



Ebix Inc Reports Operating Results (10-Q)

August-9-2010

Ebix Inc ([EBIX](#)) filed Quarterly Report for the period ended 2010-06-30.

Ebix Inc has a market cap of \$594.28 million; its shares were traded at around \$16.96 with a P/E ratio of 15.05 and P/S ratio of 6.08. Ebix Inc had an annual average earning growth of 57.8% over the past 5 years.

EBIX is in the portfolios of [Paul Tudor Jones](#) of The Tudor Group.

Highlight of Business Operations:

Amortization and depreciation expenses increased \$618 thousand or 74%, from \$830 thousand in the second quarter of 2009 to \$1.4 million in the second quarter of 2010. This increase is primarily associated with \$339 thousand of additional amortization costs associated with the customer relationship, developed technology, and non-compete intangible assets that were acquired in connection with our recent acquisitions of Facts, Peak, and E-Z Data. We also incurred \$237 thousand of additional depreciation expenses in connection with the purchases of equipment and facilities necessary to support our expanding operations.

Amortization and depreciation expenses increased by \$1.3 million or 83% during the six months ended June 30, 2010 to \$2.9 million as compared to \$1.6 million recorded during the same period in 2009. We recognized additional amortization expense aggregating to \$790 thousand associated with the intangible assets acquired in connection with the 2009 and 2010 business acquisitions of Facts, Peak, EZ Data, and MCN. We also incurred increased depreciation expense amounting to \$541 thousand related to additional capital equipment expenditures

Net cash provided by the Company's ongoing operating activities was \$16.0 million for the three month period ending June 30, 2010 and \$7.8 million for the three month period ending March 31, 2010, aggregating to total net cash provided from operations of \$23.8 million for the six months ended June 30, 2010. The primary components of the cash provided by operations during this interim period consisted of net income of \$26.4 million, net of \$2.9 million of depreciation and amortization, \$(4.8) million of working capital requirements primarily associated with payments of trade payables and additional trade receivables, \$(1.5) million of net non-cash gains recognized on derivative instruments, and \$905 thousand of non-cash compensation.

Net cash used for investing activities during the six months ended June 30, 2010 totaled \$16.6 million, of which \$2.9 million was used to acquire MCN in January 2010, \$2.7 million was used to acquire Trades Monitor, \$1.3 million was used to acquire Connective Technologies, \$3.0 million was used to fulfill the second earn-out payment obligation to the former shareholders of ConfirmNet (a November 2008 business acquisition), \$900 thousand was used for capital expenditures pertaining to the enhancement of our technology platforms and the purchases of operating equipment to support our expanding operations, and \$5.7 million was used for investments in marketable securities (specifically bank certificates of deposit).

Net cash used for investing activities during the six months ended June 30, 2009 totaled \$12.9 million, of which \$6.5 million was used for the acquisition of Facts (effective May 1, 2009), \$1.0 million was used to fulfill an earn-out payment obligation to the former shareholders of IDS (a November 2007 business acquisition), \$3.1 million was used to fulfill the first earn-out payment obligations to the former shareholders of ConfirmNet (a November 2008 business acquisition), \$1.2 million was used for capital expenditures and purchases of operating equipment, and \$1.6 million was used for investments in marketable securities.

In August 2009 the Company issued three convertible promissory notes raising a total of \$25.0 million. Specifically on August 26, 2009 the Company entered into a Convertible Note Purchase Agreement with Whitebox in an original amount of \$19.0 million, which amount is convertible into shares of common stock at a conversion price of \$16.00 per share. The note has a 0.0% stated interest rate and no warrants were issued. The note is payable in full at its maturity date of August 26, 2011. Also on August 26, 2009 the Company entered into a Convertible Note Purchase Agreement with IAM Mini-Fund 14 Limited, a fund managed by Whitebox, in an original amount of \$1.0 million, which amount is

convertible into shares of common stock at a conversion price of \$16.00 per share. The note has a 0.0% stated interest rate and no warrants were issued. The note is payable in full at its maturity date of August 26, 2011. Finally, on August 25, 2009 the Company entered into a Convertible Note Purchase Agreement with the Rennes Foundation in an original amount of \$5.0 million, which amount is convertible into shares of common stock at a conversion price of \$16.66 per share. The note has a 0.0% stated interest rate and no warrants were issued. The note is payable in full at its maturity date of August 25, 2011. The Company applied imputed interest on these convertible notes using an interest rate of 1.75% and discounted their carrying value accordingly. As of and for the six months ending June 30, 2010 the Company recognized \$212 thousand of interest expense and the unamortized discount was \$495 thousand. With respect to each of these convertible notes, and in accordance with the terms of the notes, as understood between the Company and each of the holders, upon a conversion election by the holder the Company must satisfy the related original principal balance in cash and may satisfy the conversion spread (that being the excess of the conversion value over the related original principal component) in either cash or stock at option of the Company.

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