EBIX INC
Form 10-Q
November 09, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

| | |
|---|---|
| þ | QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 |
| | For the quarterly period ended September 30, 2015 |
| OR | |
| o | 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 | 77-0021975 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

| | |
|---|---|
| 1 EBIX WAY | |
| JOHNS CREEK, GEORGIA | 30097 |
| (Address of principal executive offices) | (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 þ No o

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 þ No o

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

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

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

As of November 6, 2015 the number of shares of common stock outstanding was 33,767,094.

FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 30, 2015
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## PART I — FINANCIAL INFORMATION

### Item 1: CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

| | Three Months Ended September 30, | | Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Operating revenue | $66,813 | $50,808 | $195,278 | $153,688 |
| Operating expenses: | | | | |
| Cost of services provided | 17,809 | 10,275 | 55,993 | 29,851 |
| Product development | 8,338 | 6,779 | 22,673 | 20,230 |
| Sales and marketing | 3,805 | 3,559 | 10,795 | 10,644 |
| General and administrative, net (see Note 3) | 12,128 | 6,008 | 34,995 | 26,917 |
| Amortization and depreciation | 2,765 | 2,449 | 7,932 | 7,442 |
| Total operating expenses | 44,845 | 29,070 | 132,388 | 95,084 |
| Operating income | 21,968 | 21,738 | 62,890 | 58,604 |
| Interest income | 62 | 61 | 167 | 326 |
| Interest expense | (1,058) | (392) | (2,402) | (850) |
| Non-operating (loss)/income - put options | — | (19) | — | 296 |
| Non-operating expense - securities litigation | — | (350) | — | (350) |
| Foreign currency exchange gain | 1,137 | 987 | 2,359 | 532 |
| Income before income taxes | 22,109 | 22,025 | 63,014 | 58,558 |
| Income tax expense | (1,877) | (4,010) | (5,410) | (11,547) |
| Net income | $20,232 | $18,015 | $57,604 | $47,011 |
| Basic earnings per common share | $0.59 | $0.47 | $1.65 | $1.23 |
| Diluted earnings per common share | $0.59 | $0.47 | $1.63 | $1.22 |
| Basic weighted average shares outstanding | 34,304 | 38,050 | 35,014 | 38,264 |
| Diluted weighted average shares outstanding | 34,515 | 38,253 | 35,241 | 38,499 |

See accompanying notes to the condensed consolidated financial statements.

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Net income | $20,232 | $18,015 | $57,604 | $47,011 |
| Other comprehensive income (loss): | | | | |
| Foreign currency translation adjustments | (10,129) | (4,546) | (14,163) | (1,947) |
| Total other comprehensive income (loss) | (10,129) | (4,546) | (14,163) | (1,947) |
| Comprehensive income | $10,103 | $13,469 | $43,441 | $45,064 |

See accompanying notes to the condensed consolidated financial statements.

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

| | September 30, 2015 (Unaudited) | December 31, 2014 |
|---|---|---|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | $33,200 | $52,300 |
| Short-term investments | 1,014 | 281 |
| Trade accounts receivable, less allowances of $2,406 and $1,619, respectively | 47,166 | 41,100 |
| Deferred tax asset, net | 802 | 2,113 |
| Other current assets | 11,058 | 8,067 |
| Total current assets | 93,240 | 103,861 |
| | | |
| Property and equipment, net | 33,583 | 24,661 |
| Goodwill | 408,093 | 402,220 |
| Intangibles, net | 49,591 | 49,371 |
| Indefinite-lived intangibles | 30,887 | 30,887 |
| Deferred tax asset, net | 20,563 | 18,758 |
| Other assets | 12,522 | 4,553 |
| Total assets | $648,479 | $634,311 |
| | | |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | $21,703 | $40,121 |
| Accrued payroll and related benefits | 6,020 | 5,280 |
| Current portion of long term debt and capital lease obligations, net of discount of $5 and $7, respectively | 607 | 936 |
| Current deferred rent | 311 | 268 |
| Contingent liability for accrued earn-out acquisition consideration | 1,690 | 887 |
| Deferred revenue | 19,251 | 22,192 |
| Other current liabilities | 98 | 102 |
| Total current liabilities | 49,680 | 69,786 |
| | | |
| Revolving line of credit | 186,465 | 120,465 |
| Long term debt and capital lease obligations, less current portion, net of discount of $0 and $7, respectively | 41 | 593 |
| Other liabilities | 2,157 | 2,179 |
| Contingent liability for accrued earn-out acquisition consideration | 6,323 | 4,480 |
| Deferred revenue | 1,803 | 2,496 |
| Long term deferred rent | 1,847 | 2,091 |
| Total liabilities | 248,316 | 202,090 |
| | | |
| Commitments and Contingencies, Note 5 | | |
| | | |
| Stockholders' equity: | | |
| Preferred stock, $0.10 par value, 500,000 shares authorized, no shares issued and outstanding at September 30, 2015 and December 31, 2014 | — | — |
| | 3,378 | 3,619 |

| | | |
|---|---|---|
| Common stock, $0.10 par value, 60,000,000 shares authorized, 33,787,094 issued and outstanding, at September 30, 2015 and 36,232,074 issued and 36,191,565 outstanding at December 31, 2014 | | |
| Additional paid-in capital | 69,756 | 137,101 |

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| | | |
|---|---|---|
| Treasury stock (no shares as of September 30, 2015 and 40,509 shares as of December 31, 2014) | — | (76) |
| Retained earnings | 359,341 | 309,726 |
| Accumulated other comprehensive loss | (32,312) | (18,149) |
| Total stockholders’ equity | 400,163 | 432,221 |
| Total liabilities and stockholders’ equity | $648,479 | $634,311 |

See accompanying notes to the condensed consolidated financial statements.

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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, 2014 | 36,232,074 | $3,619 | (40,509) | $ (76 ) | $137,101 | $309,726 | $ (18,149 ) | $432,221 |
| Net income | — | — | — | — | — | 57,604 | — | 57,604 |
| Cumulative translation adjustment | — | — | — | — | — | — | (14,163 ) | (14,163 ) |
| Repurchase and retirement of common stock | (2,513,692 ) | (252 ) | | | (68,541 ) | | | (68,793 ) |
| Vesting of restricted stock | 91,011 | 9 | — | — | (9 ) | — | — | — |
| Exercise of stock options | 56,250 | 6 | — | — | 1,111 | — | — | 1,117 |
| Share based compensation | — | — | — | — | 1,244 | — | — | 1,244 |
| Tax benefit related to share-based compensation | — | — | — | — | 63 | — | — | 63 |
| Forfeiture of certain shares to satisfy exercise costs and the recipients income tax obligations related to stock options exercised and restricted stock vested | (38,040 ) | (4 ) | — | — | (1,137 ) | — | — | (1,141 ) |
| Retirement of treasury stock | (40,509 ) | — | 40,509 | 76 | (76 ) | — | — | — |
| Dividends paid | — | — | — | — | — | (7,989 ) | — | (7,989 ) |
| Balance, September 30, 2015 | 33,787,094 | $3,378 | — | $ — | $69,756 | $359,341 | $ (32,312 ) | $400,163 |

See accompanying notes to the condensed consolidated financial statements.

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

| | Nine Months Ended September 30, 2015 | 2014 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net income | $57,604 | $47,011 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 7,932 | 7,442 |
| Benefit for deferred taxes | (5,749) | (1,810) |
| Share based compensation | 1,244 | 1,333 |
| Provision for doubtful accounts | 1,950 | 1,083 |
| Debt discount amortization on promissory note payable | 13 | 26 |
| Unrealized foreign exchange (gain) loss | (2,008) | (256) |
| Loss on put option | — | (296) |
| Reduction of acquisition earnout accruals | (1,533) | (7,533) |
| Changes in assets and liabilities, net of effects from acquisitions: | | |
| Accounts receivable | (6,328) | (1,901) |
| Other assets | (3,606) | (3,977) |
| Accounts payable and accrued expenses | (21,448) | (8,064) |
| Accrued payroll and related benefits | 1,100 | 1,027 |
| Deferred revenue | (3,096) | (704) |
| Deferred rent | (111) | (272) |
| Reserve for potential uncertain income tax return positions | 594 | 9,337 |
| Liability - securities litigation settlement payment | (690) | (3,868) |
| Other liabilities | (205) | (188) |
| Net cash provided by operating activities | 25,663 | 38,390 |
| | | |
| Cash flows from investing activities: | | |
| Acquisition of Via Media Health, net of cash acquired | (1,000) | — |
| Acquisition of P.B. Systems, net of cash acquired | (11,475) | — |
| Acquisition of HealthCare Magic, net of cash acquired | — | (5,856) |
| Investment in Joint Venture | (6,000) | — |
| Acquisition of CurePet, Inc., net of cash acquired | — | 3 |
| Payment of acquisition earn-out contingency, Taimma | — | (2,250) |
| Purchases of marketable securities | (940) | (595) |
| Capital expenditures | (12,713) | (15,922) |
| Net cash used in investing activities | (32,128) | (24,620) |
| | | |
| Cash flows from financing activities: | | |
| Proceeds from revolving line of credit, net | 66,000 | 40,625 |
| Principal payments of term loan obligation | — | (31,938) |
| Repurchases of common stock | (67,780) | (16,482) |
| Excess tax benefit from share-based compensation | 63 | (3,200) |
| Proceeds from the exercise of stock options | 1,117 | 788 |
| | (1,141) | (37) |

| | | |
|---|---|---|
| Forfeiture of certain shares to satisfy exercise costs and the recipients income tax obligations related to stock options exercised and restricted stock vested | | |
| Dividend payments | (7,989) | (8,652) |
| Shares reacquired in connection with put option | — | (3,535) |
| Principal payments of debt obligations | (638) | (336) |
| Payments of capital lease obligations | (3) | (144) |
| Net cash used in financing activities | (10,371) | (22,911) |
| Effect of foreign exchange rates on cash | (2,264) | (183) |
| Net change in cash and cash equivalents | (19,100) | (9,324) |
| Cash and cash equivalents at the beginning of the period | 52,300 | 56,674 |
| Cash and cash equivalents at the end of the period | $33,200 | $47,350 |
| Supplemental disclosures of cash flow information: | | |
| Interest paid | $4,002 | $802 |
| Income taxes paid | $24,663 | $10,782 |

See accompanying notes to the condensed consolidated financial statements.

Supplemental schedule of noncash financing activities:

Effective January 27, 2014 Ebix acquired the entire business of CurePet, Inc. ("CurePet") in an asset purchase agreement with the total purchase consideration being in the amount of $6.35 million of which included a possible future one time contingent

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earnout payment of up to $5.0 million based on earned revenues over the subsequent thirty-six month period following the date of the acquisition. This contingent earnout liability is estimated to have a fair value of zero. Additional required cash consideration of $1.35 million was offset against open receivable balances due to Ebix, Inc. from CurePet, and therefore no actual cash outlay was made by Ebix, Inc. Previously during 2012, Ebix acquired a minority19.8% interest in CurePet for cash consideration in the amount of $2.0 million.

During the nine months ended September 30, 2015 there were 38,040 shares, totaling $1.14 million, used to satisfy exercise costs and the recipients' income tax obligations related to stock options exercised and restricted stock vesting.

As of September 30, 2015 there were 40,000 shares totaling $1.0 million of share repurchases that were not settled until October 2015.

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

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

Description of Business— Ebix, Inc. and subsidiaries (“Ebix” or the “Company”) is an international supplier of on-demand software and e-commerce solutions to the insurance, healthcare and financial industries. Ebix provides various application software products for the insurance industry ranging from data exchanges, carrier systems, and agency systems, to custom software development for business entities across the insurance industry. The Company's products feature fully customizable and scalable on-demand software applications designed to streamline the way insurance professionals manage distribution, marketing, sales, customer service, and accounting activities. The Company has its headquarters in Johns Creek, Georgia and also conducts operating activities in Australia, Canada, India, New Zealand, Singapore, United Kingdom and Brazil. International revenue accounted for 22.7% and 32.8% of the Company’s total revenue for the nine months ended September 30, 2015 and 2014, respectively.

The Company’s revenues are derived from four product/service groups. Presented in the table below is the breakout of our revenue streams for each of those product/service groups for the three and nine months ended September 30, 2015 and 2014.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| (dollar amounts in thousands) | 2015 | 2014 | 2015 | 2014 |
| Exchanges | $46,209 | $41,757 | $139,712 | $125,212 |
| Broker Systems | 3,812 | 4,511 | 11,067 | 13,862 |
| Risk Compliance Solutions (“RCS”) | 15,754 | 3,346 | 41,218 | 10,423 |
| Carrier Systems | 1,038 | 1,194 | 3,281 | 4,191 |
| Totals | $66,813 | $50,808 | $195,278 | $153,688 |

Summary of Significant Accounting Policies

Basis of Presentation—The accompanying unaudited condensed consolidated financial statements and these notes have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") and in accordance with U.S. Generally Accepted Accounting Principles ("GAAP") with the effect of inter-company balances and transactions eliminated. Certain information and note disclosures normally included in annual financial statements prepared in accordance with GAAP and SEC rules have been condensed or omitted as permitted by and pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information not misleading. These unaudited condensed consolidated financial statements contain adjustments (consisting only of normal recurring items) necessary to fairly present the consolidated financial position of the Company and its consolidated results of operations and cash flows. Operating results for the nine months ended September 30, 2015 and 2014 are not necessarily indicative of the results that may be expected for future quarters or the full year of 2015. The condensed consolidated December 31, 2014 balance sheet included in this interim period filing has been derived from the audited financial statements at that date but does not necessarily include all of the information and related notes required by GAAP for complete financial statements. These condensed interim financial statements should be read in conjunction with the financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2014.

Reclassification—The change in reserve for potential uncertain income tax return positions had been previously netted against the provision for deferred taxes line in the consolidated statements of cash flows, it is now shown separately. Also, beginning in 2014 the Company has applied the new provisions under Financial Accounting Standard ("FAS") update No. 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, A Similar Tax Loss, or a Tax Credit Carryforward Exists and as more fully described in Note 6 "Income Taxes". A portion of potential uncertain income tax return positions previously reported in "Other Liabilities" on the condensed consolidated balance sheets are now netted against the "Deferred tax asset, net" line in the long term asset section of the condensed consolidated balance sheets.

Advertising—With the exception of certain direct-response costs, advertising costs are expensed as incurred. Advertising costs amounted to $2.1 million and $695 thousand in the first nine months of 2015 and 2014, respectively, and are included in sales and marketing expenses in the accompanying Condensed Consolidated Statements of Income. Sales and marketing expenses have been reduced in the first nine months of 2015 as a result of the deferment of (net of amortization) $2.9 million of certain

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direct-response advertising costs associated with our recent acquisition of Oakstone, which have been capitalized in accordance with Accounting Standards Codification ("ASC") Topic 340. These costs are being amortized to expense over periods ranging from twelve to twenty-four months based on the type of product the customer purchases.

Fair Value of Financial Instrument—The Company follows the relevant GAAP guidance concerning fair value measurements which provides a consistent framework to define, measure, and disclose the fair value of assets and liabilities in financial statements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction. This guidance establishes a three-level hierarchy priority for disclosure of assets and liabilities recorded at fair value. The ordering of priority reflects the degree to which objective data from external active markets are available to measure fair value. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable.

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

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

As of September 30, 2015 the Company had the following financial instruments to which it had to consider fair values and had to make fair assessments:

- Short-term investments for which the fair values are measured as a Level 1 instrument.
- Contingent accrued earn-out business acquisition consideration liabilities for which fair values are measured as Level 3 instruments. These contingent consideration liabilities were recorded at fair value on the acquisition date and are remeasured quarterly based on the then assessed fair value and adjusted if necessary. The increases or decreases in the fair value of contingent consideration payable can result from changes in anticipated revenue levels and changes in assumed discount periods and rates. As the fair value measure is based on significant inputs that are not observable in the market, they are categorized as Level 3.

Other financial instruments not measured at fair value on the Company's unaudited condensed consolidated balance sheet at September 30, 2015 but which require disclosure of their fair values include: cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, accrued payroll and related benefits, capital lease obligations, and debt under the revolving line of credit with Regions Financial Corporation. The Company believes that the estimated fair value of such instruments at September 30, 2015 and December 31, 2014, approximates their carrying value as reported on the unaudited Condensed Consolidated Balance Sheet.

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

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| Descriptions | Balance, September 30, 2015 | Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| | Fair Values at Reporting Date Using* | | | |
| | (In thousands) | | | |
| Assets | | | | |
| Available-for-sale securities: | | | | |
| Commercial bank certificates of deposits | $1,014 | $1,014 | $— | $— |
| Total assets measured at fair value | $1,014 | $1,014 | $— | $— |
| | | | | |
| Liabilities | | | | |
| Derivatives: | | | | |
| Contingent accrued earn-out acquisition consideration (a) | $8,013 | $— | $— | $8,013 |
| Total liabilities measured at fair value | $8,013 | $— | $— | $8,013 |

(a) The income valuation approach is applied and the valuation inputs include the contingent payment arrangement terms, projected cash flows, rate of return, and probability assessments.
* During the three months ended September 30, 2015 there were no transfers between fair value Levels 1, 2 or 3.

| Descriptions | Balance, December 31, 2014 | Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| | Fair Values at Reporting Date Using* | | | |
| | (In thousands) | | | |
| Assets | | | | |
| Available-for-sale securities: | | | | |
| Commercial bank certificates of deposits | $281 | 281 | $— | $— |
| Total assets measured at fair value | $281 | $281 | $— | $— |
| | | | | |
| Liabilities | | | | |
| Derivatives: | | | | |
| Contingent accrued earn-out acquisition consideration (a) | $5,367 | $— | $— | $5,367 |
| Total liabilities measured at fair value | $5,367 | $— | $— | $5,367 |

(a) The income valuation approach is applied and the valuation inputs include the contingent payment arrangement terms, projected cash flows, rate of return, and probability assessments.
* During the nine months ended September 30, 2015 there were no transfers between fair value Levels 1, 2 or 3.

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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, 2015 and during the year ended December 31, 2014:

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

| Contingent Liability for Accrued Earn-out Acquisition Consideration | Balance, September 30, 2015 | Balance, December 31, 2014 |
|---|---|---|
| | (in thousands) | |
| Beginning balance | $ 5,367 | $ 14,420 |
| Total remeasurement adjustments: | | |
| (Gains) or losses included in earnings ** | (1,533) | (10,237) |
| Reductions recorded against goodwill | (2,000) | — |
| Foreign currency translation adjustments *** | (47) | (314) |
| Acquisitions and settlements | | |
| Business acquisitions | 6,226 | 4,312 |
| Settlement payments | — | (2,814) |
| Ending balance | $ 8,013 | $ 5,367 |
| The amount of total (gains) or losses for the period included in earnings or changes to net assets, attributable to changes in unrealized (gains) or losses relating to assets or liabilities still held at period-end. | $ (1,533) | $ (8,911) |

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

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

Quantitative Information about Level 3 Fair Value Measurements

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

| (in thousands) | Fair Value at September 30, 2015 | Valuation Technique | Significant Unobservable Input |
|---|---|---|---|
| Contingent acquisition consideration: (Qatarlyst, Vertex, PB Systems, and Via Media acquisitions) | $8,013 | Discounted cash flow | Projected revenue and probability of achievement |

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| (in thousands) | Fair Value at December 31, 2014 | Valuation Technique | Significant Unobservable Input |
|---|---|---|---|
| Contingent acquisition consideration: (Qatarlyst, HealthCare Magic, Vertex, and i3 acquisitions) | $5,367 | Discounted cash flow | Projected revenue and probability of achievement |

Sensitivity to Changes in Significant Unobservable Inputs

As presented in the table above, the significant unobservable inputs used in the fair value measurement of contingent consideration related to business acquisitions are projected revenue forecasts as developed by the relevant members of Company's management team and the probability of achievement of those revenue forecasts. The discount rate used in these calculations is 1.75%. Significant increases (decreases) in these unobservable inputs in isolation would result in a significantly higher (lower) fair value measurement.

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

In accordance with Financial Accounting Standard Board (“FASB”) and SEC accounting guidance on revenue recognition, the Company considers revenue earned and realizable when: (a) persuasive evidence of the sales arrangement exists, provided that the arrangement fee is fixed or determinable, (b) delivery or performance has occurred, (c) customer acceptance has been received or is assured, if contractually required, and (d) collectability of the arrangement fee is probable. The Company uses signed contractual agreements as persuasive evidence of a sales arrangement. We apply the provisions of the relevant generally accepted accounting principles related to all transactions involving the license of software where the software deliverables are considered more than inconsequential to the other elements in the arrangement.

For contracts that contain multiple deliverables, we analyze the revenue arrangements in accordance with the relevant technical accounting guidance, which provides criteria governing how to determine whether goods or services that are delivered separately in a bundled sales arrangement should be considered as separate units of accounting for the purpose of revenue recognition. These types of arrangements include deliverables pertaining to software licenses, system set-up, and professional services associated with product customization or modification. Delivery of the various contractual elements typically occurs over periods of less than eighteen months. These arrangements generally do not have refund provisions or have very limited refund terms.

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

Accounts Receivable and the Allowance for Doubtful Accounts Receivable—Reported accounts receivable include $39.3 million of trade receivables stated at invoice billed amounts and $10.3 million of unbilled receivables, net of the estimated allowance for doubtful accounts receivable in the amount of $2.4 million,. The unbilled receivables pertain to certain projects for which the timing of billing is tied to contractual milestones. The Company adheres to such contractually stated performance milestones and accordingly issues invoices to customers as per contract billing schedules. Approximately $6.3 million of deferred revenue is included in billed accounts receivable at September 30, 2015. The Company recognized and recorded bad debt expense in the amount of $1.65 million and $1.95 million for the three and nine-month periods ended September 30, 2015 and $336 thousand and $1.1 million for the three and nine-month periods ended September 30, 2014, respectively. Accounts receivable are written off against the allowance account when the Company has exhausted all reasonable collection efforts. During the nine months ending

September 30, 2015 $1.2 million of accounts receivable were written off.

Goodwill and Other Indefinite-Lived Intangible Assets—Goodwill represents the cost in excess of the fair value of the net assets of acquired businesses. Indefinite-lived intangible assets represent the fair value of certain acquired contractual customer relationships for which future cash flows are expected to continue indefinitely. In accordance with the relevant FASB accounting guidance, goodwill and indefinite-lived intangible assets are not amortized but are tested for impairment at the reporting unit level on an annual basis or on an interim basis if an event occurs or circumstances change that would likely have reduced the fair value

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of a reporting unit below its carrying value. Potential impairment indicators include a significant change in the business climate, legal factors, operating performance indicators, competition, and the sale or disposition of a significant portion of the business. The impairment evaluation process involves an assessment of certain qualitative factors to determine whether the existence of events or circumstances would indicate that it is more likely than not that the fair value of any of our reporting units was less than its carrying amount. If after assessing the totality of events or circumstances, we were to determine that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then the Company would not perform the two-step quantitative impairment testing described further below.

The aforementioned two-step quantitative testing process involves comparing the reporting unit carrying values to their respective fair values; we determine fair value of our reporting units by applying the discounted cash flow method using the present value of future estimated net cash flows. If the fair value of a reporting unit exceeds its carrying value, then no further testing is required. However, if a reporting unit's fair value were to be less than its carrying value, we would then determine the amount of the impairment charge, if any, which would be the amount that the carrying value of the reporting unit's goodwill exceeded its implied value. Projections of cash flows are based on our views of growth rates, operating costs, anticipated future economic conditions and the appropriate discount rates relative to risk and estimates of residual values. We believe that our estimates are consistent with assumptions that marketplace participants would use in their estimates of fair value. The use of different estimates or assumptions for our projected discounted cash flows (e.g., growth rates, future economic conditions, discount rates and estimates of terminal values) when determining the fair value of our reporting units could result in different values and may result in a goodwill impairment charge. We perform our annual goodwill impairment evaluation and testing as of September 30th of each year. This evaluation is done during the fourth quarter each year. During the year ended December 31, 2014 we had no impairment of our reporting unit goodwill balances. The 2015 goodwill impairment evaluation is currently underway and will be completed commensurate with the release of the Company's full year 2015 financial reporting.

Changes in the carrying amount of goodwill for the nine months ended September 30, 2015 and the year ended December 31, 2014 are reflected in the following table.

| | September 30, 2015 | December 31, 2014 |
|---|---|---|
| | (In thousands) | |
| Beginning Balance | $402,220 | $337,068 |
| Additions (net of adjustments) | 10,382 | 68,503 |
| Foreign currency translation adjustments | (4,509) | (3,351) |
| Ending Balance | $408,093 | $402,220 |

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

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

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The carrying value of finite-lived and indefinite-lived intangible assets at September 30, 2015 and December 31, 2014 are as follows:

| | September 30, 2015 | December 31, 2014 |
|---|---|---|
| | (In thousands) | |
| Finite-lived intangible assets: | | |
| Customer relationships | $70,262 | $66,783 |
| Developed technology | 17,205 | 15,664 |
| Trademarks | 2,739 | 2,751 |
| Non-compete agreements | 743 | 751 |
| Backlog | 140 | 140 |
| Database | 212 | 212 |
| Total intangibles | 91,301 | 86,301 |
| Accumulated amortization | (41,710) | (36,930) |
| Finite-lived intangibles, net | $49,591 | $49,371 |
| | | |
| Indefinite-lived intangibles: | | |
| Customer/territorial relationships | $30,887 | $30,887 |

Amortization expense recognized in connection with acquired intangible assets was $1.8 million and $5.4 million for the three and nine months ended September 30, 2015 and $1.9 million and $5.6 million for the three and nine months ended September 30, 2014, respectively.

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

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

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

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

The Company has applied the provisions under FAS update No. 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carry Forward, A Similar Tax Loss, or a Tax Credit Carry Forward Exists. Under these provisions, an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carry forward, a similar tax loss, or a tax credit carry forward in most cases. This provision has been applied and $1.20 million and $1.14 million of unrecognized tax benefits have been applied against NOL carry forward amounts as of September 30, 2015 and December 31, 2014, respectively.

Recent Relevant Accounting Pronouncements—The following is a brief discussion of recently released accounting pronouncements that are pertinent to the Company's business:

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

U.S. GAAP currently requires that during the measurement period, the acquirer retrospectively adjust the provisional amounts recognized at the acquisition date with a corresponding adjustment to goodwill. Those adjustments are required when new information is obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts initially recognized or would have resulted in the recognition of additional assets or liabilities. The acquirer also must revise comparative information for prior periods presented in financial statements as needed, including revising depreciation, amortization, or other income effects as a result of changes made to provisional amounts.

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

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

In November 2014 the FASB issued Accounting Standards Update ("ASU") No. 2014-17 "Business Combinations Pushdown Accounting (a consensus of the FASB Emerging Issues Task Force). The amendments in this ASU apply to the separate financial statements of an acquired entity and its subsidiaries that are a business (either public or nonpublic) upon the occurrence of an event in which an acquirer (an individual or an entity) obtains control of the acquired entity. The amendments in this ASU provide an acquired entity with an option to apply pushdown accounting in its separate financial statements upon occurrence of an event in which an acquirer obtains control of the acquired entity. An acquired entity may elect the option to apply pushdown accounting in the reporting period in which the change-in-control event occurs. If pushdown accounting is not applied in the reporting period in which the change-in-control event occurs, an acquired entity will have the option to elect to apply pushdown accounting in a subsequent reporting period to the acquired entity’s most recent change-in-control event. An election to apply pushdown accounting in a reporting period after the reporting period in which the change-in-control event occurred should be considered a change in accounting principle. If pushdown accounting is applied to an individual change-in-control event, that election is irrevocable. If an acquired entity elects the option to apply pushdown accounting in its separate financial statements, it should disclose information in the current reporting period that enables users of financial statements to evaluate the effect of pushdown accounting. The amendments in this ASU were effective on November 18, 2014. After the effective date, an acquired entity can make an election to apply the guidance to future change-in-control events or to its most recent change-in-control event. The Company has adopted this ASU and its adoption has not had a material impact on its financial statements.

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

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

Step 1: Identify the contract(s) with a customer.

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Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.
For a public entity, the amendments in this ASU are effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early application is not permitted.
An entity should apply the amendments in this ASU using one of the following two methods:
1. Retrospectively to each prior reporting period presented and the entity may elect any of the following practical expedients:

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

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

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

Subsequently in August 2015 the FASB issued ASU No. 2015-14 "Revenue from Contracts with Customers: Deferral of Effective Date", to defer the effective date of ASU No. 2014-09 for all entities by one year. Accordingly public business entities should apply the guidance of ASU No. 2014-09 to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that annual reporting period.
Although early adoption is allowed, the Company plans to adopt this new accounting standard on its newly revised effective date of January 1, 2018, but it has not presently determined the impact that the adoption of ASU No. 2014-09 will have on its income statement, balance sheet, or statement of cash flows. Furthermore, the Company has not yet determined the method of retrospective adoption it will use as described in first and second paragraphs immediately above.

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Note 2: Earnings per Share

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | (In thousands, except per share data) | | | |
| Net income for basic and diluted earnings per share | $20,232 | $18,015 | $57,604 | $47,011 |
| Basic Weighted Average Shares Outstanding | 34,304 | 38,050 | 35,014 | 38,264 |
| Dilutive effect of stock options and restricted stock awards | 211 | 203 | 227 | 235 |
| Diluted weighted average shares outstanding | 34,515 | 38,253 | 35,241 | 38,499 |
| Basic earnings per common share | $0.59 | $0.47 | $1.65 | $1.23 |
| Diluted earnings per common share | $0.59 | $0.47 | $1.63 | $1.22 |

Note 3: 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, which primarily consist of businesses that are complementary to Ebix's existing products and services.

During the nine months ended September 30, 2015, the Company completed two business acquisitions, as follows:

The Company acquired PB Systems, Inc. and PB Systems Private Limited (together being "PB Systems"), effective June 1, 2015. PB Systems develops and implements software solutions for insurance clients. Ebix acquired PB Systems for upfront cash consideration in the amount of $12.4 million, plus possible future contingent earn out payments of up to $8.0 million based on earned revenues over the subsequent twenty-four month period following the effective date of the acquisition. The valuation and purchase price allocation for the PB Systems acquisition is preliminary and will be finalized prior to December 31, 2015.

The Company acquired Via Media Health Communications Private Limited ("Via Media Health"), effective March 1, 2015. Via Media Health is one of India’s leading health content and communication companies. Ebix acquired Via Media Health for upfront cash consideration in the amount of $1.0 million, plus a possible future one time contingent earn out payment of up to $372 thousand based on earned revenues over the subsequent twelve month period following the effective date of the acquisition, and an additional possible one time future performance bonus depending upon revenue growth realized in the business over the subsequent twenty-four month period following the effective date of the acquisition. The valuation and purchase price allocation for the Via Media Health acquisition remains preliminary and will be finalized prior to December 31, 2015.

During the year ended December 31, 2014 the Company complete the following business acquisitions, as follows:

Effective December 2, 2014, Ebix acquired Oakstone Publishing, LLC ("Oakstone") in a membership interest purchase agreement for total net cash consideration in the amount of $23.72 million ($31.37 million less a closing net working capital adjustment of $7.65 million). Oakstone is leading provider of continuing education, certification materials for physicians, dentists and allied healthcare professionals, as well as wellness resources for various organizations. Ebix acquired all of the outstanding membership interests of Oakstone and funded the purchase using a mix of internal cash reserves and the bank credit line available to Ebix. The Company accounted for this acquisition by recording $28.8 million of goodwill, $1.7 million of intangible assets pertaining to customer relationships, $501 thousand of intangible assets pertaining to acquired technology, and a $6.5 million deferred revenue liability. The valuation and purchase price allocation for the Oakstone acquisition remains preliminary and will be finalized prior to December 31, 2015.

On December 1, 2014, Ebix acquired the DCM Group Inc. (d.b.a. i3 Software) ("i3") in an asset purchase agreement for total cash consideration in the amount of $2 million and a possible contingent earn out of up to $4 million based on earned revenues over the subsequent twenty-four month period following the date of the acquisition. i3 is a provider of software services and solutions to the insurance industry. Ebix acquired all of the assets of i3 and funded the purchase using internal cash reserves. The

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Company accounted for this acquisition by recording $1.6 million of goodwill, $310 thousand of intangible assets pertaining to customer relationships, and $48 thousand of intangible assets pertaining to acquired technology.

On November 3, 2014, Ebix acquired Vertex, Incorporated ("Vertex"), with an effective date of October 1, 2014, in a share purchase agreement for total cash purchase consideration in the amount of $27.25 million and a possible contingent earn out of $2 million based on earned revenues over the subsequent twenty-four month period following the date of the acquisition. Vertex is a specialized software and services firm focused primarily on the life and annuity insurance marketplace since 1991. Ebix acquired all of the outstanding capital stock of Vertex and funded the purchase using a mix of internal cash reserves and the bank credit line available to Ebix. The Company accounted for this acquisition by recording $27.7 million of goodwill, $2.5 million of intangible assets pertaining to customer relationships, and $235 thousand of intangible assets pertaining to acquired technology.

On May 21, 2014, Ebix acquired HealthCare Magic Private Limited ("HealthCare Magic"), a medical advisory service with an online network of approximately fifteen thousand General Physicians and Surgeons spread across fifty specialties including alternative medicine. The Company acquired HealthCare Magic for aggregate cash consideration in the amount of $6.0 million plus a possible future one time contingent earn out payment of up to $12.36 million based on earned revenues over the subsequent twenty-four month period following the effective date of the acquisition. This contingent earnout liability is currently estimated to have a fair value of $596 thousand. The Company funded the HealthCare Magic acquisition from available cash reserves on hand. The Company accounted for this acquisition by recording $5.6 million of goodwill, $452 thousand of intangible assets pertaining to customer relationships, $100 thousand of intangible assets pertaining to acquired technology, $59 thousand on intangible assets pertaining to trademarks and tradenames, and $226 thousand of intangible assets pertaining to non-compete agreements.

On January 27, 2014, Ebix acquired CurePet. CurePet was a developmental-stage enterprise that developed an insurance exchange that connects pet owners, referring veterinarians, animal hospitals, academic institutes, and suppliers of medical and general pet supplies, while providing a wide variety of services related to pet insurance to each constituent including practice management, electronic medical records, and billing. Previously Ebix had a minority investment in CurePet. Ebix acquired the entire business of CurePet in an asset purchase agreement with total purchase consideration being $6.35 million which includes a possible future one time contingent earnout payment of up to $5.0 million based on earned revenues over the subsequent thirty-six month period following the effective date of the acquisition. This contingent earnout liability is currently estimated to have a fair value of zero. Additional required cash consideration of $1.35 million was offset against open accounts receivable balances due to the Company from CurePet, and no actual cash outlay was made by the Company. As discussed in Note 9, "Investment in Joint Venture," to the accompanying financial statements, upon the formation of Ebix Health Solutions, LLC, effective September 1, 2015, a joint venture between Ebix and IHC Health Holdings Corporation, Ebix contributed certain portions of its investment in CurePet to said joint venture as part of the consideration towards Ebix's 40% membership interest. The agreed upon value of the contributed CurePet investment was $2.0 million.

A significant component of the purchase price consideration for many of the Company's business acquisitions is a potential subsequent cash earnout payment based on reaching certain specified future revenue targets. The Company recognizes these potential obligations as contingent liabilities and are reported accordingly on its Condensed Consolidated Balance Sheets. As discussed in more detail in Note 1, these contingent consideration liabilities are recorded at fair value on the acquisition date and are remeasured quarterly based on the then assessed fair value and adjusted if necessary. During the nine months ended September 30, 2015 and 2014 these aggregate contingent accrued earn-out business acquisition consideration liabilities were reduced by $1.5 million and $7.5 million, respectively, due to remeasurements as based on the then assessed fair value and changes in anticipated future revenue levels. These reductions to the contingent accrued earn-out liabilities resulted in a corresponding reduction to general and administrative expenses as reported on the Condensed Consolidated Statements of Income. As of September 30, 2015, the total of these contingent liabilities was $8.01 million, of which $6.32 million is reported in long-term liabilities, and $1.69 million is included in current liabilities in the Company's Condensed Consolidated Balance Sheet. As of

December 31, 2014 the total of these contingent liabilities was $5.37 million, of which $4.48 million is reported in long-term liabilities, and $887 thousand is included in current liabilities in the Company's Condensed Consolidated Balance Sheet.

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

The aggregated unaudited pro forma financial information pertaining to all of the Company's acquisitions made during the nine months ended September 30, 2014 and September 30, 2015, which includes the acquisitions of CurePet (acquired in January 2014), Via Media Health (acquired in March 2015), and PB Systems (acquired June 2015), as well as the effect of other businesses acquired in 2014, namely HealthCare Magic (May 2014), Vertex (October 2014), Oakstone (December 2014), and i3

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(December 2014), as presented in the table below is provided for informational purposes only and is not a projection of the Company's expected results of operations for any future period. No effect has been given in this pro forma information for future synergistic benefits that may still be realized as a result of combining these companies or costs that may yet be incurred in integrating their operations. The 2015 and 2014 pro forma financial information below assumes that all such business acquisitions were made on January 1, 2014, whereas the Company's reported financial statements for the three and nine months ended September 30, 2015 only include the operating results from these businesses since the effective date that they were acquired by Ebix.

| | Three Months Ended September 30, 2015 | | Three Months Ended September 30, 2014 | | Nine Months Ending September 30, 2015 | | Nine Months Ending September 30, 2014 | |
|---|---|---|---|---|---|---|---|---|
| | As Reported (unaudited) | Pro Forma | As Reported (unaudited) | Pro Forma | As Reported (unaudited) | Pro Forma | As Reported (unaudited) | Pro Forma |
| | (In thousands, except per share data) | | | | | | | |
| Revenue | $66,813 | | | | | | | |