorities over the subsequent twelve-month period following the effective date of the acquisition and $2.0

million based on the receipt of refunds pertaining to certain advance tax payments and withholding taxes, both of which are included in Other current liabilities in the Company's Consolidated Balance Sheet.

Effective November 1, 2017 Ebix acquired the MTSS Business of Paul Merchants, the largest international remittance service provider in India, for upfront cash consideration in the amount $37.4 million.

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Effective October 1, 2017 Ebix acquired the MTSS Business of Wall Street, an inward international remittance service provider in India, along with the acquisition of its subsidiary company Goldman Securities Limited for upfront cash consideration in the amount $7.4 million.

On August 18, 2017 Ebix entered into an agreement to acquire MTSS Business of YouFirst Money Express Private Limited ("YouFirst") for upfront cash consideration in the amount $10.2 million. The acquisition, effective September 1, 2017, was funded in October following the securing of requisite approvals for the closing.

Effective June 1, 2017 Ebix acquired the assets of beBetter a technology enabled corporate wellness provider that provides end-to-end wellness solutions offering a variety of tools and programs, including interactive platforms, health screening, coaching, tobacco cessation, weight and stress management, health information, and numerous other products and services. Ebix acquired the assets and intellectual property of beBetter for $1.0 million plus possible future contingent earn-out payments of up to $2.0 million based on earned revenues over the subsequent twenty-four month period following the effective date of the acquisition.

Effective April 1, 2017 Ebix entered into a joint venture with ItzCash, India’s leading payment solutions exchange. ItzCash is recognized as a leader in the prepaid cards and bill payments space in India. Under the terms of the agreement, ItzCash was valued at a total enterprise value of approximately $150.0 million. Accordingly, Ebix acquired an 80% stake in ItzCash for $120.0 million including upfront cash of $76.3 million plus possible future contingent earn-out payments of up to $44.0 million based on earned revenues over the subsequent thirty-six month period following the effective date of the acquisition. $3.8 million of the possible future contingent earn-out payments is being held in escrow accounts for the twelve-month period following the effective date of the acquisition to ensure that the acquired business achieves the minimum specified annual gross revenue threshold, which if not achieved will result in said funds being returned to Ebix. The Company has determined that the fair value of the contingent earn-out consideration is $14.8 million as of September 30, 2018.

A significant component of the purchase price consideration for many of the Company's business acquisitions is a potential subsequent cash earn-out payment based on reaching certain specified future revenue targets. The terms for the contingent earn-out payments in most of the Company's business acquisitions typically address the GAAP recognizable revenues achieved by the acquired entity over a one, two, and/or three year period subsequent to the effective date of their acquisition by Ebix. These terms typically establish a minimum threshold revenue target with achievement of revenues recognized over that target being awarded in the form of a specified cash earn out payment. The Company applies these terms in its calculation and determination of the fair value of contingent earn out liabilities for purchased businesses as part of the related valuation and purchase price allocation exercise for the corresponding acquired assets and liabilities. The Company recognizes these potential obligations as contingent liabilities and are reported as such on its Condensed Consolidated Balance Sheets. As discussed in more detail in Note 1, to the Notes to Condensed Consolidated Financial Statements, these contingent consideration liabilities are recorded at fair value on the acquisition date and are re-measured quarterly based on the then assessed fair value and adjusted if necessary. As of September 30, 2018, the total of these contingent liabilities was $29.3 million, of which $15.1 million is reported in long-term liabilities, and $14.2 million is included in current liabilities in the Company's Condensed Consolidated Balance Sheet. As of December 31, 2017 the total of these contingent liabilities was $37.1 million, of which $33.1 million was reported in long-term liabilities, and $4.0 million was included in current liabilities in the Company's Condensed Consolidated Balance Sheet.

Operating Activities

Net cash provided by our operating activities was $74.2 million for the nine months ended September 30, 2018. The primary components of the cash provided by our operating activities during the nine-month period consisted of net income of $84.6 million, net of $1.3 million of unrealized foreign currency exchange gains, $7.9 million of depreciation and amortization, $178 thousand of net income attributable to a non-controlling interest, $2.2 million of non-cash share-based compensation, and $1.6 million of amortization of capitalized software development costs. Partially offsetting this net cash inflow was $(23.0) million of working capital requirements primarily due to increased outstanding trade accounts receivable and other assets and a decrease in deferred revenues. During the nine months ended September 30, 2018 the Company made $9.3 million of tax payments including $2.5 million of minimum

alternative tax payments in India, which is a component of net deferred tax assets on the Company's Condensed Consolidated Balance Sheets.

Net cash provided by our operating activities was $50.1 million for the nine months ended September 30, 2017. The primary components of the cash provided by our operating activities during the nine-month period consisted of net income of $74.0 million, net of $432 thousand of unrealized foreign currency exchange gains, $8.3 million of depreciation and amortization, $1.0 million of net income attributable to a non-controlling interest, $2.0 million of non-cash share-based compensation, and $1.3 million of amortization of capitalized software development costs. Partially offsetting this net cash inflow was $(35.9) million of working capital requirements primarily due to increased outstanding trade accounts receivable combined with a reduction in accounts payable and accrued operating and payroll expenses. During the nine months ended September 30, 2017 the Company

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made $8.5 million of tax payments including $4.9 million of minimum alternative tax payments in India, which is a component of net deferred tax assets on the Company's Condensed Consolidated Balance Sheets.

Investing Activities

Net cash used for investing activities during the nine months ended September 30, 2018 was $230.4 million, and consisted of $176.1 million (net of cash acquired) used for the acquisition of Centrum, $7.6 million (net of cash acquired) used for the acquisition of SmartClass, $6.6 million used for the acquisition of Transcorp, $24.3 million (net of cash acquired) used for the acquisition of Indus, $11.4 million (net of cash acquired) used for the acquisition of Mercury, $1.3 million (net of cash acquired) used for the acquisition of Leisure, $3.8 million used for the additional investment in ItzCash, $5.8 million primarily for capital expenditures in India , and $3.6 million for software development costs that were capitalized. Partially offsetting these outflows was $5.0 million received from Paul Merchants for a 10% equity interest in Ebix’s combined international remittance business in India and, $4.4 million from the net maturities of marketable securities (specifically bank certificates of deposit).

Net cash used for investing activities during the nine months ended September 30, 2017 was $74.0 million, and consisted of $1.0 million used for the acquisition of beBetter, $70.2 million for the acquisition of ItzCash (net of cash acquired), $1.8 million for the acquisition of YouFirst (net of cash acquired), $2.0 million for the expansion of our product development facilities in India, $3.9 million for the continued build out of our global corporate headquarters campus in Johns Creek, Georgia, $2.1 million for software development costs that were capitalized, and partially offset by $7.5 million for the net maturities of marketable securities (specifically bank certificates of deposit).

Financing Activities

During the nine months ended September 30, 2018 net cash provided by financing activities was $234.3 million which consisted of $124.3 million provided by the refinancing and borrowing from the amended and expanded syndicated credit facility with Regions Bank, $205.0 million provided by the Company's revolving credit facility with Regions and $609 thousand net provided by the EbixCash overdraft facility in India. Partially offsetting this cash inflow were $120.8 million used as part of the refinancing and borrowing from the amended and expanded syndicated credit facility with Regions Bank, $7.1 million was used to pay quarterly dividends to our common stockholder, $2.2 million used to repurchase shares of our common stock and $6.3 million was used to make the scheduled payments against the existing term loan with Regions.

During the nine months ended September 30, 2017 net cash provided by financing activities was $17.4 million which consisted of $80.0 million provided by the Company's revolving credit facility with Regions. Partially offsetting this cash inflow was $45.7 million used to repurchase shares of our common stock, $7.2 million was used to pay quarterly dividends to our common stockholders, and $9.38 million was used to make the scheduled payments against the existing term loan with Regions.

Commercial Bank Financing Facility

On April 9, 2018 the Company and certain of its subsidiaries entered into the Seventh Amendment (the “Seventh Amendment”) to the to the Regions Secured Credit Facility increasing the permitted indebtedness in the form of unsecured convertible notes from $250 million to $300 million.

On February 21, 2018, Ebix, Inc. and certain of its subsidiaries entered into the Sixth Amendment (the “Sixth Amendment”) to the Regions Secured Credit Facility, dated August 5, 2014, among the Company, Regions Bank as Administrative and Collateral Agent ("Regions") and certain other lenders party thereto (as amended, the "Credit Agreement"). The Sixth Amendment amends the Credit Agreement by increasing its existing credit facility from $450 million to $650 million, to assist in funding its growth. The increase in the bank line was the result of many members of the existing bank group expanding their share of the credit facility and the addition of BBVA Compass and Bank of the West to the Banking Syndicate, which diversifies Ebix’s lending group under the credit facility to ten participants. The syndicated bank group now comprises ten leading financial institutions that include Regions Bank, PNC Bank,

BMO Harris Bank, BBVA Compass, Fifth Third Bank, KeyBank, Bank of the West, Silicon Valley Bank, Cadence Bank and Trustmark National Bank. Regions Bank continued to lead the banking group while serving as the administrative and collateral agent. PNC Bank and BMO Harris Bank were added as co-syndication agents, BBVA Compass and Fifth Third Bank as co-documentation agent, while Regions Capital Markets, PNC Capital Markets and BMO Harris Bank acted as joint lead arrangers and joint book runners. The new credit facility has the following key components; A five-year term loan for $250 million, with initial repayments starting June 30, 2018 due in the amount $3.13 million for the first eight quarters and increasing thereafter and a five-year revolving credit facility for $400 million. The new credit facility also allows for up to $150 million of incremental facilities. The Credit Agreement carries a leverage-based LIBOR related interest rate, which currently stands at approximately 4.63%.

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On November 3, 2017 the Company and certain of its subsidiaries entered into the Fifth Amendment (the "Fifth Amendment") to the Credit Agreement to exercise $50 million of its aggregate $100 million accordion option, increasing the total Term Loan Commitment to $175 million. $20 million of the increase was funded on November 3, 2017 and the remaining $30 million shall be disbursed upon the satisfaction of certain closing requirements set forth in the Fifth Amendment. Both such disbursements are tied to permitted acquisitions as set forth in the Fifth Amendment.
On November 3, 2017, the Company and certain of its subsidiaries entered into the Fourth Amendment and Waiver (the "Fourth Amendment") to the Credit Agreement. The Fourth Amendment waives certain technical defaults related to the failure to give required notice with respect to i) the existence of a subsidiary having intellectual property with an aggregate value above a stipulated amount and ii) the additional investment in a joint venture entity resulting in that entity becoming a subsidiary of the Company for the purpose of the Credit Agreement. In addition to such waiver, the Fourth Amendment also loosened the leverage ratios the Company is required to satisfy in connection with permitted acquisitions and for compliance generally.
On October 19, 2017, the Company and certain of its subsidiaries entered into the Third Amendment and Waiver (the "Third Amendment") to the Credit Agreement. The Third Amendment waives certain technical defaults related to the Company's making certain restricted payments in excess of those permitted under the Credit Agreement. In addition to such waiver, the Third Amendment also loosened the limitations on the restricted payment covenant under the Credit Agreement.

On June 17, 2016, the Company and certain of its subsidiaries entered into the Second Amendment (the "Second Amendment") to the Credit Agreement, Regions Capital Markets, PNC Capital Markets, LLC, and TD Securities (USA) as joint Lead Arrangers for the syndicate of lenders (the "Regions Secured Credit Facility"). The Second Amendment increases the total credit facility to $400 million from the prior amount of $240 million, and expands the syndicated bank group to eleven participants by adding seven new participants which include PNC Bank, National Association BMO Harris Bank N.A., Key Bank National Association, HSBC Bank National, Cadence Bank, the Toronto-Dominion Bank (New York Branch), and Trustmark National Bank. The Credit Agreement now consists of a five-year revolving credit component in the amount of $275 million, and a five-year term loan component in the amount of $125 million, with repayments due in the amount $3.13 million due each quarter, starting September 30, 2016. The Credit Agreement also contains an accordion feature, which if exercised and approved by all credit parties, would expand the total borrowing capacity under the syndicated credit facility to $500 million.

As of September 30, 2018 the Company's consolidated balance sheet includes $5.1 million of remaining deferred financing costs in connection with this credit facility, which are being amortized as a component of interest expense over the five-year term of the financing agreement. In regards to these deferred financing costs, $3.1 million pertains to the revolving line of credit component of the Credit Agreement, and $2.0 million pertains to the term loan component of the Credit Agreement of which $449 thousand is netted against the current portion and $1.5 million is netted against the long-term portions of the term loan as reported on the Condensed Consolidated Balance.

At September 30, 2018, the outstanding balance on the revolving line of credit under the Credit Agreement was $399.7 million and the facility carried an interest rate of 4.63%. During the nine months ended September 30, 2018, $246.0 million of draws were made off of the revolving credit facility. The revolving line of credit balance is included in the long-term liabilities section of the Condensed Consolidated Balance Sheets. During the nine months ended September 30, 2018, the average and maximum outstanding balances of the revolving line of credit component of the credit facility were $288.8 million and $399.7 million, respectively.

At September 30, 2018, the outstanding balance on the term loan was $243.8 million of which $12.5 million is due within the next twelve months, with $6.25 million payments having been made during the nine months ended September 30, 2018. This term loan also carried an interest rate of 4.63% . The current and long-term portions of the term loan are included in the respective current and long-term sections of the Condensed Consolidated Balance

Sheets, the amounts of which were $12.5 million and $231.3 million respectively at September 30, 2018.

Contractual Obligations

For a presentation regarding material changes outside the ordinary course of business to the Company's contractual obligations please refer to Notes 3, 4 and 5 of the Notes to Condensed Consolidated Financial Statements.

Off-Balance Sheet Arrangements

We do not engage in off balance sheet financing arrangements.

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Recent Accounting Pronouncements

For information about new accounting pronouncements and the potential impact on our Consolidated Financial Statements, see Note 1 of the condensed notes to the Condensed Consolidated Financial Statements in this Form 10-Q and Note 1 of the notes to consolidated financial statements in our 2017 Form 10-K.

Application of Critical Accounting Policies

The preparation of financial statements in conformity GAAP, as promulgated in the United States, requires our management to make significant estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and related disclosures in our Condensed Consolidated Financial Statements and accompanying notes. We believe the most complex and sensitive judgments, because of their significance to the Condensed Consolidated Financial Statements, result primarily from the need to make estimates and assumptions about the effects of matters that are inherently uncertain. The following accounting policies involve the use of “critical accounting estimates” because they are particularly dependent on estimates and assumptions made by management about matters that are uncertain at the time the accounting estimates are made. In addition, while we have used our best estimates based on facts and circumstances available to us at the time, different estimates reasonably could have been used in the current period, and changes in the accounting estimates that we used are reasonably likely to occur from period to period both of which may have a material impact on our financial condition and results of operations. For additional information about these policies, see Note 1 of the Condensed Notes to the Condensed Consolidated Financial Statements in this Form 10-Q. Although we believe that our estimates, assumptions and judgments are reasonable, they are limited based upon information presently available. Actual results may differ significantly from these estimates under different assumptions, judgments or conditions.

Revenue Recognition

The Company derives its revenues primarily from subscription and transaction fees pertaining to services delivered over our exchanges or from our ASP platforms, fees for risk compliance solution services, and fees for software development projects including associated fees for consulting, implementation, training, and project management provided to customers with installed systems and applications. Sales and value-added taxes are not included in revenues, but rather are recorded as a liability until the taxes assessed are remitted to the respective taxing authorities. Under Topic 606, revenue is recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services.

We determine revenue recognition through the following steps:

- identification of the contract, or contracts, with a customer;
- identification of the performance obligations in the contract;
- determination of the transaction price;
- allocation of the transaction price to the performance obligations in the contract; and
- recognition of revenue when, or as, we satisfy a performance obligation.

For contracts that contain multiple deliverables, we analyze the revenue arrangements in accordance with the relevant technical accounting guidance, which provides criteria governing how to determine whether goods or services that are delivered separately in a bundled sales arrangement should be considered as separate performance obligations for the purpose of revenue recognition. These types of arrangements include obligations pertaining to software licenses, system set-up, and professional services associated with product customization or modification. Delivery of the various contractual obligations typically occurs over periods of less than eighteen months. These arrangements generally do not have refund provisions or have very limited refund terms.

Software development arrangements involving significant customization, modification or production are accounted for in accordance with the appropriate technical accounting guidance issued by FASB using the percentage-of-completion method. The Company recognizes revenue using periodic reported actual hours worked as a percentage of total expected hours required to complete the project arrangement and applies the percentage to the total arrangement fee.

Financial exchange revenue consists largely of transaction-based fees and fees from corporate and retail gift vouchers. The transaction-based fees are primarily based on a percentage of payment value processed for solutions such as retail

and corporate payments, domestic money transfers, and general purpose reloadable cards. Transaction-based fees are recognized at

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the completion of the transaction. Gift voucher revenue is recognized at full purchase value at time of sale with the corresponding cost of vouchers recorded under direct expenses.

Allowance for Doubtful Accounts Receivable

Management specifically analyzes accounts receivable and historical bad debts, write-offs, customer concentrations, customer credit-worthiness, current economic trends and changes in our customer payment terms when evaluating the adequacy of the allowance for doubtful accounts.

Valuation of Goodwill and Other Indefinite-Lived Intangible Assets

Goodwill represents the cost in excess of the fair value of the net assets of acquired businesses. Indefinite-lived intangible assets represent the fair value of acquired contractual customer relationships for which future cash flows are expected to continue indefinitely. In accordance with the relevant FASB accounting guidance, goodwill and indefinite-lived intangible assets are not amortized but are tested for impairment at the reporting unit level on an annual basis or on an interim basis if an event occurs or circumstances change that would likely have reduced the fair value of a reporting unit below its carrying value. Potential impairment indicators include a significant change in the business climate, legal factors, operating performance indicators, competition, and the sale or disposition of a significant portion of the business. The impairment evaluation process first involves an assessment of certain qualitative factors to determine whether the existence of events or circumstances would indicate that it is more likely than not that the fair value of any of our reporting units was less than its carrying amount. If, after assessing the totality of events or circumstances, we were to determine that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then we would not perform the two-step quantitative impairment testing described further below.

The aforementioned two-step quantitative testing process involves comparing the reporting unit carrying values to their respective fair values. We determine the fair value of our reporting units by applying the discounted cash flow method using the present value of future estimated net cash flows. If the fair value of a reporting unit exceeds its carrying value, then no further testing is required. However, if a reporting unit's fair value were to be less than its carrying value, we would then determine the amount of the impairment charge, if any, which would be the amount that the carrying value of the reporting unit's goodwill exceeded its implied value. Projections of cash flows are based on our views of growth rates, operating costs, anticipated future economic conditions and the appropriate discount rates relative to risk and estimates of residual values. We believe that our estimates are consistent with assumptions that marketplace participants would use in their estimates of fair value. The use of different estimates or assumptions for our projected discounted cash flows (e.g., growth rates, future economic conditions, discount rates and estimates of terminal values) when determining the fair value of our reporting units could result in different values and may result in a goodwill impairment charge. We perform our annual goodwill impairment evaluation and testing as of September 30th of each year. This evaluation is done during the fourth quarter each year. During the year ended December 31, 2017 we had no impairment of our reporting unit goodwill balances.

Valuation of Contingent Liabilities related to Earn-Out Obligations from Business Acquisitions

A significant component of the purchase price consideration for many of the Company's business acquisitions is a potential subsequent cash earn-out payment based on reaching certain specified future revenue targets. The terms for the contingent earn out payments in most of the Company's business acquisitions typically address the GAAP recognizable revenues achieved by the acquired entity over a one, two, and/or three year period subsequent to the effective date of their acquisition by Ebix. These terms typically establish a minimum threshold revenue target with achievement of revenues recognized over that target being awarded in the form of a specified cash earn out payment. The Company applies these terms in its calculation and determination of the fair value of contingent earn out liabilities for purchased businesses as part of the related valuation and purchase price allocation exercise for the corresponding acquired assets and liabilities. The Company recognizes these potential obligations as contingent liabilities and are reported as such on its Condensed Consolidated Balance Sheets. During the nine months ended September 30, 2018 and 2017, these aggregate contingent accrued earn-out business acquisition consideration liabilities were reduced by $14.4 million and 3.6 million, respectively, due to re-measurements based on the then assessed fair value and changes in anticipated future revenue levels. During the nine months ended September 30, 2018 and 2017 these reductions to the contingent accrued earn-out liabilities resulted in a corresponding reduction of

$645 thousand and $164 thousand, respectively to general and administrative expenses as reported on the Condensed Consolidated Statements of Income and a reduction of $13.7 million and $3.4 million, respectively to goodwill as reported in the enclosed Condensed Consolidated Balance Sheets. As of September 30, 2018, the total of these contingent liabilities was $29.3 million.

Income Taxes

Deferred income taxes are recorded to reflect the estimated future tax effects of differences between financial statement and tax basis of assets, liabilities, operating losses, and tax credit carry forwards using the tax rates expected to be in effect when

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the temporary differences reverse. Valuation allowances, if any, are recorded to reduce deferred tax assets to the amount management considers more likely than not to be realized. Such valuation allowances are recorded for the portion of the deferred tax assets that are not expected to be realized based on the levels of historical taxable income and projections for future taxable income over the periods in which the temporary differences will be deductible.

The Company also applies FASB accounting guidance on accounting for uncertainty in income taxes positions. This guidance clarifies the accounting for uncertainty in income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements.

Foreign Currency Matters

The functional currency for the Company's foreign subsidiaries in India, Dubai, and Singapore is the U.S. dollar because the intellectual property research and development activities provided by its Dubai and Singapore subsidiary, and the product development and information technology enabled services activities for the insurance industry provided by its India subsidiary, both in support of Ebix's operating divisions across the world, are transacted in U.S. dollars.

The functional currency of the Company's other foreign subsidiaries is the local currency of the country in which the subsidiary operates. The assets and liabilities of these foreign subsidiaries are translated into U.S. dollars at the rates of exchange at the balance sheet dates. Income and expense accounts are translated at the average exchange rates in effect during the period. Gains and losses resulting from translation adjustments are included as a component of other comprehensive income in the accompanying Condensed Consolidated Balance Sheets. Foreign exchange transaction gains and losses that are derived from transactions denominated in a currency other than the subsidiary's functional currency are included in the determination of net income.

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Item 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to foreign currency exchange rate risk related to our foreign-based operations where certain transactions are denominated in other than our entity's functional currency and are subject to market risk with respect to fluctuations in the relative value of those currencies. A majority of the Company’s operations are based in the U.S and India, furthermore the functional currencies in our main India and Singapore offices is the U.S. dollar, and accordingly, a substantial portion of our business transactions are denominated in U.S. dollars. However, the Company has operations in Australia, India (specifically EbixCash), New Zealand, Great Britain, Canada, Brazil, Singapore, Philippines, Indonesia, and United Arab Emirates where we conduct transactions in the local currencies of each of these locations. There can be no assurance that fluctuations in the value of foreign currencies will not have a material adverse effect on the Company’s business, operating results, revenues or financial condition. During the nine months ended September 30, 2018 and 2017 the net change in the cumulative foreign currency translation account, which is a component of accumulated other comprehensive loss within stockholders’ equity, were unrealized gains (losses) of $(61.8) million and $3.9 million, respectively. The Company considered the historical trends in currency exchange rates and determined that it was reasonably possible that adverse changes in our respective foreign currency exchange rates of 20% could be experienced in the near term. Such an adverse change in currency exchange rates would have resulted in reduction to pre-tax income of approximately $11.1 million and $5.1 million for the nine months ended September 30, 2018 and 2017, respectively.

The Company's exposure to interest rate risk relates to its interest expense on outstanding debt obligations and to its interest income on existing cash balances. As of September 30, 2018 the Company had $645.2 million of outstanding debt obligations which consisted of a $243.8 million term loan, a $399.7 million balance on our commercial banking revolving line of credit, and a $1.8 million note due to IHC by the EbixHealth JV. The Company's revolving line of credit bears interest at the rate of LIBOR plus 2.25%, and stood at 4.63% at September 30, 2018. The Company is exposed to market risk in relation to this line of credit in regards to the potential increase in interest expense arising from adverse changes in interest rates. This interest rate risk is estimated as the potential decrease in earnings resulting from a hypothetical 30 basis point increase in the LIBOR rate. Such an adverse change in the LIBOR rate would have resulted in a reduction to pre-tax income of approximately $2.5 million and $915 thousand for the nine months ended September 30, 2018 and 2017, respectively. The Company's average cash balances and short term investments during the nine months ended September 30, 2018 were $135.1 million and its existing cash balances as of September 30, 2018 were $135.0 million. The Company is exposed to market risk in relation to these cash balances in regards to the potential loss of interest income arising from adverse changes in interest rates. This interest rate risk is estimated as the potential decrease in earnings resulting from a hypothetical 20 basis point interest rates earned on deposited funds. Such an adverse change in these interest rates would have resulted in a reduction to pre-tax income of approximately $342 thousand and $323 thousand for the nine months ended September 30, 2018 and 2017, respectively.

There were no other material changes to our market risk exposure during the nine months ended September 30, 2018 and 2017. For additional information regarding our exposure to certain market risks, see “Quantitative and Qualitative Disclosures about Market Risk,” in Part II, Item 7A of our 2017 Form 10-K.

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Item 4: CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain a system of disclosure controls and procedures designed to provide reasonable assurance that the information required to be disclosed by the Company in reports that we file and submit under the Exchange Act is recorded, processed, summarized and reported accurately within the time periods specified in the SEC's rules and forms. Disclosure controls also are designed to reasonably assure that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. Disclosure controls include components of internal control over financial reporting, which consists of control processes designated to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with United States generally accepted accounting principles.

We monitor and evaluate on an ongoing basis our disclosure controls and procedures in order to improve their overall effectiveness. In the course of these evaluations, we modify and refine our internal processes and controls as conditions warrant.

Our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our “disclosure controls and procedures” (as defined in Rule 13a-15(e) promulgated under the Exchange Act) as of September 30, 2018. Based on this evaluation the Company’s Chief Executive Officer and Chief Financial Officer have concluded that as a result of not having completed the remediation of the material weaknesses in internal control over financial reporting identified and described in Item 9A of our Annual Report on Form 10-K for the year ended December 31, 2017, the Company’s disclosure controls and procedures were not effective as of September 30, 2018.

Remediation Plans

Management is actively remediating the identified material weaknesses as identified and described in Item 9A of our Annual Report on Form 10-K, and has identified the following remediation steps:

- The engagement of Ernst & Young LLP to assist in the review and analysis of the Company’s interim and annual income tax provision methodology computations and financial reporting;
- The strengthening of controls for income taxes in 2018 with the use of additional resources and expanded use of independent third party resources and outside legal tax counsel
- Reviewing and revising internal procedures surrounding valuation accounting, including the use of independent third party resources, internal review and documentation processes.

Changes in Internal Control over Financial Reporting

The above described remediation actions are changes in the Company’s internal control over financial reporting (as defined in Securities Exchange Act Rule 13a-15(f) or Rule 15d-15(f)) made in the third quarter of 2018 or in the process of being made that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Part II — OTHER INFORMATION

Item 1: LEGAL PROCEEDINGS

Following the announcement on May 1, 2013 of the Company's execution of a merger agreement with affiliates of Goldman Sachs & Co., twelve putative class action complaints challenging the proposed merger were filed in the Delaware Court of Chancery. These complaints named as Defendants some combination of the Company, its directors, Goldman Sachs & Co. and affiliated entities. On June 10, 2013, the twelve complaints were consolidated by the Delaware Court of Chancery, now captioned In re Ebix, Inc. Stockholder Litigation, CA No. 8526-VCS. On June 19, 2013, the Company announced that the merger agreement had been terminated pursuant to a Termination and Settlement Agreement dated June 19, 2013. After Defendants moved to dismiss the consolidated proceeding, Plaintiffs Desert States Employers & UFCW Union Pension Plan and Gilbert C. Spagnola (collectively, “Lead Plaintiffs”) amended their operative complaint to drop their claims against Goldman Sachs & Co. and focus their allegations on an Acquisition Bonus Agreement (“ABA”) between the Company and Robin Raina. On September 26, 2013, Defendants moved to dismiss the Amended Consolidated Complaint. On July 24, 2014, the Court issued its Memorandum Opinion that granted in

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large part the Company's Motion to Dismiss and narrowed the remaining claims. On September 15, 2014, the Court entered an Order implementing its Memorandum Opinion. On January 16, 2015, the Court entered an Order permitting Plaintiffs to file a Second Amended and Supplemented Complaint. On February 10, 2015, Defendants filed a Motion to Dismiss the Second Amended and Supplemented Complaint, which was granted in part and denied in part in a January 15, 2016 Memorandum Opinion and Order. On October 25, 2016, the Court entered an Order permitting Lead Plaintiffs to file a Verified Third Amended and Supplemented Class Action and Derivative Complaint, which made additional claims and added two directors as Defendants. The Verified Third Amended and Supplemented Class Action and Derivative Complaint was then filed on October 26, 2016. On October 31. 2016, Lead Plaintiffs filed a Motion for Class Certification. On November 1, 2016, Lead Plaintiffs moved for partial summary judgment on Claims (ii), (iii), and (vi) as described below. The directors added as Defendants in the Third Amended and Supplemented Class Action and Derivative Complaint moved to dismiss all Claims against them. The remaining Defendants moved to dismiss certain Claims, and filed answers to the other claims in the Verified Third Amended and Supplemented Complaint. On December 12, 2017, the Court postponed the pending hearing on the Plaintiffs' Motion for Class Certification and the Defendants' motions to dismiss and, instead, granted the Plaintiffs leave to file a Verified Fourth Amended and Supplemented Class Action and Derivative Complaint, which pleading was filed on January 19, 2018. The claims in the fourth amended complaint are as follows: (i) a purported class and derivative claim for breach of fiduciary duty for improperly maintaining the ABA as an unreasonable anti-takeover device; (ii) a purported class claim for breach of the fiduciary duty of disclosure to the stockholders with respect to the Company's 2010 Proxy Statement and 2010 Stock Incentive Plan; (iii) a purported derivative claim for breach of fiduciary duty to the Company in causing incentive compensation to be awarded under the 2010 Stock Incentive Plan; (iv) a purported class and derivative claim for breach of fiduciary duty in adopting certain bylaw amendments on December 19, 2014; (v) a purported class and derivative claim seeking invalidation of the December 19, 2014 bylaw amendments under Delaware law; (vi) a purported claim for breach of fiduciary duty for not duly adopting the ABA at the July 15, 2009 Board meeting, and seeking declaratory relief invalidating the ABA; (vii) a purported claim for breach of the fiduciary duty of disclosure to the stockholders with respect to the ABA, and seeking declaratory relief invalidating the ABA; (viii) a purported claim seeking invalidation of the 2008 Stockholder Meeting, 2008 Certificate Amendment, 2008 Stock Split and subsequent corporate actions; (ix) a purported class claim for breach of fiduciary duty, and seeking declaratory relief invalidating the 2016 CEO Bonus Plan because of incomplete disclosures with respect to the ABA; and (x) for breach of fiduciary duty and declaratory judgment relating to the interpretation of the ABA. Lead Plaintiffs sought declaratory relief with respect to the ABA, the 2010 Stock Incentive Plan, the 2010 Proxy Statement, the bylaw amendments, the 2008 Stockholder Meeting, the 2008 Certificate Amendment, the 2008 Stock Split, and the 2016 CEO Bonus Plan. Lead Plaintiffs also seek compensatory damages, interest, and attorneys' fees and costs, all in unspecified amounts. On May 31, 2018, the plaintiffs filed their Verified Supplement (the "Supplement") to their Verified Fourth Amended and Supplemented Class Action and Derivative Complaint in which they sought to have the April 10, 2018 Stock Appreciation Rights Agreement (the "SAR") adopted by the board of directors of Ebix, which agreement expressly cancelled the July 15, 2009 Acquisition Bonus Agreement declared void ab initio. Specifically, the Supplement added to the Verified Fourth Amended and Supplemented Class Action and Derivative Complaint: one count purporting to state class and derivative claims against all Defendants for such a declaration; one count purporting to state class and derivative claims for breach of fiduciary duty in adopting the SAR; and one count purporting class and derivative claims for breach of fiduciary duty in adopting the SAR as an improper anti-takeover defense. On July 5, 2018, the court entered as an order the parties' stipulation dismissing Count VIII of the FAC, which count had purported to state a claim seeking invalidation of the 2008 stockholders meeting, the 2008 certificate amendment, the 2008 stock dividend and subsequent corporate actions. On July 17, 2018 the court entered an order granting summary judgment as to all Defendants with respect to Counts I, IV, V, VI, VII and X of the FAC, and as to Ebix and Defendants Joseph R. Wright, Jr. and George W. Hebard III with respect to Count IX. Following the court's July 17, 2018 order, the claims remaining from the Verified Fourth Amended and Supplemented Class Action and Derivative Complaint are Count II (against all directors other than Messrs. Wright and Hebard for allegedly false disclosures in Ebix's 2010 proxy statement); Count III (against all directors and challenging grants under a 2010 stock incentive plan); and Count IX (against all directors other than Messrs. Wright and Hebard for

allegedly failing to disclose certain unwritten terms of the ABA). On August 9, 2018, the Court denied Defendants' Motion to Dismiss the Supplement under Court of Chancery Rule 23.1, and granted in part and denied in part Defendants' motion under Court of Chancery Rule 12(b)(6). On July 24, 2018, Plaintiffs filed a motion for leave to file a second supplement to the FAC to assert claims relating to Ebix's July 16, 2018 proxy statement. On August 15, 2018, during the telephonic pretrial conference, the Court denied that motion. The parties then filed pre-trial briefs, and a trial was held on the remaining claims on August 20, 21, and 23, 2018. The parties are currently conducting post-trial briefing, with a hearing scheduled for January 2019. The Company denies any liability and intends to defend the action vigorously.

The Company is involved in various other claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate likely disposition of these matters will not have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity.

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Item 1A: RISK FACTORS

In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the factors discussed in Part I, “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2017, which could materially affect the Company's business, financial condition or future results. There have not been any significant changes with respect to the risk factors described in the Company's 2017 Annual Report on Form 10-K. The risks described in that 2017 Form 10-K and in this Quarterly Report on Form 10-Q are not the only risks that the Company faces. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

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Item 2: REPURCHASES OF EQUITY SECURITIES

Effective February 6, 2017 the Company's Board of Directors unanimously approved an additional authorized share repurchase plan of $150.0 million. The Board directed that the repurchases be funded with available cash balances and cash generated by the Company's operating activities. Under certain circumstances the aggregate amount of repurchases of the Company's equity shares may be limited by the terms and underlying financial covenants regarding the Company's commercial bank financing facility. There were no share repurchases during the three months ended September 30, 2018, and the maximum number (or approximate dollar value) of shares that may yet be purchased under the current program is $131.6 million.

Item 3: DEFAULTS UPON SENIOR SECURITIES
None.

Item 4: MINE SAFETY DISCLOSURES
Not applicable.

Item 5: OTHER INFORMATION
None.

Item 6: EXHIBITS
The exhibits filed herewith or incorporated by reference herein are listed in the Exhibit Index attached hereto.

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EXHIBITS INDEX

Exhibits

3.1	Certificate of Incorporation, as amended, of Ebix, Inc. (filed as Exhibit 3.1 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009 and incorporated herein by reference).
3.2	Amended and Restated Bylaws of Ebix, Inc., effective immediately following the Company's Annual Meeting of Stockholders, held on January 9, 2015 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated December 24, 2014).
3.3	Stock Appreciation Right Award Agreement, dated as of April 10, 2018, by and between Ebix, Inc. and Robin Raina (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated April 16, 2018).
31.1*	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) (Section 302 of the Sarbanes-Oxley Act of 2002).
31.2*	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) (Section 302 of the Sarbanes-Oxley Act of 2002).
32.1*	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101*	XBRL (Extensible Business Reporting Language) - The following materials from Ebix, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2018, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statement of Stockholders' Equity and Comprehensive Income, (iv) the Consolidated Statements of Cash Flows, and (v) Notes to Consolidated Financial Statements which were tagged as blocks of text.

* Filed herewith

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Ebix, Inc.

Date: November 9, 2018	By:	/s/ Robin Raina Robin Raina Chief Executive Officer (Principal Executive Officer)
Date: November 9, 2018	By:	/s/ Sean T. Donaghy Sean T. Donaghy Chief Financial Officer (Principal Financial and Accounting Officer)