STRICTLY PRIVATE & CONFIDENTIAL

2018 INVESTORS CHOICE AWARDS

BODENHOLM
Capital

December 2018

Disclaimer

”Bodenholm is a special fund according to the Alternative Investment Fund Managers Act (2013:561–LAIF). Hence, the fund is not a so called UCITS fund.

This document is a description of Bodenholm Capital AB and the services it offers and is not a part of the funds’ offering documents. The description of funds in this document is included only in an attempt to provide a more accurate picture of the services offered. It is not a solicitation or recommendation to invest in any fund.

An investor who is considering an investment in any fund should carefully read the relevant offering documentation. The Bodenholm funds’ offering documents are the fund rules, the information memorandum, the Key Investor Information Document and subscription documentation provided by Bodenholm Capital AB or the administrator.

There are no guarantees that an investment in the fund will not result in a loss, despite positive returns in other financial assets. Past performance is no guarantee of future returns. An investment in the fund should be regarded as long term in nature.

The units of the fund have not been registered in the United States, Canada, Japan, Australia or New Zealand or elsewhere and may not be offered or sold to or within the United States, Canada, Japan, Australia or New Zealand or in such countries where such offer or sale would be in conflict with applicable laws or regulations. Foreign law may prohibit an investment to be made by investors outside of Sweden. Bodenholm Capital AB has no responsibility whatsoever for determining that an investment from a country outside Sweden is being made in accordance with the laws of such country.

Any dispute, controversy, or claim arising out of or in connection with information regarding Bodenholm or Bodenholm Capital AB shall be settled in accordance with Swedish law exclusively by Swedish courts.

The Global Industry Classification Standard ("GICS") was developed by and is the exclusive property and a service mark of MSCI Inc. ("MSCI") and Standard & Poor's Financial Services LLP ("S&P") and is licensed for use by B & P Fund Services AB. Neither MSCI, S&P, nor any other party involved in making or compiling the GICS or any GICS classifications makes any express or implied warranties or representations with respect to such standard or classification (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy , completeness, merchantability and fitness for a particular purpose with respect to any of such standard or classification. Without limiting any of the foregoing, in no event shall MSCI, S&P, any of their affiliates or any third party involved in making or compiling the GICS or any GICS classifications have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.”

The representative in Switzerland (the “representative”) is ARM Swiss Representatives SA, Route de Cité-Ouest 2, 1196 Gland, Switzerland. The paying agent in Switzerland is Banque Cantonale de Genève, 17, Quai de l’Ile, 1204 Geneva, Switzerland. The Information Memorandum (including any supplement thereto and the fund rules) and annual audited reports for the fund and the master fund can be obtained free of charge from the representative. The place of performance and jurisdiction is the registered office of the representative, with regards to the units offered or distributed in and from Switzerland.

Introduction To Our Firm

The Firm	▪ Bodenholm was founded and launched the fund in 2015 ▪ Strategic partnership with Brummer & Partners, which owns a minority stake in Bodenholm ▪ Experienced team of nine investment professionals with over 90 years of investment experience ▪ As of October 2018 Bodenholm manages $1bn in one fund vehicle
Investment Strategy	▪ European biased equity long /short fund with a global mandate ▪ Bottom-up, quality-oriented philosophy with an opportunistic approach ▪ High concentration with 15-25 longs and 25-35 shorts ▪ Dedicated short selling resources with distinct idea generation and investment process
Portfolio Characteristics	▪ Gross exposure 150-250%, with a net of 0-50% ▪ Historically zero beta-adjusted net exposure ▪ Correlation to major equity indices: ± 0.2 ▪ Regional gross exposure over the last three years has been 80% Developed Europe and 20% USA
Track Record	▪ Annualized net return of 9% since inception, no down years ▪ Outperformed all European equity indices with a standard deviation of roughly half ▪ Alpha generation on both long and short book ▪ Winner of Investors Choice Awards "Best Global Equity Fund $500m to $1bn"

The Short Team

Per Johansson
Founder and CIO

Fidelity Investments
15 yrs industry experience with
9 yrs as portfolio manager

Portfolio Management

Mads Thamsborg, CFA
Investment Analyst

Lancaster, Hermes
16 yrs industry experience

Short Analysis

Boris Poley
Investment Analyst

Adelphi Capital, Citi
12 yrs industry experience

Short Analysis

Pantelis Marinakis, PhD, ACA
Investment Analyst

The Analyst Research
10 yrs industry experience

Short Analysis

Oleg Pavlovskyy
Investment Analyst

1 yr industry experience

Short Analysis

Forensic Accountants
Two Full-time consultant

Outsourced

Accounting Specialist

Short Portfolio Construction

- Idea generation:
  - 75% of our short investments have an accounting leg
  - Multiple legs making a strong short thesis
  - Require deteriorating end market, asymmetric risk reward profile with medium term unwind
- We avoid:
  - High-growth companies, complex business model, macro bets, fads that lack gravity to fundamentals, and valuation shorts
- Risk management:
  - Strict risk management process, trigger action
  - Stop loss
- Goal:
  - Our shorts will underperform the market in any environment

Examples: Previous Shorts

"The Street"		Bodenholm
▪ Cheap relative to staples ▪ Temporary high cost base from new state-of-the-art facilities ▪ Weak FCF and high capex temporary	ARYZTA *Passion for good food*	**Accounting (5/5) and Trigger (4/5)** ▪ Capitalizing opex to understate costs ▪ Factoring receivables to show strong FCF and meet covenants ▪ End market deteriorating, away from sweet baked goods and private label retailers are insourcing ▪ Leverage unsustainable with covenant breach highly likely
▪ Accretive digital expansion that is misunderstood ▪ Further M&A potential in digital ▪ German free-to-air TV is a very different market with less structural decline	ProSiebenSat.1 Media AG	**Accounting (3/5) and Trigger (4/5)** ▪ Digital underperforming ▪ Free-to-air TV decline is structural in Germany as well ▪ Overstatement of cost with the use of adjusted numbers and underappreciation of content cost ▪ Wrong content exposure to the key demographic of 14-49 year olds ▪ Significant management turnover ▪ Management are poor capital allocators
▪ Significant synergies from acquisition of World Duty Free ▪ Correlate topline growth with passenger growth plus inflation plus net new concession wins ▪ Underlying high FCF business	DUFRY	**Accounting (4/5) and Trigger (4/5)** ▪ Deteriorating business model with airport operators holding all pricing power ▪ Structural pressures as online shopping competes more with duty free ▪ Poor quality of earnings, deteriorating working capital ▪ Leverage 4x net debt/ebitda high post-World Duty Free acquisition and FCF is significantly lower than Street expectations

Bodenholm's Short-Selling Philosophy – Legs

Accounting Leg (1-5/5)
- Accounting disguising true operating performance

Structurally Challenged Businesses
- Disruptive competition
- Technological obsolescence
- Changing customer behaviour

Leverage
- Reported leverage lower than underlying
- Underlying leverage close to covenants, restraining business decisions

Deteriorating Businesses
- Deteriorating earnings and balance sheet quality
- Operational underperformance and end-market weakness

Bankruptcies / Frauds
- Flawed business models or accounting frauds

Bodenholm's Short-Selling Philosophy – Triggers (1-5/5)

Evaluate visibility of triggers for unwinding of thesis, for instance:

- Understand the drivers that may cause the release of "bad news"
- Unusual share sales by management
- Lapse of management incentive programs

Earnings / KPI misses

Behavioral

- Key executive selling, pattern change
- Management change
- Risk factor section change
- Change in KPI reporting metrics

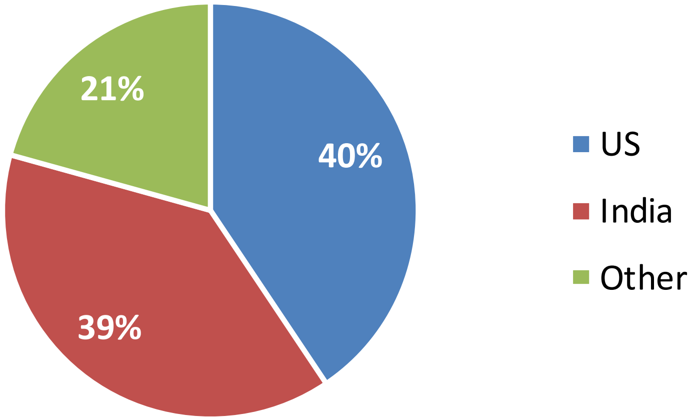
Time Defined Accounting

- Reversal of one-off items
- Cycling deterioration in working capital
- Auditor change

Company Background

- Conglomerate
- Started as US-focused insurance exchange technology company
- Now present in payments, forex kiosks, online travel agent operations, money remittance in India
- Market cap: $1.5bn. EV: $2.1bn*

As of 11/26/2018



In % of YTD revenues
Source: Q3 18 10Q, Ebix IR presentations

What Is Different From 2015?

BODENHOLM Capital

Item	2015	Today
Accounting red flags	Yes	Yes
Corporate governance red flags	Yes	Yes
Deterioration in the roll up	No	Yes
Leverage*	No (**0.8x** ND/EBITDA)	Yes (**3.5x** ND/EBITDA)
Visibility in accounting unwind	Limited	Yes (auditor change)

**Net debt adjusted for current and non-current earn out liabilities and other liabilities for sums to be paid for M&A is used in leverage calculations*

Accounting case on Ebix has been valid for a decade but is now arguably more timely

M&A story has changed from US-focused roll up with cost rationale to India-focused roll up to create a growth story

Acceleration in deals and deterioration in cash conversion are now putting pressure on balance sheet

Stock Gone High

- In September 2018 Ebix announced a 5-for-1 stock split

Investment Thesis Summary

BODENHOLM Capital

Legs:

- **<u>Deterioration</u>**: Intensified competition and execution challenges in core businesses in the US
- **<u>Deterioration</u>**: Unfocused roll up spurs struggles of acquired assets
- **<u>Leverage</u>**: High leverage and deteriorating cash generation
- **<u>Accounting</u>** (5/5) and corporate governance red flags

Triggers (4/5):

- Auditor change midway through the year
- Need to IPO Indian business to service debt and try to continue roll up
- Management targets require continued roll up which requires more leverage
- Increased management and employee turnover

Due Diligence Done

- Forensic accountant review
- End market research
- Outsourced investigative research of Ebix in India
  - 11 interviews with ex-employees
  - 1 interview with ex-employee of T R Chadha & Co. LLP (new auditor)
  - 1 interview with Indian investment banker
  - 1 interview with industry expert
- 4 interviews with ex-employees
  - 1 interview with ex-employee of US-focused arm of Ebix
  - 3 interviews with ex-employees of India-focused arm of Ebix
- 1 interview with competitor in Indian forex business
- 1 interview with company

Views expressed in today's presentation are based on BHC estimates and the abovementioned interviews

Deterioration Of The Core US Business

Context:

- Ebix transactional revenue in the core US annuity market (c. 15-20% of US*) was impacted by end market declines
- Underperformance of US-focused acquisitions

**BHC estimates based on interviews with ex-employees*

Source: LIMRA Secure Retirement Institute

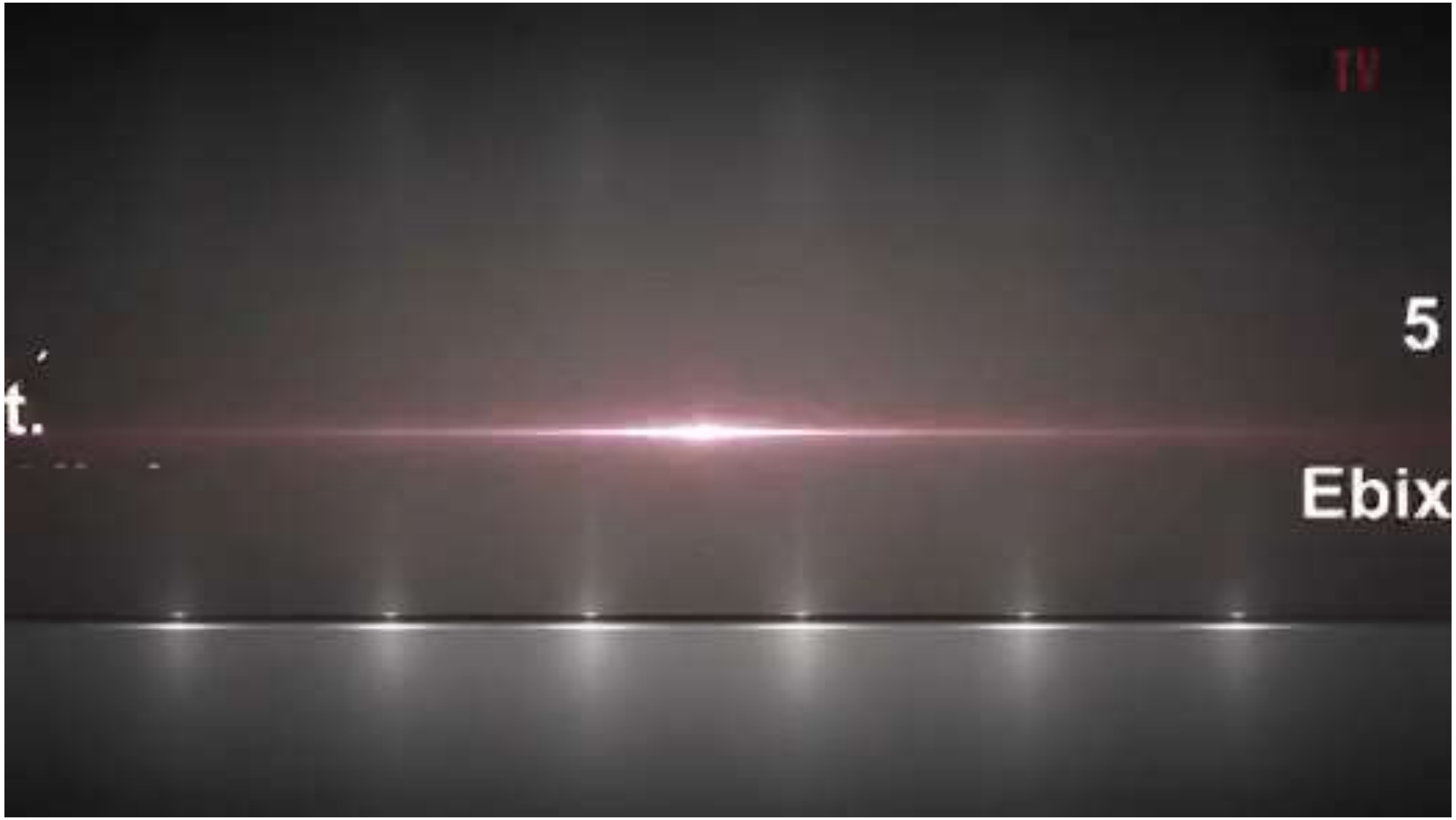
Today:

- Intensified competition from key competitor iPipeline
- Shift in management focus from the US towards Indian business impacts customer support and product development for the US business

Roll Up Gone East

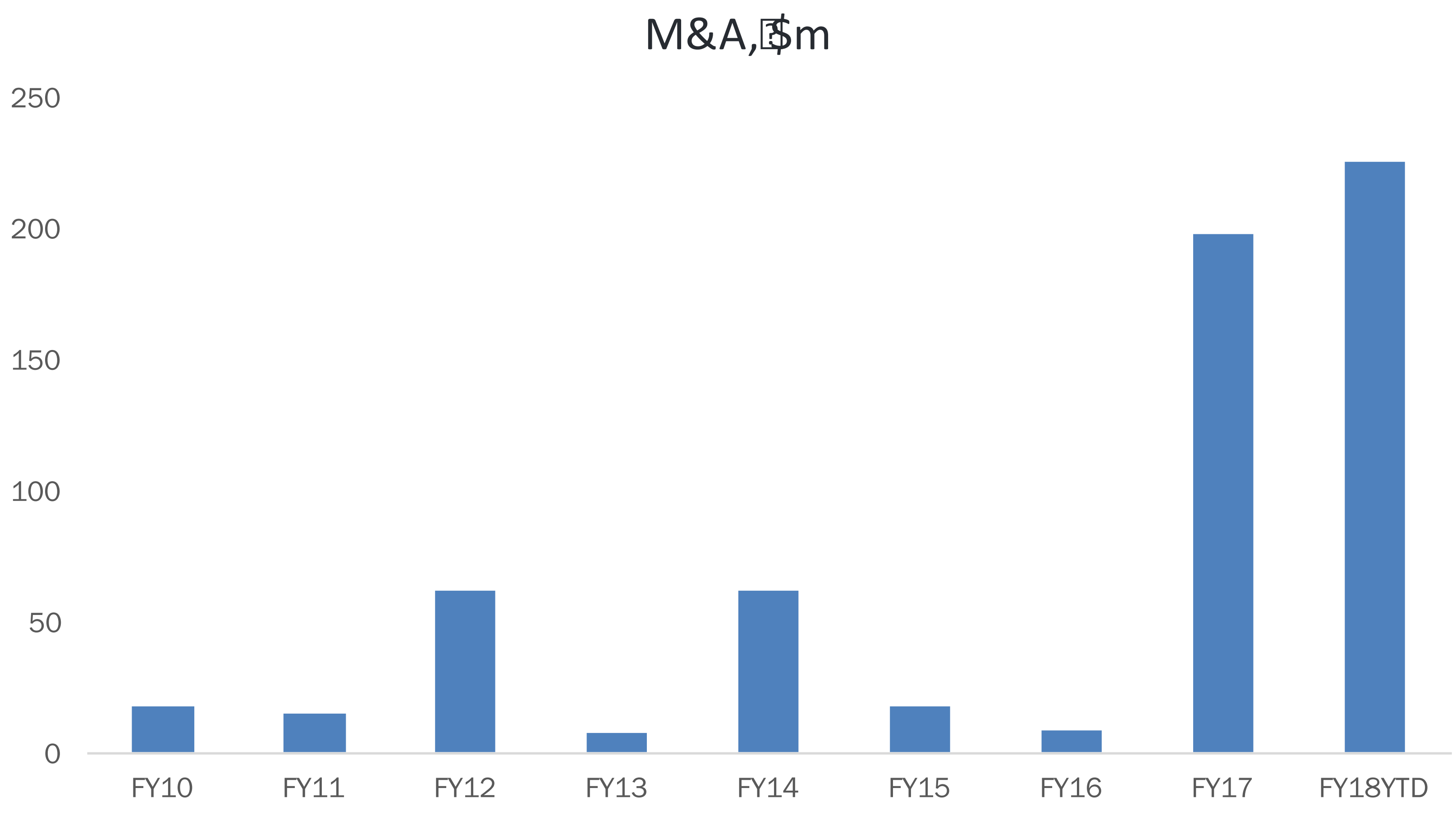
BODENHOLM Capital

- In the need of a new growth story Ebix decided to expand in India



Source: www.youtube.com/watch?v=xTEPmClVQvE

Airports Become More Expensive



Source: Ebix filings

Unclear Business Focus

ItzCash ← EBIX → CENTRUM FOREX

$76m paid + $44m earn outs
(subsequently reduced)
Prepaid cards and bill payments

$166m paid
Forex kiosks

EBIX ↓ via.com

$68m paid
OTA

Will It Go South?

- Under Ebix ownership, >60% of acquired businesses in India are deteriorating

Business	Issues
Forex kiosks (20%)	Unattractive market with low barriers to entry Seller sold due to consolidation and margin pressure Intensified competition for airport contracts renewals
Travel (15%)	Market share losses
International remittance (11%)	Substitution from cash-to-cash to direct-to-account Declining revenue per transaction NPCI regulation of international transfers
Domestic payments (11%)	KYC regulation pressed prepaid instrument model Market share losses
E-governance (8%)	Most revenue recognized still remains unbilled

Intensified management and employee turnover post acquisition by Ebix

**BHC estimates based on interviews with ex-employees*

India Organic Growth Breakdown

Business line	Growth as per management	Organic growth as per BHC estimates
Forex kiosks (20%)	20-30%	7%
Travel (15%)	20%+	7%
International remittance (11%)	20%+	0%
Domestic payments (11%)	20%+	2%
E-governance (8%)	Depends on margins	10%
Other Indian businesses (35%)	20%+	20%
Total India	**20%+**	**10%**

Source: Ebix earnings calls, BHC estimates

Underperformance Resulting In Earn Out Cuts

BODENHOLM Capital

- Ebix makes its deals with earn out structures
- Management has been consistently reducing contingent earn out liabilities, which is the direct evidence that the acquired assets are underperforming

acquisition date and are remeasured quarterly based on the then assessed fair value and adjusted if necessary. During the nine months ended September 30, 2018 and 2017 , these aggregate contingent accrued earn-out business acquisition consideration liabilities were reduced by $14.4 million and $3.6 million , respectively, due to remeasurements based on the then assessed fair value and changes in anticipated future revenue levels. In the first nine months ended September 30, 2018 and 2017 these reductions to the contingent accrued earn-out liabilities resulted in a corresponding reduction of $645 thousand and $164 thousand , respectively to general and administrative expenses as reported on the Condensed Consolidated Statements of Income and a reduction of $13.7 million and $3.4 million , respectively to goodwill as reported in the enclosed Condensed Consolidated Balance Sheets. As of September 30, 2018 , the total of these contingent liabilities was $29.3 million , of which

Source: Ebix filings

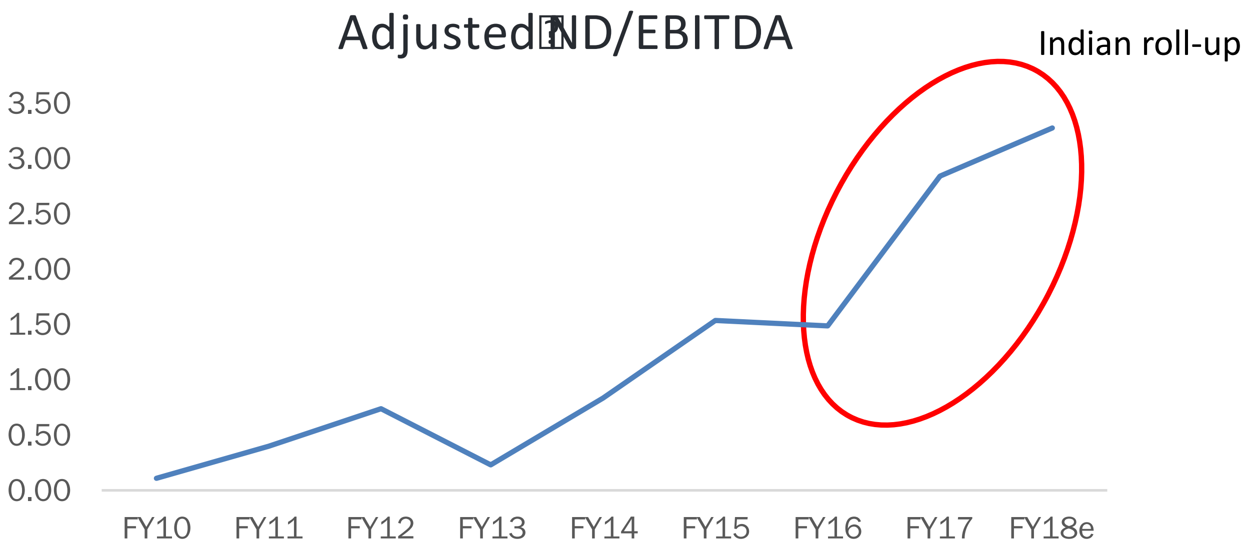
Ex-employee Feedback

BODENHOLM Capital

- “Robin Raina seems to be flaky with ***a very limited awareness of the ground realities of the businesses that he is looking to acquire*** in India.”
- ”Robin prides on the fact that he does not appoint any investment banker to execute deals and everything is done by his team. ***Even on the legal documents, during the entire process, there was not a single lawyer that was representing Ebix***.”
- “Robin Raina viewed ItzCash and Via.com as ***potential competitors to his future plans in India, so he went on and bought them***.”
- ”Robin ***never makes the full payment to owners*** of businesses he acquires.”
- “Robin would always allude to the insurance broking business that Ebix has created in the US, he was confident that he would be able to replicate the same success with a front end role of interacting with direct customers. This was an illusion that Robin had, and ***there was no way that he could compete, survive and achieve success similar to the insurance broking business in US***. ”
- ”There is a ***lack of consistency in the results, mainly because Ebix is not retaining the first and second line of employees*** at the companies that they have acquired.”
- “I am certain that in India ***the auditor is simply signing off on anything*** that is presented to them. There does not seem to be due diligence in signing off on the financials that are being reported.”

Cash Out, Debt In

- Ebix used its U.S. balance sheet to do the roll-up in India



Source: Ebix filings, BHC estimates

- The company has not generated any FCF post M&A over the last three years (-$210m)
- Further payments for the deals already executed might be required
- Interest expense is now >15% of operating profit and can rise fast

IPO Of India – A Choice Or A Requirement?

First announced the intention to IPO the Indian business on the Indian stock exchange in 1 year, i.e. in March 2019

Pushed the block post to H2 2019, blaming the elections in India

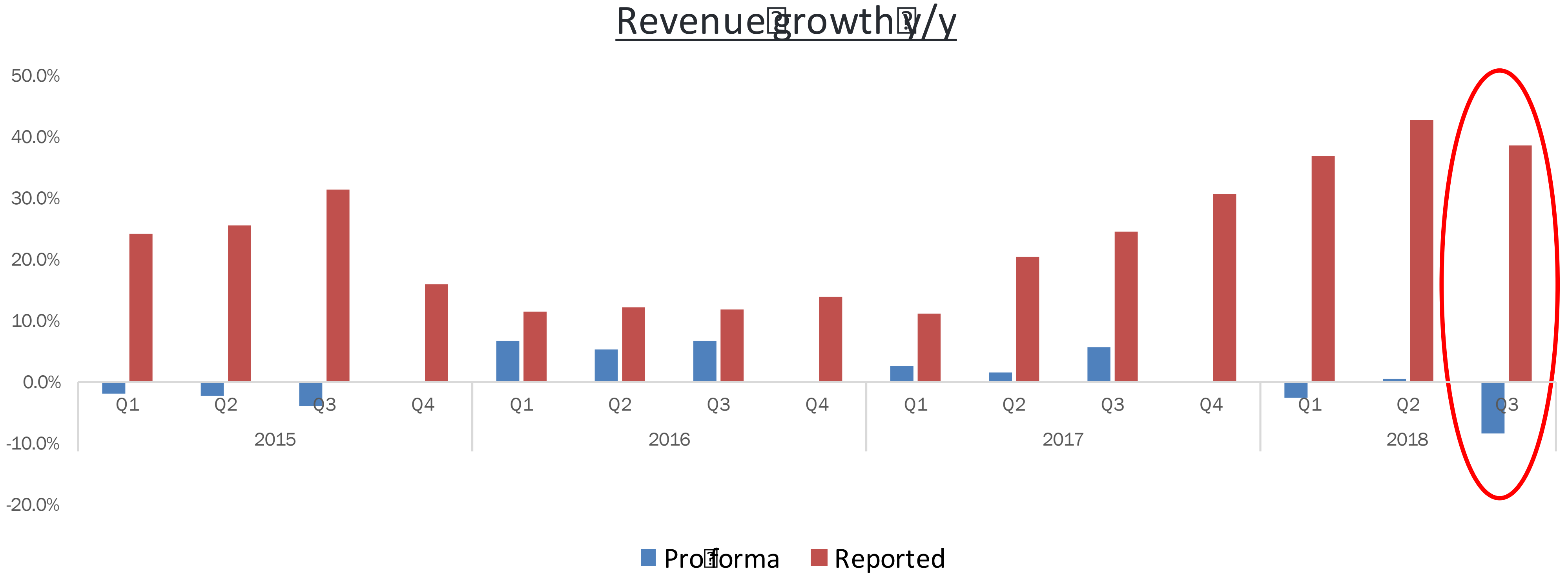
Maintained the timeline but added additional requirements that its revenue run-rate has to hit $450m (from $286m in Q3 18) and its operating margins have to be 30%+

Q4 17 call	*Q2 18 call*	*Q3 18 call*

- We believe it would take Ebix approximately 5 years to get to $450m run-rate in India organically, hence more M&A will be needed, hence more leverage will be needed
- 30%+ operating margin goal is aggressive as of today

We Believe Accounting Is 5/5

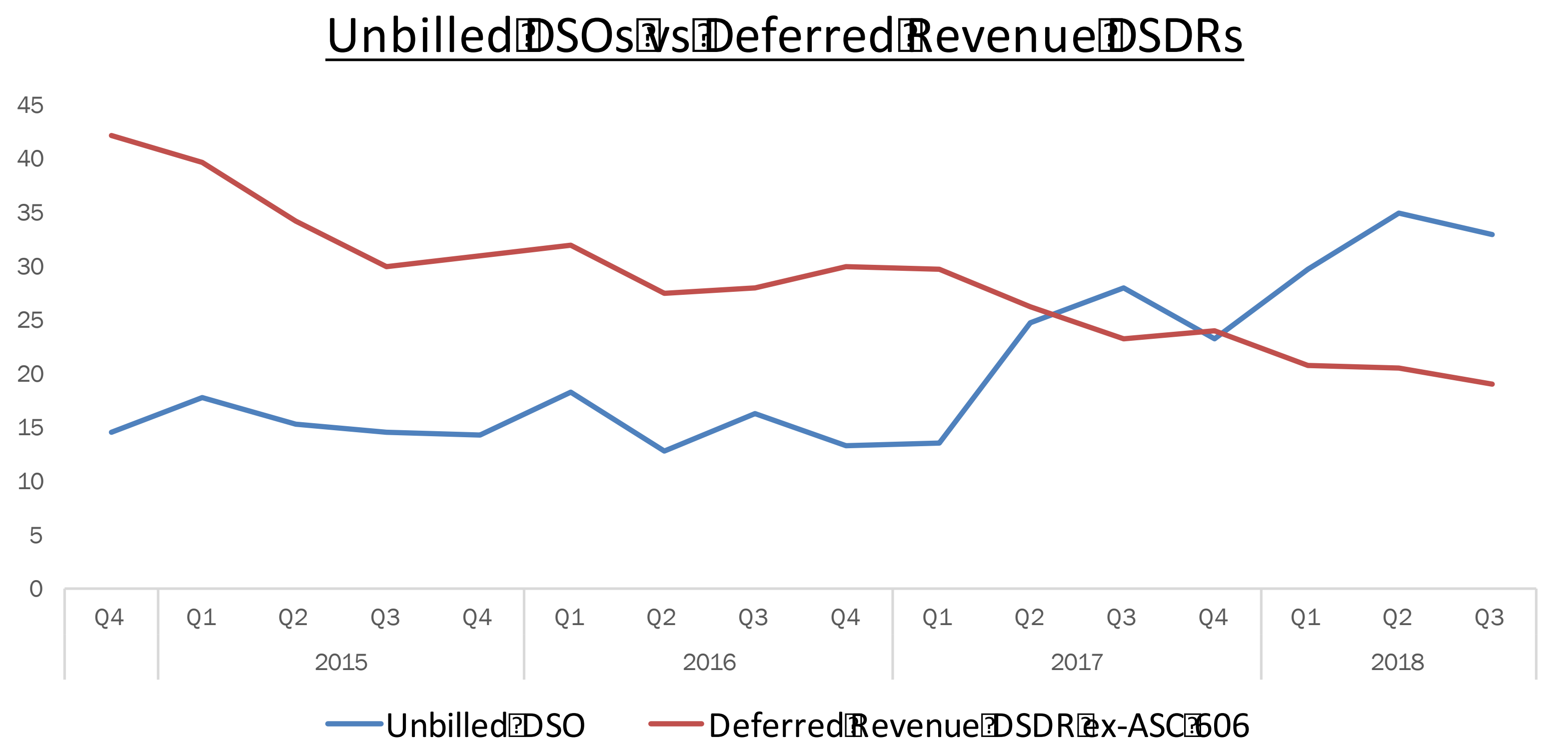
- Ebix has no internal growth engine
  - Its pro forma growth is negative
  - We believe pro forma revenue growth is overstated by c. 9% with working capital stretch (unbilled receivables, deferred revenue) and unsustainable one offs



Source: Ebix filings
**Q4 not presented due to lack of data*

Deteriorating Revenue Quality

- Unbilled receivables DSO at all-time highs while deferred revenue DSDR at all-time lows



Source: Ebix filings

Peculiar Revenue Sources

- Revenue recognition changes from net to gross basis with cumulative revenue pick ups
- No impact on earnings but revenue inflation – key metric for investors

During the first quarter of 2018 the company recorded its meetings, incentives, conference, events ("M.I.C.E.") revenue on a net basis for its Via.com division. The net amount reported in operating revenues was $256 thousand ($2.06 million gross revenue less associated costs of $1.8 million). During the second quarter the company determined that it is the principal to these transactions under the relevant guidance in Topic 606, Revenue from Contracts with Customers, and the gross basis presentation is more appropriate for these type of revenue transactions. As a result the second quarter's revenues included the gross presentation of the first quarter amounts. This resulted in an increase in the second quarter's operating revenues of $1.80 million and costs of services provided of $1.8 million . Additionally the M.I.C.E. revenue pertaining to the second quarter was $1.14 million gross revenue, reported in Operating Revenues of the Company's Condensed Consolidated Statements of Income, and associated costs of $1.03 million , reported in Costs of Services Provided of the Company's Condensed Consolidated Statements of Income.

Source: Ebix filings

Peculiar Revenue Sources

BODFNHOLM Capital

- Questionable JVs – source of unbilled receivables

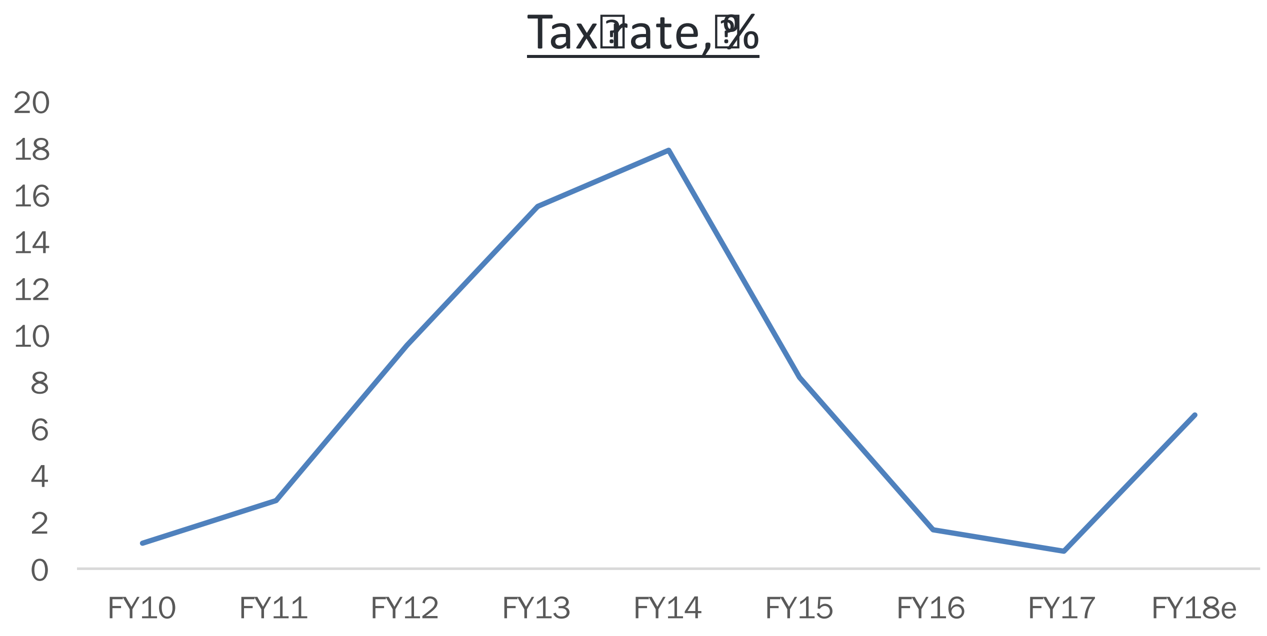
Major Customer

As previously disclosed in Note 8, effective February 7, 2016 Ebix and Vayam Technologies Ltd ("Vayam") formed a
joint venture named Ebix Vayam Limited JV. This joint venture was established to carry out IT projects in the government sector of the country of India and particularly in regards to the implementation of e-governance projects in the areas of education and healthcare. Ebix has a 51% equity interest in the joint venture, and Vayam has a 49% equity interest in the joint venture. Ebix is fully consolidating the operations of the Ebix Vayam Limited JV into the Company's financial statements and separately reporting the Vayam minority, non-controlling, interest in the joint venture's net income and equity. Vayam is also a customer of the Ebix Vayam Limited JV, and during the three months ending September 30, 2018 and 2017 the Ebix Vayam Limited JV recognized \$2.6 million and \$6.0 million of revenue from Vayam, respectively. During the nine months ending September 30, 2018 and 2017 the Ebix Vayam Limited JV recognized \$12.8 million and \$16.5 million of revenue from Vayam, respectively and as of September 30, 2018 the Ebix Vayam Limited JV had \$35.1 million of accounts receivable with Vayam.

Source: Ebix filings

Unsustainable Tax Rate Boosting Earnings

- Current Ebix tax rates are unsustainable
- The company was supposed to finalize calculation of the Transition Tax before October 15, 2018, but in its Q3 18 10Q pushed the calculation into Q4 18
- Transition Tax will be a cash cost to Ebix



Source: Ebix filings

Ex-CFO Searching For Strong Corporate Governance

Robert Kerris, CPA

3rd

Chief Financial Officer at Ebix, Inc.

Greater Atlanta Area | Insurance

Previous: Aelara Corporation (acquired by AT&T), Equifax, Interland, Inc.

Education: North Carolina State University

Connect | Send Robert InMail

127 connections

https://www.linkedin.com/in/robertkerriscpa

Background

Summary

Accomplished financial executive with several years of challenging financial management experience focused on the fostering of successful partnering relationships with operating managers designed to deliver value-added services and tactical decision support. Interested in a senior financial management position supporting the profitable growth of an entrepreneurial and financially sound enterprise with strong corporate governance and ethical values. Experience with both private and public companies; turn-around and start-up situations. Demonstrated competencies include:

Source: Robert Kerris LinkedIn profile, accessed May 2015

Cost Savings On CFO Compensation

- Compensation of Robin Raina more than doubled in 2017 to $5.7m
  - Robin's short term incentives include value of acquisitions among others
- Sean Donaghy, promoted from Chief Accounting Officer to CFO in January 2017, earns (almost) $190,000 a year

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($) (1)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	All Other Compensation ($)	Total
Robin Raina, President, Chief Executive Officer and Chairman of the Board	2017	$ 2,400,000	$ 1,000,000(2)	$ 2,300,000	$ —	$ —	$ 8,038(4)	$ 5,708,038
	2016	$ 2,492,308	$ —	$ —	$ —	$ —	$ 9,975(4)	$ 2,502,283
	2015	$ 1,300,000	$ 1,300,000(2)	$ 3,091,802	$ —	$ —	$ 9,975(4)	$ 5,701,777
Sean T. Donaghy, (3) Chief Financial Officer and Secretary	2017	$ 157,500	$ 30,000	$ —	$ —	$ —	$ 2,345(5)	$ 189,845

Source: Ebix proxy

Material Weakness

- In Q4 17 Ebix disclosed internal control weakness related to tax documentation and balance sheet valuations in M&A

During our assessment, we concluded that material weaknesses existed as of December 31, 2017 as we did not design and maintain effective controls over the valuation and accuracy of the accounting for income taxes and purchase accounting. Specifically, as it relates to income taxes, we did not design and maintain controls over the analysis and assessment of estimates involving complex multistate-apportionment factors, tax rate computations, tax contingencies and deferred tax asset valuation allowances, and income tax effects related to business acquisitions or disposals. Specifically, as it relates to purchase accounting, we did not design and maintain controls over the analysis and assessment of estimates involving growth rates, valuation methodology, timeliness and documentation. These material weaknesses did not result in any revision of the Company's annual financial statements for any period. These material weaknesses could have resulted in a material misstatement of account balances or disclosures that would have resulted in a misstatement of the annual or interim consolidated financial statements that would not have been prevented or detected. Management believes that these weaknesses were

Source: Ebix filings

Why Now?

BODENHOLM Capital

- Cherry Bekaert LLP has been Ebix lead auditor since 2008
- Ebix was their biggest client
- Client #2, MiMedx, a biotech company, had to restate its financials and fired Cherry Bekaert in August 2017, MiMedx was delisted in November 2018
- Client #3, Remark Holdings, an artificial intelligence technology company, has been subject of accounting allegations by investors and missed its debt payment in September 2018
- Cherry Bekaert LLP stepped down as Ebix lead auditor on October 5, 2018, and from then will audit only US operations

Company Name	Most Recent Auditor	Market Capitalization [My Setting] [Latest] ($USDmm, Historical rate)
Ebix, Inc. (NasdaqGS:EBIX)	Cherry Bekaert LLP	2,347.4
MiMedx Group, Inc. (NasdaqCM:MDXG)	Cherry Bekaert LLP	773.9
Remark Holdings, Inc. (NasdaqCM:MARK)	Cherry Bekaert LLP	197.1
Galectin Therapeutics, Inc. (NasdaqCM:GALT)	Cherry Bekaert LLP	154.4
HedgePath Pharmaceuticals, Inc. (OTCPK:HPPI)	Cherry Bekaert LLP	132.2
BioDelivery Sciences International, Inc. (NasdaqCM:BDSI)	Cherry Bekaert LLP	119.8
Ipsidy Inc. (OTCPK:IDTY)	Cherry Bekaert LLP	100.8
SANUWAVE Health, Inc. (OTCPK:SNWV)	Cherry Bekaert LLP	74.7
SharpSpring, Inc. (NasdaqCM:SHSP)	Cherry Bekaert LLP	57.5
MobileSmith, Inc. (OTCPK:MOST)	Cherry Bekaert LLP	49.4
Issuer Direct Corporation (AMEX:ISDR)	Cherry Bekaert LLP	48.8
MRI Interventions, Inc. (OTCPK:MRIC)	Cherry Bekaert LLP	36.4

Source: Capital IQ, accessed 2017

Why Now?

- Ebix appointed T R Chadha & Co. LLP as lead auditor
- T R Chadha & Co. LLP has no presence in the US but will sign off on Ebix's financial statements

Source: T R Chadha & Co. LLP corporate website, Locations section

We See Attractive Risk-Reward In Ebix Short

Item	FY 19e consensus	FY 19e BHC
India organic	+20%	+10%
Non-India organic	+4%	-2%
Ebix organic	**+10%**	**+3%**
FCF	$129m	$100m

- We believe 10% FCF yield Ebix traded at in 2013-2014 is fair today
- This would result in a 35% decline in the EBIX US stock
- The bull case is that Ebix will deliver on its organic growth promises and continue the roll-up with funding from Indian IPO and FCF generation; in this (unlikely) scenario, the upside is 70%
- In a more bearish scenario Ebix debt will be higher than its EV

Source: BHC estimates