

EBIX INC
Form 10-Q
August 11, 2014
Table of Contents

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 June 30, 2014

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.)

5 CONCOURSE PARKWAY, SUITE 3200

ATLANTA, GEORGIA

(Address of principal executive offices)

30328

(Zip Code)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐ N/A ☐

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

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input checked="" type="checkbox"/>	Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>
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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 August 8, 2014 the number of shares of common stock outstanding was 38,334,749.

FORM 10-Q
FOR THE QUARTER ENDED JUNE 30, 2014
INDEX
PART I — FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

Condensed Consolidated Statements of Income for the three and six months ended June 30, 2014 and 2013 (unaudited) 2

Condensed Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2014 and 2013 (unaudited) 3

Condensed Consolidated Balance Sheets at June 30, 2014 (unaudited) and December 31, 2013 4

Condensed Consolidated Statement of Stockholders' Equity for the six months ended June 30, 2014 (unaudited) 6

Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2014 and 2013 (unaudited) 7

Notes to Condensed Consolidated Financial Statements (unaudited) 9

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations 27

Item 3. Quantitative and Qualitative Disclosures About Market Risk 39

Item 4. Controls and Procedures 40

PART II — OTHER INFORMATION

Item 1. Legal Proceedings 40

Item 1A. Risk Factors 41

Item 2. Repurchases of Equity Securities 42

Item 3. Defaults upon Senior Securities 42

Item 4. Mine Safety Disclosures 42

Item 5. Other Information 42

Item 6. Exhibits 42

SIGNATURES 43

EXHIBIT INDEX 44

Exhibit 10.9

Exhibit 31.1
Exhibit 31.2
Exhibit 32.1
Exhibit 32.2
Exhibit 101

Table of Contents

PART I — FINANCIAL INFORMATION

Item 1: CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Ebix, Inc. and Subsidiaries

Condensed Consolidated Statements of Income

(In thousands, except per share data)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30	
	2014	2013	2014	2013
Operating revenue	\$51,476	\$51,004	\$102,880	\$103,570
Operating expenses:				
Cost of services provided	9,964	10,358	19,576	20,249
Product development	6,758	6,724	13,451	13,759
Sales and marketing	3,784	3,827	7,085	7,739
General and administrative, net (see Note 3)	11,068	8,253	20,909	18,224
Amortization and depreciation	2,441	2,548	4,993	5,000
Total operating expenses	34,015	31,710	66,014	64,971
Operating income	17,461	19,294	36,866	38,599
Interest income	130	91	265	184
Interest expense	(211)	) (281)	) (458)	) (643)
Non-operating (loss)/income - put options	(139)	) (1,425)	) 315	) (1,343)
Foreign currency exchange loss	(336)	) (123)	) (455)	) (293)
Income before income taxes	16,905	17,556	36,533	36,504
Income tax expense	(3,326)	) (4,014)	) (7,537)	) (5,618)
Net income	\$13,579	\$13,542	\$28,996	\$30,886
Basic earnings per common share	\$0.35	\$0.36	\$0.76	\$0.83
Diluted earnings per common share	\$0.35	\$0.35	\$0.75	\$0.80
Basic weighted average shares outstanding	38,427	37,210	38,373	37,189
Diluted weighted average shares outstanding	38,647	38,789	38,624	38,784

See accompanying notes to the condensed consolidated financial statements.

Table of Contents

Ebix, Inc. and Subsidiaries

Condensed Consolidated Statements of Comprehensive Income

(In thousands)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net income	\$13,579	\$13,542	\$28,996	\$30,886
Other comprehensive income (loss):				
Foreign currency translation adjustments	1,471	\$(3,578)	\$2,599	\$(4,096)
Total other comprehensive income (loss)	1,471	(3,578)	2,599	(4,096)
Comprehensive income	\$15,050	\$9,964	\$31,595	\$26,790

See accompanying notes to the condensed consolidated financial statements.

Table of Contents

Ebix, Inc. and Subsidiaries

Condensed Consolidated Balance Sheets

(In thousands, except share amounts)

	June 30, 2014 (Unaudited)	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$32,903	\$56,674
Short-term investments	1,427	801
Trade accounts receivable, less allowances of \$1,450 and \$1,049, respectively	40,416	39,070
Deferred tax asset, net	1,400	256
Other current assets	4,951	5,548
Total current assets	81,097	102,349
Property and equipment, net	21,148	8,528
Goodwill	352,833	337,068
Intangibles, net	49,091	50,734
Indefinite-lived intangibles	30,887	30,887
Deferred tax asset, net	14,880	12,194
Other assets	1,518	3,682
Total assets	\$551,454	\$545,442
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$16,258	\$17,818
Accrued payroll and related benefits	5,410	6,482
Short term debt	18,750	13,062
Revolving line of credit	7,840	—
Current portion of long term debt and capital lease obligations, net of discount of \$10 and \$10, respectively	761	827
Current deferred rent	246	254
Contingent liability for accrued earn-out acquisition consideration	137	4,137
Liability – securities litigation settlement	—	4,226
Put option liability	530	845
Deferred revenue	18,494	18,918
Other current liabilities	89	106
Total current liabilities	68,515	66,675
Revolving line of credit	—	22,840
Long term debt and capital lease obligations, less current portion, net of discount of \$10 and \$38, respectively	9,284	20,124
Other liabilities	11,031	4,719
Contingent liability for accrued earn-out acquisition consideration	17,072	10,283
Deferred revenue	148	391
Long term deferred rent	1,971	2,185
Total liabilities	108,021	127,217

Commitments and Contingencies, Note 5

Temporary equity, Note 10	5,000	5,000
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Stockholders' equity:

4

Table of Contents

Preferred stock, \$0.10 par value, 500,000 shares authorized, no shares issued and outstanding at June 30, 2014 and December 31, 2013	—	—
Common stock, \$0.10 par value, 60,000,000 shares authorized, 38,435,320 issued and 38,394,811 outstanding at June 30, 2014 and 38,088,391 issued and 38,047,882 outstanding at December 31, 2013	3,839	3,805
Additional paid-in capital	163,588	164,216
Treasury stock (40,509 shares as of June 30, 2014 and December 31, 2013)	(76	) (76)
Retained earnings	280,777	257,574
Accumulated other comprehensive loss	(9,695	) (12,294)
Total stockholders' equity	438,433	413,225
Total liabilities and stockholders' equity	\$551,454	\$545,442
See accompanying notes to the condensed consolidated financial statements.		

Table of Contents

Ebix, Inc. and Subsidiaries

Condensed Consolidated Statements of Stockholders' Equity

(unaudited)

(In thousands except for share figures)

	Common Stock							
	Issued Shares	Amount	Treasury Stock Shares	Treasury Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance, December 31, 2013	38,088,391	\$3,805	(40,509)	\$ (76)	\$164,216	\$257,574	\$ (12,294)	\$413,225
Net income	—	—	—	—	—	28,996	—	28,996
Cumulative translation adjustment	—	—	—	—	—	—	2,599	2,599
Repurchase and retirement of common stock	(137,071)	(14)			(2,220)			