

**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, 2022**

**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**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbols	Name of each exchange on which registered
Common stock, \$0.10 par value per share	EBIX	Nasdaq Stock Market

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

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

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

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

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 4, 2022 the number of shares of common stock outstanding was 30,903,899.

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FORM 10-Q

FOR THE QUARTER ENDED SEPTEMBER 30, 2022

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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)

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>Operating revenue</b>	<b>\$ 257,904</b>	<b>\$ 191,736</b>	<b>\$ 794,938</b>	<b>\$ 728,111</b>
<b>Operating expenses:</b>				
Cost of services provided	174,265	120,799	554,438	519,360
Product development	10,483	10,151	30,964	29,838
Sales and marketing	3,973	3,417	12,249	10,636
General and administrative, net	34,400	25,399	93,049	70,071
Amortization and depreciation	4,422	3,834	13,660	11,619
Total operating expenses	<u>227,543</u>	<u>163,600</u>	<u>704,360</u>	<u>641,524</u>
<b>Operating income</b>	<b>30,361</b>	<b>28,136</b>	<b>90,578</b>	<b>86,587</b>
Interest income	68	24	196	49
Interest expense	(15,467)	(10,985)	(37,382)	(29,526)
Non-operating (loss) income	(438)	(1,262)	(1,580)	(2,516)
Foreign currency exchange gain (loss)	4,928	(160)	9,051	(776)
Income before income taxes	<u>19,452</u>	<u>15,753</u>	<u>60,863</u>	<u>53,818</u>
Income tax (expense) benefit	(1,926)	(730)	(6,108)	(2,559)
<b>Net income including noncontrolling interest</b>	<b>17,526</b>	<b>15,023</b>	<b>54,755</b>	<b>51,259</b>
Net loss attributable to noncontrolling interest	(724)	(428)	(2,029)	(1,504)
<b>Net income attributable to Ebix, Inc.</b>	<b><u>\$ 18,250</u></b>	<b><u>\$ 15,451</u></b>	<b><u>\$ 56,784</u></b>	<b><u>\$ 52,763</u></b>
<b>Basic earnings per common share attributable to Ebix, Inc.</b>	<b>\$ 0.59</b>	<b>\$ 0.50</b>	<b>\$ 1.85</b>	<b>\$ 1.72</b>
<b>Diluted earnings per common share attributable to Ebix, Inc.</b>	<b>\$ 0.59</b>	<b>\$ 0.50</b>	<b>\$ 1.85</b>	<b>\$ 1.72</b>
Basic weighted average shares outstanding	30,777	30,646	30,745	30,595
Diluted weighted average shares outstanding	30,783	30,701	30,748	30,650

See accompanying notes to the condensed consolidated financial statements.

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

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>Net income including noncontrolling interest</b>	\$ 17,526	\$ 15,023	\$ 54,755	\$ 51,259
Other comprehensive income (loss):				
Foreign currency translation adjustments	(35,499)	(4,087)	(90,126)	(16,580)
Total other comprehensive income (loss)	(35,499)	(4,087)	(90,126)	(16,580)
<b>Comprehensive income</b>	<b>(17,973)</b>	<b>10,936</b>	<b>(35,371)</b>	<b>34,679</b>
Comprehensive loss attributable to noncontrolling interest	(724)	(428)	(2,029)	(1,504)
<b>Comprehensive income attributable to Ebix, Inc.</b>	<b>\$ (17,249)</b>	<b>\$ 11,364</b>	<b>\$ (33,342)</b>	<b>\$ 36,183</b>

See accompanying notes to the condensed consolidated financial statements.

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

	<u>September 30, 2022</u>	<u>December 31, 2021</u>
ASSETS		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 70,977	\$ 99,625
Receivables from service providers	1,456	1,352
Short-term investments	19,705	16,463
Restricted cash	7,990	9,080
Fiduciary funds - restricted	2,031	2,046
Trade accounts receivable, less allowances of \$18,772 and \$19,874, respectively	156,110	153,609
Other current assets	78,007	84,389
<b>Total current assets</b>	<b>336,276</b>	<b>366,564</b>
Property and equipment, net	58,439	54,359
Right-of-use assets	9,583	10,051
Goodwill	887,302	939,249
Intangibles, net	38,025	46,795
Indefinite-lived intangibles	16,647	16,647
Capitalized software development costs, net	23,690	21,565
Deferred tax asset, net	104,299	84,514
Other assets	30,677	33,505
<b>Total assets</b>	<b>\$ 1,504,938</b>	<b>\$ 1,573,249</b>
LIABILITIES AND STOCKHOLDERS' EQUITY		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$ 75,691	\$ 86,181
Payables to service agents	13,626	6,296
Accrued payroll and related benefits	9,864	11,360
Working capital facility	6,052	5,607
Fiduciary funds - restricted	2,031	2,046
Revolving line of credit	439,401	—
Short-term debt	—	1,954
Current portion of long term debt and financing lease obligations, net of deferred financing costs of \$1,189 and \$1,635, respectively	190,155	28,577
Contract liabilities	33,134	33,164
Lease liability	3,313	3,173
Other current liabilities	32,060	26,837
<b>Total current liabilities</b>	<b>805,327</b>	<b>205,195</b>
Revolving line of credit	—	439,402
Long term debt and financing lease obligations, less current portion, net of deferred financing costs of \$0 and \$261, respectively	194	184,676
Contingent liability for accrued earn-out acquisition consideration	2,332	2,557
Contract liabilities	8,498	8,193
Lease liability	6,571	7,139
Deferred tax liability, net	1,150	1,150
Other liabilities	20,840	25,383
<b>Total liabilities</b>	<b>844,912</b>	<b>873,695</b>

<b>Stockholders' equity:</b>		
Preferred stock, \$0.10 par value, 500,000 shares authorized, no shares issued and outstanding at September 30, 2022 and December 31, 2021	—	—
Series Y Convertible preferred stock, \$0.10 par value, 350,000 shares authorized, no shares issued and outstanding at September 30, 2022 and December 31, 2021	—	—
Common stock, \$0.10 par value, 220,000,000 shares authorized, 30,787,595 issued and outstanding, at September 30, 2022, and 30,683,393 issued and outstanding at December 31, 2021	3,079	3,068
Additional paid-in capital	17,855	15,068
Retained earnings	809,037	759,208
Accumulated other comprehensive loss	(212,148)	(122,022)
<b>Total Ebix, Inc. stockholders' equity</b>	<b>617,823</b>	<b>655,322</b>
Noncontrolling interest	42,203	44,232
<b>Total stockholders' equity</b>	<b>660,026</b>	<b>699,554</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 1,504,938</b>	<b>\$ 1,573,249</b>

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)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling interest	Total
	Issued Shares	Amount					
<b>Balance, July 1, 2022</b>	30,755,500	\$ 3,075	\$ 16,931	\$ 793,106	\$ (176,649)	\$ 42,927	\$ 679,390
Net income attributable to Ebix, Inc.	—	—	—	18,250	—	—	18,250
Net loss attributable to noncontrolling interest	—	—	—	—	—	(724)	(724)
Cumulative translation adjustment	—	—	—	—	(35,499)	—	(35,499)
Vesting of restricted stock	33,952	4	(4)	—	—	—	—
Share based compensation	—	—	971	—	—	—	971
Forfeiture of certain shares to satisfy exercise costs and the recipients income tax obligations related to stock options exercised and restricted stock vested	(1,857)	—	(43)	—	—	—	(43)
Common stock dividends paid, \$0.075 per share	—	—	—	(2,319)	—	—	(2,319)
<b>Balance, September 30, 2022</b>	<u>30,787,595</u>	<u>\$ 3,079</u>	<u>\$ 17,855</u>	<u>\$ 809,037</u>	<u>\$ (212,148)</u>	<u>\$ 42,203</u>	<u>\$ 660,026</u>

  

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling interest	Total
	Issued Shares	Amount					
<b>Balance, January 1, 2022</b>	30,683,393	\$ 3,068	\$ 15,068	\$ 759,208	\$ (122,022)	\$ 44,232	\$ 699,554
Net income attributable to Ebix, Inc.	—	—	—	56,784	—	—	56,784
Net loss attributable to noncontrolling interest	—	—	—	—	—	(2,029)	(2,029)
Cumulative translation adjustment	—	—	—	—	(90,126)	—	(90,126)
Vesting of restricted stock	108,116	11	(11)	—	—	—	—
Share based compensation	—	—	2,905	—	—	—	2,905
Forfeiture of certain shares to satisfy exercise costs and the recipients' income tax obligations related to stock options exercised and restricted stock vested	(3,914)	—	(107)	—	—	—	(107)
Common stock dividends paid, \$0.075 per share	—	—	—	(6,955)	—	—	(6,955)
<b>Balance, September 30, 2022</b>	<u>30,787,595</u>	<u>\$ 3,079</u>	<u>\$ 17,855</u>	<u>\$ 809,037</u>	<u>\$ (212,148)</u>	<u>\$ 42,203</u>	<u>\$ 660,026</u>



	<u>Common Stock</u>						
	<u>Issued Shares</u>	<u>Amount</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Noncontrolling interest</u>	<u>Total</u>
<b>Balance, July 1, 2021</b>	30,582,560	\$ 3,058	\$ 13,718	\$ 732,974	\$ (113,996)	\$ 46,049	\$ 681,803
Net income attributable to Ebix, Inc.	—	\$ —	\$ —	\$ 15,451	\$ —	\$ —	\$ 15,451
Net loss attributable to noncontrolling interest	—	\$ —	\$ —	\$ —	\$ —	\$ (428)	\$ (428)
Cumulative translation adjustment	—	\$ —	\$ —	\$ —	\$ (4,087)	\$ —	\$ (4,087)
Vesting of restricted stock	102,800	\$ 10	\$ (10)	\$ —	\$ —	\$ —	\$ —
Share based compensation	—	\$ —	\$ 1,317	\$ —	\$ —	\$ —	\$ 1,317
Forfeiture of certain shares to satisfy exercise costs and the recipients income tax obligations related to stock options exercised and restricted stock vested	(973)	\$ —	\$ (31)	\$ —	\$ —	\$ —	\$ (31)
Common stock dividends paid, \$0.075 per share	—	\$ —	\$ —	\$ (2,321)	\$ —	\$ —	\$ (2,321)
<b>Balance, September 30, 2021</b>	<u>30,684,387</u>	<u>\$ 3,068</u>	<u>\$ 14,994</u>	<u>\$ 746,104</u>	<u>\$ (118,083)</u>	<u>\$ 45,621</u>	<u>\$ 691,704</u>

	<u>Common Stock</u>						
	<u>Issued Shares</u>	<u>Amount</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Noncontrolling interest</u>	<u>Total</u>
<b>Balance, January 1, 2021</b>	30,515,334	\$ 3,052	\$ 11,126	\$ 700,304	\$ (101,503)	\$ 47,125	\$ 660,104
Net income attributable to Ebix, Inc.	—	—	—	52,763	—	—	52,763
Net loss attributable to noncontrolling interest	—	—	—	—	—	(1,504)	(1,504)
Cumulative translation adjustment	—	—	—	—	(16,580)	—	(16,580)
Vesting of restricted stock	174,012	17	(17)	—	—	—	—
Share based compensation	—	—	4,034	—	—	—	4,034
Forfeiture of certain shares to satisfy exercise costs and the recipients' income tax obligations related to stock options exercised and restricted stock vested	(4,959)	(1)	(149)	—	—	—	(150)
Common stock dividends paid, \$0.075 per share	—	—	—	(6,963)	—	—	(6,963)
<b>Balance, September 30, 2021</b>	<u>30,684,387</u>	<u>3,068</u>	<u>14,994</u>	<u>746,104</u>	<u>(118,083)</u>	<u>45,621</u>	<u>691,704</u>

See accompanying notes to the condensed consolidated financial statements.

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

	<b>Nine Months Ended</b>	
	<b>September 30,</b>	
	<b>2022</b>	<b>2021</b>
<b>Cash flows from operating activities:</b>		
Net income attributable to Ebix, Inc.	\$ 56,784	\$ 52,763
Net loss attributable to noncontrolling interest	(2,029)	(1,504)
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Amortization and depreciation	13,660	11,619
Provision (benefit) for deferred taxes	(25,361)	(3,698)
Share-based compensation	2,905	4,034
(Benefit) provision for doubtful accounts	1,687	(2,742)
Amortization of right-of-use assets	2,633	3,462
Amortization of capitalized software development costs	2,246	2,487
<b>Changes in assets and liabilities, net of effects from acquisitions:</b>		
Accounts receivable	(15,994)	(3,078)
Receivables from service providers	(104)	(11,371)
Payables to service agents	7,330	2,640
Other assets	1,577	(6,658)
Accounts payable and accrued expenses	(3,195)	(1,711)
Accrued payroll and related benefits	(736)	(2,929)
Contract liabilities	2,415	(316)
Lease liabilities	(2,532)	(3,179)
Reserve for potential uncertain income tax return positions	—	789
Other liabilities	3,807	(782)
<b>Net cash provided by operating activities</b>	<b>45,093</b>	<b>39,826</b>
<b>Cash flows from investing activities:</b>		
Capitalized software development costs	(5,676)	(4,552)
Maturities (purchases) of unrestricted marketable securities, net	(4,518)	11,856
Capital expenditures	(12,671)	(5,325)
<b>Net cash (used in) provided by investing activities</b>	<b>(22,865)</b>	<b>1,979</b>
<b>Cash flows from financing activities:</b>		
Principal payments of term loan obligation	(23,464)	(36,945)
Forfeiture of certain shares to satisfy exercise costs and the recipients' income tax obligations related to stock options exercised and restricted stock vested	(107)	(150)
Dividend payments	(6,954)	(6,963)
Payments of debt obligations, net	(1,953)	(205)
(Payments) of/Borrowings under working capital facility, net	868	(8,581)
Payments of financing lease obligations, net	(147)	(102)
<b>Net cash used in financing activities</b>	<b>(31,757)</b>	<b>(52,946)</b>
Effect of foreign exchange rates on cash	(21,252)	(5,222)
<b>Net change in cash and cash equivalents, and restricted cash</b>	<b>(30,781)</b>	<b>(16,363)</b>
Cash and cash equivalents, and restricted cash at the beginning of the period	114,764	120,213
<b>Cash and cash equivalents, and restricted cash at the end of the period</b>	<b>\$ 83,983</b>	<b>\$ 103,850</b>
<b>Supplemental disclosures of cash flow information:</b>		
Interest paid	\$ 32,989	\$ 24,118
Income taxes paid	\$ 28,875	\$ 14,430

See accompanying notes to the condensed consolidated financial statements.

**Supplemental schedule of noncash financing activities:**

During the nine months ended September 30, 2022, there were 3,914 shares, totaling \$107 thousand, used to satisfy exercise costs and the recipients' income tax obligations related to stock options exercised and restricted stock vesting.

During the nine months ended September 30, 2021, there were 4,959 shares, totaling \$150 thousand, used to satisfy exercise costs and the recipients' income tax obligations related to stock options exercised and restricted stock vesting.

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

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

**Description of Business** — Ebix, Inc., and its subsidiaries, (“Ebix” or the “Company”, "we", "us", and "our") is a leading international supplier of on-demand infrastructure exchanges to the insurance, financial services, travel, and healthcare industries. In the insurance industry, the Company’s main focus is to develop and deploy a wide variety of insurance and reinsurance exchanges on an on-demand basis using software-as-a-service ("SaaS") enterprise solutions in the areas of customer relationship management ("CRM"), front-end and back-end systems, and outsourced administrative and risk compliance. The Company's products feature fully customizable and scalable software solutions designed to streamline the way insurance and financial industry professionals manage distribution, marketing, sales, customer service, and accounting activities. With a "Phygital" strategy that combines physical distribution outlets in India and many Association of Southeast Asian Nations ("ASEAN") countries to an Omni-channel online digital platform, the Company’s EbixCash financial exchange portfolio of software and services encompasses domestic and international money remittance, foreign exchange ("Forex"), travel, pre-paid gift cards, utility payments, lending, and wealth management in India and other ASEAN markets. The Company has its headquarters in Johns Creek, Georgia and also conducts operating activities in Australia, Brazil, Canada, India, Indonesia, New Zealand, the Philippines, Singapore, the United Arab Emirates, and the United Kingdom. International revenue accounted for 85.6% and 84.3% of the Company’s total revenue for the nine months ended September 30, 2022 and 2021, respectively.

**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 three and nine months ended September 30, 2022 and 2021 are not necessarily indicative of the results that may be expected for future quarters or the full year of 2022. The condensed consolidated December 31, 2021 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 consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021.

**Use of Estimates** — The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and reported amounts of revenue and expenses during those reporting periods. Management has made material estimates primarily with respect to revenue recognition and contract liabilities, accounts receivable, acquired intangible assets, annual impairment reviews of goodwill and indefinite-lived intangible assets, contingent earn out liabilities in connection with business acquisitions, and the provision for income taxes. Actual results may be different from those estimates.

**Reclassification** — Certain prior year amounts have been reclassified to be consistent with current year presentation within our financial statements.

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

**Short-Term Investments** — The Company's primary short-term investments consist of certificates of deposit with established commercial banking institutions in India that have readily determinable fair values. Ebix accounts for such investments that are reasonably expected to be realized in cash, sold, or consumed during the year as short-term investments that are available-for-sale. The carrying amount of investments in marketable securities approximates their fair value. The carrying value of short-term investments was \$19.7 million and \$16.5 million at September 30, 2022 and December 31, 2021, respectively.

**Restricted Cash** — The carrying value of our restricted cash in current assets was \$8.0 million and \$9.1 million at September 30, 2022 and December 31, 2021, respectively. The September 30, 2022 balance consists of fixed deposits (many in the form of certificates of deposit) pledged with banks for issuance of bank guarantees and letters of credit related to our India operations for our working capital facilities.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the condensed consolidated balance sheets to the amounts shown in the condensed consolidated statements of cash flows:

	As of	
	September 30,	
	2022	2021
	(In thousands)	
Cash and cash equivalents	\$ 70,977	\$ 87,671
Restricted cash	7,990	8,817
Restricted cash included in other long-term assets	5,016	7,362
<b>Total cash, cash equivalents, and restricted cash shown in the condensed consolidated statement of cash flows</b>	<b>\$ 83,983</b>	<b>\$ 103,850</b>

**Fiduciary Funds - Restricted** — Due to EbixHealth JV being a third party administrator ("TPA"), the Company collects premiums from insureds and, after deducting its fees, remits these premiums to insurance companies. Unremitted insurance premiums and/or claim funds established for the benefit for various carriers are held in a fiduciary capacity until disbursed by the Company. The use of premiums collected from insureds but not yet remitted to insurance companies is restricted by law in certain states. The total assets held on behalf of others, \$2.0 million and \$2.0 million at September 30, 2022 and December 31, 2021, respectively, are recorded as an asset and offsetting fiduciary funds - restricted liability.

**Advertising** — Advertising costs amounted to \$2.4 million and \$6.7 million for the three and nine month period ended September 30, 2022, respectively, and \$1.5 million and \$4.4 million for the three and nine month period ended September 30, 2021, respectively. The costs are included in sales and marketing expenses in the accompanying condensed consolidated statements of income. The Company expenses advertising costs as incurred.

**Fair Value of Financial Instruments** — The Company follows the relevant GAAP guidance regarding the determination and measurement of the fair value of assets/liabilities in which fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction valuation hierarchy, which requires an entity to maximize the use of observable inputs when measuring fair value. This guidance establishes a three-level hierarchy for disclosure of assets and liabilities recorded at fair value. The hierarchy reflects the degree to which objective data from external active markets are available to measure fair value. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. The classifications are as follows:

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

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, 2022, the Company had the following financial instruments to which it had to consider both fair values and make fair value assessments:

- Short-term investments (commercial bank certificates of deposits and mutual funds), for which the fair values are measured as a Level 1 instrument for mutual funds and a Level 2 instrument for certificates of deposit.

- Contingent accrued earn-out business acquisition consideration liabilities, for which fair values are measured as Level 3 instruments. These contingent consideration liabilities were recorded at fair value on the acquisition date and are re-measured quarterly based on the then assessed fair value and adjusted if necessary. The increases or decreases in the fair value of contingent consideration 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, 2022 that require disclosure of fair values include: cash and cash equivalents, restricted cash, fiduciary funds, accounts receivable, receivables from service providers, accounts payable and accrued expenses, accrued payroll and related benefits, payables to service agents, finance lease obligations, working capital facilities, the revolving line of credit, and term loan debt. The Company believes that the estimated fair value of such instruments at September 30, 2022 and December 31, 2021 approximates their carrying value as reported on the Company's condensed consolidated balance sheets.

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

Descriptions	Fair Values at Reporting Date Using*			
	Balance, September 30, 2022	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)				
<b>Assets</b>				
Commercial bank certificates of deposits (\$6.6 million is recorded in the long term asset section of the condensed consolidated balance sheets in "Other assets")	\$ 26,306	\$ —	\$ 26,306	\$ —
Mutual funds (recorded in the long term asset section of the condensed consolidated balance sheets in "Other assets")	98	98	—	—
<b>Total assets measured at fair value</b>	<b>\$ 26,404</b>	<b>\$ 98</b>	<b>\$ 26,306</b>	<b>\$ —</b>
<b>Liabilities</b>				
Contingent accrued earn-out acquisition consideration (a)	\$ 2,332	\$ —	\$ —	\$ 2,332
<b>Total liabilities measured at fair value</b>	<b>\$ 2,332</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 2,332</b>

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

\* During the nine months ended September 30, 2022, there were no transfers between fair value Levels 1, 2, or 3.

Descriptions	Fair Values at Reporting Date Using*			
	Balance, December 31, 2021	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)				
<b>Assets</b>				
Commercial bank certificates of deposits (\$6.3 million is recorded in the long term asset section of the condensed consolidated balance sheets in "Other assets")	\$ 31,676	\$ —	\$ 31,676	\$ —
Mutual funds	\$ 167	\$ 167	\$ —	\$ —
<b>Total assets measured at fair value</b>	<b>\$ 31,843</b>	<b>\$ 167</b>	<b>\$ 31,676</b>	<b>\$ —</b>
<b>Liabilities</b>				
Contingent accrued earn-out acquisition consideration (a)	\$ 2,557	\$ —	\$ —	\$ 2,557
<b>Total liabilities measured at fair value</b>	<b>\$ 2,557</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 2,557</b>

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

\* During the year ended December 31, 2021, 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, 2022 and during the year ended December 31, 2021:

**Fair Value Measurements Using Significant Unobservable Inputs (Level 3)**

<b>Contingent Liability for Accrued Earn-out Acquisition Consideration</b>	<b>September 30, 2022</b>		<b>December 31, 2021</b>	
	<b>(In thousands)</b>			
Beginning balance	\$	2,557	\$	—
Total remeasurement adjustments:				
Remeasurement against goodwill		—		2,560
Foreign currency translation adjustments **		(225)		(3)
Acquisitions and settlements				
Business settlements		—		—
Ending balance	\$	2,332	\$	2,557
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.				
	\$	—	\$	—

\*\* 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:

<b>(In thousands)</b>	<b>Fair Value at September 30, 2022</b>	<b>Valuation Technique</b>	<b>Significant Unobservable Input</b>
Contingent acquisition consideration:	\$2,332	Discounted cash flow	Projected revenue and probability of achievement

<b>(In thousands)</b>	<b>Fair Value at December 31, 2021</b>	<b>Valuation Technique</b>	<b>Significant Unobservable Input</b>
Contingent acquisition consideration:	\$2,557	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 considers the probability of achievement of those revenue forecasts. The Company applies these inputs in its calculation and determination of the fair value of contingent earn-out liabilities for purchased businesses. During 2021, 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 preliminary.



**Revenue Recognition and Contract Liabilities** — The Company derives its revenues primarily from software subscription and transaction fees, software license fees, financial transaction fees, risk compliance solution services fees, and professional service fees, 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.

The Company determines revenue recognition by applying the following steps:

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

The Company analyzes its different services individually to determine the appropriate basis for revenue recognition, as further described below. Additionally, certain services exist in multiple channels. As Ebix derives revenues from three product/service channels, EbixCash Exchanges, Insurance Exchanges, and Risk Compliance Solutions, for policy disclosure purposes, contracts are discussed in conjunction with the channel to which they are most significant.

The Company assesses the terms of customer contracts, including termination rights, penalties (implied or explicit), and renewal rights.

### **EbixCash Exchanges ("EbixCash")**

EbixCash revenues are primarily derived from the sales of prepaid gift cards and consideration paid by customers for financial transaction services, including services for transferring or exchanging money. The significant majority of EbixCash revenue is for a single performance obligation and is recognized at a point in time. These revenues vary by transaction based upon channel, send and receive locations, the principal amount sent, whether the money transfer involves different send and receive currencies, and speed of service, as applicable.

EbixCash also offers several other services, including payment services and ticketing and travel services, for which revenue is impacted by various factors. EbixCash acts as the principal in most transactions and reports revenue on a gross basis, as EbixCash controls the service at all times prior to transfer to the customer, is primarily responsible for fulfilling the customer contracts, has the risk of loss, and has the ability to establish transaction prices. The main services from which EbixCash derives revenue are as follow:

#### *Gift Cards*

EbixCash sells general purpose prepaid gift cards to corporate customers and consumers that can be later redeemed at various merchants. The gift cards are co-branded between EbixCash and its card-issuing banking partners and are affiliated with major payment associations such as VISA, MasterCard, and Rupay. The gift cards are sold to a diversified set of corporate customers from various industries. The gift cards are used by corporate customers to disburse incentives to the end users, which are primarily their employees, agents, and business associates. The gift cards sold by EbixCash are not reloadable, cannot be used at ATMs or for any other cash-out or funds transfer transactions, and are subject to maximum limits per card (currently INR10,000 or approximately \$130). Gift cards issued by EbixCash are valid for a period of fifteen months from the date of issuance for virtual cards and three years for physical cards. EbixCash has entered into arrangements with banks and financial institutions to settle payments to merchants based on utilization of the gift cards.

The Company has end-to-end responsibilities related to the gift cards sold, from the activation and ongoing utilization of the gift cards to customer service responsibilities to risk of loss due to fraud on the gift cards sold. EbixCash acts as principal in the sale of gift cards, and, thus, gift card revenue is recognized on a gross basis (full purchase value at the time of sale) with the corresponding cost of the gift cards recorded as cost of services provided. Unredeemed gift cards at September 30, 2022 totaled approximately \$7.7 million and are recorded as deferred revenues in the financial results.

### *EbixCash Travel Exchanges*

EbixCash Travel revenues are primarily derived from commissions and transaction fees received from various travel providers and international exchanges involved in the sale of travel to the consumer. EbixCash Travel revenue is for a single performance obligation and is recognized at a point in time. Travel revenues include: (i) reservation commissions, segment fees from global travel exchange providers, and transaction net revenues (i.e., the amount charged to travelers less the amount owed to travel service providers) in connection with our reservation services; (ii) ancillary fees, including travel insurance-related revenues and certain reservation booking fees; and (iii) credit card processing rebates and customer processing fees. EbixCash Travel services include the sale of hotel rooms, airline tickets, bus tickets, and train tickets. EbixCash Travel revenue is also derived from ticket sales, wherein the commissions payable to EbixCash Travel, along with any transaction fees paid by travel providers and travel exchanges, is recognized as revenue after completion of the service. The transaction price on such services is agreed upon at the time of the purchase.

EbixCash Travel revenue for the corporate meetings, incentives, conferences, and exhibitions ("MICE") packages is recognized at full purchase value at the completion of the obligation, with the corresponding costs recorded under cost of services provided. For MICE revenues, EbixCash Travel acts as the principal in transactions and, accordingly, reports revenue on a gross basis. EbixCash Travel controls the service at all times prior to transfer to the customer, is responsible for fulfilling the customer contracts, has the risk of loss, and has the ability to establish transaction prices.

### *EbixCash Money Transfer*

For the EbixCash money transfer business, EbixCash has one performance obligation whereupon the customer engages EbixCash to perform one integrated service. This typically occurs instantaneously when the beneficiary entitled to receive the money transferred by the sender visits the EbixCash outlet and collects the money. Accordingly, EbixCash recognizes revenue upon completion of the following: (i) the customer's acknowledgment of EbixCash's terms and conditions and the receipt of payment information; (ii) the money transfer has been processed; (iii) the customer has received a unique transaction identification number; and (iv) funds are available to be picked up by the beneficiary. The transaction price is comprised of a transaction fee and the difference between the exchange rate set by EbixCash to the customer and the rate available in the wholesale foreign exchange market, as applicable, both of which are readily determinable at the time the transaction is initiated.

### *Foreign Exchange and Outward Remittance Services*

For EbixCash's foreign exchange and payment services, customers agree to terms and conditions for all transactions, either at the time of initiating a transaction or signing a contract with EbixCash to provide payment services on the customer's behalf. In the majority of EbixCash's foreign exchange and payment services transactions, EbixCash makes payments to the recipient to satisfy its performance obligation to the customer, and, therefore, EbixCash recognizes revenue on foreign exchange and payment when this performance obligation has been fulfilled.

### *Consumer Payment Services*

EbixCash offers several different bill payment services that vary by considerations, including among other factors: (i) who pays the fee to EbixCash (consumer or biller); (ii) whether the service is offered to all consumers; (iii) whether the service is restricted to existing biller relationships of EbixCash; and (iv) whether the service utilizes a physical agent network offered for consumers' convenience. The determination of which party is EbixCash's customer for revenue recognition purposes is based on these considerations for each of EbixCash's bill payment services. For all transactions EbixCash's customers agree to EbixCash's terms and conditions, either at the time of initiating a transaction (where the consumer is determined to be the customer for revenue recognition purposes) or upon signing a contract with EbixCash to provide services on the biller's behalf (where the biller is determined to be the customer for revenue recognition purposes). As with consumer money transfers, customers engage EbixCash to perform one integrated service - collecting money from the consumer and processing the bill payment transaction. This service provides the billers real-time or near real-time information regarding their customers' payments and simplifies the billers' collection efforts. The transaction price on bill payment services is contractual and determinable. Certain biller agreements may include per-transaction or fixed periodic rebates, which EbixCash records as a reduction to revenue.

### *EbixCash Technology Services*

EbixCash also offers on-demand technology to various providers in the area of lending, wealth and asset management, and travel across the world. Additionally, EbixCash provides IT and call center outsourcing services to companies in a variety

of industries, both in India and globally. The EbixCash technology software solutions are generally delivered on a SaaS subscription and/or transaction based pricing model. Please see below under "Insurance Exchanges" a description of revenue recognition policies for SaaS, Subscription, and Transaction Fees, which are similar to how EbixCash technology software solutions revenues are recognized. For IT and call center outsourcing services provided by EbixCash businesses, revenues are generally recognized on a time and materials or fixed fee basis. Revenues for time and materials are recognized as such services are rendered, while fixed fee revenues are recognized based on the input method driven by the expected hours to complete the project measured against the actual hours completed to date.

### **Insurance Exchanges**

Insurance Exchanges revenues are primarily derived from consideration paid by customers related to our SaaS platforms, related services, and the licensing of software. A typical contract for our SaaS platform will also include services for setup, customization, transaction processing, maintenance, and/or hosting. Determining whether products and services are considered distinct performance obligations that should be accounted for separately may require significant judgment. Set-up and customization services related to our SaaS platforms are not considered to be distinct from the usage fees associated with the SaaS platform and, accordingly, are accounted for as a single performance obligation. These services, along with the usage or transaction fees, are recognized over the contract duration, which considers the significance of the upfront fees in the context of the contract and which may, therefore, exceed the initial contracted term. A customer's transaction volume tends to remain fairly consistent during the contract period without significant fluctuations. The invoiced amount is a reasonable approximation of the revenue that would be allocated to the related period under the variable consideration guidelines in ASC 606-10-32-40. To the extent that a SaaS contract includes subscription services or professional services, apart from the upfront customization, these are considered separate performance obligations. The Company also has separate software licensing (on premise/perpetual), unrelated to the SaaS platforms, which is recognized at a point in time when the license is transferred to the customer.

Contracts generally do not contain a right of return or refund provisions. Our contracts often contain overage fees, contingent fees, or service level penalties which are accounted for as variable consideration. Revenue accounted for as variable consideration is immaterial and is recognized using the "right to invoice" practical expedient when the invoiced amount equals the value provided to the customer.

#### *Software-as-a-Service*

The Company allocates the transaction price to each distinct performance obligation using the relative stand-alone selling price. Determining the stand-alone selling price may require significant judgment. The stand-alone selling price is the price at which an entity has sold or would sell a promised good or service separately to a customer. The Company determines the stand-alone selling price based on observable price of products or services sold separately in comparable circumstances, when such observable prices are available. When standalone selling price is not directly observable, the Company estimates the stand-alone selling price using the market assessment approach by considering historical pricing and other market factors.

#### *Software Licenses*

Software license revenues attributable to a software license that is a separate performance obligation are recognized at the point in time that the customer obtains control of the license.

#### *Subscription Services*

Subscription services revenues are associated with performance obligations that are satisfied over specific time periods and primarily consist of post-contract support services. Revenue is generally recognized ratably over the contract term. Our subscription contracts are generally for an initial three-year period with subsequent one-year automatic renewals.

#### *Transaction Fees*

Transaction revenue is comprised of fees applied to the volume of transactions that are processed through our SaaS platforms. These fees are typically based on a per-transaction rate and are invoiced for the same period in which the transactions were processed and as the performance obligation is satisfied. The amount invoiced generally equals the value provided to the customer, and revenue is typically recognized when invoiced using the as-invoiced practical expedient.

#### *Professional Services*

Professional service revenue primarily consists of fees for setup, customization, training, or consulting services. Professional service fees are generally on a time and materials basis or a fixed fee basis. Revenues for time and materials are recognized as such services are rendered, while fixed fee revenues are recognized based on the input method that is driven by the expected hours to complete the project measured against the actual hours completed to date. Professional services, particularly related to SaaS platforms, may have significant dependencies on the related licensed software and may not be considered a distinct performance obligation.

### **Risk Compliance Solutions ("RCS")**

RCS revenues consist of two revenue streams - certificates of insurance ("COI") and consulting services. COI revenues are derived from consideration paid by customers for the creation and tracking of certificates of insurance. These revenues are transaction-based. Consulting services revenues are driven by distinct consulting service engagements rendered to customers, for which revenues are recognized using the output method on a time and material basis as the services are performed.

#### *COI Creation and Tracking*

The Company provides services to issue and track certificates of insurance in the U.S. and Australian markets. Revenue is derived from transaction fees for each certificate issued or tracked. The Company recognizes revenue at the issuance of each certificate or over the period the certificate is being tracked.

#### *Consulting Services*

The Company provides consulting services to clients around the world for project management and development. Consulting services fees are generally earned on a time and materials basis or a fixed fee basis. Revenues for time and materials are recognized using an output method as the services are rendered, while fixed fee revenues are recognized based on the input method that is driven by the expected hours to complete the project measured against the actual hours completed to date.

### **Disaggregation of Revenue**

The following tables present revenue disaggregated by primary geographical regions and product/service channels for the three and nine months ended September 30, 2022 and 2021:

<b>Revenue:</b>	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>(In thousands)</b>			
India*	\$ 196,863	\$ 132,919	\$ 611,560	\$ 553,072
United States	37,596	38,286	114,392	114,073
Australia	7,865	8,625	24,813	26,997
Europe	3,883	4,087	11,990	12,255
Latin America	4,686	3,021	13,639	9,215
Canada*	1,338	1,371	4,213	4,117
Singapore*	1,153	756	3,338	2,950
Indonesia*	1,861	335	5,135	1,199
Philippines*	1,110	395	2,610	1,222
New Zealand	484	474	1,493	1,516
United Arab Emirates*	1,065	1,467	1,755	1,495
	<b>\$ 257,904</b>	<b>\$ 191,736</b>	<b>\$ 794,938</b>	<b>\$ 728,111</b>

\*Includes India led businesses for which total revenue was \$201.1 million and \$621.7 million for the three and nine months ended September 30, 2022, respectively, and \$135.3 million and \$557.8 million for the three and nine months ended September 30, 2021, respectively.

The Company’s revenues are derived from three product/service groups: EbixCash Exchanges, Insurance Exchanges, and Risk Compliance Solutions.

Presented in the table below is the breakout of our revenue groups for each of those product/service channels for the three and nine months ended September 30, 2022 and 2021.

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>(In thousands)</b>			
EbixCash Exchanges	\$196,113	\$131,571	\$608,906	\$549,876
Insurance Exchanges	41,283	42,199	127,349	126,885
Risk Compliance Solutions	20,508	17,966	58,683	51,350
<b>Totals</b>	<b>\$ 257,904</b>	<b>\$ 191,736</b>	<b>\$ 794,938</b>	<b>\$ 728,111</b>

***Costs to Obtain and Fulfill a Contract***

The Company’s capitalized costs are primarily derived from the fulfillment of SaaS-related setup and customizations, from which the customer receives benefit through continued access to and use of the SaaS product platforms. In accordance with the guidance in ASC 340-40-25-5, we capitalize the costs directly related to the setup and development of these customizations, which satisfy the Company’s performance obligation with respect to access to the Company’s underlying product platforms. The capitalized costs primarily consist of the salaries of the developers directly involved in fulfilling the project and are solely based on the time spent on that project. The Company amortizes the capitalized costs ratably over the expected useful life of the related customizations, matching our treatment for the related revenue, and the capitalized costs are recoverable from profit margin included in the contract. At September 30, 2022 and December 31, 2021, the Company had \$482 thousand and \$910 thousand, respectively, of contract costs in “Other current assets” and \$768 thousand and \$912 thousand, respectively, in “Other assets” on the Company’s condensed consolidated balance sheets.

	<b>September 30, 2022</b>		<b>December 31, 2021</b>	
	<b>(Unaudited)</b>			
	<b>(In thousands)</b>			
Balance, beginning of period	\$	1,822	\$	1,630
Costs recognized from the beginning balance		(852)		(534)
Additions, net of costs recognized		280		726
Balance, end of period	\$	1,250	\$	1,822

***Contract Liabilities***

Contract liabilities include payments or billings that have been received or made prior to performance. In certain cases, cash collections pertain to maintenance and support fees, initial setup or registration fees under hosting agreements, software license fees received in advance of delivery and acceptance, and software development fees paid in advance of completion and delivery. Approximately \$7.8 million and \$6.3 million of contract liabilities were included in billed accounts receivable as of September 30, 2022 and December 31, 2021, respectively.

The Company records contract liabilities when it receives payments or invoices in advance of the performance of services. A significant portion of this balance relates to contracts where the customer has paid in advance for the use of the Company’s SaaS platforms over a specified period of time. This portion is recognized as the related performance obligation is fulfilled (generally less than one year). Part of our performance obligation for these contracts consists of the requirement to provide our customers with continued access to, and use of, our SaaS platforms and associated customizations. Without continued access to the SaaS platform, the customizations have no separate benefit to the customer. Our customers simultaneously receive and consume the benefits as we provide access over time. The remaining portion of the contract liabilities balance consists primarily of customer-specific customizations that are not distinct from related performance obligations that transfer over time. This portion is recognized over the expected useful life of the customizations.

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
	<b>(Unaudited)</b>	
	<b>(In thousands)</b>	
Balance, beginning of period	\$ 41,357	\$ 40,930
Revenue recognized from beginning balance	(59,110)	(30,922)
Additions, net of revenue recognized and currency translation	59,385	31,349
Balance, end of period	<u>\$ 41,632</u>	<u>\$ 41,357</u>

**Accounts Receivable and the Allowance for Doubtful Accounts** — As of September 30, 2022, reported accounts receivable of \$156.1 million (net of \$18.8 million allowance for doubtful accounts receivable) includes \$56.1 million of contract assets. As of December 31, 2021, reported accounts receivable of \$153.6 million (net of \$19.9 million allowance for doubtful accounts receivable) includes \$50.1 million of contract assets. The Company records a contract asset when revenue recognized on a contract exceeds the billings. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional. These contract assets are primarily related to project-based revenue where we recognize revenue using the input method calculated using expected hours to complete the project measured against the actual hours completed to date. Management specifically analyzes accounts receivable, 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. The Company recognized bad debt expense (recovery) in the amount of \$(15) thousand and \$1.7 million for the three and nine month period ended September 30, 2022, respectively, and \$73 thousand and \$(2.7) million for the three and nine month period ended September 30, 2021, respectively.

**Capitalized Software Development Costs** — In accordance with ASC 350-40 "Internal-Use Software" and ASC 350-985 "Software" the Company expenses 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. The periodic expense for the amortization of previously capitalized software development costs is included in cost of services provided. See Note 10 "Capitalized Software Development Costs" for further details.

**Cost of Services Provided** — Cost of services provided consist of data processing costs, customer support costs (including personnel costs to maintain our proprietary databases), costs to provide customer call center support, hardware and software expense associated with transaction processing systems and exchanges, telecommunication and computer network expense, and occupancy costs associated with facilities where these functions are performed. Cost of services provided also includes the direct expenses associated with our services businesses, including the cost of prepaid gift cards, the cost of travel services provided and the cost of foreign exchange and remittance transactions. Depreciation expense is not included in cost of services provided.

**Goodwill and Indefinite-Lived Intangible Assets** — Goodwill represents the cost in excess of the fair value of the identifiable net assets from the businesses that we acquire. In accordance with ASC 350, "Goodwill and Other Intangible Assets" and ASU No. 2011-08, "Testing Goodwill for Impairment", goodwill is tested for impairment at the reporting unit level on an annual basis or on an interim basis if an event occurred or circumstances change that would indicate that fair value of our reporting unit decreased below its carrying value. Potential impairment indicators include a significant change in the business climate, legal factors, operating performance indicators, competition, customer retention, and the sale or disposition of a significant portion of the business. The Company applies the accounting guidance concerning goodwill impairment evaluation, whereby the Company first assesses certain qualitative factors to determine whether the existence of events or circumstances would indicate that it is more likely than not that the fair value of a reporting unit was less than its carrying amount. If after assessing the totality of events and circumstances, we were to determine that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then we would perform quantitative impairment testing.

We perform our annual goodwill impairment evaluation and testing as of October 1st of each year or, when events or circumstances dictate, more frequently. No goodwill impairments occurred or were recognized in 2021 or in the nine months ended September 30, 2022.

The Company considered the guidance within ASC 350 "Goodwill and Other Intangible Assets" and ASC 280 "Segment Reporting" in concluding that Ebix effectively operates as one operating and reportable segment and one reporting unit.



The Company's indefinite-lived assets are primarily associated with the estimated fair value of the contractual customer relationships existing with the property and casualty ("P&C") insurance carriers in Australia using the Company's P&C data exchange. Indefinite-lived intangible assets are not amortized, but rather are tested for impairment annually and tested on an interim basis if a triggering event has occurred.

**Finite-lived Intangible Assets** — Purchased intangible assets represent the estimated acquisition date fair value of customer relationships, developed technology, trademarks, non-compete agreements, and other intangibles described below 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)
Airport contracts	9
Backlog	1 - 1.5
Brand	3 - 15
Customer relationships	4 - 20
Database	10
Dealer networks	15 - 20
Developed technology	3 - 15
Non-compete agreements	5 - 7
Store networks	5
Trademarks	3 - 15

**Foreign Currency Translation** — The functional currency is the U.S. Dollar for the Company's foreign subsidiaries in Dubai and Singapore.

During the three months ended September 30, 2022, the net change in the cumulative foreign currency translation account, which is a component of accumulated other comprehensive loss within stockholders' equity, was an unrealized loss of \$35.5 million, which was primarily caused by the 2.7% weakening of the Indian rupee.

During the nine months ended September 30, 2022, the net change in the cumulative foreign currency translation account, which is a component of accumulated other comprehensive loss within stockholders' equity, was an unrealized loss of \$90.1 million, which was primarily caused by the 5.9% weakening of the Indian rupee.

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

**Recent Relevant Accounting Pronouncements** — Since December 31, 2021 there have not been any new released accounting pronouncements that are material to our unaudited condensed consolidated financial statements, or are expected to have a material impact on our business.

## Note 2: Earnings per Share

A reconciliation between basic and diluted earnings per share ("EPS") is as follows:

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>(In thousands, except per share data)</b>			
Net income attributable to Ebix, Inc.	<b>\$ 18,250</b>	<b>\$ 15,451</b>	<b>\$ 56,784</b>	<b>\$ 52,763</b>
Basic weighted average shares outstanding	30,777	30,646	30,745	30,595
Dilutive effect of stock options and restricted stock awards	6	55	3	55
Diluted weighted average shares outstanding	30,783	30,701	30,748	30,650
Basic earnings per common share	<b>\$ 0.59</b>	<b>\$ 0.50</b>	<b>\$ 1.85</b>	<b>\$ 1.72</b>
Diluted earnings per common share	<b>\$ 0.59</b>	<b>\$ 0.50</b>	<b>\$ 1.85</b>	<b>\$ 1.72</b>

The number of potential issuable shares with respect to stock options, which could dilute EPS in the future but which were excluded from the diluted EPS calculation because presently their effect is anti-dilutive for the three and nine month period ended September 30, 2022 were 180,000 and 180,000, respectively, and for the three and nine month period ended September 30, 2021 were 177,000 and 177,000 respectively.

## Note 3: Business Combinations

As part of its comprehensive business growth and expansion strategy, the Company seeks to execute accretive business acquisitions that are, in most cases, complementary to Ebix's existing products and services.

During the nine months ending September 30, 2022, the Company completed no business acquisitions.

During the twelve months ended December 31, 2021, the Company completed no business acquisitions.

A significant component of the purchase price consideration for many of the Company's business acquisitions is a potential subsequent cash earn-out payment based on reaching certain specified future revenue targets. The terms for the contingent earn-out payments in most of the Company's business acquisitions typically address the GAAP recognizable revenues achieved by the acquired entity over a one-, two-, and/or three-year period subsequent to the effective date of their acquisition by Ebix. These terms typically establish a minimum threshold revenue target to achieve over the agreed upon period post acquisition to earn the 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. As of September 30, 2022, the total of these contingent consideration liabilities was \$2.3 million, while at December 31, 2021, the total of these contingent consideration liabilities was \$2.6 million.

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 (including identified intangible assets acquired) and liabilities assumed is recorded as goodwill.

## Note 4: Debt

The Company maintains a senior secured syndicated credit facility, dated August 5, 2014, among Ebix, Inc., as borrower, its subsidiaries party thereto from time to time as guarantors, Regions Bank (as administrative agent and collateral



agent) and the lenders party thereto from time to time (as amended from time to time, the "Credit Facility") that provides a \$450 million revolving line of credit (the "Revolver") as well as a term loan (the "Term Loan"), which at September 30, 2022 had a balance of \$189.4 million. The Credit Facility matures in February 2023 ("Credit Facility Maturity Date") and, as a result, at September 30, 2022 the outstanding balance of the Credit Facility, \$628.8 million, was classified as a current liability. The Company expects to address the Credit Facility maturity prior to the Credit Facility Maturity Date, and intends to do so in conjunction with the resolution of the anticipated IPO of EbixCash Limited, as further described within *Item 2 "Management's Discussion and Analysis of Financial Conditions and Results of Operations - Liquidity and Capital Resources"*. The refinancing of the Credit facility will require the Company to successfully access the debt and/or equity capital markets in the U.S. or internationally. However, there are no assurances that such financing will be available in amounts or on terms acceptable to us, if at all, or that the proceeds received by Ebix, Inc. from the IPO of EbixCash Limited will be in the amount currently expected. Further, no assurances can be given when the IPO will be completed, if at all, or if it will be completed on terms acceptable to the Company.

On April 9, 2021, The Company entered into Amendment No. 12 to its Credit Facility. Amendment No. 12 provided for, among other things, a waiver of any potential event of default arising under the Credit Facility from the failure to timely deliver the Company's audited financial consolidated financial statements and related compliance certificate for the year ended December 31, 2020, provided that there is no good faith determination by the requisite lenders under the Credit Facility of a "Material Circumstance" (as defined and further described in Amendment No. 12), which determination (if any) may only be made within a specified period described in Amendment No. 12 and is subject to certain cure rights of the Company. Amendment No. 12 also modified the applicable margin that applies from the date of the amendment forward, modified certain mandatory prepayment provisions, as well as certain other covenants related to restricted payments, investments and certain reporting requirements.

On March 31, 2021, Ebix entered into Amendment No. 11 to the Credit Facility. Amendment No. 11 provided, for, among other things, a limited waiver through April 10, 2021, of any potential event of default arising under the Credit Facility from failure to deliver the Company's audited consolidated financial statements and related compliance certificate for the year ended December 31, 2020. Amendment No. 11 also modified certain covenants contained in the Credit Facility, including with respect to certain permitted restricted payments and investments.

As of September 30, 2022, the Company's condensed consolidated balance sheets include \$3.0 million of remaining deferred financing costs in connection with the Credit Facility, which are being amortized as a component of interest expense through the Credit Facility Maturity Date. \$1.8 million of such deferred financing costs pertain to the Revolver, and \$1.2 million pertains to the Term Loan, which is netted against the current portion of the Term Loan as reported on the condensed consolidated balance sheets. At December 31, 2021, the Company's Consolidated Balance Sheets included \$4.7 million of remaining deferred financing costs in connection with the Credit Facility, with \$2.8 million pertaining to the Revolver, and \$1.9 million pertaining to the Term Loan, of which \$1.6 million was netted against the current portion of the Term Loan and \$261 thousand was netted against the long-term portion of the Term Loan as reported on the condensed consolidated balance sheets.

As of September 30, 2022, the outstanding balance on the Revolver was \$439.4 million and the Revolver carried an interest rate of 8.56% at September 30, 2022. The balance on the Revolver is included in the current liabilities section of the condensed consolidated balance sheets. During the nine months ended September 30, 2022, the average and maximum outstanding balances of the revolving line of credit component of the Credit Facility were both \$439.4 million. At December 31, 2021, the outstanding balance on the Revolver was \$439.4 million and the Revolver carried an interest rate of 5.50%. This balance was included in the long-term liabilities section of the condensed consolidated balance sheets. During 2021, the average and maximum outstanding balances on the Revolver were both \$439.4 million.

As of September 30, 2022, the outstanding balance on the Term Loan was \$189.4 million, of which \$189.4 million is due within the next twelve months. \$23.5 million of principal payments were made during the nine months ended September 30, 2022, of which \$20.7 million were scheduled amortization payments. This Term Loan also carried an interest rate of 8.56% at September 30, 2022. The Term Loan is included in the current liabilities section of the condensed consolidated balance sheets at September 30, 2022. At December 31, 2021, the outstanding balance on the Term Loan was \$212.9 million, of which \$28.2 million was due within twelve months. The Term Loan also carried an interest rate of 5.50% at December 31, 2021.

The Company maintains working capital debt facilities with banks in India for working capital funding requirements to support our foreign exchange and payment remittance businesses. We are required to extend short term credits to franchisee networks (B2B) and corporate customers. Additionally we are required to maintain minimum levels of foreign currency inventory across branches and airport operations. Typically, these facilities carry interest rates of 9.00% to 10%, are rupee-

denominated working capital lines, and are collateralized against the receivables of these businesses and existing foreign currency inventory on hand.

As of September 30, 2022 and December 31, 2021, the total of these working capital facilities was \$6.1 million and \$5.6 million, respectively, and is included in current liabilities in the Company's condensed consolidated balance sheets.

#### **Note 5: Commitments and Contingencies**

**Contingencies** — On February 22, 2021, Christine Marie Teifke, a purported purchaser of Ebix securities, filed a putative class action in the United States District Court for the Southern District of New York, captioned *Teifke v. Ebix, Inc., et. al.*, Case No. 1:21-cv-01589-JMF, on behalf of herself and others who purchased or acquired Ebix securities between November 9, 2020 and February 19, 2021. The complaint asserts claims against the Company, Robin Raina, and Steven M. Hamil (“Defendants”), for purported violations of Section 10(b) of the Securities Exchange Act of 1934, alleging that Ebix made false and misleading statements and failed to disclose material adverse facts about an audit of the company's gift card business in India and its internal controls over the gift and prepaid card revenue transaction cycle. The complaint alleges that Ebix's stock price fell as a result of the revelation that Ebix's independent auditor, RSM US LLP (“RSM”), had resigned, citing concerns with the company's internal controls and disagreements over other accounting issues. The complaint also asserts a claim against Robin Raina and Steven M. Hamil for purported violations of Section 20(a) of the Exchange Act arising out of the same facts. The complaint seeks, among other relief, damages and attorneys' fees and costs. On May 11, 2021, the court issued an order appointing Rahul Saraf, another purported purchaser of Ebix, Inc. securities, as lead plaintiff in the action, and the caption in the action was changed to *Saraf v. Ebix, Inc., et. al.*, Case No. 1:21-cv-01589-JMF (the “Class Action”).

On July 26, 2021, Lead Plaintiff filed an amended complaint in the Class Action, alleging similar violations of Sections 10(b) and 20(a) of the Exchange Act. On September 24, 2021, the Defendants moved to dismiss the amended complaint. On October 15, 2021, Lead Plaintiff filed a second amended complaint in the Class Action. Defendants moved to dismiss the second amended complaint and briefing on Defendants’ motion concluded on November 19, 2021.

On September 30, 2022, the Court dismissed the second amended complaint in its entirety for failure to state a claim but granted plaintiff's request for leave to file a third amended complaint on or before October 31, 2022. On October 31, 2022, Lead Plaintiff filed a third amended complaint, once again alleging similar violations of Sections 10(b) and 20(a) of the Exchange Act. Defendants deny any liability and intend to defend the action vigorously.

On May 14, 2021, Javier Calvo, a purported shareholder of the Company, filed a derivative action in the United States District Court for the Southern District of New York on behalf of Ebix captioned *Calvo v. Raina, et. al.*, Case No. 21-cv-4380-JMF (the “Calvo Action”), against individual defendants Robin Raina, Steven M Hamil, Hans U. Benz, Rolf Herter, Neil D. Eckert, Pavan Bhalla, Hans Ueli Keller, and George W. Hebard, and nominal defendant Ebix asserting claims related to the RSM resignation. The complaint asserts claims of breach of fiduciary duty against all of the individual defendants, and also asserts claims under Sections 10(b) and 21D of the Securities Exchange Act of 1934 for contribution against Robin Raina and Steven M Hamil. On July 7, 2021, the court granted a stipulation and order staying the Calvo Action pending the resolution of any motion(s) to dismiss the Class Action.

On July 13, 2021, Peter Votto, another purported Ebix shareholder, filed an additional derivative action in the United States District Court for the Southern District of New York on behalf of Ebix, captioned *Votto v. Raina, et. al.*, Case No. 21-cv-5982-JMF (the “Votto Action”), asserting claims against the same defendants as the Calvo Action. The complaint asserts claims relating to the RSM resignation against all of the individual defendants for breach of fiduciary duties, unjust enrichment, waste of corporate assets, and rescission under Section 29(b) of the Securities Exchange Act of 1934, and claims for contribution under Sections 10(b) and 21D of the Securities Exchange Act of 1934 against Robin Raina and Steven M Hamil. On July 23, 2021, the court granted a stipulation and order consolidating the Calvo and Votto Actions under the caption *In re Ebix Shareholders Derivative Litigation*, Case No. 21-cv-4380-JMF (the “Consolidated Derivative Action”). The July 7, 2021 order staying the Calvo Action pending the resolution of any motion(s) to dismiss the Class Action applied to the Consolidated Derivative Action. After the Court dismissed the Class Action but granted plaintiff leave to replead, the parties entered a stipulation agreeing to extend the stay of the Consolidated Derivative Action pending resolution of any motion to dismiss a third amended complaint in the Class Action. On October 20, 2022, the Court approved the stipulation staying the Consolidated Derivative Action.

On November 5, 2021, Daniel Lilienfeld, a purported shareholder of the Company, filed a derivative action in the United States District Court for the Northern District of Georgia on behalf of Ebix captioned *Lilienfeld v. Raina, et. al.*, Case No. 1:21-cv-04590-ELR (the “Lilienfeld Action”), asserting claims against the same defendants as the Consolidated Derivative Action. The complaint similarly asserts a claim of breach of fiduciary duty related to the RSM resignation against all of the individual defendants. On January 17, 2022, the parties filed a joint motion to stay the Lilienfeld Action pending the resolution of the motion to dismiss the Class Action. On January 18, 2022, the court issued an order denying the motion in favor of administratively closing the case pending a ruling on Defendants’ motion to dismiss the Class Action. On October 19, 2022, the parties filed a motion asking the court to extend the administrative closure of the Lilienfeld Action pending resolution of

any motion to dismiss a third amended complaint in the Class Action. On October 26, 2022, the Court approved the motion to extend the administrative closure of the Lilienfeld Action.

On December 29, 2021, Sunil Shah, a purported shareholder of the Company, filed a derivative action in the Superior Court of Fulton County of the State of Georgia on behalf of Ebix captioned Shah v. Raina, et. al., Civil Action File No. 2022-cv-358481 (the "Shah Action") against the same defendants as the Consolidated Derivative Action and Lilienfeld Actions. The complaint similarly asserts a claim of breach of fiduciary duty related to the RSM resignation against all of the individual defendants. On March 30, 2022, the court granted a joint motion to stay the Shah Action pending the resolution of the motion to dismiss the Class Action. On October 28, 2022, the parties filed a joint motion to extend the stay of the Shah Action pending resolution of any motion to dismiss a third amended complaint in the Class Action. The motion to extend the stay is currently pending the Court's approval.

On May 12, 2017, Ebix Software India Pvt. Ltd. ("EbixCash") entered into several agreements with the most prominent shareholders of Itz Cash Card Limited ("Itz"), the most relevant among these a stock purchase agreement (the "SPA"), to purchase a majority ownership stake in Itz. Further, as part of the overall purchase of Itz, a share purchase agreement between EbixCash and individual ESOP holders of Itz was entered into on July 7, 2017 (the "ESOP SPA") (with the SPA, the ESOP SPA, and the other purchase documents, collectively, the "Transaction Documents"). Part of the consideration for EbixCash's purchase of Itz consisted of two individual potential earn-out payments, the first for the period for the year ended March 31, 2019 (the "First Earn-Out") and the second for the following year, ending on March 31, 2020 (the "Second Earn-Out"). Neither the First Earn-Out nor the Second Earn-Out were achieved pursuant to the terms of the SPA. After correspondence between the parties between September 2019 and May 2020, the former shareholders of Itz ("Sellers") sent EbixCash notices of arbitration ("NOAs") under which they were availing themselves of the arbitration dispute provisions set forth in the Transaction Documents. Apart from the amounts claimed owed under the earn-out provisions, the Sellers also alleged in the NOAs other violations of the terms of the Transaction Documents, including, certain non-competition and restricted matter approval violations. The matter is under arbitration in accordance with the rules of the Singapore International Arbitration Centre. The Company believes that each of the Sellers claims is without merit and continues to defend its position vigorously. The Company believes that EbixCash has several viable counterclaims related to improper termination of the Transaction Documents and violation non-compete provisions.

The Company is involved in various other claims and legal actions arising in the ordinary course of business, which 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.

#### **Note 6: Income Taxes**

The Company recorded a net income tax expense of \$1.9 million (9.90%) and \$6.1 million (10.04%) during the three and nine months ended September 30, 2022, respectively, which included tax expense of \$0.7 million and \$1.4 million from certain discrete items related to stock compensation and uncertain tax positions during the three and nine months ended September 30, 2022, respectively. The income tax expense, exclusive of discrete items, was \$1.2 million (6.09%) and \$4.7 million and (7.77%) for the three and nine months ended September 30, 2022, respectively. The Company expects its full year effective tax rate to be in the range of 7% to 10%.

As of September 30, 2022 and December 31, 2021 a liability of \$6.4 million and \$6.2 million for uncertain tax positions is included in other long-term liabilities of the Company's condensed consolidated balance sheets. The Company increased this liability reserve during the nine months ended September 30, 2022 and September 30, 2021 by \$194 thousand and \$789 thousand, respectively. 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 within one reportable segment in which the results are regularly reviewed by the Company's Chief Executive Officer, its chief operating decision maker, as to performance and allocation of resources. External customer revenues in the tables below are attributed to a particular country based on whether the customer had a direct contract with the Company which was executed in that particular country for the sale of the Company's products/services from an Ebix subsidiary located in that country.

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

	<b>Nine Months Ended September 30, 2022</b>	<b>As of September 30, 2022</b>	<b>Nine Months Ended September 30, 2021</b>	<b>As of December 31, 2021</b>
	<b>External Revenues</b>	<b>Long-lived assets</b>	<b>External Revenues</b>	<b>Long-lived assets</b>
<b>(In thousands)</b>				
India*	\$ 611,560	\$ 668,990	\$ 553,072	\$ 693,709
United States	114,392	370,873	114,073	377,305
Australia	24,813	2,500	26,997	2,928
Europe	11,990	18,865	12,255	23,304
Latin America	13,639	12,541	9,215	12,696
Canada*	4,213	5,929	4,117	5,886
Singapore*	3,338	29,783	2,950	17,260
Indonesia*	5,135	16	1,199	95
Philippines*	2,610	561	1,222	1,824
New Zealand	1,493	222	1,516	367
United Arab Emirates*	1,755	53,719	1,495	54,254
Mauritius*	—	4,663	—	4,663
	<b>\$ 794,938</b>	<b>\$ 1,168,662</b>	<b>\$ 728,111</b>	<b>\$ 1,194,291</b>

\*Includes India led businesses for which total revenue was \$621.7 million, for the nine months ended September 30, 2022 and \$557.8 million for the nine months ended September 30, 2021.

#### **Note 8: Investment in Joint Ventures**

Effective February 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, 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 Ebix Vayam Limited JV into the Company's financial statements and separately reporting the Vayam minority, non-controlling interest in the joint venture's net income and equity. Vayam is also a customer of Ebix Vayam Limited JV, and, during the three and nine months ended September 30, 2022, Ebix Vayam Limited JV recognized \$284 thousand and \$897 thousand, respectively, of revenue from Vayam. During the three and nine months ended September 30, 2021, Ebix Vayam Limited JV recognized \$204 thousand and \$574 thousand, respectively, of revenue from Vayam. As of September 30, 2022, Ebix Vayam Limited JV had \$12.2 million of accounts receivable with Vayam, net of the estimated allowance for doubtful accounts receivable in the amount of \$5.7 million. As of December 31, 2021, Ebix Vayam Limited JV had \$17.0 million of accounts receivable with Vayam, net of the estimated allowance for doubtful accounts receivable in the amount of \$7 million.

Effective September 2015, Ebix and Independence Holding Company ("IHC") formed the joint venture EbixHealth JV. This joint venture was primarily established to promote and market an administrative data exchange for health insurance lines of business in the U.S. Ebix has a 51% equity interest in the joint venture and IHC has a 49% equity interest in the joint venture. Ebix is fully consolidating the operations of EbixHealth JV into the Company's financial statements and separately reporting EbixHealth JV non-controlling interest in the joint venture's net income and equity. IHC is also a customer of EbixHealth JV, and, during the three and nine months ended September 30, 2022, EbixHealth JV recognized \$284 thousand and \$897 thousand, respectively, of revenue from IHC. During the three and nine months ended September 30, 2021, EbixHealth JV recognized \$360 thousand and \$1.2 million, respectively, of revenue from IHC. As of September 30, 2022 and December 31, 2021, EbixHealth JV had \$79 thousand and \$154 thousand of accounts receivable from IHC, respectively. Furthermore, as a related party, IHC also has been and continues to be a customer of Ebix, and during the three and nine months ended September 30, 2022 the Company recognized \$24 thousand and \$64 thousand, respectively, of revenue from IHC. During the three and nine months ended September 30, 2021, the Company recognized \$32 thousand and \$75 thousand, respectively, of

revenue from IHC. As of September 30, 2022 and December 31, 2021, Ebix had \$11 thousand and \$83 thousand of accounts receivable with IHC. EbixHealth JV has a \$1.8 million note due to IHC. The Company recorded \$125 thousand in amortization expense related to the IHC customer relationship intangible during the three months ending September 30, 2022.

**Note 9: Goodwill, Finite-Lived, and Indefinite-Lived Intangibles**

Changes in the carrying amount of goodwill for the nine months ended September 30, 2022 and the year ended December 31, 2021 are reflected in the following table:

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
	<b>(Unaudited)</b>	
	<b>(In thousands)</b>	
Beginning Balance	\$ 939,249	\$ 949,037
Additions	—	—
Purchase accounting adjustments	—	1,201
Foreign currency translation adjustments	\$ (51,947)	(10,989)
Ending Balance	<u>\$ 887,302</u>	<u>\$ 939,249</u>

The carrying value of finite-lived and indefinite-lived intangible assets at September 30, 2022 and December 31, 2021 are as follows:

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
	<b>(Unaudited)</b>	
	<b>(In thousands)</b>	
Finite-lived intangible assets:		
Customer relationships	\$ 100,429	\$ 102,446
Developed technology	19,860	20,234
Dealer network	5,959	6,534
Airport contracts	4,049	4,441
Trademarks	2,625	2,696
Store networks	2,184	2,396
Brand	803	880
Non-compete agreements	705	721
Database	212	212
Backlog	140	140
Total intangibles	<u>136,966</u>	<u>140,700</u>
Accumulated amortization	<u>(98,941)</u>	<u>(93,905)</u>
Finite-lived intangibles, net	<u>\$ 38,025</u>	<u>\$ 46,795</u>
Indefinite-lived intangibles:		
Customer/territorial relationships	<u>\$ 16,647</u>	<u>\$ 16,647</u>

Amortization expense recognized in connection with acquired intangible assets was \$2.3 million and \$7.3 million for the three and nine month period ended September 30, 2022, respectively, and \$2.7 million and \$7.9 million for the three and nine month period ended September 30, 2021, respectively.

**Note 10: Capitalized Software Development Costs**



In accordance with ASC 350-40 “Internal-Use Software” and/or ASC 350-985 “Software”, the Company has capitalized certain software and product related development costs associated with the Company’s continuing medical education service offerings; development of the P&C underwriting insurance data exchange platform servicing the London markets; development of EbixCash’s SaaS based Asset Management and Collection platforms having global application; development of EbixCash’s single sign on agent and customer portal, including mobile application, and content development work related to the e-learning business of EbixCash. During the three and nine months ended September 30, 2022, the Company capitalized \$1.5 million and \$5.7 million, respectively, and, during the three and nine months ended September 30, 2021, the Company capitalized \$1.5 million and \$4.6 million, respectively, of such development costs. At September 30, 2022 and December 31, 2021, a total of \$23.7 million and \$21.6 million, respectively, of remaining unamortized development costs are reported on the Company’s condensed consolidated balance sheets.

During the three and nine months ended September 30, 2022, the Company recognized \$0.7 million and \$2.2 million, respectively, of amortization expense with regards to these capitalized software development costs, which is included in cost of services provided in the Company’s condensed consolidated statements of income. During the three and nine months ended September 30, 2021, related amortization expense was \$0.8 million and \$2.5 million, respectively. The capitalized continuing medical education product costs are being amortized using a three-year to five-year straight-line methodology and certain continuing medical education product costs are immediately expensed. The capitalized software development costs for the P&C underwriting insurance data exchange platform are being amortized over a period of five years. The capitalized software development costs related to EbixCash products mentioned above shall be amortized over a period of five years once the platforms/products are launched into the marketplace.

**Note 11: Other Current Assets**

Other current assets at September 30, 2022 and December 31, 2021 consisted of the following:

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
	<b>(Unaudited)</b>	
	<b>(In thousands)</b>	
Prepaid expenses	\$ 66,574	\$ 70,520
Sales taxes receivable from customers	3,031	5,058
Other third party receivables	1,049	3,921
Credit card merchant account balance receivable	694	681
Short term portion of capitalized costs to obtain and fulfill contracts	482	910
Accrued interest receivable	676	206
Other	5,501	3,093
Total	<u>\$ 78,007</u>	<u>\$ 84,389</u>

**Note 12: Leases**

The Company has operating and finance leases for office space, retail, data centers, and certain office equipment with expiration dates ranging through 2028 with various renewal options. Only renewal options that were reasonably assured to be exercised are included in the lease liability. At September 30, 2022, the maturity of lease liabilities under Topic 842 “Leases” are as follows:

Year	Operating Leases	Financing Leases	Total
	(in thousands)		
2022 (Remaining three months)	\$ 987	\$ 47	\$ 1,034
2023	3,633	158	3,791
2024	2,360	133	2,493
2025	1,749	19	1,768
2026	1,047	—	1,047
Thereafter	1,505	—	1,505
<b>Total</b>	<b>11,281</b>	<b>357</b>	<b>11,638</b>
Less: present value discount*	(1,397)	(20)	(1,417)
Present value of lease liabilities	<u>9,884</u>	<u>337</u>	<u>10,221</u>
Less: current portion of lease liabilities	(3,313)	(156)	(3,469)
Total long-term lease liabilities	<u>\$ 6,571</u>	<u>\$ 181</u>	<u>\$ 6,752</u>

\* The discount rate used was the incremental borrowing rates respective to the country where the assets are located.

The Company's net assets recorded under operating and finance leases were \$9.6 million and \$10.1 million as of September 30, 2022, and December 31, 2021, respectively. The lease cost is recognized in our condensed consolidated statements of income in the category of general and administrative and is summarized as follows:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2022	2021	2022	2021
	(in thousands)		(in thousands)	
Operating Lease Cost	\$ 1,001	\$ 1,109	\$ 2,980	\$ 3,873
Finance Lease Cost:				
Amortization of Lease Assets	41	48	135	146
Interest on Lease Liabilities	5	8	18	27
Finance Lease Cost	46	56	153	173
Sublease Income	(23)	(34)	(69)	(95)
<b>Total Net Lease Cost</b>	<b>\$ 1,024</b>	<b>\$ 1,131</b>	<b>\$ 3,064</b>	<b>\$ 3,951</b>

Other information about lease amounts recognized in our condensed consolidated statement of income is summarized as follows:

	September 30, 2022
Weighted Average Lease Term - Operating Leases	4.1 years
Weighted Average Lease Term - Finance Leases	2.2 years
Weighted Average Discount Rate - Operating Leases	7.9 %
Weighted Average Discount Rate - Finance Leases	6.0 %

At September 30, 2022, our lease liability of \$10.2 million does not include certain arrangements, which are primarily airport leases that do not meet the definition of a lease under Topic 842. Such arrangements represent further commitments of approximately \$19.4 million as follows:

Year	Commitments (in thousands)
2022 (Remaining three months)	\$ 3,924
2023	15,497
Thereafter	—
Total	<u>\$ 19,421</u>

Finance leases range from three to five years and are primarily for office equipment. Rental expense for office and airport facilities and certain equipment subject to operating leases for the nine months ended September 30, 2022 and 2021 was \$11.9 million and \$7.3 million, respectively. During the third quarter of 2022, the airport leases remain subject to concessional rent abatements/reductions until the Company fully restarts its airport operations. The concessional rent abatements/reductions has been granted on the basis of low passenger traffic counts, which is due to various restrictions resulting from COVID-19. It remains uncertain when and under what conditions each payment abatement/reduction will end.

**Note 13: Concentrations of Credit Risk**

The Company is potentially subject to concentrations of credit risk in its accounts receivable. Credit risk is the risk of an unexpected loss if a customer fails to meet its contractual obligations. The Company can be directly affected by the financial condition of its customers, the loss or substantial reduction in business activity with its customers, or the inability of customers to pay its invoices. While customer activity and financial condition could have a material impact on the Company's financial statements, management does not believe significant credit risk exists at September 30, 2022.

**Note 14: Other Current Liabilities**

Other current liabilities at September 30, 2022 and December 31, 2021 consisted of the following:

	September 30, 2022 (Unaudited)	December 31, 2021
	(In thousands)	
Customer advances (deposits)	\$ 29,810	\$ 24,393
Acquisition obligations (upfront purchase and contingent consideration)	2,250	2,444
Total	<u>\$ 32,060</u>	<u>\$ 26,837</u>

**Note 15: 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 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, 2021 which is incorporated by reference herein](#), and in Part II, Item 1A “Risk Factors” in this Form 10-Q, including but not limited to: the willingness of independent insurance agencies to outsource their computer and other processing needs to third parties; pricing and other competitive pressures and the Company’s ability to gain or maintain share of sales as a result of actions by competitors and others; changes in estimates in critical accounting judgments; changes in or failure to comply with laws and regulations, including accounting standards, taxation requirements (including tax rate changes, new tax laws and revised tax interpretations) in domestic or foreign jurisdictions; exchange rate fluctuations and other risks associated with investments and operations in foreign countries (particularly in India, 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; the impacts of the COVID-19 global pandemic on our operating performance; ability to secure additional financing to support capital requirements; the ability to refinance the Credit Facility by the Credit Facility Maturity Date as well as Credit Facility provisions that could materially restrict our business; costs and effects of litigation, investigations, or similar matters that could affect our business, operating results and financial condition; 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 future liquidity needs discussed under “Liquidity and Financial Condition” regarding our ability to replace our Credit Facility prior to or at the Credit Facility Maturity Date, 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 (refer to Note 4 of the Condensed Notes to these Condensed Consolidated Financial Statements in this Form 10-Q, “Debt”);
- uncertainties pertaining to the actual ultimate cost of our legal contingencies (refer to Note 5 of the Condensed Notes to these Condensed Consolidated Financial Statements in this Form 10-Q, “Commitments and Contingencies”, and “Contractual Obligations” in Management’s Discussion and Analysis of Financial Condition and Results of Operation (“MD&A”)); and
- the MD&A and the analysis of the nine-month revenue trends regarding actual realized level of demand for our products during the immediately foreseeable future, and fluctuations thereof

Readers should carefully review the disclosures and the risk factors described in this and other documents we file from time to time with the SEC, including future reports on Forms 10-Q and 8-K, and any amendments thereto. You may obtain our SEC filings at our website, [www.ebix.com](http://www.ebix.com) under the “Investor Information” section, or over the Internet at the SEC’s website, [www.sec.gov](http://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, 2021.

## **Company Overview**

Ebix is a leading international supplier of on-demand infrastructure software exchanges and e-commerce services to the insurance, financial, travel, cash remittances, and healthcare industries. In the insurance sector, the Company's main focus is to develop and deploy a wide variety of insurance and reinsurance exchanges on an on-demand basis using SaaS enterprise solutions in the areas of CRM, front-end and back-end systems, and outsourced administrative and risk compliance. The Company's products feature fully customizable and scalable on-demand software designed to streamline the way insurance and financial industry professionals manage distribution, marketing, sales, customer service, and accounting activities. With a "Phygital" strategy that combines over 650,000 physical distribution outlets in India and many ASEAN countries, to an Omni-channel online digital platform, the Company's EbixCash Financial exchange portfolio of software and services encompasses domestic and international money remittance, Forex, travel, pre-paid gift cards, utility payments, lending, and wealth management in India and other primarily Southeast Asian Markets. The Company has its headquarters in Johns Creek, Georgia and also conducts operating activities in Australia, Brazil, Canada, India, Indonesia, New Zealand, the Philippines, Singapore, the United Arab Emirates, and the United Kingdom. International revenue accounted for 85.6% and 84.3% of the Company's total revenue for the nine months ended September 30, 2022 and 2021, respectively.

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

## **Offices and Geographic Information**

The Company's corporate headquarters, including substantially all of our corporate administration functions, is located in Johns Creek, Georgia, where we own a commercial office building and campus facility. Additionally, the Company leases office space in New Zealand, Australia, Singapore, Dubai, Brazil, Canada, Indonesia, the Philippines, and the United Kingdom for support, operations, and sales offices. The Company also leases approximately 95 facilities across India, while owning six facilities in India.

## **Effects of COVID-19 and Other Global Events**

In December 2019, COVID-19 was reported and spread globally, including to every state in the U.S. On March 11, 2020, the World Health Organization declared COVID-19 a pandemic, and, on March 13, 2020, the U.S. government declared a national emergency with respect to COVID-19.

In response to the COVID-19 pandemic, many state, local, and foreign governments implemented travel restrictions, quarantines, shelter-in-place orders, and similar government orders and restrictions, in an attempt to control the spread of the disease. Such restrictions or orders, or the perception that such restrictions or orders could be implemented, resulted in business closures, work stoppages, slowdowns and delays, work-from-home policies, and the cancellation or postponement of events.

Beginning in March 2020, in an effort to protect our employees and comply with applicable government orders, we restricted non-essential employee travel and transitioned our employees to a remote work environment. During 2021 and 2022, the Company transitioned to a hybrid model of remote/on site work at many of its locations. The ongoing effects of the COVID-19 pandemic on our operational and financial performance will depend on the duration and spread of COVID-19 and its variants.

During the fiscal year ended December 31, 2020, particularly beginning in March, we experienced a decrease in demand for certain of our solutions and services, particularly those related to the Company's travel, foreign exchange, remittance, e-learning, and consulting business areas, after certain government restrictions were implemented. This decreased demand continued throughout 2020 and 2021 in varying degrees for each business area, and even persists through the date of this filing for all of the above mentioned business areas, but most notably in the remittance, e-learning, and travel businesses. We expect that demand variability for our products and services will continue as a result of the COVID-19 pandemic, and we cannot predict with any certainty when demand for these solutions/services will return to pre-COVID-19 levels.

We continue to monitor developments related to COVID-19 and remain flexible in our response to the challenges presented by the pandemic. Along with the measures mentioned above to protect the health and safety of our employees, we took steps to strengthen our financial position in 2020 to mitigate the adverse impact that COVID-19 has had or may have on our business and operations, including amending our Credit Facility, reducing salaries for certain employees, furloughing employees in the most negatively impacted business areas, eliminating certain employee positions, and eliminating, reducing, or deferring non-essential expenditures. In 2021, we largely returned salaries to pre-COVID-19 levels and, in the case of certain IT professionals, increased wages in reaction to a tightening labor market in India. Additionally, we have ceased our share repurchase program until business conditions improve globally.

We also continue to evaluate the potential effects on our business from other economic conditions and global events, including the situation in Ukraine and Russia that began in February 2022. In response to the invasion of Ukraine by Russia, economic sanctions were imposed on individuals in Russia, including financial institutions, by governments around the world, including the U.S. and the European Union. We have no employees or operations in either Ukraine or Russia. However, the invasion of Ukraine by Russia and the sanctions and other measures imposed in response to this situation have increased the level of economic and political uncertainty in Russia and other areas of the world. Risks associated with heightened geopolitical economic instability include, among others, reduction in consumer, government or corporate spending, international sanctions, embargoes, heightened inflation, volatility in global financial markets and foreign currency rates, increased cyber disruptions, and higher supply chain costs. The duration and extent of the effects of the invasion of Ukraine by Russia on the global economy and our operations is difficult to predict. However, a significant escalation or expansion of the scope or of the related economic disruption could have an adverse effect on our business and financial results.

Our reported results for the nine-month period ended September 30, 2022 may not be reflective of current market conditions, or of our results for any future periods, which may be negatively impacted by the COVID-19 pandemic or other global events or economic conditions to a greater extent than the reported period. The impact of the COVID-19 pandemic and other global events mentioned above may also exacerbate other risks discussed in this Quarterly Report. Refer to Item 1A, "Risk Factors" in our Form 10-K for the year ended December 31, 2021 for a complete description of the material risks that the Company currently faces.

## **Results of Operations**

### ***Operating Revenue***

The Company derives its revenues primarily from subscription and transaction fees pertaining to products or services delivered over our exchanges or from our application service provider ("ASP") platforms, fees for business process outsourcing services, and fees for software development projects, including fees for consulting, implementation, training, and project management provided to customers with installed systems, e-governance solutions to governmental agencies in the health and education sectors, as well as foreign exchange, remittance (both inward and outward), and travel services from our financial exchanges.

Ebix's revenue streams are derived from three 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 months ended September 30, 2022 and 2021:

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>(In thousands)</b>			
EbixCash Exchanges	\$ 196,113	\$ 131,571	608,906	549,876
Insurance Exchanges	41,283	42,199	127,349	126,885
Risk Compliance Solutions	20,508	17,966	58,683	51,350
<b>Totals</b>	<b>\$ 257,904</b>	<b>\$ 191,736</b>	<b>\$ 794,938</b>	<b>\$ 728,111</b>

The table below provides an approximation (as a % of total revenue) of subscription-based and software maintenance revenue, transaction-based revenue, and professional services and consulting fee revenue:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Subscription	14 %	18 %	14 %	16 %
Transaction-Based	81 %	73 %	81 %	78 %
Professional Services/Consulting/Other	5 %	9 %	5 %	6 %

## **Results of Operations — Three Months Ended September 30, 2022 and 2021**

### ***Operating Revenue***

During the three months ended September 30, 2022, our total operating revenues increased \$66.2 million, or 35%, to \$257.9 million as compared to \$191.7 million during the third quarter of 2021. On March 11, 2020, COVID-19 was declared a global pandemic by the World Health Organization. Across the U.S. and the world, governments and municipalities instituted measures in an effort to control the spread of COVID-19, including quarantines, shelter-in-place orders, school closings, travel restrictions, and the closure of non-essential businesses. Our travel, foreign exchange, remittance, e-learning, and financial technologies businesses continue to generate revenues below pre-COVID 19 operating levels, but the Company is seeing a material rebound in these businesses during 2022 year-to-date. Total revenues increased year-over-year during the third fiscal quarter of 2022 due primarily to year-over-year increases in the Company's payment solutions revenues in India (primarily prepaid gift cards), which increased approximately \$40 million year-over-year, or 39%, travel and foreign exchange revenues (a combined approximately \$20 million increase, or 145%, over the third quarter of 2021), BPO revenues in India (\$3 million increase or 42%), Latin America revenues (\$1.7 million increase or 55%), U.S. annuity exchange revenues (\$1.1 million increase or 16%) and e-learning revenues (\$0.7 million increase or 110%). Reported revenues were negatively impacted by the weakening of foreign exchange rates in our operating geographies during the third quarter ended September 30, 2022. The largest negative impact due to exchange rate movements was in the Indian Rupee, British Pound Sterling, and the Australian Dollar. Specifically, the year-over-year impact from fluctuations of exchange rates in the countries that we operate, in the aggregate, decreased reported revenues by approximately \$16.9 million for the three months ended September 30, 2022. This negative impact from foreign exchange rate movements was the most pronounced negative impact on the Company's quarterly revenues in the past five fiscal years. International revenue accounted for 85.4% and 80.0% of the Company's total revenue for the three months ended September 30, 2022 and 2021, respectively.

### ***Cost of Services Provided***

Cost of services provided, which includes costs associated with customer support, consulting, implementation, and training services, increased \$53.5 million, or 44%, to \$174.3 million in the third quarter of 2022 as compared to \$120.8 million in the third quarter of 2021. For the three months ended September 30, 2022, cost of services as a percentage of total revenues increased to 67.6% of total revenues as compared to 63.0% for the three months ended September 30, 2021. The increase in the Company's cost of services provided as a percentage of total revenues is primarily due to revenue mix changes year-over-year, particularly the increase in payment solutions revenue within the EbixCash operations (primarily gift cards). Payment solutions revenues increased by approximately 39% year-over-year in the third quarter ended September 30, 2022 and carry lower gross margins relative to other solutions/services offered by the Company. Additionally, the Company has incurred some costs to ramp up those businesses most impacted by COVID-19, such as our travel, foreign exchange and remittance businesses, as operations return to a more normal rhythm, which has had a negative impact on gross profit margins.

### ***Product Development Expenses***

The Company's product development efforts are focused on the development of new technologies for insurance carriers, brokers, and agents, the development of new data exchanges for use in domestic and international insurance markets, as well as the Forex and travel sectors. Product development expenses increased \$0.3 million, or 3%, to \$10.5 million during the third quarter of 2022 as compared to \$10.2 million during the third quarter of 2021. The year-over-year increase in product development expenses in the third quarter of 2022 was driven by increased labor costs.

### ***Sales and Marketing Expenses***

Sales and marketing expenses of \$4.0 million in the third quarter of 2022 increased compared to \$3.4 million in the third quarter of 2021. The increase was driven by increased marketing/advertising expenditures, primarily related to the EbixCash businesses.

### ***General and Administrative Expenses***

General and administrative expenses increased \$9.0 million, or 35%, to \$34.4 million in the third quarter of 2022 as compared to \$25.4 million in the third quarter of 2021. The year-over-year increase is primarily due to increased personnel costs, including travel expenses, of approximately \$4.9 million, and an increase in rent expense of approximately \$3.7 million in the third quarter of 2022 versus the comparable prior year period. The increase in rent expense is primarily related to the Company's foreign exchange operations in India. As airports and other points of entry into India are beginning to operate at more normal capacity, EbixCash has reopened operations in certain airports/points of entry and past rent abatements due to COVID-19 have diminished in the third quarter of 2022 versus the prior year quarter.

### ***Amortization and Depreciation Expenses***

Amortization and depreciation expenses increased \$0.6 million, or 15%, to \$4.4 million in the third quarter of 2022 as compared to \$3.8 million in the third quarter of 2021, primarily due to the impact from increased capital expenditures over the past several quarters, and certain reclassifications and useful life adjustments made by the Company in the first quarter of 2022 that were not material to the overall financial condition of the Company. The increased depreciation is occurring primarily within the EbixCash BPO business.

### ***Interest Income***

Interest income increased \$44 thousand, or 183%, to \$68 thousand in the third quarter of 2022 as compared to \$24 thousand in the third quarter of 2021. The increase resulted from both a higher interest rate environment and increased amounts of interest-bearing short term investments and restricted cash balances in 2022 versus the comparable period in 2021.

### ***Interest Expense***

Interest expense of \$15.5 million in the third quarter of 2022 increased 41% as compared to \$11.0 million in the third quarter of 2021. While the average outstanding balance under the Company's Credit Facility decreased year-over-year by approximately \$27.2 million from approximately \$663.6 million to approximately \$636.3 million, the Company's interest rate increased by approximately 2.6% year-over-year. The increased interest rate environment, coupled with increased amortization of deferred financing costs in the third quarter of 2022 versus the comparable prior year quarter resulted in increased interest expense year-over-year of over \$4.8 million. Offsetting the increased interest expense from the Credit Facility was a year over year decrease in interest expense from the Company's working capital facilities in India. The average balance of our working capital facilities declined year-over-year by approximately \$4.0 million.

### ***Non-Operating (Loss)/Income***

Non-operating loss in the third quarter of 2022 decreased to \$0.4 million as compared to \$1.3 million in the prior year. These expenses in 2021 and 2022 are attributable to non-operating expenses in our India operations, primarily related to corporate social responsibility programs that are intended to benefit the welfare of the Indian society as a whole.

### ***Foreign Currency Exchange Gain (Loss)***

The Company recorded a net foreign currency exchange gain for the three months ended September 30, 2022 in the amount of \$4.9 million which consisted of net gains realized and unrealized upon the settlement of receivables or payables and re-measurement of cash balances denominated in currencies other than the functional currency of the respective operating division recording the instrument.

### ***Income Taxes***

The Company recorded net income tax expense of \$1.9 million (9.90%) during the three months ended September 30, 2022, which included tax expense of \$0.7 million from certain discrete items related to stock compensation and uncertain tax positions. The income tax expense, exclusive of discrete items, was \$1.2 million (6.09%) during the three months ended September 30, 2022. The Company expects its full year effective tax rate to be in the range of 7% to 10%.

## **Results of Operations — Nine Months Ended September 30, 2022 and 2021**

### ***Operating Revenue***

During the nine months ended September 30, 2022, our total operating revenues increased \$66.8 million, to \$794.9 million as compared to \$728.1 million during the nine months ended September 30, 2021. The year-over-year increase in



revenues for the year-to-date period ended September 30, 2022 was due primarily to a year-over-year increase in the Company's travel and foreign exchange revenues (a combined approximately \$49 million increase, or 146%, over the year-to-date period in 2021), BPO revenues in India (increase of \$7.4 million or 48%), e-learning revenues (increase of \$2.9 million or 220%), Latin America revenues (increase of \$4.4 million or 48%), and U.S. annuity exchange revenues (increase of \$3.6 million or 20% increase). These increases were offset by a decrease in the Company's year-over-year U.S. consulting and professional services revenues (combined \$2.8 million decrease or 10%). Reported revenues were negatively impacted by the weakening of foreign exchange rates in our operating geographies during the year-to-date period ended September 30, 2022. The largest negative impact due to exchange rate movements was in the Indian rupee and Australian dollar. Specifically, the year-over-year impact from fluctuations of exchange rates in the countries that we operate, in the aggregate, decreased reported revenues by approximately \$33.8 million for the nine months ended September 30, 2022. This negative impact from foreign exchange rate movements was the most pronounced negative impact on the Company's year-to-date revenues in the past five fiscal years. International revenue accounted for 85.6% and 84.3% of the Company's total revenue for the nine months ended September 30, 2022 and 2021, respectively.

### ***Cost of Services Provided***

Cost of services provided, which includes costs associated with customer support, consulting, implementation, and training services, increased \$35.1 million, or 7%, to \$554.4 million in the nine months ended September 30, 2022 as compared to \$519.4 million in the nine months ended September 30, 2021. For the nine months ended September 30, 2022, cost of services as a percentage of total revenues decreased to 69.7% of total revenues as compared to 71.3% for the nine months ended September 30, 2021. The decrease in the Company's cost of services provided as a percentage of total revenues is primarily due to revenue mix changes year-over-year, particularly the growth in the Company's travel and foreign exchange (146%), Indian BPO (48%), Latin America (48%) and U.S. annuity exchange (20%) revenues mentioned above. The low margin payment solutions revenues (primarily prepaid gift cards) increased by less than 1% year-over-year in the nine months ended September 30, 2022.

### ***Product Development Expenses***

The Company's product development efforts are focused on the development of new technologies for insurance carriers, brokers, and agents, the development of new data exchanges for use in domestic and international insurance markets, as well as the Forex and travel sectors. Product development expenses increased \$1.1 million, or 4%, to \$31.0 million for the nine months ended September 30, 2022 as compared to \$29.8 million for the comparable period in 2021. The year-over-year increase in product development expenses was driven by increased personnel costs primarily in India.

### ***Sales and Marketing Expenses***

Sales and marketing expenses of \$12.2 million for the nine months ended September 30, 2022 increased \$1.6 million as compared to \$10.6 million in 2021. The increase was due to increased marketing/advertising expenditures, primarily in India.

### ***General and Administrative Expenses***

General and administrative expenses increased \$23.0 million, or 33%, to \$93.0 million during the nine months ended September 30, 2022 as compared to \$70.1 million for the same period in 2021. The year-over-year increase is primarily due to increased personnel costs, including travel expenses, of approximately \$12.6 million (primarily within the Company's EbixCash operations), an increase in rent expense of approximately \$4.8 million versus the comparable prior year period, as well as an approximately \$4.4 million increase in bad debt expense. The increase in rent expense is primarily related to the Company's foreign exchange operations in India. As airports and other points of entry into India are beginning to operate at more normal capacity, EbixCash has reopened operations in certain airports/points of entry and past rent abatements due to COVID-19 have diminished in the year-to-date 2022 period versus the comparable 2021 period. The bad debt expense increase is primarily due to a reduction in the allowance for doubtful accounts associated with the Ebix Vayam joint venture in the year-to-date period in 2021 of over \$5.0 million that relates to receivables from a government-owned customer in India, BSNL. During the year-to-date period in 2022 the allowance for doubtful accounts related to the Ebix Vayam joint venture was reduced by approximately \$0.7 million.

### ***Amortization and Depreciation Expenses***

Amortization and depreciation expenses increased \$2.0 million, or 18%, to \$13.7 million in the nine months ended September 30, 2022 as compared to \$11.6 million in the comparable period of 2021, primarily due to the impact from increased

capital expenditures in 2022 as compared to 2021, and certain reclassifications and useful life adjustments made by the Company in the first quarter of 2022 that were not material to the overall financial condition of the Company.

### ***Interest Income***

Interest income increased \$147 thousand to \$196 thousand for the nine months ended September 30, 2022 as compared to \$49 thousand for the comparable period in 2021. The increase resulted from a higher interest rate environment in the year-to-date period of 2022 as compared to the 2021 year-to-date period.

### ***Interest Expense***

Interest expense of \$37.4 million in the nine months ended September 30, 2022 increased 27% as compared to \$29.5 million in the for the same period in 2021. While the average outstanding balance under the Company's Credit Facility decreased year-over-year by approximately \$36.1 million from approximately \$676.4 million to \$640.3 million, the Company's interest rate increased by approximately 2.1% year-over-year. The increased interest rate year-over-year and increased amortization of deferred financing costs in the 2022 year-to date period versus 2021 resulted in increased interest expense year-over-year of approximately \$10.0 million. Offsetting the increased interest expense from the Credit Facility was a year-over-year decrease in interest expense from the Company's working capital facilities in India. The average balance of our working capital facilities declined year-over-year by over \$7 million.

### ***Non-Operating (Loss)/Income***

Non-operating loss in the nine months ended September 30, 2022 decreased to \$1.6 million as compared to \$2.5 million in the prior year. The losses are attributable to non-operating expenses in our India operations, primarily related to corporate social responsibility programs that are intended to benefit the welfare of the Indian society as a whole.

### ***Foreign Currency Exchange Gain (Loss)***

The Company recorded a net foreign currency exchange gain for the nine months ended September 30, 2022 in the amount of \$9.1 million as compared to a foreign exchange loss of \$(0.8) million in the comparable prior year period. These gains and losses consisted of net gains/losses realized and unrealized upon the settlement of receivables or payables and re-measurement of cash balances denominated in currencies other than the functional currency of the respective operating division recording the instrument.

### ***Income Taxes***

The Company recorded net income tax expense of \$6.1 million (10.04%) during the nine months ended September 30, 2022, which included tax expense of \$1.4 million from certain discrete items related to stock compensation and uncertain tax positions. The income tax expense, exclusive of discrete items, was \$4.7 million (7.77%) during the nine months ended September 30, 2022. The Company expects its full year effective tax rate to be in the range of 7% to 10%.

## **Liquidity and Capital Resources**

Our principal sources of liquidity are the cash flows provided by our operating activities and cash and cash equivalents on hand. The Company's Credit Facility is due to mature in February 2023 and, as a result, at September 30, 2022 the outstanding balance of the Credit Facility, \$628.8 million, was classified as a current liability. The Company has a negative working capital position of \$469.1 as of September 30, 2022. The Company expects to address the maturity of the Credit Facility prior to the Credit Facility Maturity Date, and intends to do so in conjunction with the resolution of the anticipated IPO of EbixCash Limited described below. Any refinancing of the Credit Facility will require the Company to successfully access the debt and/or equity capital markets in the U.S. or internationally. However, there are no assurances that such financing will be available in amounts or on terms acceptable to us, if at all, or that the proceeds received by Ebix, Inc. from the IPO (described below) will be in the amount currently expected.

The Company's Indian subsidiary, EbixCash Limited, filed a Draft Red Herring Prospectus ("DRHP") with the Securities and Exchange Board of India on March 9, 2022, for an initial public offering aggregating up to ₹60,000 million or \$787 million (the "IPO"). Of the IPO proceeds, approximately \$350 million is proposed to be utilized towards purchase of outstanding compulsorily convertible debentures from Ebix Asia Holdings Inc, Mauritius and in turn payment to Ebix, Inc., which is proposed to be used towards reduction of Ebix Inc.'s outstanding debt. Approximately \$130 million is proposed to be utilized for working capital requirements of EbixCash Limited and its subsidiaries. The remaining proceeds would be utilized

towards, inter alia, growth-related initiatives of EbixCash Limited, including acquisitions and other investments. No assurances can be given when the IPO will be completed, if at all, or if it will be completed on terms acceptable to the Company.

The Company is also pursuing multiple other capital raising strategies to address the refinancing requirements of the Credit Facility, including debt, equity, and hybrid debt/equity options at the corporate level and within the EbixCash operations in India. If necessary, the Company will also pursue other strategic options, and the Board of Directors has formed a special committee to assist it in further evaluating all alternatives to address the capital required to refinance the Credit Facility.

Our current ratio decreased to 0.42 at September 30, 2022 from 1.79 at December 31, 2021 and our working capital position decreased to \$(469.1) million at September 30, 2022 from \$161.4 million at December 31, 2021 due to the classification of the Credit Facility as a current liability at September 30, 2022. Our current ratio and working capital position, net of the impact of the classification of debt as current liabilities and assuming similar current maturities of debt at December 31, 2021, would have been approximately 1.7 and \$132.1 million, respectively, at September 30, 2022.

We believe that the anticipated cash flows provided by our operating activities, together with current cash balances, will be sufficient to meet our projected cash requirements through January 2023. However, there can be no assurance that additional capital will not be required sooner. Any projections of future cash needs, cash flows, and the general market conditions for debt and equity securities is subject to substantial uncertainty.

Our cash and cash equivalents were \$71.0 million and \$99.6 million at September 30, 2022 and December 31, 2021, respectively. The Company holds material cash and cash equivalent balances overseas in foreign jurisdictions. The free flow of cash from certain countries where we hold such balances may be subject to repatriation tax effects and other restrictions. Furthermore, the repatriation of earnings from some of our foreign subsidiaries would result in the application of withholding taxes at the foreign source and taxation at the U.S. parent level upon receipt of the repatriation amounts.

The approximate cash, cash equivalents, restricted cash, and short-term investments balances held in our domestic U.S. operations and each of our foreign subsidiaries as of November 1, 2022 are presented in the table below:

<b>Country/Region</b>	<b>Cash, Restricted Cash and Short- Term Investments</b>
	<b>(In thousands)</b>
India	\$ 63,262
United States	7,785
Philippines	4,298
Australia	3,274
Indonesia	2,390
Latin America	1,756
Singapore	919
New Zealand	422
United Arab Emirates	594
Canada	3,165
Europe	962
Mauritius	22
<b>Total</b>	<b>\$ 88,849</b>

To the extent we have available capital, we intend to continue to utilize cash flows generated by our ongoing operating activities and the refinancing of our Credit Facility, in combinations with the possible issuance of additional debt or equity, to fund organic growth initiatives and capital expenditures, to make strategic business acquisitions, to retire outstanding indebtedness, and to repurchase shares of our common stock if and as market and operating conditions warrant. However, the maturity of the Credit Facility as well as the covenants in that Credit Facility could adversely affect our ability to make strategic acquisitions, fund investments, repurchase shares of our common stock, or engage in other business activities that could be in the Company's interest.



### ***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 ending September 30, 2022, the Company completed no business acquisitions.

During the twelve months ended December 31, 2021, the Company completed no business acquisitions.

A significant component of the purchase price consideration for many of the Company's business acquisitions is a potential subsequent cash earn-out payment based on reaching certain specified future revenue targets. The terms for the contingent earn out payments in most of the Company's business acquisitions typically address the GAAP recognizable revenues achieved by the acquired entity over a one-, two-, and/or three-year period subsequent to the effective date of their acquisition by Ebix. These terms typically establish a minimum threshold revenue target to achieve over the agreed upon period post acquisition to earn the 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 of the Condensed Notes to the Condensed Consolidated Financial Statements in this Form 10-Q, 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. As of September 30, 2022, the total of these contingent liabilities was \$2.3 million, while at December 31, 2021, the total of these contingent consideration liabilities was \$2.6 million.

### ***Operating Activities***

Net cash provided by our operating activities was \$45.1 million for the nine months ended September 30, 2022. The primary components of the cash provided by our operating activities during the nine-month period consisted of net income of \$56.8 million, \$13.7 million of depreciation and amortization, \$2.9 million of non-cash share-based compensation, \$2.6 million of right-of-use assets amortization, \$2.2 million of amortization of capitalized software development costs, an \$2.4 million increase in contract liabilities, a \$(25.4) million impact from the provision for deferred taxes, and \$5.6 million of working capital requirements, primarily due to an increase in accounts receivable and a decrease in accounts payable and accrued expenses, offset in part by increases in payables to service agents, other liabilities and contract liabilities. During the nine months ended September 30, 2022, the Company made \$28.9 million of tax payments.

Net cash provided by our operating activities was \$39.8 million for the nine months ended September 30, 2021. The primary components of the cash provided by our operating activities during the nine-month period consisted of net income of \$52.8 million, \$11.6 million of depreciation and amortization, \$4.0 million of non-cash share-based compensation, \$3.5 million of right-of-use assets amortization, \$2.5 million of amortization of capitalized software development costs, and \$26.6 million of working capital requirements, primarily due to increased accounts receivable and receivables from services provides, an increase in the other assets, and decreased accounts payable and accrued expenses. During the nine months ended September 30, 2021, the Company made \$14.4 million of tax payments.

### ***Investing Activities***

Net cash used for investing activities during the nine months ended September 30, 2022 was \$22.9 million, and consisted primarily of \$12.7 million for capital expenditures, \$5.7 million for software development costs that were capitalized and an increase in marketable securities of \$4.5 million (specifically bank certificates of deposit).

Net cash used for investing activities during the nine months ended September 30, 2021 was \$2.0 million, and consisted primarily of \$4.6 million for software development costs that were capitalized, \$5.3 million for capital expenditures, and decreases in marketable securities of \$11.9 million (specifically bank certificates of deposit).

### ***Financing Activities***

During the nine months ended September 30, 2022, net cash used in financing activities was \$31.8 million, which consisted primarily of \$23.5 million used to make principal payments on the existing term loan, a \$0.9 million increase in EbixCash working capital facilities in India, a \$2.0 million reduction in other debt outside the Company's Credit Facility and the working capital facilities, and \$7.0 million of dividends to our common stockholders.

During the nine months ended September 30, 2021, net cash used in financing activities was \$52.9 million, which consisted primarily of an \$8.6 million reduction in EbixCash working capital facilities in India, \$36.9 million used to make scheduled payments on the existing term loan and \$7.0 million of dividends to our common stockholders.

### ***Credit Facility***

The Company's Credit Facility provides a \$450 million Revolver as well as a Term Loan, which at September 30, 2022 had a balance of \$189.4 million. The Credit Facility matures in February 2023. As a result of the impending maturity within the next twelve months from the September 30, 2022 financial statements date herein, the outstanding balance of the Credit Facility, \$628.8 million, is classified as a current liability within the Condensed Consolidated Balance Sheets. Because of this classification of the Credit Facility as a current liability, the Company has a negative working capital position of \$469.1 million.

On April 9, 2021, The Company entered into Amendment No. 12 to its Credit Facility. Amendment No. 12 provided for, among other things, a waiver of any potential event of default arising under the Credit Facility from the failure to timely deliver the Company's audited financial consolidated financial statements and related compliance certificate for the year ended December 31, 2020, provided that there is no good faith determination by the requisite lenders under the Credit Facility of a "Material Circumstance" (as defined and further described in Amendment No. 12), which determination (if any) may only be made within a specified period described in Amendment No. 12 and is subject to certain cure rights of the Company. Amendment No. 12 also modified the applicable margin that applies from the date of the amendment forward, modified certain mandatory prepayment provisions, as well as certain other covenants related to restricted payments, investments and certain reporting requirements.

On March 31, 2021, Ebix entered into Amendment No. 11 to the Credit Facility. Amendment No. 11 provided, for, among other things, a limited waiver through April 10, 2021, of any potential event of default arising under the Credit Facility from failure to deliver the Company's audited consolidated financial statements and related compliance certificate for the year ended December 31, 2020. Amendment No. 11 also modified certain covenants contained in the Credit Facility, including with respect to certain permitted restricted payments and investments.

As of September 30, 2022, the outstanding balance on the Revolver was \$439.4 million and the Revolver carried an interest rate of 8.56% at September 30, 2022. The balance on the Revolver is included in the current liabilities section of the condensed consolidated balance sheets. During the nine months ended September 30, 2022, the average and maximum outstanding balances of the Revolver were both \$439.4 million. At December 31, 2021, the outstanding balance on the Revolver was \$439.4 million and the Revolver carried an interest rate of 5.50%. This balance was included in the long-term liabilities section of the condensed consolidated balance sheets. During 2021, the average and maximum outstanding balances on the Revolver were both \$439.4 million.

As of September 30, 2022, the outstanding balance on the Term Loan was \$189.4 million, of which \$189.4 million is due within the next twelve months. \$23.5 million of principal payments were made during the nine months ended September 30, 2022, of which \$20.7 million were scheduled amortization payments. This Term Loan also carried an interest rate of 8.56% at September 30, 2022, subject to the same above mentioned increase in interest rate as the Revolver. The Term Loan is included in the current liabilities section of the condensed consolidated balance sheets. At December 31, 2021, the outstanding balance on the Term Loan was \$212.9 million, of which \$28.2 million was due within twelve months. The Term Loan also carried an interest rate of 5.50% at December 31, 2021.

### ***Contractual Obligations***

For a presentation regarding material changes outside the ordinary course of business to the Company's contractual obligations please refer to Notes 4 and 5 of the Condensed Notes to Condensed Consolidated Financial Statements in this Form 10-Q.

### ***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 2021 Form 10-K.

### **Critical Accounting Policies and Estimates**

The preparation of financial statements in conformity with GAAP, as promulgated in the U.S., 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. These 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.

COVID-19 and other global events, such as other global economic conditions and the invasion of Ukraine by Russia beginning in February 2022, has created and may continue to create significant uncertainty in global financial markets, which may reduce demand for our services, impact the productivity of our workforce, reduce our access to capital, and harm our business and results of operations. As of the date of our Condensed Consolidated Financial Statements, we are not aware of any specific event or circumstance that would require us to update our estimates or judgments, or to revise the carrying value of our assets or liabilities. However, these estimates may change as new events occur and additional information is obtained, which may result in changes being recognized in our consolidated financial statements in future periods. While we considered the effects of COVID-19, other global events and economic conditions in our estimates and assumptions, due to the current level of uncertainty over the longevity of the economic and operational impacts of COVID-19 and other global events on our business, there may be other judgments and assumptions that were not currently considered. Such judgments and assumptions could result in a meaningful impact to our financial statements in future periods. Actual results could differ from those estimates and any such differences may have a material impact on our financial statements.

There have been no significant changes to our critical accounting policies and estimates from the information provided in Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” included in the Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

**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 the foreign entity's functional currency and are subject to market risk with respect to fluctuations in the relative value of those currencies. The Company's operations based in the U.S., Dubai, and Singapore use the U.S. dollar as their functional currency, as that is the predominant currency used to transact the majority of their operations. The Company's other foreign operations in India, Australia, the United Kingdom, Canada, Brazil, Philippines, and Indonesia utilize their local currencies as their functional currency as that accurately reflects the currency used to conduct their commercial activities in each of these countries. 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, 2022 and 2021, 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) gains of \$(90.1) million and \$(16.6) 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 \$10.9 million and \$7.7 million for the nine months ended September 30, 2022 and 2021, 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, 2022, the Company had \$628.8 million of outstanding debt obligations under its corporate syndicated credit facilities, which consisted of a \$189.4 million term loan, and a \$439.4 million balance drawn on our commercial banking revolving line of credit. The Company's term loan and revolving line of credit carries a leverage-based London Inter-Bank Offered Rate ("LIBOR") related interest rate, and stood at 8.56% at September 30, 2022. 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% 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 \$1.8 million and \$0.8 million for the nine months ended September 30, 2022 and 2021, respectively. The Company's average cash balances (including restricted) and short term and long term investments (in the form of fixed deposits) during the nine months ended September 30, 2022 were approximately \$112.5 million and its existing cash balances as of September 30, 2022 were \$71.0 million. The Company is exposed to market risk in relation to these cash balances in regards to the potential loss of interest income arising from adverse changes in interest rates. This interest rate risk is estimated as the potential decrease in earnings resulting from a hypothetical 20% decrease in interest rates earned on deposited funds. Such an adverse change in these interest rates would have resulted in a reduction to pre-tax income of approximately \$0.1 million and \$0.1 million for the nine months ended September 30, 2022 and 2021, respectively.

There were no other material changes to our market risk exposure during the nine months ended September 30, 2022 and 2021. 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 2021 Form 10-K.

## **Item 4: CONTROLS AND PROCEDURES**

### **Evaluation of Disclosure Controls and Procedures**

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

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

Our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our "disclosure controls and procedures" (as defined in Rule 13a-15(e) promulgated under the Exchange Act) as of September 30, 2022. Based on this evaluation the Company's Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective. There were no changes in our internal control over financial reporting during the quarter ended September 30, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We have not experienced any material changes to our internal controls over financial reporting despite the fact that all non-essential employees are working remotely due to the COVID-19 pandemic. We are continually monitoring the impact of COVID-19 on the operating effectiveness of our internal control over financial reporting.

## **Part II — OTHER INFORMATION**

### **Item 1: LEGAL PROCEEDINGS**

On February 22, 2021, Christine Marie Teifke, a purported purchaser of Ebix securities, filed a putative class action in the United States District Court for the Southern District of New York, captioned *Teifke v. Ebix, Inc., et. al.*, Case No. 1:21-cv-01589-JMF, on behalf of herself and others who purchased or acquired Ebix securities between November 9, 2020 and February 19, 2021. The complaint asserts claims against the Company, Robin Raina, and Steven M. Hamil ("Defendants"), for purported violations of Section 10(b) of the Securities Exchange Act of 1934, alleging that Ebix made false and misleading statements and failed to disclose material adverse facts about an audit of the company's gift card business in India and its internal controls over the gift and prepaid card revenue transaction cycle. The complaint alleges that Ebix's stock price fell as a result of the revelation that Ebix's independent auditor, RSM US LLP ("RSM"), had resigned, citing concerns with the company's internal controls and disagreements over other accounting issues. The complaint also asserts a claim against Robin Raina and Steven M. Hamil for purported violations of Section 20(a) of the Exchange Act arising out of the same facts. The complaint seeks, among other relief, damages and attorneys' fees and costs. On May 11, 2021, the court issued an order appointing Rahul Saraf, another purported purchaser of Ebix, Inc. securities, as lead plaintiff in the action, and the caption in the action was changed to *Saraf v. Ebix, Inc., et. al.*, Case No. 1:21-cv-01589-JMF (the "Class Action").

On July 26, 2021, Lead Plaintiff filed an amended complaint in the Class Action, alleging similar violations of Sections 10(b) and 20(a) of the Exchange Act. On September 24, 2021, the Defendants moved to dismiss the amended complaint. On October 15, 2021, Lead Plaintiff filed a second amended complaint in the Class Action. Defendants moved to dismiss the second amended complaint and briefing on Defendants' motion concluded on November 19, 2021.

On September 30, 2022, the Court dismissed the second amended complaint in its entirety for failure to state a claim but granted plaintiff's request for leave to file a third amended complaint on or before October 31, 2022. On October 31, 2022, Lead Plaintiff filed a third amended complaint, once again alleging similar violations of Sections 10(b) and 20(a) of the Exchange Act. Defendants deny any liability and intend to defend the action vigorously.

On May 14, 2021, Javier Calvo, a purported shareholder of the Company, filed a derivative action in the United States District Court for the Southern District of New York on behalf of Ebix captioned *Calvo v. Raina, et. al.*, Case No. 21-cv-4380-JMF (the "Calvo Action"), against individual defendants Robin Raina, Steven M Hamil, Hans U. Benz, Rolf Herter, Neil D. Eckert, Pavan Bhalla, Hans Ueli Keller, and George W. Hebard, and nominal defendant Ebix asserting claims related to the RSM resignation. The complaint asserts claims of breach of fiduciary duty against all of the individual defendants, and also



asserts claims under Sections 10(b) and 21D of the Securities Exchange Act of 1934 for contribution against Robin Raina and Steven M Hamil. On July 7, 2021, the court granted a stipulation and order staying the Calvo Action pending the resolution of any motion(s) to dismiss the Class Action.

On July 13, 2021, Peter Votto, another purported Ebix shareholder, filed an additional derivative action in the United States District Court for the Southern District of New York on behalf of Ebix, captioned Votto v. Raina, et. al., Case No. 21-cv-5982-JMF (the "Votto Action"), asserting claims against the same defendants as the Calvo Action. The complaint asserts claims relating to the RSM resignation against all of the individual defendants for breach of fiduciary duties, unjust enrichment, waste of corporate assets, and rescission under Section 29(b) of the Securities Exchange Act of 1934, and claims for contribution under Sections 10(b) and 21D of the Securities Exchange Act of 1934 against Robin Raina and Steven M Hamil. On July 23, 2021, the court granted a stipulation and order consolidating the Calvo and Votto Actions under the caption In re Ebix Shareholders Derivative Litigation, Case No. 21-cv-4380-JMF (the "Consolidated Derivative Action"). The July 7, 2021 order staying the Calvo Action pending the resolution of any motion(s) to dismiss the Class Action applied to the Consolidated Derivative Action. After the Court dismissed the Class Action but granted plaintiff leave to replead, the parties entered a stipulation agreeing to extend the stay of the Consolidated Derivative Action pending resolution of any motion to dismiss a third amended complaint in the Class Action. On October 20, 2022, the Court approved the stipulation staying the Consolidated Derivative Action.

On November 5, 2021, Daniel Lilienfeld, a purported shareholder of the Company, filed a derivative action in the United States District Court for the Northern District of Georgia on behalf of Ebix captioned Lilienfeld v. Raina, et. al., Case No. 1:21-cv-04590-ELR (the "Lilienfeld Action"), asserting claims against the same defendants as the Consolidated Derivative Action. The complaint similarly asserts a claim of breach of fiduciary duty related to the RSM resignation against all of the individual defendants. On January 17, 2022, the parties filed a joint motion to stay the Lilienfeld Action pending the resolution of the motion to dismiss the Class Action. On January 18, 2022, the court issued an order denying the motion in favor of administratively closing the case pending a ruling on Defendants' motion to dismiss the Class Action. On October 19, 2022, the parties filed a motion asking the court to extend the administrative closure of the Lilienfeld Action pending resolution of any motion to dismiss a third amended complaint in the Class Action. On October 26, 2022, the Court approved the motion to extend the administrative closure of the Lilienfeld Action.

On December 29, 2021, Sunil Shah, a purported shareholder of the Company, filed a derivative action in the Superior Court of Fulton County of the State of Georgia on behalf of Ebix captioned Shah v. Raina, et. al., Civil Action File No. 2022-cv-358481 (the "Shah Action") against the same defendants as the Consolidated Derivative Action and Lilienfeld Actions. The complaint similarly asserts a claim of breach of fiduciary duty related to the RSM resignation against all of the individual defendants. On March 30, 2022, the court granted a joint motion to stay the Shah Action pending the resolution of the motion to dismiss the Class Action. On October 28, 2022, the parties filed a joint motion to extend the stay of the Shah Action pending resolution of any motion to dismiss a third amended complaint in the Class Action. The motion to extend the stay is currently pending the Court's approval.

On May 12, 2017, Ebix Software India Pvt. Ltd. ("EbixCash") entered into several agreements with the most prominent shareholders of Itz Cash Card Limited ("Itz"), the most relevant among these a stock purchase agreement (the "SPA"), to purchase a majority ownership stake in Itz. Further, as part of the overall purchase of Itz, a share purchase agreement between EbixCash and individual ESOP holders of Itz was entered into on July 7, 2017 (the "ESOP SPA") (with the SPA, the ESOP SPA, and the other purchase documents, collectively, the "Transaction Documents"). Part of the consideration for EbixCash's purchase of Itz consisted of two individual potential earn-out payments, the first for the period for the year ended March 31, 2019 (the "First Earn-Out") and the second for the following year, ending on March 31, 2020 (the "Second Earn-Out"). Neither the First Earn-Out nor the Second Earn-Out were achieved pursuant to the terms of the SPA. After correspondence between the parties between September 2019 and May 2020, the former shareholders of Itz ("Sellers") sent EbixCash notices of arbitration ("NOAs") under which they were availing themselves of the arbitration dispute provisions set forth in the Transaction Documents. Apart from the amounts claimed owed under the earn-out provisions, the Sellers also alleged in the NOAs other violations of the terms of the Transaction Documents, including, certain non-competition and restricted matter approval violations. The matter is under arbitration in accordance with the rules of the Singapore International Arbitration Centre. The Company believes that each of the Sellers claims is without merit and continues to defend its position vigorously. The Company believes that EbixCash has several viable counterclaims related to improper termination of the Transaction Documents and violation non-compete provisions.

The Company is involved in various other claims and legal actions arising in the ordinary course of business, which 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, 2021,

filed with the Securities and Exchange Commission on March 10, 2022 which could materially affect the Company's business, financial condition or future results. The following risk factor is an update to our previously disclosed risk factors and should be considered in conjunction with the Risk Factors section in our Annual Report on Form 10-K for the year ended December 31, 2021.

***We are subject to economic and geopolitical risk, and the recent invasion of Ukraine by Russian, beginning in February 2022, could have an adverse impact on our ongoing business operations.***

Our business, growth, financial condition or results of operations could be materially adversely affected by political and economic instability or changes in economic conditions in a country or region(s), changes in laws or regulations or in the interpretation of existing laws or regulations, whether caused by a change in government or otherwise, increased difficulty of conducting business in a country or region due to actual or potential political or military conflict or action by the United States or foreign governments that may restrict our ability to transact business in a foreign country or with certain foreign individuals or entities. The invasion of Ukraine by Russia beginning in February 2022, has created and may continue to create significant uncertainty in global financial markets, which may reduce demand for our services, impact the productivity of our workforce, reduce our access to capital, and harm our business and results of operations. Other risks associated with heightened geopolitical and economic instability include, among others, reduction in consumer, government or corporate spending, international sanctions, embargoes, heightened inflation, volatility in global financial markets, increased cyber disruption or attacks, higher supply chain costs and increased tensions between the United States and countries in which we operate, all of which could adversely affect our operations and financial condition. To the extent that the invasion of Ukraine by Russia adversely affects our business, it may also have the effect of heightening other risks disclosed in our Annual Report on Form 10-K for the year ended December 31, 2021, any of which could materially adversely affect our business, financial condition, access to financing, results of operations and liquidity.

## **Item 2: REPURCHASES OF EQUITY SECURITIES**

Effective February 6, 2017, the Company's Board of Directors unanimously approved an additional authorized share repurchase plan of \$150.0 million. The Board directed that the repurchases be funded with available cash balances and cash generated by the Company's operating activities. Under certain circumstances, the aggregate amount of repurchases of the Company's equity shares may be limited by the terms and underlying financial covenants regarding the Company's commercial bank financing facility.

There were no share repurchases during the fiscal third quarter ended September 30, 2022, and the maximum number (or approximate dollar value) of shares that may yet be purchased under the current program is \$80.1 million. During the third quarter ended September 30, 2022, a total of 950 shares were forfeited from the vesting of restricted stock to satisfy individual tax obligations. For the year-to-date period ended September 30, 2022, a total of 3,914 shares were forfeited from the vesting of restricted stock to satisfy individual tax obligations.

## **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.

**EXHIBITS INDEX**

<b>Exhibits</b>	
<a href="#">3.1</a>	<a href="#">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).</a>
<a href="#">3.2</a>	<a href="#">Amendment to Certificate of Incorporation of Ebix, Inc. dated May 25, 2017 (incorporated by reference to Exhibit 3.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 2017).</a>
<a href="#">3.3</a>	<a href="#">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 August 18, 2020).</a>
<a href="#">3.4</a>	<a href="#">Amendment to Certificate of Incorporation of Ebix, Inc. filed November 21, 2018 (incorporated by reference to Exhibit 3.4 to the Company's Annual Report on Form 10-K for the year ended December 31, 2018).</a>
<a href="#">3.5</a>	<a href="#">Certificate of Designations, Number, Voting Powers, Preferences and Rights of Series Y Convertible Preferred Stock (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated July 25, 2019).</a>
<a href="#">31.1*</a>	<a href="#">Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) (Section 302 of the Sarbanes-Oxley Act of 2002).</a>
<a href="#">31.2*</a>	<a href="#">Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) (Section 302 of the Sarbanes-Oxley Act of 2002).</a>
<a href="#">32.1*</a>	<a href="#">Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
<a href="#">32.2*</a>	<a href="#">Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101.INS*	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

\* Filed herewith



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, 2022

By: /s/ Robin Raina

Robin Raina  
Chief Executive Officer  
*(Principal Executive Officer)*

Date: November 9, 2022

By: /s/ Steven M. Hamil

Steven M. Hamil  
Global Chief Financial Officer  
*(Principal Financial and Accounting Officer)*