



Ebix's 2019 'Not-So-Good Business Acumen' nomination

Ebix. Do Ebix know what they're buying? Are their announced contracts confirmed? Let's find out.

JANUARY 7, 2019 – Ebix has characteristically ramped its press-release flow since the publication of Viceroy's initial report and continued its acquisition spree. This report concerns management's disregard for corporate governance, lack of transparency and due diligence.

- Ebix Inc (NASDAQ: EBIX) have come out with multiple acquisitions and service "deals" since our multiple publications on the Company.
 - On further investigation, we find that one of Ebix's announced contracts has not yet been finalized. Ebix retracted its press release relating to a purported Dubai Forex Services contract, where investors were misled on the status of the contract.
 - This is a major red flag and exaggerates what we believe is an already extremely high investment strategy at Ebix.
- This report dives into Ebix's poorly attempted acquisition of now-insolvent Patriot National, who Ebix was looking to 'seriously' acquire just before its spectacular collapse.
- Investors will note that Ebix have avoided commenting on the audit committee's recommendation for Ebix to retain the services of Big 4 Auditor for regulatory reasons. We can only assume the Big 4 preferred to give ad hoc accountancy advice rather than full audit responsibilities.
 - Ebix issued a press release just days after the appointment of T R Chadra & Co, stating that this was an interim measure, and that the Audit Committee had decided it would engage a Big 4 audit firm the following year. This is obscure to us, as we don't understand how Big 4 firms were apparently not considered in Ebix's competitive selection process as disclosed in its 8K on October 5, and why this exercise must be repeated in the very short term.
 - RSM appears to have been appointed following the exact same 'competitive selection process' that lead to the appointment of T R Chadra & Co, according to Ebix's 8K's.
- Ebix have decided to have fireside chats with investors while referring to our work as an old short thesis. Ebix have refused to account for Robin Raina's poison pill bonus, the treatment of goodwill, the failure to appoint a 'Big 4' auditor and multiple accounting irregularities.

Our research into Ebix is ongoing however we believe the information puts into context Ebix's recent announcements. We will shortly publish further data pertaining to the Ebix group's internal cash movements.

You can find Viceroy's full reports on Ebix on our website:

<https://viceroyresearch.org/category/ebix-nasdaqebix/>



Attention: Whistleblowers

Viceroy encourage any parties with information pertaining to misconduct within Ebix Inc or its affiliates 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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Dubai Airport farce

Investors should note that since our first report, EBIX appear to have retracted their release regarding winning a contract to deploy its Forex Exchange Service EbixCash at two terminals in Dubai International Airport.

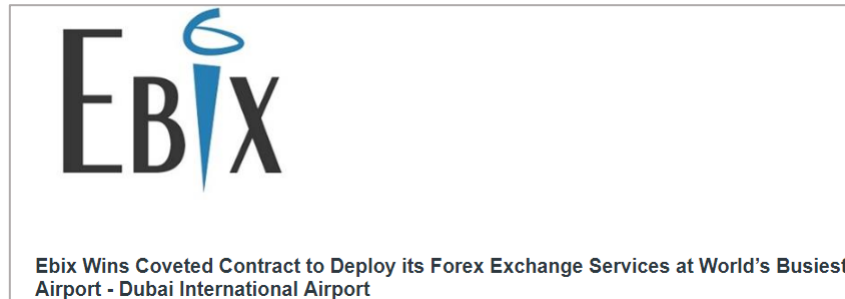


Figure 1 Extract from globenewswire.com press release¹

Dubai International Airport were contacted to confirm this contract: the response we received was less than concrete regarding Ebix's contract:

Dubai airport stated, "Extended service was tendered recently however contractual relation for the new spaces are not concluded yet, thus we're not in a position to reveal the awarded company name."²

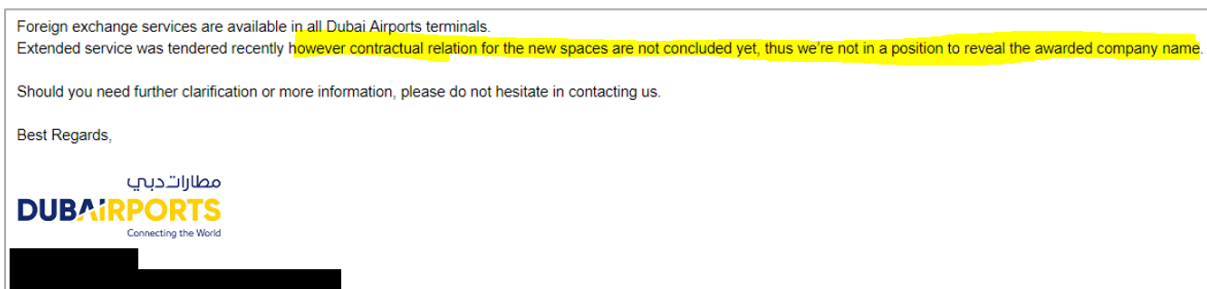


Figure 2 Correspondence with DubaiAirports³

Within days of releasing news of winning the Dubai Forex Exchange Services contract, the announcement was deleted from the Ebix Inc website. As of the date of our correspondence with Dubai International Airport December 2018, nearly 5 weeks after the announcement, it is still nowhere to be found on the company's website⁴. Ebix have refused to correct this misleading communication.

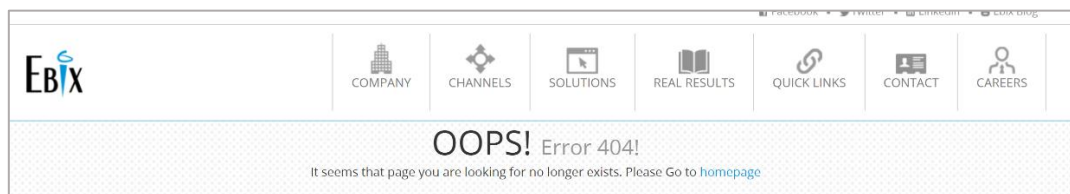


Figure 3 Ebix.com link to press release⁵

¹ <https://globenewswire.com/news-release/2018/11/28/1658369/0/en/Ebix-Wins-Coveted-Contract-to-Deploy-its-Forex-Exchange-Services-at-World-s-Busiest-Airport-Dubai-International-Airport.html>

² Correspondence with DubaiAirports dated December 30, 2018

³ We have redacted the name and position of the DubaiAirports representative

⁴ <https://web.archive.org/web/20190106181057/https://www.ebix.com/press-release/ebix-wins-coveted-contract-to-deploy-its-forex-exchange-services>

⁵ <https://www.ebix.com/press-release/ebix-wins-coveted-contract-to-deploy-its-forex-exchange-services>



Why did Ebix announce material information regarding the Dubai Forex Exchange Services contract then remove the announcement from its website?

At what stage are the contract negotiations with Dubai Airport, if they are ongoing at all?

We view this as at best misleading, and at worst a poorly conceived attempt to prop up the company's share price. Similar can be said for the about turns in stock splits and repetitive buyback announcements. Ebix and Robin Raina echo the behavior of stock promoters with an inability to justify their behavior.

Patriot National – Near Miss

In the wake of Ebix's ongoing acquisitions its poignant going through the company's recent history with poorly researched acquisition attempts, exposing basic flaws in corporate due diligence.

Long term investors will remember the attempted acquisition of Patriot National by Ebix through mid to late 2016. This M&A target came as a result of Robin Raina and/or Ebix's incessant nature to attempt to expand, irrespective of the health of the acquisition target.

Patriot National unwound amidst revelations that its largest customer was a related party owned by its CEO which Patriot National was supporting financially. Ebix shareholders dodged a bullet, as Patriot National ultimately refused the deal despite Ebix sweetening it.

Ebix Offers to Acquire Insurance Technology Solutions Provider, Patriot National, Inc., for \$9.50 Per Share

Figure 4 – Ebix press release – Jun 15, 2016⁶

Patriot National Enters into Serious Discussions with Ebix, Inc.

Figure 5 – Ebix press release – Aug 1, 2016⁷

The deal failed in **no way because of Robin Raina and/or Ebix's conduct or good business acumen**. Rather it was because the board of Patriot National appeared to be engaging in misconduct and were holding out for an alleged better offer which never materialized. Purely by chance **EBIX shareholders were saved from such a failure and poor business acumen and a lack of due diligence**.

To better understand the bullet dodged by Ebix, it is important to understand the nature of the deception that occurred at Patriot National, and the timeline of events. **Investors would be wise to pay attention to the terminology utilized used in a promotional way many times by Ebix Inc.**

⁶ <https://www.ebix.com/PressRelease/PressReleasebyID/368>

⁷ <https://www.ebix.com/PressRelease/PressReleasebyID/368>



On June 15, 2016 Ebix announced it's offering to acquire Patriot National for a ~40% premium, rationalizing it through the same phrases paraded out multiple times a year on questionable acquisitions.

Transaction Rationale:

- **Highly Accretive:** Ebix's model is to integrate acquired products, services and companies in a highly disciplined and efficient manner, with resulting cash flow and earnings per share being key endpoint metrics. Ebix believes that the combination of the two companies can be highly accretive for the shareholders of the combined post-merger company.
- **Building Upon an Industry-Leading Technology & Insurance Services Platform:** Ebix has built an extensive portfolio of insurance related products, services and deep domain expertise that serves over 16,000 clients in 50+ countries with more than 500,000 users. The Ebix management has a few hundred years of experience across all sectors of the insurance services industry, providing strong historical knowledge and excellent working relationships with key insurance brokers, carriers and other insurance ecosystem service providers. The addition of Patriot National's workers compensation insurance technology and outsourced services will complement and strengthen a world leading insurance domain focused company with an unparalleled repertoire of products and services.
- **Vision to create the World's largest End-to-End Enterprise Insurance Services Player:** The merged entity would become the world's largest provider of straight through processing in the insurance services industry, offering on-demand based front end systems, back end systems, exchanges, strategic consulting and risk compliance services all under one roof.
- **Expanded International Cross Selling Opportunities:** With approximately 3,000 employees located in over 40 offices servicing clients in 50+ countries across 6 continents, Ebix provides a truly global platform with "on-the-ground" presence in major insurance markets worldwide. Global offices are staffed with local nationals possessing language skills and a deep familiarity with local customs, business norms and regulatory frameworks. A merger further enhances this footprint while providing substantial cross selling opportunities.

Figure 6 Ebix Press Release – Jun 15, 2016⁸

On August 1, 2016, Patriot National announced the formation of a special committee of its own independent directors to consider the offer, and the improvement of Ebix's offer to reflect an enterprise value of US\$450m.

Two weeks later on August 15, 2016, Patriot National announced that the special committee were in their final stages of consideration and that Ebix's due diligence was expected to be complete by August 31, 2016.

The Special Committee, which is comprised of independent directors, is working collaboratively with Ebix, Inc. to explore the possible combination of the two businesses, while continuing to explore other available strategic opportunities for Patriot National to maximize value for shareholders. Ebix is expected to complete its due diligence by August 31, 2016, as the Special Committee nears the conclusion of its evaluation of the prospects it has received and expects to make a recommendation to the Board of Directors soon on whether the Company should enter into any transaction or pursue another alternative. As announced August 1, 2016, Ebix made an improved offer to acquire 100% of the outstanding stock of the Company.

Figure 7 Ebix Press Release – Jun 15, 2016⁹

After the resignation of Patriot National director Austin J. Shanfelter, Patriot National's special committee recommended a rejection of Ebix's offer¹⁰, stating:

FORT LAUDERDALE, Fla., Nov. 8, 2016 /PRNewswire/ -- Patriot National, Inc. **PN, +0.00%** a leading provider of technology and outsourcing solutions, today announced that the Special Committee of its Board of Directors (the "Special Committee") has **concluded that Ebix, Inc.'s most recent proposal of \$475 million is not the best alternative to maximize value for Patriot National's shareholders and, at the recommendation of the Special Committee, the Board of Directors has rejected the proposal.** The Special Committee continues to evaluate other more attractive offers and all opportunities for value creation.

Figure 8 – Patriot press release – Nov 8, 2016

⁸ <https://www.ebix.com/PressRelease/PressReleasebyID/368>

⁹ <https://www.prnewswire.com/news-releases/patriot-nationals-special-committee-of-the-board-closes-in-on-strategic-opportunity-decision-company-reports-second-quarter-2016-results-300313217.html>

¹⁰ <https://www.marketwatch.com/press-release/patriot-national-rejects-475-million-offer-from-ebix-inc-2016-11-08>



Note that by this time Ebix supposedly had finished its due diligence into Patriot National and presumably found everything to be in order considering the company had not retracted its offer.

In March 2017 Patriot National came clean and disclosed that 59% of its total fee income and fee income from related party for the 9 months ended September 30, 2016 were from a CEO owned related-party called Guarantee Insurance Company (GIC) and that the company would be contributing US\$30m to GIC to meet regulatory capital requirements. This was under the guise of extending the service contract for Patriot National.

On February 27, 2017, Patriot National, Inc. (the “Company”) entered into an agreement with Guarantee Insurance Group (“GIG”) and Steve Mariano, the Chairman, Chief Executive Officer and majority owner of the Company and the majority owner of GIG, regarding the service agreements between the Company and GIG’s wholly-owned subsidiary Guarantee Insurance Company (“GIC”). GIC is the Company’s principal customer, with contracts and relationships from GIC generating \$107.8 million, or 59% of the Company’s Total Fee Income and Fee Income from Related Party (the line item that reflects aggregate fee income) for the nine-months ended September 30, 2016 and \$144.1 million, or 69%, for the year ended December 31, 2015.

Figure 9 – Patriot National 8K – Mar 3, 2017¹¹

This relationship was not exactly a closely-held secret:

- A simple search of Patriot National’s 10-Q’s would clearly spell out the company’s close relationship with and reliance upon, GIG entities.
- Patriot National and the GIG entities both operated from the same building at 401 East Las Olas Blvd. in downtown Fort Lauderdale.
- A significant amount of the Patriot National board of directors previously served on the board of GIG.

12. Related Party Transactions

Relationship and Transactions with **Guarantee Insurance Group and Guarantee Insurance**

As of November 14, 2016 Steven M. Mariano, our founder, Chief Executive Officer and Chairman, beneficially owned 54.5% of the outstanding shares of our common stock and substantially all of the outstanding equity of **Guarantee Insurance Group**. As a result, our transactions with **Guarantee Insurance Group** and its subsidiaries, including **Guarantee Insurance** and GUI, are related party transactions.

Service Fees Received from **Guarantee Insurance**

We provide brokerage and policyholder services and claims administration services to **Guarantee Insurance** pursuant to the Services Agreements and the Program Administrator Agreement. We have been providing a full range of brokerage and policyholder services to **Guarantee Insurance** pursuant to the Program Administrator Agreement since August 6, 2014.

Pursuant to the Services Agreements, we provide our services in connection with claims arising out of insurance policies held or underwritten by **Guarantee Insurance**. The Services Agreements have various terms and expiration dates ranging from 2018 to 2022, unless otherwise extended or earlier terminated as provided therein. The fees we receive are based, depending on the service provided, upon a percentage of reference premium, flat monthly fees, hourly fees or the savings we achieve, among others.

Pursuant to Program Administrator Agreement, we act as **Guarantee Insurance**’s exclusive general agent for the purpose of underwriting, issuing and delivering insurance contracts in connection with **Guarantee Insurance**’s workers’ compensation insurance program. The agreement with **Guarantee Insurance** remains in effect until terminated by either party upon 180 days’ prior written notice to the other party for cause. **Guarantee Insurance** may also terminate the agreement, in whole or in part, immediately upon written notice to us in the event of our insolvency or bankruptcy, systematic risk-binding that is not in compliance with the applicable underwriting guidelines or procedures and the occurrence of certain other events. The fees we receive are based upon premiums written for each account bound with **Guarantee Insurance**.

A portion of the fees that we receive from **Guarantee Insurance** pursuant to the Services Agreements and the Program Administrator Agreement are for **Guarantee Insurance**’s account (which we recognize as “fee income from related party”) and a portion of the fees are for the account of reinsurance captive entities to which **Guarantee Insurance** has ceded a portion of its written risk (which we recognize as “fee income”). See “Management’s Discussion and Analysis of Financial Conditions and Results of Operations—Principal Components of Financial Statements—Revenue.” As a result, a substantial portion of fee income we recognize from non-related parties is nevertheless derived from our relationship with **Guarantee Insurance**.

Fee income from related party for the three months ended September 30, 2016 and 2015 was \$22.3 million and \$23.8 million, respectively, and constituted 37% and 41% of total fee income. Fee income derived from our contracts and relationships with **Guarantee Insurance** for the three months ended September 30, 2016 and 2015 was \$36.4 million and \$38.5 million respectively, and constituted 61% and 66% of total fee income and fee income from related party for the three months then ended.

Figure 10 Patriot National 10Q Extract – Q3 2016¹²

¹¹ <https://www.sec.gov/Archives/edgar/data/1619917/000119312517069888/d351246d8k.htm>

¹² https://www.sec.gov/Archives/edgar/data/1619917/000156459016029161/pn-10q_20160930.htm



This marked the beginning of the end for Patriot National, with the company later delisting. Patriot National's stock began sliding in 2016 further impacted by related party payments between Patriot National and GIG entities in order to meet capital requirements.

Of greater relevance today is that is that Robin Raina and Ebix appeared negligent in their duties by apparently skimming an offer for Patriot National when a rudimentary analysis of the company's accounts would show a glaring risk.

Our interpretation of the above is either:

1. Ebix was aware of Patriot National's reliance on financially burdened related party entities and thought this was an acceptable risk, or;
2. Ebix somehow was unaware of this relationship indicating extremely weak due diligence.

Either way, we view this as emblematic of Ebix's acquisition strategy, one that apparently only Robin Raina has control over, and seems to exercise limited judgement and due diligence over.

Many companies rely on acquisition sprees to distract from poor underlying business performance hoping an aggressive strategy will distract investors. Ebix's recent acquisitions fit this model: untelegraphed acquisitions with little or no synergistic value used to mask poor organic growth in core operations.

Did Ebix's due diligence uncover the reliance of Patriot National on GIG group entities?

If so, why did Ebix not withdraw its proposal and why was this considered an acceptable acquisition target?

With 47 days between the announcement of the initial interest and entering 'serious discussions' Ebix Inc had sufficient time to conduct basic level due diligence that would have clearly shown Patriot National was high risk and any acquisition should be avoid. Instead Ebix progress the matter to serious discussions.

Ebix has subsequently announced 23 further acquisitions, all demonstrating similar promotional language to the Patriot acquisition.

Ebix's new ~~Big 4~~ Big 5 Auditor

After markets were shut on October 5, 2018, Ebix announced the replacement of its auditor, Cherry Bekaert, to Indian based T R Chadra & Co, causing a ~20% collapse in its stock price. This event purportedly followed a competitive selection process held by Ebix's Audit Committee which was necessitated by growing Indian revenues and asset concentration:

The Audit Committee (the "Committee") of the Board of Directors of Ebix, Inc. (the "Company") recently conducted a competitive selection process to determine the Company's independent registered public accounting firm for the fiscal year ending December 31, 2018. The Committee invited several public accounting firms to participate in this process, necessitated by the Company's revenue and asset concentration in India for the year 2018. As a result of this process, the Committee approved the appointment of T R Chadha & Co. LLP ("TRC") as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2018 effective October 5, 2018 replacing Cherry Bekaert LLP (the "Former Accounting Firm").

Figure 11 Extract from Ebix 8K – Oct 5, 2018

In a possible attempt to save face, Ebix issued a press release just days later announcing that this was an interim measure, and that the Audit Committee had decided it would engage a Big 4 audit firm the following year. This is obscure to us, as we don't understand how Big 4 firms were apparently not considered in Ebix's competitive



selection process as disclosed in its 8K on October 5, and why this exercise has to be repeated in the very short term.

The Company also confirmed that its decision to select a consolidated auditor of the Company's worldwide operations, has been driven by a number of factors –

1. The Company intends to hire a Big 4 audit firm to be the worldwide auditor for the Company.
2. In view of the Company's strong revenue growth in India, the Company intends to select a Big 4 audit firm who has a strong presence in India.
3. To avoid any regulatory conflicts in 2018 on account of any work that the Big 4 firm might have done for Ebix or any of its subsidiaries in 2018, the Ebix audit committee intends to hire a Big 4 audit firm beginning Q1 of 2019.

Figure 12 Extract from Ebix press release – Oct 9, 2018

In what appears to be a poorly-timed April Fools' Day joke, Ebix announced on December 28, 2018, that it had engaged the 5th largest US audit firm (6th Largest Globally¹³), RSM, to audit its consolidated group accounts in 2019, necessitated due to the large concentration of revenues and assets in India. As of 2016, RSM was not within the Top 10 Indian audit firms by revenue or no. of audits undertaken¹⁴.

To add insult to injury, RSM appears to have been appointed following the exact same 'competitive selection process' that lead to the appointment of T R Chadra & Co.

Item 4.01 Changes in Registrant's Certifying Accountant

- (a) As previously disclosed on October 5, 2018, the Audit Committee of the Company's Board of Directors solicited proposals from four major accounting firms and conducted an extensive evaluation process in connection with the selection of the Company's independent auditors. Following this process, on December 21, 2018, the Audit Committee appointed RSM US LLP ("RSM") to serve as the Company's independent auditor for fiscal year 2019. T R Chadha & Co. LLP ("TRC") will continue as the Company's auditor for the fiscal year ending December 31, 2018. TRC was appointed to serve as the Company's independent auditor for 2018 on October 5, 2018, replacing Cherry Bekaert LLP ("CBH"), as previously announced. CBH served as the Company's auditor from 2008 through October 5, 2018.

Figure 13 Extract from Ebix 8K – Dec 28, 2018¹⁵

The web Ebix appears to have spun is catching up to the Company as governance, performance and acquisitions are entirely incomprehensible.

Conclusion

In light of the discrepancies highlighted above, and in our previous reports, we have elected to write publicly to RSM US LLC and the relevant regulatory authorities regarding EBIX's disclosures, misleading statements and aggressive accounting.

We believe Ebix have either intentionally and/or negligently issued false press releases regarding the completion of tenders and contracts. We struggle to find an explanation for why Ebix released this announcement except for the obvious reason of promoting the stock.

We believe management's disregard for corporate governance; lack of transparency and due diligence exaggerates Ebix's already high level of investment risk. We will cover these themes in greater detail over the coming weeks.

¹³ <https://www.rsm.global/india/about-us>

¹⁴ <http://www.primedatabasegroup.com/newsroom/PR-336.pdf>

¹⁵ <https://www.sec.gov/Archives/edgar/data/814549/000081454918000053/form8kaccountantchangedec2.htm>