EBIX INC
Form 10-K
March 01, 2019
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
þ ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 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)	(I.R.S. Employer Identification Number)
1 Ebix Way	
Johns Creek, Georgia	30097
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (678) 281-2020
Securities registered pursuant to Section 12(b) of the Act:
None
Securities registered pursuant to Section 12(g) of the Act:
Title of each class
Common Stock, par value $0.10 per share
Listed on the Nasdaq Global Capital Market
Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No o
Indicate by check mark whether the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ
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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Table of Contents

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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. (Check one):

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o Emerging growth company o

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

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.

As of February 26, 2019, the number of shares of Common Stock outstanding was 30,546,212. As of June 30, 2018 (the last business day of the registrant’s most recently completed second fiscal quarter), the aggregate market value of Common Stock held by non-affiliates, based upon the last sale price of the shares as reported on the Nasdaq Global Capital Market on such date, was approximately $1.81 billion (for this purpose, the Company has assumed that directors, executive officers and holders of more than 10% of the Company’s common stock are affiliates).

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy for its annual meeting of stockholders are incorporated by reference into Part III Items 10, 11, 12, 13, and 14 of this Form 10-K.

EBIX, INC.
INDEX TO ANNUAL REPORT ON FORM 10-K

SAFE HARBOR REGARDING FORWARD-LOOKING STATEMENTS

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.
This Form 10-K 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. These forward-looking statements include statements regarding future economic conditions, operational performance and financial condition, liquidity and capital resources, acceptance of the Company's products by the market, potential acquisitions and management's plans and objectives. Words such as “may,” “could,” “should,” “would,” “believe,” “expect,” “anticipate,” “estimate,” “intend,” “seek,” “plan,” “project,” “continue,” “predict,” “wi 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 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:

- the willingness of independent insurance agencies to outsource their computer and other processing needs to third parties;
- our ability to raise additional financing to support our capital requirements;
- our ability to make new business acquisitions and integrate such acquired businesses into our operations;
- 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;
- our ability to develop new products and respond to rapid technological changes;
- disruptions in internet connections and the protection of information transmitted over the internet;
- changes in estimates in critical accounting judgments;
- the effective protection of our intellectual property;
- 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 Singapore, Australia and India wherein we have significant operations);
- volatility in 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.

These and other risks are described in more detail in Part I Item 1A, "Risk Factors", as well as in other reports subsequently filed with the SEC.
Except as expressly required by the federal securities laws, 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 or changed circumstances, or for any other reason.
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 web site, www.sec.gov.

Table of Contents

PART I

Item 1. BUSINESS

Company Overview
Ebix, Inc. (“Ebix”, the “Company,” “we” or “our”), a Delaware corporation, was founded in 1976 as Delphi Systems, Inc., a California corporation. In December 2003 the Company changed its name to Ebix, Inc. The Company is listed on the Nasdaq Global Market.
The Company has its worldwide headquarters in Johns Creek, Georgia with its international operations being managed from its Dubai office; and also has domestic and international operations spread across 50+ offices. Amongst other offices, the Company also has operating facilities and offices in Australia, Brazil, New Zealand, Singapore, the United Kingdom, Canada and India. In these operating offices, Ebix employs skilled technology and business professionals who provide products, services, support and consultancy services to more than 16,000 customers across six continents.
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 Software-as-a-Service ("SaaS") enterprise solutions in the area of Customer Relationship management ("CRM"), 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 320,000 physical distribution outlets in many Associations 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 (Forex), travel, pre-paid & gift cards, utility payments, software solutions for lending and wealth management etc. in India and other markets. EbixCash’s Forex operations have emerged as a leader in India’s airport Foreign Exchange business with operations in 32 international airports including Delhi, Mumbai, Bangalore, Hyderabad, Chennai and Kolkata, conducting over $4.8 billion in gross transaction value per year. EbixCash’s inward remittance business in India conducts approximately $5 billion gross annual remittance business, confirming its undisputed leadership position in India. EbixCash, through its travel portfolio of Via and Mercury, is also one of Southeast Asia’s leading travel exchanges with over 2,200+ employees, 212,450+ agent network, 25 branches and over 9,800 corporate clients; processing an estimated $2.5 billion in gross merchandise value per year.
During the year ended December 31, 2018, approximately 80% of Ebix revenues came from on-demand exchanges. EbixCash is also 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.
International revenue accounted for 60.4% and 41.8% of the Company’s total revenue for the twelve months ended December 31, 2018 and 2017, respectively.
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.

2

Table of Contents

Acquisition & Integration Strategy

The Company views business acquisitions as an integral part of the Company's growth strategy, an efficient way to further expand its reach, and an effective utilization of the operating cash generated from the Company's business. However, management does not believe that this acquisition strategy is entirely critical to the Company's future profitability or liquidity. We look at making complimentary accretive acquisitions as and when the Company has sufficient liquidity, stable cash flows, and access to financing at attractive interest rates to do so, if necessary.

The Company seeks to acquire businesses that are synergistic to Ebix's existing products and services. In this regard the Company's goal is to provide comprehensive, on-demand based solutions that simplify transaction processing by carrying data from one end to another seamlessly. Any acquisition made by Ebix typically will fall into one of two different categories: one, wherein the acquired company has products and/or services that are competitive to our existing products and services; and two, wherein the acquired company's products and services are a complement to and an extension of our existing products and services.

In cases where an acquired company's products and services are competitive to our existing products and services, the Company immediately strives towards the goal of providing a single product or service in the functional area, with a common code base around the world rather than having multiple products addressing the same need. In each case, the Company immediately works towards assimilating the best of breed functionality on a common architecture approach, to provide a single product or service to our end customers. The Company's goal remains to provide an easy to use solution for our customer base, while ensuring that any product or service integrates seamlessly with other existing or outside functionalities. Irrespective of whether the acquired company's product/service is retired, or the existing product/service is retired, the Company is focused on maximizing operational efficiency for our business while creating new cutting-edge products and services that can replace either existing or acquired product or service offerings in order to make future product sales and maintenance more efficient.

Once an acquisition is consummated, the infrastructure, personnel resources, sales, product management, development, and other common functions are integrated with our existing operations to ensure that efficiencies are maximized and redundancies eliminated. We generally do not maintain separate sales, development, product management, implementation or quality control functions following the closing of any acquisition, in order to ensure that the integration is efficient across all fronts. The Company integrates and, where appropriate, centralizes certain key functions such as product development, information technology, marketing, sales, finance, administration, and quality assurance immediately after an acquisition, to ensure that the Company can maximize on cost efficiencies. Simultaneously with the integration of any acquired company, the Company's resources and infrastructure are leveraged to work across multiple functions, products and services, making it neither practical nor feasible to precisely separately track and disclose the specific earnings impact from the business combinations we have executed after they have been acquired. Consequently, the concept of “acquisitive growth” versus “organic growth” becomes obscured given the dynamics and underlying operating principals of Ebix's acquisition, integration, and growth strategy. This tactic is a key part of our business strategy that facilitates high levels of efficiency, operating income margins and consistent end-to-end vision for our business, and differentiates the Company from our competitors. Our plan is to make niche acquisitions in the insurance, e-learning, healthcare and finance sectors, integrate them seamlessly into the Company and make them efficient by implementing Ebix's standardized processes, with the goal of increasing operating profits and cash flows for the Company.

In many of the acquisitions made by the Company, there are contingent consideration terms associated with the achievement of certain designated revenue targets for the acquired Company. This structure allows us to still carry on with our integration strategy, while enabling the acquired company to be eligible for a revenue based contingent purchase consideration. Accordingly, we are able to maximize operational productivity while allowing the principals of the acquired company access to a greater opportunity for a contingent reward.

The Company's integration strategies are targeted at improving the efficiency of our business, centralizing key functions, exercising better control over our operations, and providing consistent technology and product vision across all functions, entities and products. This is a key part of our business philosophy designed to enable Ebix to operate at a high level of efficiency and facilitate a consistent end-to-end vision for the industry.

Recent Strategic Business Acquisitions

During the year ended December 31, 2018 the Company completed thirteen business acquisitions, as follows:

Effective December 1, 2018 Ebix entered into an agreement to acquire 74.84% controlling stake in India based Weizmann Forex Limited ("Weizmann") for $63.1 million. Ebix also made a 90-day time bound public offer to acquire the remaining 25.16% publicly-held Weizmann Forex shares for approximately $21.1 million to public shareholders. The valuation and purchase price

Table of Contents

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 December 1, 2018 Ebix acquired the assets of India based Pearl International Tours and Travels Limited ("Pearl"), a provider of a comprehensive range of B2B and B2C travel services under the brand name ‘Sastiticket’, ranging from domestic and international ticketing, incentives travel, leisure products, luxury holidays, and travel documentation for $3.4 million and has been integrated with Ebix Travels’ operations, which has brought in operational synergies and certain redundancies for the acquired operations . 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 December 1, 2018 Ebix acquired India based Lawson Travels ("Lawson"), a B2B provider of travel services and international ticketing, for $2.7 million and same has been integrated with Ebix Travels’ operations to bring in operational synergies and wider country wide footprint. 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 October 1, 2018 Ebix acquired a 70% stake in India based AHA Taxis ("AHA Taxis"), a platform for on-demand inter-city cabs in India for $310 thousand. AHA Taxis focuses its attention on Corporate and Consumer inter-city travel primarily, with a network of thousands of registered AHA Taxis.

Effective October 1, 2018 Ebix acquired a 67% stake in India based Routier ("Routier"), a marketplace for trucking logistics for $413 thousand.

Effective October 1, 2018 Ebix acquired the assets of India based Business Travels Pvt. Ltd ("Business Travels") to for $1.1 million and same has been integrated with Ebix Travels’ operations to expand the wholesale travel and consolidation 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 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, 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.

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 has been integrated into EbixCash’s existing 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.

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 (“Foreign Exchange Operations”) markets for approximately $179.5 million. This acquisition was completed in June 2018. Subsequently, Centrum has been renamed as Ebixcash World Money Limited (“Ebixcash World Money”) and has been tightly integrated into Ebix’s Financial Exchange ‘EbixCash’ offerings in India and abroad, with key business executives of Foreign Exchange Operations becoming an integral part of the combined EbixCash senior leadership.

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 through its E-Learning Venture. Under the terms of the agreement Ebix paid $8.6 million in cash for its stake in Smartclass.

Table of Contents

Effective February 1, 2018 Ebix acquired the Money Transfer Service Scheme ("MTSS") Business of Transcorp International Limited ("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. MTSS operations of Transcorp has been consolidated with EbixCash's MTSS operations resulting in operational synergies and certain redundancies to the combined operation.

During the year 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 with presence in India, Middle East and South East Asia. 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, of which was not achieved after this period 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 Money Transfer Service Scheme ("MTSS") Business of Paul Merchants Limited ("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 Finance Limited ("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.

Effective September 1, 2017 Ebix acquired the MTSS Business of YouFirst Money Express Private Limited ("YouFirst"), an inward international remittance service provider in India, for upfront cash consideration in the amount $10.2 million.

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 December 31, 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. $4.0 million of the possible future contingent earn-out payments was previously 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, which was achieved and paid during the third quarter of 2018. The Company has determined that the fair value of the contingent earn-out consideration is $15.4 million as of December 31, 2018.

During the year ended December 31, 2016 the Company completed two business acquisitions, as follows:

Effective November 1, 2016 Ebix acquired Wdev Solucoes em Technologia SA ("Wdev"), a Brazilian company that provides IT services and software development for the Latin American insurance industry. Ebix acquired Wdev for upfront cash consideration in the amount of $10.5 million, plus possible future contingent earn out payments of up to $15.7 million based on earned revenues over the subsequent thirty-eight month period following the effective date of the acquisition. $2.9 million of the 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.

Effective November 1, 2016 Ebix acquired the assets of IHAC, Inc., d.b.a Hope Health ("Hope Health"), a Michigan corporation and publisher of health and wellness continuing education products. Ebix acquired the assets and intellectual property of Hope Health for $1.72 million.

Table of Contents

Effective July 1, 2016 Ebix and Independence Holdings Corporation ("IHC") jointly executed a Call Notice agreement, whereby Ebix purchased additional common units in the Ebix Health Exchange Holdings, LLC ("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%) controlling equity interest in the EbixHealth JV. Previously, effective September 1, 2015 Ebix and IHC, formed a joint venture named EbixHealth JV. 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 of 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.

Industry Overview

The insurance and financial industry markets have initiatives to reduce paper-based processes and facilitate improvements in the efficiency both at the back-end side and also at the consumer-end side. Such consolidation has involved all industry constituents and is directly impacting the manner in which various products are distributed. Management believes that both the industries will continue to experience significant change and increased efficiencies through online exchanges as reduced paper-based processes are becoming increasingly a norm across the world markets.

Products and Services

The Company reports as a single segment. The Company’s revenues are derived from four product or service groups. Presented in tabular format below is the breakout of our revenue streams for each of those product or service groups for the years ended December 31, 2018, 2017 and 2016:

	For the Year Ended December 31,		
(dollar amounts in thousands)	2018	2017	2016
Exchanges	$396,457	$259,470	$206,427
Broker P&C Systems	14,379	14,674	14,105
Risk Compliance Solutions (“RCS”)	79,976	86,832	74,196
Carrier P&C Systems	7,014	2,995	3,566
Totals	$497,826	$363,971	$298,294

Information on the geographic dispersion of the Company’s revenues and long-lived assets is furnished in Note 15 to the consolidated financial statements, included in Part II Item 8 of this Form 10-K. See Item 1A (Risk Factors) for discussion of certain risks related to our foreign operations.

The Company’s product and service strategy focuses on: (a) expansion of connectivity between all entities through its Exchange family of products in the financial, travel, life, health, workers compensation, risk management, annuity and property and casualty ("P&C") sectors namely the EbixCash and EbixExchange family of products; (b) worldwide sales and support of P&C back-end insurance and broker management systems; (c) worldwide sale, customization, development, implementation and support of its P&C back-end insurance carrier system platforms; (d) risk compliance solution services, which include insurance certificate origination, certificate tracking, claims adjudication call center, consulting services and back office support; and (e) e-governance/e-learning solutions in emerging world markets.

Ebix also provides software development, customization, and consulting services to a variety of entities in the insurance industry, including carriers, brokers, exchanges and standard making bodies.

Ebix’s revenue, at present, is generated through four main channels in which the Company conducts its operations: Exchanges, Carrier Systems, Broker Systems, and Risk Compliance Solutions. The revenue streams for each of these channels are further described below in the following paragraphs.

Exchanges: This channel forms the primary focus of the Company across the world. Ebix operates data exchanges in the areas of finance, travel, life insurance, annuities, employee health benefits, risk management, workers compensation, insurance underwriting, and P&C insurance. Each of these exchanges connects multiple entities within the financial and insurance markets enabling the participant to seamlessly and efficiently carry and process data from one end to another. Ebix’s life, annuity, and employee health benefit exchanges currently operate primarily in the

United States. The P&C exchanges operate primarily in Australia, New Zealand, and the United Kingdom. Ebix financial and travel exchanges currently operate primarily in India, the Middle East and certain ASEAN countries. Exchange revenue is derived from two main sources, namely subscription fees

Table of Contents

associated with accessing the exchange and transaction fees charged for each transaction processed on an Ebix Exchange. These exchanges have been designed to completely adhere to industry and regulatory data standards.
Broker P&C Systems: The Company's main focus in this channel is on markets outside the United States. The Company does not believe that the United States broker systems market can provide the Company with the operating margin levels that the Company seeks. The number of independent brokers has been steadily decreasing in the United States and the space is fairly crowded in terms of the number of software players addressing the market. Consequently, Ebix's primary focus in the area of broker systems is on designing and deploying back-end systems for international P&C insurance brokers who are seeking a worldwide system solution. Ebix has three back-end systems in this area: eGlobal, which targets multinational P&C insurance brokers; WinBeat, which targets P&C brokers in the Australian and New Zealand markets; and, EbixASP, which is a system for the P&C insurance brokers in the United States. Revenue from eGlobal is derived from two main sources, specifically subscription license-based revenues and time and material fees charged to customize the product to a broker's specific functional requirements. Revenue from WinBeat is derived from monthly subscription fees charged to each P&C broker in Australia and New Zealand that has deployed the service. Revenue from EbixASP comes from monthly subscription fees charged to each P&C broker in the United States using the service. Each of these products is continually being redesigned, recoded and updated to adhere to the most current prevailing technologies.
RCS: Ebix's focus in this channel pertains to business process outsourcing services that include providing domain intensive project management, time and material based consulting engagements to clients across the world, the creation and tracking of certificates of insurance issued in the United States and Australian markets, the provision of claims adjudication and settlement, call center, and back office support. Ebix focuses on helping its clients outsource any specific service or manpower to the Company on an onsite or offshore basis. With respect to our insurance certificate related business outsourcing service, Ebix provides a software-based service for the issuance of certificates of insurance that fully adhere to industry standards such as ACORD. Ebix derives transaction-based revenues for each certificate that is created. Ebix also provides a service to track certificates of insurance for corporate clients in the United States and Australia that generates transactional-based revenue for each certificate tracked.
Carrier P&C Systems: This channel is the smallest part of the Company's business, since the Company has continued to de-emphasize its attention to this sector, while focusing its efforts primarily on Exchanges, Healthcare, e-Governance, and e-Learning. Ebix's work in the area of carrier systems pertains to the designing and deploying on-demand back-end systems for P&C insurance companies. Revenue from these services is derived from subscription revenues or license revenues from clients and time and material fees charged to customize these products to an insurance company's specific functional requirements.

Product Development

The Company focuses on maintaining high quality product development standards. Product development activities include research and the development of platform and/or client specific software enhancements such as adding functionality, improving usefulness, increasing responsiveness, adapting to newer software and hardware technologies, or developing and maintaining the Company's websites.
The Company has spent $39.1 million, $33.9 million, and $33.0 million during the years ended December 31, 2018, 2017 and 2016, respectively, on product development initiatives. The Company's product development efforts are focused on the continued enhancement and redesign of the Exchange, broker systems, carrier systems, and RCS product and service lines to keep our technology at the cutting edge in the markets we compete. Development efforts also provide new technologies for insurance carriers, brokers and agents, and the redesign, coding and development of new services for international and domestic markets.

Competition

We believe Ebix is in a unique position of being the only company worldwide in insurance software markets that provides services in all four of our above listed revenue channels. Conversely, though, this also means that in each of these areas Ebix has different competitors. In fact, in most of these areas Ebix has a different competitor in each country in which we operate. In our Exchange operations Ebix often has a different competitor on each line of exchange in each country.

The Company has centralized worldwide product management, intellectual property rights development and software and system development operations in Dubai, Singapore, and India, which provides it a competitive edge. With its strong focus on quality, our Indian operations deliver cutting edge solutions for our customers across the world. India is rich in technical skills and the cost structure is significantly lower as compared to the United States. Ebix continues to expand its India operations as a learning center of excellence with a strong focus on hiring skilled professionals with expertise in insurance systems and software applications. This focus on building this knowledge base combined with the ability to hire more professional resources at India's

Table of Contents

lower cost structure has enabled Ebix to consistently protect its knowledge base and to deliver projects in a cost-effective fashion. The following is a closer and more detailed discussion of our competition in each of these four main channels.

Exchanges: Ebix operates a number of exchanges and the competition for each of those exchanges varies within each of the regions in which Ebix operates.

Life Insurance Exchange - Ebix operates a straight through processing end-to-end Life Exchange service that has three life insurance exchanges in the United States - namely Winflex, TPP, and LifeSpeed. Winflex is an exchange for pre-sale life insurance illustrations between brokers and carriers, TPP is an underwriting and highly customized electronic application platform for Life insurance, while LifeSpeed is an order entry platform for life insurance. Each of these exchanges is presently deployed in the United States and the Company is also continuing to deploy them in other parts of the world. Ebix has one main competitor in the life exchange area: iPipeline. Ebix differentiates itself from this competitor by virtue of having an end-to-end solution in the market as with all of its exchanges being interfaced with other broker systems and customer relationship management ("CRM") services such as EbixCRM. We believe Ebix's exchanges also have the largest aggregation of life insurance brokers and carriers transacting business in the United States.

Annuity Exchange - Ebix operates a straight through processing end-to-end Annuity Exchange service that has three life insurance exchanges in the United States - namely AnnuityNet, AMP and AN4. These exchanges are platforms for annuity transactions between brokers, carriers, broker general agents ("BGAs"), and other entities involved in annuity transactions. These exchanges are mainly deployed in the United States, while the Company endeavors to deploy it in other parts of the world, such as Latin America and Australia. Ebix deployed its AN4 service that was fully developed internally by Ebix, and is highly scalable, customizable and can be delivered over the cloud. Ebix has one main competitor in the annuity exchange area, iPipeline. Again, Ebix differentiates itself from this competitor by virtue of having an end-to-end solution offering in the market with its exchanges being interfaced with broker systems and customer relationship management (CRM) services such as EbixCRM. Ebix exchanges also benefit from transacting the largest amounts of premiums in annuity business on any single exchange in the United States.

Ebix CRM - Ebix's customer relationship management exchange, SmartOffice is designed to address the specific needs of insurance companies, general agents, banks, financial advisors and investment dealers. Smart Office is tightly integrated into EbixExchange Life, Health, P&C and Annuity exchanges as a means to make end-to-end enterprise-wide information exchange seamless for our clients. This insurance industry specific domain expertise gives Ebix a competitive advantage over our competitors in the CRM area such as Salesforce.com, iPipeline and Redtail.

Employee Benefits - Ebix currently provides employee benefit and health insurance exchange services using four platforms namely Facts, LuminX, HealthConnect and EbixEnterprise. EbixEnterprise, which we built from the ground up, is the most recent Enterprise Health Exchange being deployed by Ebix across all 50 states. Collectively, these platforms service approximately nine million lives and produce hundreds of thousands of health insurance quotes annually. These platforms are sold to health carriers and third party administrators. These platforms provide the full range of services such as employee enrollment, claims adjudication, accounting, employee benefits administration accounting and compliance. The HealthConnect insurance quoting portals service the individual and small group marketplace. Ebix has a number of competitors of varying sizes in this area. Trizetto is currently the largest employee benefits software player in the market in the US while there are other smaller size competitors, such as BenefitFocus and Ultimate Software.

A.D.A.M. Health Solutions - Ebix provides multimedia health content, training, patient education, and continuing education that targets large diversified websites, doctors, consumer health portals, country governments, hospitals, healthcare, biomedical, medical device, pharmaceutical, and education organizations. A.D.A.M.'s competitors are a variety of health content companies such as Krames Staywell, Red Nucleus and Anatomy One, who are primarily focused on the US markets. A.D.A.M content is available in Spanish, Portuguese, German and other languages in Asia, Europe, the Middle East and South America.

P&C Exchanges - Ebix operates P&C exchanges in Australia, New Zealand, the United Kingdom, and the United States. All of these exchanges are targeted to the areas of personal and commercial lines, and facilitate the exchange of insurance data between brokers and insurance carriers. Ebix continues to deploy these exchanges in the United States, Asia, Europe, Latin America, and Africa. There is presently little competition in the P&C exchange area in Australia and New Zealand. Our PPL insurance underwriting exchange platform is deployed in London. Our competitive differentiation exists by virtue of having an end-to-end solution offering in the market allowing our exchanges to be interfaced with multiple broker systems.

EbixCash Financial Exchanges - Exchanges - With a "Phygital" strategy that combines 320,000 physical distribution outlets in many Associations 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 (Forex), travel, pre-paid & gift cards, utility payments, lending, wealth management etc. in India and other

Table of Contents

markets. EbixCash's Forex operations have emerged as a leader in India's airport Foreign Exchange business with operations in 32 international airports including Delhi, Mumbai, Bangalore, Hyderabad, Chennai and Kolkata, conducting over $4.8 billion in gross transaction value per year. EbixCash's inward remittance business in India conducts approx. $5 billion gross annual remittance business, confirming its undisputed leadership position in India. EbixCash, through its travel portfolio of Via and Mercury, is also one of Southeast Asia's leading travel exchanges with over 2,200+ employees, 212,450+ agent network, 25 branches and over 9,800 corporate clients; processing an estimated $2.5 billion in gross merchandise value per year.

Broker P&C Systems: Ebix has three broker system offerings for P&C brokers worldwide: eGlobal, WinBeat and EbixASP. The competition for these broker systems varies within each of the regions in which Ebix provides such products and services.

eGlobal is sold throughout the world. The product is multilingual and multicurrency and is available in a number of languages such as English, Chinese, Japanese, French, Portuguese, and Spanish. eGlobal is targeted to the medium and large P&C brokers around the world. eGlobal competition tends to be different in each country with no single competitor having a global offering. eGlobal competes with home grown systems and regional players in each country. Its uniqueness comes from the fact that the product is both multilingual and multicurrency yet still has a common code base around the world with features that are easily activated and deactivated.

WinBeat is a back-end broker system that is currently sold in Australia and New Zealand. It is targeted at small P&C brokers in these countries. The product at present is available only in English and can be deployed in a few hours with minimal training. WinBeat's competition in Australia and New Zealand comes mainly from local vendors such as Lumley and SSP. Ebix intends to deploy WinBeat in a number of emerging insurance markets such as India and China.

Between eGlobal and WinBeat, Ebix's broker systems customer base in Australia spans 632 of the 790 P&C brokers in Australia giving it 80% of the broker systems customer base in this country.

EbixASP is Ebix's P&C broker systems offering for the United States markets. The service is designed around the ACORD insurance standards used in the United States. EbixASP has two main competitors in the United States, specifically Vertafore and Applied Systems.

RCS Services: Ebix's focus in this channel pertains to business process outsourcing services that include providing domain intensive project management, time and material based system consulting services to clients across the world, and claims adjudication/settlement services, in addition to the creation and tracking of certificates of insurance issued in the United States and Australian markets. Ebix's RCS channel focuses on helping its clients outsource any specific service or manpower to the Company on an onsite or offshore basis. Ebix's RCS certificate outsourcing business services are enabled by the Company's SaaS-based proprietary software. Ebix's RCS service offerings currently cater to a large number of Fortune 500 companies in the United States.

Ebix's RCS service offering in the insurance certificate issuance area has one main competitor in the United States, namely Applied Systems. Due to the highly fragmented market, the Ebix RCS service offering in the insurance certificate tracking area also has a number of smaller competitors such as Datamonitor, CMS, and Exigis.

Carrier P&C Systems: Ebix has two carrier system offerings for P&C carriers, Ebix-Advantage and Ebix Advantage Web. Ebix-Advantage is targeted at small, medium and large P&C carriers in the United States that operate in the personal, commercial and specialty line areas of insurance. Ebix AdvantageWeb is designed for the international markets and is targeted at the small, medium and large P&C carriers in the international markets that operate in the personal, commercial and specialty line areas of insurance. Ebix-AdvantageWeb is designed to be multicurrency and multilingual and is deployed in Brazil, the United Kingdom and the United States. Competition to both these products comes from large companies, such as CSC, Guidewire, Xchanging, Accenture and specialty medical malpractice players like Delphi.

Intellectual Property

Ebix seeks protection under federal, state and foreign laws for strategic or financially important intellectual property developed in connection with our business. We regard our software as proprietary while adhering to open architecture industry standards and attempt to protect it with copyrights, trade secret laws and restrictions on the disclosure and transferring of title. Certain intellectual property, where appropriate, is protected by contracts, licenses, registrations, or other protections. Despite these precautions, it may be possible for third parties to copy aspects of the Company’s products or, without authorization, to obtain and use information which the Company regards as trade secrets.

Table of Contents

Employees
As of December 31, 2018, the Company had 9,263 employees, distributed as follows: 94 in sales and marketing, 1,721 in product development, 870 in back-end operations, 284 in administration, general management and finance, and 6,294 in the EbixCash operations. None of the Company’s employees are presently covered by a collective bargaining agreement. Management considers the Company's relations with its employees to generally be good.

Executive Officers of the Registrant
Following are the persons serving as our executive officers as of February 26, 2019, together with their ages, positions and brief summaries of their business experience:

Name	Age	Position	Officer Since
Robin Raina	52	Chairman, President, and Chief Executive Officer	1998
Sean T. Donaghy	53	Chief Financial Officer	2017
Graham Prior	62	Corporate Executive Vice President International Business & Intellectual Property	2012
Leon d'Apice	62	Corporate Executive Vice President & Managing Director - Ebix Australia Group	2012
James Senge Sr.	58	Senior Vice President EbixHealth	2012

There are no family relationships among our executive officers, nor are there any arrangements or understandings between any of those officers and any other persons pursuant to which they were selected as officers.
ROBIN RAINA, 52, has been Ebix’s CEO since September 1999. He has been a Director at Ebix since 2000 and Chairman of the Board at Ebix since May 2002. Mr. Raina joined Ebix, Inc. in October 1997 as our Vice President—Professional Services and was promoted to Senior Vice President—Sales and Marketing in February 1998. Mr. Raina was promoted to Executive Vice President, Chief Operating Officer in December 1998. Mr. Raina was appointed President effective August 2, 1999, Chief Executive Officer effective September 23, 1999 and Chairman in May 2002. Mr. Raina holds an industrial engineering degree from Thapar University in Punjab, India.
SEAN T. DONAGHY, 53, joined Ebix on September 15, 2006 as a Controller and in April 2014 he was named Chief Accounting Officer. Effective January 3, 2017 Mr. Donaghy was appointed as the Company’s Chief Financial Officer. Mr. Donaghy has over 26 years of accounting experience, including 21 years in a management capacity and 16 years of financial reporting for public software companies.
GRAHAM PRIOR, 62, was made an executive officer of the Company in 2012. He serves as Corporate Executive Vice President International Business & Intellectual Property. Mr. Prior has been employed by Ebix since 1996 when the Company acquired Complete Broking Systems Ltd for which Mr. Prior was a part owner. Mr. Prior has been working within the insurance technology industry since 1990 and is currently responsible for the Company’s international operations in Singapore, New Zealand, Australia, Europe, Africa and Asia. Mr. Prior is also responsible for the Company’s worldwide product development initiatives.
LEON d’APICE, 62, was made an executive officer of the Company in 2012 He serves as the Company’s Corporate Executive Vice President and Managing Director – Ebix Australia Group. Mr. d’Apice, has been employed with Ebix since 1996 when the Company acquired Complete Broking Systems Ltd for which Mr. d’Apice was also a part owner. Mr. d’Apice has been in the information technology field since 1977 and is currently responsible for all of the operations of Ebix’s Australia business units.
JAMES SENGE, SR., 58, was made an executive officer of the Company in 2012. He serves as the Company’s Senior Vice President EbixHealth. Mr. Senge has been employed with Ebix since 2008 when the Company acquired Acclamation Systems, Inc. ("Acclamation"). Mr. Senge had been employed by Acclamation since 1979. During his over 32 years with Acclamation/Ebix Mr. Senge has been involved with all facets of the EbixHealth division, including being responsible for the strategic direction and

Table of Contents

day to day operations of the divisions. Mr. Senge's focus is on expanding the Company's reach into the on-demand, end to end technology solutions for the health insurance and healthcare markets. Mr. Senge works from Ebix's Pittsburgh, Pennsylvania office.

General

Our principal executive offices are located at 1 Ebix Way Johns Creek, Georgia 30097, and our telephone number is (678) 281-2020.

Our official web site address is http://www.ebix.com. We make available, free of charge, at http://www.ebix.com, the charters for the committees of our board of directors, our code of conduct and ethics, and, as soon as practicable after we file them with the SEC, our annual reports on Form 10-K, our quarterly reports on Form 10-Q and current reports on Form 8-K. Any waiver of the terms of our code of conduct and ethics for the chief executive officer, the chief financial officer, any accounting officer, and all other executive officers will be disclosed on our Web site. The reference to our web site does not constitute incorporation by reference of any information contained at that site. Certain materials we file with the SEC may also be read and copied at or through the Internet website maintained by the SEC at www.sec.gov.

Item 1A. RISK FACTORS

The following risks and uncertainties are not the only ones facing us. Additional risks and uncertainties, including risks and uncertainties of which we are currently unaware or which we believe are not material also could materially adversely affect our business, financial condition, results of operations or cash flows. In any case, the value of our common stock could decline, and you could lose all or a portion of your investment. See also, "Safe Harbor Regarding Forward-Looking Statements."

Risks Related To Our Business and Industry

Our business may be materially adversely impacted by U.S. and global market and economic conditions, particularly adverse conditions in the insurance industry.

For the foreseeable future, we expect to continue to derive most of our revenue from products and services we provide to the insurance and financial services industries. Given the concentration of our business activities in these industries, we may be particularly exposed to certain economic downturns affecting these industry groups. U.S. and global market and economic conditions have been, and continue to be, disrupted and volatile. General business and economic conditions that could affect us and our customers include fluctuations in economic growth, debt and equity capital markets, liquidity of the global financial markets, the availability and cost of credit, investor and consumer confidence, and the strength of the economies in which our customers operate. A poor economic environment (including as a result of a prolonged U.S. Government shutdown) could result in significant decreases in demand for our products and services, including the delay or cancellation of current or anticipated projects, or could present difficulties in collecting accounts receivables from our customers due to their deteriorating financial condition. Our existing customers may be acquired by or merged into other entities that use our competitors' products, or they may decide to terminate their relationships with us for other reasons. As a result, our sales could decline if an existing customer is merged with or acquired by another company that has a poor economic outlook or is closed.

We may not be able to secure additional financing to support capital requirements when needed.

We may need to raise additional funds in the future in order to fund new product development, organic growth initiatives, acquire new businesses, or for other purposes. Any required additional financing may not be available on terms favorable to us, or at all. If adequate funds are not available on acceptable terms, we may be unable to meet our strategic business objectives or compete effectively, and the future growth of our business could be adversely impacted. If additional funds are raised by our issuing equity securities, stockholders may experience dilution of their ownership and economic interests, and the newly issued securities may have rights superior to those of our common stock. If additional funds are raised by our issuing debt, we may be subject to significant market risks related to interest rates, and operating risks regarding limitations on our activities.

Our future growth may depend in part on acquiring other businesses in our industry.

Table of Contents

We expect to continue to grow, in part, by making business acquisitions. In the past, we have made accretive acquisitions to broaden our product and service offerings, expand our operations, and enter new geographic markets. We may continue to make selective acquisitions, enter into joint ventures, or otherwise engage in other appropriate business investments or arrangements that the Company believes will strengthen Ebix. However, the continued success of our acquisition program will depend on our ability to find and buy other attractive businesses at a reasonable price, to access the requisite financing resources if needed, and to integrate acquired businesses into our existing operations and there is no assurance that we will be able to continue to do so.

Any future acquisitions that we may undertake could be difficult to integrate, disrupt our business, dilute stockholder value and adversely impact our operating results.

Future business acquisitions subject the Company to a variety of risks, including risks associated with an inability to efficiently integrate acquired operations, higher incremental cost of operations, outdated or incompatible technologies, labor difficulties, or an inability to realize anticipated synergies, whether within anticipated time frames or at all; one or more of which risks, if realized, could have an adverse impact on our operations. Among the issues related to the integration of such acquisitions are:

- potential incompatibility of business cultures;
- potential delays in integrating diverse technology platforms;
- potential need for additional disclosure controls and internal controls over financial reporting;
- potential difficulties in coordinating geographically separated organizations;
- potential difficulties in re-training sales forces to market all of our products across all of our intended markets;
- potential difficulties implementing common internal business systems and processes;
- potential conflicts in third-party relationships; and
- potential loss of customers and key employees and the diversion of the attention of management from other ongoing business concerns.

We may not be able to develop new products or services necessary to effectively respond to rapid technological changes.

To be successful, we must adapt to rapidly changing technological and market needs, by continually enhancing and introducing new products and services to address our customers' changing demands. The marketplace in which we operate is characterized by:

- rapidly changing technology;
- evolving industry standards;
- frequent new product and service introductions;
- shifting distribution channels; and

• changing customer demands.

Our future success will depend on our ability to adapt to this rapidly evolving marketplace. We could incur substantial costs if we need to modify our services or infrastructure in order to adapt to changes affecting our market, and we may be unable to effectively adapt to these changes.

The markets for our products and services are highly competitive and are likely to become more competitive, and our competitors may be able to respond more quickly to new or emerging technology and changes in customer requirements.

We operate in highly competitive markets. In particular, the online insurance distribution market, like the broader electronic commerce market, is rapidly evolving and highly competitive. Our insurance software business also experiences competition from certain large hardware suppliers that sell systems and system components to independent agencies and from small independent

Table of Contents

developers and suppliers of software, who sometimes work in concert with hardware vendors to supply systems to independent agencies. Pricing strategies and new product introductions and other pressures from existing or emerging competitors could result in a loss of customers or a rate of increase or decrease in prices for our services different than past experience. Our Internet facilitated businesses may also face indirect competition from insurance carriers that have subsidiaries which perform in-house agency and brokerage functions.

Some of our current competitors have longer operating histories, larger customer bases, greater brand recognition and significantly greater financial and marketing resources than we do. In addition, we believe we will face increasing competition as the online financial services industry develops and evolves. Our current and future competitors may be able to:

- undertake more extensive marketing campaigns for their brands and services;
- devote more resources to website and systems development;
- adopt more aggressive pricing policies; and
- make more attractive offers to potential employees, online companies and third-party service providers.

We operate in a price sensitive market and we are subject to pressures from customers to decrease our fees for the services
and solutions we provide. Any reduction in price would likely reduce our margins and could adversely affect our operating
results.

The competitive market in which we conduct our business could require us to reduce our prices. If our competitors offer discounts on certain products or services in an effort to recapture or gain market share or to sell other products, we may be required to lower our prices or offer other favorable terms to compete successfully. Any of these changes would likely reduce our margins and could adversely affect our operating results. Some of our competitors may bundle products and services that compete with us for promotional purposes or as a long-term pricing strategy or provide guarantees of prices and product implementations. In addition, many of the services and solutions that we provide and market are not unique to us and our customers and target customers may not distinguish our services and solutions from those of our competitors. All of these factors could, over time, limit or reduce the prices that we can charge for our services and solutions. If we cannot offset price reductions with a corresponding increase in the number of sales or with lower spending, then the reduced revenue resulting from lower prices would adversely affect our margins and operating results.

Our current customers might not purchase additional software solutions, renew maintenance agreements or purchase additional professional services, or they might switch to other product or service offerings (including competitive products).
We rely on our existing customer base to generate additional business through purchasing new software solutions as well as maintenance, consulting and training services. Existing customers might cancel or not renew their maintenance contracts, decide not to buy additional products and services, switch to on-premises models or accept alternative offerings from other vendors.

Our future success depends in part on our ability to sell additional features and services, more subscriptions or enhanced offerings of our services to our current customers. This may also require increasingly sophisticated and costly sales efforts that are targeted at senior management. Similarly, the rate at which our customers purchase new or enhanced services depends on a number of factors, including general economic conditions and our customers' reaction to any price changes related to these additional features and services. If our efforts to upsell to our customers are not successful our business may suffer.

If our customers do not renew their subscriptions for our services or reduce the number of paying subscriptions at the time of renewal, our revenue will decline and our business will suffer. If we cannot accurately predict subscription renewals or upgrade rates, we may not meet our revenue targets which may adversely affect the market price of our common stock.

Our customers have no obligation to renew their subscriptions for our services after the expiration of their initial subscription period, and historically some customers have elected not to do so. In addition, our customers may renew for fewer subscriptions, renew for shorter contract lengths or switch to lower cost and/or less profitable offerings of our services. We cannot accurately predict attrition rates given our diverse customer base and large number of multi-year subscription contracts. Our attrition rates may increase or fluctuate as a result of a number of factors, including customer dissatisfaction with our services, decreases in customers' spending levels, decreases in the number of users at our customers, pricing increases or changes in general economic conditions.

Table of Contents

Because we recognize revenue from subscriptions for our services over the term of the subscription, downturns or upturns in new business may not be immediately reflected in our operating results.

We generally recognize revenue from customers ratably over the terms of their subscription agreements, which are typically twelve to thirty-six months. As a result, most of the revenue we report in each quarter is the result of subscription agreements entered into during previous quarters. Consequently, a decline in new or renewed subscriptions in any one quarter may not be reflected in our revenue results for that quarter. Any such decline, however, will negatively impact our revenue in future quarters. Accordingly, the effect of significant downturns in sales and market acceptance of our services, and potential changes in our attrition rate, may not be fully reflected in our results of operations until future periods. Our subscription model also makes it difficult for us to rapidly increase our revenue through additional sales in any period, as revenue from new customers must be recognized over the applicable subscription term.

Supporting our existing and growing customer base could strain our personnel resources and infrastructure, and if we are
unable to scale our operations and increase productivity, we may not be able to successfully implement our business plan.

We continue to experience significant growth in our customer base and personnel, which has placed a strain on our management, administrative, operational and financial infrastructure. We anticipate that additional investments in our internal infrastructure, data center capacity, research, customer support and development will be required to scale our operations and increase productivity, to address the needs of our customers, to further develop and enhance our services, to expand into new geographic areas, and to scale with our overall growth. The additional investments we are making will increase our cost base, which will make it more difficult for us to offset any future revenue shortfalls by reducing expenses in the short term.

We regularly upgrade or replace our various software systems. If the implementations of these new applications are delayed, or if we encounter unforeseen problems with our new systems or in migrating away from our existing applications and systems, our operations and our ability to manage our business could be negatively impacted.

Our success will depend in part upon the ability of our senior management to manage our projected growth effectively. To do so, we must continue to increase the productivity of our existing employees and to hire, train and manage new employees as needed. To manage the expected domestic and international growth of our operations and personnel, we will need to continue to improve our operational, financial and management controls, our reporting systems and procedures, and our utilization of real estate. If we fail to successfully scale our operations and increase productivity, we will be unable to execute our business plan.

Our product development cycles are lengthy, and we may incur significant expenses before we generate revenues, if any, from new products.

Because our products are complex and require rigorous testing, development cycles can be lengthy. Moreover, development projects can be technically challenging and expensive. The nature of these development cycles may cause us to experience delays between the time we incur expenses associated with research and development and the time we generate revenues, if any, from such expenses. If we expend a significant amount of resources on research and development and our efforts do not lead to the successful introduction or improvement of products that are competitive in the marketplace, this could materially and adversely affect our business and results of operations. Additionally, anticipated customer demand for a product we are developing could decrease after the development cycle has commenced. Such decreased customer demand may cause us to fall short of our sales targets, and we may nonetheless be unable to avoid substantial costs associated with the product's development. If we are unable to complete product development cycles successfully and in a timely fashion and generate revenues from such future products, the growth of our business may be harmed.

Our sales cycle is variable and often lengthy, depends upon many factors outside our control, and requires us to expend significant time and resources prior to generating associated revenues.

The typical sales cycle for our solutions and services is lengthy and unpredictable, requires pre-purchase evaluation by a significant number of persons in our customers' organizations, and often involves a significant operational decision by our customers. Our sales efforts involve educating our customers and industry analysts and consultants about the use and benefits of our solutions, including the technical capabilities of our solutions and the efficiencies achievable by organizations deploying our solutions. Customers typically undertake a significant evaluation process.

We regard our intellectual property in general and our software in particular, as critical to our success, and we may not be able to effectively or efficiently protect our intellectual property.

Table of Contents

We rely on copyright laws and licenses and nondisclosure agreements to protect our proprietary rights as well as the intellectual property rights of third parties whose content we license. However, it is not possible to prevent all unauthorized uses of these rights. We cannot provide assurances that the steps we have taken to protect our intellectual property rights, and the rights of those from whom we license intellectual property, are adequate to deter misappropriation or that we will be able to detect unauthorized uses and take timely and effective steps to remedy this unauthorized conduct. In particular, a significant portion of our revenue is derived internationally, including in jurisdictions where protecting intellectual property rights may prove even more challenging. To prevent or respond to unauthorized uses of our intellectual property, we might be required to engage in costly and time-consuming litigation and we may not ultimately prevail.

If we infringe on the proprietary rights of others, our business operations may be disrupted, and any related litigation could be time consuming and costly.

Third parties may claim that we have violated their intellectual property rights. Any such claim, with or without merit, could subject us to costly litigation and divert the attention of key personnel. To the extent that we violate a patent or other intellectual property right of a third party, we may be prevented from operating our business as planned, and we may be required to pay damages, to obtain a license, if available, to use the right or to use a non-infringing method, if possible, to accomplish our objectives. The cost of such activity could have a material adverse effect on our business.

We depend on the continued services of our senior management and our ability to attract and retain other key personnel.

Our future success is substantially dependent on the continued services and continuing contributions of our senior management and other key personnel, particularly Robin Raina, our President and Chief Executive Officer, and Chairman of the Board. Since becoming Chief Executive Officer of the Company in 1999, Mr. Raina's strategic direction and vision for the Company and the implementation of such direction has been instrumental in our profitable turnaround and growth. The loss of the services of any of our executive officers or other key employees could harm our business. Our future success also depends on our ability to continue to attract, retain and motivate highly skilled employees. If we are not able to attract and retain key skilled personnel, our business could be harmed.

If we do not effectively manage our geographically dispersed workforce, we might not be able to run our business efficiently and successfully.

Our success is dependent on appropriate alignment of our internal and external workforce planning processes, adequate resource allocation and our location strategy with our general strategy. We have employees located in the United States, India, Australia, Canada, New Zealand, Brazil, Singapore, and United Kingdom. Managing such a diverse and widely spread work force can be difficult and demanding for management. It is critical that we manage our internationally dispersed workforce effectively, taking short- and long-term workforce and skill requirements into consideration. This applies to the management of our internal as well as our external workforce. Changes in headcount and infrastructure needs as well as local legal or tax regulations could result in a mismatch between our expenses and revenue. Failure to manage our geographically dispersed workforce effectively could hinder our ability to run our business efficiently and successfully and could have an adverse effect on our business, financial position, profit, and cash flows.

Risks Related to Our Conduct of Business on the Internet

Our software solutions are deployed through cloud-based implementations, and if such implementations are compromised by data security breaches or other disruptions, our reputation could be harmed, and we could lose customers or be subject to significant liabilities.

Our software solutions typically are deployed in cloud-based environments, in which our products and associated services are made available using an Internet-based infrastructure. In cloud deployments, the infrastructure of third-party service providers used by our customers may be vulnerable to hacking incidents, other security breaches, computer viruses, telecommunications failures, power loss, other system failures and similar disruptions.

Any of these occurrences, whether intentional or accidental, could lead to interruptions, delays or cessation of operation of the servers of third-party service providers used by our customers, and to the unauthorized use or access of our software and proprietary information and sensitive or confidential data stored or transmitted by our products. The inability of service providers used by our customers to provide continuous access to their hosted services, and to secure their hosted services and associated customer information from unauthorized use, access or disclosure, could cause us to lose customers and to incur significant liability, and could harm our reputation, business, financial condition and results of operations.

Table of Contents

We face risks in the transmittal of individual health-related and other personal information.

We face potential risks and financial liabilities associated with obtaining and transmitting personal account information that includes social security numbers and individual health-related information. Any significant breakdown, invasion, destruction or interruption of our information technology systems and infrastructure by employees, others with authorized access to our systems, or unauthorized persons could negatively affect operations. There can be no assurance that we will not be subject to cyber security incidents that bypass our security measures, result in the loss or theft of personal health information or other data subject to privacy laws or disrupt our information systems or business. While we have invested in the protection of our data and information technology to reduce these risks, there can be no assurance that our efforts will prevent breakdowns or breaches in our systems. The controls implemented by our third-party service providers may not prevent or timely detect such system failures. Our property and business interruption insurance coverage may not be adequate to fully compensate us for losses that may occur. Our risks would include damage to our reputation and additional costs to address and remediate any problems encountered, as well as litigation and potential financial penalties.

Any disruption of our Internet connections could affect the success of our Internet-based products and services.

Any system failure, including network, software or hardware failure, that causes an interruption in our network or a decrease in the responsiveness of our website could result in reduced user traffic and reduced revenue. Continued growth in Internet usage could cause a decrease in the quality of Internet connection service. Websites have experienced service interruptions as a result of outages and other delays occurring throughout the worldwide Internet network infrastructure. In addition, there have been several incidents in which individuals have intentionally caused service disruptions of major e-commerce websites. If these outages, delays or service disruptions frequently occur in the future, usage of our web-based services could grow more slowly than anticipated or decline and we may lose revenues and customers. If the Internet data center operations that host any of our websites or web-based services were to experience a system failure, the performance of our website or web-based services would be harmed. These systems are also vulnerable to damage from fire, floods, and earthquakes, acts of terrorism, power loss, telecommunications failures, break-ins and similar events. The controls implemented by our third-party service providers may not prevent or timely detect such system failures. Our property and business interruption insurance coverage may not be adequate to fully compensate us for losses that may occur. In addition, our users depend on Internet service providers, online service providers and other website operators for access to our website. These providers could experience outages, delays and other difficulties due to system failures unrelated to our systems.

Concerns regarding security of transactions or the transmission of confidential information over the Internet or security problems we experience may prevent us from expanding our business or subject us to legal exposure.

If we do not maintain sufficient security features in our online product and service offerings, our products and services may not gain market acceptance, and we could also be exposed to legal liability. Despite the measures that we have or may take, our infrastructure will be potentially vulnerable to physical or electronic break-ins, computer viruses or similar problems. If a person circumvents our security measures, that person could misappropriate proprietary information or disrupt or damage our operations. Security breaches that result in access to confidential information could damage our reputation and subject us to a risk of loss or liability. We may be required to make significant expenditures to protect against or remediate security breaches. Additionally, if we are unable to adequately address our customers' concerns about security, we may have difficulty selling our products and services.

Uncertainty in the marketplace regarding the use of Internet users' personal information, or legislation limiting such use, could reduce demand for our services and result in increased expenses.

Concern among consumers and legislators regarding the use of personal information gathered from Internet users could create uncertainty in the marketplace. This could reduce demand for our services, increase the cost of doing business as a result of litigation costs or increased service delivery costs, or otherwise harm our business. Many state insurance codes limit the collection and use of personal information by insurance agencies, brokers and carriers or insurance service organizations.

Future government regulation of the Internet could place financial burdens on our businesses.

Because of the Internet's popularity and increasing use, new laws and regulations directed specifically at e-commerce may be adopted. These laws and regulations may cover issues such as the collection and use of data from website visitors and related privacy issues; pricing; taxation; telecommunications over the Internet; content; copyrights; distribution; and domain name piracy. The enactment of any additional laws or regulations, including international laws and regulations, could impede the growth of revenue from our Internet operations and place additional financial burdens on our business.

Table of Contents

Risks Related To Foreign Operations

Our international operations are subject to a number of risks that could affect our revenues, operating results, and growth.

We market our products and services internationally and plan to continue to expand our Internet-based services to locations outside of the United States. We currently conduct operations in Australia, Canada, New Zealand, Brazil, Dubai, India, New Zealand, Singapore and United Kingdom, and have product development activities and call center services in India. Our international operations are subject to other inherent risks which could have a material adverse effect on our business, including:

- the impact of recessions in foreign economies on the level of consumers' insurance shopping and purchasing behavior;
- greater difficulty in collecting accounts receivable;
- difficulties and costs of staffing and managing foreign operations;
- reduced protection for intellectual property rights in some countries;
- burdensome regulatory requirements;
- trade and financing barriers, and differing business practices;
- potentially adverse tax consequences; and
- economic instability or political unrest such as crime, strikes, riots, civil disturbances, terrorist attacks and wars.

A substantial portion of our assets and operations are located outside of the United States and we are subject to regulatory, tax, economic, political and other uncertainties in other foreign countries in which we operate.

We have significant offshore operations in foreign countries, including Australia, Brazil, Canada, Dubai, India, New Zealand, Singapore and United Kingdom. Wages in these countries have historically increased at a faster rate than in the United States. If this trend continues in the future, it would result in increased labor costs and thereby potentially reduce our operating margins. Also, there is no assurance that, in future periods, competition for skilled workers will not drive salaries higher in these countries, thereby resulting in increased costs for our technical professionals and reduced operating margins.

These countries have in the past experienced many of the problems that commonly confront the economies of developing countries, including high inflation, erratic gross domestic product growth and shortages of foreign exchange. Government actions concerning the economy in these countries could have a material adverse effect on private sector entities like us. In the past, certain of these governments have provided significant tax incentives and relaxed certain regulatory restrictions in order to encourage foreign investment in specified sectors of the economy, including the software development services industry. Programs that have benefited us include, among others, tax holidays, liberalized import and export duties and preferential rules on foreign investment and repatriation. Notwithstanding these benefits, as noted above, changes in government leadership or changes in policies in these countries that result in the elimination of any of the benefits realized by us or the imposition of new taxes applicable to such operations could have a material adverse effect on our business, results of operations and financial condition.

Our international business activities and processes expose us to numerous and often conflicting laws and regulations, policies, standards or other requirements and sometimes even conflicting regulatory requirements, and to risks that could harm our business, financial position, profit, and cash flows.

We are a global company and currently market our products and services in Australia, Canada, New Zealand, Brazil, Singapore, India and United Kingdom. Our business in these countries is subject to numerous risks inherent in international business operations. Among others, these risks include:

- Data protection and privacy regulations regarding access by government authorities to customer, partner, or employee data
- Data residency requirements (the requirement to store certain data only in and, in some cases, also to access such data only from within a certain jurisdiction)
- Conflict and overlap among tax regimes

Table of Contents

- Possible tax constraints impeding business operations in certain countries
- Expenses associated with the localization of our products and compliance with local regulatory requirements
- Discriminatory or conflicting fiscal policies
- Operational difficulties in countries with a high corruption perception index
- Works councils, labor unions, and immigration laws in different countries
- Difficulties enforcing intellectual property and contractual rights in certain jurisdictions
- Country-specific software certification requirements
- Compliance with various industry standards
- Market volatilities or workforce restrictions due to changing laws and regulations resulting from political decisions (e.g. Brexit, government elections)

As we expand into new countries and markets, these risks could intensify. The application of the respective local laws and regulations to our business is sometimes unclear, subject to change over time, and often conflicting among jurisdictions. Additionally, these laws and government approaches to enforcement are continuing to change and evolve, just as our products and services continually evolve. Compliance with these varying laws and regulations could involve significant costs or require changes in products or business practices. Non-compliance could result in the imposition of penalties or cessation of orders due to alleged non-compliant activity. We do not believe we have engaged in any activities sanctionable under these laws and regulations, but governmental authorities could use considerable discretion in applying these statutes and any imposition of sanctions against us could be material. One or more of these factors could have an adverse effect on our operations globally or in one or more countries or regions, which could have an adverse effect on our business, financial position, profit, and cash flows.

The decision by British voters to exit the European Union may negatively impact our operations.

The U.K. is currently negotiating the terms of its exit from the European Union (“Brexit”) scheduled for March 29, 2019. In November 2018, the U.K. and the European Union agreed upon a draft Withdrawal Agreement that sets out the terms of the U.K.’s departure, including commitments on citizen rights after Brexit, a financial settlement from the U.K., and a transition period from March 29, 2019 through December 31, 2020 to allow time for a future trade deal to be agreed. On January 15, 2019, the draft Withdrawal Agreement was rejected by the U.K. Parliament creating significant uncertainty about the terms (and timing) under which the U.K. will leave the European Union.

The terms of Brexit and the resulting U.K./E.U. relationship are uncertain for companies doing business both in the U.K. and the overall global economy. The U.K. vote has impacted global markets, including various currencies, and resulted in a sharp decline in the value of the British Pound as compared to the U.S. dollar and other major currencies. The fluctuation of currency exchange rates may expose us to gains and losses on non-U.S. currency transactions. Volatility in the securities markets and in currency exchange rates may continue as the U.K. negotiates its exit from the E.U. While we have not experienced any material financial impact from Brexit on our business to date, we cannot predict its future implications. Any impact from Brexit on our business and operations over the long term will depend, in part, on the outcome of tariff, tax treaties, trade, regulatory, and other negotiations the U.K. conducts.

Our earnings may be adversely affected if we change our intent not to repatriate foreign earnings or if such earnings become subject to U.S. tax on a current basis.

We have earnings outside of the United States. Other than amounts for which we have already accrued U.S. taxes, we consider foreign earnings to be indefinitely reinvested outside of the United States. While we have no plans to do so, events may occur that could effectively force us to change our intent not to repatriate such earnings. If such earnings are repatriated in the future or are no longer deemed to be indefinitely reinvested, we may have to accrue taxes associated with such earnings at a substantially higher rate than our projected effective income tax rate, and we may be subject to additional tax liabilities in certain foreign jurisdictions in which we operate. These increased taxes could have a material adverse effect on our business, results of operations and financial condition.

Table of Contents

Changes to the U.S. federal income tax laws, including the recent comprehensive tax reform legislation, could have an adverse impact on our business and financial results.

On December 22, 2017, the Tax Cuts and Jobs Act ("TCJA") was enacted, substantially changing the U.S. tax system and affecting the Company in a number of ways. Notably, the TCJA: establishes a flat corporate income tax rate of 21.0% on U.S. earnings; imposes a one-time tax on unremitted cumulative non-U.S. earnings of foreign subsidiaries ("Transition Tax");imposes a new minimum tax on certain non-U.S. earnings, irrespective of the territorial system of taxation, and generally allows for the repatriation of future earnings of foreign subsidiaries without incurring additional U.S. taxes by transitioning to a territorial system of taxation; subjects certain payments made by a U.S. company to a related foreign company to certain minimum taxes (Base Erosion Anti-Abuse Tax); eliminates certain prior tax incentives for manufacturing in the United States and creates an incentive for U.S. companies to sell, lease or license goods and services abroad by allowing for a reduction in taxes owed on earnings related to such sales; allows the cost of investments in certain depreciable assets acquired and placed in service after September 27, 2017 to be immediately expensed; and reduces deductions with respect to certain compensation paid to specified executive officers.

In March 2018, the FASB Issued ASU No. 2018-05, Income Taxes (Topic 740): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118 ("SAB No. 118"). ASU 2018-05 was issued to incorporate into Topic 740 recent SEC guidance related to the income tax accounting implications of the TCJA. Due to the complexities involved in accounting for the enactment of the TCJA, the SEC Staff had issued SAB No. 118 which allowed the Company to record provisional amounts in earnings for the year ended December 31, 2017. ASU 2018-05 became effective immediately and permitted companies to use provisional amounts for certain income tax effects of the TCJA during a one-year measurement period. The Transition Tax is based on the Company's total post-1986 earnings and profits that were previously deferred from U.S. income taxes. The Company did not recorded an amount for the Transition Tax expense in 2017, as they did not have the necessary information to determine a reasonable estimate to include as a provisional amount.The Company completed its tax accounting for the TCJA during Q4 2018 and recorded an adjustment of $24.5 million related to the transition tax after taking into consideration carried forward NOLs and other tax attributes available for set-off.

We may have exposure to greater than anticipated tax liabilities.

Our future income taxes could be adversely affected by earnings being lower than anticipated in jurisdictions where we have lower statutory tax rates and higher than anticipated in jurisdictions where we have higher statutory tax rates, by changes in the valuation of our deferred tax assets and liabilities, or due to changes in tax laws, regulations, and accounting principles concerning the accounting for income taxes in the domestic and foreign jurisdictions in which we conduct operations. We are subject to regular review and audit by both domestic and foreign tax authorities. Any adverse outcome of such a review or audit could have a negative effect on our operating results and financial condition. In addition, the determination of our worldwide provision for income taxes requires significant judgment, and there are some transactions for which the ultimate tax treatment is uncertain. Although we believe our estimates are reasonable and appropriate, the ultimate tax outcome may differ from the amounts recorded in our financial statements and may materially affect our financial results in the period or periods for which such determination is made. The tax rates in the foreign jurisdictions in which the Company conducts operations have a significant impact on the Company's financial results and could increase.

Changes in tax laws or tax rulings could materially affect our financial position, results of operations, and cash flows. The income and non-income tax regimes we are subject to or operate under are unsettled and may be subject to significant change. Changes in tax laws or tax rulings, or changes in interpretations of existing laws, could materially affect our financial position, results of operations, and cash flows. For example, changes to U.S. tax laws enacted in December 2017 had a significant impact on our tax obligations and effective tax rate for the fourth quarter of 2017 and in 2018. In addition, many countries in Europe, as well as a number of other countries and organizations, have recently proposed or recommended changes to existing tax laws or have enacted new laws that could significantly increase our tax obligations in many countries where we do business or require us to change the manner in which we operate our business. The Organization for Economic Cooperation and Development has been working on a Base Erosion and Profit Shifting Project, and issued in 2015, and is expected to continue to issue, guidelines and proposals that may change various aspects of the existing framework under which our tax obligations are determined in many of the countries in which we do business. The European Commission has conducted investigations in multiple countries focusing on whether local country tax rulings or tax legislation provides preferential tax treatment that violates European Union state aid rules and concluded that certain countries, including Ireland, have provided illegal state aid in certain cases. These investigations may result in changes to the tax treatment of our foreign operations. Due to the large and expanding scale of our international business activities and expiring tax holiday benefits, many of these types of changes to the taxation of our activities could increase our worldwide effective tax rate and harm our financial position, results of operations, and cash flows.

Table of Contents

Our financial position and operating results may be adversely affected by the changing U.S. Dollar rates and fluctuations in other currency exchange rates.

We will be exposed to currency exchange risk with respect to the U.S. dollar in relation to the foreign currencies in the countries where we conduct operations because a significant portion of our operating expenses are incurred in foreign countries. This exposure may increase if we expand our operations overseas. We will monitor changes in our exposure to exchange rate risk that result from changes in our business operations.

Risks Related To Corporate Governance
Principal shareholders may be able to exert control over our future direction and operations.
If our principal shareholders and the holdings of entities controlled by them vote in the same manner, this could delay, prevent or facilitate a change in control of Ebix or other significant changes to Ebix or its capital structure. Refer to the disclosure regarding "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" in our annual proxy statement for more information.

Provisions in our articles of incorporation, bylaws, and Delaware law may make it difficult for a third party to acquire us, even in situations that may be viewed as desirable by our shareholders.

Our certificate of incorporation and bylaws, and the provisions of Delaware law may delay, prevent or otherwise make it more difficult to acquire us by means of a tender offer, a proxy contest, open market purchases, removal of incumbent directors and otherwise. These provisions, which are summarized below, are expected to discourage coercive takeover practices and inadequate takeover bids, and to encourage persons seeking to acquire control of us to first negotiate with us. We are subject to the "business combination" provisions of Section 203 of the Delaware General Corporation Law. In general, those provisions prohibit a publicly held Delaware corporation from engaging in various "business combination" transactions with any interested stockholder for a period of three years after the date of the transaction in which the person became an interested stockholder, unless:

- The transaction is approved by the board of directors prior to the date the interested stockholder obtained interested stockholder status;

- Upon consummation of the transaction that resulted in the stockholder's becoming an interested stockholder, the stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced; or

- On or subsequent to the date the business combination is approved by the board of directors, it is authorized at an annual or special meeting of stockholders by the affirmative vote of at least two-thirds of the outstanding voting stock that is not owned by the interested stockholder.

These provisions could prohibit or delay mergers or other takeover or change of control attempts with respect to us and, accordingly, may discourage attempts to acquire us.

The Company has an SAR Agreement with Mr. Robin Raina which could have the effect of discouraging or making more difficult an acquisition or change of control of the Company even in situations that may be viewed as desirable by our shareholders.

On April 10, 2018, the Company entered into a Stock Appreciation Right Award Agreement (the "SAR Agreement") with Robin Raina, the Company's Chairman, President and Chief Executive Officer. The SAR Agreement replaced the Acquisition Bonus Agreement (the "ABA") between the Company and Mr. Raina, dated July 15, 2009. At the time that Mr. Raina and the Company entered into the ABA, the Board had concluded that Mr. Raina's retention was critical to the future success and growth of the Company, and consequently, the Board's intention in entering into the ABA was to ensure that Mr. Raina would be appropriately rewarded for his contributions to the Company prior to an Acquisition Event (as defined below), as well as to further motivate Mr. Raina to maximize the value received by all stockholders of the Company if the Company were to be acquired. Under the terms of the ABA (with some exceptions), if Mr. Raina was then employed by the Company upon an event by which: (a) more than fifty percent (50%) of the voting stock of the Company is sold, transferred, or exchanged; (b) a merger or consolidation of the Company occurs; (c) the sale, exchange, or transfer of substantially all of the Company's assets occurs; or (d) the Company is acquired or dissolved (each, an "Acquisition Event").

Table of Contents

In negotiating and entering into the SAR Agreement, the Board wished to resolve any uncertainty or ambiguities that may exist in the ABA, while preserving the original intent of the ABA of ensuring that Mr. Raina would be appropriately rewarded for his contributions prior to an Acquisition Event, as well as to further motivate Mr. Raina to maximize the value received by all stockholders of the Company if the Company were to be acquired. The SAR Agreement also recognizes Mr. Raina's critical role in the future success and growth of the Company.

Upon the effective date of the SAR Agreement, Mr. Raina received 5,953,975 stock appreciation rights with respect to the Company's common shares (the "SARs"). Upon an Acquisition Event (as defined in the SAR Agreement), each of the SARs entitles Mr. Raina to receive a cash payment from the Company equal to the excess, if any, of the net proceeds per share received in connection with an Acquisition Event over the base price of $7.95. Mr. Raina will only be entitled to receive a payment with respect to the SARs if he is employed by the Company at the time of an Acquisition Event or was terminated by the Company without cause within the 180-day period immediately preceding an Acquisition Event.

Annually, while Mr. Raina is employed by the Company and prior to an Acquisition Event, the Board shall determine whether a "shortfall" (as defined in the SAR Agreement) existed as of the end of the immediately preceding fiscal year. In the event the Board determines that a shortfall existed, Mr. Raina will be granted additional SARs (or, in the Board's sole discretion, restricted shares or restricted stock units (each a "Share Grant")) in an amount sufficient to eliminate such shortfall (each a "Shortfall Grant"). A "shortfall" will exist if the sum of the number of Company's common shares deemed to be owned by Mr. Raina as of the date of the SAR Agreement (3,676,540 shares), the number of SARs granted to Mr. Raina, and the number of shares underlying any previously granted Shortfall Grant is less than twenty percent (20%) of the sum of the number of SARs and the number of outstanding shares reported by the Company in its audited financial statements as of the end of the immediately preceding fiscal year.

In the event that an Acquisition Event had occurred on December 31, 2018, and assuming that the stockholders of the Company received Net Proceeds of $42.56 per share (the closing price of the Company's common stock on December 31, 2018) in connection with the Acquisition Event, Mr. Raina would have received a $206.1 million payment with respect to the SARs upon the occurrence of the Acquisition Event, determined by multiplying the number of SARS by the excess of the Net Proceeds per share over the base price of $7.95 per share. In the event of a determination by an accounting firm of national standing that the entire $206.1 million payment would be subject to the excise tax imposed by Section 4999 of the Code, and making conservative estimates regarding applicable state and federal tax rates, then Mr. Raina would have received an additional tax gross-up payment in an amount equal to $75 million.

Risks Related To Accounting and Financial Statements

We could potentially be required to recognize an impairment of goodwill or other indefinite-lived intangible assets.

Goodwill represents the excess of the amounts paid by us to acquire businesses over the fair value of their net assets at the date of acquisition. The Company's indefinite-lived assets are associated with the contractual customer relationships existing with those property and casualty insurance carriers in Australia using our property and casualty data exchange and with certain large corporate customers using our client relationship management platform in the United States. At December 31, 2018, we had $946.7 million of goodwill and $42.1 million of indefinite-lived intangible assets carried on the Company's consolidated balance sheet. See Note 1 to the Consolidated Financial Statements for a discussion of our goodwill and indefinite-lived intangible assets. We evaluate goodwill and indefinite-lived intangible assets at least annually for any potential impairment. If it is determined that goodwill or indefinite-lived intangible assets have been impaired, we must write down the goodwill and indefinite-lived intangible assets by the amount of the impairment, with a corresponding charge to net income. These write downs could have a material adverse effect on our results of operations and financial condition.

If we fail to maintain an effective system of internal controls, we may not be able to accurately determine our financial results or prevent fraud. As a result, our stockholders could lose confidence in our financial results, which could harm our business and the market value of our common shares.

Effective internal controls over financial reporting are necessary for us to provide reliable and accurate financial reports and effectively prevent fraud. We may in the future discover areas of our internal controls that need improvement. Section 404 of the Sarbanes-Oxley Act of 2002, or (“SOX”), requires us to evaluate and report on the effectiveness of our internal controls over financial reporting and have our independent auditors issue their own opinion regarding the effectiveness of our internal control over financial reporting and related disclosures. While we continually undertake efforts to maintain an effective system of internal controls and compliance with SOX, we cannot always be certain that we will be successful in maintaining adequate control over

Table of Contents

our financial reporting and related financial processes. Furthermore, as we grow our business, our internal control structure may become more complex, and could possibly require significantly more resources to ensure our internal controls remain effective. If we or our independent auditors discover a material weakness or significant deficiency in our controls over financial reporting, the disclosure of that fact, even if immediately remedied, could significantly reduce the market value of our common stock. In addition, the existence of any material weakness or significant deficiency may require management to devote significant time and incur significant expense to remediate any such weaknesses, and management may not be able to remediate the same in a timely manner.

The nature of our business requires the application of complex revenue and expense recognition rules that require management to make estimates and assumptions. Additionally, the current legislative and regulatory environment affecting U.S. Generally Accepted Accounting Principles (“GAAP”) is uncertain and significant changes in current principles could affect our financial statements going forward.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets, liabilities, equity, revenues and expenses that are not readily apparent from other sources.

While we believe that our financial statements have been prepared in accordance with accounting principles generally accepted in the United States, we cannot predict with certainty the impact of future changes to accounting principles or our accounting policies on our financial statements going forward. In addition, were we to change our critical accounting estimates, including the timing of recognition of license revenue and other revenue sources, our reported revenues and results of operations could be significantly impacted.

We prepare our condensed consolidated financial statements in accordance with GAAP. The accounting rules and regulations that we must comply with are complex. The Financial Accounting Standards Board (the “FASB”) and the SEC, or other accounting organizations or governmental entities frequently issue new pronouncements or new interpretations of existing accounting standards. Recent actions and public comments from the FASB and the SEC have focused on the integrity of financial reporting. In addition, many companies' accounting policies are being subject to heightened scrutiny by regulators and the public. Changes in accounting standards, how the accounting standards are interpreted, or the adoption of new accounting standards can have a significant effect on our reported results, and could even retroactively affect previously reported transactions, and may require that we make significant changes to our systems, processes and controls.

Further, the accounting rules and regulations are continually changing in ways that could materially impact our financial statements. Changes resulting from these new standards may result in materially different financial results and may require that we change how we process, analyze and report financial information and that we change financial reporting controls. Such changes in accounting standards may have an adverse effect on our business, financial position, and income, which may negatively impact our financial results.

Current and future accounting pronouncements and other financial reporting standards, especially but not only concerning revenue recognition, may negatively impact the financial results we present.
We regularly monitor our compliance with applicable financial reporting standards and review new pronouncements and drafts thereof that are relevant to us. As a result, we might be required to change our accounting policies, particularly concerning revenue recognition, to alter our operational policy so that it reflects new or amended financial reporting standards, or to retroactively apply such new standards to previously issued financial statements.

Risks Related to Litigation and Regulation

The costs and effects of litigation, investigations or similar matters involving us or our subsidiaries, or adverse facts and developments related thereto, could materially affect our business, operating results and financial condition. Our insurance may not cover these costs.

We may be involved from time to time in a variety of litigation, investigations, inquiries or similar matters arising out of our business, including those described in “Part I, Item 3 - Legal Proceedings” and “Part II - Item 8. Financial Statements and Supplementary Data - Note 6 - Commitments and Contingencies” of this Report. Ebix cannot predict the outcome of these or any other legal matters. In the future, we may need to record litigation reserves with respect to these matters. Further, regardless of

Table of Contents

how these matters proceed, it could divert our management's attention and other resources away from our business. Our insurance may not cover all claims that may be asserted against us and indemnification rights to which we are entitled may not be honored, and any claims asserted against us, regardless of merit or eventual outcome, may harm our reputation. Should the ultimate judgments or settlements in any litigation or investigation significantly exceed our insurance coverage, they could have a material adverse effect on our business, financial condition and results of operations. In addition, premiums for insurance covering directors' and officers' liability are rising. We may not be able to obtain appropriate types or levels of insurance in the future, nor may we be able to obtain adequate replacement policies with acceptable terms or at historic rates, if at all.

Government investigations may require significant management time and attention, result in significant legal expenses or damages and cause the Company's business, financial condition, results of operations and cash flows to suffer. The Company could face additional governmental investigations with respect to these matters, could incur substantial costs to defend any such investigations and be required to pay damages, fines and penalties, or incur additional expenses or be subject to injunctions as a result of the outcome of such investigations. The unfavorable resolution of one or more matters could adversely impact the Company.

The Company has been subject to government investigations approximately five years back. The amount of time needed to resolve any such investigations is uncertain, and the Company cannot predict the outcome any such investigations or whether the Company will face additional government investigations, inquiries or other actions. Subject to certain limitations, the Company is obligated to indemnify current and former directors, officers and employees in connection with ongoing governmental investigations and any future government inquiries, investigations or actions. Such matters could require the Company to expend significant management time and incur significant legal and other expenses, result in civil and criminal actions seeking, among other things, injunctions against the Company and the payment of significant fines and penalties by the Company and adversely affect our ability to attract and retain customers and employees, which could have a material effect on the Company's financial condition, business, results of operations and cash flow. Additionally, marketplace rumors regarding any such investigations could affect the trading price of our common stock, regardless of whether these rumors are accurate. If governmental authorities were to commence legal action related to any such investigations, then the Company could be required to pay significant penalties and could become subject to injunctions, a cease and desist order and other equitable remedies. The Company can provide no assurances as to the outcome of any such governmental investigation.

Federal Trade Commission laws and regulations that govern the insurance industry could expose us or the agents, brokers and carriers with whom we conduct business in our online marketplace to legal penalties.

We perform functions for licensed insurance agents, brokers and carriers and need to comply with complex regulations that vary from state to state and nation to nation. These regulations can be difficult to comply with, and open to interpretation. If we fail to properly interpret or comply with these regulations, we, the insurance agents, brokers or carriers doing business with us, our officers, or agents with whom we contract could be subject to various sanctions, including censure, fines, cease-and-desist orders, loss of license or other penalties. This risk, as well as other laws and regulations affecting our business and changes in the regulatory climate or the enforcement or interpretation of existing law, could expose us to additional costs, including indemnification of participating insurance agents, brokers or carriers, and could require changes to our business or otherwise harm our business. Furthermore, because the application of online commerce to the consumer insurance market is relatively new, the impact of current or future regulations on our business is difficult to anticipate. To the extent that there are changes in regulations regarding the manner in which insurance is sold, our business could be adversely affected.

Potential liabilities under the Foreign Corrupt Practices Act could have a material adverse effect on our business.

We are subject to the Foreign Corrupt Practice Act, or FCPA, which prohibits people or companies subject to United States jurisdiction and their intermediaries from engaging in bribery or other prohibited payments to foreign officials for the purposes of obtaining or retaining business or gaining an unfair business advantage. It also requires proper record keeping and characterization of such payments in reports filed with the SEC. To the extent that any of our employees, supplies, distributors, consultants, subcontractors, or others engage in conduct that subjects us to exposure under the FCPA, or other anti-corruption legislation, we could suffer financial penalties, debarment from government contracts and other consequences that may have a material adverse effect on our business, financial condition or results of operations.

Risks Related To Our Common Stock

The price of our common stock may be extremely volatile.

Table of Contents

In a future period, our results of operations may be below the expectations of public market investors, which could negatively affect the market price of our common stock. Furthermore, the stock market in general has sometimes experienced extreme price and volume fluctuations recently. We believe that, in the future, the market price of our common stock could fluctuate widely due to variations in our performance and operating results or because of any of the following factors:

- announcements of new services, products, or technological innovations, or strategic relationships by us or our competitors;
- announcements of business acquisitions or strategic relationships by us or our competitors;
- trends or conditions in the insurance, software, business process outsourcing and Internet markets;
- changes in market valuations of our competitors; and
- general political, economic, regulatory and market conditions.

In addition, the market prices of securities of technology companies, including our own, have been volatile and have experienced fluctuations that have often been unrelated or disproportionate to a specific company's operating performance. As a result, investors may not be able to sell shares of our common stock at or above the price at which an investor paid. In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been instituted against that company. Any securities litigation would involve substantial costs and our management's attention could be diverted from our business.

Our ability and intent to pay cash dividends in the future may be limited.

We currently pay a $0.075 quarterly dividend on our common shares, and while the Board of Directors intends to pay quarterly dividends, the Board will make the determination of the amount of future cash dividends, if any, to be declared and paid based on, among other things, our financial condition, funds from operations, the level of our capital expenditures and future business prospects.

Quarterly and annual operating results may fluctuate, which could cause our stock price to be volatile.

Our quarterly and annual operating results may fluctuate significantly in the future due to a variety of factors related to our revenues or operating expenses in any particular period. Results of operations during any particular period are not necessarily an indication of our results for any other period. Factors that may adversely affect our periodic results may include the loss of a significant insurance agent, carrier or broker relationship or the merger of any of our participating insurance carriers with one another. Our operating expenses are based in part on our expectations of our future revenues and are partially fixed in the short term. We may be unable to adjust spending quickly enough to offset any unexpected revenue shortfall.

While the Company amended its certificate of incorporation to increase the number of authorized shares in order to effect a five-for-one stock split, given the recent stock price decline, the Board has delayed and may reduce the stock split.

Ebix held 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 was required to affect a five-for-one split of the Company’s common stock which had been approved by Ebix’s Board of Directors, subject to shareholder approval of the amendment. On December 21, 2018, Ebix announced that its shareholders had approved the amendment by a wide margin, and while its intentions were to still implement a split of its common stock, in light of the decline in Ebix’s share price since the end of September, the Company elected to delay such action until its share price has rebounded to a level where a stock split would result in a higher post-split share price. Additionally, the Company may consider implementing an alternative stock split ratio, such as two-, three- or four-for one, depending on the prevailing share price, market conditions and other factors. There can be no assurance when and at what level, if any, the Board will approve a stock split.

1B. UNRESOLVED STAFF COMMENTS

None.

Table of Contents

Item 2. PROPERTIES

The Company's corporate headquarters, including substantially all of our corporate administration and finance functions, is located in Johns Creek, Georgia where we own a commercial office building. In addition the Company and its subsidiaries lease office space primarily for sales and operations support in Salt Lake City, Utah, Pittsburgh, Pennsylvania, Pasadena, California, Grove City, Ohio, New Britain, Connecticut, Birmingham, Alabama, Irvine, California and Phoenix, Arizona. Additionally, the Company leases office space in New Zealand, Australia, Singapore, Brazil, Canada, and London for support, operations and sales offices. The Company also leases facilities all over the world, while owning five facilities in India. The Indian facilities provide software development and other technical and business process outsourcing services. Management believes its facilities are adequate for its current needs and that necessary suitable additional or substitute space will be available as needed at reasonable rates. Information on the geographic dispersion of the Company's revenues and long-lived assets is furnished in Note 15 to the consolidated financial statements, included in Part II Item 8 of this Form 10-K.

Item 3. LEGAL PROCEEDINGS

In May 2013, twelve putative class action complaints were filed in the Delaware Court of Chancery against the Company and its board of directors challenging a proposed merger between the Company and an affiliate of Goldman Sachs & Co. On June 10, 2013, the Court entered an Order of Consolidation and Appointment of Lead Plaintiffs and a Leadership Structure consolidating the twelve actions and appointing lead plaintiffs ("Plaintiffs") and lead counsel in the litigation, captioned In re Ebix, Inc. Stockholder Litigation, Consol. C.A. No. 8526-VCS (the "Litigation"). On June 19, 2013, the Company announced that the merger agreement had been terminated. Thereafter, on August 27, 2013, Plaintiffs filed a Verified Amended and Supplemented Class Action and Derivative Complaint (the "First Amended Complaint"), which defendants moved to dismiss on September 26, 2013. On July 24, 2014, the Court issued a Memorandum Opinion granting in part and denying in part the motions to dismiss the First Amended Complaint and subsequently entered an implementing order on September 15, 2014. On January 16, 2015, Plaintiffs filed a Verified Second Amended and Supplemented Class Action and Derivative Complaint (the "Second Amended Complaint"). On February 10, 2015, defendants filed a Motion to Dismiss the Second Amended Complaint, which was granted in part and denied in part in a Memorandum Opinion and Order issued on January 15, 2016. On October 26, 2016, Plaintiffs filed a Verified Third Amended and Supplemented Class Action and Derivative Complaint (the "Third Amended Complaint"), which, among other things, added certain directors of the Company as defendants. On January 5, 2018, Plaintiffs filed a motion for leave to join an additional plaintiff as co-lead plaintiff in this action (collectively, "Plaintiffs," and together with all defendants, the "Parties"), which was granted on April 2, 2018.

On January 19, 2018, Plaintiffs filed a Fourth Amended and Supplemented Class Action and Derivative Complaint (the "Fourth Amended Complaint"), which asserted claims against the defendants, including: breach of fiduciary duty claims for improperly maintaining an acquisition bonus agreement between the Company and its Chief Executive Officer, dated July 15, 2009 (the "ABA") (Count I); disclosure claims relating to the 2010 Proxy Statement and the Company's 2010 Stock Incentive Plan (the "2010 Plan") (Count II); a derivative claim for breach of fiduciary duty based on awards made pursuant to 2010 Plan (Count III); a breach of fiduciary duty claim for implementing purported additional entrenchment measures (Count IV); a claim seeking to declare the invalidity of certain bylaws adopted by the Company in 2014 (Count V); a claim seeking to declare the invalidity of the ABA (Count VI); a breach of fiduciary duty claim related to public disclosures about the ABA (Count VII); a claim seeking to declare the invalidity of the 2008 stockholder meeting, a 2008 Certificate amendment (the "Certificate Amendment") and a 2008 stock split (the "Stock Dividend"), among other corporate acts, including the Company's ratification of these 2008 corporate acts (Count VIII); a claim seeking to declare the invalidity of the CEO Bonus Plan (Count IX); and a claim for breach of fiduciary duty for deliberately inserting additional terms when calculating a potential bonus under the ABA (Count X). The Fourth Amended Complaint sought declaratory relief, compensatory damages, interest, and attorneys' fees and costs, among other things. On March 7, 2018, defendants filed motions for summary judgment on all counts in the Fourth Amended Complaint. In connection with the Litigation, the Company's Chief Executive Officer asserted a cross-claim for reformation of the ABA.

The terms of the ABA generally provided that if Mr. Raina was employed by the Company upon the occurrence of: (i) an event in which more than 50% of the voting stock of the Company was sold, transferred, or exchanged, (ii) a merger or consolidation of the Company, (iii) the sale, exchange, or transfer of all or substantially all of the Company's assets, or (iv) the acquisition or dissolution of the Company (each, an "Acquisition Event"), the Company would pay Mr. Raina a cash bonus based on a formula that was disputed by Plaintiffs in the Litigation and a tax gross-up payment for excise taxes that would be imposed on Mr. Raina for the cash bonus payment. Upon the execution of a Stock Appreciation Right Award Agreement between the

Table of Contents

Company and its Chief Executive Officer, dated April 10, 2018 (the “April SAR Agreement”), the ABA was terminated and each party relinquished their respective rights and benefits under the ABA.

Upon the effective date of the April SAR Agreement, Mr. Raina received 5,953,975 stock appreciation rights with respect to the Company’s common shares (the “SARs”). Upon an Acquisition Event, each of the SARs entitle Mr. Raina to receive a cash payment from the Company equal to the excess, if any, of the net proceeds per share received in connection with the Acquisition Event over the base price of $7.95 per share. Although the SARs were not granted under the 2010 Plan, the April SAR Agreement incorporates certain provisions of the 2010 Plan, including the provisions requiring equitable adjustment of the number of SARs and the base price in connection with certain corporate events (including stock splits). Under the terms of the April SAR Agreement, Mr. Raina is entitled to receive full payment with respect to the SARs if either (i) he is employed by the Company on the closing date of an Acquisition Event or (ii) has been involuntarily terminated by the Company without cause (as defined in the April SAR Agreement) within the 180-day period immediately preceding an Acquisition Event. All of the SARs are forfeited if Mr. Raina’s employment is terminated for any other reason prior to the closing date of an Acquisition Event.

In addition, while Mr. Raina is employed by the Company and prior to an Acquisition Event, the April SAR Agreement provides that the Company’s Board of Directors (the “Board”) will determine annually whether a “shortfall” (as described below) exists as of the end of the immediately preceding fiscal year. In the event the Board determines that a shortfall exists, Mr. Raina will be granted additional SARs (or, in the Board’s sole discretion, additional restricted shares or restricted stock units (each a “Share Grant”)) in an amount sufficient to eliminate such shortfall (each a “Shortfall Grant”). Under the terms of the April SAR Agreement, a shortfall exists if: (A) the sum of (i) the number of common shares deemed to be owned by Mr. Raina as of the effective date of the April SAR Agreement, plus (ii) the number of SARs granted to Mr. Raina (including any Shortfall Grants), plus (iii) the number of shares underlying any previously granted Share Grant, was less than 20% of (B) the sum of (i) the number of SARs granted to Mr. Raina (including any Shortfall Grants), plus (ii) the number of outstanding shares reported by the Company in its audited financial statements as of the end of the immediately preceding fiscal year. Under the terms of the April SAR Agreement, if the Board elects to make a Shortfall Grant in respect of such shortfall, such SARs will be subject to the same terms and conditions as the SARs initially granted under the April SAR Agreement. If the Board elects to make a Share Grant in respect of such shortfall, such restricted shares or restricted stock units will have such terms and conditions as determined by the Board, but generally will follow the terms of the restricted shares or restricted stock units granted to other executives of the Company at or about the time of such Share Grant, but no Share Grant will vest more rapidly than one-third of such Share Grant prior to the first anniversary of the grant date, with the remainder vesting in eight equal quarterly installments following the first anniversary of the grant date. The April SAR Agreement also provides for the Company to make tax gross-up payments for excise taxes that would be imposed on Mr. Raina in respect of any payments (other than any payments with respect to any Share Grants) made in connection with a change in control of the Company under Section 4999 of the Internal Revenue Code.

On May 31, 2018, Plaintiffs filed a Verified Supplement to the Fourth Amended Complaint (the “Supplement”), which asserted three additional counts related to the April SAR Agreement, including: a claim seeking to declare the April SAR Agreement invalid (Count XI); a claim for breach of fiduciary duty for adopting the April SAR Agreement (Count XII); and a claim for breach of fiduciary duty for improperly adopting the SAR Agreement as an “anti-takeover device” (Count XIII). The Supplement sought declaratory relief, compensatory damages, interest, and attorneys’ fees and costs, among other things. On June 18, 2018, defendants moved to dismiss the claims asserted in the Supplement. Also on June 18, 2018, the Court entered a joint stipulation and order declaring the 2008 Certificate Amendment and Stock Dividend valid and effective pursuant to 8 Del. C. § 205 and subsequently dismissed Count VIII of the Fourth Amended Complaint on July 5, 2018.

On July 17, 2018, following briefing and argument, the Court issued an Order granting in part and denying in part defendants' motions for summary judgment on all remaining counts of the Fourth Amended Complaint. The Court granted summary judgment as to all defendants on Counts I, IV, V, VI, VII, and X and denied summary judgment as to Counts II and III. The Court granted summary judgment as to certain defendants on Count IX, and granted in part and denied in part Count IX with respect to the Firm Clients. On July 24, 2018, Plaintiffs filed a motion for leave to file a second supplement to the Fourth Amended Complaint related to certain disclosures issued in connection with the Company's 2018 annual meeting, which the Court denied at a pretrial conference held on August 15, 2018. On August 9, 2018, following briefing and argument, the Court issued a bench ruling granting in part and denying in part defendants' motion to dismiss the Supplement. A three-day trial on all remaining claims was held on August 20, 21, and 23, 2018.

Following trial held on August 20, 21 and 23, 2018, and prior to the conclusion of post-trial briefing, on January 23, 2019, the Parties entered into a Stipulation and Agreement of Settlement (the "Settlement Agreement") pursuant to which the Parties agreed, subject to Final Approval (as defined in the Settlement Agreement) by the Court, to settle and resolve the Litigation pursuant to the terms set forth in the Settlement Agreement (the "Settlement"). The Settlement includes, among other things, the adoption and entry into an Amended Stock Appreciation Right Award Agreement (the "Amended SAR Agreement") (set forth in Exhibit A to the Settlement Agreement), the implementation of certain governance measures (set forth in Exhibit B to the Settlement

Table of Contents

Agreement), and the issuance of a Form 8-K describing the Settlement and terms thereof following the final approval of the Settlement (set forth in Exhibit C to the Settlement Agreement).

The Amended SAR Agreement was negotiated as part of the Litigation Settlement and will become effective upon Final Approval of the Litigation Settlement, and includes the following changes and modifications to the April SAR Agreement:

(a) Mr. Raina will commit to continue to serve and not resign as the Company's Chief Executive Officer for at least two years following Final Approval of the Litigation Settlement;

(b) any shares paid, awarded or otherwise received by Mr. Raina as compensation after the effective date of the April SAR Agreement, including any shares received by Mr. Raina from the exercise of any options granted after the effective date of the April SAR Agreement or from the grant or vesting of any restricted shares or settlement of any restricted stock units granted after the effective date of the April SAR Agreement (but excluding any shares received as a result of the grant, vesting or settlement of any Share Grants), will be excluded from the outstanding shares for purposes of the Board's annual shortfall determination;

(c) if an Acquisition Event occurs more than 180 days after, but not later than the tenth anniversary of, the date that Mr. Raina's employment is involuntarily terminated by the Company without Cause (as defined in the Amended SAR Agreement), 1,000,000 SARs will be deemed accrued and will be eligible to vest on the closing date of the Acquisition Event, which number will be increased by 750,000 SARs beginning on the first anniversary of Final Approval of the Litigation Settlement and each anniversary thereafter (subject in each case to Mr. Raina's continued employment on each anniversary date), until 100% of the SARs (including any Shortfall Grants) have accrued and are eligible to vest on the closing date of an Acquisition Event that occurs more than 180 days after, but not later than the tenth anniversary of, the date that Mr. Raina's employment is involuntarily terminated by the Company without Cause; provided, however, that, (i) no additional SARs will accrue following the date that Mr. Raina's employment is involuntarily terminated by the Company without Cause, (ii) any accrued SARs will be forefeited if an Acquisition Event does not occur prior to the tenth anniversary of the date that Mr. Raina's employment is involuntarily terminated by the Company without Cause, and (iii) all of the SARs will be forfeited if Mr. Raina's employment terminates for any other reason prior to the closing date of an Acquisition Event; and

(d) The obligation of the Company to make tax gross-up payments for excise taxes that would be imposed on Mr. Raina in respect of any payments made in connection with a change in control of the Company will be eliminated.

The foregoing description does not purport to be complete and is qualified in its entirety by reference to the Amended SAR Agreement.

Pursuant to a scheduling order entered by the Court on January 24, 2019 (the "Scheduling Order"), post-trial briefing is currently stayed, notice of the proposed Settlement was mailed and posted to a dedicated website on February 4, 2019 (the "Notice," available at http://ebixstockholderlitigation.com), and a settlement approval hearing is scheduled to be held on April 5, 2019 (the "Settlement Hearing"). On February 25, 2019, Plaintiffs filed an opening brief in support of the settlement and their application for a Fee Award (as defined in the Settlement Agreement), in which Plaintiffs and their counsel seek an award of attorneys' fees of $25 million plus expenses of $952 thousand. Pursuant to the Settlement Agreement, all such attorneys' fees and expenses that are awarded by the Court shall be paid solely by Ebix or its insurance carriers, and from no other source, within twenty (20) business days of entry of an order approving such award. Pursuant to the Scheduling Order, any objections to the Settlement and/or Plaintiffs' counsel's application for fees and expenses and any responses thereto are scheduled to be filed no later than eighteen (18) calendar days and seven (7) calendar days, respectively, prior to the Settlement Hearing. Defendants believe that the claims asserted in the Litigation are without merit and, if for any reason the Settlement is not fully and finally approved upon the terms and conditions set forth in the Settlement Agreement, intend to vigorously defend against them.

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.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

Table of Contents

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

At December 31, 2018 the principal market for the Company's common stock was the Nasdaq Global Capital Market. The Company's common stock trades under the symbol "EBIX."

Holders

As of February 26, 2019, there were 30,546,212 shares of the Company's common stock outstanding. As of February 26, 2019, there were 124 registered holders of record of the Company's common stock.

Dividends

While the Board of Directors intends to continue to pay quarterly dividends, the Board will make the determination of the amount of future cash dividends, if any, to be declared and paid based on, among other things, the Company's financial condition, funds from operations, the level of its capital expenditures and its future business prospects.

Sales or Issuances of Unregistered Securities

None

Recent Repurchases of Equity Securities

As provided for under previous Board authorized share repurchase plans, throughout 2018 the Company repurchased 996,773 shares of our common stock for a total aggregate purchase price of $49.6 million.

The following table contains information with respect to purchases of our common stock made by or on behalf of Ebix in the fourth quarter of the fiscal period ended December 31, 2018, as part of our publicly announced share repurchase plan:

Period	Total Number of Shares (Units) Purchased	Total Number of Shares Purchased as Part of Publicly-Announced Plans or Programs	Average Price Paid Per Share (1)	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (2) (3)
October 1, 2018 to October 31, 2018	229,139	229,139	$ 57.72	$118,408,930
November 1, 2018 to November 30, 2018	94,512	94,512	$ 53.72	$113,331,841
December 1, 2018 to December 31, 2018	643,122	643,122	$ 45.23	$84,240,837
Total	966,773	966,773		$84,240,837

(1) Average price paid per share for shares purchased as part of our publicly-announced plan.

(2) 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.

(3) As of December 31, 2018 there were 200,000 shares totaling $8.8 million of share repurchases that were not settled until January 2019.

Table of Contents

PERFORMANCE GRAPH

The line graph below compares the yearly percentage change in cumulative total stockholder return on our Common Stock for the last five fiscal years with the Nasdaq Stock Market (U.S.) stock index and the Nasdaq Computer Index. The following graph assumes the investment of $100 on December 31, 2013, and the reinvestment of any dividends (rounded to the nearest dollar).

Comparison of Five Year Cumulative Total Return

	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018
EBIX, INC.	$ 100	$ 118	$ 230	$ 402	$ 561	$ 303
NASDAQ STOCK MARKET (U.S.)	$ 100	$ 113	$ 120	$ 129	$ 165	$ 159
NASDAQ COMPUTER	$ 100	$ 120	$ 127	$ 143	$ 198	$ 191

Table of Contents

Item 6. SELECTED FINANCIAL DATA

The following data for fiscal years 2018, 2017, 2016, 2015, and 2014 should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and with our consolidated financial statements and the related notes and other financial information included herein.

Consolidated Financial Highlights

	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
	(In thousands, except per share amounts)				
Results of Operations:					
Revenue	$497,826	$363,971	$298,294	$265,482	$214,321
Operating income	152,979	113,221	100,281	88,714	79,672
Net income from continuing operations	$93,139	$100,618	$93,847	$79,533	$63,558
Net income per share:					
Basic	$2.97	$3.19	$2.88	$2.29	$1.68
Diluted	$2.95	$3.17	$2.86	$2.28	$1.67
Shares used in computing per share data:					
Basic	31,393	31,552	32,603	34,668	37,809
Diluted	31,534	31,719	32,863	34,901	38,040
Cash dividend per common share	$0.30	$0.30	$0.30	$0.30	$0.30
Financial Position:					
Total assets	$1,610,947	$1,113,013	$803,755	$675,989	$634,311
Short-term debt	19,053	14,500	12,500	600	943
Long-term debt	700,709	385,779	260,279	206,465	121,065
Redeemable common stock	—	—	—	—	—
Stockholders' equity	$544,437	$533,759	$438,636	$408,971	$432,221

Table of Contents

Item 7. 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.

The information contained in this section has been derived from our historical financial statements and should be read together with our historical financial statements and related notes included elsewhere in this document. The discussion below contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements involve risks and uncertainties including, but not limited to: demand and acceptance of services offered by us, our ability to achieve and maintain acceptable cost levels, pricing levels and actions by competitors, regulatory matters, general economic conditions, and changing business strategies. Forward-looking statements are subject to a number of factors that could cause actual results to differ materially from our expressed or implied expectations, including, but not limited to our performance in future periods, our ability to generate working capital from operations, the adequacy of our insurance coverage, and the results of litigation or investigations. Our forward-looking statements can be identified by the use of terminology such as "anticipates," "expects," "intends," "believes," "will" or the negative thereof or variations thereon or comparable terminology. Except as required by law, we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

OVERVIEW

Ebix endeavors to provide on-Demand software and e-commerce services to the insurance, financial, healthcare and e-learning 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 CRM, front-end & back-end systems, outsourced administrative and risk compliance, across the world. The P&C exchanges operate primarily in Australia, New Zealand and the United Kingdom. With a "Phygital" strategy that combines 320,000 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 & international money remittance, Forex, travel, pre-paid & gift cards, utility payments, lending, wealth management etc., in India. The Company's Forex Exchange has a dominant market share of India's airport Foreign Exchange business encompassing 32 international airports like Delhi, Mumbai, Bangalore, Hyderabad, Chennai and Kolkata International airports, while conducting over $4.8 Billion in gross transaction value per annum. EbixCash's inward remittance business in India conducts gross annual remittance of approximately $5 billion annually, while having an undisputed leadership position in the Indian markets. EbixCash, through its travel portfolio of Via and Mercury, is also one of Southeast Asia's leading travel exchanges with over 2,200+ employees, 212,450+ agent network, 25 branches and 9800+ corporate clients; processing an estimated $2.5 Billion in GMV annually. Through its various SaaS-based software platforms, Ebix employs thousands of domain-specific technology professionals to provide products, support and consultancy to thousands of customers on six continents.

Ebix provides application software products for the insurance industry including carrier systems, agency systems and exchanges, as well as custom software development. Approximately 83% of the Company's revenues are recurring. Rather than license our products in perpetuity, we typically either license them for a few years with ongoing support revenues or license them on a limited term basis using a subscription hosting or Application Service Provider ("ASP") model. Our goal is to be the leading powerhouse of back-end insurance transactions in the world. During 2018, combined subscription-based and transaction-based revenues increased by $135 million to $412 million, while as a percentage of the Company's total revenues increased to 83% in 2018, as compared to 76% 2017. In 2018 subscription based revenues decreased $18 million to $184 million, and as a percentage of the Company's total revenues decreased to 37% in 2018, as compared to 55% in the year 2017.

The Company's technology vision is on the convergence of all processes in a manner such that data can seamlessly flow from entity to entity once an initial data entry has been made. Our customers include many of the top insurance and financial sector companies in the world.

The insurance and financial markets continue to focus on initiatives to reduce paper-based processes and facilitate improvements in efficiency both at the back-end side and also at the consumer-end side, involving all entities and directly impacts the manner in which insurance and financial products are distributed. Management believes that both the insurance and financial industry will continue to experience significant change and increased efficiencies through online exchanges as reduced paper-based processes are becoming increasingly a norm across the world insurance and financial markets.

Management focuses on a variety of key indicators to monitor operating and financial performance. These performance indicators include measurements of revenue growth, operating income, operating margin, income from continuing operations,

Table of Contents

diluted earnings per share, and cash provided by operating activities. We monitor these indicators, in conjunction with our corporate governance practices, to ensure that our business is efficiently managed and that effective controls are maintained.

The key performance indicators for the twelve months ended December 31, 2018, 2017 and 2016 were as follows:

	Key Performance Indicators		
	Twelve Months Ended December 31,		
(Dollar amounts in thousands except per share data)	2018	2017	2016
Revenue	$497,826	$363,971	$298,294
Revenue growth	37 %	22 %	12 %
Operating income	$152,979	$113,221	$100,281
Operating margin	31 %	31 %	34 %
Net income attributable to Ebix, Inc.	$93,139	$100,618	$93,847
Diluted earnings per share	$2.95	$3.17	$2.86
Cash provided by operating activities	$89,869	$76,807	$86,571

RESULTS OF OPERATIONS

	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016
	(In thousands)		
Operating revenue:	$497,826	$363,971	$298,294
Operating expenses:			
Costs of services provided	168,415	129,494	85,128
Product development	39,078	33,854	32,981
Sales and marketing	17,587	16,303	17,469
General and administrative, net (see Note 1)	108,475	59,976	51,689
Amortization and depreciation	11,292	11,123	10,746
Total operating expenses	344,847	250,750	198,013
Operating income	152,979	113,221	100,281
Interest income (expense), net	(26,665)	(11,672)	(5,525)
Other non-operating income	60	—	1,162
Foreign exchange gain (loss), net	(792)	1,811	13
Income before taxes	125,582	103,360	95,931
Income tax expense	(32,501)	(777)	(1,637)
Net income including noncontrolling interest	$93,081	$102,583	$94,294
Net income attributable to noncontrolling interest	(58)	$1,965	$447
Net income attributable to Ebix, Inc.	$93,139	$100,618	$93,847

TWELVE MONTHS ENDED DECEMBER 31, 2018 AND 2017

Operating Revenue

The Company derives its revenues primarily from professional and support services, which includes subscription and transaction fees pertaining to services delivered over our exchanges or from our ASP platforms, revenue generated from software development projects and associated fees for consulting, implementation, training, and project management provided to customers using our systems, and business process outsourcing revenue. Additionally, through the Company’s EbixCash Financial exchange portfolio we derive revenue from domestic & international money remittance, foreign exchange (Forex), travel, pre-paid & gift

32

Table of Contents

cards, utility payments, lending, wealth management, etc. in India and other markets. Ebix's revenue streams come from four product channels. Presented in the table below is the breakout of our revenues for each of those product channels for the years ended December 31, 2018 and 2017.

	For the Year Ended December 31,	
(dollar amounts in thousands)	2018	2017
Exchanges	$396,457	$259,470
Broker P&C Systems	14,379	14,674
RCS	79,976	86,832
Carrier P& C Systems	7,014	2,995
Totals	$497,826	$363,971

During the twelve months ended December 31, 2018 our total revenue increased $133.9 million, or 36.8%, to $497.8 million compared to $364.0 million in 2017. The Company leverages product cross-selling opportunities across all channels, as facilitated by our operating philosophy and business acquisition strategy. With respect to business acquisitions completed during the fiscal years 2018 and 2017 on a pro forma basis, as disclosed in the table in Note 4 "Pro Forma Financial Information" to the enclosed Consolidated Financial Statements, combined pro forma revenues decreased $21.5 million or 3.6% to $584.1 million for the year 2018 from the $605.6 million of pro forma revenue for the year 2017, whereas there was a 36.8% increase in reported revenues for the same comparative periods. The cause for the difference between the 36.8% increase in reported 2018 revenue versus 2017 revenue, as compared to the 3.6% decrease in 2018 pro forma versus 2017 pro forma revenue is due to the effect of combining the additional revenue derived from those businesses acquired during the years 2018 and 2017, specifically Pearl, Weizmann, Lawson, Business Travels, Routier, AHA Taxis, Miles, Leisure Corp, Mercury, Indus, Smartclass, Centrum, Transcorp, ItzCash, YouFirst, Wall Street, Paul Merchants,Via and beBetter, with the Company's pre-existing 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 2018 only includes the operating results from the businesses since the effective date that they were acquired by Ebix, and thusly includes only eleven months of Transcorp, nine months of Centrum, nine months of Smartclass, six months of Indus, six months of Mercury, six months of Leisure Corp, five months of Miles, three months of Routier, three months of Global Business Travels, three months of AHA Taxis, one month of Pearl, one month of Weizmann and one month of Lawson. Similarly, the 2017 pro forma financial information below includes a full year of results for ItzCash, beBetter, YouFirst, Wall Street, Paul Merchants and Via as if they had been acquired on January 1, 2017, whereas the Company's reported financial statements for the 2017 includes only nine months of ItzCash, seven months of beBetter, four months of YouFirst, three months of Wall Street, two months of Paul Merchants, and two months of Via.

The pro forma analysis is 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. Growth in revenues of the acquired entities after acquisition date is 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 acquired through the acquisition customer base, has also been assigned to the acquired section of our business.
- 2017 pro forma revenues include revenues from some product lines whose sale was discontinued after the acquisition date and revenues from some customers whose contracts were discontinued. This is typically done for efficiency and/or competitive reasons.

The impact from fluctuations of the exchange rates for the foreign currencies in the countries in which we conduct operations also partially adversely affected reported revenues. During each of the years 2018, 2017 and 2016 the change in foreign currency exchange rates increased (decreased) reported consolidated operating revenues by $(6.9) million, $2.1 million, and $(3.3) million, respectively.

The specific components of our revenue and the changes experienced during the past year are discussed immediately below.

Exchange division revenues increased by $137.0 million, or 53%, principally due to the full year impact of 2017 acquisitions in addition to acquisitions made in 2018.

Broker P&C Systems division revenue decreased by $295 thousand, or 2%.

Table of Contents

Risk Compliance Solutions division revenues decreased by $6.9 million, or 8%, primarily due to a decline in our U.S. professional consulting services.

Carrier P&C Systems division revenues increased by $4.0 million, or 134%. Revenues in this division have increased due primarily to growth in the Australian markets.

Costs of Services Provided

Costs of services provided, which includes costs associated with customer support, consulting, implementation, and training services, increased $38.9 million or 30%, from $129.5 million in 2017 to $168.4 million in 2018 and the Company's gross margin increased from 64.4% in 2017 to 66.2% in 2018. The increase in the Company's costs of services provided is due primarily to additional personnel, consulting, customer support, and merchant bank service fee costs associated with the 2018 and 2017 business acquisitions of Via, YouFirst, ItzCash, Smartclass, Mercury and Leisure partially offset by reductions in our U.S. consulting salary costs, medical education 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 technologies for insurance carriers, brokers and agents, and the development of new data exchanges for use in domestic and international insurance markets. Product development expenses increased $5.2 million, or 15%, from $33.9 million in 2017 to $39.1 million in 2018. 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 $1.3 million, or 8%, from $16.3 million in 2017 to $17.6 million in 2018. This increase is primarily due to costs associated with operations of recent acquisitions of SmartClass, Centrum and ItzCash and Indus.

General and Administrative Expenses

General and administrative expenses increased $48.5 million, or 81%, from $60.0 million in 2017 to $108.5 million in 2018 primarily due to costs associated with operations of recent acquisitions of Centrum, SmartClass, Via, Indus, YouFirst, Mercury, Miles and Leisure.

Amortization and Depreciation Expenses

Amortization and depreciation expenses slightly increased to $11.3 million in 2018 from $11.1 million in 2017.

Interest Income

Interest income decreased $1.3 million, or 75%, from $1.7 million in 2017 to $436 thousand in 2018.

Interest Expense

Interest expense increased $13.7 million, or 103% from $13.4 million in 2017 to $27.1 million in 2018. Interest expense increased primarily due to the increase in the average outstanding balance on our commercial banking credit facilities, which increased 69% to $554.0 million during twelve months ending December 31, 2018 from $327.0 million during twelve months ending December 31, 2017, as well as an increase in the underlying average interest rate which increased to an average of 4.5% during twelve months ending December 31, 2018 versus 3.7% for the same twelve-month period in 2017.

Foreign Exchange Gain

Net foreign exchange loss of $792 thousand in 2018 consisted of $186 thousand of losses realized upon the settlement of certain transactions within our foreign operations that were denominated in a currency other than the subsidiary's functional currency and $606 thousand of losses recognized upon the remeasurement of other transactions within our foreign operations that were denominated in a currency other than the subsidiary's functional currency.

Income Taxes

The Company recognized income tax expense of $32.5 million in 2018 compared to $777 thousand of income tax expense in 2017, representing an increase of $31.7 million. Our effective tax rate increased to 25.9% in 2018, compared with 0.8% in 2017, substantially on account of recording of one-time tax liability on account of Transition tax and true up of related tax

Table of Contents

attributes resulting from enactment of the TCJA, which has been shown as prior year transaction tax and related true-ups. Excluding this, the remaining increase in the effective tax rate has been primarily on account of Global Intangible Low-taxed Income ("GILTI") tax, becoming applicable on the Company from enactment of TCJA. The Company completed its tax accounting for the TCJA during Q4 2018 and recorded a one-time tax adjustment of $24.5 million on account of transition tax and true-up of related tax attributes.
The pre-tax income from and the applicable statutory tax rates in each jurisdiction in which the Company had operations for the year ending December 31, 2018 are as follows:

(dollar amounts in thousands)	Pre-tax income	Statutory tax rate
United States	(36,202)	21.0 %
Canada	335	26.5 %
Brazil	5,403	34.0 %
Australia	2,852	30.0 %
Singapore	467	17.0 %
New Zealand	90	28.0 %
India	43,705	34.6 %
Mauritius	14,161	3.0 %
United Kingdom	1,480	19.0 %
Sweden	5,398	22.0 %
Thailand	62	20.0 %
Dubai	87,830	— %
Total	125,581	

TWELVE MONTHS ENDED DECEMBER 31, 2017 AND 2016
Operating Revenue
The Company derives its revenues primarily from professional and support services, which includes subscription and transaction fees pertaining to services delivered over our exchanges or from our ASP platforms, revenue generated from software development projects and associated fees for consulting, implementation, training, and project management provided to customers using our systems, and business process outsourcing revenue. Ebix's revenue streams come from four product channels. Presented in the table below is the breakout of our revenues for each of those product channels for the years ended December 31, 2017 and 2016.

	For the Year Ended December 31,	
(dollar amounts in thousands)	2017	2016
Exchanges	$259,470	$206,427
Broker P&C Systems	14,674	14,105
RCS	86,832	74,196
Carrier P&C Systems	2,995	3,566
Totals	$363,971	$298,294

During the twelve months ended December 31, 2017 our total revenue increased $65.7 million, or 22.0%, to $364.0 million compared to $298.3 million in 2016. The Company leverages product cross-selling opportunities across all channels, as facilitated by our operating philosophy and business acquisition strategy. With respect to business acquisitions completed during the fiscal years 2017 and 2016 on a pro forma basis, as disclosed in the table in Note 4 "Pro Forma Financial Information" to the enclosed Consolidated Financial Statements, combined pro forma revenues increased $6.4 million or 1.5% to $440.5 million for

35

Table of Contents

the year 2017 from the $434.2 million of pro forma revenue for the year 2016, with the change in exchange rates favorably affecting reported revenues by $2.1 million, whereas there was a 22.0% increase in reported revenues for the same comparative periods. The cause for the difference between the 22.0% increase in reported 2017 revenue versus 2016 revenue, as compared to the 1.5% increase in 2017 pro forma versus 2016 pro forma revenue is due to the effect of combining the additional revenue derived from those businesses acquired during the years 2017 and 2016, specifically ItzCash, YouFirst, Wall Street, Paul Merchants,Via, beBetter, Wdev, Hope Health, and the EbixHealth JV with the Company's pre-existing operations. The 2017 and 2016 pro forma financial information below assumes that all such business acquisitions were made on January 1, 2016, whereas the Company's reported financial statements for 2017 only includes the operating results from the businesses since the effective date that they were acquired by Ebix, and thusly includes only nine months of ItzCash, seven months of beBetter, four months of YouFirst, three months of Wall Street, two months of Paul Merchants, and two months of Via. Similarly, the 2016 pro forma financial information below includes a full year of results for Wdev, Hope Health, and EbixHealth JV as if they had been acquired on January 1, 2016, whereas the Company's reported financial statements for the 2016 includes only two months of Wdev, two months of Hope Health, and six months of the EbixHealth JV.

The pro forma analysis is based on the following premises:

- 2017 and 2016 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. Growth in revenues of the acquired entities after acquisition date is 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 acquired through the acquisition customer base, has also been assigned to the acquired section of our business.
- 2016 pro forma revenues include revenues from some product lines whose sale was discontinued after the acquisition date and revenues from some customers whose contracts were discontinued. This is typically done for efficiency and/or competitive reasons.

The impact from fluctuations of the exchange rates for the foreign currencies in the countries in which we conduct operations also partially adversely affected reported revenues. During each of the years 2017, 2016 and 2015 the change in foreign currency exchange rates increased (decreased) reported consolidated operating revenues by $2.1 million, $(3.3) million, and $(10.7) million, respectively.

The specific components of our revenue and the changes experienced during the past year are discussed immediately below.

Exchange division revenues increased by $53.0 million, or 26%, principally due to the 2017 acquisitions of ItzCash, YouFirst, Wall Street, Paul Merchants, and Via.

Broker P&C Systems division revenue increased by $569 thousand, or 4%. Reported revenues partially increased due to the effects of changing currency exchange rates.

Risk Compliance Solutions division revenues increased by $12.6 million, or 17%, primarily due to new e-governance revenues associated with our Indian operations and consulting service revenues generated by November 2016 acquisition of Wdev.

Carrier P&C Systems division revenues decreased by $571 thousand, or 16%. Revenues in this division have decreased during the last few years due the completion of certain large projects resulting in decreased professional service revenues.

Costs of Services Provided

Costs of services provided, which includes costs associated with customer support, consulting, implementation, and training services, increased $44.4 million or 52%, from $85.1 million in 2016 to $129.5 million in 2017. Correspondingly, the Company's gross margin decreased from 71.5% in 2016 to 64.4% in 2017. The increase in the Company's costs of services provided is due primarily to additional personnel, consulting, customer support, and merchant bank service fee costs associated with the 2017 and 2016 business acquisitions of Via, Wall Street, YouFirst, ItzCash, beBetter, Hope Health, Wdev, the EbixHealth JV, and increased hardware costs to support the growing revenues generated from our government sector services division in India.

Product Development Expenses

Product development expenses increased $873 thousand, or 3%, from $33.0 million in 2016 to $33.9 million in 2017. The Company’s product development efforts are focused on the development of new technologies for insurance carriers, brokers and agents, and the development of new data exchanges for use in domestic and international insurance markets. Product development expenses primarily increased due to additional staffing and personnel costs incurred in connection with our continued expanding product development facilities in India.

Sales and Marketing Expenses

Sales and marketing expenses decreased $1.2 million, or 7%, from $17.5 million in 2016 to $16.3 million in 2017. This decrease is primarily due to a reduction in salaries and commissions paid to our sales personnel, and reduced advertising expenditures in our Singapore and Oakstone division.

General and Administrative Expenses

General and administrative expenses increased $8.3 million, or 16%, from $51.7 million in 2016 to $60.0 million in 2017. The primary cause for the increase in general and administrative expenses were $6.7 million of additional personnel and office costs in connection with the 2017 and 2016 business acquisitions of Via, YouFirst, ItzCash. Wdev, the EbixHealth JV and $1.2 million of non-cash 2016 adjustments from our recent acquisitions.

Amortization and Depreciation Expenses

Amortization and depreciation expenses slightly increased to $11.1 million in 2017 from $10.7 million in 2016.

Interest Income

Interest income slightly decreased $140 thousand, or 8%, from $1.9 million in 2016 to $1.7 million in 2017. The decrease in interest income is associated with changes in the Company's average cash balances and short-term investments in interest bearing accounts.

Interest Expense

Interest expense increased $6.0 million, or 81% from $7.4 million in 2016 to $13.4 million in 2017. Interest expense increased primarily because of the combined effect of an increase in the weighted average interest rate on the Company's revolving credit facility from 2.73% in 2016 to 3.69% in 2017, and an increase in the average outstanding balance on the revolving line of credit and term note from $234.8 million in 2016 to $327.0 million in 2017.

Foreign Exchange Gain

Net foreign exchange gain of $1.8 million in 2017 consisted of $3.2 million of gains realized upon the settlement of certain transactions within our foreign operations that were denominated in a currency other than the subsidiary's functional currency which were partially offset by $1.4 million of losses recognized upon the remeasurement of other transactions within our foreign operations that were denominated in a currency other than the subsidiary's functional currency.

Income Taxes

The Company recognized income tax expense of $777 thousand in 2017 compared to the $1.6 million of income tax expense in 2016, representing an $860 thousand, or a 53% decrease. Our effective tax rate decreased to 0.8% in 2017, compared with 1.7% in 2016, largely due to the remeasurement of US deferred taxes under tax reform, release of valuation allowance on foreign loss carryforwards, recording tax credits based on filed tax returns, partially offset by an increase in uncertain tax position accrual.

The pre-tax income from and the applicable statutory tax rates in each jurisdiction in which the Company had operations for the year ending December 31, 2017 are as follows:

Table of Contents

(dollar amounts in thousands)	Pre-tax income	Statutory tax rate
United States	(13,355)	34.0 %
Canada	827	26.9 %
Brazil	3,548	34.0 %
Australia	2,695	30.0 %
Singapore	(2,770)	17.0 %
New Zealand	(588)	28.0 %
India	19,279	34.6 %
Mauritius	(25)	3.0 %
United Kingdom	2,615	19.0 %
Sweden	6,485	22.0 %
Thailand	56	20.0 %
Dubai	84,593	0 %
Total	103,360	

LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of liquidity are the cash flows provided by our operating activities, our commercial bank credit facility, and cash and cash equivalents on hand.

We intend to continue to utilize cash flows generated by our ongoing operating activities, in combination with possibly expanding our commercial lending facility, and the possible issuance of additional equity or debt securities to fund capital expenditures and organic growth initiatives, to make strategic business acquisitions, to retire outstanding indebtedness, and to repurchase shares of our common stock if and as market and operating conditions warrant.

We believe that anticipated cash flow provided by our operating activities, together with current cash balances and access to our credit facilities and the capital markets, if required, will be sufficient to meet our projected cash requirements for the next twelve months, although any projections of future cash needs, cash flows, and the general market conditions for credit and equity securities is subject to substantial uncertainty. In the event additional liquidity needs arise, we may raise funds from a combination of sources, including the potential issuance of debt or equity securities. However, there are no assurances that such financing will be available in amounts or on terms acceptable to us, if at all.

We regularly evaluate our liquidity requirements, including the need for additional debt or equity offerings, when considering potential business acquisitions, or the development of new products or services. During 2019, the Company intends to utilize its cash and other financing resources to fund organic growth initiatives, strategic business acquisitions, and new product development initiatives and service offerings.

Our cash and cash equivalents were $147.8 million and $63.9 million at December 31, 2018 and 2017, respectively. The Company holds material cash and cash equivalent balances overseas in foreign jurisdictions. The free flow of cash from certain countries where we hold such balances may be subject to repatriation tax effects and other restrictions. Furthermore, the repatriation of earnings from some of our foreign subsidiaries would result in the application of withholding taxes at source and taxation at the U.S. parent level upon receipt of the repatriation amounts. The approximate cash, cash equivalents, restricted cash, and short-term investments balances held in our domestic U.S. operations and each of our foreign subsidiaries as of February 25, 2019 is presented in the table below (figures denominated in thousands):

Table of Contents

	Cash and ST investments
United States	6,204
Canada	892
Latin America	3,082
Australia	4,942
Singapore	5,595
New Zealand	850
India	71,162
Mauritius	72
Philippines	7,282
Indonesia	3,362
Europe	3,704
Sweden	—
Dubai	370
Total	107,517

Due to the effect of temporary or timing differences resulting from the differing treatment of items for tax and accounting purposes and minimum alternative tax obligations in the U.S. and India, future cash outlays for income taxes are expected to exceed our current income tax expense, but will not materially impact the Company's liquidity position. Beginning in 2009, we were granted a 100% tax holiday for certain of our Indian operations, which was in effect until March 31, 2014 and March 31, 2015 for some of our locations and continues until March 31, 2020 for other locations. When these tax holidays expire, these locations become 50% taxable for an additional five years. The impact of this tax holiday decreased our non-US income tax expense by $4.3 million and $2.9 million for 2018 and 2017, respectively.

The Company's consolidated worldwide effective tax rate is relatively low because of the effect of conducting significant operations in certain foreign jurisdictions, specifically India and Dubai, where we have tax holidays or tax concessions.

Our current ratio decreased to 1.35 at December 31, 2018 from 1.72 at December 31, 2017, and our working capital position increased to $110.0 million at December 31, 2018 as compared to $106.0 million at the end of 2017. The increase in our short-term liquidity position is primarily due to the following factors: (a) a $89.5 million increase in cash, cash equivalents, and short-term investments balances, (b) a $56.5 million increase in trade accounts receivable associated with the continued growth of our business and acquisitions, (c) a $80.4 million increase in other current liabilities primarily due to India Acquisition Consideration Contingencies, (d) a $55.1 million increase in trade accounts payable associated with the continued growth of our business and acquisitions, (e) a $13.0 million increase in deferred revenue primarily due to the 2018 adoption of Topic 606 and our recent acquisitions. We believe that our ability to generate sustainable robust cash flow from operations will enable the Company to continue to meet its cash obligations and to fund its current liabilities from current assets, including available cash balances.

Business Acquisitions & Related Transactions

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

During the year ended December 31, 2018 the Company completed thirteen business acquisitions, as follows:

Effective December 1, 2018 Ebix entered into an agreement to acquire 74.84% controlling stake in India based Weizmann for $63.1 million. Ebix also made a 90-day time bound public offer to acquire the remaining 25.16% publicly-held Weizmann Forex shares for approximately $21.1 million to public shareholders. 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 December 1, 2018 Ebix acquired the assets of India based Pearl, a provider of a comprehensive range of B2B and B2C travel services under the brand name ‘Sastiticket’, ranging from domestic and international ticketing, incentives travel,

Table of Contents

leisure products, luxury holidays, and travel documentation for $3.4 million and same has been integrated with Ebix Travels' operations, which has brought in operational synergies and certain redundancies for the acquired operations . 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 December 1, 2018 Ebix acquired India based Lawson, a B2B provider of travel services and international ticketing, for $2.7 million and same has been integrated with Ebix Travels' operations to bring in operational synergies and wider country wide footprint. 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 October 1, 2018 Ebix acquired a 70% stake in India based AHA Taxis, a platform for on-demand inter-city cabs in India for $310 thousand. AHA Taxis focuses its attention on Corporate and Consumer inter-city travel primarily, with a network of thousands of registered AHA Taxis.

Effective October 1, 2018 Ebix acquired a 67% stake in India based Routier, a marketplace for trucking logistics for $413 thousand.

Effective October 1, 2018 Ebix acquired the assets of India based Business Travels to for $1.1 million and same has been integrated with Ebix Travels' operations to expand the wholesale travel and consolidation 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 August 1, 2018 Ebix entered into an agreement to acquire India based 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, 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..

Effective July 1, 2018 Ebix entered into an agreement to acquire India based 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 has been integrated into EbixCash's existing 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, 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.

Effective April 1, 2018 Ebix entered into an agreement to acquire India based Centrum, a leader in India's Foreign Exchange Operations markets for approximately $179.5 million. This acquisition was completed in June 2018. Subsequently, Centrum has been renamed as Ebixcash World Money and has been tightly integrated into Ebix's Financial Exchange 'EbixCash' offerings in India and abroad, with key business executives of Foreign Exchange Operations becoming an integral part of the combined EbixCash senior leadership.

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 Schools through its E-Learning Venture. Under the terms of the agreement Ebix paid $8.6 million in cash for its stake in Smartclass.

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. MTSS operations of Transcorp has been consolidated with EbixCash's MTSS operations resulting in operational synergies and certain redundancies to the combined operation.

During the year 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 exchange with presence in India, Middle East and South East Asia. 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, of which was not achieved after this period 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.

Effective September 1, 2017 Ebix acquired the MTSS Business of YouFirst, an inward international remittance service provider in India, for upfront cash consideration in the amount $10.2 million.

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. The Company has determined that the fair value of the contingent earn-out consideration is zero as of December 31, 2018.

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. $4.0 million of the possible future contingent earn-out payments was previously 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, which was achieved and paid during the third quarter of 2018. The Company has determined that the fair value of the contingent earn-out consideration is $15.4 million as of December 31, 2018.

During the year ended December 31, 2016 the Company completed two business acquisitions, as follows:
Effective November 1, 2016 Ebix acquired Wdev, a Brazilian company that provides IT services and software development for the Latin American insurance industry. Ebix acquired Wdev for upfront cash consideration in the amount of $10.5 million, plus possible future contingent earn out payments of up to $15.7 million based on earned revenues over the subsequent thirty-eight month period following the effective date of the acquisition. $2.9 million of the 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.
Effective November 1, 2016 Ebix acquired the assets of Hope Health, a Michigan corporation and publisher of health and wellness continuing education products. Ebix acquired the assets and intellectual property of Hope Health for

$1.72 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%) controlling equity interest in the EbixHealth JV. Previously, effective September 1, 2015 Ebix and IHC formed a joint venture named EbixHealth JV. 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.

Table of Contents

As cited in the above paragraphs, a significant component of the purchase price consideration for many of the Company's business acquisitions is a potential future cash earnout based on reaching certain specified future revenue targets. The Company recognizes these potential obligations as contingent liabilities. These contingent consideration liabilities are recorded at fair value on the acquisition date and are re-measured regularly based on the then assessed fair value and adjusted if necessary. As of December 31, 2018, the total of these contingent liabilities was $24.98 million, of which $11.21 million is reported in long-term liabilities, and $13.77 million is included in current liabilities in the Company's Consolidated Balance Sheet. As of December 31, 2017 the total of these contingent liabilities was $37.1 million.

Operating Activities

For the twelve months ended December 31, 2018 the Company generated $89.9 million of net cash flow from operating activities compared to $76.8 million for the year ended December 31, 2017, representing an increase of $13.1 million or 17%. The major sources of cash provided by our operating activities during 2018 included net income of $93.1 million, $(58) thousand of net income attributable to a non-controlling interest, net of $(13.0) million of deferred tax benefits, $11.3 million of depreciation and amortization, $2.8 million of non-cash share-based compensation, $2.2 million of amortization expense for capitalized software development costs, and $(5.7) million of working capital requirements primarily due to increased outstanding trade accounts receivables, deferred revenue and other assets.

For the twelve months ended December 31, 2017 the Company generated $76.8 million of net cash flow from operating activities compared to $86.6 million for the year ended December 31, 2016, representing a decrease of $9.8 million or 11%. The major sources of cash provided by our operating activities during 2017 included net income of $100.6 million, $2.0 million of net income attributable to a non-controlling interest, net of $(13.7) million of deferred tax benefits, $11.1 million of depreciation and amortization, $2.8 million of non-cash share-based compensation, $2.2 million of amortization expense for capitalized software development costs, and $(28.5) million of working capital requirements primarily due to increased outstanding trade accounts receivables.

Investing Activities

Net cash used for investing activities during the twelve months ended December 31, 2018 totaled $251.6 million and consisted of $232.6 million used for the acquisitions during the year (net of cash acquired), $3.8 million paid in connection with the fulfillment of earnout payment obligations from a prior business acquisition made in 2017, $10.4 million of capital expenditures mainly in India to support our growing operations, $5.7 million used and capitalized in connection with the development of software to be sold and marketed, and $4.1 million used to purchase marketable securities (specifically bank certificates of deposit). 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.

Net cash used for investing activities during the twelve months ended December 31, 2017 totaled $207.1 million and consisted of $37.4 million used for the acquisition of Paul Merchants, $67.8 million (net of cash acquired) used for the acquisition of Via, $7.0 million used for the acquisition of Wall Street, $9.7 million (net of cash acquired) used for the acquisition of YouFirst, $1.0 million used for the acquisition of beBetter, $69.3 million (net of cash acquired) used for the acquisition of ItzCash, $4.0 million to fund an escrow account for possible future contingent earnout payment, $1.9 million was paid in connection with the fulfillment of earnout payment obligations from a prior business acquisition made in 2013, $7.4 million used for the continued build out of our corporate headquarters office campus in Johns Creek, Georgia and the build out of our buildings in India to support our growing product development facilities, $2.8 million used and capitalized in connection with the development of software to be sold and marketed, partially offset by the $1.2 million provided in the net maturities of marketable securities (specifically bank certificates of deposit).

Financing Activities

Net cash provided by financing activities during the twelve months ended December 31, 2018 was $256.1 million, and primarily consisted of $150.0 million provided by the Company's revolving credit facility with Regions (net of payments and including accordion option), $175.5 million provided by the Company's term loan (including accordion option) with Regions. Partially offsetting this cash inflow was $40.8 million used to reacquire 797 thousand shares of the Company's common stock, $9.3 million used to pay quarterly dividends to the holders of our common stock, $10.0 million used to make scheduled payments against the Regions term loan, a $8.3 million short term loan to a third party, and $769 thousand used by overdraft facilities for our India operations.

Table of Contents

Net cash provided by financing activities during the twelve months ended December 31, 2017 was $78.0 million, and primarily consisted of $120.5 million provided by the Company's revolving credit facility with Regions, $20.0 million provided by the Company's term loan accordion option with Regions, and $6.2 million provided by Via's, our recent India acquisition, overdraft facility with State bank of India. Partially offsetting this cash inflow was $45.7 million used to reacquire 796 thousand shares of the Company's common stock, $9.5 million used to pay quarterly dividends to the holders of our common stock, and $13.0 million used to make scheduled payments against the Regions term loan.

Commercial Bank Financing Facility

On November 27, 2018, Ebix entered into the Eighth Amendment (the “Eighth Amendment”) to the Regions Secured Credit Facility, dated August 5, 2014, among the Company, Regions and certain other lenders party thereto (as amended, the "Credit Agreement") to exercise $101.3 million of its aggregate $150 million accordion option, increasing the total Term Loan Commitment to $301.3 million from $250 million, with initial repayments starting December 31, 2018 due in the amount of $3.8 million for the first six quarters and increasing thereafter. The revolving credit facility increased from $400 million to $450 million. The Credit Agreement carries a leverage-based LIBOR related interest rate, which currently stands at approximately 4.875%. The expanded credit facility will continue to be used to fund the Company's future growth and share repurchase initiatives.

On April 9, 2018 the Company and certain of its subsidiaries entered into the Seventh Amendment (the “Seventh Amendment”) 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.

On November 3, 2017 the Company and certain of its subsidiaries entered into the Fifth Amendment (the “Fifth 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") 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.

Table of Contents

On June 17, 2016, the Company and certain of its subsidiaries entered into the Second Amendment (the "Second Amendment") to the Credit Agreement. The Second Amendment increased the total credit facility to $400 million from the prior amount of $240 million, and expanded the syndicated bank group to eleven participants by adding seven new participants which included 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 consisted 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 of $3.13 million due each quarter, starting September 30, 2016. The Credit Agreement also contained 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.

Effective October 14, 2015 the Company, in coordination with Regions as administrative agent and a joint lender, exercised the $50 million accordion feature in the Credit Agreement thereby expanding the total credit facility to $240 million. As part of this credit facility expansion, TD Bank, NA ("TD") was added to the syndication group expanding the syndicated group to five bank participants, which included Regions, MUFG Union Bank N.A., Fifth Third Bank, and Silicon Valley Bank as joint lenders. TD commitment level is $25 million.

On February 3, 2015, Ebix, Inc. and certain of its subsidiaries entered into the First Amendment (the "First Amendment") to the Credit Agreement. The First Amendment amended the Regions Credit Facility by increasing the maximum amount by which the Aggregate Revolving Commitments may be increased by $90 million from the pre-existing limit of $50 million, increased the amount of base facility to $190 million from the pre-existing amount of $150 million, which together with the $50 million accordion feature increased the total Credit Agreement capacity amount to $240 million from the prior amount of $200 million, and added Fifth Third Bank to the syndicated group, which included four participants, which included Regions, MUFG Union Bank N.A., and Silicon Valley Bank as joint lenders.

At December 31, 2018, the outstanding balance on the revolving line of credit with Regions was $424.5 million and the facility carried an interest rate of 4.875%. This balance is included in the long-term liabilities section of the Consolidated Balance Sheets. During 2018, the average and maximum outstanding balances on the revolving line of credit were $318.9 million and $424.5 million, respectively, and the weighted average interest rate was 4.51%

At December 31, 2018, the outstanding balance on the term loan was $291.2 million of which $15.1 million is due within the next twelve months. This term loan also carried an interest rate of 4.875%. 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 $15.1 million and $276.2 million respectively at December 31, 2018.

Contractual Obligations and Commercial Commitments

The following table summarizes our known contractual debt and lease obligations as of December 31, 2018. The table excludes commitments that are contingent based on events or factors uncertain at this time.

	Payment Due by Period				
	Total	Less Than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 years
	(in thousands)				
Revolving line of credit	$424,537	$—	$—	$424,537	$—
Short and long-term debt	295,225	19,053	43,305	232,867	—
Operating leases	141,501	34,189	58,768	45,245	3,299
Future Purchase Agreements	406	406	—	—	—
Capital leases	533	266	185	82	—
Total	$862,202	$53,914	$102,258	$702,731	$3,299

Off Balance Sheet Transactions

We do not engage in off-balance sheet financing activities.

Inflation

44

Table of Contents

We do not believe that the rate of inflation has had a material effect on our operating results. However, inflation could adversely affect our future operating results.

Table of Contents

RECENT 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 Accounting Standards Update (“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 Accounting Standards Codification (“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 adoption of ASU 2018-07 did not impact our consolidated financial position, results of operations or cash flows.

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 adoption of ASU 2018-02 did not impact our consolidated financial position, results of operations or cash flows.

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 adoption of ASU 2018-01 did not impact our consolidated financial position, results of operations or cash flows.

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 twelve months ended December 31, 2018 and 2017, the Company held $8.3 million and $4.0 million, respectively, in "Restricted cash" and $3.5 million and $2.9 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 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,

Table of Contents

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. We will adopt Topic 842 effective January 1, 2019 using a modified retrospective method and will not restate comparative periods. As permitted under the transition guidance, we will carry forward the assessment of whether our contracts contain or are leases, classification of our leases and remaining lease terms. Based on our portfolio of leases as of December 31, 2018, approximately between $140 million and $150 million of lease assets and liabilities will be recognized on our balance sheet upon adoption, primarily relating to real estate. We are substantially complete with our implementation efforts.

APPLICATION OF CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in conformity with GAAP, as promulgated in the United States, requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and related disclosures of contingent assets and liabilities in our consolidated financial statements and accompanying notes. We believe the most complex and sensitive judgments, because of their significance to the 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, or changes in the accounting estimates that we used are reasonably likely to occur

Table of Contents

from period to period which may have a material impact on our financial condition and results of operations. For additional information about these policies, see Note 1 "Description of Business and Summary of Significant Accounting Policies" of the notes to the consolidated financial statements in this Form 10-K. 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 professional and support services, which includes revenue generated from subscription and transaction fees pertaining to services delivered over our exchanges or from our application service provider (“ASP”) platforms, software development projects and associated fees for consulting, implementation, training, and project management provided to customers using our systems, and risk compliance solutions ("RCS"). 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.

The Company follows the relevant technical accounting guidance regarding revenue recognition as issued by the Financial Accounting Standards Board ("FASB") and the Securities and Exchange Commission ("SEC"). The Company considers revenue earned and realizable when: (a) persuasive evidence of the sales arrangement exists, (b) the arrangement fee is fixed or determinable, (c) service delivery or performance has occurred, (d) customer acceptance has been received or is reasonably assured, if contractually required, and (e) collectability of the arrangement fee is probable. The Company typically uses signed contractual agreements, purchase orders, or statements of work as persuasive evidence of a sales arrangement. We apply the provisions of the relevant FASB accounting pronouncements related to all transactions involving the license of software where the software deliverables are considered more than inconsequential to the other elements in the arrangement. For contracts that contain multiple deliverables, we analyze the revenue arrangements in accordance with the appropriate authoritative 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 units of accounting for the purpose of revenue recognition. Deliverables are accounted for separately if they meet all of the following criteria: a) the delivered item has value to the customer on a stand-alone basis; b) there is objective and reliable evidence of the fair value for all arrangement deliverables; and c) if the arrangement includes a general right of return relative to the delivered items, the delivery or performance of the undelivered items is probable and substantially controlled by the Company. Under the relevant accounting guidance, when multiple-deliverables included in an arrangement are to be separated into different units of accounting, the arrangement consideration is allocated to the identified separate units of accounting based on their relative fair values. We determine the relative selling price for a deliverable based on vendor-specific objective evidence of selling price (“VSOE”), if available, or third-party evidence ("TPE") in the alternative if available, or finally our best estimate of selling price (“BESP”), if VSOE or TPE is not available.

The Company begins to recognize revenue from license fees for its exchange (SAAS) and ASP products upon granting customer access to the respective processing platform. Transaction services fee revenue for this use of our exchanges or ASP platforms is recognized as the transactions occur and is generally billed in arrears. Revenues from RCS arrangements, which include data entry and call center services, and insurance certificate creation and tracking services, are recognized as the services are performed. Revenues from RCS consulting arrangements are recognized as the services are delivered on a time and materials basis. Service fees for hosting arrangements are recognized over the requisite service period. Revenue derived from the licensing of third party software products in connection with sales of the Company’s software licenses is recognized upon delivery together with the Company’s licensed software products. Fees for training, data conversion, installation, and consulting services fees are recognized as revenue when the services are performed. Revenues for maintenance and support services are recognized ratably over the term of the support agreement.

Software development arrangements involving significant customization, modification or production are accounted for in accordance with the appropriate technical accounting guidance issued by the 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 is comprised of primarily transaction based fees, recognized at the completion of the transactions, for facilitating financial, travel, and transport transactions through our EbixCash network. Financial and insurance transaction revenue is based on a percentage of payment value processed for inward and outward remittances, foreign exchange conversions, lending and wealth management, insurance, corporate and retail gift vouchers, and consumer payments. Gift voucher revenue is recognized at full purchase value at time of sale with the corresponding cost of vouchers recorded under direct expenses. Travel revenue is typically either a fixed or percentage fee for facilitating the booking for air, hotels, trains, buses, and cabs for both corporate and private travel along with event planning. Travel revenue for the corporate MICE (Meetings, Incentives, Conferences, and Exhibitions) packages is recognized at full purchase value at the completion of the obligation with the corresponding costs recorded under direct expenses. The transport transactions are focused on logistics for the trucking industry,

Table of Contents

bus management for local India governments, and inter-city cab management with revenue recorded at the full trip value and corresponding costs recorded as direct expenses.

Deferred revenue includes payments or billings that have been received or made prior to performance and, in certain cases, cash collections and primarily pertain to maintenance and support fees, initial setup or registration fees under hosting agreements, software license fees received in advance of delivery and acceptance, and software development fees paid in advance of completion and delivery.

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.

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.

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, net of tax effect, of $8.8 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.

Allowance for Doubtful Accounts Receivable

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

Valuation of Goodwill

Goodwill represents the cost in excess of the fair value of the identifiable net assets from the businesses that we acquire. In accordance with the relevant FASB accounting guidance, goodwill is tested for impairment at the reporting unit level on an annual basis or on an interim basis if an event occurred or circumstances change that would indicate that fair value of a reporting unit decreased below its carrying value. Potential impairment indicators include a significant change in the business climate, legal factors, operating performance indicators, competition, customer retention and the sale or disposition of a significant portion of the business. The Company first assesses 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 more likely than not that the fair value of a reporting unit is less than its carrying amount, then we would perform the two-step quantitative impairment testing described further below.

Table of Contents

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. We perform our annual goodwill impairment evaluation and testing as of September 30 each year. In 2018 the goodwill residing in all four channels, the Broker reporting unit , 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 of these reporting units was found to be greater than their carrying value, thus there was no impairment indicated. Key assumptions used in the fair value determinations for the groups were annual revenue growth rates of 5% to 9% for the RCS, Carrier and Broker units.The Exchange units growth rates used in the calculations varied from 10% to 14%. As of September 30, 2018 there was $80.8 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. During the years ended December 31, 2018, 2017, and 2016, we had no impairment of any our reporting unit goodwill balances.

Projections of cash flows are based on our views of revenue growth rates, operating costs, anticipated future economic conditions, the appropriate discount rates relative to risk, and estimates of residual values and terminal 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., revenue 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. As a practice, the Company closely monitors any reporting units that do not have a significantly higher fair value in excess of their carrying value.

Income Taxes

We account for income taxes in accordance with FASB accounting guidance on the accounting and disclosure of income taxes, which involves estimating the Company's current tax exposure together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included in our Consolidated Balance Sheets. We then assess the likelihood that our net deferred tax assets will be recovered from future taxable income in the years in which those temporary differences are expected to be recovered or settled, and, to the extent we believe that recovery is not likely, we establish a valuation allowance.

On December 22, 2017, the TCJA was enacted, substantially changing the U.S. tax system and affecting the Company in a number of ways. Notably, the TCJA: establishes a flat corporate income tax rate of 21.0% on U.S. earnings; imposes a one-time tax on unremitted cumulative non-U.S. earnings of foreign subsidiaries ("Transition Tax");imposes a new minimum tax on certain non-U.S. earnings, irrespective of the territorial system of taxation, and generally allows for the repatriation of future earnings of foreign subsidiaries without incurring additional U.S. taxes by transitioning to a territorial system of taxation; subjects certain payments made by a U.S. company to a related foreign company to certain minimum taxes (Base Erosion Anti-Abuse Tax); eliminates certain prior tax incentives for manufacturing in the United States and creates an incentive for U.S. companies to sell, lease or license goods and services abroad by allowing for a reduction in taxes owed on earnings related to such sales; allows the cost of investments in certain depreciable assets acquired and placed in service after September 27, 2017 to be immediately expensed; and reduces deductions with respect to certain compensation paid to specified executive officers.

In March 2018, the FASB Issued ASU No. 2018-05, Income Taxes (Topic 740): Amendments to SEC Paragraphs Pursuant to SEC SAB No. 118. ASU 2018-05 was issued to incorporate into Topic 740 recent SEC guidance related to the income tax accounting implications of the TCJA. Due to the complexities involved in accounting for the enactment of the TCJA, the SEC Staff had issued SAB No. 118 which allowed the Company to record provisional amounts in earnings for the year ended December 31, 2017. ASU 2018-05 became effective immediately and permitted companies to use provisional amounts for certain income tax effects of the TCJA during a one-year measurement period. The Transition Tax is based on the Company’s total post-1986 earnings and profits that were previously deferred from U.S. income taxes. The Company did not recorded an amount for the Transition Tax expense in 2017, as they did not have the necessary information to determine a reasonable estimate to include as a provisional amount.The Company completed its tax accounting for the TCJA during Q4 2018 and recorded an adjustment of $24.53 million related to the transition tax after taking into consideration carried forward NOLs and other tax attributes available for set-off.

The Company does not recognize a deferred U.S. tax liability and associated income tax expense for the undistributed earnings of its foreign subsidiaries, which are considered indefinitely invested because those foreign earnings will remain permanently reinvested in those subsidiaries to fund ongoing operations and growth.

Table of Contents

The Company follows the provisions of FASB accounting guidance on accounting for uncertain income tax positions. This guidance clarified 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. The guidance utilizes a two-step approach for evaluating tax positions. Recognition (“Step 1”) occurs when an enterprise concludes that a tax position, based solely on its technical merits is more likely than not to be sustained upon examination. Measurement (“Step 2”) is only addressed if Step 1 has been satisfied. Under Step 2, the tax benefit is measured at the largest amount of benefit, determined on a cumulative probability basis that is more likely than not to be realized upon final settlement. As used in this context, the term “more likely than not” is interpreted to mean that the likelihood of occurrence is greater than 50%.

Foreign Currency Translation

The functional currency for the Company's main foreign subsidiaries in India, Dubai and Singapore is the U.S. dollar because the intellectual property research and development activities provided by its Singapore and Dubai subsidiaries, 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 accumulated other comprehensive income in the accompanying 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.

Quarterly Financial Information (unaudited):

The following is the unaudited quarterly financial information for 2018, 2017 and 2016:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(in thousands, except per share data)			
Year Ended December 31, 2018				
Total revenues	$108,230	$124,626	$128,643	$136,327
Gross profit	68,639	81,067	85,680	94,025
Operating income	33,896	38,315	39,238	41,530
Net income attributable to Ebix, Inc.	$26,208	$29,180	$29,242	$8,509
Net income per common share:				
Basic	$0.83	$0.93	$0.93	$0.27
Diluted	$0.83	$0.92	$0.92	$0.27
Year Ended December 31, 2017				
Total revenues	$79,103	$87,387	$92,800	$104,681
Gross profit	53,916	56,455	57,863	66,243
Operating income	25,690	26,539	27,911	33,081
Net income	26,427	23,434	24,184	26,573
Net income per common share:				
Basic	$0.83	$0.74	$0.77	$0.84
Diluted	$0.83	$0.74	$0.76	$0.84
Year Ended December 31, 2016				
Total revenues	$71,066	$72,574	$74,608	$80,046
Gross profit	51,464	51,995	52,183	57,524
Operating income	24,763	23,564	24,293	27,661
Net income	22,159	22,992	24,067	24,629
Net income per common share:				

Basic	$0.67	$0.70	$0.74	$0.76
Diluted	$0.67	$0.70	$0.74	$0.76

51

Table of Contents

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is subject to certain market risks, including foreign currency exchange rates and interest rates. The Company’s exposure to foreign currency exchange rates risk is related to our foreign-based operations where transactions are denominated in foreign currencies 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., furthermore the functional currencies in our main India and Singapore offices is the U.S. dollar, and accordingly, a large portion of our business transactions are denominated in U.S. dollars. However, the Company has operations in Australia, India, New Zealand, Great Britain, Canada, Brazil, Dubai, 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 those foreign currencies will not have a material adverse effect on the Company’s business, operating results, revenues or financial condition. During the years of 2018 and 2017 the net change in the cumulative foreign currency translation account, which is a component of stockholders’ equity, was an unrealized gain (loss) of $(39.4) million, and $9.7 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 possibly be experienced in the near term future. Such an adverse change in currency exchange rates would have resulted in a reduction to pre-tax income of approximately $15.8 million and $7.5 million for the years ended December 31, 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 December 31, 2018 the Company had $719.8 million of outstanding debt obligations which consisted of a $291.2 million term loan, a $424.5 million balance on our commercial banking revolving line of credit, a $1.8 million note due to IHC by the EbixHealth JV, and $2.2 million of previously existing debt pertaining to newly acquired Weizmann. The Company’s revolving line of credit bears interest at the rate of LIBOR + 2.25%, and stood at 4.875% at December 31, 2018. The Company is exposed to market risk in relation to this line of credit and secured term loan in regards to the potential increase to interest expense arising from adverse changes in the LIBOR interest rates. This interest rate risk is estimated as the potential decrease in earnings resulting from a hypothetical 30% 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 $3.8 million and $1.4 million for the years ending December 31, 2018 and 2017, respectively. The Company’s average cash balances and short term investments during 2018 were $146.4 million and its existing cash balances as of December 31, 2018 was $147.8 million and short term investments was $31.2 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% decrease in 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 $365 thousand and $478 thousand for the years ended December 31, 2018 and 2017, respectively.

Table of Contents

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
See also the “Quarterly Financial Information” included under “Item 7: Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of Ebix, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Ebix, Inc. and subsidiaries (the “Company”) as of December 31, 2018, and the related consolidated statements of income, comprehensive income, stockholders’ equity, and cash flows for the year ended as of December 31, 2018, and related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the company as of December 31, 2018, and the results of its operations and its cash flows for the year ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 1, 2019 expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis of Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

T R Chadha & Co LLP

We have served as the Company’s auditor since 2018.

New Delhi, India
March 1, 2019

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of Ebix, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Ebix, Inc. and subsidiaries (the Company) as of December 31, 2017, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2017, and related notes and accompanying financial statements listed in the index at item 15 (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017, and the results of their operations and their cash flows for each of the years in the two-year period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 1, 2018, expressed an adverse opinion.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Cherry Bekaert LLP

We served as the Company's auditor since 2008 until 2017.
Atlanta, Georgia
March 1, 2018

Table of Contents

Ebix, Inc. and Subsidiaries
Consolidated Statements of Income

	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016
	(In thousands, except per share amounts)		
Operating revenue:	$497,826	$363,971	$298,294
Operating expenses:			
Costs of services provided	168,415	129,494	85,128
Product development	39,078	33,854	32,981
Sales and marketing	17,587	16,303	17,469
General and administrative, net (see Note 3)	108,475	59,976	51,689
Amortization and depreciation	11,292	11,123	10,746
Total operating expenses	344,847	250,750	198,013
Operating income	152,979	113,221	100,281
Interest income	436	1,711	1,851
Interest expense	(27,101)	(13,383)	(7,376)
Non-operating income (see Note 18)	60	—	1,162
Foreign currency exchange gain (loss)	(792)	1,811	13
Income before income taxes	125,582	103,360	95,931
Income tax provision	(32,501)	(777)	(1,637)
Net income including noncontrolling interest	$93,081	$102,583	$94,294
Net income (loss) attributable to noncontrolling interest (see Note 18)	(58)	1,965	447
Net income attributable to Ebix, Inc.	$93,139	$100,618	$93,847
Basic earnings per common share	$2.97	$3.19	$2.88
Diluted earnings per common share	$2.95	$3.17	$2.86
Basic weighted average shares outstanding	31,393	31,552	32,603
Diluted weighted average shares outstanding	31,534	31,719	32,863

See accompanying notes to the consolidated financial statements.

Table of Contents

Ebix, Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income

	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016
	(In thousands)		
Net income including noncontrolling interest	$93,081	$102,583	$94,294
Other comprehensive income (loss):			
Foreign currency translation adjustments	(39,354)	9,654	(3,399)
Total other comprehensive income (loss)	(39,354)	9,654	(3,399)
Comprehensive income	$53,727	$112,237	$90,895
Comprehensive income attributable to noncontrolling interest (see Note 18)	(58)	1,965	447
Comprehensive income attributable to Ebix, Inc.	$53,785	$110,272	$90,448

See accompanying notes to the consolidated financial statements.

Table of Contents

Ebix, Inc. and Subsidiaries
Consolidated Balance Sheets

	December 31, 2018	December 31, 2017
	(In thousands, except share and per share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 147,766	$ 63,895
Short-term investments	31,192	25,592
Restricted cash	8,317	4,040
Fiduciary funds- restricted	6,491	8,035
Trade accounts receivable, less allowances of $6,969 and $4,143, respectively	174,340	117,838
Other current assets	59,274	33,532
Total current assets	427,380	252,932
Property and equipment, net	50,294	41,704
Goodwill	946,685	666,863
Intangibles, net	51,448	45,711
Indefinite-lived intangibles	42,055	42,055
Capitalized software development costs, net	11,742	8,499
Deferred tax asset, net	54,629	43,529
Other assets	26,714	11,720
Total assets	$ 1,610,947	$ 1,113,013
LIABILITIES AND STOCKHOLDERS’ EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 130,221	$ 75,073
Accrued payroll and related benefits	9,227	8,201
Cash overdraft	17,841	9,243
Fiduciary funds- restricted	6,491	8,035
Short term debt	3,990	—
Contingent liability for accrued earn-out acquisition consideration	13,767	4,000
Current portion of long term debt and capital lease obligation, net of deferred financing costs of $575 and $136, respectively	14,603	14,381
Deferred revenue	35,609	22,562
Current deferred rent	98	278
Other current liabilities	85,581	5,159
Total current liabilities	317,428	146,932
Revolving line of credit	424,537	274,529
Long term debt and capital lease obligation, less current portion, net of deferred financing costs of $1,811 and $298, respectively	274,716	110,978
Contingent liability for accrued earn-out acquisition consideration	11,209	33,096
Deferred revenue	9,051	1,423
Long term deferred rent	438	638
Deferred tax liability, net	1,282	—
Other liabilities	27,849	11,658
Total liabilities	1,066,510	579,254
Commitments and Contingencies, Note 6		

Stockholders' equity:		
Convertible Series D Preferred stock, \$.10 par value, 500,000 shares authorized, no shares issued and outstanding at December 31, 2018 and 2017	—	—

Table of Contents

Common stock, $.10 par value, 120,000,000 shares authorized, 30,567,725 issued and outstanding at December 31, 2018 and 31,476,428 issued and outstanding at December 31, 2017	3,057	3,148
Additional paid-in capital	3,397	1,410
Retained earnings	535,118	510,975
Accumulated other comprehensive loss	(63,377)	(24,023)
Total Ebix, Inc. stockholders’ equity	478,195	491,510
Noncontrolling interest (see Note 18)	66,242	42,249
Total stockholders' equity	$544,437	$533,759
Total liabilities and stockholders’ equity	$1,610,947	$1,113,013

See accompanying notes to the consolidated financial statements.

Table of Contents

Ebix, Inc. and Subsidiaries
Consolidated Statements Stockholders' Equity

	Common Stock								
	Issued Shares	Amount	Treasury Stock Shares	Treasury Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrol-ling interest	Total
	(In thousands, except per share amounts)								
Balance, January 1, 2016	33,416,110	$3,342	—	$ —	$57,120	$378,787	$ (30,278)	$ —	408,971
Net income attributable to Ebix, Inc.	—	—	—	—	—	93,847	—	—	93,847
Net income attributable to noncontrolling	—	—	—	—	—	—	—	447	447
Cumulative translation adjustment	—	—	—	—	—	—	(3,399)	—	(3,399)
Exercise of stock options	72,379	7	—	—	817	—	—	—	824
Deferred compensation and amortization related to options and restricted stock	—	—	—	—	2,794	—	—	—	2,794
Repurchase of common stock	(1,479,454)	(148)	—	—	(59,725)	(5,441)	—	—	(65,314)
Vesting of restricted stock	101,444	11	—	—	(11)	—	—	—	—
Forfeiture of certain shares to satisfy exercise costs and the recipients income tax obligations related to stock options exercised and restricted stock vested	(17,185)	(3)	—	—	(995)	—	—	—	(998)
Recognized controlling ownership of joint venture	—	—	—	—	—	—	—	11,293	11,293
Cancellation of treasury shares	—	—	—	—	—	—	—	—	—
Dividends paid	—	—	—	—	—	(9,829)	—	—	(9,829)
Balance, December 31, 2016	32,093,294	$3,209	—	$ —	$—	$457,364	$ (33,677)	$ 11,740	$438,636
Net income attributable to Ebix, Inc.	—	—	—	—	—	100,618	—		100,618
Net income attributable to noncontrolling	—	—	—	—	—	—	—	1,965	1,965
Cumulative translation adjustment	—	—	—	—	—	—	9,654	—	9,654
Exercise of stock options	3,500	—			52			—	52
Repurchase of common stock	(687,048)	(68)	—	—	(1,852)	(37,462)	—	—	(39,382)

Deferred compensation and amortization related to options and restricted stock	—	—	—	—	2,818	—	—	—	2,818
Vesting of restricted stock	72,816	7	—	—	(7)	—	—	—	—
Forfeiture of certain shares to satisfy exercise costs and the recipients income tax obligations related to stock options exercised and restricted stock vested	(6,134)	—	—	—	(398)	—	—	—	(398)

Table of Contents

Capital Contribution to joint venture, loans converted to capital contribution	—	—	—	797	—	—	766	1,563
Recognized controlling ownership of joint venture	—	—	—	—	—	—	27,778	27,778
Dividends paid	—	—	—	—	(9,545)	—	—	(9,545)
Balance, December 31, 2017	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	—	—	—	—	(8,714)	—	—	(8,714)
Cumulative effect of accounting change (adoption of ASC 340-40), net of tax effect	—	—	—	—	(1,446)	—	—	(1,446)
Net income attributable to Ebix, Inc.	—	—	—	—	93,139	—	—	93,139
Net loss attributable to noncontrolling	—	—	—	—	—	—	(58)	(58)
Cumulative translation adjustment	—	—	—	—	—	(39,354)	—	(39,354)
Exercise of stock options	27,999	3	—	436	—	—	—	439
Repurchase of common stock	(996,773)	(100)	—	—	(49,520)	—	—	(49,620)
Deferred compensation and amortization related to options and restricted stock	—	—	—	2,811	—	—	—	2,811
Vesting of restricted stock	68,946	6	—	(6)	—	—	—	—
Forfeiture of certain shares to satisfy exercise costs and the recipients income tax obligations related to stock options exercised and restricted stock vested	(8,875)	—	—	(467)	—	—	—	(467)
Recognized controlling ownership of joint venture	—	—	—	(787)	—	—	24,051	23,264
Dividends paid	—	—	—	—	(9,316)	—		(9,316)
Balance, December 31, 2018	30,567,725	$3,057	$—	$3,397	$535,118	$(63,377)	$66,242	$544,437

See accompanying notes to the consolidated financial statements.

Table of Contents

Ebix, Inc. and Subsidiaries
Consolidated Statements of Cash Flows

	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016
	(in thousands)		
Cash flows from operating activities:			
Net income attributable to Ebix, Inc.	$93,139	$100,618	$93,847
Net income (loss) attributable to noncontrolling interest	(58)	1,965	447
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	11,292	11,123	10,746
Provision for doubtful accounts	3,571	1,713	1,515
Provision for deferred taxes, net of acquisitions and effects of currency translation	(13,043)	(13,667)	(6,410)
Unrealized foreign exchange losses	606	1,387	32
Gain on investment interest in IHC/Ebix joint venture	—	—	(1,162)
Amortization of capitalized software development costs	2,233	2,175	1,116
Share-based compensation	2,811	2,818	2,794
Reduction of acquisition earn-out contingent liability	(1,391)	(164)	(1,344)
Reduction of rent expense as a result of purchase accounting adjustment	—	(948)	—
Changes in current assets and liabilities, net of acquisitions:			
Accounts receivable	(10,810)	(34,245)	(12,659)
Other assets	(8,486)	(2,133)	1,789
Accounts payable and accrued expenses	6,539	8,906	(3,703)
Accrued payroll and related benefits	(788)	(3,979)	170
Deferred rent	(360)	(413)	(234)
Reserve for potential uncertain income tax return positions	149	5,879	490
Other liabilities	13,205	252	(3,039)
Deferred revenue	(8,740)	(4,480)	2,176
Net cash provided by operating activities	89,869	76,807	86,571
Cash flows from investing activities:			
Investment in Transcorp, net of cash acquired	(6,554)	—	—
Investment in Centrum, net of cash acquired	(176,137)	—	—
Investment in SmartClass, net of cash acquired	(7,593)	—	—
Cash received from Paul Merchants for 10% stake in MTSS	4,996	—	—
Investment in Indus, net of cash acquired	(24,261)	—	—
Investment in Mercury, net of cash acquired	(11,356)	—	—
Investment in Miles, net of cash acquired	(17,721)	—	—
Investment in Leisure, net of cash acquired	(1,304)	—	—
Investment in AHA Taxis, net of cash acquired	(71)	—	—
Investment in Routier, net of cash acquired	(413)	—	—
Investment in Weizmann, net of cash acquired	12,886	—	—
Investment in Lawson, net of cash acquired	381	—	—
Investment in Business Travels, net of cash acquired	(414)	—	—
Payment of acquisition earn-out contingency, ItzCash	(3,831)	—	—
Investment in Paul Merchants	—	(37,398)	—

Table of Contents

Investment in Via, net of cash acquired	—	(67,835)	—
Investment in Wall Street	—	(6,970)	—
Investment in YouFirst, net of cash acquired	—	(9,657)	—
Investment in beBetter	—	(1,000)	—
Investment in ItzCash, net of cash acquired	—	(69,301)	—
Payment of acquisition earn-out contingency, Qatarlyst	—	(1,921)	—
Investment in Hope Health	—	—	(1,643)
Investment in Wdev, net of cash acquired	—	—	(6,320)
Investment in EbixHealth JV, net of cash acquired	—	—	(696)
Maturities (purchases) of marketable securities	(4,087)	1,201	(2,115)
Capitalized software development costs	(5,745)	(2,805)	(3,988)
Capital expenditures	(10,366)	(7,385)	(5,977)
Net cash used in investing activities	(251,590)	(203,071)	(20,739)
Cash flows from financing activities:			
Proceeds from / (Repayment) to line of credit, net	150,008	120,500	(52,436)
Proceeds from term loan	175,500	20,000	125,000
Principal payments on term loan obligation	(10,016)	(13,000)	(6,250)
Short term loan to a third party	(8,341)	—	—
Cash overdraft	(769)	6,162	—
Repurchase of common stock	(40,820)	(45,732)	(59,784)
Payments of long term debt	(80)	—	(600)
Payments for capital lease obligations	(6)	(11)	(5)
Proceeds from exercise of common stock options	439	52	824
Forfeiture of certain shares to satisfy exercise costs and the recipients income tax obligations related to stock options exercised and restricted stock vested	(467)	(398)	(998)
Dividends paid	(9,316)	(9,545)	(9,829)
Net cash provided (used) by financing activities	256,132	78,028	(4,078)
Effect of foreign exchange rates on cash and cash equivalents	$(5,689)	$2,162	$(1,992)
Net change in cash and cash equivalents, and restricted cash	88,722	(46,074)	59,762
Cash and cash equivalents, and restricted cash at the beginning of the year	$70,867	$116,941	$57,179
Cash and cash equivalents, and restricted cash at the end of the year	$159,589	$70,867	$116,941
Supplemental disclosures of cash flow information:			
Interest paid	25,690	12,552	7,219
Income taxes paid	10,149	10,426	16,634

See accompanying notes to the consolidated financial statements.

Table of Contents

Ebix, Inc. and Subsidiaries

Supplemental schedule of noncash financing activities:

As of December 31, 2018 $70.5 million of the upfront cash consideration of Weizmann, AHA Taxis, Business Travels, Pearl International Tours & Travels, and Lawson remained unfunded and is included in Other current liabilities in the Company's Consolidated Balance Sheet, see Note 12.
During 2018 there were 8,875 shares, totaling $467 thousand, used to satisfy exercise costs and the recipients' income tax obligations related to stock options exercised and restricted stock vesting.
During 2017 there were 6,134 shares, totaling $398 thousand, used to satisfy exercise costs and the recipients' income tax obligations related to stock options exercised and restricted stock vesting.
During 2016 there were 17,185 shares, totaling $998 thousand, used to satisfy exercise costs and the recipients' income tax obligations related to stock options exercised and restricted stock vesting.
As of December 31, 2018 there were 200,000 shares totaling $8.8 million of share repurchases that were not settled until January 2019.
As of December 31, 2016 there were 109,475 shares totaling $6.4 million of share repurchases that were not settled until January 2017.

See accompanying notes to consolidated financial statements.

Table of Contents

Ebix, Inc. and Subsidiaries
Notes to 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, 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 & 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 ASEAN countries to a Omni-channel online digital platform, the Company's EbixCash Financial exchange portfolio encompasses leadership in areas of domestic & international money remittance, foreign exchange (Forex), travel, pre-paid & gift cards, utility payments, lending, and wealth management in India and other markets. 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, Thailand and United Arab Emirates. International revenue accounted for 60.4%, 41.8%, and 28.4% of the Company's total revenue in 2018, 2017, and 2016, respectively.

The Company's revenues are derived from four product/service groups. Presented in the table below is the breakout of our revenue streams for each of those product/service groups for the years ended December 31, 2018, 2017 and 2016.

	For the Year Ended December 31,		
(dollar amounts in thousands)	2018	2017	2016
Exchanges	$396,457	$259,470	$206,427
Broker P&C Systems	14,379	14,674	14,105
RCS	79,976	86,832	74,196
Carrier P&C Systems	7,014	2,995	3,566
Totals	$497,826	$363,971	$298,294

Summary of Significant Accounting Policies

Basis of Presentation— The consolidated financial statements include the accounts of Ebix and its wholly owned subsidiaries. The effect of inter-company balances and transactions has been eliminated.

Use of Estimates—The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and reported amounts of revenue and expenses during those reporting periods. Management has made material estimates primarily with respect to revenue recognition and deferred revenue, accounts receivable, acquired intangible assets, annual impairment reviews of goodwill, indefinite-lived intangible assets, investments, contingent earnout liabilities in connection with business acquisitions, and the provision for income taxes. Actual results may be materially different from those estimates.

Segment Reporting—Since the Company, from the perspective of its chief operating decision maker, allocates resources and evaluates business performance as a single entity that provides software and related services to various industries on a worldwide basis, the Company reports as a single segment. The applicable enterprise-wide disclosures are included in Note 15.

Cash and Cash Equivalents—The Company considers all highly liquid investments with an original maturity of three months or less at the time of purchase to be cash equivalents. Such investments are stated at cost, which approximates fair value. The Company does maintain cash balances in banking institutions in excess of federally insured amounts and therefore is exposed to the related potential credit risk associated with such cash deposits.

Short-term Investments—The Company’s primary short-term investments consist of certificates of deposits with established commercial banking institutions in India that have readily determinable fair values. Ebix accounts for such investments

Table of Contents

that are reasonably expected to be realized in cash, sold or consumed during the year as short-term investments that are available-for-sale. The carrying amount of investments in marketable securities approximates their fair value. The carrying value of our short-term investments was $31.2 million and $25.6 million at December 31, 2018 and 2017, respectively.

Restricted Cash— The carrying value of our restricted cash was $8.3 million and $4.0 million at December 31, 2018 and 2017, respectively. The balances consist of upfront cash consideration and possible future contingent earn-out payments held in escrow accounts contingent upon acquired business' achieving the minimum specified annual net revenue thresholds, which if not achieved would result in said funds being returned to Ebix and fixed deposits pledged with banks for issuance of bank guarantees and letters of credit in our India operations.

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:

	For the Year Ended December 31,		
(In thousands)	2018	2017	2016
Cash and cash equivalents	147,766	63,895	114,118
Restricted cash	8,317	4,040	—
Restricted cash included in other long-term assets	3,506	2,932	2,823
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	$159,589	$70,867	$116,941

Fiduciary Funds - Restricted—Due to the EbixHealth JV being a third party administrator ("TPA"), the Company collects premiums from insureds and, after deducting its fees, remits these premiums to insurance companies. Unremitted insurance premiums and/or claim funds established for the benefit of various carriers are held in a fiduciary capacity until disbursed by the Company. The use of premiums collected from insureds but not yet remitted to insurance companies is restricted by law in certain states. The total assets held on behalf of others, $6.5 million, are recorded as an asset and offsetting fiduciary funds - restricted liability.

Fair Value Measurements—The Company follows the relevant GAAP guidance regarding the determination and measurement of the fair value of assets/liabilities in which 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 valuation hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value. The guidance describes the following three levels of inputs that may be used in the methodology to measure fair value:

- Level 1 — Quoted prices available in active markets for identical investments as of the reporting date;
- Level 2 — Inputs other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date; and,
- Level 3 — Unobservable inputs, which are to be 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.

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 December 31, 2018 and 2017 the Company has the following financial instruments to which it had to consider fair values and had to make fair 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 remeasured periodically 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 or 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.

Table of Contents

Other financial instruments not measured at fair value on the Company's consolidated balance sheets at December 31, 2018 and 2017 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 debt under the credit facility with Regions Bank. The estimated fair value of such instruments at December 31, 2018 and 2017 reasonably approximates their carrying value as reported on the consolidated balance sheets.
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:

Descriptions	Balance at December 31, 2018	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Fair Values at Reporting Date Using*			
	(In thousands)			
Assets				
Commercial bank certificates of deposits ($681 thousand is recorded in the long term asset section of the consolidated balance sheets in "Other Assets")	$26,714	$ 26,714	$ —	$ —
Mutual Funds	5,159	5,159	—	—
Total assets measured at fair value	$31,873	$ 31,873	$ —	$ —
Liabilities				
Derivatives:				
Contingent accrued earn-out acquisition consideration (a)	24,976	—	—	24,976
Total liabilities measured at fair value	$24,976	$ —	$ —	$ 24,976

(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 year ended December 31, 2018 there were no transfers between fair value Levels 1, 2 or 3.

Table of Contents

Descriptions	Fair Values at Reporting Date Using* Balance at 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 year 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 year.

Table of Contents

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

Contingent Liability for Accrued Earn-out Acquisition Consideration	Balance at December 31, 2018	Balance at December 31, 2017
	(in thousands)	
Beginning balance	$37,096	8,510
Total remeasurement adjustments:		
(Gains) or losses included in earnings **	(1,391)	(164)
Reductions recorded against goodwill	(13,718)	(4,007)
Foreign currency translation adjustments ***	(1,620)	522
Acquisitions and settlements		
Business acquisitions	8,440	34,156
Settlements	(3,831)	(1,921)
Ending balance	$24,976	$ 37,096
The amount of total (gains) or losses for the year included in earnings or changes to net assets, attributable to changes in unrealized (gains) or losses relating to assets or liabilities still held at year-end.	$(1,391)	$ —

** recorded as a component of 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 December 31, 2018	Valuation Technique	Significant Unobservable Input
Contingent acquisition consideration: (Wdev, ItzCash, Indus and Miles acquisitions)	$24,976	Discounted cash flow	Expected future annual revenue streams and probability of achievement

Table of Contents

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

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 forecasts of expected future annual revenues as developed by the Company's management and the probability of achievement of those revenue forecasts. The discount rate used in these calculations is 13.5%. Significant increases (decreases) in these unobservable inputs in isolation would likely result in a significantly (lower) higher fair value measurement.

Revenue Recognition and Deferred Revenue—The Company derives its revenues primarily from professional and support services, which includes revenue generated from subscription and transaction fees pertaining to services delivered over our exchanges or from our application service provider (“ASP”) platforms, software development projects and associated fees for consulting, implementation, training, and project management provided to customers using our systems, and risk compliance solutions ("RCS"). 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.

The Company follows the relevant technical accounting guidance regarding revenue recognition as issued by the Financial Accounting Standards Board ("FASB") and the Securities and Exchange Commission ("SEC"). The Company considers revenue earned and realizable when: (a) persuasive evidence of the sales arrangement exists, (b) the arrangement fee is fixed or determinable, (c) service delivery or performance has occurred, (d) customer acceptance has been received or is reasonably assured, if contractually required, and (e) collectability of the arrangement fee is probable. The Company typically uses signed contractual agreements, purchase orders, or statements of work as persuasive evidence of a sales arrangement. We apply the provisions of the relevant FASB accounting pronouncements related to all transactions involving the license of software where the software deliverables are considered more than inconsequential to the other elements in the arrangement. For contracts that contain multiple deliverables, we analyze the revenue arrangements in accordance with the appropriate authoritative 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 units of accounting for the purpose of revenue recognition. Deliverables are accounted for separately if they meet all of the following criteria: a) the delivered item has value to the customer on a stand-alone basis; b) there is objective and reliable evidence of the fair value for all arrangement deliverables; and c) if the arrangement includes a general right of return relative to the delivered items, the delivery or performance of the undelivered items is probable and substantially controlled by the Company. Under the relevant accounting guidance, when multiple-deliverables included in an arrangement are to be separated into different units of accounting, the arrangement consideration is allocated to the identified separate units of accounting based on their relative fair values. We determine the relative selling price for a deliverable based on vendor-specific objective evidence of selling price (“VSOE”), if available, or third-party evidence ("TPE") in the alternative if available, or finally our best estimate of selling price (“BESP”), if VSOE or TPE is not available.

The Company begins to recognize revenue from license fees for its exchange (SAAS) and ASP products upon granting customer access to the respective processing platform. Transaction services fee revenue for this use of our exchanges or ASP platforms is recognized as the transactions occur and is generally billed in arrears. Revenues from RCS arrangements, which include data entry and call center services, and insurance certificate creation and tracking services, are recognized as the services are performed. Revenues from RCS consulting arrangements are recognized as the services are delivered on a time and materials basis. Service fees for hosting arrangements are recognized over the requisite service period. Revenue derived from the licensing of third party software products in connection with sales of the Company’s software licenses is recognized upon delivery together with the Company’s licensed software products. Fees for training, data conversion, installation, and consulting services fees are recognized as revenue when the services are performed. Revenues for maintenance and support services are recognized ratably over the term of the support agreement.

Software development arrangements involving significant customization, modification or production are accounted for in accordance with the appropriate technical accounting guidance issued by the 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.

Table of Contents

Financial exchange revenue is comprised of primarily transaction based fees, recognized at the completion of the transactions, for facilitating financial, travel, and transport transactions through our EbixCash network. Financial and insurance transaction revenue is based on a percentage of payment value processed for inward and outward remittances, foreign exchange conversions, lending and wealth management, insurance, corporate and retail gift vouchers, and consumer payments. Gift voucher revenue is recognized at full purchase value at time of sale with the corresponding cost of vouchers recorded under direct expenses. Travel revenue is typically either a fixed or percentage fee for facilitating the booking for air, hotels, trains, buses, and cabs for both corporate and private travel along with event planning. Travel revenue for the corporate MICE (Meetings, Incentives, Conferences, and Exhibitions) packages is recognized at full purchase value at the completion of the obligation with the corresponding costs recorded under direct expenses. The transport transactions are focused on logistics for the trucking industry, bus management for local India governments, and inter-city cab management with revenue recorded at the full trip value and corresponding costs recorded as direct expenses.

Deferred revenue includes payments or billings that have been received or made prior to performance and, in certain cases, cash collections and primarily pertain to maintenance and support fees, initial setup or registration fees under hosting agreements, software license fees received in advance of delivery and acceptance, and software development fees paid in advance of completion and delivery. Approximately $10.2 million and $5.2 million of deferred revenue were included in billed accounts receivable at December 31, 2018 and 2017, respectively.

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.

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.

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, net of tax effect, of $8.8 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.

Table of Contents

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 year ended December 31, 2018:

Table of Contents

	Impact of Change in Accounting Policy		
	As Reported For the Year Ended December 31, 2018	Adjustments	Balances without adoption of Topic 606
Condensed Consolidated Statement of Income	(In thousands)		
Operating Revenue	$497,826	$ (538)	$497,288
Costs of Services Provided	168,415	(134)	168,281
Total Operating Expenses	344,847	(134)	344,713
Operating Income	152,979	(404)	152,575
Income before income taxes	125,582	(404)	125,178
Income tax (expense) benefit	(32,501)	99	(32,402)
Net income including non-controlling interest	93,081	(305)	92,776
Net income attributable to Ebix, Inc.	93,139	(305)	92,834
Basic earnings per common share attributable to Ebix, Inc.	2.97	(0.01)	2.96
Diluted Earnings per common share attributable to Ebix, Inc.	2.95	(0.01)	2.94

	As Reported December 31, 2018	Adjustments	Balances without adoption of Topic 606
Condensed Consolidated Balance Sheet	(In thousands)		
Other current assets	$59,274	$ (862)	$58,412
Total current assets	427,380	(862)	426,518
Deferred tax asset, net	54,629	(1,811)	52,818
Other assets	26,714	(1,376)	25,338
Total assets	1,610,947	(4,049)	1,606,898
Current Deferred Revenue	35,609	(4,792)	30,817
Total current liabilities	317,428	(4,792)	312,636
Long Term Deferred Revenue	9,051	(7,530)	1,521
Total liabilities	1,066,510	(12,322)	1,054,188
Retained earnings	535,118	8,273	543,391

	As Reported for the Year Ended December 31, 2018	Adjustments	Balances without adoption of Topic 606
Condensed Consolidated Statement of Cash Flows	(In thousands)		
Net income attributable to Ebix, Inc.	$93,139	$ (305)	$92,834
Other assets	(8,486)	(134)	(8,620)
Deferred Revenue	(8,740)	1,723	(7,017)

Net cash provided by operating activities	89,869	1,284	91,153

73

Table of Contents

Disaggregation of Revenue

The following tables present revenue disaggregated by primary geographical regions and product channels for the years ended December 31, 2018 , 2017 and 2016:

	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016
	in thousands		
United States	$196,984	$211,895	$213,516
Canada	5,611	7,522	6,328
Latin America	19,866	21,128	8,179
Australia	35,770	34,366	31,156
Singapore*	7,674	6,330	5,848
New Zealand	2,015	1,933	1,903
India*	196,372	61,857	14,153
Europe	15,387	17,062	17,211
Indonesia*	7,482	1,055	—
Philippines*	6,483	623	—
United Arab Emirates*	1,042	200	—
Mauritius*	3,140	$—	$—
	$497,826	$363,971	$298,294

*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 fourth quarter of 2018 for India led businesses was $65.9 million.

The Company's revenues are derived from four product/service groups. Presented in the table below is the breakout of our revenue streams for each of those product/service groups for the years ended December 31, 2018 , 2017 and 2016.

	For the Year Ended December 31,		
(dollar amounts in thousands)	2018	2017	2016
Exchanges	396,457	259,470	206,427
Broker P&C Systems	14,379	14,674	14,105
RCS	79,976	86,832	74,196
Carrier P&C Systems	7,014	2,995	3,566
Totals	$497,826	$363,971	$298,294

(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

74

Table of Contents

over the benefit period. Under our treatment prior to implementing Topic 606, these costs were expensed as incurred. As of December 31, 2018 the Company had $862 thousand of contract costs in “Other current assets” and $1.4 million in “Other Assets” on the Company's Condensed Consolidated Balance Sheets.

(In thousands)	December 31, 2018
Balance, beginning of period	$ —
Topic 606 adjustment	2,401
Adjusted beginning balance	$ 2,401
Costs recognized from adjusted beginning balance	(898)
Additions, net of costs recognized	735
Balance, end of period	$ 2,238

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)	December 31, 2018
Balance, beginning of period	$ 23,985
Topic 606 adjustment	14,045
Adjusted beginning balance	$ 38,030
Revenue recognized from adjusted beginning balance	(21,697)
Additions from business acquisitions	16,273
Additions, net of revenue recognized and currency translation	12,054
Balance, end of period	$ 44,660

Revenue Allocated to Remaining Performance Obligations

The following table presents our estimated revenue allocated to remaining performance obligations for contracted revenue that has not yet been recognized, representing our “contractually committed” revenue as of December 31, 2018 that we will transfer from deferred revenue and recognize in future periods:

Estimated Revenue (in thousands):	
For the year ending December 31, 2019	4,865
For the year ending December 31, 2020	3,586
For the year ending December 31, 2021	2,385
For the year ending December 31, 2022	1,180
For the year ending December 31, 2023	592
	$12,608

Our contractually committed revenue, for purposes of the tabular presentation above, is generally limited to service customer contracts with significant programming, setup, and implementation activities related to our SaaS offerings. Our contractually committed revenue amounts generally exclude, based on the following practical expedients that we elected to apply,

Table of Contents

remaining performance obligations for: (i) contracts with an original expected duration of one year or less; and (ii) contracts for which we recognize revenue at the amount for which we have the right to invoice for services performed.
Accounts Receivable and the Allowance for Doubtful Accounts Receivable—Reported accounts receivable as of December 31, 2018 include $139.2 million of trade receivables stated at invoice billed amounts and $35.1 million of unbilled receivables (net of a $7.0 million estimated allowance for doubtful accounts receivable). Reported accounts receivable at December 31, 2017 include $94.5 million of trade receivables stated at invoice billed amounts and $23.3 million of unbilled receivables (net of a $4.1 million estimated allowance for doubtful accounts receivable). The unbilled receivables pertain to certain professional service engagements and system development 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. Accounts receivable are written off against the allowance for doubtful accounts receivable when the Company has exhausted all reasonable collection efforts. Management specifically analyzes the aging of accounts receivable and historical bad debts, write-offs, customer concentrations, customer credit-worthiness, current economic trends, and changes in our customer payment patterns when evaluating the adequacy of the allowance for doubtful accounts receivable. Bad debt expense was $3.6 million, $1.7 million, and $1.5 million for the year ended December 31, 2018, 2017, and 2016, respectively.
Costs of Services Provided—Costs of services provided consist of data processing costs, customer support costs including personnel costs to maintain our proprietary databases, costs to provide customer call center support, hardware and software expense associated with transaction processing systems and exchanges, telecommunication and computer network expense, and occupancy costs associated with facilities where these functions are performed. Depreciation expense is not included in costs of services provided.
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, is expensed in the period they are incurred. The periodic expense for the amortization of previously capitalized software development costs is included in costs of services provided.

Goodwill and Indefinite-Lived Intangible Assets—Goodwill represents the cost in excess of the fair value of the identifiable net assets from the businesses that we acquire. In accordance with the relevant FASB accounting guidance, goodwill is tested for impairment at the reporting unit level on an annual basis or on an interim basis if an event occurred or circumstances change that would indicate that fair value of a reporting unit decreased below its carrying value. Potential impairment indicators include a significant change in the business climate, legal factors, operating performance indicators, competition, customer retention and the sale or disposition of a significant portion of the business. The Company applies the technical accounting guidance concerning goodwill impairment evaluation whereby the Company first assesses 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 and circumstances, we were to determine that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then we would 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 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. We perform our annual goodwill impairment evaluation and testing as of September 30 each year. In 2018 the goodwill residing in all four channels, the Broker reporting unit , 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 of these reporting units was found to be greater than their carrying value, thus there was no impairment indicated. Key assumptions used in the fair value determinations for the groups were annual revenue growth rates of 5% to 9% for the RCS, Carrier and Broker units. The Exchange units growth rates used in the calculations varied from 10% to 14%. As of September 30, 2018 there was $80.8 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. During the years ended December 31, 2018, 2017, and 2016, we had no impairment of any our reporting unit goodwill balances.

Table of Contents

Projections of cash flows are based on our views of revenue growth rates, operating costs, anticipated future economic conditions, the appropriate discount rates relative to risk, and estimates of residual values and terminal 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., revenue 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. As a practice, the Company closely monitors any reporting units that do not have a significantly higher fair value in excess of their carrying value.

The following table summarizes the adjustments to goodwill, recorded in connection with the acquisitions that occurred during 2018 and 2017:

Company acquired	Date acquired	(in thousands)
ItzCash; final purchase allocation adjustments	April 2017	$ (15,678)
EbixMoney (combination of YouFirst, WallStreet, Paul Merchants); final purchase allocation adjustments	September 2017-November 2017	4,736
Via; final purchase allocation adjustments	November 2017	(4,612)
Transcorp	February 2018	7,254
Centrum	April 2018	159,647
SmartClass	April 2018	16,568
Indus	July 2018	21,501
Mercury	July 2018	16,215
Leisure	July 2018	1,707
Miles	August 2018	19,075
Business Travels	October 2018	1,102
AHA Taxis	October 2018	281
Routier	October 2018	455
Lawson	December 2018	2,379
Pearl	December 2018	3,372
Weizmann	December 2018	72,328
Total changes to goodwill during 2018		$ 306,330

Company acquired	Date acquired	(in thousands)
Oakstone; final purchase allocation adjustments	December 2014	$ 948
EbixHealth JV; final purchase allocation adjustments	July 2016	(7,500)
Hope Health; final purchase allocation adjustments	November 2016	(289)
Wdev; final purchase allocation adjustments	November 2016	(5,317)
ItzCash	April 2017	119,766
beBetter	June 2017	447
YouFirst	September 2017	7,395
Wall Street	October 2017	6,113
Paul Merchants	November 2017	38,589
Via	November 2017	60,785
Total changes to goodwill during 2017		$ 220,937

Changes in the carrying amount of goodwill for the years ended December 31, 2018 and 2017 are as follows:

Table of Contents

	December 31, 2018	December 31, 2017
	(in thousands)	
Beginning Balance	$666,863	$ 441,404
Additions for current year acquisitions	317,410	233,095
Purchase accounting adjustments for prior year acquisitions	(11,080)	(12,158)
Foreign currency translation adjustments	(26,508)	4,522
Ending Balance	$946,685	$ 666,863

The Company's indefinite-lived assets are associated with the estimated fair value of the contractual customer relationships existing with the property and casualty insurance carriers in Australia using our property and casualty ("P&C") data exchange and with certain large corporate customers using our client relationship management ("CRM") platform in the United States. Prior to these underlying business acquisitions Ebix had pre-existing contractual relationships with these carriers and corporate clients. The contracts are renewable at little or no cost, and Ebix intends to continue to renew these contracts indefinitely and has the ability to do so. The proprietary technology supporting the P&C data exchange and CRM platform that is used to deliver services to these carriers and corporate clients, cannot feasibly be effectively replaced in the foreseeable future, and accordingly the cash flows forthcoming from these customers are expected to continue indefinitely. With respect to the determination of the indefinite life, the Company considered the expected use of these intangible assets, historical experience in renewing or extending similar arrangements, and the effects of competition, and concluded that there were no indications from these factors to suggest that the expected useful life of these customer relationships would be finite. The Company concluded that no legal, regulatory, contractual, or competitive factors limited the useful life of these intangible assets and therefore their life was considered to be indefinite, and accordingly the Company expects these customer relationships to remain the same for the foreseeable future.

Additionally based on the final purchase price allocation valuation report of the EbixHealth JV, See Note 3 and 17 for further explanations, it was concluded that the value of the indefinite-lived intangibles identified as indefinite-lived customer relationships to be $11.2 million. The EbixHealth JV is a full-service third-party administrator ("TPA") that specializes in the management, administration, and distribution of health benefit plans. Services include marketing support, underwriting, billing, claims processing, and cost containment such as utilization review and medical case management for fully-insured, self-funded and partially self-funded benefit plans, as well as international groups and individuals. As a TPA, the Company collects premiums from insureds and, after deducting its fees, remits these premiums to insurance companies. Unremitted insurance premiums and/or claim funds established for the benefit of various carriers are held in a fiduciary capacity until disbursed by the Company. The Company administers and collects the insurance premiums for the products of three affiliated insurance carriers which is part of the consolidated company IHC Health Holdings Corporation ("IHC") a 49% shareholder of the EbixHealth JV. The administrative agreements with the three affiliates accounted for approximately 75% of revenues for the year ended December 31, 2018. IHC is therefore considered a major customer of the EbixHealth JV and therefore considered indefinite-lived. The churn expected for indefinite-lived customers is assumed at 0%. The fair values of these indefinite-lived intangible assets were based on the analysis of discounted cash flow ("DCF") models extended out fifteen years with a terminal value. In that indefinite-lived does not imply an infinite life, but rather means that the subject customer relationships are expected to extend beyond the foreseeable time horizon, we utilized fifteen year DCF projections with a terminal value, as the valuation models that were applied consider this time frame to be an indefinite period. Indefinite-lived intangible assets are not amortized, but rather are tested for impairment annually. We perform our annual impairment testing of indefinite-lived intangible assets as of September 30th of each year. During the years ended December 31, 2018, 2017 and 2016, we had no impairments to the recorded balances of our indefinite-lived intangible assets. We perform the impairment test for our indefinite-lived intangible assets by comparing the asset's fair value to its carrying value. An impairment charge is recognized if the asset's estimated fair value is less than its carrying value.

Purchased Intangible Assets—Purchased intangible assets represent the estimated fair value of acquired intangible assets from the businesses that we acquire in the U.S. and foreign countries in which we operate. These purchased intangible assets include customer relationships, developed technology, informational databases, and trademarks. We amortize these intangible assets on a straight-line basis over their estimated useful lives, as follows:

Table of Contents

Category	Life (yrs)
Customer relationships	7-20
Developed technology	3-12
Airport Contract	9
Store Networks	5
Dealer networks	15-20
Brand	15
Trademarks	3-15
Non-compete agreements	5
Database	10

Intangible assets as of December 31, 2018 and December 31, 2017, are as follows:

	December 31, 2018	2017
	(In thousands)	
Finite-lived intangible assets:		
Customer relationships	$80,070	$73,725
Developed technology	19,176	15,076
Dealer networks	6,315	10,581
Airport Contract	4,752	—
Store Networks	821	—
Trademarks	2,677	2,698
Brand	864	—
Non-compete agreements	764	764
Backlog	140	140
Database	212	212
Total intangibles	115,791	103,196
Accumulated amortization	(64,343)	(57,485)
Finite-lived intangibles, net	$51,448	$45,711
Indefinite-lived intangibles:		
Customer/territorial relationships	$42,055	$42,055

Income Taxes— The Company follows the asset and liability method of accounting for income taxes pursuant to the pertinent guidance issued by the FASB. Deferred income taxes are recorded to reflect the tax consequences on future years of differences between the tax basis of assets and liabilities, and operating loss and tax credit carry forwards, and their financial reporting amounts at each period end using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. In assessing the realizability of the deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. A valuation allowance is recorded, if necessary, 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 follows the provisions of FASB accounting guidance on accounting for uncertain income tax positions. The guidance utilizes a two-step approach for evaluating tax positions. Recognition ("Step 1") occurs when an enterprise concludes that a tax position, based solely on its technical merits is more likely than not to be sustained upon examination. Measurement ("Step 2") is only addressed if Step 1 has been satisfied. Under Step 2, the tax benefit is measured at the largest amount of benefit, determined on a cumulative probability basis that is more likely than not to be realized upon final settlement. As used in this context, the term "more likely than not" is interpreted to mean that the likelihood of occurrence is greater than 50%.

Table of Contents

On December 22, 2017, the 2017 TCJA was enacted into law and the new legislation contains several key tax provisions that affected us, including a one-time mandatory transition tax on accumulated foreign earnings and a reduction of the corporate income tax rate to 21% effective January 1, 2018, among others. We are required to recognize the effect of the tax law changes in the period of enactment, such as determining the transition tax, re-measuring our U.S. deferred tax assets and liabilities as well as reassessing the net realizability of our deferred tax assets and liabilities. In December 2017, the SEC staff issued SAB No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act (SAB 118), which allows us to record provisional amounts during a measurement period not to extend beyond one year of the enactment date. The Company is required to complete its tax accounting for the TCJA within a one-year period when it has obtained, prepared, and analyzed the information to complete the income tax accounting. Due to insufficient guidance, as well as the availability of information to accurately analyze the impact of the TCJA, we have made a reasonable estimate of the effects, as described in Note 8, and in other cases we have not been able to make a reasonable estimate and continue to account for those items based on our existing accounting under FASB ASC Topic 740, Income Taxes and the provisions of the tax laws that were in effect immediately prior to enactment.

In March 2018, the FASB Issued ASU No. 2018-05, Income Taxes (Topic 740): Amendments to SEC Paragraphs Pursuant to SEC SAB No. 118. ASU 2018-05 was issued to incorporate into Topic 740 recent SEC guidance related to the income tax accounting implications of the TCJA. Due to the complexities involved in accounting for the enactment of the TCJA, the SEC Staff had issued SAB No. 118 which allowed the Company to record provisional amounts in earnings for the year ended December 31, 2017. ASU 2018-05 became effective immediately and permitted companies to use provisional amounts for certain income tax effects of the TCJA during a one-year measurement period. The Transition Tax is based on the Company’s total post-1986 earnings and profits that were previously deferred from U.S. income taxes. The Company did not recorded an amount for the Transition Tax expense in 2017, as they did not have the necessary information to determine a reasonable estimate to include as a provisional amount.The Company completed its tax accounting for the TCJA during Q4 2018 and recorded an adjustment related to the transition tax after taking into consideration carried forward NOLs and other tax attributes available for set-off, as described in Note 8.

Foreign Currency Translation—The functional currency for the Company's main foreign subsidiaries in India, Singapore and Dubai is the U.S. dollar because the intellectual property research and development activities provided by its Singapore and Dubai subsidiaries, 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 accumulated other comprehensive loss in the accompanying 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.

Advertising—With the exception of certain direct-response costs in connection with our business services of providing medical continuing education to physicians, dentists and healthcare professionals, advertising costs are expensed as incurred. Advertising costs amounted to $7.5 million, $6.1 million, and 6.2 million in 2018, 2017 and 2016, respectively, and are included in sales and marketing expenses in the accompanying Consolidated Statements of Income. In 2017 reported sales and marketing expenses included $3.9 million of amortization of certain direct-response advertising costs associated with our medical education services, which had been capitalized in accordance with Accounting Standards Codification ("ASC") Topic 340. These costs were being amortized to advertising expense over periods ranging from twelve to twenty-four months based on the type of product the customer purchased. Deferred advertising costs amounted to $1.9 million at December 31, 2017.

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 $522 thousand during 2018 from what would have been recorded under legacy US GAAP 340-20.
Sales Commissions —Certain sales commission paid with respect to subscription-based revenues are deferred and subsequently amortized into operating expenses ratably over the term of the related customer subscription contracts. As of December 31, 2018 and 2017, $661 thousand and $574 thousand, respectively, of sales commissions were deferred and included in other current assets on the accompanying Consolidated Balance Sheets. During the years ended December 31, 2018 and 2017

Table of Contents

the Company amortized $1.0 million and $1.1 million, respectively, of previously deferred sales commissions and included this expense in sales and marketing costs on the accompanying Consolidated Statements of Income.
Property and Equipment—Property and equipment is stated at cost less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the assets estimated useful lives. Leasehold improvements are amortized over the shorter of the expected life of the improvements or the remaining lease term. Repairs and maintenance are charged to expense as incurred and major improvements that extend the life of the asset are capitalized and depreciated over the expected remaining life of the related asset. Gains and losses resulting from sales or retirements are recorded as incurred, at which time related costs and accumulated depreciation are removed from the Company's accounts. Fixed assets acquired in acquisitions are recorded at fair value. The estimated useful lives applied by the Company for property and equipment are as follows:

Asset Category	Life (yrs)
Buildings	39
Building Improvements	15
Computer equipment	5
Furniture, fixtures and other	7
Software	3
Land Improvements	20
Land	Unlimited life
Leasehold improvements	Life of the lease

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 adoption of ASU 2018-07 did not impact our consolidated financial position, results of operations or cash flows.

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 adoption of ASU 2018-02 did not impact our consolidated financial position, results of operations or cash flows.
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 adoption of ASU 2018-01 did not impact our consolidated financial position, results of operations or cash flows.

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 twelve months ended December 31, 2018 and 2017, the Company held $8.3 million and $4.0 million, respectively, in "Restricted cash" and $3.5 million and $2.9 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 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

Table of Contents

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. We will adopt Topic 842 effective January 1, 2019 using a modified retrospective method and will not restate comparative periods. As permitted under the transition guidance, we will carry forward the assessment of whether our contracts contain or are leases, classification of our leases and remaining lease terms. Based on our portfolio of leases as of December 31, 2018, approximately between $140 million and $150 million of lease assets and liabilities will be recognized on our balance sheet upon adoption, primarily relating to real estate. We are substantially complete with our implementation efforts.

Table of Contents

Note 2. Earnings per Share

The basic and diluted earnings per share ("EPS"), and the basic and diluted weighted average shares outstanding for all periods as presented in the accompanying Consolidated Statements of Income are shown below:

	For the year ended December 31, (In thousands, except per share amounts)		
Earnings per share:	2018	2017	2016
Basic earnings per common share	$2.97	$ 3.19	$ 2.88
Diluted earnings per common share	$2.95	$ 3.17	$ 2.86
Basic weighted average shares outstanding	31,393	31,552	32,603
Diluted weighted average shares outstanding	31,534	31,719	32,863

Basic EPS is equal to net income attributable to Ebix, Inc divided by the weighted average number of shares of common stock outstanding for the period. Diluted EPS takes into consideration common stock equivalents which for the Company consist of stock options and restricted stock. With respect to stock options, diluted EPS is calculated as if the Company had additional common stock outstanding from the beginning of the year or the date of grant or issuance, net of assumed repurchased shares using the treasury stock method. Diluted EPS is equal to net income attributable to Ebix, Inc divided by the combined sum of the weighted average number of shares outstanding and common stock equivalents. At December 31, 2018, 2017, and 2016 there were 42,000, zero, and zero potentially issuable shares with respect to stock options which could dilute EPS in the future but which were excluded from the diluted EPS calculation because presently their effect is anti-dilutive. Diluted shares outstanding are determined as follows for each year ending December 31, 2018, 2017, and 2016:

	For the year ended December 31, (in thousands)		
	2018	2017	2016
Basic weighted average shares outstanding	31,393	31,552	32,603
Incremental shares for common stock equivalents	141	167	260
Diluted shares outstanding	31,534	31,719	32,863

Note 3. Business Acquisitions

The Company's business acquisitions are accounted for under the purchase method of accounting in accordance with the FASB's accounting guidance on the accounting for business combinations. Accordingly, the consideration paid by the Company for the businesses it purchases is allocated to the tangible and intangible 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 in part 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. While we use our best estimates and assumptions to accurately value assets acquired and liabilities assumed at the acquisition date as well as contingent consideration, where applicable, our estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, we may record significant adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recognized in our consolidated statements of operations.

The Company's practice is to immediately tightly integrate all functions including infrastructure, sales and marketing, administration, product development after a business acquisition is consummated, so as to ensure that synergistic efficiencies are maximized and redundancies eliminated, and to rapidly leverage cross-selling opportunities. Furthermore the Company centralizes certain key functions such as information technology, marketing, sales, human resources, finance, and other general administrative functions after an acquisition, in order and to quickly realize cost efficiencies. By executing this integration strategy it becomes neither practical nor feasible to accurately and separately track and disclose the earnings from the business combinations we have executed after they have been acquired.

A significant component of the purchase price consideration for many of the Company's business acquisitions is a potential future cash earnout 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 as reported on its 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 each of the years ending December 31, 2018, 2017 and 2016, these aggregate contingent accrued earn-out business acquisition consideration liabilities, were reduced by $1.4 million, $164 thousand and $1.3 million, respectively, due to remeasurements as based on the then assessed fair value and changes in the amount and timing of anticipated future revenue levels. These reductions to the contingent accrued earn-out liabilities resulted in corresponding reduction to general and administrative expenses as reported on the Consolidated Statements of Income. As of December 31, 2018, the total of these contingent liabilities was $24.98 million, of which $11.21 million is reported in long-term liabilities, and $13.77 million is included in current liabilities in the Company's 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 Consolidated Balance Sheet.

2018 Acquisitions

Weizmann- Effective December 1, 2018 Ebix entered into an agreement to acquire 74.84% controlling stake in India based Weizmann for $63.1 million. Ebix also made a 90-day time bound public offer to acquire the remaining 25.16% publicly-held Weizmann Forex shares for approximately $21.1 million to public shareholders. 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.

Pearl- Effective December 1, 2018 Ebix acquired the assets of India based Pearl, a provider of a comprehensive range of B2B and B2C travel services, under the brand name ‘Sastiticket’, ranging from domestic and international ticketing, incentives travel, leisure products, luxury holidays, and travel documentation for $3.4 million and has been integrated with Ebix Travels’ operations, which has brought in operational synergies and certain redundancies for the acquired operations . 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.

Lawson- Effective December 1, 2018 Ebix acquired India based Lawson, a B2B provider of travel services and international ticketing, for $2.7 million and has been integrated with Ebix Travels’ operations to bring in operational synergies and wider country wide footprint. 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.

AHA Taxis- Effective October 1, 2018 Ebix acquired a 70% stake in India based AHA Taxis, a platform for on-demand inter-city cabs in India for $310 thousand. AHA focuses its attention on Corporate and Consumer inter-city travel primarily with a network of thousands of registered AHA Taxis.

Routier- Effective October 1, 2018 Ebix acquired a 67% stake in India based Routier, a marketplace for trucking logistics for $413 thousand.

Business Travels- Effective October 1, 2018 Ebix acquired the assets of India based Business Travels for $1.1 million and same has been integrated with Ebix Travels' operations to expand the wholesale travel and consolidation 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.

Miles - 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

Table of Contents

approximately $18.3 million, 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.

Leisure - 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.

Mercury - 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 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.

Indus - Effective July 1, 2018 Ebix entered into an agreement to acquire India based 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.

Centrum - Effective April 1, 2018 Ebix entered into an agreement to acquire India based Centrum, a leader in India's Foreign Exchange Operation markets for approximately $179.5 million. This acquisition was completed in June 2018. Subsequently, Centrum has been renamed as Ebixcash World Money and has been tightly integrated into Ebix's Financial Exchange 'EbixCash' offerings in India and abroad, with key business executives of Foreign Exchange Operations becoming an integral part of the combined EbixCash senior leadership.

Smartclass - 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 through its E-Learning Venture. Under the terms of the agreement Ebix paid $8.6 million in cash for its stake in Smartclass.
Transcorp - 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. MTSS operations of Transcorp has been consolidated with EbixCash's MTSS operations resulting in operational synergies and certain redundancies to the combined operation.

2017 Acquisitions

Via - 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 with presence in India, Middle East and South East Asia. 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, of which was not achieved after this period, 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.

Paul Merchants - 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.

Wall Street - 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.

YouFirst - Effective September 1, 2017 Ebix acquired the MTSS Business of YouFirst , an inward international remittance service provider in India, for upfront cash consideration in the amount $10.2 million.

beBetter - 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

Table of Contents

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 December 31, 2018.

ItzCash - 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. $4.0 million of the possible future contingent earn-out payments was previously 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, which was achieved and paid during the third quarter of 2018. The Company has determined that the fair value of the contingent earn-out consideration is $15.4 million as of December 31, 2018.

2016 Acquisitions

Wdev - Effective November 1, 2016 Ebix acquired Wdev, a Brazilian company that provides IT services and software development for the Latin American insurance industry. Ebix acquired Wdev for upfront cash consideration in the amount of $10.5 million, plus possible future contingent earn-out payments of up to $15.7 million based on earned revenues over the subsequent thirty-eight month period following the effective date of the acquisition. $2.9 million of the 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. The Company has determined that the fair value of the contingent earn-out consideration is $744 thousand as of December 31, 2018.

EbixHealth JV - 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%) controlling equity interest in the EbixHealth JV. Previously, effective September 1, 2015 Ebix and IHC formed a joint venture named EbixHealth JV. 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.

Hope Health - Effective November 1, 2016 Ebix acquired the assets of Hope Health, a Michigan corporation and publisher of health and wellness continuing education products. Ebix acquired the assets and intellectual property of Hope Health for $1.72 million.

The following table summarizes the fair value of the consideration transferred, net assets acquired and liabilities assumed, as a result of the acquisitions, that were recorded during 2018 and 2017:

Table of Contents

	December 31,	
(in thousands)	2018	2017
Fair value of total consideration transferred		
Cash	$250,769	$211,143
Upfront cash consideration payable upon certain conditions being met	72,933	—
Contingent earn-out consideration arrangement (net)	(5,137)	30,149
Upfront cash consideration being held in an escrow account	—	4,040
Total consideration transferred	318,565	245,332
Fair value of equity components recorded (not part of consideration)		
Recognition of noncontrolling interest of joint ventures	23,500	27,625
Total equity components recorded	23,500	27,625
Total consideration transferred and equity components recorded	$342,065	$272,957
Fair value of assets acquired and liabilities assumed		
Cash	$18,212	$18,982
Short term investments	—	24,206
Restricted cash	—	4,040
Other current assets	68,317	39,680
Property, plant, and equipment	2,176	1,018
Other long term assets	14,574	1,683
Intangible assets, definite lived	14,577	11,267
Intangible assets, indefinite lived	—	11,168
Capitalized software development costs	46	1,705
Deferred tax liability	854	(3,405)
Current and other liabilities	(83,021)	(58,324)
Net assets acquired, excludes goodwill	35,735	52,020
Goodwill	306,330	220,937
Total net assets acquired	$342,065	$272,957

The following table summarizes the separately identified intangible assets acquired as a result of the acquisitions that occurred during 2018 and 2017:

Table of Contents

	December 31, 2018		2017	
Intangible asset category	Fair Value (in thousands)	Weighted Average Useful Life (in years)	Fair Value (in thousands)	Weighted Average Useful Life (in years)
Customer relationships	$7,342	11.7	$518	10.0
Developed technology	3,726	5.0	—	0.0
Dealer's network	—	0.0	10,499	17.9
Airport contracts	4,896	9.0	—	0.0
Store networks	846	9.0	—	0.0
Brand	369	4.0	—	0.0
Purchase accounting adjustments for prior year acquisitions	(2,602)	0.0	250	0.0
Total acquired intangible assets	$14,577	9.2	$11,267	17.6

Estimated aggregate future amortization expense for the intangible assets recorded as part of the business acquisitions described above and all other prior acquisitions is as follows:

Estimated Amortization Expenses (in thousands):	
For the year ending December 31, 2019	$9,131
For the year ending December 31, 2020	8,289
For the year ending December 31, 2021	7,705
For the year ending December 31, 2022	7,372
For the year ending December 31, 2023	5,348
Thereafter	13,603
	$51,448

The Company recorded $7.5 million, $7.3 million, and $6.8 million of amortization expense related to acquired intangible assets for the years ended December 31, 2018, 2017, and 2016, respectively.

Note 4. Pro Forma Financial Information (re: 2018 and 2017 acquisitions)

This unaudited pro forma financial information is provided for informational purposes only and does not project the Company’s results of operations for any future period.

The aggregated unaudited pro forma financial information pertains to all of the Company's acquisitions made during 2018 and 2017, which includes the acquisitions of Pearl, Weizmann, Lawson, Subizz Travel, Global Business Travels Pvt, Business Travels Pvt, Routier, AHA Taxis, Miles, Leisure Corp, Mercury, Indus, Smartclass, Centrum, Transcorp, ItzCash, YouFirst, Wall Street, Paul Merchants,Via and the acquisition of assets of beBetter in 2017 as presented in the table below, and is provided for informational purposes only and does not project 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 2018 only includes the operating results from the businesses since the effective date that they were acquired by Ebix, and thusly includes only eleven months of Transcorp, nine months of Centrum, nine months of Smartclass, six months of Indus, six months of Mercury, six months of Leisure, five months of Miles, three months of Routier, three months of Business Travels, three months of AHA Taxis, one month of Pearl, one month of Weizmann and one month of Lawson. Similarly, the 2017 pro forma financial information below includes a full year of results for ItzCash, beBetter, YouFirst, Wall Street, Paul Merchants and Via as if they had been acquired on January 1, 2017, whereas the Company's reported financial statements for the 2017 includes only nine months of ItzCash, seven months of beBetter, four months of YouFirst, three months of Wall Street, two months of Paul Merchants, and two months of Via.

Table of Contents

	As Reported 2018	Pro Forma 2018	As Reported 2017	Pro Forma 2017
		(unaudited)		(unaudited)
	(In thousands, except per share amounts)			
Revenue	$497,826	$ 584,105	$363,971	$ 605,649
Net income attributable to Ebix, Inc.	$93,139	$ 97,935	$100,618	$ 122,269
Basic EPS	$2.97	$ 3.12	$3.19	$ 3.88
Diluted EPS	$2.95	$ 3.11	$3.17	$ 3.85

In the above table, the unaudited pro forma revenue for the year ended December 31, 2018 decreased by $21.5 million from the unaudited pro forma revenue for 2017 of $605.6 million to $584.1 million, representing a 3.6% decrease. The reported revenue in the amount of $497.8 million for the year ended December 31, 2018 increased by $133.9 million or 36.8% from the $364.0 million of reported revenue for the year ended December 31, 2017. The cause for the difference between the 36.8% increase in reported 2018 revenue versus 2017 revenue, as compared to the 3.6% decrease in 2018 pro forma versus 2017 pro forma revenue is due to the effect of combining the additional revenue derived from those businesses acquired during the years 2018 and 2017, specifically Transcorp, Centrum, Smartclass, Indus, Mercury, Leisure, Miles, Routier, Business Travels, AHA Taxis, Pearl, Weizmann, Lawson, ItzCash, YouFirst, Wall Street, Paul Merchants,Via, and beBetter with the Company's pre-existing operations. The 2018 and 2017 pro forma financial information assumes that all such business acquisitions were made on January 1, 2017, whereas the Company's reported financial statements for 2018 only includes the operating results from the businesses since the effective date that they were acquired by Ebix, and thus includes only eleven months of Transcorp, nine months of Centrum, nine months of Smartclass, six months of Indus, six months of Mercury, six months of Leisure, five months of Miles, three months of Routier, three months of Business Travels, three months of Wahh Taxis, one month of Pearl, one month of Weizmann and one month of Lawson.

The above pro forma analysis is 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. Growth in revenues of the acquired entities after acquisition date is 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 acquired through the acquisition customer base, has also been assigned to the acquired section of our business.
- The impact from fluctuations of the exchange rates for the foreign currencies in the countries in which we conduct operations also partially affected reported revenues. During each of the years 2018 and 2017 the change in foreign currency exchange rates increased (decreased) reported consolidated operating revenues by $(6.9) million and $2.1 million, respectively.

Note 5. Commercial Bank Financing Facility

On November 27, 2018, Ebix entered into the Eighth Amendment to the Regions Secured Credit Facility, dated August 5, 2014, among the Company, Regions and certain other lenders party thereto (as amended, the "Credit Agreement") to exercise $101.25 million of its aggregate $150 million accordion option, increasing the total Term Loan Commitment to $301.25 million from $250 million, with initial repayments starting December 31, 2018 due in the amount of $3.77 million for the first six quarters and increasing thereafter. The revolving credit facility increased from $400 million to $450 million. The Credit Agreement carries a leverage-based LIBOR related interest rate, which currently stands at approximately 4.875%. The expanded credit facility will continue to be used to fund the Company's future growth and share repurchase initiatives.

On April 9, 2018 the Company and certain of its subsidiaries entered into the Seventh Amendment 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 to the Regions Secured Credit Facility, dated August 5, 2014, among the Company, 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

Table of Contents

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.

On November 3, 2017 the Company and certain of its subsidiaries entered into the Fifth Amendment to the Regions Secured Credit Facility, dated August 5, 2014, among the Company, Regions and certain other lenders party thereto (as amended, 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 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 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 Credit Agreement. The Second Amendment increased 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 consisted of a 5-year revolving credit component in the amount of $275 million, and a 5-year term loan component in the amount of $125 million, with repayments of $3.13 million due each quarter, starting September 30, 2016. The Credit Agreement also contained 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.

Effective October 14, 2015 the Company, in coordination with Regions as administrative agent and a joint lender, exercised the $50 million accordion feature in the Credit agreement thereby expanding the total credit facility to $240 million. As part of this credit facility expansion, TD Bank, NA ("TD") was added to the syndication group expanding the syndicated group to five bank participants, which include Regions, MUFG Union Bank N.A., Fifth Third Bank, and Silicon Valley Bank as joint lenders. TD commitment level is $25 million.

On February 3, 2015, Ebix, Inc. and certain of its subsidiaries entered into the First Amendment to the Credit Agreement. The First Amendment amended the Regions Credit Facility by increasing the maximum amount by which the Aggregate Revolving Commitments may be increased by $90 million from the pre-existing limit of $50 million, increased the amount of base facility to $190 million from the pre-existing amount of $150 million, which together with the $50 million accordion feature increased the total Credit Agreement capacity amount to $240 million from the prior amount of $200 million, and added Fifth Third Bank to the syndicated group, which now includes four participants, included Regions, MUFG Union Bank N.A., and Silicon Valley Bank as joint lenders.

At December 31, 2018, the outstanding balance on the revolving line of credit with Regions was $424.5 million and the facility carried an interest rate of 4.875%. This balance is included in the long-term liabilities section of the Consolidated Balance Sheets. During 2018, the average and maximum outstanding balances on the revolving line of credit were $318.9 million and

Table of Contents

$424.5 million, respectively, and the weighted average interest rate was 4.51%. At December 31, 2017 the outstanding balance on the revolving line of credit was $274.5 million and the facility carried an interest rate of 4.13%.

At December 31, 2018,, the outstanding balance on the term loan was $291.2 million of which $15.1 million is due within the next twelve months. This term loan also carried an interest rate of 4.875%. 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 $15.1 million and $276.2 million, respectively, at December 31, 2018.

Note 6. Commitments and Contingencies

Contingencies-
In May 2013, twelve putative class action complaints were filed in the Delaware Court of Chancery against the Company and its board of directors challenging a proposed merger between the Company and an affiliate of Goldman Sachs & Co. On June 10, 2013, the Court entered an Order of Consolidation and Appointment of Lead Plaintiffs and a Leadership Structure consolidating the twelve actions and appointing lead plaintiffs ("Plaintiffs") and lead counsel in the litigation, captioned In re Ebix, Inc. Stockholder Litigation, Consol. C.A. No. 8526-VCS (the "Litigation"). On June 19, 2013, the Company announced that the merger agreement had been terminated. Thereafter, on August 27, 2013, Plaintiffs filed a Verified Amended and Supplemented Class Action and Derivative Complaint (the "First Amended Complaint"), which defendants moved to dismiss on September 26, 2013. On July 24, 2014, the Court issued a Memorandum Opinion granting in part and denying in part the motions to dismiss the First Amended Complaint and subsequently entered an implementing order on September 15, 2014. On January 16, 2015, Plaintiffs filed a Verified Second Amended and Supplemented Class Action and Derivative Complaint (the "Second Amended Complaint"). On February 10, 2015, defendants filed a Motion to Dismiss the Second Amended Complaint, which was granted in part and denied in part in a Memorandum Opinion and Order issued on January 15, 2016. On October 26, 2016, Plaintiffs filed a Verified Third Amended and Supplemented Class Action and Derivative Complaint (the "Third Amended Complaint"), which, among other things, added certain directors of the Company as defendants. On January 5, 2018, Plaintiffs filed a motion for leave to join an additional plaintiff as co-lead plaintiff in this action (collectively, "Plaintiffs," and together with all defendants, the "Parties"), which was granted on April 2, 2018.

On January 19, 2018, Plaintiffs filed a Fourth Amended and Supplemented Class Action and Derivative Complaint (the "Fourth Amended Complaint"), which asserted claims against the defendants, including: breach of fiduciary duty claims for improperly maintaining an acquisition bonus agreement between the Company and its Chief Executive Officer, dated July 15, 2009 (the "ABA") (Count I); disclosure claims relating to the 2010 Proxy Statement and the Company's 2010 Stock Incentive Plan (the "2010 Plan") (Count II); a derivative claim for breach of fiduciary duty based on awards made pursuant to 2010 Plan (Count III); a breach of fiduciary duty claim for implementing purported additional entrenchment measures (Count IV); a claim seeking to declare the invalidity of certain bylaws adopted by the Company in 2014 (Count V); a claim seeking to declare the invalidity of the ABA (Count VI); a breach of fiduciary duty claim related to public disclosures about the ABA (Count VII); a claim seeking to declare the invalidity of the 2008 stockholder meeting, a 2008 Certificate amendment (the "Certificate Amendment") and a 2008 stock split (the "Stock Dividend"), among other corporate acts, including the Company's ratification of these 2008 corporate acts (Count VIII); a claim seeking to declare the invalidity of the CEO Bonus Plan (Count IX); and a claim for breach of fiduciary duty for deliberately inserting additional terms when calculating a potential bonus under the ABA (Count X). The Fourth Amended Complaint sought declaratory relief, compensatory damages, interest, and attorneys' fees and costs, among other things. On March 7, 2018, defendants filed motions for summary judgment on all counts in the Fourth Amended Complaint. In connection with the Litigation, the Company's Chief Executive Officer asserted a cross-claim for reformation of the ABA.

The terms of the ABA generally provided that if Mr. Raina was employed by the Company upon the occurrence of: (i) an event in which more than 50% of the voting stock of the Company was sold, transferred, or exchanged, (ii) a merger or consolidation of the Company, (iii) the sale, exchange, or transfer of all or substantially all of the Company's assets, or (iv) the acquisition or dissolution of the Company (each, an "Acquisition Event"), the Company would pay Mr. Raina a cash bonus based on a formula that was disputed by Plaintiffs in the Litigation and a tax gross-up payment for excise taxes that would be imposed on Mr. Raina for the cash bonus payment. Upon the execution of a Stock Appreciation Right Award Agreement between the Company and its Chief Executive Officer, dated April 10, 2018 (the "April SAR Agreement"), the ABA was terminated and each party relinquished their respective rights and benefits under the ABA.

Upon the effective date of the April SAR Agreement, Mr. Raina received 5,953,975 stock appreciation rights with respect to the Company's common shares (the "SARs"). Upon an Acquisition Event, each of the SARs entitle Mr. Raina to receive a cash payment from the Company equal to the excess, if any, of the net proceeds per share received in connection with the Acquisition

Event over the base price of $7.95 per share. Although the SARs were not granted under the 2010 Plan, the April SAR Agreement incorporates certain provisions of the 2010 Plan, including the provisions requiring equitable adjustment of the number of SARs and the base price in connection with certain corporate events (including stock splits). Under the terms of the April SAR Agreement, Mr. Raina is entitled to receive full payment with respect to the SARs if either (i) he is employed by the Company on the closing date of an Acquisition Event or (ii) has been involuntarily terminated by the Company without cause (as defined in the April SAR Agreement) within the 180-day period immediately preceding an Acquisition Event. All of the SARs are forfeited if Mr. Raina's employment is terminated for any other reason prior to the closing date of an Acquisition Event.

In addition, while Mr. Raina is employed by the Company and prior to an Acquisition Event, the April SAR Agreement provides that the Company's Board of Directors (the "Board") will determine annually whether a "shortfall" (as described below) exists as of the end of the immediately preceding fiscal year. In the event the Board determines that a shortfall exists, Mr. Raina will be granted additional SARs (or, in the Board's sole discretion, additional restricted shares or restricted stock units (each a "Share Grant")) in an amount sufficient to eliminate such shortfall (each a "Shortfall Grant"). Under the terms of the April SAR Agreement, a shortfall exists if: (A) the sum of (i) the number of common shares deemed to be owned by Mr. Raina as of the effective date of the April SAR Agreement, plus (ii) the number of SARs granted to Mr. Raina (including any Shortfall Grants), plus (iii) the number of shares underlying any previously granted Share Grant, was less than 20% of (B) the sum of (i) the number of SARs granted to Mr. Raina (including any Shortfall Grants), plus (ii) the number of outstanding shares reported by the Company in its audited financial statements as of the end of the immediately preceding fiscal year. Under the terms of the April SAR Agreement, if the Board elects to make a Shortfall Grant in respect of such shortfall, such SARs will be subject to the same terms and conditions as the SARs initially granted under the April SAR Agreement. If the Board elects to make a Share Grant in respect of such shortfall, such restricted shares or restricted stock units will have such terms and conditions as determined by the Board, but generally will follow the terms of the restricted shares or restricted stock units granted to other executives of the Company at or about the time of such Share Grant, but no Share Grant will vest more rapidly than one-third of such Share Grant prior to the first anniversary of the grant date, with the remainder vesting in eight equal quarterly installments following the first anniversary of the grant date. The April SAR Agreement also provides for the Company to make tax gross-up payments for excise taxes that would be imposed on Mr. Raina in respect of any payments (other than any payments with respect to any Share Grants) made in connection with a change in control of the Company under Section 4999 of the Internal Revenue Code.

On May 31, 2018, Plaintiffs filed a Verified Supplement to the Fourth Amended Complaint (the "Supplement"), which asserted three additional counts related to the April SAR Agreement, including: a claim seeking to declare the April SAR Agreement invalid (Count XI); a claim for breach of fiduciary duty for adopting the April SAR Agreement (Count XII); and a claim for breach of fiduciary duty for improperly adopting the SAR Agreement as an "anti-takeover device" (Count XIII). The Supplement sought declaratory relief, compensatory damages, interest, and attorneys' fees and costs, among other things. On June 18, 2018, defendants moved to dismiss the claims asserted in the Supplement. Also on June 18, 2018, the Court entered a joint stipulation and order declaring the 2008 Certificate Amendment and Stock Dividend valid and effective pursuant to 8 Del. C. § 205 and subsequently dismissed Count VIII of the Fourth Amended Complaint on July 5, 2018.

On July 17, 2018, following briefing and argument, the Court issued an Order granting in part and denying in part defendants' motions for summary judgment on all remaining counts of the Fourth Amended Complaint. The Court granted summary judgment as to all defendants on Counts I, IV, V, VI, VII, and X and denied summary judgment as to Counts II and III. The Court granted summary judgment as to certain defendants on Count IX, and granted in part and denied in part Count IX with respect to the Firm Clients. On July 24, 2018, Plaintiffs filed a motion for leave to file a second supplement to the Fourth Amended Complaint related to certain disclosures issued in connection with the Company's 2018 annual meeting, which the Court denied at a pretrial conference held on August 15, 2018. On August 9, 2018, following briefing and argument, the Court issued a bench ruling granting in part and denying in part defendants' motion to dismiss the Supplement. A three-day trial on all remaining claims was held on August 20, 21, and 23, 2018.

Following trial held on August 20, 21 and 23, 2018, and prior to the conclusion of post-trial briefing, on January 23, 2019, the Parties entered into a Stipulation and Agreement of Settlement (the "Settlement Agreement") pursuant to which the Parties agreed, subject to Final Approval (as defined in the Settlement Agreement) by the Court, to settle and resolve the Litigation pursuant to the terms set forth in the Settlement Agreement (the "Settlement"). The Settlement includes, among other things, the adoption and entry into an Amended Stock Appreciation Right Award Agreement (the "Amended SAR Agreement") (set forth in Exhibit A to the Settlement Agreement), the implementation of certain governance measures (set forth in Exhibit B to the Settlement Agreement), and the issuance of a Form 8-K describing the Settlement and terms thereof following the final approval of the Settlement (set forth in Exhibit C to the Settlement Agreement).

The Amended SAR Agreement was negotiated as part of the Litigation Settlement and will become effective upon Final Approval of the Litigation Settlement, and includes the following changes and modifications to the April SAR Agreement:

Table of Contents

(a) Mr. Raina will commit to continue to serve and not resign as the Company's Chief Executive Officer for at least two years following Final Approval of the Litigation Settlement;

(b) any shares paid, awarded or otherwise received by Mr. Raina as compensation after the effective date of the April SAR Agreement, including any shares received by Mr. Raina from the exercise of any options granted after the effective date of the April SAR Agreement or from the grant or vesting of any restricted shares or settlement of any restricted stock units granted after the effective date of the April SAR Agreement (but excluding any shares received as a result of the grant, vesting or settlement of any Share Grants), will be excluded from the outstanding shares for purposes of the Board's annual shortfall determination;

(c) if an Acquisition Event occurs more than 180 days after, but not later than the tenth anniversary of, the date that Mr. Raina's employment is involuntarily terminated by the Company without Cause (as defined in the Amended SAR Agreement), 1,000,000 SARs will be deemed accrued and will be eligible to vest on the closing date of the Acquisition Event, which number will be increased by 750,000 SARs beginning on the first anniversary of Final Approval of the Litigation Settlement and each anniversary thereafter (subject in each case to Mr. Raina's continued employment on each anniversary date), until 100% of the SARs (including any Shortfall Grants) have accrued and are eligible to vest on the closing date of an Acquisition Event that occurs more than 180 days after, but not later than the tenth anniversary of, the date that Mr. Raina's employment is involuntarily terminated by the Company without Cause; provided, however, that, (i) no additional SARs will accrue following the date that Mr. Raina's employment is involuntarily terminated by the Company without Cause, (ii) any accrued SARs will be forefeited if an Acquisition Event does not occur prior to the tenth anniversary of the date that Mr. Raina's employment is involuntarily terminated by the Company without Cause, and (iii) all of the SARs will be forfeited if Mr. Raina's employment terminates for any other reason prior to the closing date of an Acquisition Event; and

(d) The obligation of the Company to make tax gross-up payments for excise taxes that would be imposed on Mr. Raina in respect of any payments made in connection with a change in control of the Company will be eliminated.

The foregoing description does not purport to be complete and is qualified in its entirety by reference to the Amended SAR Agreement.

Pursuant to a scheduling order entered by the Court on January 24, 2019 (the "Scheduling Order"), post-trial briefing is currently stayed, notice of the proposed Settlement was mailed and posted to a dedicated website on February 4, 2019 (the "Notice," available at http://ebixstockholderlitigation.com), and a settlement approval hearing is scheduled to be held on April 5, 2019 (the "Settlement Hearing"). On February 25, 2019, Plaintiffs filed an opening brief in support of the settlement and their application for a Fee Award (as defined in the Settlement Agreement), in which Plaintiffs and their counsel seek an award of attorneys' fees of $25 million plus expenses of $952 thousand. Pursuant to the Settlement Agreement, all such attorneys' fees and expenses that are awarded by the Court shall be paid solely by Ebix or its insurance carriers, and from no other source, within twenty (20) business days of entry of an order approving such award. Pursuant to the Scheduling Order, any objections to the Settlement and/or Plaintiffs' counsel's application for fees and expenses and any responses thereto are scheduled to be filed no later than eighteen (18) calendar days and seven (7) calendar days, respectively, prior to the Settlement Hearing. Defendants believe that the claims asserted in the Litigation are without merit and, if for any reason the Settlement is not fully and finally approved upon the terms and conditions set forth in the Settlement Agreement, intend to vigorously defend against them.

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

computer equipment. There were multiple assets under various individual capital leases at December 31, 2018 and 2017.
Commitments for minimum rentals under non-cancellable leases, debt obligations, and future purchase obligations as of December 31, 2018 were as follows:

Table of Contents

Year	Debt	Capital Leases	Operating Leases	Future Purchase Obligations
	(in thousands)			
2019	$19,053	$266	$34,189	$ 406
2020	20,711	96	32,093	—
2021	22,594	89	26,675	—
2022	28,242	67	23,355	—
2023	629,162	15	21,890	—
Thereafter	—	—	3,299	—
Total	$719,762	$533	$141,501	$ 406
Less: sublease income			(1,091)	
Net lease payments			$140,410	
Less: amount representing interest		(63)		
Present value of obligations under capital leases		$470		
Less: current portion	(19,053)	(239)		
Long-term obligations	$700,709	$231		

Rental expense for office facilities and certain equipment subject to operating leases for 2018, 2017, and 2016 was $22.3 million, $6.6 million and $6.4 million, respectively.
Sublease income for 2018, 2017 and 2016 was $1.1 million, $1.1 million, and $1.0 million, 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 earnout 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. As of December 31, 2018, the total of these contingent liabilities was $25.0 million, of which $11.2 million is reported in long-term liabilities, and $13.8 million is included in current liabilities in the Company's 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 Consolidated Balance Sheet.
Self -Insurance—For some of the Company’s U.S. employees the Company is currently 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 December 31, 2018 and 2017, the amount accrued on the Company’s consolidated balance sheet for the self-insured component of the Company’s employee health insurance was $232 thousand and $332 thousand, respectively. The maximum potential estimated cumulative liability for the annual contract period, which ends in September 2019, is $3.3 million.

Table of Contents

Note 7. Share-Based Compensation

Stock Options—The Company accounts for compensation expense associated with stock options issued to employees, Directors, and non-employees based on their fair value, which is calculated using an option pricing model, and is recognized over the service period, which is usually the vesting period. At December 31, 2018, the Company had two equity based compensation plan. No stock options were granted to employees or non-employees during 2018, 2017 and 2016; however, options were granted to Directors in 2018, 2017 and 2016. Stock compensation expense of $449 thousand, $433 thousand and $340 thousand was recognized during the years ending December 31, 2018, 2017 and 2016, respectively, on outstanding and unvested options.

The fair value of options granted during 2018 is estimated on the date of grant using the Black-Scholes option pricing model. The following table includes the weighted- average assumptions used in estimating the fair values and the resulting weighted-average fair value of stock options granted in the periods presented:

	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016
Weighted average fair values of stock options granted	$ 11.80	$ 15.38	$ 19.50
Expected volatility	35.7 %	37.9 %	55.5 %
Expected dividends	.70 %	.56 %	.61 %
Weighted average risk-free interest rate	2.47 %	1.64 %	1.40 %
Expected life of stock options (in years)	3.5	3.5	3.5

A summary of stock option activity for the years ended December 31, 2018, 2017 and 2016 is as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
				(in thousands)
Outstanding at January 1, 2016	139,878	$ 15.17	2.32	$ 2,465
Granted	42,000	$ 49.22		
Exercised	(72,379)	$ 11.38		
Canceled	—			
Outstanding at December 31, 2016	109,499	$ 30.73	3.28	$ 2,882
Granted	42,000	$ 53.90		
Exercised	(3,500)	$ 14.90		
Canceled	—			
Outstanding at December 31, 2017	147,999	$ 37.68	2.94	$ 6,152
Granted	42,000	$ 42.56		
Exercised	(27,999)	$ 15.65		
Canceled	—			
Outstanding at December 31, 2018	162,000	$ 42.75	3.05	$ —
Exercisable at December 31, 2018	80,250	$ 38.21	2.00	$ 49

The aggregate intrinsic value for stock options outstanding and exercisable is defined as the difference between the market value of the Company's stock as of the end of the period and the exercise price of the stock options. The total intrinsic value of stock options exercised during 2018, 2017 and 2016 was $900 thousand, $169 thousand, and $3.2 million, respectively.

Cash received or the value of stocks canceled from option exercises under all share-based payment arrangements for the years ended December 31, 2018, 2017 and 2016, was $439 thousand, $52 thousand and $824 thousand, respectively.

A summary of non-vested options and changes for the years ended December 31, 2018, 2017 and 2016 is as follows:

Table of Contents

	Non-Vested Number of Shares	Weighted Average Exercise Price
Non-vested balance at January 1, 2016	75,750	$ 19.27
Granted	42,000	$ 49.22
Vested	(43,125)	$ 18.89
Canceled	—	$ —
Non-vested balance at December 31, 2016	74,625	$ 36.35
Granted	42,000	$ 53.90
Vested	(40,125)	$ 32.54
Canceled	—	$ —
Non-vested balance at December 31, 2017	76,500	$ 47.99
Granted	42,000	$ 42.56
Vested	(36,750)	$ 43.52
Canceled	—	$ —
Non-vested balance at December 31, 2018	81,750	$ 47.21

The following table summarizes information about stock options outstanding by price range as of December 31, 2018:

	Options Outstanding			Options Exercisable	
Exercise Prices	Number Outstanding	Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price	Number of Shares	Weighted-Average Exercise Price
$21.19	30,000	0.19	$ 3.93	30,000	$ 7.92
$28.59	6,000	0.05	$ 1.06	5,625	$ 2.00
$42.56	42,000	1.30	$ 11.03	—	$ —
$49.22	42,000	0.61	$ 12.76	28,875	$ 17.71
$53.90	42,000	0.91	$ 13.97	15,750	$ 10.58
	162,000	3.05	$ 42.75	80,250	$ 38.21

Restricted Stock—Pursuant to the Company’s restricted stock agreements, the restricted stock granted generally vests as follows: one third after one year, and the remaining in eight equal quarterly installments. The restricted stock also vests with respect to any unvested shares upon the applicable employee’s death, disability or retirement, the Company’s termination of the employee other than for cause, or for a change in control of the Company. A summary of the status of the Company’s non-vested restricted stock grant shares is presented in the following table:

Table of Contents

	Shares	Weighted-Average Grant Date Fair Value
Non vested at January 1, 2016	203,314	$ 25.56
Granted	26,119	$ 44.79
Vested	(101,441)	$ 23.25
Forfeited	(4,338)	$ 35.54
Non vested at December 31, 2016	123,654	$ 31.17
Granted	56,251	$ 56.75
Vested	(72,810)	$ 29.50
Forfeited	—	$ —
Non vested at December 31, 2017	107,095	$ 45.74
Granted	5,623	$ 76.47
Vested	(68,788)	$ 40.67
Forfeited	(3,514)	$ 46.24
Non vested at December 31, 2018	40,416	$ 58.60

As of December 31, 2018 there was $2.1 million of total unrecognized compensation cost related to non-vested share based compensation arrangements granted under the 2006 and 2010 Incentive Compensation Program. That cost is expected to be recognized over a weighted-average period of 1.74 years. The total fair value of shares vested during the years ended December 31, 2018, 2017 and 2016 was $2.8 million, $2.1 million, and $2.4 million, respectively.

In the aggregate the total compensation expense recognized in connection with the restricted grants was $2.4 million, $2.4 million and $2.5 million during each of the years ending December 31, 2018, 2017 and 2016, respectively.

As of December 31, 2018 the Company has 5.3 million shares of common stock reserved for possible future stock option and restricted stock grants.

Table of Contents

Note 8. Income Taxes

The income tax expense (benefit) consists of the following:

	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016
	(In thousands)		
Current:			
US federal	$22,353	$ 2,390	$ 1,259
US state	847	1,153	310
Non US	15,212	8,266	3,266
	38,412	11,809	4,835
Deferred:			
US federal	5,617	(5,558)	78
US state	(1,031)	(976)	295
Non US	(10,497)	(4,498)	(3,571)
	(5,911)	(11,032)	(3,198)
Total	$32,501	$ 777	$ 1,637

Income (loss) before income taxes includes the following components:

	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016
	(In thousands)		
US	$(36,202)	$(13,355)	$(80)
Non US	161,783	116,715	96,011
Total	$125,581	$103,360	$95,931

Table of Contents

A reconciliation of the statutory federal income tax rate to the effective income tax rate consists of the following:

	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016
Statutory US federal income tax rate	21.0 %	34.0 %	35.0 %
US state income taxes, net of federal benefit	(0.3)%	(0.8)%	0.4 %
Non-US tax rate differential	(15.2)%	(28.7)%	(22.8)%
GILTI Related	15.1 %	— %	— %
SubPart F	0.7 %	— %	— %
Tax holidays	(3.4)%	(3.5)%	(14.0)%
Tax Credits	(10.6)%	(1.4)%	— %
Passive income exemption	(0.9)%	(2.1)%	(1.4)%
Acquisition contingent earnout liability adjustments	(0.2)%	— %	(0.9)%
Foreign enhanced R&D deductions	— %	— %	(0.9)%
Nondeductible items	(0.1)%	2.5 %	9.1 %
Effect of valuation allowance	(0.1)%	(3.6)%	(2.3)%
Release of deferred tax liability on intangibles transferred	— %	— %	(3.5)%
Prior year Transition Tax and related true-ups	19.5 %	1.1 %	2.8 %
Uncertain tax positions	0.1 %	5.8 %	0.1 %
Rate change on deferred taxes primarily due to tax reform	— %	(2.4)%	— %
Other	0.1 %	(0.1)%	0.1 %
Effective income tax rate	25.9 %	0.8 %	1.7 %

Our effective tax rate increased to 25.9% in 2018, compared with 0.8% in 2017. This increase was substantial on account of recording of one time Transition tax liability resulting from enactment of the TCJA, which has been included in Prior year Transaction tax and relataed true-ups. Excluding this, the remaining increase in the effective tax rate was primarily on account of Global Intangible Low-taxed Income (“GILTI”) tax, becoming applicable on the Company from enactment of TCJA.

Beginning in 2009, we were granted a 100% tax holiday for certain of our Indian operations, which was in effect until March 31, 2014 and March 31, 2015 for some of our locations and continues until March 31, 2020 for other locations. When these tax holidays expire, these locations become 50% taxable for an additional five years. The impact of this tax holiday decreased our non-US income tax expense by $4.3 million and $2.9 million for 2018 and 2017, respectively.

Excluding one-time impact of Transition tax and related true-ups, the Company’s consolidated worldwide effective tax rate benefits from the effects of conducting significant operations in certain foreign jurisdictions, specifically India and Dubai, where certain units enjoys tax holidays or tax concessions.

Table of Contents

Deferred tax assets and liabilities are comprised of the following:

	December 31, 2018		December 31, 2017	
	Deferred Assets	Liabilities	Deferred Assets	Liabilities
	(In thousands)			
Depreciation and amortization	$—	$ 2,315	$683	$ —
Share-based compensation	521		590	
Accruals and prepaids	8,143		2,700	
Bad debts	3,215		1,076	
Acquired intangible assets	—	17,800	—	19,421
Net operating loss carryforwards	19,958		15,233	
Tax credit carryforwards (primarily Minimum Alternative Tax ("MAT") in India)	43,656		43,044	
	75,493	20,115	63,326	19,421
Valuation allowance	(2,031)	—	(35)	—
Total deferred taxes	$73,462	$ 20,115	$63,291	$ 19,421

Amounts recognized in the consolidated balance sheets:

	2018	2017
	(In thousands)	
Non-current deferred tax assets	54,629	43,870
ASU 2013-11 reclass, described below	—	(341)
Net deferred tax assets	54,629	43,529
Non-current deferred tax liabilities	1,282	—

The valuation allowance changed by $2.0 million and $(3.7) million during the years ended December 31, 2018 and 2017, respectively. The presentation above has been modified to correctly show the valuation allowances that should have been recorded and to gross up the Company’s deferred tax assets for implied valuation allowances that were inherited through acquisitions.
We have US Federal, state and foreign operating losses and credit carryforwards as follows:

	Year Ended December 31, 2018	Year Ended December 31, 2017
	(In thousands)	
US Federal loss carryforwards	$43,116	$ 42,981
US state loss carryforwards	38,307	25,186
Foreign loss carryforwards	40,349	29,852
US Federal credit carryforwards	901	4,679
Foreign credit carryforwards	42,755	38,364

The US federal and state operating loss carryforwards expire at varying dates through 2027. The federal credits begin to expire in 2028. We also have non-US US tax credits (primarily MAT paid in India) carried forward of approximately $42.8

101

Table of Contents

million as of December 31, 2018, which is available for set-off against the future tax liability of certain Indian operations on a staggered basis over a period up-to fifteen years.

On December 22, 2017, the TCJA was enacted, substantially changing the U.S. tax system and affecting the Company in a number of ways. Notably, the TCJA: establishes a flat corporate income tax rate of 21.0% on U.S. earnings; imposes a one-time tax on unremitted cumulative non-U.S. earnings of foreign subsidiaries ("Transition Tax");imposes a new minimum tax on certain non-U.S. earnings, irrespective of the territorial system of taxation, and generally allows for the repatriation of future earnings of foreign subsidiaries without incurring additional U.S. taxes by transitioning to a territorial system of taxation; subjects certain payments made by a U.S. company to a related foreign company to certain minimum taxes (Base Erosion Anti-Abuse Tax); eliminates certain prior tax incentives for manufacturing in the United States and creates an incentive for U.S. companies to sell, lease or license goods and services abroad by allowing for a reduction in taxes owed on earnings related to such sales; allows the cost of investments in certain depreciable assets acquired and placed in service after September 27, 2017 to be immediately expensed; and reduces deductions with respect to certain compensation paid to specified executive officers.

In March 2018, the FASB Issued ASU No. 2018-05, Income Taxes (Topic 740): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118. ASU 2018-05 was issued to incorporate into Topic 740 recent SEC guidance related to the income tax accounting implications of the TCJA. Due to the complexities involved in accounting for the enactment of the TCJA, the SEC Staff had issued SAB No. 118 which allowed the Company to record provisional amounts in earnings for the year ended December 31, 2017. ASU 2018-05 became effective immediately and permitted companies to use provisional amounts for certain income tax effects of the TCJA during a one-year measurement period. The Transition Tax is based on the Company's total post-1986 earnings and profits that were previously deferred from U.S. income taxes. The Company did not recorded an amount for the Transition Tax expense in 2017, as they did not have the necessary information to determine a reasonable estimate to include as a provisional amount. The Company completed its tax accounting for the TCJA during Q4 2018 and recorded an adjustment of $24.5 million related to the transition tax after taking into consideration carried forward NOLs and other tax attributes available for set-off.

The Company has not recognized a deferred U.S. tax liability and associated income tax expense for the undistributed earnings of its foreign subsidiaries which we consider indefinitely invested because those foreign earnings will remain permanently reinvested in those subsidiaries to fund ongoing operations and growth. Upon distribution of those earnings in the form of dividends or otherwise, we would be subject to income taxes and withholding taxes payable in various jurisdictions, which could potentially be partially offset by foreign tax credits. At December 31, 2018 the cumulative amount of the Company's undistributed foreign earnings was approximately $644.2 million, inclusive of income previously taxed in the United States.
The following table summarizes the activity related to our unrecognized tax benefits:

	December 31, 2018	December 31, 2017	December 31, 2016
	(in thousands)		
Beginning Balance	$9,144	$ 3,265	$ 3,115
Additions for tax positions related to current year	150	—	43
Additions for tax positions of prior years	—	5,879	107
Reductions for tax position of prior years	—	—	—
Ending Balance	$9,294	$ 9,144	$ 3,265

The Company recognizes interest accrued and penalties related to unrecognized tax benefits as part of income tax expense. Interest assessed upon settlement of a tax return position is classified as interest expense. The Company accrued as of December 31, 2018 and 2017 approximately $1.1 million and $1.0 million, respectively, of estimated interest and penalties. These amounts are included in the December 31, 2018 and 2017 balances in the preceding table of $9.3 million and $9.1 million, respectively, which is included in other long term liabilities in the accompanying Consolidated Balance Sheet.

We file income tax returns in the US federal, many US state and local jurisdictions, and certain foreign jurisdictions. We have substantially resolved all US federal income tax matters for tax years prior to 2014. Our state and foreign tax matters may remain open from 2008 forward.

Table of Contents

The Company has applied the new provisions under Accounting Standards Update 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, A Similar Tax Loss, or a Tax Credit Carryforward Exists, or ASU 2013-11. Under these provisions, an unrecognized tax benefit is to be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward. The Company has applied this provision and zero and $341 thousand of unrecognized tax benefits have been applied against the deferred tax assets for net operating loss carryforwards, as of December 31, 2018 and 2017, respectively.

Note 9. Stock Repurchases

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.

The Company's share repurchase plan’s terms have been structured to comply with the SEC’s Rule 10b-18, and are subject to market conditions and applicable legal requirements. The program does not obligate the Company to acquire any specific number of shares and may be suspended or terminated at any time. All purchases are made in the open market. Treasury stock is recorded at its acquired cost. During 2018 the Company repurchased 996,773 shares of its common stock under these plans for total consideration of $49.6 million. During 2017 the Company repurchased 687,048 shares of its common stock under this plan for total consideration of $39.4 million. During 2016 the Company repurchased 1,479,454 shares of its common stock under this plan for total consideration of $65.3 million.

As of December 31, 2018 the Company had $84.2 million remaining in its share repurchase authorization.

Table of Contents

Note 10. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at December 31, 2018 and December 31, 2017, consisted of the following:

	2018	2017
	(In thousands)	
Trade accounts payable	$103,250	$69,101
Accrued professional fees	1,152	420
Income taxes payable*	13,901	1,598
Share repurchases accrued	8,800	—
Sales taxes payable	2,749	3,615
Other accrued liabilities	369	339
Total	$130,221	$75,073

* Long term portion of income taxes payable pertaining to the 2017 Tax Cuts and Jobs Act one-time transition tax totaling $18.6 million is included in Other liabilities in the Company's Consolidated Balance Sheet.

Note 11. Other Current Assets

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

	2018	2017
	(In thousands)	
Prepaid expenses	$41,271	$29,347
Third party loan receivable	8,341	—
Sales taxes receivable from customers	6,409	2,218
Credit card merchant account balance receivable	939	1,008
Due from prior owners of acquired businesses for working capital settlements	973	284
Accrued interest receivable	233	515
Other	1,108	160
Total	$59,274	$33,532

104

Table of Contents

Note 12. Other Current Liabilities

Other current liabilities at December 31, 2018 and December 31, 2017 consisted of the following:

	2018	2017
	(In thousands)	
Weizmann upfront purchase consideration for 74.84% stake	$63,325	$—
Redemption liability for irrevocable option to reacquire 10% equity stake from PML	4,925	—
Pearl upfront purchase consideration	3,384	—
Lawson upfront purchase consideration	2,736	—
WDEV contingent liability (upfront cash consideration held in escrow account contingent upon acquired business' achieving the minimum specified annual net revenue thresholds)	2,367	—
Miles working capital liability	2,219	—
Via contingent additional consideration (based on any potential claims made by tax authorities and the receipt of refunds pertaining to certain advance tax payments and withholding taxes)	1,899	4,422
Mercury contingent consideration (based on customer retention)	720	—
Business Travels upfront purchase consideration	720	—
AHA Taxis upfront purchase consideration	224	—
Client deposits	2,980	71
Other	82	666
Total	$85,581	$5,159

Note 13. Property and Equipment

Property and equipment at December 31, 2018 and 2017 consisted of the following:

	2018	2017
	(In thousands)	
Computer equipment	$15,734	$11,051
Buildings	25,283	23,749
Land	10,479	5,930
Land improvements	7,195	6,906
Leasehold improvements	1,341	1,435
Furniture, fixtures and other	8,664	8,451
	68,696	57,522
Less accumulated depreciation and amortization	(18,402)	(15,818)
	$50,294	$41,704

Depreciation expense was $3.7 million, $3.8 million and $4.0 million, for the years ended December 31, 2018, 2017 and 2016, respectively.

Note 14. Cash Option Profit Sharing Plan and Trust

The Company maintains a 401(k) Cash Option Profit Sharing Plan, which allows participants to contribute a percentage of their compensation to the Profit Sharing Plan and Trust up to the Federal maximum. The Company matches 100% of an employee’s 1% contributed and 50% on the 2% contributed by an employee. Accordingly, the Company’s contributions to the Plan were $536 thousand, $610 thousand and $688 thousand for the years ending December 31, 2018, 2017 and 2016, respectively.

Note 15. 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 operating performance and the allocation of resources. External customer revenues in the tables below were 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.

Table of Contents

During 2018 the United States' revenues decreased $(14.9) million primarily due to a combination of decreased consulting services and a decrease of third party administrator services. Canada's revenues decreased by $(1.9) million primarily due to decreased revenue from professional services. Latin America's revenues decreased by $(1.3) million primarily due to a $(2.7) million decrease due to changes in foreign currency exchange rates, partially offset by increased professional services. Australia's revenues increased by $1.4 million primarily due to a combination of increased professional services and transaction fees, net of a $(922) thousand decrease due to changes in foreign currency exchange rates. India's revenue increased $134.5 million primarily due to the full year impact of 2017 acquisitions in addition to acquisitions made in 2018. Increases in Indonesia, Philippines, Singapore and United Arab Emirates are due to the full year impact of the November 2017 acquisition of Via. Mauritius revenues for 2018 consisted of $3.1 million for branding fees charged at airport kiosks.

During 2017 India's revenue increased $47.7 million of which $5.3 million is due to the various new e-governance contracts with a number of large clients and $42.9 million due to its 2017 acquisitions of ItzCash, YouFirst, Wall Street, Paul Merchants, and Via. Latin America's revenues increased $12.9 million due primarily to the November 2016 acquisition of Wdev and a $1.4 million increase due to changes in foreign currency exchange rates. Australia's revenues increased by $3.2 million due to a combination of increased professional services and transaction fees, and a $1.1 million increase due to changes in foreign currency exchange rates. Canada's revenues increased by $1.2 million due primarily to increased professional services. Increases in Singapore, Indonesia, Philippines and United Arab Emirates are due to the November 2017 acquisition of Via.

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

	Year Ended December 31, 2018		Year Ended December 31, 2017		Year Ended December 31, 2016	
	External Revenues in thousands	Long-lived assets	External Revenues	Long-lived assets	External Revenues	Long-lived assets
United States	$196,984	$390,551	$211,895	$394,112	$213,516	$385,723
Canada	5,611	5,846	7,522	6,601	6,328	6,411
Latin America	19,866	16,348	21,128	22,300	8,179	26,648
Australia	35,770	1,485	34,366	1,174	31,156	1,245
Singapore*	7,674	17,805	6,330	17,475	5,848	17,467
New Zealand	2,015	158	1,933	247	1,903	215
India*	196,372	672,699	61,857	338,130	14,153	83,082
Europe	15,387	23,880	17,062	25,687	17,211	21,766
Indonesia*	7,482	98	1,055	110	—	—
Philippines*	6,483	448	623	616	—	—
United Arab Emirates*	1,042	54,249	200	53,629	—	54,152
Mauritius*	3,140	—	—	—	—	—
	$497,826	$1,183,567	$363,971	$860,081	$298,294	$596,709

*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 fourth quarter of 2018 for India led businesses was $65.9 million.

In the geographical information table above the significant changes to long-lived assets from December 31, 2017 to December 31, 2018 were comprised of a decrease in Latin America of $(6.0) million due to $(2.9) million of upfront cash consideration held in an escrow account reclassified as short term from long term and a (14.6)% weakening of the Brazilian Real versus the U.S. Dollar. An increase in India of $334.6 million primarily due to the impact of 2018 acquisitions, partially offset by a (8.2)% weakening of the India Rupee versus the U.S. Dollar. The Europe decrease of $(1.8) million is primarily due to a (5.6)% weakening of the British Pound versus the U.S. Dollar.

In the geographical information table above the significant changes to long-lived assets from December 31, 2016 to December 31, 2017 were comprised of an increase in India of $255.0 million primarily due to $249.5 million increase associated with the 2017 acquisitions of ItzCash, YouFirst, Wall Street, Paul Merchants, and Via, and an increase in deferred tax assets of $4.1 million associated with the payments and accruals of Minimum Alternative Tax. The Europe increase of $3.9 million is primarily due to a 9.3% strengthening of the British Pound Sterling versus the U.S. Dollar which caused a $2.0 million increase in the translation of long-lived assets, an increase in deferred tax assets of $3.2 million 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 16. Related Party Transactions

We consider Regions Bank ("Regions") to be a related party because Regions provides financing to the Company via a syndicated commercial banking facility (refer to Note 5 to these Consolidated Financial Statements), and because Regions is also a customer to whom the Company sells products and services. Revenues recognized from Regions were $221 thousand, $301 thousand, and $280 thousand for each of the years ending December 31, 2018, 2017, and 2016, respectively. Accounts receivable due from Regions were $74 thousand and $60 thousand at December 31, 2018 and 2017, respectively.

Table of Contents

Note 17. Quarterly Financial Information (unaudited)

The following is the unaudited quarterly financial information for 2018, 2017 and 2016:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(in thousands, except share data)			
Year Ended December 31, 2018				
Total revenues	$108,230	$124,626	$128,643	$136,327
Gross Profit	68,639	81,067	85,680	94,025
Operating income	33,896	38,315	39,238	41,530
Net income from continuing operations	$26,208	$29,180	$29,242	$8,509
Net income per common share:				
Basic	$0.83	$0.93	$0.93	$0.27
Diluted	$0.83	$0.92	$0.92	$0.27
Year Ended December 31, 2017				
Total revenues	$79,103	$87,387	$92,800	$104,681
Gross Profit	53,916	56,455	57,863	66,243
Operating income	25,690	26,539	27,911	33,081
Net income from continuing operations	26,427	23,434	24,184	26,573
Net income per common share:				
Basic	$0.83	$0.74	$0.77	$0.84
Diluted	$0.83	$0.74	$0.76	$0.84
Year Ended December 31, 2016				
Total revenues	$71,066	$72,574	$74,608	$80,046
Gross Profit	51,464	51,995	52,183	57,524
Operating income	24,763	23,564	24,293	27,661
Net income from continuing operations	22,159	22,992	24,067	24,629
Net income per common share:				
Basic	$0.67	$0.70	$0.74	$0.76
Diluted	$0.67	$0.70	$0.74	$0.76

In some instances the sum of the quarterly basic and diluted net income per share amounts may not agree to the full year basic and diluted net income per share amounts reported on the Consolidated Statements of Income because of rounding.

Table of Contents

Note 18. Investment in Joint Ventures

Effective December 1, 2018 Ebix entered into an agreement to acquire 74.84% controlling stake in India based Weizmann Forex Limited (BSE: WEIZFOREX) for $63.1 million. Ebix also made a 90-day time bound public offer to acquire the remaining 25.16% publicly-held Weizmann Forex shares for approximately $21.1 million to public shareholders.

Effective October 1, 2018 Ebix acquired a 70% stake in AHA Taxis, a platform for on-demand inter-city cabs in India for $310 thousand. AHA focuses its attention on Corporate and Consumer inter-city travel primarily, with a network of thousands of registered AHA Taxis.

Effective October 1, 2018 Ebix acquired a 67% stake in Routier, a marketplace for trucking logistics for $413 thousand.

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.

Effective April 1, 2017 Ebix entered into a joint venture with India-based Essel Group, while acquiring an 80% equity interest 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% equity interest 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.

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 twelve months ending December 31, 2018 and 2017 the Ebix Vayam Limited JV recognized $13.6 million and $16.9 million of revenue from Vayam, respectively, and as of December 31, 2018 Vayam had $32.0 million of accounts receivable with the Ebix Vayam Limited JV.

Effective September 1, 2015 Ebix and IHC formed a joint venture named EbixHealth JV. This joint venture was established to promote and market a best practices administration data exchange for health and pet insurance lines of business nationally. Ebix paid $6.0 million and contributed certain portions of its CurePet investment, valued by the EbixHealth JV at $2.0 million, for its 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. As per the joint venture agreement, any and all losses of the EbixHealth JV, (excluding certain severance payments to former employees of IHC Health Solutions, Inc.) through the period ending December 31, 2016 were allocated to IHC, and IHC was obligated to fund any negative cash flow during this period as a loan to the EbixHealth JV, with any remaining balance of said loan as of December 31, 2016 being then converted to contributed capital. 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 is reflected as a component of other non-operating income in the accompanying 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 twelve months ending December 31, 2018 and 2017 the EbixHealth JV recognized

Table of Contents

$7.6 million and $13.0 million of revenue from IHC, respectively, and as of December 31, 2018 IHC had $395 thousand of accounts receivable with the EbixHealth JV. Furthermore, as a related party, IHC also has been and continues to be a customer of Ebix, and during the twelve months ending December 31, 2018 and 2017 the Company recognized zero and $228 thousand, respectively, of revenue from IHC, and as of December 31, 2018 IHC had $23 thousand of accounts receivable due to Ebix.

Note 19. 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 year ended December 31, 2018 and 2017 the Company capitalized $5.7 million and $2.8 million, respectively, of such development costs. As of December 31, 2018 and 2017 a total of $11.7 million and $8.5 million, respectively, of remaining unamortized development costs are reported on the Company’s consolidated balance sheet. During the year ended December 31, 2018 and 2017 the Company recognized $2.2 million and $2.2 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 20. 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 December 31, 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 18, 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 twelve months ending December 31, 2018 and 2017 the Ebix Vayam Limited JV recognized $13.6 million and $16.9 million of revenue from Vayam, respectively, and as of December 31, 2018 Vayam had $32.0 million of accounts receivable with the Ebix Vayam Limited JV.

Note 21. Subsequent Events

Dividends

The Company plans to continue with its quarterly cash dividend to the holders of its common stock, whereby a dividend in the amount of $0.075 per common share will be paid on March 15, 2019 to shareholders of record on February 28, 2019.

Acquisitions and Joint Ventures

On January 2, 2019 Ebix, exercised an irrevocable option to reacquire the 10% equity interest previously owned by Paul Merchants in the international remittance business in India for cash consideration of $5.0 million.

Table of Contents

On January 4, 2019 Ebix entered into an agreement to acquire the assets of India based Essel Forex Limited, for approximately $8.0 million plus possible future contingent earn-out payments of up to $720 thousand based on earned revenues. Ebix will be funding the entire transaction in cash, using its internal cash reserves. Essel Forex has been one of the five largest Foreign exchange providers in India with a wide spectrum of related products including sales of all major Currencies, travelers' checks, demand drafts, remittances, money transfers and prepaid cards primarily for the Corporate clients. Besides being a foreign exchange business partner to leading banks such as ICICI, Axis, Indus Ind, Yes and HDFC Bank, Essel Forex has been associated with Western Union and MoneyGram for inward money transfers.

On February 13, 2019 Ebix announced it had acquired an 80% controlling stake in India based Zillious Solutions Private Limited for $7.0 million plus possible future contingent earn-out payments of up to $2.0 million based on earned revenues. Zillious is an on-demand SaaS travel technology solution, with market leadership in the corporate travel segment in India.

Compensatory Arrangements of Certain Officers

On January 7, 2019, after reviewing the Chief Executive Officer's performance under his compensation plan, the Compensation Committee and Chairman of the Audit Committee of Ebix, Inc. approved the grant of $600 thousand in shares of restricted common stock to the Chief Executive Officer of Ebix, Inc. based on the closing price of the Company's common stock on January 7, 2019. As a result, the Chief Executive Officer was granted 13,541 shares of restricted common stock. One third of the shares vest after one year, and the remaining in eight equal quarterly installments.

Table of Contents

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

As previously disclosed on October 5, 2018, the Audit Committee of the Company's Board of Directors solicited proposals from four major accounting firms and conducted an extensive evaluation process in connection with the selection of the Company's independent auditors. Following this process, on December 21, 2018, the Audit Committee appointed RSM US LLP ("RSM") to serve as the Company's independent auditor for fiscal year 2019. T R Chadha & Co. LLP (“TRC”) will continue as the Company's auditor for the fiscal year ending December 31, 2018. TRC was appointed to serve as the Company’s independent auditor for 2018 on October 5, 2018, replacing Cherry Bekaert LLP (“CBH”), as previously announced. CBH served as the Company’s auditor from 2008 through October 5, 2018.

In connection with the audits of the Company's consolidated financial statements for the fiscal years ended December 31, 2016 and 2017, and in the subsequent interim period through December 21, 2018 there were no disagreements with either TRC or CBH on any matters of accounting principles or practices, financial statement disclosure or auditing scope and procedures which, if not resolved to the satisfaction of TRC or CBH, as applicable, would have caused such former accounting firm to make reference to the matter in their report.

Except as provided in the succeeding sentence, there were no reportable events (as that term is described in Item 304(a)(1)(v) of Regulation S-K during the two fiscal years ended December 31, 2016 and 2017 or in the subsequent period through December 27, 2018. The reports of CBH on the Company’s consolidated financial statements as of and for the years ended December 31, 2016 and 2017 did not contain an adverse opinion or a disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope or accounting principles, except that CBH’s report on internal control over financial reporting expressed an opinion that the Company had not maintained effective internal control over financial reporting as of December 31, 2017 because of the effect of material weaknesses identified by Company management in the design of the Company’s controls over accounting for business combinations, the preparation of the income tax provision, and having contemporaneous documentation of significant acquisition related transactions.

The Company has provided TRC with a copy of the foregoing statements and has requested and received from TRC a letter addressed to the Securities and Exchange Commission stating whether or not TRC agrees with the above statements. A copy of the letter from TRC is attached as Exhibit 16. In October 2018, when the Company replaced CBH, the Company provided CBH with a copy of the foregoing statements and has requested and received from CBH a letter addressed to the Securities and Exchange Commission stating whether or not CBH agrees with the above statements. A copy of the letter from CBH is attached as Exhibit 16.2.

During the two most recent fiscal years and the subsequent interim period from January 1 to December 21, 2018 neither the Company nor anyone acting on behalf of the Company, consulted RSM regarding any of the matters or events set forth in Item 3.04(a)(2) of Regulation S-K.

The audit committee of the Company decided to continue with KPMG for Valuation and Ernst &Young for tax advice, tax provisioning and SOX work, for the year 2018 and 2019.

Table of Contents

Item 9A. CONTROLS AND PROCEDURES

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 December 31, 2018. Based on that evaluation, management has concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is accurately recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and to ensure that information is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management’s Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Our internal control system is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with United States generally accepted accounting principles.

The term “internal control over financial reporting” is defined as a process designed by, or under the supervision of, our principal executive and principal financial officers, or persons performing similar functions, and effected by our board of directors, audit committee, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

(1) Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions and dispositions of assets;

(2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors; and,

(3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting cannot provide absolute assurance. It is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override of controls. Because of such limitations, there is a risk that material misstatements due to error or fraud may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process and, therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk. Also, projections of any evaluation of the effectiveness of internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management's assessment of and conclusion on the effectiveness of internal control over financial reporting is as of December 31, 2018 and did not include an assessment of the internal controls for the following operations: Centrum (acquired April 2018),

Table of Contents

Smartclass (acquired April 2018), Indus (acquired July 2018), Mercury (acquired July 2018), Miles (acquired Aug 2018, Aha Taxis (acquired October 2018), Routier (acquired October 2018), Lawson (acquired December 2018) and Weizmann (acquired December 2018), for which the financial information for these business units are included in the accompanying 2018 consolidated financial statements of Ebix. These business units in the aggregate represented 18.0% of the Company's consolidated revenue, and 34.0% of the Company's consolidated assets for 2018 In making its assessment of the effectiveness of the Company controls over financial reporting, management used the criteria set forth by the 2013 Committee of Sponsoring Organizations of the Treadway Commission, or 2013 COSO Internal Control-Integrated Framework. Based on our assessment and those criteria, management believes that we maintained effective internal control over financial reporting as of December 31, 2018.

TR Chadha & Co. LLP, the independent registered public accounting firm that audited our Consolidated Financial Statements included in this Annual Report on Form 10-K, audited the effectiveness of our internal control over financial reporting as of December 31, 2018. TR Chadha & Co. LLP has issued their report which is included in this Annual Report on Form 10-K.

Table of Contents

Remediation Plans

As previously disclosed, the Company had concluded that material weaknesses existed as of December 31, 2017. The Company engaged 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 Company continued to further strengthen controls for income taxes in 2018 with the use of additional resources and expanded use of the independent third-party firm and outside legal tax counsel.

The Company engaged KPMG LLP to assist in the preparation and analysis of the Company's Purchase Price Accounting and Goodwill Impairment procedures and calculations. The Company continued to further strengthen controls for Valuation Accounting in 2018 with the use of additional resources and expanded use of the independent third-party firms and outside legal counsel. In addition the Company continued to review its procedures surrounding Valuation Accounting, including enhanced internal review and documentation processes.

Management believes these remediation plans were effective in addressing the material weaknesses that existed as of December 31, 2017 and believes that we maintained effective internal control over financial reporting as of December 31, 2018.

Changes in Internal Control over Financial Reporting

The remediation actions set forth above in "Remediation Plans" 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)) in of 2018 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Board of Directors and Stockholders of Ebix, Inc.

Opinion on Internal Control over Financial Reporting

We have audited internal control over financial reporting of Ebix, Inc. and subsidiaries (the “Company”) as of December 31, 2018, based on criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in the 2013 Internal Control-Integrated Framework issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2018, and the related consolidated statements of income, comprehensive income, stockholders equity and cash flows for the year ended as of December 31, 2018, and the related notes and our report dated March 1, 2019 expressed an unqualified opinion thereon.

As indicated in the accompanying Management's Report on Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting excluded the internal controls for the operations in Centrum (acquired in April 2018), Smartclass (acquired in April 2018), Mercury Travel (acquired in July 2018), Leisure Corp (acquired in July 2018), Indus (acquired in July 2018), Miles (acquired in August 2018), AHA taxis (acquired in October 2018), Routier (acquired in October 2018) Lawson Travels (acquired in December 2018), and Weizmann Forex (acquired in December 2018) which are included in the 2018 financial statements of Ebix, Inc. and which constituted approximately 18% of the Company's consolidated revenues for the year ended December 31, 2018 and 34% of the Company’s consolidated assets as of December 31, 2018. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting for the operations in Centrum, Smartclass, Mercury Travel, Leisure Corp, Indus, Miles, AHA taxis, Routier, Lawson Travels, and Weizmann Forex.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audits included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable

Table of Contents

assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

T R Chadha & Co LLP

New Delhi, India

March 1, 2019

Table of Contents

Item 9B. OTHER INFORMATION

None.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Incorporated by reference from the information in our definitive proxy statement for the annual meeting of stockholders, which we will file within 120 days of the end of the fiscal year to which this report relates.

Item 11. EXECUTIVE COMPENSATION

EXECUTIVE COMPENSATION

Incorporated by reference from the information in our definitive proxy statement for the annual meeting of stockholders, which we will file within 120 days of the end of the fiscal year to which this report relates.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Incorporated by reference from the information in our definitive proxy statement for the annual meeting of stockholders, which we will file within 120 days of the end of the fiscal year to which this report relates.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Incorporated by reference from the information in our definitive proxy statement for the annual meeting of stockholders, which we will file within 120 days of the end of the fiscal year to which this report relates.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Incorporated by reference from the information in our definitive proxy statement for the annual meeting of stockholders, which we will file within 120 days of the end of the fiscal year to which this report relates.

Table of Contents

PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) 1. Financial Statements

The following consolidated financial statements and supplementary data of the Company and its subsidiaries, required by Part II, Item 8 are filed herewith:

- Report of Independent Registered Public Accounting Firm.
- Consolidated Balance Sheets as of December 31, 2018 and December 31, 2017 .
- Consolidated Statements of Income for the years ended December 31, 2018, December 31, 2017, and December 31, 2016.
- Consolidated Statements of Comprehensive Income for the years ended December 31, 2018, December 31, 2017, and December 31, 2016.
- Consolidated Statements of Stockholders' Equity for the years ended December 31, 2018, December 31, 2017, and December 31, 2016.
- Consolidated Statements of Cash Flows for the years ended December 31, 2018, December 31, 2017, and December 31, 2016.
- Notes to Consolidated Financial Statements

2. Financial Statement Schedules

The following consolidated financial statement schedule is filed herewith:

- Schedule II—Valuation and Qualifying Accounts for the years ended December 31, 2018, December 31, 2017, and December 31, 2016.
- Schedules other than those listed above have been omitted because they are not applicable or the required information is included in the financial statements or notes thereto.

3. Exhibits—The exhibits filed herewith or incorporated by reference are listed on the Exhibit Index attached hereto.

Table of Contents

EXHIBIT 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	Amendment to Certificate of Incorporation of Ebix, Inc. dated May 25, 2017
3.3	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).
3.4*	Amendment to Certificate of

	Incorporation of Ebix, Inc. filed November 21, 2018
10.1**	Ebix, Inc. 1996 Stock Incentive Plan as amended by the first, second, third and fourth amendments thereto (incorporated by reference to Exhibit 10.18 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004).
10.2**	Ebix, Inc. 2010 Stock Incentive Plan (incorporated by reference to Annex A to the Company’s Proxy Statement on Schedule 14A filed October 8, 2010).
10.3**	Form of Restricted Stock Agreement under the Company's 1996 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated June 7, 2005).

10.4	Share Purchase Agreement made and extended into as of April 2, 2008 by and among Ebix, Inc. and Rennes Foundation (incorporated by reference to Exhibit 10.29 to the Company's Current Report on Form 8-K filed April 14, 2008).
10.5**	Acquisition Bonus Agreement by and between Ebix, Inc., and Robin Raina dated as of July 15, 2009 (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K dated July 21, 2009).
10.6	Credit Agreement, dated as of August 5, 2014, entered into by and among Ebix, Inc., as Borrower, certain subsidiaries of the Company from time to time party thereto, as Guarantors,

Regions Bank, as Administrative Agent and Collateral Agent, and the lenders from time to time party thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed August 11, 2014).

10.7 Director Nomination Agreement, dated as of November 26, 2014, by and among Barington Companies Equity Partners, L.P., a Delaware limited partnership, Barington Companies Investors, LLC, as investment advisor to certain investment accounts, Ancora Advisors, LLC, James A. Mitarotonda, Joseph R. Wright, Jr. and Ebix, Inc. (incorporated by reference to Exhibit 99.1 to the Company's Current Report

	on Form 8-K filed December 1, 2014).
10.8	Amendment dated as of March 23, 2015 to the Director Nomination Agreement, dated as of November 26, 2014, by and among Barington Companies Equity Partners, L.P., a Delaware limited partnership, Barington Companies Investors, LLC, as investment advisor to certain investment accounts, Ancora Advisors, LLC, James A. Mitarotonda, Joseph R. Wright, Jr., George W. Hebard III and Ebix, Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed March 31, 2015).
10.9	Amendment No.1 and Waiver dated February 3, 2015 to the

Credit Agreement dated as of August 5, 2014, entered into by and among Ebix, Inc., as Borrower, certain subsidiaries of the Company from time to time party thereto, as Guarantors, Regions Bank, as Administrative Agent and Collateral Agent, and the lenders from time to time party thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated February 5, 2015).

10.10** Ebix Inc. Chief Executive Officer Annual Incentive Bonus Plan effective January 1, 2016 (incorporated by Reference to Appendix A to the Company's Proxy Statement on Schedule 14A filed March 18, 2016).

10.11

Amendment No.2 dated June 17, 2016 to the Credit Agreement dated as of August 5, 2014, entered into by and among Ebix, Inc., as Borrower, certain subsidiaries of the Company from time to time party thereto, as Guarantors, Regions Bank, as Administrative Agent and Collateral Agent, and the lenders from time to time party thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed June 22, 2016).

10.12 Amendment No.3 dated October 19, 2017 to the Credit Agreement dated as of August 5, 2014, entered into by and among Ebix, Inc., as Borrower, certain subsidiaries of the Company from time to time party thereto, as Guarantors, Regions Bank, as Administrative Agent and Collateral Agent, and the lenders from time to time party thereto (incorporated by reference to Exhibit 10.12 to the Company's Current Report on Form 10-K filed March 1, 2018).

Table of Contents

10.13	Amendment No.4 dated November 3, 2017 to the Credit Agreement dated as of August 5, 2014, entered into by and among Ebix, Inc., as Borrower, certain subsidiaries of the Company from time to time party thereto, as Guarantors, Regions Bank, as Administrative Agent and Collateral Agent, and the lenders from time to time party thereto (incorporated by reference to Exhibit 10.13 to the Company's Current Report on Form 10-K filed March 1, 2018).
10.14	Amendment No.5 dated November 3, 2017 to the Credit Agreement dated as of August 5, 2014, entered into by and among Ebix, Inc., as Borrower, certain

subsidiaries of the Company from time to time party thereto, as Guarantors, Regions Bank, as Administrative Agent and Collateral Agent, and the lenders from time to time party thereto (incorporated by reference to Exhibit 10.14 to the Company's Current Report on Form 10-K filed March 1, 2018).

10.15 Amendment No.6 dated February 21, 2018 to the Credit Agreement dated as of August 5, 2014, entered into by and among Ebix, Inc., as Borrower, certain subsidiaries of the Company from time to time party thereto, as Guarantors, Regions Bank, as Administrative Agent and Collateral Agent, and the lenders from time to time party thereto

	(incorporated by reference to Exhibit 10.15 to the Company's Annual Report on Form 10-K filed March 1, 2018).
10.16	Amendment No.7 dated April 9, 2018 to the Credit Agreement dated as of August 5, 2014, entered into by and among Ebix, Inc., as Borrower, certain subsidiaries of the Company from time to time party thereto, as Guarantors, Regions Bank, as Administrative Agent and Collateral Agent, and the lenders from time to time party thereto (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 10-Q filed August 9, 2018).
10.17*	Amendment No.8 dated November 27, 2018 to the Credit Agreement dated as of

	August 5, 2014, entered into by and among Ebix, Inc., as Borrower, certain subsidiaries of the Company from time to time party thereto, as Guarantors, Regions Bank, as Administrative Agent and Collateral Agent, and the lenders from time to time party thereto
10.18**	Stock Appreciation Right Award Agreement dated 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).
10.19	Share Purchase Agreement dated April 2, 2018 by and between Centrum Retail Services Ltd/ Centrum Capital Ltd and Ebix, Inc./Ebix Fincorp Exchange PTE

	Ltd. (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed August 9, 2018).
14.1	Ebix, Inc. Code of Ethics for Senior Financial Officers (incorporated by reference to Exhibit 14.1 to the Company's Registration Statement on Form S-1 dated November 4, 2008) and incorporated herein by reference.
16.1	Letter from T R Chadha & Co. LLP to the Securities and Exchange Commission dated December 24, 2018 (incorporated by reference to Exhibit 16.1 to Current Report on Form 8-K filed December 28, 2018).
16.2	Letter from Cherry Bekaert LLP to the Securities and Exchange Commission dated October 5, 2018 (incorporated by reference to

		Exhibit 16.1 to Current Report on Form 8-K filed October 5, 2018).
21.1	*	Subsidiaries of the Company.
23.1	*	Consent of TR Chadha & Co. LLP
23.2	*	Consent of Cherry Bekaert LLP
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 Annual Report on Form 10-K for the year ended December 31, 2018, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Comprehensive Income (Loss) (iv) the Consolidated Statements of Stockholders' Equity and Comprehensive Income (Loss), (v) the Consolidated Statements of Cash Flows, and (vi) Notes to Consolidated Financial Statements which were tagged as blocks of text.

* Filed herewith
** Indicates management contract or compensatory plan or arrangement.

Table of Contents

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this amendment to be signed on its behalf by the undersigned, thereunto duly authorized.

EBIX, INC.
(Registrant)

By: /s/ ROBIN RAINA
Robin Raina
Chairman of the Board,
President and
Chief Executive Officer
Principal Executive Officer

Date: March 1, 2019

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ ROBIN RAINA (Robin Raina)	Chairman of the Board, President, and Chief Executive Officer (principal executive officer)	March 1, 2019
/s/ SEAN T. DONAGHY (Sean T. Donaghy)	Chief Financial Officer (principal financial and accounting officer)	March 1, 2019
/s/ HANS U. BENZ (Hans U. Benz)	Director	March 1, 2019
/s/ PAVAN BHALLA (Pavan Bhalla)	Director	March 1, 2019
/s/ NEIL D. ECKERT (Neil D. Eckert)	Director	March 1, 2019
/s/ ROLF HERTER (Rolf Herter)	Director	March 1, 2019
/s/ HANS UELI KELLER (Hans Ueli Keller)	Director	March 1, 2019
/s/ GEORGE W. HEBARD III (George W. Hebard III)	Director	March 1, 2019
/s/ JOSEPH R. WRIGHT, JR. (Joseph R. Wright, Jr.)	Director	March 1, 2019

Table of Contents

Schedule II
Ebix, Inc.

Schedule II—Valuation and Qualifying Accounts
Years ended December 31, 2018, December 31, 2017 and December 31, 2016
Allowance for doubtful accounts receivable (in thousands)

	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016
Beginning balance	$ 4,143	$ 2,833	$ 3,388
Provision for doubtful accounts	3,571	1,713	1,515
Write-off of accounts receivable against allowance/Other	(745)	(403)	(2,070)
Ending balance	$ 6,969	$ 4,143	$ 2,833

Valuation allowance for deferred tax assets (in thousands)

	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016
Beginning balance	$ (35)	$ (3,747)	$ (5,979)
Decrease (increase)	(1,996)	3,712	2,232
Ending balance	$ (2,031)	$ (35)	$ (3,747)