

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2016

OR

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

(State or other jurisdiction of incorporation or organization)

77-0021975

(I.R.S. Employer Identification No.)

1 EBIX WAY

JOHNS CREEK, GEORGIA

(Address of principal executive offices)

30097

(Zip Code)

Registrant's telephone number, including area code: **678-281-2020**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer.

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of November 8, 2016 the number of shares of common stock outstanding was 32,415,057.

FORM 10-Q

FOR THE QUARTER ENDED SEPTEMBER 30, 2016

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PART I — FINANCIAL INFORMATION
Item 1: CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Operating revenue	\$ 74,608	\$ 66,813	\$ 218,248	\$ 195,278
Operating expenses:				
Cost of services provided	22,425	17,809	62,606	55,993
Product development	8,563	8,338	24,913	22,673
Sales and marketing	4,463	3,805	13,002	10,795
General and administrative, net (see Note 3)	12,126	12,128	37,019	34,995
Amortization and depreciation	2,738	2,765	8,088	7,932
Total operating expenses	<u>50,315</u>	<u>44,845</u>	<u>145,628</u>	<u>132,388</u>
Operating income	24,293	21,968	72,620	62,890
Interest income	635	62	1,219	167
Interest expense	(1,922)	(1,058)	(5,381)	(2,402)
Non-operating income, gain on joint venture investment (see Note 8)	1,162	—	1,162	—
Foreign currency exchange gain	578	1,137	852	2,359
Income before income taxes	<u>24,746</u>	<u>22,109</u>	<u>70,472</u>	<u>63,014</u>
Income tax benefit (expense)	(789)	(1,877)	(1,121)	(5,410)
Net income including noncontrolling interest	23,957	20,232	69,351	57,604
Net income (loss) attributable to noncontrolling interest (see Note 8)	(110)	—	133	—
Net income attributable to Ebix, Inc.	<u>\$ 24,067</u>	<u>\$ 20,232</u>	<u>\$ 69,218</u>	<u>\$ 57,604</u>
Basic earnings per common share attributable to Ebix, Inc.	\$ 0.74	\$ 0.59	\$ 2.12	\$ 1.65
Diluted earnings per common share attributable to Ebix, Inc.	\$ 0.74	\$ 0.59	\$ 2.10	\$ 1.63
Basic weighted average shares outstanding	32,421	34,304	32,716	35,014
Diluted weighted average shares outstanding	32,705	34,515	32,994	35,241

See accompanying notes to the condensed consolidated financial statements.

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Net income including noncontrolling interest	\$ 23,957	\$ 20,232	\$ 69,351	\$ 57,604
Other comprehensive income (loss):				
Foreign currency translation adjustments	(548)	(10,129)	(1,013)	(14,163)
Total other comprehensive income (loss)	(548)	(10,129)	(1,013)	(14,163)
Comprehensive income	\$ 23,409	\$ 10,103	\$ 68,338	\$ 43,441
Comprehensive income (loss) attributable to noncontrolling interest (see Note 8)	(110)	—	133	—
Comprehensive income attributable to Ebix, Inc.	\$ 23,519	\$ 10,103	\$ 68,205	\$ 43,441

See accompanying notes to the condensed consolidated financial statements.

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

	September 30, 2016	December 31, 2015
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 99,806	\$ 57,179
Short-term investments	2,975	1,538
Restricted cash	8,975	—
Trade accounts receivable, less allowances of \$1,909 and \$3,388, respectively	60,795	47,171
Other current assets	12,832	10,942
Total current assets	185,383	116,830
Property and equipment, net	36,187	34,088
Goodwill	428,063	402,259
Intangibles, net	38,151	51,848
Indefinite-lived intangibles	30,887	30,887
Capitalized software development costs, net	3,173	3,489
Deferred tax asset, net	33,435	23,732
Other assets	5,836	12,856
Total assets	\$ 761,115	\$ 675,989
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 30,353	\$ 23,043
Accrued payroll and related benefits	6,127	4,932
Short term debt, net of deferred financing costs of \$136 and \$0, respectively	12,364	—
Current portion of long term debt and capital lease obligations, net of discount of \$0 and \$3, respectively	9	606
Current deferred rent	271	232
Contingent liability for accrued earn-out acquisition consideration	1,621	1,706
Deferred revenue	20,334	20,519
Other current liabilities	242	228
Total current liabilities	71,321	51,266
Revolving line of credit	134,029	206,465
Long term debt and capital lease obligations, less current portion, net of deferred financing costs of \$540 and \$0, respectively	108,863	35
Other liabilities	3,858	3,332
Contingent liability for accrued earn-out acquisition consideration	—	2,571
Deferred revenue	1,728	1,968
Long term deferred rent	1,110	1,381
Total liabilities	320,909	267,018
Commitments and Contingencies (see Note 5)		
Stockholders' equity:		
Preferred stock, \$0.10 par value, 500,000 shares authorized, no shares issued and outstanding at September 30, 2016 and December 31, 2015	—	—
Common stock, \$0.10 par value, 60,000,000 shares authorized, 32,382,162 issued and outstanding, at September 30, 2016 and 33,416,110 issued and outstanding at December 31, 2015	3,238	3,342

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Additional paid-in capital	16,229	57,120
Treasury stock (no shares as of September 30, 2016 and December 31, 2015)	—	—
Retained earnings	440,604	378,787
Accumulated other comprehensive loss	(31,291)	(30,278)
Total Ebix, Inc. stockholders' equity	428,780	408,971
Noncontrolling interest (see Note 8)	11,426	—
Total stockholders' equity	440,206	408,971
Total liabilities and stockholders' equity	\$ 761,115	\$ 675,989

See accompanying notes to the condensed consolidated financial statements.

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

	<u>Common Stock</u>		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling interest	Total
	Issued Shares	Amount					
Balance, December 31, 2015	33,416,110	\$ 3,342	\$ 57,120	\$ 378,787	\$ (30,278)	\$ —	\$ 408,971
Net income attributable to Ebix, Inc.	—	—	—	69,218	—	—	69,218
Net income attributable to noncontrolling interest (see Note 8)						133	133
Cumulative translation adjustment	—	—	—	—	(1,013)	—	(1,013)
Repurchase and retirement of common stock	(1,097,390)	(110)	(42,845)			—	(42,955)
Vesting of restricted stock	53,282	6	(6)	—	—	—	—
Exercise of stock options	13,500	1	28	—	—	—	29
Share based compensation	—	—	2,078	—	—	—	2,078
Forfeiture of certain shares to satisfy exercise costs and the recipients income tax obligations related to stock options exercised and restricted stock vested	(3,340)	(1)	(146)	—	—	—	(147)
Recognized controlling ownership of Ebix-IHC joint venture	—	—	—	—	—	11,293	11,293
Dividends paid	—	—	—	(7,401)	—	—	(7,401)
Balance, September 30, 2016	<u>32,382,162</u>	<u>\$ 3,238</u>	<u>\$ 16,229</u>	<u>\$ 440,604</u>	<u>\$ (31,291)</u>	<u>\$ 11,426</u>	<u>\$ 440,206</u>

See accompanying notes to the condensed consolidated financial statements.

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

	Nine Months Ended September 30,	
	2016	2015
Cash flows from operating activities:		
Net income attributable to Ebix, Inc.	\$ 69,218	\$ 57,604
Net income attributable to noncontrolling interest	133	—
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	8,088	7,932
Benefit for deferred taxes	(6,250)	(5,749)
Share based compensation	2,078	1,244
Provision for doubtful accounts	700	1,950
Debt discount amortization on promissory note payable	—	13
Unrealized foreign exchange gain	(328)	(2,008)
Gain on investment interest in IHC/Ebix joint venture	(1,162)	—
Amortization of capitalized software development costs	1,040	—
Reduction of acquisition earnout accruals	(1,726)	(1,533)
Changes in assets and liabilities, net of effects from acquisitions:		
Accounts receivable	(11,205)	(6,328)
Other assets	(3,402)	(3,606)
Accounts payable and accrued expenses	(4,499)	(21,448)
Accrued payroll and related benefits	79	1,100
Deferred revenue	(290)	(3,096)
Deferred rent	(168)	(111)
Reserve for potential uncertain income tax return positions	700	594
Liability - securities litigation settlement payment	—	(690)
Other liabilities	44	(205)
Net cash provided by operating activities	53,050	25,663
Cash flows from investing activities:		
Acquisition of Via Media Health, net of cash acquired	—	(1,000)
Acquisition of P.B. Systems, net of cash acquired	—	(11,475)
Investment in the EbixHealth JV, net of cash acquired	(696)	(6,000)
Capitalized software development costs	(1,034)	—
Purchases of marketable securities	(1,078)	(940)
Capital expenditures	(4,420)	(12,713)
Net cash used in investing activities	(7,228)	(32,128)
Cash flows from financing activities:		
Proceeds (repayments) from revolving line of credit, net	(72,436)	66,000
Proceeds from term loan	125,000	—
Principal payments of term loan obligation	(3,125)	—
Repurchases of common stock	(43,775)	(67,780)
Excess tax benefit from share-based compensation	—	63
Proceeds from the exercise of stock options	29	1,117
Forfeiture of certain shares to satisfy exercise costs and the recipients income tax obligations related to stock options exercised and restricted stock vested	(147)	(1,141)
Dividend payments	(7,401)	(7,989)
Principal payments of debt obligations	(600)	(638)
Payments of capital lease obligations	(4)	(3)
Net cash used in financing activities	(2,459)	(10,371)
Effect of foreign exchange rates on cash	(736)	(2,264)
Net change in cash and cash equivalents	42,627	(19,100)
Cash and cash equivalents at the beginning of the period	57,179	52,300
Cash and cash equivalents at the end of the period	\$ 99,806	\$ 33,200
Supplemental disclosures of cash flow information:		
Interest paid	\$ 5,318	\$ 4,002
Income taxes paid	\$ 14,068	\$ 24,663

See accompanying notes to the condensed consolidated financial statements.

Supplemental schedule of noncash financing activities:

During the nine months ended September 30, 2016 there were 3,340 shares, totaling \$147 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, 2015 there were 25,000 shares totaling \$820 thousand of share repurchases that were not settled until January 2016.

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

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

Description of Business— Ebix, Inc. and subsidiaries (“Ebix” or the “Company”) is an international supplier of on-demand software and e-commerce solutions to the insurance, healthcare and financial industries, as well as e-governance solutions to governmental agencies in the health and education sectors. Ebix provides various application software products for the insurance industry including data exchanges, carrier systems, broker systems, and agency systems, and custom software development for business entities across the insurance industry. The Company's products feature fully customizable and scalable on-demand software applications designed to streamline the way insurance professionals manage distribution, marketing, sales, customer service, and accounting activities. The Company has its headquarters in Johns Creek, Georgia and also conducts operating activities in Australia, Canada, India, Dubai, New Zealand, Singapore, United Kingdom and Brazil. International revenue accounted for 27.8% and 22.7% of the Company’s total revenue for the nine months ended September 30, 2016 and 2015, respectively.

The Company’s revenues are derived from four product/service channels. Presented in the table below is the breakout of our revenue streams for each of those product/service channels for the three and nine months ended September 30, 2016 and 2015.

<i>(dollar amounts in thousands)</i>	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Exchanges	\$ 52,016	\$ 46,209	\$ 151,424	\$ 139,712
Broker Systems	3,557	3,812	10,654	11,067
Risk Compliance Solutions (“RCS”)	18,076	15,754	53,489	41,218
Carrier Systems	959	1,038	2,681	3,281
Totals	\$ 74,608	\$ 66,813	\$ 218,248	\$ 195,278

Summary of Significant Accounting Policies

Basis of Presentation—The accompanying unaudited condensed consolidated financial statements and these notes have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") and in accordance with U.S. Generally Accepted Accounting Principles ("GAAP") with the effect of inter-company balances and transactions eliminated. Certain information and note disclosures normally included in annual financial statements prepared in accordance with GAAP and SEC rules have been condensed or omitted as permitted by and pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information not misleading. These unaudited condensed consolidated financial statements contain adjustments (consisting only of normal recurring items) necessary to fairly present the consolidated financial position of the Company and its consolidated results of operations and cash flows. Operating results for the nine months ended September 30, 2016 and 2015 are not necessarily indicative of the results that may be expected for future quarters or the full year of 2016. The condensed consolidated December 31, 2015 balance sheet included in this interim period filing has been derived from the audited financial statements at that date but does not necessarily include all of the information and related notes required by GAAP for complete financial statements. These condensed interim financial statements should be read in conjunction with the financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2015.

Advertising—With the exception of certain direct-response costs, advertising costs are expensed as incurred. Advertising costs amounted to \$4.7 million and \$2.1 million in the first nine months of 2016 and 2015, respectively, and are included in sales and marketing expenses in the accompanying Condensed Consolidated Statements of Income. Sales and marketing expenses in the first nine months of 2016 include the deferment of \$151 thousand (net of amortization) of certain direct-response advertising costs associated with our acquisition of Oakstone, which have been capitalized in accordance with Accounting Standards Codification ("ASC") Topic 340. These costs are being amortized to expense over periods ranging from twelve to twenty-four months based on the type of product the customer purchases.

Fair Value of Financial Instrument—The Company follows the relevant GAAP guidance concerning fair value measurements which provides a consistent framework to define, measure, and disclose the fair value of assets and liabilities in financial statements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability

(an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction. This guidance establishes a three-level hierarchy priority for disclosure of assets and liabilities recorded at fair value. The ordering of priority reflects the degree to which objective data from external active markets are available to measure fair value. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable.

- Level 1 Inputs - Unadjusted quoted prices available in active markets for identical investments to the reporting entity at the measurement date.
- Level 2 Inputs - Other than quoted prices included in Level 1 inputs, that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 Inputs - Unobservable inputs, which are used to the extent that observable inputs are not available, and used in situations where there is little or no market activity for the asset or liability and wherein the reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

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

As of September 30, 2016 the Company had the following financial instruments to which it had to consider fair values and had to make fair value assessments:

- Short-term investments 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 quarterly based on the then assessed fair value and adjusted if necessary. The increases or decreases in the fair value of contingent consideration payable can result from changes in anticipated revenue levels and changes in assumed discount periods and rates. As the fair value measure is based on significant inputs that are not observable in the market, they are categorized as Level 3.

Other financial instruments not measured at fair value on the Company's unaudited condensed consolidated balance sheet at September 30, 2016 but which require disclosure of their fair values include: cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, accrued payroll and related benefits, capital lease obligations, and the revolving line of credit and term loan debt under the syndicated credit agreement facility with Regions Financial Corporation. The Company believes that the estimated fair value of such instruments at September 30, 2016 and December 31, 2015 approximates their carrying value as reported on the unaudited Condensed Consolidated Balance Sheet.

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

Descriptions	Fair Values at Reporting Date Using*			
	Balance, September 30, 2016	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				
<u>Available-for-sale securities:</u>				
Commercial bank certificates of deposits	\$ 2,975	\$ 2,975	\$ —	\$ —
Total assets measured at fair value	\$ 2,975	\$ 2,975	\$ —	\$ —
Liabilities				
<u>Derivatives:</u>				
Contingent accrued earn-out acquisition consideration (a)	\$ 1,621	\$ —	\$ —	\$ 1,621
Total liabilities measured at fair value	\$ 1,621	\$ —	\$ —	\$ 1,621

(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 nine months ended September 30, 2016 there were no transfers between fair value Levels 1, 2 or 3.

Descriptions	Fair Values at Reporting Date Using*			
	Balance, December 31, 2015	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				
<u>Available-for-sale securities:</u>				
Commercial bank certificates of deposits	\$ 1,538	\$ 1,538	\$ —	\$ —
Total assets measured at fair value	\$ 1,538	\$ 1,538	\$ —	\$ —
Liabilities				
<u>Derivatives:</u>				
Contingent accrued earn-out acquisition consideration (a)	\$ 4,277	\$ —	\$ —	\$ 4,277
Total liabilities measured at fair value	\$ 4,277	\$ —	\$ —	\$ 4,277

(a) The income valuation approach is applied and the valuation inputs include the contingent payment arrangement terms, projected cash flows, rate of return, and probability assessments.

* During the twelve months ended December 31, 2015 there were no transfers between fair value Levels 1, 2 or 3.

For the Company's assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3), the following table provides a reconciliation of the beginning and ending balances for each category therein, and gains or losses recognized during the nine months ended September 30, 2016 and during the year ended December 31, 2015:

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

Contingent Liability for Accrued Earn-out Acquisition Consideration	September 30, 2016	December 31, 2015
	(in thousands)	
Beginning balance	\$ 4,277	\$ 5,367
Total remeasurement adjustments:		
Gains included in earnings **	(1,726)	(1,533)
Reductions recorded against goodwill	(664)	(2,000)
Foreign currency translation adjustments ***	(266)	(73)
Acquisitions and settlements		
Business acquisitions	—	2,516
Settlement payments	—	—
Ending balance	<u>\$ 1,621</u>	<u>\$ 4,277</u>
The amount of total (gains) losses for the period included in earnings or changes to net assets, attributable to changes in unrealized gains relating to assets or liabilities still held at period-end. Vertex earnout period expired in the third quarter of 2016 and gain was realized.	<u>\$ (1,006)</u>	<u>\$ (1,533)</u>

** recorded as an reduction to reported general and administrative expenses

*** recorded as a component of other comprehensive income within stockholders' equity

Quantitative Information about Level 3 Fair Value Measurements

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

(in thousands)	Fair Value at September 30, 2016	Valuation Technique	Significant Unobservable Input
Contingent acquisition consideration: (Qatarlyst acquisition)	\$1,621	Discounted cash flow	Projected revenue and probability of achievement

(in thousands)	Fair Value at December 31, 2015	Valuation Technique	Significant Unobservable Input
Contingent acquisition consideration: (Qatarlyst, Vertex, PB Systems, and Via Media acquisitions)	\$4,277	Discounted cash flow	Projected revenue 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 projected revenue forecasts as developed by the relevant members of Company's management team and the probability of achievement of those revenue forecasts. Significant increases (decreases) in these unobservable inputs in isolation would result in a significantly higher (lower) fair value measurement. The Company applies these terms in its calculation and determination of the fair value of contingent earn out liabilities for purchased businesses as part of the related valuation and purchase price allocation exercise for the corresponding acquired assets and liabilities. During the 1st and 2nd quarter of 2016, certain of the Company's contingent earn out liabilities were adjusted because of changes to anticipated future revenues from these acquired businesses, or as a result of finalizing purchase price allocations that were previously provisional.

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

In accordance with Financial Accounting Standard Board ("FASB") and SEC accounting guidance on revenue recognition, the Company considers revenue earned and realizable when: (a) persuasive evidence of the sales arrangement exists, provided that the arrangement fee is fixed or determinable, (b) delivery or performance has occurred, (c) customer acceptance has been received or is assured, if contractually required, and (d) collectability of the arrangement fee is probable. The Company uses signed contractual agreements as persuasive evidence of a sales arrangement. We apply the provisions of the relevant generally accepted accounting principles 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 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 units of accounting for the purpose of revenue recognition. These types of arrangements include deliverables pertaining to software licenses, system set-up, and professional services associated with product customization or modification. Delivery of the various contractual elements typically occurs over periods of less than eighteen months. These arrangements generally do not have refund provisions or have very limited refund terms.

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

Accounts Receivable and the Allowance for Doubtful Accounts Receivable—Reported accounts receivable include \$49.9 million of trade receivables stated at invoice billed amounts and \$12.8 million of unbilled receivables, net of the estimated allowance for doubtful accounts receivable in the amount of \$1.9 million. The unbilled receivables pertain to certain projects for which the timing of billing is tied to contractual milestones. The Company adheres to such contractually stated performance milestones and accordingly issues invoices to customers as per contract billing schedules. Approximately \$5.1 million of deferred revenue is included in billed accounts receivable at September 30, 2016. The Company recognized and recorded bad debt expense in the amount of \$243 thousand and \$700 thousand for the three and nine-month periods ended September 30, 2016 and \$1.7 million and \$2.0 million for the three and nine-month periods ended September 30, 2015, respectively. Accounts receivable are written off against the allowance account when the Company has exhausted all reasonable collection efforts. During the nine months ended September 30, 2016, \$2.2 million of accounts receivable, which had been specifically reserved for in prior periods, were written off.

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

The aforementioned two-step quantitative testing process involves comparing the reporting unit carrying values to their respective fair values; we determine fair value of our reporting units by applying the discounted cash flow method using the present value of future estimated net cash flows. If the fair value of a reporting unit exceeds its carrying value, then no further testing is required. However, if a reporting unit's fair value were to be less than its carrying value, we would then determine the amount of the impairment charge, if any, which would be the amount that the carrying value of the reporting unit's goodwill exceeded its implied value. Projections of cash flows are based on our views of growth rates, operating costs, anticipated future economic conditions and the appropriate discount rates relative to risk and estimates of residual values. We believe that our estimates are consistent with assumptions that marketplace participants would use in their estimates of fair value. The use of different estimates or assumptions for our projected discounted cash flows (e.g., growth rates, future economic conditions, discount rates and estimates of terminal values) when determining the fair value of our reporting units could result in different values and may result in a goodwill impairment charge. In 2015 the goodwill residing in the Broker Systems reporting unit and the Carrier Systems reporting unit, were evaluated for impairment based on an assessment of certain qualitative factors, and were determined not to have been impaired. In 2015 the goodwill residing in the Exchange reporting unit and the Risk Compliance Solutions ("RCS") reporting unit were evaluated for impairment using step-one of the quantitative testing process described above. The fair value of both of these reporting units were found to be greater than their carrying value, and thusly there was no need to proceed to step-two, as there was no impairment indicated. In specific regards to the Risk Compliance Solutions reporting unit, its assessed fair value was \$102.0 million which was \$13.5 million or 15% in excess of its \$88.5 million carrying value. Key assumptions used in the fair value determination were annual revenue growth of 2% to 3% and discount rate of 16%. As of December 31, 2015 there was \$64.0 million of goodwill assigned to the RCS reporting unit. A significant reduction in future revenues for the RCS reporting unit would negatively effect the fair value determination for this unit and may result in an impairment to goodwill and a corresponding charge against earnings. We perform our annual goodwill impairment evaluation and testing as of September 30th of each year. This evaluation is done during the fourth quarter each year. During the year ended December 31, 2015 we had no impairment of our reporting unit goodwill balances.

Changes in the carrying amount of goodwill for the nine months ended September 30, 2016 and the year ended December 31, 2015 are reflected in the following table.

	September 30, 2016	December 31, 2015
	(In thousands)	
Beginning Balance	\$ 402,259	\$ 402,220
Additions (see Note 3)	21,789	8,868
Purchase accounting adjustments for acquisitions provisionally recorded (see Note 3 "Business Combinations")	4,298	(2,099)
Contributed portions of CurePet investment to Joint Ventures,(see Note 8, "Investment in Joint Ventures")	—	(1,783)
Foreign currency translation adjustments	(283)	(4,947)
Ending Balance	<u>\$ 428,063</u>	<u>\$ 402,259</u>

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

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

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

The carrying value of finite-lived and indefinite-lived intangible assets at September 30, 2016 and December 31, 2015 are as follows:

	September 30, 2016	December 31, 2015
	(In thousands)	
Finite-lived intangible assets:		
Customer relationships	\$ 67,679	\$ 76,275
Developed technology	15,012	15,121
Trademarks	2,683	2,729
Non-compete agreements	764	743
Backlog	140	140
Database	212	212
Total intangibles	<u>86,490</u>	<u>95,220</u>
Accumulated amortization	(48,339)	(43,372)
Finite-lived intangibles, net	<u>\$ 38,151</u>	<u>\$ 51,848</u>
Indefinite-lived intangibles:		
Customer/territorial relationships	<u>\$ 30,887</u>	<u>\$ 30,887</u>

Amortization expense recognized in connection with acquired intangible assets was \$1.7 million and \$5.1 million for the three and nine months ended September 30, 2016, respectively, and \$1.8 million and \$5.4 million for the three and nine months ended September 30, 2015, respectively.

Foreign Currency Translation—The functional currency for the Company's foreign subsidiaries in India, Dubai, and Singapore is the U.S. dollar because the intellectual property research and development activities provided by its Dubai and Singapore subsidiaries, and the product development and information technology enabled services activities for the insurance industry provided by its India subsidiary, both in support of 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, and are included in the condensed consolidated statements of comprehensive income. Foreign exchange transaction gains and losses that are derived from transactions denominated in a currency other than the subsidiary's functional currency are included in the determination of net income.

Income Taxes—Deferred income taxes are recorded to reflect the estimated future tax effects of differences between the financial statement and tax basis of assets, liabilities, operating losses, and tax credit carry forwards using the tax rates expected to be in effect when the temporary differences reverse. Valuation allowances, if any, are recorded to reduce deferred tax assets to

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

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

The Company has applied the provisions under FASB update No. 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carry Forward, A Similar Tax Loss, or a Tax Credit Carry Forward Exists. Under these provisions, an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carry forward, a similar tax loss, or a tax credit carry forward in most cases. This provision has been applied resulting in \$341 thousand of unrecognized tax benefits have been applied against both the NOL carry forward amounts as of September 30, 2016 and December 31, 2015.

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 2016 the FASB issued Accounting Standards Update ("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 Update 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 will adopt this ASU in January 2017 and has not yet determined the impact of its adoption.

In March 2016 the FASB issued Accounting Standards Update ("ASU") No. 2016-08, "*Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*". The amendments relate to when another party, along with the Company, is involved in providing a good or service to a customer. Topic 606 Revenue from Contracts with Customers requires an entity to determine whether the nature of its promise is to provide that good or service to the customer (i.e., the entity is a principal) or to arrange for the good or service to be provided to the customer by the other party (i.e., the entity is an agent). The amendments are intended to improve the operability and understandability of the implementation guidance on principal versus agent considerations by clarifying the following:

- > An entity determines whether it is a principal or an agent for each specified good or service promised to a customer.
- > An entity determines the nature of each specified good or service (e.g., whether it is a good, service, or a right to a good or service).
- > When another entity is involved in providing goods or services to a customer, an entity that is a principal obtains control of: (a) a good or another asset from the other party that it then transfers to the customer; (b) a right to a service that will be performed by another party, which gives the entity the ability to direct that party to provide the service to the customer on the entity's behalf; or (c) a good or service from the other party that it combines with other goods or services to provide the specified good or service to the customer.
- > The purpose of the indicators in paragraph 606-10-55-39 is to support or assist in the assessment of control. The amendments in paragraph 606-10-55-39A clarify that the indicators may be more or less relevant to the control assessment and that one or more indicators may be more or less persuasive to the control assessment, depending on the facts and circumstances.

The effective date and transition of these amendments is the same as the effective date and transition of ASU 2014-09, Revenue from Contracts with Customers (Topic 606). Public entities should apply the amendments in ASU 2014-09 for annual reporting periods beginning after December 15, 2017, including interim reporting periods therein (i.e., January 1, 2018, for a calendar year entity). The Company will adopt this new technical accounting guidance at that time and does not expect its adoption to have a material effect on its result of operations or financial position.

In March 2016 the FASB issued ASU 2016-07 "*Investments - Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting*". The amendments affect all entities that have an investment that becomes qualified for the equity method of accounting as a result of an increase in the level of ownership interest or degree of influence. The amendments eliminate the requirement that when an investment qualifies for use of the equity method as a result of an increase in the level of ownership interest or degree of influence, an investor must adjust the investment, results of operations, and retained earnings retroactively on a step-by-step basis as if the equity method had been in effect during all previous periods that the investment had been held. The amendments require that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor's previously held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting. Therefore, upon qualifying for the equity method of accounting, no retroactive adjustment of the investment is required. The amendments are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. The amendments should be applied prospectively upon their effective date to increases in the level of ownership interest or degree of influence that result in the adoption of the equity method. Earlier application is permitted. The Company will adopt this new technical guidance in 2017, and has not yet determined the impact of its adoption.

In March 2016 the FASB issued ASU 2016-09, "*Compensation - Stock Compensation (Topic 718)*". This amendment simplifies the requirements for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. Several aspects of the accounting for share-based payment award transactions are simplified, including: (a) income tax consequences; (b) classification of awards as either equity or liabilities; and (c) classification on the statement of cash flows. The amendments in this ASU are effective for annual periods beginning after December 31, 2016, and interim periods within those annual periods. The Company will adopt ASU in January 2017, but has not fully assessed the impact its adoption will have on the Company's results of operations or financial position.

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. The leasing standard will be effective for calendar year-end public companies beginning after December 15, 2018. Public companies will be required to adopt the new leasing standard for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted for all companies and organizations. For calendar year-end public companies, this means an adoption date of January 1, 2019 and retrospective application to previously issued annual and interim financial statements for 2018 and 2017. Lessees with a large portfolio of leases are likely to see a significant increase in balance sheet assets and liabilities. See Note 5 for the Company's current lease commitments. The Company is evaluating the impact that this new leasing ASU will have on its financial statements.

In September 2015 the FASB issued ASU No. 2015-16, "*Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments*". This pronouncement simplifies the accounting for adjustments made to provisional amounts recognized in a business combination, the amendments eliminate the requirement to retrospectively account for those adjustments.

GAAP currently requires that during the measurement period, the acquirer retrospectively adjust the provisional amounts recognized at the acquisition date with a corresponding adjustment to goodwill. Those adjustments are required when new information is obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts initially recognized or would have resulted in the recognition of additional assets or liabilities.

The acquirer also must revise comparative information for prior periods presented in financial statements as needed, including revising depreciation, amortization, or other income effects as a result of changes made to provisional amounts.

The amendments require that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The amendments require that the acquirer record and disclose, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. The amendments require an entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date.

For public business entities, the amendments became effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. The amendments should be applied prospectively to adjustments to provisional amounts that occur after the effective date with earlier application permitted for financial statements that have not been issued. The only disclosures required at transition should be the nature of and reason for the change in accounting principle. An entity should disclose that information in the first annual period of adoption and in the interim periods within the first annual period if there is a measurement-period adjustment during the first annual period in which the changes are effective. The Company adopted this ASU during the third quarter of 2015 and its adoption did not have a material impact on its financial statements.

In November 2015, the FASB issued ASU No. 2015-17, "*Balance Sheet Classification of Deferred Taxes*". This ASU requires that all deferred tax assets and liabilities, along with any related valuation allowance, be classified as noncurrent on the balance sheet. Prior to the issuance of ASU 2015-17, deferred taxes were required to be presented as a net current asset or liability and a net noncurrent asset or liability. We adopted the provisions of ASU 2015-17 upon issuance and prior period amounts have been reclassified to conform to the current period presentation. As of December 31, 2014, the previously reported balance of our net current deferred tax assets of \$2.11 million was reclassified in the consolidated balance sheet and netted against the net long-term deferred tax liabilities. The adoption of ASU 2015-17 did not impact our consolidated financial position, results of operations or cash flows.

In May 2014 the FASB issued ASU No. 2014-09, "*Revenue from Contracts with Customers*". ASU 2014-09 affects any entity using U.S. GAAP that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (e.g., insurance contracts or lease contracts). This ASU will supersede the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance. This ASU also supersedes some cost guidance included in Subtopic 605-35, Revenue Recognition—Construction-Type and Production-Type Contracts. In addition, the existing requirements for the recognition of a gain or loss on the transfer of nonfinancial assets that are not in a contract with a customer (e.g., assets within the scope of Topic 360, Property, Plant, and Equipment, and intangible assets within the scope of Topic 350, Intangibles—Goodwill and Other) are amended to be consistent with the guidance on recognition and measurement (including the constraint on revenue) in this ASU.

The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

For a public entity, the amendments in this ASU are effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early application is not permitted.

An entity should apply the amendments in this ASU using one of the following two methods:

1. Retrospectively to each prior reporting period presented and the entity may elect any of the following practical expedients:

- For completed contracts, an entity need not restate contracts that begin and end within the same annual reporting period.
- For completed contracts that have variable consideration, an entity may use the transaction price at the date the contract was completed rather than estimating variable consideration amounts in the comparative reporting periods.
- For all reporting periods presented before the date of initial application, an entity need not disclose the amount of the transaction price allocated to remaining performance obligations and an explanation of when the entity expects to recognize that amount as revenue.

2. Retrospectively with the cumulative effect of initially applying this ASU recognized at the date of initial application. If an entity elects this transition method it also should provide the additional disclosures in reporting periods that include the date of initial application of:

- The amount by which each financial statement line item is affected in the current reporting period by the application of this ASU as compared to the guidance that was in effect before the change.
- An explanation of the reasons for significant changes.

Subsequently, in August 2015 the FASB issued ASU No. 2015-14 *"Revenue from Contracts with Customers: Deferral of Effective Date"*, to defer the effective date of ASU No. 2014-09 for all entities by one year. Accordingly public business entities should apply the guidance of ASU 2014-09 to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that annual reporting period.

Although early adoption is allowed, the Company plans to adopt this new accounting standard on its newly revised effective date of January 1, 2018, but it has not presently determined the impact that the adoption of ASU No. 2014-09 will have on its income statement, balance sheet, or statement of cash flows. Furthermore, the Company has not yet determined the method of retrospective adoption it will use as described in first and second paragraphs immediately above.

In a related technical accounting pronouncement in April 2016 the FASB issued ASU 2016-10, *"Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing"*, which is an amendment to ASU 2014-09. This amendment provides clarification on two aspects of Topic 606: identifying performance obligations and the licensing implementation guidance. The effective date and transition requirements for the amendments are the same as the effective date and transition requirements in Topic 606. Public entities should apply the amendments for annual reporting periods beginning after December 15, 2017, including interim reporting periods therein (i.e., January 1, 2018, for a calendar year entity). Early application for public entities is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The effective date for nonpublic entities is deferred by one year. A summary of this ASU is as follows:

Identifying Performance Obligations

Before an entity can identify its performance obligations in a contract with a customer, the entity first identifies the promised goods or services in the contract. The amendments add the following guidance:

1. An entity is not required to assess whether promised goods or services are performance obligations if they are immaterial in the context of the contract with the customer.
2. An entity is permitted, as an accounting policy election, to account for shipping and handling activities that occur after the customer has obtained control of a good as an activity to fulfill the promise to transfer the good rather than as an additional promised service.

To identify performance obligations in a contract, an entity evaluates whether promised goods and services are distinct. The amendments improve the guidance on assessing the promises are separately identifiable criterion by:

1. Better articulating the principle for determining whether promises to transfer goods or services to a customer are separately identifiable by emphasizing that an entity determines whether the nature of its promise in the contract is to transfer each of the goods or services or whether the promise is to transfer a combined item (or items) to which the promised goods and/or services are inputs.

2. Revising the related factors and examples to align with the improved articulation of the separately identifiable principle.

Licensing Implementation Guidance

Topic 606 includes implementation guidance on determining whether an entity's promise to grant a license provides a customer with either a right to use the entity's intellectual property (which is satisfied at a point in time) or a right to access the entity's intellectual property (which is satisfied over time). The amendments are intended to improve the operability and understandability of the licensing implementation guidance by clarifying the following:

1. An entity's promise to grant a customer a license to intellectual property that has significant standalone functionality (e.g., the ability to process a transaction, perform a function or task, or be played or aired) does not include supporting or maintaining that intellectual property during the license period.
2. An entity's promise to grant a customer a license to symbolic intellectual property (that is, intellectual property that does not have significant standalone functionality) includes supporting or maintaining that intellectual property during the license period.
3. An entity considers the nature of its promise in granting a license, regardless of whether the license is distinct, in order to apply the other guidance in Topic 606 to a single performance obligation that includes a license and other goods or services (in particular, the guidance on determining whether a performance obligation is satisfied over time or at a point in time and the guidance on how best to measure progress toward the complete satisfaction of a performance obligation satisfied over time).

Note 2: Earnings per Share

A reconciliation between basic and diluted earnings per share is as follows (in thousands, except per share data):

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
	(In thousands, except per share data)			
Net income attributable to Ebix, Inc.	\$ 24,067	\$ 20,232	\$ 69,218	\$ 57,604
Basic Weighted Average Shares Outstanding	32,421	34,304	32,716	35,014
Dilutive effect of stock options and restricted stock awards	284	211	278	227
Diluted weighted average shares outstanding	32,705	34,515	32,994	35,241
Basic earnings per common share	\$ 0.74	\$ 0.59	\$ 2.12	\$ 1.65
Diluted earnings per common share	\$ 0.74	\$ 0.59	\$ 2.10	\$ 1.63

Note 3: Business Combinations

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

During the nine months ended September 30, 2016, the Company completed one business acquisition as follows:

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. Commensurate with additional equity stake in the joint venture a contemporaneous valuation of the business was completed. In accordance with the technical accounting guidance pertaining to step acquisitions the Company recorded goodwill in the amount of \$21.8 million, a non-controlling interest in the amount of \$11.3 million, and recognized 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 Condensed Consolidated Statement of Income. The valuation of the EbixHealth JV is considered preliminary as the allocation to the identified tangible and intangible assets (e.g. customer lists, trade name, developed technology), and the determination of the residual goodwill has yet to be performed, but will be completed in line with the filing of the Company's 2016 annual report on Form 10-K. Previously, effective September 1, 2015 Ebix and Independence Holdings Corporation ("IHC") formed a joint venture named Ebix Health Exchange Holdings, LLC ("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.

During the year ended December 31, 2015, the Company completed two business acquisitions, as follows:

The Company acquired PB Systems, Inc. (a U.S. company) and PB Systems Private Limited (an Indian company) (together, being "PB Systems"), effective June 1, 2015. PB Systems develops and implements software solutions for insurance clients. Ebix acquired PB Systems for upfront cash consideration in the amount of \$12.4 million, plus possible future contingent earn out payments of up to \$8.0 million based on earned revenues over the subsequent twenty-four month period following the effective date of the acquisition. The Company has determined that the fair value of the contingent earn out consideration is zero as of September 30, 2016. In the Company's Form 10-Q for the six months ended June 30, 2015, Form 10-Q for the nine months ended September 30, 2015, Form 10-K for the year ended December 31, 2015, and Form 10-Q for the three months ended March 31, 2016 the Company had disclosed that the valuation and purchase price allocation for the PB Systems acquisition was preliminary because all of the information necessary to determine the fair value of the acquired customer relationship intangible asset and fair value of the revenue-based earn out contingent liability was still in the process of being evaluated by management and the Company's external valuation firms. This evaluation was completed during the second quarter ended June 30, 2016 and resulted in a \$1.8 million reduction to the developed technology intangible asset, a \$1.6 million reduction to the customer relationship intangible

asset, a \$657 thousand reduction to the deferred tax liability, a \$4.4 million reduction to the revenue-based earn out contingent liability, and a corresponding and offsetting \$1.6 million reduction to goodwill to what was originally recorded in the second quarter of 2015. Additionally, since December 31, 2015 this resulted in a \$8.2 million reduction to the customer relationship intangible asset, a \$3.2 million reduction to the deferred tax liability, a \$664 thousand reduction to the revenue-based earn out contingent liability, and a corresponding and offsetting \$4.3 million increase to goodwill.

The Company acquired Via Media Health Communications Private Limited ("Via Media Health"), effective March 1, 2015. Via Media Health is one of India's leading health content and communication companies. Ebix acquired Via Media Health for upfront cash consideration in the amount of \$1.0 million, plus a possible future one time contingent earn out payment of up to \$372 thousand based on earned revenues over the subsequent twelve-month period following the effective date of the acquisition, and an additional possible one time future performance bonus of up to \$1.0 million depending upon revenue growth realized in the business over the subsequent twenty-four month period following the effective date of the acquisition. The Company has determined that the fair value of the contingent earn out consideration is zero as of September 30, 2016.

A significant component of the purchase price consideration for many of the Company's business acquisitions is a potential subsequent cash earnout payment based on reaching certain specified future revenue targets. The terms for the contingent earn out payments in most of the Company's business acquisitions typically address the GAAP recognizable revenues achieved by the acquired entity over a one, two, and/or three year period subsequent to the effective date of their acquisition by Ebix. These terms typically establish a minimum threshold revenue target with achievement of revenues recognized over that target being awarded in the form of a specified cash earn out payment. The Company applies these terms in its calculation and determination of the fair value of contingent earn out liabilities for purchased businesses as part of the related valuation and purchase price allocation exercise for the corresponding acquired assets and liabilities. The Company recognizes these potential obligations as contingent liabilities and are reported as such on its Condensed Consolidated Balance Sheets. As discussed in more detail in Note 1, these contingent consideration liabilities are recorded at fair value on the acquisition date and are remeasured quarterly based on the then assessed fair value and adjusted if necessary. During the nine months ended September 30, 2016 and 2015, these aggregate contingent accrued earn-out business acquisition consideration liabilities were reduced by \$2.4 million and \$1.5 million, respectively, due to remeasurements based on the then assessed fair value and changes in anticipated future revenue levels. These reductions to the contingent accrued earn-out liabilities resulted in a corresponding reduction of \$1.7 million to general and administrative expenses as reported on the Condensed Consolidated Statements of Income and a reduction of \$664 thousand to goodwill as reported in the enclosed Condensed Consolidated Balance Sheets. As of September 30, 2016, the total of these contingent liabilities was \$1.62 million, of which none is reported in long-term liabilities, and \$1.62 million is included in current liabilities in the Company's Condensed Consolidated Balance Sheet. As of December 31, 2015 the total of these contingent liabilities was \$4.28 million, of which \$2.57 million was reported in long-term liabilities, and \$1.71 million was included in current liabilities in the Company's Condensed Consolidated Balance Sheet.

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

The aggregated unaudited pro forma financial information pertaining to all of the Company's acquisitions made during the nine months ended September 30, 2015 and September 30, 2016, which includes the acquisitions of Via Media Health (acquired in March 2015), PB Systems (acquired June 2015), and the EbixHealth JV (being fully consolidated effective July 1, 2016) as presented in the table below is provided for informational purposes only and is not a projection of the Company's expected results of operations for any future period. No effect has been given in this pro forma information for future synergistic benefits that may still be realized as a result of combining these companies or costs that may yet be incurred in integrating their operations. The 2016 and 2015 pro forma financial information below assumes that all such business acquisitions were made on January 1, 2015, whereas the Company's reported financial statements for the three months ended September 30, 2016 only include the operating results from these businesses since the effective date that they were acquired by Ebix.

	Three Months Ended September 30, 2016		Three Months Ended September 30, 2015		Nine Months Ended September 30, 2016		Nine Months Ended September 30, 2015	
	As Reported (unaudited)	Pro Forma	As Reported (unaudited)	Pro Forma	As Reported (unaudited)	Pro Forma	As Reported (unaudited)	Pro Forma
	(In thousands, except per share data)							
Revenue	\$ 74,608	\$ 74,608	\$ 66,813	\$ 69,854	\$ 218,248	\$ 224,534	\$ 195,278	\$ 211,013
Net Income attributable to Ebix, Inc.	\$ 24,067	\$ 24,067	\$ 20,232	\$ 19,574	\$ 69,218	\$ 68,249	\$ 57,604	\$ 56,206
Basic EPS	\$ 0.74	\$ 0.74	\$ 0.59	\$ 0.57	\$ 2.12	\$ 2.09	\$ 1.65	\$ 1.61
Diluted EPS	\$ 0.74	\$ 0.74	\$ 0.59	\$ 0.57	\$ 2.10	\$ 2.07	\$ 1.63	\$ 1.59

During the three months ended September 30, 2016 the Company's reported total operating revenues increased by \$7.8 million or 12% to \$74.6 million as compared to \$66.8 million during the same period in 2015. Reported revenues were effected by the continuing weakening in the foreign currencies in which we conduct operations (particularly in Australia, Brazil, Great Britain, and India) as compared to the strengthening of the U.S. dollar. Specifically, the adverse impact from fluctuations of the exchange rates for the foreign currencies in the countries in which we conduct operations, in the aggregate reduced reported revenues by \$348 thousand and \$3.3 million for the three and nine months ended September 30, 2016, respectively.

With respect to business acquisitions completed during the years 2016 and 2015 on a pro forma basis, as disclosed in the above pro forma financial information table, combined revenues increased 7% and 6% for the three and nine months ending September 30, 2016, respectively, versus the same periods in 2015. The 2016 and 2015 pro forma financial information assumes that all business acquisitions made during this period were made on January 1, 2015, whereas the Company's reported financial statements for Q3 2016 and Q3 2015 only includes the revenues from these businesses since the effective date that they were acquired or consolidated by Ebix, being March 2015 for Via Media Health, June 2015 for PB Systems, and July 2016 for the EbixHealth JV.

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

- 2016 and 2015 pro forma revenue contains actual revenue of the acquired entities before acquisition date, as reported by the sellers, as well as actual revenue of the acquired entities after acquisition, whereas the reported growth in revenues of the acquired entities after acquisition date are only reflected for the period after their acquisition.
- Revenue billed to existing clients from the cross selling of acquired products has been assigned to the acquired section of our business.
- Any existing products sold to new customers obtained through a newly acquired customer base are assigned to the acquired section of our business.
- Pro formas do not include post acquisition revenue reductions as a result of discontinuation of any product lines and/or customer projects by Ebix in line with the Company's initiatives to maximize profitability.

Note 4: Debt with Commercial Bank

On June 17, 2016, the Company and certain of its subsidiaries entered into the Second Amendment (the "Second Amendment") to the Regions Secured Credit Facility (as defined below), dated August 5, 2014, among the Company, Regions Bank as Administrative and Collateral Agent ("Regions"), Regions Capital Markets, PNC Capital Markets, LLC, and TD Securities (USA) as joint Lead Arrangers for the syndicate of lenders. The Second Amendment increases the total credit facility to \$400 million from the prior amount of \$240 million, and expands the syndicated bank group to eleven participants by adding seven new participants which include PNC Bank, National Association BMO Harris Bank N.A., Key Bank National Association, HSBC Bank National, Cadence Bank, the Toronto-Dominion Bank (New York Branch), and Trustmark National Bank. The Credit Agreement (as defined below) now consists 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 due in the amount \$3.13 million due each quarter, starting

September 30, 2016. The Credit Agreement also contains an accordion feature, which if exercised and approved by all credit parties, would expand the total borrowing capacity under the syndicated credit facility to \$500 million. The credit facility carries a leverage-based LIBOR related interest rate, which currently stands at approximately 2.81%.

On October 8, 2015 Ebix exercised the \$50 million accordion feature under the Regions Secured Credit Facility. TD Bank, NA was added to the syndication group along with four other bank participants which include Regions. The exercise of the accordion feature increased the Aggregate Revolving Commitment under the Credit Agreement to \$240 million from the prior amount of \$190 million.

As of September 30, 2016 the Company's consolidated balance sheet includes \$3.38 million of remaining deferred financing costs in connection with this credit facility, which are being amortized as a component of interest expense over the five-year term of the financing agreement. In regards to these deferred financing costs, \$2.7 million pertains to the revolving line of credit component of the Credit Agreement, and \$676 thousand pertains to the term loan component of the Credit Agreement of which \$136 thousand is netted against the current portion and \$540 thousand is netted against the long-term portions of the term loan as reported on the Condensed Consolidated Balance.

At September 30, 2016, the outstanding balance on the revolving line of credit under the Credit Agreement was \$134.0 million and the facility carried an interest rate of 2.81%. During the nine months ended September 30, 2016, \$50.0 million of draws were made off of the revolving credit facility. In June the revolving line of credit was refinanced in conjunction with the Second Amendment to the Credit Agreement with \$125 million being converted to a term loan, with the resulting balance on the revolving line of credit being \$104.0 million (including certain deferred financing costs and before a \$15 million draw). The revolving line of credit balance is included in the long-term liabilities section of the Condensed Consolidated Balance Sheets. Prior to the Second Amendment, during the nine months period ended September 30, 2016, the average and maximum outstanding balances of the revolving line of credit component of the credit facility were \$179.4 million and \$226.5 million, respectively.

At September 30, 2016, the outstanding balance on the term loan was \$121.9 million of which \$12.5 million is due within the next twelve months, with the first repayment of \$3.13 million having been made on September 30, 2016, as scheduled. This term loan also carried an interest rate of 2.81%. The current and long-term portions of the term loan are included in the respective current and long-term sections of the Condensed Consolidated Balance Sheets, the amounts of which were \$12.5 million and \$109.4 million respectively at September 30, 2016.

Note 5: Commitments and Contingencies

Contingencies-On December 3, 2012, the Company received a subpoena and letter from the SEC dated November 30, 2012, stating that the SEC is conducting a formal, non-public investigation styled In the Matter of Ebix, Inc. (A-3318) and seeking documents primarily related to the issues raised in the In re: Ebix, Inc. Securities Litigation. On April 16, 2013, the Company received a second subpoena from the SEC seeking additional documents. The Company has cooperated with the SEC to provide the requested documents. The Company has had no substantive communication with the SEC since February 2014.

On June 6, 2013, the Company was notified that the U.S. Attorney for the Northern District of Georgia had opened an investigation into allegations of intentional misconduct that had been brought to its attention from the then-pending shareholder class action lawsuit against the Company's directors and officers, the media and other sources. The Company has cooperated with the U.S. Attorney's office.

Following the announcement on May 1, 2013 of the Company's execution of a merger agreement with affiliates of Goldman Sachs & Co., twelve putative class action complaints challenging the proposed merger were filed in the Delaware Court of Chancery. These complaints name as Defendants some combination of the Company, its directors, Goldman Sachs & Co. and affiliated entities. On June 10, 2013, the twelve complaints were consolidated by the Delaware Court of Chancery, now captioned In re Ebix, Inc. Stockholder Litigation, CA No. 8526-VCS. On June 19, 2013, the Company announced that the merger agreement had been terminated pursuant to a Termination and Settlement Agreement dated June 19, 2013. After Defendants moved to dismiss the consolidated proceeding, Lead Plaintiffs amended their operative complaint to drop their claims against Goldman Sachs & Co. and focus their allegations on an Acquisition Bonus Agreement ("ABA") between the Company and Robin Raina. On September 26, 2013, Defendants moved to dismiss the Amended Consolidated Complaint. On July 24, 2014, the Court issued its Memorandum Opinion that granted in large part the Company's Motion to Dismiss and narrowed the remaining claims. On September 15, 2014, the Court entered an Order implementing its Memorandum Opinion. On January 16, 2015, the Court entered an Order permitting Plaintiffs to file a Second Amended and Supplemented Complaint. On February 10, 2015, Defendants filed a Motion to Dismiss the Second Amended and Supplemented Complaint, which was granted in part and denied in part in a January 15, 2016 Memorandum Opinion and Order. The remaining claims are as follows: (i) a purported class and derivative claim for breach of fiduciary duty

by the individual Defendants for improperly maintaining the ABA as an unreasonable anti-takeover device; (ii) a purported class claim against the individual Defendants for breach of the fiduciary duty of disclosure to the stockholders with respect to the Company's 2010 Proxy Statement and 2010 Stock Incentive Plan; (iii) a purported derivative claim against the individual Defendants for breach of fiduciary duty to the Company in causing incentive compensation to be awarded to themselves and others under the 2010 Stock Incentive Plan; (iv) a purported class and derivative claim for breach of fiduciary duty by the individual Defendants in adopting certain bylaw amendments on December 19, 2014; and, (v) a purported class and derivative claim seeking invalidation of the December 19, 2014 bylaw amendments under Delaware law. Lead Plaintiffs seek declaratory relief with respect to the 2010 Stock Incentive Plan, the 2010 Proxy Statement, and the bylaw amendments. Lead Plaintiffs also seek compensatory damages, interest, and attorneys' fees and costs. The parties have filed answers to the remaining claims in the Second Amended and Supplemented Complaint and discovery has commenced. On October 25, 2016, the Court entered an Order permitting Plaintiffs to file a Verified Third Amended and Supplemented Class Action and Derivative Complaint, which was then filed on October 26, 2016. The Company denies any liability and intends to defend the action vigorously.

The Company is involved in various other claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate likely disposition of these matters will not have a material impact on its financial operating results or financial position.

Lease Commitments—The Company leases office space under non-cancelable operating leases with expiration dates ranging through 2021, 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 September 30, 2016 and 2015. Rental expense for office facilities and certain equipment subject to operating leases for the nine months ended September 30, 2016 and 2015 was \$4.7 million and \$4.9 million, respectively.

Self Insurance—For some of the Company's U.S. employees the Company is self-insured for its health insurance program and has a stop loss policy that limits the individual liability to \$120 thousand per person and the aggregate liability to 125% of the expected claims based upon the number of participants and historical claims. As of September 30, 2016, the amount accrued on the Company's Condensed Consolidated Balance Sheet for the self-insured component of the Company's employee health insurance was \$273 thousand. The maximum potential estimated cumulative liability for the annual contract period, which ended in September 2016, was \$2.9 million.

Note 6: Income Taxes

The Company recorded an income tax expense of \$789 thousand (3.2%) and \$1.1 million (1.6%) during the three and nine months ended September 30, 2016, respectively, which included discrete items for additions to the reserve for uncertain tax positions and prior year true-ups that resulted in a net tax expense charge that was more than offset by a tax benefit from transferring certain intellectual property intangible assets in Q2. The income tax expense exclusive of discrete items for the three and nine months ended September 30, 2016, respectively, is \$139 thousand (0.0%) and \$2.8 million (4.0%). Our tax expense and effective tax rate decreased year over year, exclusive of discrete charges, due to favorable changes in the proportion of our taxable income in certain foreign jurisdictions relative to total pre-tax income. The Company expects its full year tax rate before discrete items to be approximately 6%.

The Company's effective tax rate reflects the benefits of having significant operations outside the United States, which are generally taxed at rates lower than the US statutory rate of 35% and where the Company enjoys a tax holiday in India. During 2015, the Company secured an additional tax holiday in India until the year 2020 to support certain portions of its expanding operations there. The Company, also, had income during the quarter ended September 30, 2016 in Singapore, the United Kingdom, Dubai, and Sweden, where the statutory tax rates are lower than the US rate of 35%.

As of September 30, 2016 a liability of \$3.8 million for uncertain tax positions is included in other long-term liabilities of the Company's Condensed Consolidated Balance Sheet. During the three and nine months ended September 30, 2016 there was \$650 and \$700 thousand, respectively, in additions to this liability reserve. During the same periods in 2015, there were \$486 thousand and \$594 thousand in additions to this liability reserve. The Company recognizes interest accrued and penalties related to unrecognized tax benefits as part of income tax expense.

Note 7: Geographic Information

The Company operates with one reportable segment whose results are regularly reviewed by the Company's chief operating decision maker as to performance and allocation of resources. External customer revenues in the tables below are attributed to a

particular country based on whether the customer had a direct contract with the Company which was executed in that particular country for the sale of the Company's products/services with an Ebix subsidiary located in that country.

The impact from fluctuations of the exchange rates for the foreign currencies in the countries in which we conduct operations partially affected reported revenues, and were the primary cause for the drop in 2016 revenues in Australia and Latin America. Specifically, during the first nine months of 2016 the change in foreign currency exchange rates decreased reported Australian operating revenues by (\$733) thousand, and Latin America operating revenues by \$(491) thousand. India's revenue for the nine months ending September 30, 2016 revenues increased \$7.5 million due primarily to the various new e-governance contracts with a number of large clients. Europe's revenues increased \$8.2 million due primarily to the execution and commencement of certain significant contracts.

The following enterprise wide information relates to the Company's geographic locations (all amounts in thousands):

As of and for the Nine Months Ended September 30, 2016

	United States	Canada	Latin America	Australia	Singapore	New Zealand	India	Europe	Dubai	Total
External Revenues	\$157,480	\$ 4,653	\$ 3,933	\$ 22,869	\$ 4,384	\$ 1,384	\$ 10,076	\$13,469	\$ —	\$218,248
Long-lived assets	\$384,511	\$ 6,736	\$ 7,328	\$ 1,256	\$ 17,505	\$ 228	\$80,636	\$23,199	\$ 54,333	\$575,732

As of and for the Nine Months Ended September 30, 2015

	United States	Canada	Latin America	Australia	Singapore	New Zealand	India	Europe	Dubai	Total
External Revenues	\$150,873	\$ 3,386	\$ 4,399	\$ 23,301	\$ 3,855	\$ 1,662	\$ 2,548	\$ 5,254	\$ —	\$195,278
Long-lived assets	\$374,639	\$ 6,899	\$ 5,843	\$ 465	\$ 68,805	\$ 204	\$73,921	\$24,463	\$ —	\$555,239

In the geographical information table above the significant changes to long-lived assets from September 30, 2015 to September 30, 2016 were comprised of a net \$9.9 million decrease in the U.S. associated with transferring \$28.8 million of goodwill connected with the December 2014 acquisition of Oakstone to India, partially offset by an increase in goodwill of \$21.8 million associated with fully consolidating the operations of the EbixHealth JV into the Company's financial statements, a \$51.3 million decrease in Singapore (net of deferred taxes) with a corresponding \$54.3 million increase in Dubai due to transferring certain intangible assets.

Note 8: Investment in Joint Ventures

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

Effective September 1, 2015 Ebix and Independence Holdings Corporation ("IHC") formed a joint venture named Ebix Health Exchange Holdings, LLC ("EbixHealth JV"). This joint venture was established to promote and market an administrative data exchange for health and pet insurance lines of business nationally. Ebix paid \$6.0 million and contributed a license to use certain CurePet software and systems valued by the EbixHealth JV at \$2.0 million, for its initial 40% membership interest in the EbixHealth JV. IHC contributed all of its shares in its existing third party administrator operations (IHC Health Solutions, Inc.), valued by the EbixHealth JV at \$18.0 million for its 60% membership interest in the EbixHealth JV, and received a special distribution of \$6.0 million. Effective July 1, 2016 Ebix and IHC jointly executed a Call Notice agreement, whereby Ebix purchased additional common units in the EbixHealth JV from IHC constituting eleven percent (11%) of the EbixHealth JV for \$2.0 million cash which resulted in Ebix holding an aggregate fifty-one percent (51%) of the EbixHealth JV. Commensurate with additional equity stake in the joint venture and a new contemporaneous valuation of the business the Company realized a \$1.2 million gain on its previously carried 40% equity interest in the EbixHealth JV. This recognized gain is reflected as a component of other non-

operating income in the accompanying Condensed Consolidated Statement of Income. The valuation of the EbixHealth JV is considered preliminary as the allocation to the identified tangible and intangible assets (e.g. customer lists, trade name, developed technology), and the determination of the residual goodwill has yet to be performed, but will be completed in line with the filing of the Company's 2016 annual report on Form 10-K. 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. Furthermore, as a related party, IHC also has been and continues to be a customer of Ebix, and during the nine months ending September 30, 2016 the Company recognized \$1.4 million of revenue from IHC, and as of September 30, 2016 IHC had \$752 thousand of accounts receivable with Ebix.

Note 9: Capitalized Software Development Costs

In accordance with the relevant FASB accounting literature, the Company had previously capitalized certain software and product related development costs associated with both its continuing medical education service offerings, and the development of a property and casualty underwriting insurance data exchange platform. During the nine months ended September 30, 2016, the Company capitalized \$1.0 million of such development costs. As of September 30, 2016, a total of \$3.2 million of remaining unamortized development costs are reported on the Company's consolidated balance sheet. During the nine months ended September 30, 2016, the Company recognized \$1.0 million 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 useful life over which these capitalized software development costs are being amortized is eighteen months for the continuing medical education products, and six years for the property and casualty underwriting insurance data exchange platform.

Note 10: Other Current Assets

Other current assets at September 30, 2016 and December 31, 2015 consisted of the following:

	September 30, 2016	December 31, 2015
	(In thousands)	
Prepaid expenses	\$ 10,718	\$ 8,290
Sales taxes receivable from customers	30	120
Due from prior owners of acquired businesses for working capital settlements	945	1,021
Research and development tax credits receivable	383	898
Tax refunds receivable	347	—
Other	409	613
Total	\$ 12,832	\$ 10,942

Note 11: Subsequent Events

None.

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

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

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

Our actual results may differ materially from those expressed or implied in these forward-looking statements. Factors that may cause such a difference include, but are not limited to, those discussed in Part I, Item 1A, "Risk Factors" in our Form 10-K for the year ended December 31, 2015 which is incorporated by reference herein and identified, and in Part II, Item 1A "Risk Factors" for the three months ended September 30, 2016 in this Form 10-Q, as well as: the willingness of independent insurance agencies to outsource their computer and other processing needs to third parties; pricing and other competitive pressures and the Company's ability to gain or maintain share of sales as a result of actions by competitors and others; changes in estimates in critical accounting judgments; changes in or failure to comply with laws and regulations, including accounting standards, taxation requirements (including tax rate changes, new tax laws and revised tax interpretations) in domestic or foreign jurisdictions; exchange rate fluctuations and other risks associated with investments and operations in foreign countries (particularly in Australia, Asia, Latin America, and Europe wherein we have significant and/or growing operations); fluctuations in the equity markets, including market disruptions and significant interest rate fluctuations, which may impede our access to, or increase the cost of, external financing; and international conflict, including terrorist acts. The Company undertakes no obligation to update any such factors, or to publicly announce the results of, or changes to any of the forward-looking statements contained herein to reflect future events, developments, changed circumstances, or for any other reason.

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

- Our ability to efficiently and effectively integrate acquired business operations, as discussed in Note 3 of the Condensed Notes to the Condensed Consolidated Financial Statements pertaining to the business acquisitions we have made;
- Note 4 of the Notes to the Condensed Consolidated Financial Statements, "Debt with Commercial Bank" and our future liquidity needs discussed under "Liquidity and Financial Condition" regarding our ability to generate cash from operating activities and any declines in our credit ratings or financial condition which could restrict our access to the capital markets or materially increase our financing costs;
- Note 5 of the Notes to the Condensed Consolidated Financial Statements, "Commitments and Contingencies", and "Contractual Obligations and Commercial Commitments" in Managements Discussion and Analysis of Financial Condition and Results of Operation ("MD&A") regarding uncertainties pertaining to the actual ultimate cost of our legal contingencies;
- MD&A and the analysis of the three and nine month revenue trends regarding actual realized level of demand for our products during the immediately foreseeable future, and fluctuations thereof.

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

The following information should be read in conjunction with the unaudited condensed consolidated financial statements and the notes thereto included in Part 1, Item 1 of this Quarterly Report, and the audited consolidated financial statements and notes thereto and MD&A contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

Company Overview

Ebix, Inc. is a global supplier of software and e-commerce solutions to the insurance, financial, and healthcare industries, as well as e-governance solutions to governmental agencies in the health and education sectors. Ebix provides a variety of application software products for the insurance industry including carrier systems, broker systems, agency systems and data exchanges to custom software development for all entities involved in insurance and financial services. Our goal is to be the leading provider of back-end insurance transaction processing in the world. The Company's vision is to focus on the convergence of technology platforms for all insurance channels, processes and entities in a manner such that data seamlessly flows once a data entry has been made. Our customers include many of the top insurance sector companies in the world.

The insurance industry continues to undergo significant consolidation driven by the need for, and benefits from, economies of scale and scope in providing insurance services in a competitive environment. Such consolidation has involved both insurance carriers and insurance brokers and is directly impacting the manner in which insurance products are distributed. In particular the insurance industry has continued to experience an increase in initiatives designed to reduce paper-based processes and to improve efficiency both at the back-end and consumer-end sides. Management believes the insurance industry will continue to experience significant change and increased efficiencies through online exchanges. Changes in the insurance industry are expected to create new opportunities for the Company.

Ebix strives to work collaboratively with clients to develop innovative technology strategies and solutions that address specific business challenges. 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 insurance providers and related entities. We intend to continue to expand both organically and through strategic business acquisitions.

Offices and Geographic Information

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

Results of Operations — Three Months Ended September 30, 2016 and 2015

Operating Revenue

The Company derives its revenues primarily from subscription and transaction fees pertaining to services delivered over our exchanges or from our ASP platforms, fees for business process outsourcing services, and fees for software development projects including associated fees for consulting, implementation, training, and project management provided to customers with installed systems. International revenue accounted for 27.2% and 20.9% of the Company's total revenue for the three months ended September 30, 2016 and 2015, respectively.

Ebix's revenue streams come from four product/service channels. Presented in the table below is the breakout of our revenues for each of those product/service channels for the three and nine month periods ended September 30, 2016 and 2015.

<i>(dollar amounts in thousands)</i>	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Exchanges	\$ 52,016	\$ 46,209	\$ 151,424	\$ 139,712
Broker Systems	3,557	3,812	10,654	11,067
Risk Compliance Solutions (“RCS”)	18,076	15,754	53,489	41,218
Carrier Systems	959	1,038	2,681	3,281
Totals	\$ 74,608	\$ 66,813	\$ 218,248	\$ 195,278

During the three months ended September 30, 2016 our total operating revenues increased \$7.8 million or 12%, to \$74.6 million as compared to \$66.8 million during the third quarter of 2015. Revenues increased primarily due to the signing and initiation of new customer contracts in the exchange and RCS channel areas; most notably the PPL insurance underwriting exchange platform contract in London and the e-governance contracts in India. Also generating the comparative year over year revenue increase are the revenues from each of the EbixHealth JV and Ebix Vayam Limited JV which Ebix acquired a 51% controlling equity position (refer to Note 8 accompanying the enclosed condensed consolidated financial statements for discussion of the EbixHealth JV). Partially offsetting these revenue increases was the adverse effect of the weakened foreign currencies in which we conduct operations (particularly in Australia, Brazil, Great Britain, and India) as compared to the U.S. dollar. Specifically, the adverse impact from fluctuations in the exchange rates for the foreign currencies in the countries in which we conduct operations in the aggregate reduced reported revenues for the third quarter 2016 by \$348 thousand.

With respect to business acquisitions completed during the years 2016 and 2015 on a pro forma basis, as disclosed in the table in Note 3 "Business Combinations" pertaining to pro forma financial information to the enclosed Condensed Consolidated Financial Statements, combined revenues increased \$4.8 million or 6.8% for Q3 2016 versus the Q3 2015 whereas correspondingly, the reported revenue for the three months ended September 30, 2016 increased by \$7.8 million or 11.7% from the reported revenue during the same period in 2015. The 2016 and 2015 pro forma financial information assumes that all business acquisitions made during this period were made on January 1, 2015, whereas the Company's reported financial statements for Q3 2016 and Q3 2015 only includes the revenues from these businesses since the effective date that they were acquired by Ebix, being March 2015 for Via Media Health, June 2015 for PB Systems, and July 2016 for the EbixHealth JV. The 2015 pro forma financial information includes a full three months of results for Via Media Health, PB Systems, and the EbixHealth JV as if they had been acquired or consolidated on January 1, 2015.

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

- 2016 and 2015 pro forma revenue contains actual revenue of the acquired entities before acquisition date, as reported by the sellers, as well as actual revenue of the acquired entities after acquisition, whereas the reported growth in revenues of the acquired entities after acquisition date are only reflected for the period after their acquisition.
- Revenue billed to existing clients from the cross selling of acquired products has been assigned to the acquired section of our business.
- Any existing products sold to new customers obtained through a newly acquired customer base, are assigned to the acquired section of our business.
- Pro formas do not include post acquisition revenue reductions as a result of discontinuation of any product lines and/or customer projects by Ebix in line with the Company initiatives to maximize profitability.

Cost of Services Provided

Costs of services provided, which includes costs associated with maintenance, customer support, call center, consulting, implementation and training services, increased \$4.6 million or 26%, to \$22.4 million in the third quarter of 2016 as compared to \$17.8 million in the third quarter of 2015. This increase is primarily due to costs associated with fully consolidating the EbixHealth JV and Ebix Vayam Limited JV, and increased costs associated with supporting the increased revenue streams from new e-governance service contracts executed within the Ebix Vayam Limited JV, partially offset by \$989 thousand of reductions in Ebix's pre-existing core internal personnel costs.

Product Development Expenses

The Company's product development efforts are focused on the development of new processing technologies, software, systems and related services for use by healthcare professionals, consumers, insurance carriers, brokers and agents, and the development of new data exchanges for use in the domestic and international insurance markets. Product development expenses

increased \$0.2 million or 3%, to \$8.6 million during the third quarter of 2016 as compared to \$8.3 million during the third quarter of 2015. This increase is attributable to additional personnel costs for our growing employee base in our continually expanding product development facilities in India.

Sales and Marketing Expenses

Sales and marketing expenses increased \$658 thousand or 17%, to \$4.46 million in the third quarter of 2016 as compared to \$3.81 million in the third quarter of 2015. This increase is due to additional direct mail marketing costs in support of our continuing medical education services.

General and Administrative Expenses

Reported general and administrative expenses remained flat at \$12.13 million for the third quarter of 2016 quarter and 2015. Personnel and related expenses were up \$735 thousand, audit and legal expenses were up \$465 thousand, and facilities expenses were up \$350 thousand, with these comparative cost increases being offset by a \$1.4 million comparative reduction to accounts receivable bad debt expense (being \$243 thousand in Q3 2016 versus \$1.6 million in Q3 2015), and a \$1.2 million reduction to contingent earn out liabilities resulting from the remeasurements of and adjustments to the contingent earn out liabilities associated with the acquisitions of Via Media (March 2015), and PB Systems (June 2015) for which the liabilities were reduced by \$889 thousand and \$326 thousand respectively

Amortization and Depreciation Expenses

Amortization and depreciation expenses decreased \$27 thousand or 1% to \$2.74 million in the third quarter of 2016 as compared to \$2.77 million in the third quarter of 2015, due primarily to lower amortization costs associated with certain fully amortized intangible assets previously acquired in connection with purchased businesses.

Interest Income

Interest income increased \$573 thousand or 924% to \$635 thousand in the third quarter of 2016 as compared to \$62 thousand in the third quarter of 2015, due to a 196% increase in average cash balances held during Q3 of 2016 versus Q3 of 2015 which increased to \$88.9 million from \$30.0 million.

Interest Expense

Interest expense increased \$864 thousand or 82%, to \$1.9 million in the third quarter of 2016 as compared to \$1.1 million in the third quarter of 2015. Interest expense increased due to the increase in the average outstanding balance on our commercial banking credit facilities, which increased 46% to \$244.5 million during Q3 2016 from \$167.9 million during Q3 of 2015, as well as an increase in the underlying interest rate which increased to 2.81% for 2016 versus 2.00% for 2015.

Foreign Currency Exchange Loss

Net foreign currency exchange gains for the three months ended September 30, 2016 in the amount of \$578 thousand consists of \$551 thousand of gains incurred upon the settlement of receivables or payables denominated in currencies other than the functional currency of the respective operating division recording the instrument, and \$27 thousand of unrealized gains pertaining to the remeasurement of outstanding receivables or payables denominated in currencies other than the functional currency of the respective operating division recording the instrument.

Non-Operating Income

The non-operating income for the three month ended September 30, 2016 in the amount of \$1.2 million is due to the recognition of a gain on the Company's previously carried 40% equity interest in the EbixHealth JV, for which a new contemporaneous valuation of the business was completed in conjunction with Ebix purchasing and additional equity stake in the joint venture providing the Company a 51% controlling interest in the joint venture during the third quarter (refer to Note 8 to the accompanying Condensed Consolidated Financial Statements).

Income Taxes

The Company recorded an income tax expense of \$789 thousand (3.2%) and \$1.1 million (1.6%) during the three and nine months ended September 30, 2016, respectively, which included discrete items for additions to the reserve for uncertain tax positions and prior year true-ups ups that resulted in a net tax expense charge that was more than offset by a tax benefit from transferring certain intellectual property intangible assets in Q2. The income tax expense exclusive of discrete items for the three

months ended September 30, 2016 and 2015, respectively, is \$139 thousand (0.0%) and \$1.7 million (7.5%). Our tax expense and effective tax rate decreased year over year, exclusive of discrete charges, due to favorable changes in the proportion of our taxable income in certain foreign jurisdictions relative to total pre-tax income. The Company expects its full year tax rate before discrete items to be approximately 6%.

The Company's effective tax rate reflects the benefits of having significant operations outside the United States, which are generally taxed at rates lower than the US statutory rate of 35% and where the Company enjoys a tax holiday in India. During 2015, the Company secured an additional tax holiday in India until the year 2020 to support certain portions of its expanding operations there. The Company also had income during the quarter ended September 30, 2016 in Singapore, the United Kingdom, Dubai, and Sweden, where the statutory tax rates are lower than the US rate of 35%.

Results of Operations — Nine Months Ended September 30, 2016 and 2015

Operating Revenue

During the nine months ended September 30, 2016 our total operating revenues increased \$23.0 million or 12%, to \$218.2 million as compared to \$195.3 million during the same period in 2015. Revenues increased primarily due to the signing and initiation of new customer contracts in the exchange and RCS channel areas; most notably the PPL insurance underwriting exchange platform contract in London and the e-governance contracts in India. Also generating the comparative year over year revenue increase are the revenues from the EbixHealth JV and Ebix Vayam Limited JV for which Ebix acquired a 51% controlling equity position (refer to Note 8 accompanying the enclosed condensed consolidated financial statements for further discussion of the EbixHealth JV), and comparative incremental revenue from the June 2015 acquisition of PB Systems (2015 YTD results only have 4 months of said revenue). Reported revenues were adversely effected by the weakened of the foreign currencies in which we conduct operations (particularly in Australia, Brazil, Great Britain, and India) as compared to the U.S. dollar. Specifically, the adverse impact from fluctuations in the exchange rates for the foreign currencies in the countries in which we conduct operations in the aggregate reduced reported revenues for the nine months ending September 30, 2016 by \$3.3 million. International revenue accounted for 27.8% and 22.7% of the Company's total revenue for the nine months ended September 30, 2016 and 2015, respectively.

With respect to business acquisitions completed during the years 2016 and 2015 on a pro forma basis, as disclosed in the table in Note 3 "Business Combinations" pertaining to pro forma financial information to the enclosed Condensed Consolidated Financial Statements, combined revenues increased \$13.5 million or 6.4% for nine months ended September 30, 2016 versus the same nine month period in 2015, whereas correspondingly the reported revenue for the nine month ended September 30, 2016 increased by \$23.0 million or 11.8% from the reported revenue during the same period in 2015. The 2016 and 2015 pro forma financial information assumes that all business acquisitions made during this period were made on January 1, 2015, whereas the Company's reported financial statements for the nine months period ended September 30, 2016 and 2015 only includes the revenues from these businesses since the effective date that they were acquired or fully consolidated by Ebix, being March 2015 for Via Media Health, June 2015 for PB Systems, and July 2016 for the EbixHealth JV. The 2015 pro forma financial information includes a full nine months of results for Via Media Health, PB Systems, and the EbixHealth JV as if they had been acquired on January 1, 2015.

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

- 2016 and 2015 pro forma revenue contains actual revenue of the acquired entities before acquisition date, as reported by the sellers, as well as actual revenue of the acquired entities after acquisition, whereas the reported growth in revenues of the acquired entities after acquisition date are only reflected for the period after their acquisition.
- Revenue billed to existing clients from the cross selling of acquired products has been assigned to the acquired section of our business.
- Any existing products sold to new customers obtained through a newly acquired customer base, are assigned to the acquired section of our business.
- Pro formas do not include post acquisition revenue reductions as a result of discontinuation of any product lines and/or customer projects by Ebix in line with the Company initiatives to maximize profitability.

Cost of Services Provided

Costs of services provided increased \$6.6 million or 12%, to \$62.6 million in the the nine months ended September 30, 2016 as compared to \$56.0 million during the same period of 2015. This increase is primarily due to costs associated with fully consolidating the EbixHealth JV and Ebix Vayam Limited JV, and increased costs associated with supporting the increased revenue

streams from new e-governance service contracts executed within the Ebix Vayam Limited JV, partially offset by \$2.9 million of reductions in Ebix's pre-existing core internal personnel costs.

Product Development Expenses

Product development expenses increased \$2.2 million or 10%, to \$24.9 million for the nine months ended September 30, 2016 as compared to \$22.7 million during the same period of 2015. This increase is attributable to additional personnel costs for our continued growing employee base for our expanded product development facilities in India.

Sales and Marketing Expenses

Sales and marketing expenses increased \$2.2 million or 20%, to \$13.0 million in the the nine months ended September 30, 2016 as compared to \$10.8 million during the same period of 2015. This increase is due to additional direct mail marketing costs in support of our continuing medical education services offerings.

General and Administrative Expenses

General and administrative expenses increased by \$2.0 million or 6%, to \$37.0 million in the the nine months ended September 30, 2016 as compared to \$35.0 million during the same period of 2015. This comparative year over year rise in general and administrative expenses is due to \$3.2 million of increased personnel related costs (principally salaries, share-based compensation, payroll taxes and insurance benefits), and \$384 thousand of increased legal, audit, and investor relational professional costs. These cost increases were partially offset by a \$1.3 million comparative reduction to accounts receivable bad debt expense (being only \$700 thousand for the nine months ended September 30, 2016 versus \$2.0 million for the same nine month period in 2015). Also, favorably impacting reported general and administrative expenses was a net \$1.8 million reduction to contingent earn out liabilities resulting from the remeasurements of and adjustments to the contingent earn out liabilities associated with the acquisitions of Vertex (October 2014), Via Media (March 2015), and PB Systems (June 2015) for which the liabilities were reduced by \$720 thousand, \$1.5 million, and \$326 thousand respectively and Qatarlyst (April 2013) for which the liability was increased by \$780 thousand. \$326 thousand of the PB Systems earn out liability reduction was recorded as a reduction to general and administrative expenses, and \$664 thousand recorded as a reduction to goodwill based on the facts that were available at the time the business acquisition was consummated. 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 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. During the nine months ended September 30, 2016 the cited contingent earn out liabilities were adjusted because of changes to anticipated future revenues from these acquired businesses. The cause for the Vertex, Via Media, and PB Systems contingent liability reductions were due to the fact that the acquired businesses earn out revenue targets were based on revenue run rates at the time of the acquisitions, their growth trajectories, and their client contracts in hand at the time the businesses were acquired, while in recent times their revenues have been impacted downwards by certain unforeseen changes in terms of the pace of project implementation and resource budget allocation by some of their key clients. The cause for the Qatarlyst contingent liability increase is due to Q1 2016 signing of the PPL insurance underwriting exchange platform contract in London, and the assured revenue stream to be forthcoming from this arrangement.

Amortization and Depreciation Expenses

Amortization and depreciation expenses increased \$156 thousand or 2% to \$8.1 million in the nine months ended September 30, 2016 as compared to \$7.9 million during the same period of 2015, due to additional depreciation expense in connection with the build out and purchase of equipment for our new corporate headquarters office and campus facilities in Johns Creek, Georgia, and our expanding product development facilities in India.

Interest Income

Interest income increased 630% to \$1.2 million in the nine months ended September 30, 2016 as compared to \$167 thousand during the same period of 2015, due to a 118% increase in average cash balances held during nine months ending September 30, 2016 versus for the same nine month period in 2015 which increased to \$76.0 million from \$34.8 million.

Interest Expense

Interest expense increased \$3.0 million or 124% to \$5.4 million in the nine months ended September 30, 2016 as compared to \$2.4 million during the same period of 2015. Interest expense increased due to the increase in the average outstanding balance

on our commercial banking credit facilities, which increased 57% to \$227.3 million during nine months ending September 30, 2016 from \$145.1 million for the same nine month period in 2015, as well as an increase in the underlying interest rate which increased to 2.81% for 2016 versus 2.00% for 2015.

Foreign Currency Exchange Gain

Net foreign currency exchange gains for the nine months ended September 30, 2016 in the amount of \$852 thousand of gains consists of \$682 thousand of gains realized upon the settlement of receivables or payables denominated in currencies other than the functional currency of the respective operating division recording the instrument, and \$171 thousand of unrealized gains pertaining to the remeasurement of outstanding receivables or payables denominated in currencies other than the functional currency of the respective operating division recording the instrument.

Income Taxes

The Company recorded an income tax expense of \$1.1 million (1.6%) and \$5.4 million (8.6%) during the nine months ended September 30, 2016 and 2015, respectively, which included discrete items for additions to the reserve for uncertain tax positions and prior year true-ups ups that resulted in a net tax expense charge that was more than offset by a tax benefit from transferring certain intellectual property intangible assets in Q2. The income tax expense exclusive of discrete items for the nine months ended September 30, 2016 and 2015, respectively, is \$2.8 million (4.0%) and of \$5.2 million (8.2%). Our tax expense and effective tax rate decreased year over year, exclusive of discrete charges, due to favorable changes in the proportion of our taxable income in certain foreign jurisdictions relative to total pre-tax income. The Company expects its full year tax rate before discrete items to be approximately 6%.

The Company's effective tax rate reflects the benefits of having significant operations outside the United States, which are generally taxed at rates lower than the US statutory rate of 35% and where the Company enjoys a tax holiday in India. During 2015, the Company secured an additional tax holiday in India until the year 2020 to support certain portions of its expanding operations there. The Company also had income during the quarter ended September 30, 2016 in Singapore, the United Kingdom, Dubai, and Sweden, where the statutory tax rates are lower than the US rate of 35%.

Liquidity and Capital Resources

The Company's ability to generate significant cash flows from ongoing operating activities is one of its fundamental financial strengths. Our principal sources of liquidity are the cash flows provided by the Company's operating activities, the Company's commercial banking credit facility, and cash and cash equivalents on hand. Due to the effect of temporary or timing differences resulting from the differing treatment of items for tax and accounting purposes (including the treatment of net operating loss carryforwards and minimum alternative tax obligations in the U.S. and Great Britain, and India), future cash outlays for income taxes are expected to exceed income tax expense. We intend to utilize cash flows generated by our operations, in combination with our commercial bank credit facility, and the possible issuance of additional equity or debt securities, to fund capital expenditures and organic growth initiatives, to make strategic and accretive business acquisitions in the insurance services sector, and to repurchase shares of our common stock as market conditions warrant.

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

Our cash and cash equivalents were \$99.8 million and \$57.2 million at September 30, 2016 and December 31, 2015, respectively. The \$8.97 million of restricted cash on the condensed consolidated balance sheet is associated with the EbixHealth JV and pertains to un-remitted insurance premiums and claim funds established for the benefit of various carriers which are held in a fiduciary capacity until disbursed.

The free flow of cash from certain countries where we hold significant cash balances may be subject to repatriation tax effects and other restrictions. Specifically the repatriation of earnings from some of our foreign subsidiaries could result in the application of withholding taxes at that foreign source as well as a tax at the U.S. parent level upon receipt of repatriated amounts. The approximate cash, cash equivalents, and short-term investments balances held in our domestic U.S. operations and each of our foreign subsidiaries as of November 8, 2016 are presented in the table below (figures denominated in thousands):

	United States	Canada	Latin America	Australia	Singapore	New Zealand	India	Europe	Sweden	Total
Cash and ST investments	\$15,101	\$ 2,496	\$ 865	\$ 7,934	\$ 36,079	\$ 2,050	\$35,119	\$12,311	\$ 6	\$111,961

Our current ratio increased to 2.60 at September 30, 2016, modestly up from 2.28 at December 31, 2015 and accordingly our working capital position increased to \$114.1 million at September 30, 2016 from \$65.6 million at the end of 2015. Our short-term liquidity has improved due to increased cash and cash equivalent balances on hand, increased outstanding trade accounts receivables, and additional prepaid expense assets, partially offset by the \$12.5 million of short term liability associated with the term loan component of the amended syndicated financing agreement with Regions Bank. The Company's days sales outstanding in accounts receivable ("DSO") was 73 days at September 30, 2016 up 8 days from 65 days at June 30, 2016, due principally to greater aging of the customer accounts receivable in our Canadian and India subsidiaries, and within the two joint venture operations that Ebix has a controlling position, particularly the Ebix Vayam joint venture in India in which the contracts with the local government agencies have protracted payment terms.

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

Business Combinations

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

During the nine months ended September 30, 2016, the Company completed one business acquisition as follows:

During the nine months ended September 30, 2016, the Company did not have any business acquisitions. 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. Commensurate with additional equity stake in the joint venture a contemporaneous valuation of the business was completed. In accordance with the technical accounting guidance pertaining to step acquisitions the Company recorded goodwill in the amount of \$21.8 million, a non-controlling interest in the amount of \$11.2 million, and recognized a \$1.16 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 Condensed Consolidated Statement of Income. The valuation of the EbixHealth JV is considered preliminary as the allocation to the identified tangible and intangible assets (e.g. customer lists, trade name, developed technology), and the determination of the residual goodwill has yet to be performed, but will be completed in line with the filing of the Company's 2016 annual report on Form 10-K. Previously, effective September 1, 2015 Ebix and Independence Holdings Corporation ("IHC") formed a joint venture named Ebix Health Exchange Holdings, LLC ("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.

During the year ended December 31, 2015, the Company completed two business acquisitions, as follows:

The Company acquired PB Systems, Inc. and PB Systems Private Limited (together being "PB Systems"), effective June 1, 2015. PB Systems develops and implements software solutions for insurance clients. Ebix acquired PB Systems for upfront cash consideration in the amount of \$12.4 million, plus a possible future one-time contingent earnout payment of up to \$8.0 million based on earned revenues and the reported EBITDA margins over the subsequent twenty-four month period following the effective date of the acquisition. The Company has determined that the fair value of the contingent earn out consideration is zero as of September 30, 2016. In the Company's Form 10-Q for the six months ended June 30, 2015, Form 10-Q for the nine months ended September 30, 2015, Form 10-K for the year ended December 31, 2015, and Form 10-Q for the three months ended March 31, 2016 the Company had disclosed that the valuation and purchase price allocation for the PB Systems acquisition was preliminary because all of the information necessary to determine the fair value of the acquired customer relationship intangible asset and fair value of the revenue-based earn out contingent liability was still in the process of being evaluated by management and the Company's external valuation firms. This evaluation was completed during the second quarter ended June 30, 2016 and resulted in a \$1.8 million reduction to the developed technology intangible asset, a \$1.6 million reduction to the customer relationship intangible asset, a \$657 thousand reduction to the deferred tax liability, a \$4.4 million reduction to the revenue-based earn out contingent liability, and a corresponding and offsetting \$1.6 million reduction to goodwill to what was originally recorded in the second

quarter of 2015. Additionally, since December 31, 2015 this resulted in a \$8.2 million reduction to the customer relationship intangible asset, a \$3.2 million reduction to the deferred tax liability, a \$664 thousand reduction to the revenue-based earn out contingent liability, and a corresponding and offsetting \$4.3 million increase to goodwill.

The Company acquired Via Media Health Communications Private Limited ("Via Media Health"), effective March 1, 2015. Via Media Health is one of India's leading health content and communication companies. Ebix acquired Via Media Health for upfront cash consideration in the amount of \$1.0 million, plus a possible future one time contingent earn out payment of up to \$372 thousand based on earned revenues over the subsequent twelve month period following the effective date of the acquisition, and an additional possible one time future performance bonus of up to \$1.0 million depending upon revenue growth realized in the business over the subsequent twenty-four month period following the effective date of the acquisition. The Company has determined that the fair value of the contingent earn out consideration is zero as of September 30, 2016.

A significant component of the purchase price consideration for many of the Company's business acquisitions is a potential subsequent 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 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. These contingent consideration liabilities are recorded at fair value on the acquisition date and are re-measured quarterly based on the then-assessed fair value and adjusted if necessary. As of September 30, 2016, the total of these contingent liabilities was \$1.62 million, of which none is reported in long-term liabilities, and \$1.62 million was included in current liabilities in the Company's Condensed Consolidated Balance Sheet. As of December 31, 2015 the total of these contingent liabilities was \$4.28 million, of which \$2.57 million is reported in long-term liabilities, and \$1.71 million was included in current liabilities in the Company's Condensed Consolidated Balance Sheet. During the first, second, and third quarters of 2016 the cited contingent earn out liabilities were adjusted because of changes to anticipated future revenues from these acquired businesses.

Operating Activities

Net cash provided by our operating activities was \$53.1 million for the nine months ended September 30, 2016. The primary components of the cash provided by our operating activities during the nine month period consisted of net income of \$69.2 million, net of \$(328) thousand of unrealized foreign currency exchange gains, \$8.1 million of depreciation and amortization, \$133 thousand of net income attributable to a non-controlling interest, \$2.1 million of non-cash share-based compensation, \$(1.7) million of reductions to acquisition related contingent earn out liabilities, \$1.0 million of amortization of capitalized software development costs, and the \$(1.2) million gain on carrying value of investment in joint venture. Partially offsetting this net cash inflow was \$(24.3) million of working capital requirements primarily due to increased outstanding trade accounts receivable combined with a reduction in accounts payable and accrued operating and payroll expenses. During the nine months ended September 30, 2016 the Company made \$14.1 million of tax payments including \$8.3 million of minimum alternative tax payments in India, which is a component of net deferred tax assets on the Company's Condensed Consolidated Balance Sheets.

Net cash used by our operating activities was \$25.7 million for the nine months ended September 30, 2015. The primary components of the cash used in operations during that prior year nine month period consisted of net income of \$57.6 million, net of \$(2.0) million of unrealized foreign currency exchange gains, \$7.9 million of depreciation and amortization, \$1.2 million of non-cash share-based compensation, and \$(1.5) million of non-cash reductions to acquisition earnout contingent liabilities. Partially offsetting this net cash inflow was \$(37.6) million of working capital requirements primarily associated with increased outstanding trade accounts receivable and the cash payment of the \$20.5 million assessment (including interest of \$1.6 million) stemming from the resolution of the Internal Revenue Service's previously disclosed audit of Ebix's income tax returns for the taxable years 2008 through 2012.

Investing Activities

Net cash used for investing activities during the nine months ended September 30, 2016 was \$7.2 million, of which \$2.5 million was used for the expansion of our product development facilities in India, \$1.1 million was used for the continued build out of our global corporate headquarters campus in Johns Creek, Georgia, \$664 thousand was used to purchase equipment to support certain of our data exchange facilities within our foreign operations, \$1.0 million was used for software development costs that were capitalized, \$1.1 million was used for the purchase of marketable securities (specifically bank certificates of

deposit), and \$696 thousand was used to make the 11% additional controlling equity investment in the EbixHealth JV (net of \$1.3 million of cash acquired).

Net cash used for investing activities during the nine months ended September 30, 2015 was \$32.1 million, of which \$11.5 million was used for the acquisition of P.B. Systems (net of cash acquired), \$8.7 million was used for buying additional land adjacent to, and the continued interior build out of our global corporate headquarters campus in Johns Creek, Georgia, \$6.0 million was used for the Company's 40% investment in the IHC joint venture, \$1.0 million was used for the acquisition of Via Media Health, and \$4.0 million of capital expenditures pertaining to the enhancement of our technology platforms and the purchases of operating equipment to support our expanding operations, and \$940 thousand was used for the purchase of marketable securities.

Financing Activities

During the nine months ended September 30, 2016 net cash used by financing activities was \$2.5 million which consisted of \$43.8 million used to repurchase 1.12 million shares of our common stock, \$7.4 million was used to pay quarterly dividends to our common stockholders, \$3.13 million was used to make the scheduled payments against the existing term loan with Regions, and \$600 thousand was used to service other debt obligations. Almost completely offsetting these cash outflows was \$52.6 million of net cash inflow provided from the refinancing and borrowing from the recently amended and expanded syndicated credit facility with Regions Bank.

During the nine months ended September 30, 2015 net cash used by financing activities was \$10.4 million which consisted of \$8.0 million used to pay quarterly dividends to our common stockholders, \$67.8 million used to repurchase 2.47 million shares of our common stock, and \$641 thousand used to make principal payments on long-term debt and capital lease obligations. Partially offsetting these financing cash outflows was \$66.0 million provided by draws off the Company's revolving credit facility and \$39 thousand was provided from the exercise of stock options.

Commercial Bank Financing Facility

On June 17, 2016, the Company and certain of its subsidiaries entered into the Second Amendment (the "Second Amendment") to the Regions Secured Credit Facility (as defined below), dated August 5, 2014, among the Company, Regions Bank as Administrative and Collateral Agent ("Regions"), Regions Capital Markets, PNC Capital Markets, LLC, and TD Securities (USA) as joint Lead Arrangers for the syndicate of lenders. The Second Amendment increases the total credit facility to \$400 million from the prior amount of \$240 million, and expands the syndicated bank group to eleven participants by adding seven new participants which include PNC Bank, National Association BMO Harris Bank N.A., Key Bank National Association, HSBC Bank National, Cadence Bank, the Toronto-Dominion Bank (New York Branch), and Trustmark National Bank. The Credit Agreement (as defined below) now consists 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 due in the amount \$3.125 million due each quarter, starting September 30, 2016. The Credit Agreement also contains an accordion feature, which if exercised and approved by all credit parties, would expand the total borrowing capacity under the syndicated credit facility to \$500 million. The credit facility carries a leverage-based LIBOR related interest rate, which currently stands at approximately 2.81%.

On October 8, 2015 Ebix exercised the \$50 million accordion feature under the Regions Secured Credit Facility. TD Bank, NA was added to the syndication group along with four other bank participants which include Regions. The exercise of the accordion feature increased the Aggregate Revolving Commitment under the Credit Agreement to \$240 million from the prior amount of \$190 million.

At September 30, 2016 the Company's consolidated balance sheet includes \$3.38 million of remaining deferred financing costs in connection with this credit facility, which are being amortized as a component of interest expense over the five-year term of the financing agreement. In regards to these deferred financing costs, \$2.7 million pertains to the revolving line of credit component of the Credit Agreement, and \$676 thousand pertains to the term loan component of the Credit Agreement of which \$136 thousand is netted against the current portion and \$540 thousand is netted against the long-term portions of the term loan as reported on the Condensed Consolidated Balance.

At September 30, 2016, the outstanding balance on the revolving line of credit under the Credit Agreement was \$134.0 million and the facility carried an interest rate of 2.81%. During the nine months ended September 30, 2016, \$50.0 million of draws were made off of the revolving credit facility. In June the revolving line of credit was refinanced in conjunction with the Second Amendment to the Credit Agreement with \$125 million being converted to a term loan, with the resulting balance on the revolving line of credit being \$104.0 million (including certain deferred financing costs and before a \$15 million draw). The revolving line of credit balance is included in the long-term liabilities section of the Condensed Consolidated Balance Sheets.

During the nine months period ended September 30, 2016, the average and maximum outstanding balances of the revolving line of credit component of the credit facility were \$179.4 million and \$226.5 million, respectively.

At September 30, 2016, the outstanding balance on the term loan was \$121.9 million of which \$12.5 million is due within the next twelve months, with the first repayment of \$3.13 million being having been made on September 30, 2016. This term loan also carried an interest rate of 2.81%. The current and long-term portions of the term loan are included in the respective current and long-term sections of the Condensed Consolidated Balance Sheets, the amounts of which were \$12.5 million and \$109.4 million respectively at September 30, 2016.

Off-Balance Sheet Arrangements

We do not engage in off balance sheet financing arrangements.

Recent Accounting Pronouncements

For information about new accounting pronouncements and the potential impact on our Consolidated Financial Statements, see Note 1 of the condensed notes to the Condensed Consolidated Financial Statements in this Form 10-Q and Note 1 of the notes to consolidated financial statements in our 2015 Form 10-K.

Application of Critical Accounting Policies

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

Revenue Recognition

The Company derives its revenues primarily from subscription and transaction fees pertaining to services delivered over our exchanges or from our ASP platforms, fees for business process outsourcing services, and fees for software development projects including associated fees for consulting, implementation, training, and project management provided to customers with installed systems.

In accordance with the FASB and SEC accounting guidance on revenue recognition the Company considers revenue earned and realizable when: (a) persuasive evidence of the sales arrangement exists, provided that the arrangement fee is fixed or determinable, (b) delivery or performance has occurred, (c) customer acceptance has been received, if contractually required, and (d) collectability of the arrangement fee is probable. The Company uses signed contractual agreements as persuasive evidence of a sales arrangement. We apply the provisions of the relevant generally accepted accounting principles 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 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 units of accounting for the purpose of revenue

recognition. Generally these types of arrangements include deliverables pertaining to software licenses, system set-up, and professional services associated with product customization or modification. Delivery of the various contractual elements typically occurs over periods of less than eighteen months. These arrangements generally do not have refund provisions or have very limited refund terms.

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

Allowance for Doubtful Accounts Receivable

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

Valuation of Goodwill and Other Indefinite-Lived Intangible Assets

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

The aforementioned two-step quantitative testing process involves comparing the reporting unit carrying values to their respective fair values. We determine the fair value of our reporting units by applying the discounted cash flow method using the present value of future estimated net cash flows. If the fair value of a reporting unit exceeds its carrying value, then no further testing is required. However, if a reporting unit's fair value were to be less than its carrying value, we would then determine the amount of the impairment charge, if any, which would be the amount that the carrying value of the reporting unit's goodwill exceeded its implied value. Projections of cash flows are based on our views of growth rates, operating costs, anticipated future economic conditions and the appropriate discount rates relative to risk and estimates of residual values. We believe that our estimates are consistent with assumptions that marketplace participants would use in their estimates of fair value. The use of different estimates or assumptions for our projected discounted cash flows (e.g., growth rates, future economic conditions, discount rates and estimates of terminal values) when determining the fair value of our reporting units could result in different values and may result in a goodwill impairment charge. We perform our annual goodwill impairment evaluation and testing as of September 30th of each year. This evaluation is done during the fourth quarter each year. During the year ended December 31, 2015 we had no impairment of our reporting unit goodwill balances.

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

A significant component of the purchase price consideration for many of the Company's business acquisitions is a potential subsequent cash earnout payment based on reaching certain specified future revenue targets. The terms for the contingent earn out payments in most of the Company's business acquisitions typically address the GAAP recognizable revenues achieved by the acquired entity over a one, two, and/or three year period subsequent to the effective date of their acquisition by Ebix. These terms typically establish a minimum threshold revenue target with achievement of revenues recognized over that target being awarded in the form of a specified cash earn out payment. The Company applies these terms in its calculation and determination of the fair value of contingent earn out liabilities for purchased businesses as part of the related valuation and purchase price allocation exercise for the corresponding acquired assets and liabilities. The Company recognizes these potential obligations as contingent liabilities and are reported as such on its Condensed Consolidated Balance Sheets. During the nine months ended September 30, 2016 and 2015 these aggregate contingent accrued earn-out business acquisition consideration liabilities were reduced by \$2.4 million and \$1.5 million, respectively, due to remeasurements as based on the then assessed fair value and changes in anticipated future revenue levels. These reductions to the contingent accrued earn-out liabilities resulted in a corresponding reduction of \$1.7 million to general and administrative expenses as reported on the Condensed Consolidated Statements of Income and a reduction

of \$664 thousand to goodwill as reported on the Condensed Consolidated Balance Sheets. As of September 30, 2016, the total of these contingent liabilities was \$1.62 million.

Income Taxes

Deferred income taxes are recorded to reflect the estimated future tax effects of differences between financial statement and tax basis of assets, liabilities, operating losses, and tax credit carry forwards using the tax rates expected to be in effect when the temporary differences reverse. Valuation allowances, if any, are recorded to reduce deferred tax assets to the amount management considers more likely than not to be realized. Such valuation allowances are recorded for the portion of the deferred tax assets that are not expected to be realized based on the levels of historical taxable income and projections for future taxable income over the periods in which the temporary differences will be deductible.

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

Foreign Currency Matters

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

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

Item 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to foreign currency exchange rate risk related to our foreign-based operations where certain transactions are denominated in other than our entity's functional currency and are subject to market risk with respect to fluctuations in the relative value of those currencies. Most of the Company's transactions are denominated in U.S. dollars; however, the Company has significant and expanding operations in Australia, Brazil and Europe, and we conduct transactions in the local currencies of each of those locations. There can be no assurance that fluctuations in the value of foreign currencies will not have a material adverse effect on the Company's business, operating results, revenues or financial condition. During the nine months ended September 30, 2016 and 2015 the net change in the cumulative foreign currency translation account, which is a component of accumulated other comprehensive loss within stockholders' equity, were unrealized losses of \$1.0 million and \$14.2 million, respectively. The Company considered the historical trends in currency exchange rates and determined that it was reasonably possible that adverse changes in our respective foreign currency exchange rates of 20% could be experienced in the near term. Such an adverse change in currency exchange rates would have resulted in reduction to pre-tax income of approximately \$3.4 million and \$1.9 million for the nine months ended September 30, 2016 and 2015, respectively.

The Company's exposure to interest rate risk relates to its interest expense on outstanding debt obligations and to its interest income on existing cash balances. As of September 30, 2016 the Company had \$255.9 million of outstanding debt obligations which consisted of a \$121.9 million term loan and a \$134.0 million balance on our commercial banking revolving line of credit. The Company's revolving line of credit bears interest at the rate of LIBOR plus 1.50%, and stood at 2.81% at September 30, 2016. The Company is exposed to market risk in relation to this line of credit in regards to the potential increase in interest expense arising from adverse changes in interest rates. This interest rate risk is estimated as the potential decrease in earnings resulting from a hypothetical 30 basis point increase in the LIBOR rate. Such an adverse change in the LIBOR rate would have resulted in a reduction to pre-tax income of approximately \$430 thousand and \$117 thousand for the nine months ended September 30, 2016 and 2015, respectively. The Company's average cash balances during the nine months ended September 30, 2016 were \$76.0 million and its existing cash balances as of September 30, 2016 were \$99.8 million. The Company is exposed to market risk in relation to these cash balances in regards to the potential loss of interest income arising from adverse changes in interest rates. This interest rate risk is estimated as the potential decrease in earnings resulting from a hypothetical 20 basis point interest rates earned on deposited funds. Such an adverse change in these interest rates would have resulted in a reduction to pre-tax income of approximately \$244 thousand and \$34 thousand for the nine months ended September 30, 2016 and 2015, respectively.

There were no other material changes to our market risk exposure during the nine months ended September 30, 2016 and 2015. For additional information regarding our exposure to certain market risks, see "Quantitative and Qualitative Disclosures about Market Risk," in Part II, Item 7A of our 2015 Form 10-K.

Item 4: CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures: The Company's management evaluated, with the participation of the Chief Executive Officer and Chief Financial Officer, the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report.

Internal Control over Financial Reporting: There were no changes in our internal control over financial reporting during the nine months ended September 30, 2016, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II — OTHER INFORMATION

Item 1: LEGAL PROCEEDINGS

On December 3, 2012, the Company received a subpoena and letter from the SEC dated November 30, 2012, stating that the SEC is conducting a formal, non-public investigation styled In the Matter of Ebix, Inc. (A-3318) and seeking documents primarily related to the issues raised in the In re: Ebix, Inc. Securities Litigation. On April 16, 2013, the Company received a second subpoena from the SEC seeking additional documents. The Company has cooperated with the SEC to provide the requested documents. The Company has had no substantive communication with the SEC since February 2014.

On June 6, 2013, the Company was notified that the U.S. Attorney for the Northern District of Georgia had opened an investigation into allegations of intentional misconduct that had been brought to its attention from the then-pending shareholder class action lawsuit against the Company's directors and officers, the media and other sources. The Company has cooperated with the U.S. Attorney's office.

Following the announcement on May 1, 2013 of the Company's execution of a merger agreement with affiliates of Goldman Sachs & Co., twelve putative class action complaints challenging the proposed merger were filed in the Delaware Court of Chancery. These complaints name as Defendants some combination of the Company, its directors, Goldman Sachs & Co. and affiliated entities. On June 10, 2013, the twelve complaints were consolidated by the Delaware Court of Chancery, now captioned In re Ebix, Inc. Stockholder Litigation, CA No. 8526-VCS. On June 19, 2013, the Company announced that the merger agreement had been terminated pursuant to a Termination and Settlement Agreement dated June 19, 2013. After Defendants moved to dismiss the consolidated proceeding, Lead Plaintiffs amended their operative complaint to drop their claims against Goldman Sachs & Co. and focus their allegations on an Acquisition Bonus Agreement (“ABA”) between the Company and Robin Raina. On September 26, 2013, Defendants moved to dismiss the Amended Consolidated Complaint. On July 24, 2014, the Court issued its Memorandum Opinion that granted in large part the Company's Motion to Dismiss and narrowed the remaining claims. On September 15, 2014, the Court entered an Order implementing its Memorandum Opinion. On January 16, 2015, the Court entered an Order permitting Plaintiffs to file a Second Amended and Supplemented Complaint. On February 10, 2015, Defendants filed a Motion to Dismiss the Second Amended and Supplemented Complaint, which was granted in part and denied in part in a January 15, 2016 Memorandum Opinion and Order. The remaining claims are as follows: (i) a purported class and derivative claim for breach of fiduciary duty by the individual Defendants for improperly maintaining the ABA as an unreasonable anti-takeover device; (ii) a purported class claim against the individual Defendants for breach of the fiduciary duty of disclosure to the stockholders with respect to the Company's 2010 Proxy Statement and 2010 Stock Incentive Plan; (iii) a purported derivative claim against the individual Defendants for breach of fiduciary duty to the Company in causing incentive compensation to be awarded to themselves and others under the 2010 Stock Incentive Plan; (iv) a purported class and derivative claim for breach of fiduciary duty by the individual Defendants in adopting certain bylaw amendments on December 19, 2014; and, (v) a purported class and derivative claim seeking invalidation of the December 19, 2014 bylaw amendments under Delaware law. Lead Plaintiffs seek declaratory relief with respect to the 2010 Stock Incentive Plan, the 2010 Proxy Statement, and the bylaw amendments. Lead Plaintiffs also seek compensatory damages, interest, and attorneys' fees and costs. The parties have filed answers to the remaining claims in the Second Amended and Supplemented Complaint and discovery has commenced. On October 25, 2016, the Court entered an Order permitting Plaintiffs to file a Verified Third Amended and Supplemented Class Action and Derivative Complaint, which was then filed on October 26, 2016. The Company denies any liability and intends to defend the action vigorously.

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

Item 1A: RISK FACTORS

In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the factors discussed in Part I, “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2015, which could materially affect the Company's business, financial condition or future results. There have not been any significant changes with respect to the risk factors described in Ebix's 2015 Annual Report on Form 10-K. The risks described in that 2015 Form 10-K and in this Quarterly Report on Form 10-Q are not the only risks that the Company faces. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

Item 2: REPURCHASES OF EQUITY SECURITIES

The following table contains information with respect to purchases of our common stock made by or on behalf of Ebix during the nine months ended September 30, 2016, 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) (4)
As of December 31, 2015 (3)	10,777,820	10,777,820	\$ —	\$ 88,558,000
January 1, 2016 to March 31, 2016	465,560	465,560	\$ 30.00	\$ 74,590,000
April 1, 2016 to June 30, 2016	543,630	543,630	\$ 44.56	\$ 50,363,000
July 1, 2016 to July 31, 2016	30,000	30,000	\$ 52.53	\$ 48,787,200
August 1, 2016 to August 31, 2016	—	—	\$ —	\$ 48,787,200
September 1, 2016 to September 30, 2016	58,200	58,200	\$ 54.73	\$ 45,602,100
Total	11,875,210	11,875,210		\$ 45,602,100

- (1) Average price paid per share for shares purchased as part of our publicly-announced plan.
- (2) Effective August 19, 2015 the Company's Board of Directors unanimously approved an additional authorized share repurchase plan of \$100.0 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, 2015 there were 25,000 shares totaling \$820 thousand of share repurchases that were not settled until January 2016.
- (4) As of June 30, 2016 there were 30,000 shares totaling \$1.4 million of share repurchases that were not settled until July 2016.

Item 3: DEFAULTS UPON SENIOR SECURITIES

None.

Item 4: MINE SAFETY DISCLOSURES

Not applicable.

Item 5: OTHER INFORMATION

None.

Item 6: EXHIBITS

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

SIGNATURES

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

Ebix, Inc.

Date: November 9, 2016

By: /s/ Robin Raina

Robin Raina
Chief Executive Officer
(Principal Executive Officer)

Date: November 9, 2016

By: /s/ Robert F. Kerris

Robert F. Kerris
Chief Financial Officer
(Principal Financial and Accounting Officer)

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	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).
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.
101.0	XBRL (Extensible Business Reporting Language) - The following materials from Ebix, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2016, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statement of Stockholders' Equity and Comprehensive Income, (iv) the Consolidated Statements of Cash Flows, and (v) Notes to Consolidated Financial Statements which were tagged as blocks of text.

* Filed herewith