



Ebix – Goodwill Hunting

Accounting irregularities, undisclosed tax investigations, auditor shuffling, poison pill to protect short sellers: welcome to Ebix.

DECEMBER 11, 2018 – Following on from our presentation of the same title, Viceroy are releasing our preliminary report on Ebix (NASDAQ:EBIX). Our investigation has uncovered **accounting discrepancies dating as far back as 2008 to present day** as well as several other red flags.

- **Numerous accounting discrepancies in years 2013 to 2018** regarding the recognition of goodwill and acquisitions within the Ebix group. These discrepancies have largely gone unnoticed due to the delay in local filings being signed off and the multi-jurisdictional nature of these transactions.
- Over the course of our investigation **we uncovered evidence of what we believe is a scheme to incorrectly book revenue and earnings**. We believe this is done through the shuffling of assets from one subsidiary to another while improperly booking internal revenues, and contingent consideration “**cookie jar**” accounting.
 - We are limited by the recency of the available subsidiary filings. We believe this behavior continues to take place. Ebix’s acquisition spree in India further muddies the waters.
- **Ebix announced a change in auditor to T.R. Chadha from Cherry Bekaert (of MiMedx fame)** after reporting **material weaknesses regarding purchase and income tax accounting**, pursuant to appointing a big four accounting firm in Q1 2019.
 - T.R. Chadha has never audited a US-listed entity and was auditor of several Indian Ebix subsidiaries in which there appear to be several accounting discrepancies.
 - Cherry Bekaert was subject to a scathing PCAOB inspection just weeks before its replacement.
- **Ebix’s subsidiary structure is excessively convoluted and opaque**. The subsidiary structure includes holding companies in geographies where obtaining financials is near impossible. Many subsidiaries are held under a UK entity, Ebix International Holdings, which has only ever filed locally as a dormant company and **recently received a warning of compulsory dissolution for failing to file accounts**.
- Ebix’s joint venture with Vayam Technologies, Ebix Vayam, **accounts for 25% of Ebix’s receivables** and only customers are Vayam Technologies themselves. **Vayam appears never to have settled its receivables and the entire JV is funded by Ebix at an 8% interest rate**, payable in receivables. This appears to be a scheme through which cash is injected in to make paper gains of margin plus 8%.
- Ebix CEO **Robin Raina is entitled to a massive payout in the event of an acquisition at the expense of shareholders**. This poison pill protects short-sellers from takeovers by attaching an unreasonable premium to the company. This arrangement and its predecessor are currently subject of ongoing shareholder litigation.
- The company’s **debt-fueled acquisition binge in India was originally intended to create and list an Indian payments entity**. This appears to have turned into an unfocused rollup, with more and more scattered businesses being added to the Ebix stable. Despite these additions, Ebix does not break out its revenues from these disparate income streams.
- **Ebix’s has been subject to an undisclosed tax audit by the Australian Taxation Office since 2016**, we believe due to the transfer of Telstra eBusiness Exchange assets to Ebix Singapore, and non-arm’s length transactions.

Due to the delay in availability of subsidiary accounts, and the rapidly expanding nature of the company’s operations we are unable to quantify a base downside. We believe it is highly likely given the progress of the shareholder litigation that regulatory authorities including the SEC open or reopen their investigations into the company. Accordingly, **we believe that Ebix carries a high investment risk**.



Attention: Whistleblowers

Viceroy encourage any parties with information pertaining to misconduct within EBIX or any other entity to file a report with the appropriate regulatory body.

We also understand first-hand the retaliation whistleblowers sometimes face for championing these issues. Where possible, Viceroy is happy act as intermediaries in providing information to regulators and reporting information in the public interest in order to protect the identities of whistleblowers.

You can contact the Viceroy team via email on viceroyresearch@gmail.com.

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1. Short Thesis



We decided to dust off the Ebix story earlier this year after the company disclosed in its 2017 audit that it had **material weaknesses pertaining to internal controls** “over the valuation and accuracy of the accounting for income taxes and purchase accounting”.

Specifically, as it relates to income taxes, we did not design and maintain controls over the analysis and assessment of estimates involving complex multistate-apportionment factors, tax rate computations, tax contingencies and deferred tax asset valuation allowances, and income tax effects related to business acquisitions or disposals. Specifically, as it relates to purchase accounting, we did not design and maintain controls over the analysis and assessment of estimates involving growth rates, valuation methodology, timeliness and documentation. These material weaknesses did not result in any revision of the Company’s annual financial statements for any period. These material weaknesses could have resulted in a material misstatement of account balances

Figure 1 Ebix 2017 10-K

The core focus of our investigation was on M&A-related activity including goodwill, intangibles, earnouts as well as geographical information. **From there we turned our attention to the international subsidiaries: for being a relatively small company, Ebix’s corporate structure is very complex.** There are numerous subsidiaries with multiple layers that morph over time, and where intangible assets are continuously transferred. We believe subsidiary filings obscure the financial issues within the company.

Strangely most **subsidiary audits are not signed off until long after – sometimes years - Cherry Bekaert signed off on Ebix’s audits**, that are meant to consolidate the subsidiary filings.

For example, the Ebix Singapore subsidiary’s 2016 audit does not appear to get signed off on until April 10, 2018 with the 2014 audit not finalized on until September 2016 – almost two years after the fact. As a result, for some companies the most recent filings available are from 2016.

Although we have thus far been unable to obtain the audited financials for two of the more recent important subsidiaries/regions, Ebix Asia Pacific (Dubai) and Ebix Asia Holdings (Mauritius), we have seen enough at this point to raise serious concerns on the accounting transactions between these subsidiaries as well as between Ebix and these subsidiaries.



The company has many red flags including:

- Excessively convoluted and opaque corporate structure with numerous layered international subsidiaries combined with significant discrepancies in intra-group transactions;
- Numerous accounting discrepancies dating from 20013 to 2016 regarding transactions between subsidiaries;
- Receivables largely accounted for by a joint-venture, whose sole customer is the other joint venture partner. The JV appears to have no appreciable cash inflows, leading us to believe this may be a scheme to purchase revenues;
- CEO has in place an anti-takeover “poison pill” which entitles him to a massive payout in the event of an acquisition, creating a significant premium for any would-be acquirer. The predecessor to this policy may have already prevented one acquisition;
- Ebix’s Australian subsidiary has been subject to a tax audit since 2015, with no disclosure of this to investors;
- Ebix’s Indian acquisitions have become more and more scattered and now appear to be a simple debt-fueled roll-up;
- Recently announced change in auditor to Indian auditor with no experience auditing a US-listed entity and was also auditor for the subsidiaries at which we found accounting discrepancies. Cherry Bekaert’s departure after discovery of significant weaknesses mirrors the departure of KPMG in similar circumstances in 2004;
- International subsidiary audits signed off well after the US parent auditor signed off on the financials;
- The existence of prior SEC and IRS investigations. Due to the length of the SEC investigation into the company and progress of shareholder litigation into the company, it is highly likely that this investigation is reopened.

2. Subsidiary Structure

Ebix’s subsidiary structure is extremely convoluted relative to the size of the entire operation. While the company does list the name and location of its subsidiaries in attachments to its 10-K filings, a full description of the company’s structure was only made public through a credit amendment appended to the 2017 10-K. This was not in the form of a text file, or within the accounts, but several hundred image files essentially making it impossible to find through regular web searches.

For ease of access we have included the organizational structure as of February 2, 2018, in **Annexure A**.

The pace of the company’s acquisitions and shuffling of assets makes the utility of this chart limited, however we believe this clearly illustrates the convolution and complexity in which Ebix has managed to engineer profits.

The company also accounts for different geographical segments in an uncommon manner. Quarterly reports break down “external revenues” which sum to form the top-line revenue number.

Annual reports include pre-tax profit by geography, which sum to the income before income tax line item on the income statement.



	As of and for the Nine Months Ended September 30, 2018	
	External Revenues	Long-lived assets
	(In thousands)	
United States	\$ 146,697	\$ 393,066
Canada	4,323	6,265
Latin America	15,141	18,338
Australia	26,803	1,605
Singapore*	5,871	19,054
New Zealand	1,467	267
India*	139,985	561,966
Europe	11,726	24,852
United Arab Emirates*	694	54,252
Indonesia*	5,052	64
Philippines*	3,740	474
	<u>\$ 361,499</u>	<u>\$ 1,080,203</u>

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

Figures 2 & 3 Ebix Q3 2018 10-Q External Revenues and Pre-tax income

External revenues are accounted for largely by where the company delivers its services.

Note 14. Geographic Information

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

Figure 4 Extract – Ebix 2017 10-K

3. Goodwill hunting

While unconventional, we believe in this case it makes sense for us to describe the archetypes of the discrepancies at Ebix before going into concrete examples.

Parts of this process were uncovered by previous short seller reports – or shareholder law suits – however we believe they only uncovered half the equation, and that these gimmicks may have been employed as far back as 2009. The method uses the opacity of subsidiary accounts and goodwill accounting to artificially inflate pre-tax profits at various international subsidiaries.

Example A: Goodwill play

A subsidiary is transferred from Ebix Holding Company A to Holding Company B at a premium to book value. The gain on sale recognized by Company A appears to flow through to Ebix's consolidated pre-tax profit.

This situation has most notably, to us, arisen due to unusual accounting treatment in foreign jurisdictions, for which Ebix's auditors appear to pay no consideration.

We began looking into these gimmicks due to large, one-off jumps in pre-tax profits in certain Ebix segments after intellectual property assets were sold.

Example B: Contingent Consideration play

Ebix announces the acquisition of Company A for part consideration in cash and \$Xm in contingent consideration based on an earn-out agreement.

Contingent consideration never expected to be paid out, and in some instances does not appear to exist at all within filings of acquiring holding companies. Ebix later reverses this contingency and books this as earnings.



4. Main Findings

2009: Telstra eBusiness Exchange transfer leaves cash black hole

Telstra eBusiness Services insurance exchange was purchased on January 2, 2008 through Ebix Australia (VIC) Pty Ltd. Ebix's 2008 10-K reports a purchase price of US\$43.8m (AU\$50m), which correlates with Australian filings of the same value:

Effective January 2, 2008 Ebix completed the acquisition of Telstra eBusiness Services Pty Limited ("Telstra"), a premier insurance exchange located in Melbourne, Australia. The purchase price was \$43.8 million and was financed with a combination of available cash reserves, proceeds from the issuance of convertible debt, proceeds from the sales of unregistered shares of the Company's common stock, and funding from the Company's revolving line of credit.

Figure 5 Ebix 2008 10-K

7. Non-Current Investments

Investment in subsidiaries	55,758,000	5,758,000
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Figure 6 Ebix Australia (VIC) Pty Ltd 2008 Annual Report

Ebix then transferred these assets to Singapore the following year.

5. Intangible assets (Continued)

Additions during the financial year

(i) Transfer of intangible assets arising from the acquisition of Telstra eBusiness Services

On 2 January 2008, Ebix, Inc., which is the ultimate holding company of the Company, acquired the entire interest in Telstra eBusiness Services ("Telstra"), an insurance exchange located in Melbourne, Australia. Accordingly, Telstra became a wholly-owned subsidiary of Ebix, Inc. During the financial year ended 31 December 2008, Ebix, Inc. completed its purchase price allocation and the valuation of the respective acquired intangible assets with the assistance of independent third party valuation experts. As a result, Ebix, Inc. recognised the fair value of the intangible assets identified from the business combination separately from goodwill. Within the intangible assets are indefinite-life intangibles with respect to the contractual/territorial relationships existing with the property and casualty insurance carriers in Australia. These contractual/territorial rights are perpetual in nature and, therefore, the useful lives are considered indefinite.

On 1 October 2009, the following intangible assets have been transferred to the Company at their respective carrying values:

	2009
	\$
Contractual/territorial relationships (indefinite-life)	21,052,920
Developed technology (remaining useful lives of 2 years)	310,107
Customer relationships (remaining useful lives of 19 years)	3,352,591
Goodwill	51,392,326

Figure 7 Ebix Singapore 2009 Annual Report

There was no cash consideration for this transfer: Ebix Australia appears to only recognize an AUD47.484m (US\$33.143m) reduction in related-party payables.

10 Trade and Other Payables

	2009	2008
Trade creditors and accruals	121,435	138,416
Withholding Tax payable	-	38,760
Annual leave provision	71,115	74,026
Unearned revenue	755,644	560,450
Goods and services tax payable	154,425	147,433
Amounts payable to related entities	2,156,203	49,640,265
	3,258,822	50,599,350

Figure 8 Ebix Australia 2009 Trade Payables



But Ebix Singapore did recognize a cash expense of SG\$76.108m for the purchase adjusting the “purchase of intangible assets” line item for other assets acquired during the year, and specifically notes that this was indeed a cash transaction:

Cash flows from investing activities		
Purchase of plant and equipment	(29,011)	(16,125)
Purchase of intangible assets (Note 5)	(78,012,135)	-
Investment in a subsidiary	(1,220,793)	-
Interest received	-	217,592
Net cash (used in)/from investing activities	<u>(79,261,939)</u>	<u>201,467</u>

During the financial year, the Company purchased intangible assets of \$82,946,894 of which \$78,012,135 were made by way of cash and the remaining by loan from a related company.

Figures 9 & 10 Ebix Singapore annual report 2009 extracts

There is no accounting for this cash in Australia, and the cash appears to have tripped from an Ebix related party to the Singapore entity.

Cash flows from financing activity		
Proceeds from loan from a related company, representing cash from financing activity	<u>81,581,458</u>	<u>-</u>

Figures 11 & 12 Ebix Singapore annual report 2009 extracts

Note that Ebix Singapore is not the parent company of Ebix Australia (VIC) Pty Ltd, but they do share a Swedish parent company, EIH Holdings. As pointed out previously by other researchers, EIH Holdings auditor, BDO Sweden resigned due to an inability to confirm which subsidiaries and assets EIH Holdings owned.

We believe this transaction is one reason that the Australian Tax Office has been undertaking an audit of Ebix Australia (VIC) Pty Ltd since 2016.

15. Contingent Liabilities

The group has provided financial guarantees in respect of leased premises amounting to \$199,000 (2016: 160,000) secured by lease deposits.

The Australian Taxation Office has undertaken an audit of the Group. At the date of the reports, no outcome has been finalised and the Directors are unable to make an assessment as to whether a material liability exists. Accordingly, no contingent liability has been recorded in the financial statements.

Figure 13 Ebix Australia (VIC) Pty Ltd annual report 2017

This is one of what we believe to be numerous investigations into Ebix by international financial regulators, which have not been disclosed to shareholders.

There is no record of where this SG\$78m went, or even if this cash existed at all. **In fact, Ebix’s consolidated statement of cash flows and balance sheet in 2009 suggest that the businesses did not even have this amount of cash to distribute internally.**

These issues should not exist under oversight from a reliable auditor. As far as audit risk goes, cash transactions are quite simple to verify, and difficult to fabricate – the transactions should literally exist on a bank statement.



Overall, Ebix's Australian division appears to be in disarray. BDO quit as Ebix's Australian auditor around the same time as they issued a complaint against its immediate parent company in Sweden, a creditor applied to wind up the business due to unpaid bills in 2009, assets appear to be transferred out of Australia with no tax consequences or cash consideration, and Ebix's reported Australian revenues and sales do not reconcile since at least 2013 by a factor of up to 2x. These discrepancies have continued despite being highlighted by numerous research reports in the past.

We will continue to update investors on these issues in ongoing reports.

2013: Qatarlyst acquisition creates US\$8m profit through fake earn-out reversal

On April 7, 2013 Ebix established its second UK subsidiary, Ebix UK Limited, with the purchase of Qatarlyst¹: a money-losing company previously receiving funding from Qatar Insurance Services LLC (QIS) an offshoot of the Qatari government.

Per UK filings at the time of the transaction, there were 27.829m shares issued at GBP1 each (US\$42.056m) transferred between QIS and the Singapore subsidiary, consisting of the original 12.203m shares issued under QIS ownership and an additional 15.626m shares issued April 2, 2013 to converting the assumed debt of Qatarlyst to equity.

Class of shares (E g Ordinary/Preference etc.)	Currency ₤	Number of shares allotted	Nominal value of each share	Amount paid (including share premium) on each share	Amount (if any) unpaid (including share premium) on each share
Ordinary	Pound Sterling	15,626,304	£1 00	£1 00	None

Figure 14 Qatarlyst Return of allotment of shares form dated April 2, 2013

<i>A full list of shareholders for the company are shown below</i>	
<i>Shareholding 1</i>	: 0 ORDINARY shares held as at the date of this return
	27829220 shares transferred on 2013-04-05
<i>Name:</i>	QATAR INSURANCE SERVICES LLC
<i>Shareholding 2</i>	: 27829220 ORDINARY shares held as at the date of this return
<i>Name:</i>	EBIX SINGAPORE PTE LIMITED

Figure 15 CompaniesHouse UK Annual Return dated January 14, 2014

Per the 2014 Ebix Singapore financials, Ebix Singapore only paid US\$5.025m in cash along with a contingent consideration of US\$1.065m to acquire a 100% equity interest in Qatarlyst.

¹ All Qatarlyst filings are available at: <https://beta.companieshouse.gov.uk/company/03909745/>



Investing activities		
Purchase of plant and equipment	(52,014)	(18,855)
Purchase of intangible assets (Note 5)	-	(2,847,114)
Proceeds from changes in equity interest in a subsidiary (Note 6)	15,455,665	30,368,016
Dividend income received	-	1,790,404
Due to related companies	(777,815)	-
Investments in subsidiaries	(5,025,468)	(12,999,215)
Contingent consideration	(4,791,192)	(1,018,372)
Net cash from investing activities	4,809,176	15,274,864

6. Investment in subsidiaries (Continued)

During the financial year, the Company had on 4 April 2013 entered into a Share Sale and Purchase Agreement with a third party to acquire 100% equity interest in Qatarlyst Limited, a company incorporated in the United Kingdom, for a consideration of US\$5,025,468, satisfied by internal cash resource. The Share Sale and Purchase Agreement also provided for contingent consideration to be paid by the Company based on certain revenue targets to be met. As management expects the targets to be met, the contingent consideration of US\$1,065,324 was also included in investment in subsidiary with the corresponding obligation recorded as contingent consideration in other payables.

Figures 16 & 17 Ebix Singapore annual report 2013

Ebix's consolidated accounts, however, show a contingent earn-out consideration arrangement of US\$9.425m, not US\$1.065m. Note the US\$8.36m difference between these figures, it appears later as pre-tax profit.

(in thousands)	December 31,	
	2013	2012
Fair value of total consideration transferred		
Cash	\$ 5,025	\$ 56,112
Equity instruments	—	5,000
Contingent earn-out consideration arrangement	9,425	16,450
Secured promissory note issued	—	3,000
Total	\$ 14,450	\$ 80,562
Fair value of assets acquired and liabilities assumed		
Cash	\$ 285	\$ 1,049
Other current assets	485	5,213
Property, plant, and equipment	144	1,328
Other long term assets	507	331
Intangible assets	5,396	20,246
Deferred tax liability	(947)	(6,018)
Current and other liabilities	(2,556)	(7,586)
Put option liability	—	(1,377)
Net assets acquired, excludes goodwill	3,314	13,186
Goodwill	11,136	67,376
Total net assets acquired	\$ 14,450	\$ 80,562

Figure 18 Ebix 2013 10-K Summary of acquisitions

Note: Qatarlyst was the only acquisition made by Ebix in the year ended December 2013.

2014: Merger of Qatarlyst and Trisystems

Just over a year later in August 2014, Ebix's Qatarlyst and Trisystems UK subsidiaries merged when Ebix UK Limited (formerly Qatarlyst) subsidiary purchased Ebix Europe Limited (formerly Trisystems). Ebix UK Limited changed its name to Ebix Europe Limited to hold these assets.

Ebix's 2014 10-K showed the Europe region reported an increase of almost US\$8.58m in pre-tax income from US\$1.36m in 2013 US\$9.94m, a 730.88% increase.



(dollar amounts in thousands)	United States	Canada	Latin America	Australia	Singapore	New Zealand	India	Europe (United Kingdom)	Sweden	Total
Pre-tax income	\$ 5,497	\$ 1,344	\$ 966	\$ 4,579	\$ 17,523	\$ 485	\$ 31,387	\$ 1,360	\$ 7,011	\$ 70,152

(dollar amounts in thousands)	United States	Canada	Latin America	Australia	Singapore	New Zealand	India	Mauritius	Europe (United Kingdom)	Sweden	Total
Pre-tax income	\$ 8,807	\$ 115	\$ 1,590	\$ 5,091	\$ 16,015	\$ 1,000	\$ 28,194	\$ (370)	\$ 9,940	\$ 7,070	\$ 77,452

(dollar amounts in thousands)	United States	Canada	Brazil	Australia	Singapore	New Zealand	India	Mauritius	United Kingdom	Sweden	Total
Pre-tax income	\$ 1,351	\$(1,287)	\$ 1,323	\$ 4,057	\$ 13,177	\$ 568	\$ 58,670	\$ (672)	\$ 2,338	\$ 7,114	\$ 86,639

Figures 19, 20 & 21 2013, 2014 & 2015 Geographical breakdown of pre-tax revenues

At the time, Ebix Europe was the only Ebix subsidiary in Europe excluding Sweden, which was accounted for separately. This pre-tax income increase correlates with the ~US\$8m difference in contingent consideration reported by Ebix when it acquired Qatarlyst in 2012.

This surge in income could not feasibly be from operations, as Ebix Europe reported only US\$1.004m of pre-tax income. Ebix also stated the earn-out was to be based on Qatarlyst's performance in 2014, 2015 and 2016.

EBIX EUROPE LIMITED (REGISTERED NUMBER: 03909745)			
STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2014			
	Notes	31/12/14 £'000	31/12/13 £'000
CONTINUING OPERATIONS			
Revenue		3,110	2,968
Cost of sales		(216)	(1)
GROSS PROFIT		2,894	2,967
Other operating income	3	518	162
Administrative expenses		(2,768)	(3,126)
OPERATING PROFIT		644	3
Finance costs	5	-	(35)
PROFIT/(LOSS) BEFORE INCOME TAX	6	644	(32)

Figure 22 Ebix UK Income Statement 2014

Not surprisingly, the audited pre-tax income for the Europe/UK region fell back down to US\$2.338m in 2015 and has remained at that level ever since.

We believe that Ebix fabricated an excess of \$8m in contingent consideration to create a 'cookie jar' through which it could then reverse and book profits. Local accounts suggest this goodwill never existed.

This discrepancy was accompanied by a spate of auditor resignations.

KPMG resigned as Qatarlyst's auditor as of June 26, 2014² – just before the conclusion of Ebix's merger of the two UK subsidiaries and before it had completed the 2013 audit. KPMG had essentially never completed an audit of Qatarlyst under Ebix's ownership. Ebix appointed a small audit firm that previously handled TriSystems audits:

² <https://beta.companieshouse.gov.uk/company/03909745/filing-history> - June 26, 2014



Akshar & Company. Akshar signed off on the 2013 audit on August 29, 2014 but resigned on August 1, 2015³ before signing off on the 2014 audit.

Finally, Ebix brought in another small audit firm, Carter Backer Winter LLP, who signed off on the 2014 audit on October 28, 2015 and has remained at least through the last filing which was the 2016 audit.

Date	
August 2012	Trisystems acquired by EBIX UK, for US\$9.277m in cash, US\$8.754m in goodwill.
October 2012	Trisystems changes name to EBIX Europe
April 2013	Qatarlyst acquired by EBIX Singapore for US\$5.025 in cash and US\$1.065 in contingent consideration. Loans from QIS to Qatarlyst converted to 15.627 shares of GBP1 each.
May 2013	Qatarlyst changes name to EBIX UK
December 2013	EBIX corporate discloses US\$11.136m of goodwill acquired in Qatarlyst purchase, US\$9.425m contingent consideration EBIX corporate reports Europe pre-tax income as US\$1.360
June 2014	KPMG resign as auditors of EBIX UK
August 2014	EBIX UK acquires EBIX Europe and changes name to EBIX Europe
December 2014	EBIX corporate reports Europe pre-tax income as US\$9.940, a US\$8.754m increase EBIX UK reports pre-tax income of US\$1.003m
August 2015	Ashkar and Company resign as auditors

Figure 23 Timeline of Ebix's UK operations

Previous shareholder litigation against Ebix, which has since settled, found an identical cookie jar accounting scheme relating to the acquisition of Peak Performance Solutions⁴.

2015: Oakstone and Healthcare Magic (India, Singapore)

Ebix's Indian operations reported steady profits until 2015 when they increased to US\$58.67m from US\$28.194m, a 108.09% increase. This was not repeated the following year with profits of US\$40.444m for 2016, a similar situation to the Ebix Europe merger.

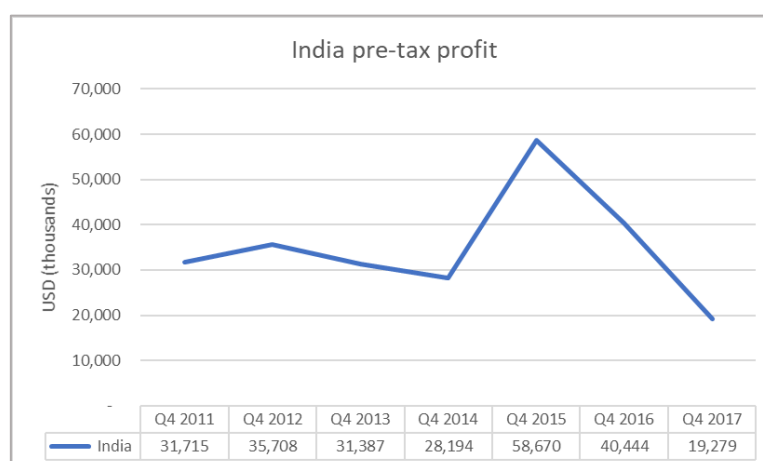


Figure 24 India pre-tax profits

Lacking a clear explanation for this drastic increase in what was previously a stable segment, we further investigated the company's Indian operations.

Ebix Software India Private Limited (Ebix Software India) is a subsidiary of Ebix Singapore and up to the acquisition of the EbixCash component entities was Ebix's main presence in India. The company's mandate is somewhat vague, but it appears to mostly deal in IT services, software development and online health services.

³ <https://beta.companieshouse.gov.uk/company/03909745/filing-history> - August 1, 2015

⁴ http://securities.stanford.edu/filings-documents/1047/EBIX00_01/2012928_r01o_11CV02400.pdf



Within Ebix's financials it is categorized as part of the India segment however the majority of its revenue is derived from transactions with its holding company, Ebix Singapore.

Particulars	For the period Jan'14 to Mar'15		For the year ended Dec 31, 2013	
	Holding Company	Key Managerial Persons	Holding Company	Key Managerial Persons
Income from Operations	3,293,955,207	N.A	2,584,016,369	N.A.
Remuneration	N.A.	31,22,320	N.A.	22,75,960
Reimbursement of Expenses	N.A.	13,22,121	N.A.	17,18,688
Advance Received	93,79,500	NIL	NIL	NIL
Outstanding Balances				
- Recoverable	2,034,384,438	NIL	2,250,652,777	NIL
- Payable	93,79,500	NIL	NIL	NIL

Particulars	Notes	Period ended 31 March 2015	Year ended 31 Dec 2013
Income			
Revenue from Operations	17	3,382,527,884	2,622,182,601
Other Income	18	45,351,566	211,026,537
Total Revenue		3,427,879,450	2,833,209,138

Figures 25 & 26 Ebix Software India annual report 2015

More concerning to us is the transactions of intangible assets between Ebix Software India, Ebix and Ebix Singapore which we believe resulted in US\$30m of incorrectly recognized revenue in 2015.

Oakstone and Healthcare Magic

In 2014 Ebix acquired HealthCare Magic Private Limited (HealthCare Magic) in Q2 and Oakstone Publishing, LLC (Oakstone) in Q4. These two acquisitions created US\$34.388m of goodwill at Ebix.

Company acquired	Date acquired	(in thousands)
CurePet, Inc. ("CurePet")	January 2014	\$ 2,687
HealthCare Magic Private Limited ("HealthCare Magic")	May 2014	5,619
Vertex, Incorporated ("Vertex")	October 2014	27,728
Oakstone Publishing, LLC ("Oakstone")	December 2014	28,769
DCM Group Inc. (d.b.a. i3 Software) ("i3")	December 2014	3,700
Total during 2014		\$ 68,503
Qatarlyst ("Qatarlyst")	April 2013	\$ 11,136
Total during 2013		\$ 11,136

Figure 27 2014 Company breakdown of goodwill acquired Ebix 2014 10-K

Ebix Software India's auditor shuffle

For reasons unknown, Ebix Software India extended its reporting period to 15 months from 12 months for the period ending March 31, 2015 sometime prior to September 2014. Note that at this point the 2015 audit had not yet been signed off.

Ebix Software India Private Limited		(Amount in rupees)
Statement of profit and loss for the Period Jan 2014 - Mar 2015		

Figure 28 Ebix Software India annual report 2015

An Ebix press release dated September 4, 2014 announced the appointment of Ernst & Young Indian affiliate S.R. Batliboi & Associates LLP as auditors for Ebix Software India⁵. However, S.R. Batliboi & Associates resigned as auditor on June 8, 2015, and were replaced with local auditor T.R. Chadha & Co. before they could complete the 2015 audit. T.R. Chadha & Co. still hold the position and have recently been appointed Ebix's worldwide auditor.

⁵ <https://www.ebix.com/PressRelease/PressReleasebyID/312>



Most relevant is that the audit for the 15 month period ended March 31, 2015 was not signed off by T.R. Chadha until February 6, 2016⁶.

As such it was not until February 4, 2016 that High Court of Allahabad approved the **transfer of HealthCare Magic and Oakstone assets from the US to India effective from the original acquisition dates**. The 2015 audit was conducted as though these assets had been under Ebix Software India since their acquisitions in Q2 and Q4 of 2014.

Pursuant to the scheme of amalgamation ('the scheme') of **Rx HEALTHCARE MAGIC PRIVATE LIMITED**, **UNIFIED HEALTH SOLUTION PRIVATE LIMITED** (Wholly owned subsidiary of Rx HEALTHCARE MAGIC PRIVATE LIMITED) and **OAKSTONE PUBLISHING LLC (USA)** with EBIX SOFTWARE INDIA PRIVATE LIMITED under sections 391 to 394 of 'The Companies Act, 1956' sanctioned by the Hon'ble High Court of Allahabad on 05th January 2016, the assets and liabilities of RX HEALTHCARE MAGIC PRIVATE LIMITED, UNIFIED HEALTH SOLUTION PRIVATE LIMITED and OAKSTONE PUBLISHING LLC (USA) were transferred to and vested in the Company from the appointed date i.e. **01st May, 2014 for RX HEALTHCARE MAGIC PRIVATE LIMITED and UNIFIED HEALTH SOLUTION PRIVATE LIMITED and 01st Dec, 2014 for OAKSTONE PUBLISHING LLC (USA)**. Accordingly, the scheme has been given effect to in these accounts as on these appointed dates. The Scheme was made effective upon filing of the certified copy of the order of the High Court of Allahabad sanctioning the Scheme with the Registrar of Companies, Kanpur on **04th February 2016**.

Figure 29 Ebix Software India Annual Report 2014

Related party sale of \$0 assets

Through the Oakstone & HealthCare Magic amalgamation, Ebix Software India was entitled amortize the goodwill associated with amalgamation under Indian GAAP⁷. This goodwill amounted to US\$37.146m, roughly what was recorded by Ebix when these deals closed in their respective quarters of Q2 and Q4 2014.

Ebix Software India started amortizing like it was going out of style, with US\$17.774m amortized as of March 31, 2015 and the remaining US\$24.293m amortizing in the 15-month period ending March 31, 2016⁸.

EBIX Software India intangible assets (2015 & 2016)											
Amounts in Rs											
Particulars	Gross Block					Amortization				Net Block	
	Value as on 01.01.2014	Addition	Addition through business acquisition	Total addition during the period	Deduction during the period	Value as on 31.03.2015	Value as on 01.01.2014	Amortization for the period	Adjustment for the period	Value as on 31.03.2015	Value as on 31.03.2015
Software	3,889,718	-	44,488	44,488	-	3,934,206	2,718,923	299,118	712,028	3,730,069	204,137
Intellectual Property	5,490,896	-	-	-	-	5,490,896	5,461,078	29,818	-	5,490,896	29,818
Goodwill	336,184,116	-	2,315,514,999	2,315,514,999	-	2,651,699,115	67,236,823	1,040,785,626	-	1,108,022,449	1,543,676,666
Total	345,564,730	-	2,315,559,487	2,315,559,487	-	2,661,124,217	75,416,824	1,041,114,562	712,028	1,117,243,414	1,543,880,803
Amounts in USD											
Particulars	Gross Block					Amortization				Net Block	
	Value as on 01.01.2014	Addition	Addition through business acquisition	Total addition during the period	Deduction during the period	Value as on 31.03.2015	Value as on 01.01.2014	Amortization for the period	Adjustment for the period	Value as on 31.03.2015	Value as on 31.12.2013
Software	62,399	-	714	714	-	63,113	43,617	4,798	11,422	59,838	3,275
Intellectual Property	88,085	-	-	-	-	88,085	87,607	478	-	88,085	478
Goodwill	5,393,066	-	37,145,492	37,145,492	-	42,538,557	1,078,613	16,696,283	-	17,774,896	24,763,661
Total	5,543,549	-	37,146,205	37,146,205	-	42,689,755	1,209,837	16,701,560	11,422	17,922,819	4,333,713
Amounts in Rs											
Particulars	Gross Block					Amortization				Net Block	
	Value as on 31.12.2015	Addition	Addition through business acquisition	Total addition during the period	Deduction during the period	Value as on 31.03.2016	Value as on 31.12.2015	Amortization for the period	Adjustment for the period	Value as on 31.03.2016	Value as on 31.03.2016
Software	3,934,206	-	-	-	-	3,934,206	3,730,069	32,241	-	3,762,310	171,896
Intellectual Property	5,490,896	-	-	-	-	5,490,896	5,490,896	-	-	5,490,896	29,818
Goodwill	2,651,699,115	128,000,000	-	128,000,000	-	2,779,699,115	1,108,022,449	1,607,676,666	-	2,715,699,115	64,000,000
Total	2,661,124,217	-	-	128,000,000	-	2,789,124,217	1,117,243,414	1,607,708,907	-	2,724,952,321	64,171,896
Amounts in USD											
Particulars	Gross Block					Amortization				Net Block	
	Value as on 31.12.2015	Addition	Addition through business acquisition	Total addition during the period	Deduction during the period	Value as on 31.03.2016	Value as on 31.12.2015	Amortization for the period	Adjustment for the period	Value as on 31.03.2016	Value as on 31.12.2015
Software	59,450	-	-	-	-	59,450	56,365	487	-	56,852	17,692
Intellectual Property	82,973	-	-	-	-	82,973	82,973	-	-	82,973	451
Goodwill	40,069,825	1,934,208	-	1,934,208	-	42,004,033	16,743,327	24,293,602	-	41,036,929	967,104
Total	40,212,248	-	-	1,934,208	-	42,146,456	16,882,665	24,294,089	-	41,176,755	969,702

Figure 30 Ebix Software India goodwill & amortization table⁹

It took only 18 months to fully write off the Oakstone and HealthCare Magic goodwill: during this time no goodwill was written down at Ebix.

the fair value determination for this unit and may result in an impairment to goodwill and a corresponding charge against earnings. During the years ended December 31, 2016, 2015, and 2014, we had no impairment of any our reporting unit goodwill balances.

Figure 31 Ebix 2016 10-K

⁶ Ebix Software India Audited Financial Statements 2015 – Independent Auditor's Report

⁷ http://www.mca.gov.in/Ministry/notification/pdf/AS_14.pdf

⁸ Ebix Software India has overlapping 15-month audit periods for unknown reasons.

⁹ We have added these results as a table for ease of understanding.



We believe these ~US\$0 assets were purchased **by Ebix Singapore**, and created a large pre-tax gain on sale at the Indian subsidiary level. This intra-group transaction appears to have bumped Ebix's consolidated pre-tax profits by ~US\$28m in 2015, and accounts for the massive one-off bump in pre-tax profits in that year.

<i>(dollar amounts in thousands)</i>	United States	Canada	Latin America	Australia	Singapore	New Zealand	India	Mauritius	Europe (United Kingdom)	Sweden	Total
Pre-tax income	\$ 8,807	\$ 115	\$ 1,590	\$ 5,091	\$ 16,015	\$ 1,000	\$28,194	\$ (370)	\$ 9,940	\$ 7,070	\$77,452
Statutory tax rate	35.0%	30.5%	34.0%	30.0%	10.0%	28.0%	—%	—%	24.0%	—%	

<i>(dollar amounts in thousands)</i>	United States	Canada	Brazil	Australia	Singapore	New Zealand	India	Mauritius	United Kingdom	Sweden	Total
Pre-tax income	\$ 1,351	\$(1,287)	\$ 1,323	\$ 4,057	\$ 13,177	\$ 568	\$58,670	\$ (672)	\$ 2,338	\$ 7,114	\$86,639
Statutory tax rate	35.0%	29.6%	34.0%	30.0%	17.0%	28.0%	34.6%	3.0%	20.0%	22.0%	

Figures 32 & 33 2014 & 2015 Ebix geographical pre-tax income

Given these entities had essentially no hard assets, we believe the gain on sale recorded by the Indian subsidiary has flowed through to EBIX's consolidated accounts given no other significant business changes in the segment.

Interestingly, there was no disclosure by Ebix or its subsidiaries that Oakstone had been transferred to Singapore. So how do we know? Because as part of a group restructuring exercise in 2016, Ebix Singapore sold IP to Ebix's newly formed Dubai entity.

On 1st July 2016, as part of the group restructuring exercise, the Company disposed of certain intangible assets and investment in Agency Solution.com. LLC (Note 6) to a related company at a loss of US\$30,264,078 recognised in "other expenses" in profit or loss.

On 1 July 2016, as part of the Group restructuring exercise, the Company disposed certain intangible assets and investment in subsidiaries to Ebix Asia Pacific FZ-LLC (a related company) at a loss of US\$30,667,508.

Figures 34 & 35 Ebix Singapore 2015 & 2016 Annual Report

Hidden within hundreds of unsearchable JPG files lodged with the SEC¹⁰, we find that Oakstone was one of the IP assets sold to Dubai, and we now have a paper trail showing these assets must have been sold to Singapore.

We find peculiar, unexplained non-cash movements in Singapore's accounts over the same year for this ~US\$30m transaction.

2016: Dubai

Ebix's Dubai subsidiary, Ebix Asia Pacific FZ LLC (Ebix Dubai), was incorporated in 2016 and reported US\$42.397m of profit in its first year: the sector had not previously reported any profits nor assets.

Ebix Dubai's holding structure is unconventional for a company that holds so many of Ebix's total assets. Its immediate parent company is Mauritius-domiciled Ebix Asia Holdings, Inc., who is in turn held by Ebix International Holdings Limited, a UK company. Ebix International Holdings Limited is in turn owned by Ebix.

¹⁰ <https://www.sec.gov/Archives/edgar/data/814549/000081454918000008/0000814549-18-000008-index.htm> - jpg files 168 to 176



Entity	Jurisdiction of Organization	Taxpayer ID Number or foreign equivalent, if any	Ownership	% of Equity Interests Owned
Ebix, Inc.	DE	77-0021975	Publicly traded	N/A
Ebix International Holdings Limited	UK	9871102	Ebix, Inc.	100%
Ebix International LLC	DE	36-4192206	Ebix International Holdings Limited	100%
Facts Services, Inc.	FL	65-0111348	Ebix, Inc.	20%
			EIH Holdings Sweden AB	80%
Ebix Asia Holdings, Inc.	Mauritius	27030228	Ebix International Holdings Limited	100%
Ebix Asia Pacific FZ-LLC	UAE		Ebix Asia Holdings, Inc.	100%

Figure 36 Ebix Credit Amendment 6

Ebix International Holdings was briefly mentioned in Ebix's 2015 10-K.

Other Recent Significant Transactions

In November 2015 the Company completed a restructuring of its international operations with the formation and establishment of a wholly owned subsidiary, Ebix International Holdings Limited, a private limited company incorporated under the laws of England, and the subsequent contribution of all of Ebix's underlying foreign subsidiaries in Sweden, Australia, Singapore, India, New Zealand, Latin America, Canada, Mauritius, and New Zealand to this newly formed entity.

Figure 37 Ebix 2015 10-K

However according to UK filings, Ebix International Holdings' 2017 accounts are overdue, and the company is in the process of being compulsorily stricken off for lack of filings. Its last filings for 2016 were classified as "Accounts for a dormant company". It appears to have conducted a capital raise on November 27, 2017 but had no other significant activities.

Date	Description
04 Dec 2018	First Gazette notice for compulsory strike-off
01 Mar 2018	Statement of capital following an allotment of shares on 27 November 2017 USD 65,500,000.001
21 Nov 2017	Confirmation statement made on 12 November 2017 with no updates
10 Aug 2017	Accounts for a dormant company made up to 31 December 2016

Date: 04/12/2018
Ref: DEF6/09871102

Companies Act 2006 (Section 1000(3))

The Registrar of Companies gives notice that, unless cause is shown to the contrary, at the expiration of 2 months from the above date the name of

EBIX INTERNATIONAL HOLDINGS LIMITED

will be struck off the register and the company will be dissolved.

Upon dissolution all property and rights vested in, or held in trust for, the company are deemed to be bona vacantia, and accordingly will belong to the crown.

Figures 38 & 39 Ebix International Holdings CompaniesHouse page¹¹

Returning to Ebix Dubai: it appears to have been formed due to an asset transfer from Ebix Singapore around the middle of 2016 as per Ebix Singapore's financials.

¹¹ <https://beta.companieshouse.gov.uk/company/09871102>



On 1st July 2016, as part of the group restructuring exercise, the Company disposed of certain intangible assets and investment in Agency Solution.com. LLC (Note 6) to a related company at a loss of US\$30,264,078 recognised in "other expenses" in profit or loss.

On 1 July 2016, as part of the Group restructuring exercise, the Company disposed certain intangible assets and investment in subsidiaries to Ebix Asia Pacific FZ-LLC (a related company) at a loss of US\$30,667,508.

Figures 40 & 41 Ebix Singapore 2015 & 2016 Annual Report

Ebix's 2016 financials reported US\$54.142m of assets in Dubai, up from \$0 a year before. As reported in the 2016 Singapore audit, the company took a US\$30.264 million impairment charge on the transfer and disposal of these assets to Dubai. So, the amount of goodwill and intangible assets transferred was in the vicinity of \$84.820m.

Readers will note that the disclosure as to what was actually transferred is quite light on details: there are no obvious disclosures in either Ebix Singapore or Ebix as to what was transferred.

There is, however, a credit agreement amendment dated February 21, 2018 showing the ownership of copyrights and trademarks by each of Ebix's subsidiaries.

It appears as though Ebix Singapore transferred to Ebix Dubai the assets of:

- Health Connect Systems (HCS) aka Agency Solutions.com LLC, an Ebix subsidiary domiciled in the US but apparently fully owned by Singapore.
- EbixAdvantage and EbixASP from the renamed Telstra subsidiary acquired in 2008.
- Fintechnix
- Planetsoft Holdings Inc.
- **Oakstone Publishing**

Ebix's 10Qs, the Singapore geographic asset balance dropped from US\$68.718m in Q2 2016 to \$34.008m in Q2 and to US\$17.505m in Q3 2016. At the same time, the Dubai geographic assets ballooned from zero in Q1 to US\$37.943m in Q2 and to US\$54.333m in Q3.

As of and for the Three Months Ended March 31, 2016										
	United States	Canada	Latin America	Australia	Singapore	New Zealand	India	Europe		Total
External Revenues	\$ 52,796	\$ 847	\$ 1,137	\$ 7,792	\$ 1,434	\$ 391	\$ 2,026	\$ 4,643		\$ 71,066
Long-lived assets	\$ 372,004	\$ 6,968	\$ 6,708	\$ 171	\$ 68,718	\$ 221	\$ 76,789	\$ 26,567		\$ 558,146

As of and for the Six Months Ended June 30, 2016										
	United States	Canada	Latin America	Australia	Singapore	New Zealand	India	Europe	Dubai	Total
External Revenues	\$103,171	\$ 2,950	\$ 2,425	\$ 15,550	\$ 2,957	\$ 876	\$ 6,307	\$ 9,404	\$ —	\$143,640
Long-lived assets	\$371,507	\$ 6,941	\$ 7,429	\$ 627	\$ 34,008	\$ 224	\$ 79,524	\$ 24,334	\$ 37,943	\$562,537

As of and for the Nine Months Ended September 30, 2016										
	United States	Canada	Latin America	Australia	Singapore	New Zealand	India	Europe	Dubai	Total
External Revenues	\$157,480	\$ 4,653	\$ 3,933	\$ 22,869	\$ 4,384	\$ 1,384	\$ 10,076	\$ 13,469	\$ —	\$218,248
Long-lived assets	\$384,511	\$ 6,736	\$ 7,328	\$ 1,256	\$ 17,505	\$ 228	\$ 80,636	\$ 23,199	\$ 54,333	\$575,732

Figure 42, 43 & 44 Ebix Q1, Q2 & Q3 10-Q external revenues and long lived assets

As noted earlier, the Dubai geographic pre-tax income was reported at US\$42.397m in 2016 from US\$0 in 2015. The Singapore geographic pre-tax profits dropped to US\$1.218m in 2016 from US\$13.177m in 2015.



(dollar amounts in thousands)	Pre-tax income	Statutory tax rate
United States	(80)	35.0%
Canada	555	26.9%
Brazil	1,984	34.0%
Australia	2,291	30.0%
Singapore	1,218	17.0%
New Zealand	(396)	28.0%
India*	40,444	34.6%
Mauritius	472	3.0%
United Kingdom	1,127	20.0%
Sweden	5,919	22.0%
Dubai	42,397	—%
Total	95,931	

(dollar amounts in thousands)	Pre-tax income	Statutory tax rate
United States	1,351	35.0%
Canada	(1,287)	26.9%
Brazil	1,323	34.0%
Australia	4,057	30.0%
Singapore	13,177	17.0%
New Zealand	568	28.0%
India*	58,670	34.6%
Mauritius	(672)	3.0%
United Kingdom	2,338	20.0%
Sweden	7,114	22.0%
Dubai	—	—%
Total	86,639	

Figures 45 & 46 Ebix 10-K 2015 & 2016 pre-tax income

However, in the 2016 Ebix Singapore subsidiary's audited financials, it reported a pre-tax loss of US\$27.581m due to taking the US\$30.264m loss on this asset transfer and disposal.

	2016 US\$	2015 US\$
Operating activities		
(Loss)/Profit before income tax	(27,581,402)	11,440,106

Figure 47 Ebix Singapore annual report 2016

Despite this goodwill loss occurring at the subsidiary level, Ebix did not disclose any reduction in goodwill for the period ending 2016 associated with these assets. We believe this transaction essentially 'corrects' Singapore's books.

We are also skeptical as to whether Ebix Dubai ever paid for these assets considering for this disposal Ebix Singapore received US\$54.422m and then turned around and loaned it out to a related company, which could conceivably be the Dubai subsidiary.

Investing activities		
Purchase of plant and equipment (Note 4)	(33,519)	(472,599)
Purchase of intangible assets (Note 5)	-	(169,680)
Proceeds from disposal of intangible assets and subsidiary	54,421,500	-
Investment in a subsidiary	(3,000,000)	-
Loan to a subsidiary	(3,111,302)	-
Loan to a related company	(54,408,000)	-
Contingent consideration	(42,436)	-
Net cash used in investing activities	(6,173,757)	(642,279)

Figure 48 Ebix Singapore annual report 2016

An obvious implication of these significant non-cash transactions is, as already highlighted by numerous short sellers, that Ebix Singapore – which had substantial IP tax benefits – was acquiring significant amounts of IP from high tax jurisdictions, without any transfer of cash. You can't have your cake and eat it too.

These transactions do not appear to be arm's length.



5. Other red flags

5.1. Management & financial control issues

Robin Raina's "poison pill" anti-takeover compensation

Ebix's CEO Robin Raina is subject to possibly the **most generous compensation scheme we at Viceroy have ever seen for a company of comparable size**. The company has in place an anti-takeover "poison pill" agreement which entitles Raina to a massive payout in the event of an acquisition of 50% of the shares outstanding or more.

The Stock Appreciation Rights Agreement (SARA) replaces the Acquisition Bonus Agreement (ABA), its controversial predecessor over which legal action between the company and stockholders is still ongoing. Despite claims that Raina himself asked for the re-evaluation leading to the SARA replacing the ABA, the terms of SARA actually appear more beneficial for him.

The SARA, effective April 10, 2018 states:

- Raina received 5,953,975 stock appreciation rights (SARs), which in the case of an acquisition, entitle Raina to a cash payment equal to the excess of the net proceeds per share received for the acquisition over the base price of US\$7.95 per share.
- Annually, the board shall determine if the sum of the Ebix SARs and shares held by Raina is less than 20% of the number of SARs and shares outstanding. If so, Raina is granted enough new SARs to eliminate this shortfall.
- The company will also pay any taxes incurred by Raina due to the exercise of the SARs in the case of an acquisition.

This mechanism essentially acts as an anti-takeover device by imposing a huge cost to the company in the event of a takeover. A back of the envelope simulation if company were to be taken over for market value on the day of the SARA at a share price of US\$75.75 per share results in a total payable to Raina of US\$553m including taxes.

SARA Analysis	
	USD
Share price	50.00
Base price	7.95
Difference	42.05
SARs owned by Raina	5,953,975
SAR payout	250,364,649
Personal Income Tax rate	37%
Tax payable	92,634,920
Total Payable to Raina	342,999,569
Shares outstanding	31,490,673
Share price	75.75
Purchase price	2,385,418,480
SAR premium	14.38%

Figure 49 Viceroy SARA cost estimate

Obviously, we have made some assumptions with the calculation above but we do so to illustrate the effectiveness of this "poison pill". An evaluation of the previous ABA was performed by consultants Korn Ferry to determine the amount payable to Raina under the ABA in the event of a takeover.



	Ebix Valuation	Hay Group Valuation
Common Shares Outstanding on Fully Diluted Basis		
outstanding ending balance	32,093,294	32,093,294
unvested restricted stock (Robin Raina)	65,789	65,789
unvested restricted stock (various employees)	57,865	57,865
stock options in the money	17,170	17,170
Plus BuyBack shares	12,851,322	--
New Shares to Get Robin to 20%	5,953,975	--
Total Consideration	51,039,416	32,234,119
Shares Deemed Held by Executive		
Robin Raina shares at 12/31/16	3,558,160	3,558,160
Robin Raina Foundation shares at 12/31/16	217,064	217,064
Shares sold in 2009 and 2012	578,750	578,750
11/15/15 stock grant given in lieu of compensation	(98,684)	(98,684)
Total	4,255,290	4,255,290
Share Base		
Total Common Shares Outstanding	51,039,416	32,234,119
20% of Diluted CSO	10,209,265	6,446,824
Shares Deemed Held by Executive	4,255,290	4,255,290
Calculated Share Base	5,953,975	2,191,534
ABA Value		
Assume a closing Stock Price of \$	80.00	\$ 80.00
Base Price \$	7.95	\$ 23.85
Net proceeds per share	72.05	56.15
X	X	X
Share base	5,953,975	2,191,534
Cash Payment to Ebix CEO	\$ 428,983,899	\$ 123,054,621

Figure 50 Korn Ferry ABA cost estimates

The SAR premium increases as the proceeds per share do, such that the more expensive the company, the more Raina benefits as a portion of the acquisition price.

The ABA has played a role in preventing acquisitions in the past: documents from the ongoing stockholder litigation show that Raina was unwilling to give up his bonus. An exchange between Raina and the Carlyle Group show negotiations based around US\$20 per share but requested Raina cap his change of control bonus at US\$24m. For reference, on January 29, 2013, Ebix shares were trading between US\$16.56 to US\$16.74 per share.

214. On January 29, 2013, Brooke Coburn ("Coburn") of Carlyle wrote to Raina:

Beyond the question of value, there are a number of other important deal issues being discussed on the call. If we can get to \$20/share we would need you, as our partner, to agree to several things going forward. A number of these may be difficult for you, and perhaps they are deal breakers, but in the spirit of candor I wanted to lay everything out now so we have everything on the table:

* * *

3. I suspect this would be the hardest issue for you: we would like to cap your change of control bonus at closing at approximately \$24MM (the 280(g) limit). . . .

215. Later that day, Raina responded to Coburn, writing "Let me first address your deal breaker points, that for sure are completely unacceptable to me –

1. Giving up on the Chairman role. 2. Limiting my change of control bonus."

Figure 51 Extract of Ebix Stockholder Litigation¹²

We believe the Goldman acquisition that fell through in mid-2009 only got as far as it did due to Raina's waiving of his acquisition bonus under the ABA.

¹² CONSOLIDATED C.A. No. 8526-VCS



The existence of the ABA and SARA are a major red flag as:

1. It can be, and has been, used to allow the CEO to show preference in acquiring entities by waiving or not waiving its terms.
2. It effectively prevents an acquisition due to attaching a huge premium to any acquisition thereby artificially inflating Ebix's purchase price.
3. Allegations made in legal filings suggest Ebix's directors and compensation committee may be less independent than required.

Auditor issues

On October 5, 2018, Ebix a change of worldwide audit partner to T.R. Chadha and Co taking over from Cherry Bekaert¹³ as an interim measure announcing their intention to appoint a big 4 firm in Q1 2019. Cherry Bekaert will continue to be retained as the US component auditor reporting to T.R. Chadha.

6. Beginning Q3 of 2018, CBH has been retained to serve as the component auditor for US while reporting to TRC, who will continue to carry out the India audit as earlier besides being the consolidated auditor of the Company's worldwide operations.

Figure 52 Ebix press release "Ebix reiterates strong business outlook"¹⁴

Note that Ebix had reported material weaknesses over financial controls in their 2017 10-K, specifically regarding income taxes and purchase accounting. This echoes the situation in 2004 when then-auditor KPMG "identified certain significant deficiencies relating to the Company's internal control over financial reporting".

Cherry Bekaert also audited MiMedx, a company we have previously reported on and who are now restating financial statements as far back as 2012¹⁵. The 2017 Public Company Accounting Oversight Board inspection report into Cherry Bekaert is scathing:

The inspection procedures included reviews of portions of five issuer audits performed by the Firm. The inspection team identified matters that it considered to be deficiencies in the performance of the work it reviewed. One of the deficiencies relates to auditing an aspect of an issuer's financial statements that the issuer announced an intention to restate and report a related material weakness in internal control over financial reporting after the primary inspection procedures.⁶

Certain deficiencies identified were of such significance that it appeared to the inspection team that the Firm, at the time it issued its audit report, had not obtained sufficient appropriate audit evidence to support its opinion that the financial statements were presented fairly, in all material respects, in conformity with the applicable financial reporting framework and its opinion about whether the issuer had maintained, in all material respects, effective internal control over financial reporting ("ICFR"). In other

Figures 53 & 54 PCAOB Cherry Bekaert inspection report¹⁶

Those familiar with our work will know Cherry Bekaert were also long time auditors of another Marietta based company, MiMedx, until August 2017, where they were replaced by EY just one week prior to their PCAOB inspection. EY subsequently refused to sign off on accounts, retrospectively advised that accounts could not be relied upon from at least 2012 onwards, and has most recently quit on the apparent basis that internal controls to verify MiMedx's financials "do not exist", making us wonder how Cherry Bekaert was able to audit the accounts in the first place.

¹³ <https://www.sec.gov/Archives/edgar/data/814549/000081454918000035/form8kaccountantchange.htm>

¹⁴ <https://www.ebix.com/press-release/ebix-reiterates-strong-business-outlook>

¹⁵ <https://www.reuters.com/article/us-mimedx-group/mimedx-to-estate-financial-statements-replaces-cfo-idUSKCN1J31AP>

¹⁶ <https://pcaobus.org/Inspections/Reports/Documents/104-2018-114-Cherry-Bekaert-LLP.pdf>



During this same period, there were the following “reportable events,” as that term is defined in Item 304(a)(1)(v) of Regulation S-K:

- EY advised the Company that the internal controls necessary for the Company to develop reliable financial statements do not exist;
- Although EY could accept representations from the current Interim CEO and Interim CFO based on their knowledge, EY advised the Company that EY is unable to rely on representations from them because, as of the date of the resignation, the current Interim CEO and Interim CFO, in turn, would have needed to rely on representations from certain legacy management personnel still in positions that could affect what is reflected in the Company’s books and records. At the time of EY’s resignation, the Audit Committee’s independent investigation was still ongoing;
- EY advised the Company of the need to significantly expand the scope of its audit, due to material allegations of inappropriate financial reporting, material allegations of noncompliance with laws and regulations, the findings to date from the independent investigation conducted by the Audit Committee into these allegations, and the lack of internal controls necessary for the Company to develop reliable financial statements. EY had not completed the necessary work in connection with this expanded audit scope at the time of its resignation; and
- EY advised the Company that information has come to EY’s attention that EY has concluded materially impacts the reliability of previously issued financial statements, and the issues raised by this information have not been resolved to EY’s satisfaction prior to its resignation.

Figure 55 MiMedx 8-K – Change in Registrants Certifying Accountant – December 4, 2018

Cherry Bekaert have acted as Ebix’s auditor since 2008¹⁷, and the facts presented in this report should further call into question the integrity of these audits. That the firm is remaining as Ebix’s US audit partner should not be welcomed as a sign of integrity.

T.R. Chadha has a less than stellar track record in our book, considering they were the auditor for Ebix Software India for the Oakstone transaction and Ebix Vayam Technologies, the revenue-purchasing JV. This firm will now be auditing Ebix operations worldwide. Further, T.R. Chadha has no experience auditing a US-listed entity that we can find.

We believe both audit firms, T.R. Chadha and Co and Cherry Bekaert, have significant strikes against their records

The change of auditor in the face of discovery of reporting and control deficiencies or weaknesses is not a new phenomenon. This also occurred when KPMG identified internal control issues at Ebix in 2003 and were replaced by BDO Seidman.

5.2. Receivables

Vayam joint venture

Ebix announced the formation and mandate of a joint venture with Vayam Technologies Limited (Vayam) in their Q1 2016 10-Q.

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

Figure 56 Ebix 2016 10-K Investment in joint venture

This company, Ebix Vayam Technologies Limited (Ebix Vayam) appears to exist solely to allow Ebix to buy revenues: the company appears to have only ever done business with Vayam Technologies itself since inception. The company is funded largely through loans from Ebix which are repayable out of the receivables account which stands at 446 days as of March 31, 2018.

¹⁷ Ebix 2008 10-K



	As at 31 March 2018	As at 31 March 2017
14 Short Term Borrowings (Unsecured)		
- From Related parties (Refer Note 30)*	1,057,621,777	725,132,477
Less: Interest accrued	54,418,689	22,106,301
	1,003,203,088	703,026,176
*Above loan carries interest @ 8.00% per annum and is repayable out of receivables of new projects obtained by the Company.		

Figure 57 Ebix Vayam Technologies annual report 2018

There were no revenues reported in 2016. The company shares its address with Ebix Software India.

EBIX VAYAM TECHNOLOGIES PRIVATE LIMITED		(Amount in Rs.)	
Notes to Financial Statements for the year ended 31 March 2018		For the year ended 31 March 2018	For the year ended 31 March 2017
18 Revenue from Operations			
Sale of Goods (Refer Note 30)			
- Sale of Hardware		324,393,748	342,569,927
- Sale of Software		226,220,992	72,405,678
Sale of Services (Refer Note 30)		27,034,344	361,455,378
		577,649,084	776,430,983

II Transactions with Related Parties during the year ended 31-03-2018 in the ordinary course of business.				
Particulars	With Holding Companies		With Enterprise having significant influence	
	2017-18	2016-17	2017-18	2016-17
Purchase of Goods	-	-	-	10,165,885
Sale of Goods/Services	-	-	577,649,084	776,430,983
Loan Repaid	613,491,344	188,701,968	-	-
Loan Taken	891,561,955	803,228,144	-	-
Interest on loan	60,465,210	24,562,557	-	-
Management Fees	19,959,752	72,959,328	3,848,650	32,392,906
Balances outstanding at the year end:				
Borrowings	1,003,203,088	703,026,176	-	-
Interest on borrowings	54,418,689	22,106,301	-	-
Management Fees	94,571,072	76,607,295	25,234,031	34,012,552
Trade Receivables	-	-	942,129,536	673,996,047

Figure 58 Ebix Vayam Technologies annual report 2018

Further, 79% of the revenue from Vayam is held in accounts receivables. We question whether these sales actually took place.

Ebix Vayam Technologies Limited appears to have a strangely disparate set of operations. Ebix's webpage for Ebix Vayam only contains its policy on e-waste with a number belonging to an e-waste recycling agency.¹⁸

A press release mentions Ebix Vayam's involvement in an Indian government initiative: the Socio-Economic Caste Census.

Ebix Executes New E-Governance Contract For 3 Public Sector Undertakings in India

Johns Creek, GA - September 12, 2016 - Ebix, Inc. (NASDAQ: EBIX), a leading international supplier of On-Demand software and E-commerce services to the insurance, financial, e-governance and healthcare industries, today announced that it is presently in the midst of implementation of multiple projects for a number of Public Sector undertakings in India, towards the Socio-Economic Caste Census (SECC) initiative of the Government of India. These projects are being implemented by Ebix's newly formed joint venture subsidiary with Vayam Technologies Limited to address the E-governance sector in India.

Figure Ebix press release "Ebix Executes New E-Governance Contract For 3 Public Sector Undertakings in India"¹⁹

Another press release names specifically the public sector entities to be surveyed: Bharat Electronics Limited, ITI Ltd and the Electronics Corporation of India. Vayam did actually complete the census however it appears to have done so sometime in 2015, a year before Ebix Vayam had even formed. While the concluding date for the census does not appear to be published anywhere, it appears as though the entire work was mostly complete by 2015²⁰.

¹⁸ <https://www.ebix.com/ebixvayam>

¹⁹ <https://www.ebix.com/PressRelease/PressReleasebyID/378>

²⁰ <https://www.thehindu.com/news/national/8-crore-errors-found-in-caste-data-government/article7474939.ece?w=spa>



5.3. Indian expansion story: an old-fashioned roll-up

Those following the story will be aware that Ebix has recently branched out into various other areas to offset the falling margins in their native industry. The spread and pace of these acquisitions is ridiculous. The following is a slide from Ebix's investor presentation dated December 3, 2018.

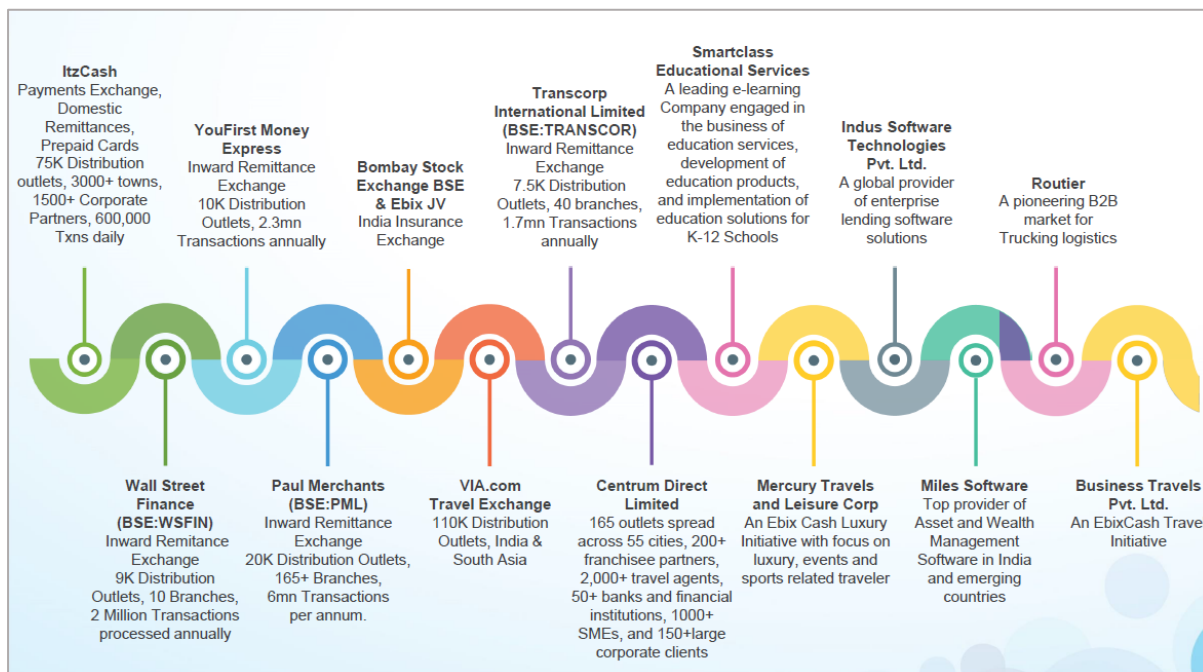


Figure 59 Ebix investor presentation

To date, the company has branched out into:

- Foreign exchange kiosks (Centrum)
- Inward remittance in India (Wall Street Finance, Youfirst Money Express, Paul Merchants, Transcorp)
- B2B trucking logistics (Routier)
- Consumer travel (Mercury Travels)
- Corporate event and travel management (Leisure Corp)
- Prepaid Cards (ItzCash Card)
- Asset and wealth management software solutions (Miles Software)
- Lending software solutions (Indus Software Technologies)

This list was officially outdated 3 days later by the announcement of the acquisition of AHA taxis²¹.

AHA taxis is a network of on-demand inter-city taxis. The business supposedly takes advantage of finding drivers who have just made a one-way intercity trip looking for fares on the way back. Local filings show the business is loss-making and heavily cash flow negative: the business appears to have no assets and simply connects clients to drivers. Contrary to the most recent EBix Press release. **We'll publish more on this shortly.**

²¹ <https://www.ebix.com/press-release/ebixcash-acquires-aha-taxis>



Waaah Taxis Pvt. Ltd.		
Statement of Cash Flows		
	2018	2017
Cash flows from operating activities		
Profit before taxation	(9,610,069.70)	(7,665,978.48)
Adjustments for:		
Depreciation & Amortisation	399,775.65	141,624.00
Investment income	-	-
Interest expense	-	-
Profit / (Loss) on the sale of property, plant & equipment	-	-
Cash generated before Change in Working Capital	(9,210,294.05)	(7,524,354.48)
Working capital changes:		
(Increase) / Decrease in trade and other receivables	(90,248.80)	(1,118,976.00)
(Increase) / Decrease in short term loans and advances	-	(136,728.00)
(Increase) / Decrease in other current and non current assets	-	(14,150.00)
(Increase) / Decrease in long term loans and advances	(176,350.00)	361,065.28
Increase / (Decrease) in other current liabilities	2,114,397.13	-
Increase / (Decrease) in long term borrowings	-	-
Increase / (Decrease) in trade payables	-	-
Increase / (Decrease) in short term provisions	-	-
Increase / (Decrease) in other long term liabilities	-	-
	1,847,798.33	(908,788.72)
Cash generated from operations	(7,362,495.72)	(8,433,143.20)
Interest paid	-	-
Income taxes paid	-	-
Dividends paid	-	-
Net cash from operating activities	(7,362,495.72)	(8,433,143.20)
Cash flows from investing activities		
Purchase of tangible/ intangible assets	(847,076.16)	(193,269.33)
(Increase)/Decrease in other investments	(987,923.00)	7,046,199.00
Proceeds from sale of equipment	-	-
Acquisition of portfolio investments	-	-
Investment income	-	-
Net cash used in investing activities	(1,834,999.16)	6,852,929.67
Cash flows from financing activities		
Proceeds from issue of share capital	7,300,000.00	4,300,000.00
Proceeds from long-term borrowings	-	-
Payment of long-term borrowings	-	-
Net cash used in financing activities	7,300,000.00	4,300,000.00
Net increase in cash and cash equivalents	(1,897,494.88)	2,719,786.47
Cash and cash equivalents at beginning of period	3,982,134.86	1,262,348.39
Cash and cash equivalents at end of period	2,084,639.98	3,982,134.86

Figure 60 Waaah taxis dba AHA Taxis cash flow statement 2018

The AHA taxis app on the google app store has only 10,000 downloads, with reviews beginning in February 2017²². Prosight Partners also advised Via Media Health in 2014 leading to Ebix's acquisition of the business in 2015 based on a testimonial on their website.

This is to certify that Prosight Partners (Division of Prosight Overseas Strategic Consultants Private Limited) was our investment banking advisor for facilitating our venture's Via Med's strategic dis-investment transaction with Ebix Inc (USA).

Figure 61 Via Med testimonial to Prosight Partners

We highlight AHA Taxis as it is representative of the increasingly scattered nature of Ebix's Indian acquisitions.

Similar to our findings on ProSiebenSat.1, we believe the company is taking on debt to acquire these businesses at a reckless pace. One interesting effect is that depending on which pro forma estimates are used, Ebix's Indian organic growth appears low.

In essence, this is the quintessential roll-up strategy with these purchases being funded through raising debt. While the establishment of a remittance entity may have been the original intention, Ebix's acquisitions have been becoming more disparate: it was simple to see how an additional MTSS structure could synergise into Ebix's existing Indian portfolio but we struggle to see how B2B trucking logistics and inter-city taxi services fit in.

²² <https://play.google.com/store/apps/details?id=com.ahataxis&hl=en&showAllReviews=true>



The company has long floated the idea of listing these entities as a combined EbixCash entity on the BSE. Below is a list of Ebix's acquisitions in India.

Date	Acquisition	Consideration (USDm)	Contingent Consideration (USDm)	Activities
06-Dec-18	70% stake in AHA Taxis	not finalised	not finalised	On-demand inter-city taxi service
23-Oct-18	67% stake in Routier	not finalised	not finalised	"Dehli-based B2B marketplace for trucking logistics"
22-Oct-18	Business Travels Group	not finalised	not finalised	none found
01-Aug-18	Miles Software	18.30	8.30	"provider of on-demand software on wealth and asset management to banks, asset
01-Jul-18	Leisure Corp	2.10	not finalised	"The Company's core competency is to provide a customized range of services from
01-Jul-18	Mercury Travels	13.20	not finalised	Travel and forex
01-Jul-18	Indus Software Technologies	22.90	5.00	"global provider of enterprise lending software solutions to financial institutions,
01-Apr-18	CentrumDirect Limited	179.50	not finalised	"a leader in India's foreign exchange and outward remittance markets"
01-Apr-18	Smartclass Educational Services	8.60	not finalised	"leading e-learning Company engaged in the business of education services, development
01-Feb-18	MTSS of Transcorp International	7.25	0.00	MTSS
01-Nov-17	Via.com	78.80	2.30	"recognized leader in the travel space in India and an Omnichannel online travel and assisted e-commerce exchange"
01-Nov-17	MTSS of Paul Merchants	37.40	0.00	MTSS
18-Aug-17	MTSS of YouFirst Money Express	10.20	0.00	MTSS
17-Aug-17	MTSS of Wall Street Finance Limited	7.25	0.00	MTSS
01-Jul-17	beBetter Health	1.00	2.00	"a technology enabled corporate wellness provider that provides end-to-end wellness solutions"
01-Apr-17	80% stake in ItzCash Card	76.30	44.00	"India's leading payment solutions exchange"

Figure 62 Viceroy analysis of Ebix acquisitions

6. Conclusion

We believe Ebix represents a serious investment risk and see significant downside to its shares. Based on what we have found so far, we are unable to quantify this downside. Viceroy's investigation into Ebix continues: what has been presented is simply the most complete of our research thus far. The sheer volume and breadth of subsidiary filings, as well as the delay in the signing off and filing of accounts will take more time to process.

Viceroy are in the process of obtaining further filings and completing a more extensive analysis on Ebix's numerous acquisitions.

This section of the painting depicts a scene of conflict and restraint. In the center, a man in a green tunic is being held back by several other men. To the left, a dog in the foreground holds a scroll with text, possibly a list of names or a record of events. The background shows a courtyard with a red table and other figures, suggesting a larger gathering or festival.

