



# Financial year ending 31 Dec 2021 (1H22) Results Investor Presentation

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24<sup>th</sup> February 2022



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# 1H22 Financial Highlights

**Total  
Revenue of  
€65.4m**

**24.4% growth  
on 1H21**

**Subscription<sup>1</sup>  
Revenue  
€25.2m**

**41.0% growth  
on 1H21**

**Services  
Revenue  
€39.5m**

**18.3% growth  
on 1H21**

**Gross Profit  
€42.5m  
GP Margin 65.0%**

**25.6% growth on 1H21  
Margin in line with 1H21 of 64.4%**

**EBITDA  
€6.5m  
EBITDA Margin 9.9%**

**Vs €3.2m in 1H21  
Margin increased from 6.1%**

**ARR  
€51.8m  
at 31 December '21**

**€45.7m at 30 June '21  
€38.3m at 31 December '20**



1. Subscription revenue represents all recurring Software revenue calculated as total Software revenue less Initial License Fees (1H22 ILF: €0.7m and 1H21 ILF €1.2m) as they are non-recurring.

# 1H22 Operating Highlights

**Enhanced  
FINEOS Insight  
launched**

New client win during 1H22

**North America revenue  
increases to 80.0% of  
total revenue up from  
70.7% in 1H21**

North America focused  
growth strategy working

**€46.0 million raised  
via Institutional  
placement and SPP**

Supports FINEOS's growth  
strategy

**>90%  
Employee retention  
rate**


Global workforce offered  
hybrid working model

**1,098  
Total headcount<sup>1</sup>  
at 31 Dec '21**

Increase of 5.3% on 1H21

**FY22 Subscription  
revenue growth of  
~30% reaffirmed**

Total FY22 revenue expected to be  
at lower end of range €125-130m

 1. Headcounts includes full time employees and all contractors.

# 1H22 Financial Performance

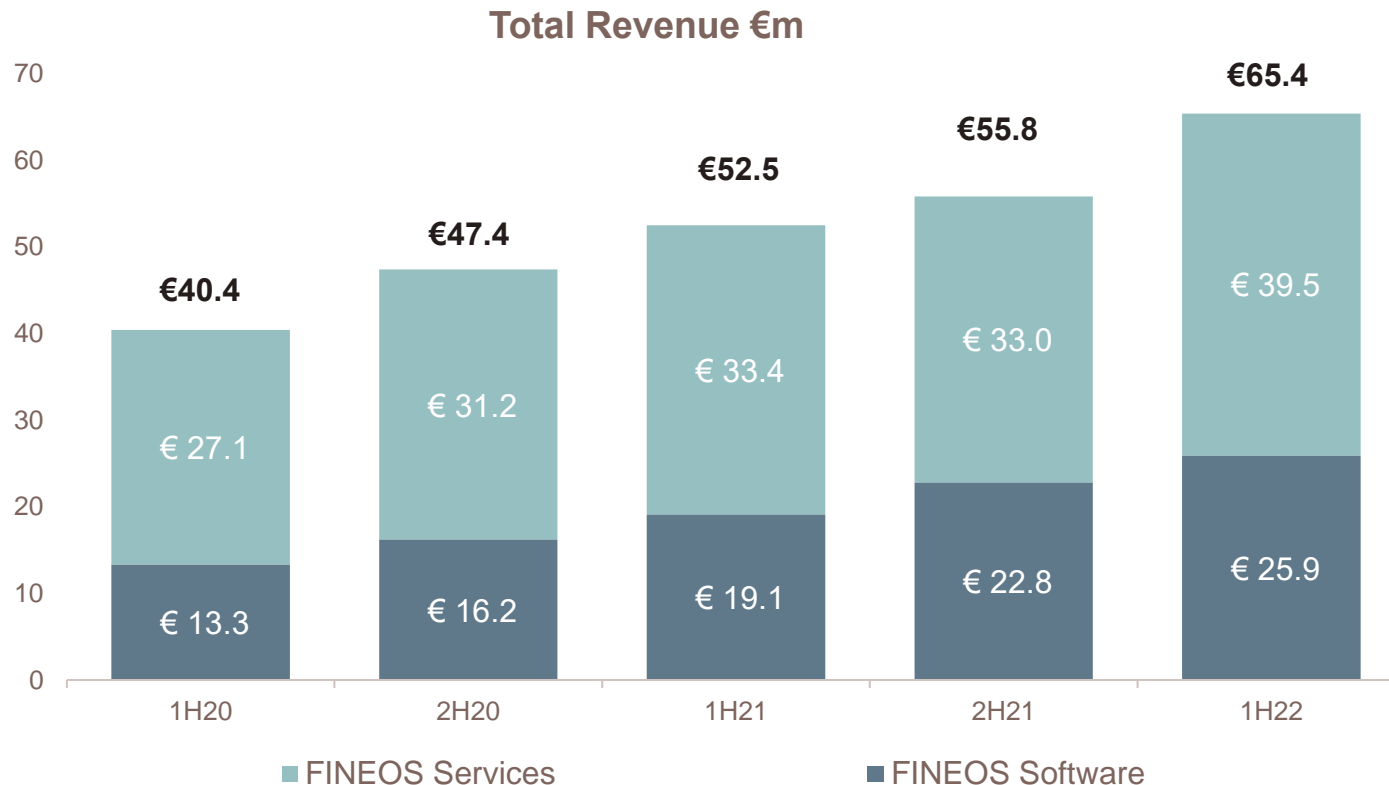
All figures €m	1H22	1H21	% Variance
<b>Revenue</b>	<b>65.4</b>	<b>52.5</b>	<b>24.4%</b>
Software <sup>1</sup> : Subscription revenue	25.2	17.9	41.0%
Initial License Fees	0.7	1.2	(47.3%)
Services	39.5	33.4	18.3%
<b>Cost of sales</b>	<b>(22.9)</b>	<b>(18.7)</b>	<b>22.5%</b>
<b>Gross profit</b>	<b>42.5</b>	<b>33.8</b>	<b>25.6%</b>
<b>Gross profit margin</b>	65.0%	64.4%	
Total operating expenses	(36.0)	(30.6)	17.6%
<b>EBITDA</b>	<b>6.5</b>	<b>3.2</b>	<b>103.1%</b>
EBITDA margin	9.9%	6.1%	

1. Software revenue is made up of Subscription recurring revenue and Initial License Fees which are non-recurring.



# 1H22 Revenue Highlights

**Total revenue of €65.4m, an increase of 24.4% on 1H21**



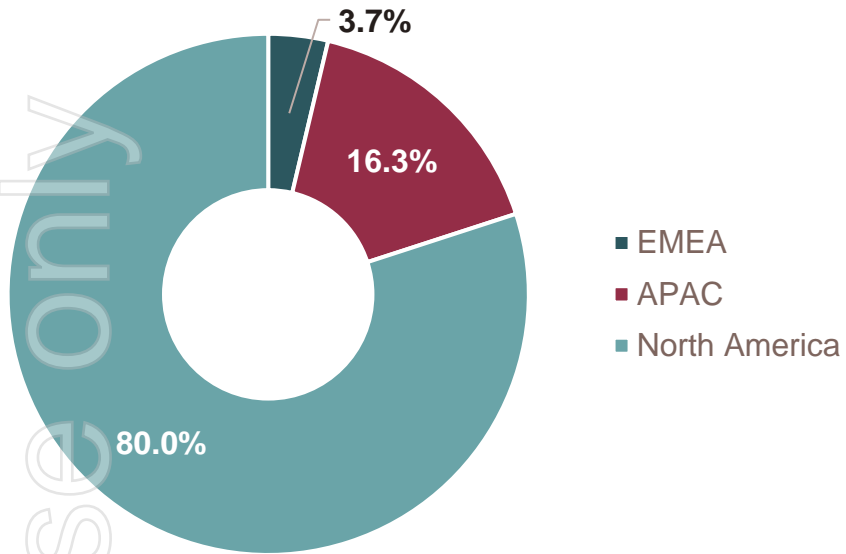
**ARR<sup>1</sup>: €51.8 million**

- Total revenue growth driven by cross-selling and up-selling to existing client base, and a new client win.
- Excluding contributions from acquisitions;*
- Total organic revenue growth of 22.3% vs 1H21
  - Subscription organic revenue<sup>2</sup> growth of 39.5% vs 1H21
  - Services organic revenue growth of 16.4% vs 1H21

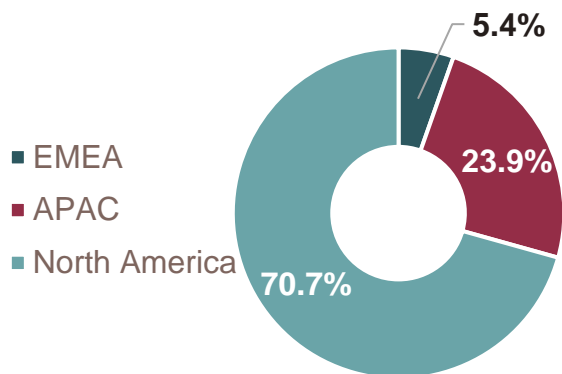
(1. Calculated as December's monthly contracted subscription revenue annualised. 2. Subscription revenue represents all recurring Software revenue calculated as total Software revenue less Initial License Fees (1H22 ILF: €0.7m and 1H21 ILF €1.2m) as they are non-recurring.

# Geographic mix of revenue

## 1H22 revenue by region



## 1H21 revenue by region



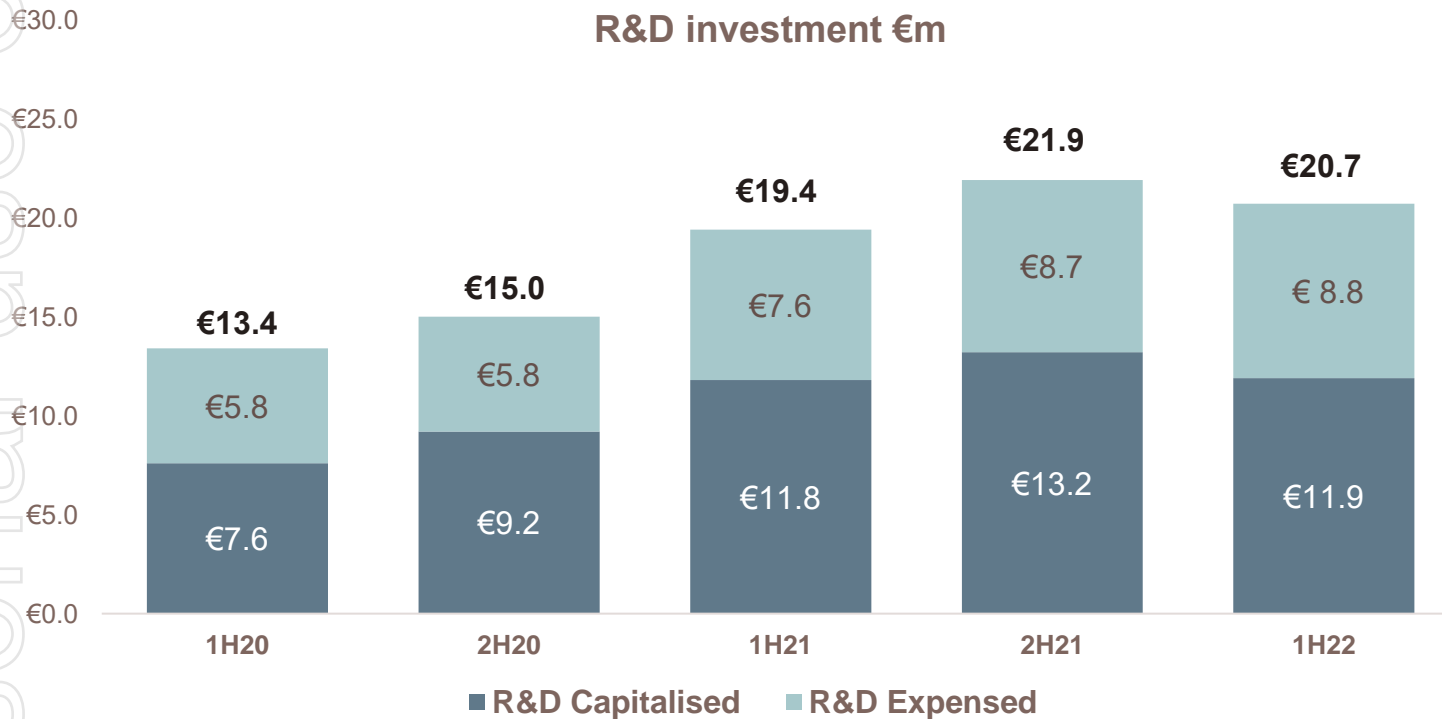
Revenue growth in the North American region driven by:

- Incremental subscription increases in large clients as milestones reached
- Up-sell of FINEOS licensed products for new lines of business and new client department usage by clients
- Cross sell of FINEOS products to existing clients
- New customer win
- The acquisitions of Limelight Health and Spraoi in FY21



# R&D Investment

**FINEOS continues to dedicate significant resources and financial investment to develop its software through research and development**



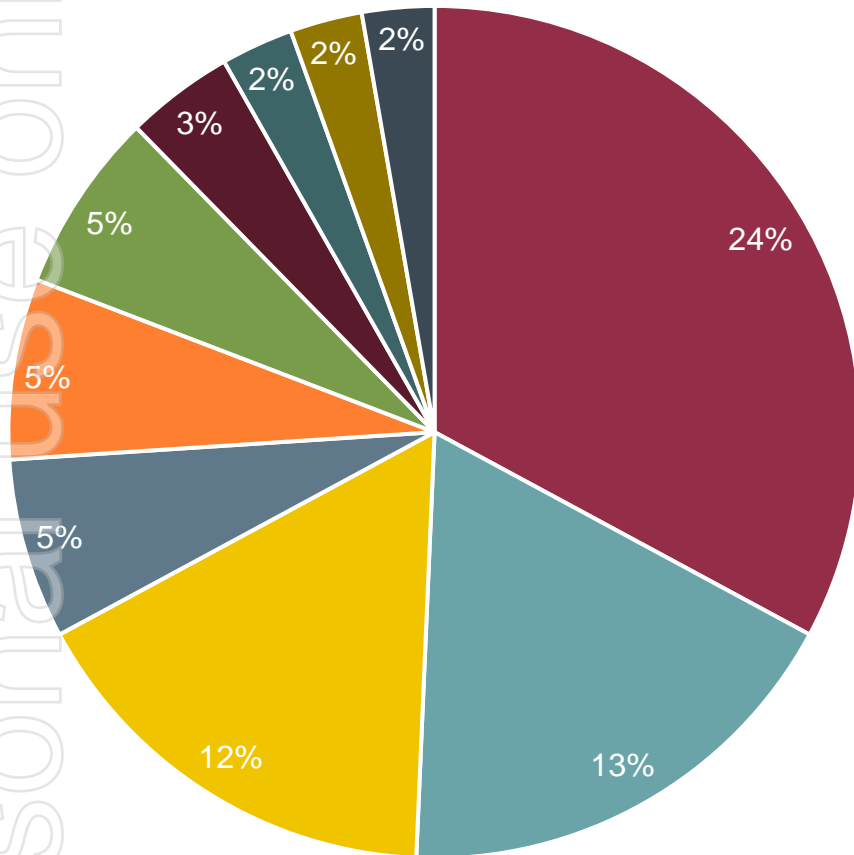
**Continued investment in R&D to capitalise on the market opportunity**

- 31.7% of revenue invested in R&D in 1H22, versus 36.9% in 1H21
- 3.7% growth in the R&D team size in 1H22 compared to 1H21
- Expectation of higher investment in R&D in 2H22 due to Product Engineering team size increases
- Over €170m invested in the FINEOS Platform since FY15



# Our Clients

Client concentration  
Top 10 by 1H22 revenue



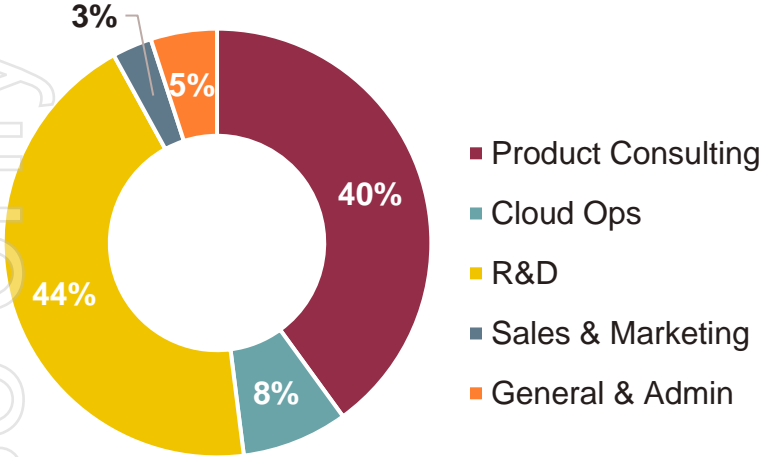
Client revenue concentration decreasing over time as client base of leading insurance carriers expands

Client	No. of years	Length of relationship	% of 1H21 revenue	% of 1H22 revenue
Client 1	3	3 years	13%	24%
Client 2	11	11 years	13%	13%
Client 3	3	3 years	7%	12%
Client 4	18	18 years	9%	5%
Client 5	2	2 years	5%	5%
Client 6	19	19 years	5%	5%
Client 7	7	7 years	5%	3%
Client 8	2	2 years	<1%	2%
Client 9	15	15 years	2%	2%
Client 10	1	1 year	<1%	2%

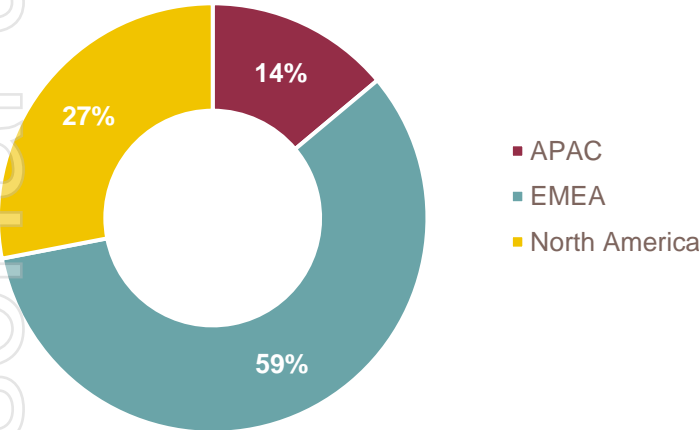


# Our People

Employees by function



Employees by region



- Average utilisation for the period was 90%, up on prior corresponding period average of 86%
- Retention rate remains high at over 90%
- FINEOS India to accelerate hiring as new agreements now in place with sourcing partners
- A “remote first hybrid” approach has been implemented as all offices worldwide have opened up again.

90%  
Utilisation<sup>1</sup>

>90%  
Employee  
retention rate

1,098  
People

1. Relates to Product Consulting employees. All data as at 31 December 2021.

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Financial Performance

# Statutory Income Statement

€ m	1H22	1H21	% Change
Software	25.9	19.1	35.6%
Services	39.5	33.4	18.3%
<b>Total revenue</b>	<b>65.4</b>	<b>52.5</b>	<b>24.4%</b>
Cost of sales	(22.9)	(18.7)	22.5%
<b>Gross profit</b>	<b>42.5</b>	<b>33.8</b>	<b>25.6%</b>
<b>Total operating expenses</b>	<b>(36.0)</b>	<b>(30.6)</b>	<b>17.6%</b>
<b>EBITDA</b>	<b>6.5</b>	<b>3.2</b>	<b>103.1%</b>
Depreciation	(1.2)	(1.0)	20.0%
Amortisation	(9.9)	(7.2)	37.5%
<b>EBIT</b>	<b>(4.6)</b>	<b>(5.0)</b>	<b>(8.0%)</b>
Net interest expense	(0.6)	(0.3)	100.0%
<b>Loss before tax</b>	<b>(5.2)</b>	<b>(5.3)</b>	<b>(1.9%)</b>
Income tax expense	0.6	0.2	200.0%
<b>Net loss after tax</b>	<b>(4.6)</b>	<b>(5.1)</b>	<b>(9.8%)</b>

- 1H22 overall revenue growth of €12.9m on 1H21
  - Software revenue (including ILF) grew 35.6% on 1H21; within that, total subscription revenue grew by 41.0%
  - Organic subscription revenue grew 39.5% on 1H21. This excludes the contribution from prior year acquisitions and ILF
  - ILF (€0.7m) decreased 47.3% vs 1H21 as transition continues from the old ILF/ALF revenue model to the cloud-based SaaS model
  - Services revenue grew 18.3% on 1H21 reflecting increased demand and upselling to existing clients
- Cost of sales: contractor costs increased by €3.4m due to higher headcount and hosting costs increased by €1.0m
- Amortisation run rate increased €2.7m on 1H22. Main drivers:
  - Increased capitalisation flows through to higher R&D amortisation of €2.1m; €1.9m due to significant additions to R&D in FY21, €0.2m due to acquired R&D (Spraoi).
  - Amortisation of right of use software up €0.2m due to additional software leases added FY21



# Operating Expenses

€ m	1H22	1H21	% Change
Research & development	(9.5)	(8.4)	13.1%
Sales & marketing	(3.1)	(2.7)	14.8%
Delivery	(8.5)	(6.8)	25.0%
Cloud ops./support	(7.2)	(4.3)	67.4%
General & administration	(8.3)	(9.1)	(8.8%)
Other income	0.6	0.7	(14.3%)
<b>Total operating expenses</b>	<b>(36.0)</b>	<b>(30.6)</b>	<b>17.6%</b>

- R&D operating costs are up €1.1m on 1H21 linked mainly to average headcount increasing by 3.7% in 1H22.
- Sales & marketing costs increased €0.4m on 1H21 which reflects the integration of the acquisitions' headcount.
- Product consultant (delivery) costs increased €1.7m on 1H21 primarily due to the average headcount increasing by 9.9% between 1H21 and 1H22 which is linked to additional revenues.
- Cloud operations costs increased €2.9m on 1H21 as average headcount increased by 34.4% between 1H21 and 1H22. Other increases included additional hosting costs.
- G&A cost is down €0.8m vs. 1H21 (which included merger costs of €1.7m). Rent reduced (€0.2m) due to surrender of some office space in Dublin. Increase in costs 1H22 vs. 1H21: insurance (€0.3m), discount unwind and FX on Spraoi earnout (€0.3m), software and peripherals (€0.3m).



# Financial Position

€ m	31 December 21	30 June 21	% Change
Cash at bank	48.6	14.0	247.1%
Trade receivables	12.8	22.3	(42.6%)
Unbilled receivables	2.4	1.2	100.0%
R&D tax credit	1.7	1.5	13.3%
Prepayments and other receivables	6.1	4.6	32.6%
<b>Total current assets</b>	<b>71.6</b>	<b>43.6</b>	<b>64.2%</b>
Fixed assets	1.4	1.7	(17.6%)
Right of use assets	6.3	6.6	(4.5%)
Development expenditure	69.7	65.6	6.3%
Contract costs (commissions)	1.4	1.6	(12.5%)
Goodwill	43.4	41.3	5.1%
Technology and customer relationships	24.2	24.0	0.8%
<b>Total non-current assets</b>	<b>146.4</b>	<b>140.8</b>	<b>4.0%</b>
<b>Total assets</b>	<b>218.0</b>	<b>184.4</b>	<b>18.2%</b>
Trade payables	1.1	3.3	(66.7%)
Deferred revenue	7.9	17.0	(53.5%)
Deferred R&D tax credit	1.2	1.3	(7.7%)
Lease liabilities	1.6	2.2	(27.3%)
Contingent consideration	2.1	1.7	23.5%
Accruals	8.5	8.9	(4.5%)
<b>Total current liabilities</b>	<b>22.4</b>	<b>34.4</b>	<b>(34.9%)</b>
Deferred R&D tax credit	4.8	5.2	(7.7%)
Lease liabilities	5.2	5.2	0.0%
Contingent consideration	3.1	2.9	6.9%
<b>Total non-current liabilities</b>	<b>13.1</b>	<b>13.3</b>	<b>(1.5%)</b>
Provisions	0.5	0.4	25.0%
<b>Total liabilities</b>	<b>36.0</b>	<b>48.1</b>	<b>(25.2%)</b>
<b>Net assets</b>	<b>182.0</b>	<b>136.3</b>	<b>33.5%</b>

- Cash at bank movement reflects capital raise during 1H22 (€46.0m), ongoing investment in R&D to support implementations and ongoing product development.
- Trade receivables fell 42.6% since 30 Jun 21 due to timing of both payments from customers in Q2 and subscription renewals.
- Right of use building increased due to additions (new leases added €0.9m) offset in part by asset depreciation (€0.7m).
- Right of use software decreased due to asset amortisation (€0.6m) being well ahead of additions (new leases €0.1m).
- Development expenditure increase explained by R&D capitalised spend (€11.9m) being ahead of amortisation (€8.0m) in period.
- Retranslation of goodwill to period closing rates resulted in positive FX movement of €2.0m
- Deferred revenue decrease of 53.5% due primarily to the timing of subscription renewals. More than 50% of clients renewed in January which increases the deferred revenue at the start of the calendar year.
- Total contingent consideration (current €2.1m and non-current €3.1m) reflects the earnout provision on Sprai deal. The movement 1H22 is due to adjustments for discount unwind (€0.3m) and FX (€0.2m).
- Provisions reflect provisions for deferred tax liabilities. 1H22 represents a deferred tax liability on acquired intangibles (Limelight) plus deferred tax temporary differences arising in the period less a deferred tax asset on the Limelight tax loss carry forwards. The movement at 31 Dec 21 v 30 June 21 reflects the utilisation of tax losses in the period.



# Statement of Cash Flows

€ m	1H22	1H21	% Change
Net cash flows from operating activities	1.0	3.3	(69.7%)
Net cash used in investing activities	(12.2)	(68.3)	(82.1%)
Net cash generated from financing activities	45.3	56.2	(19.4%)
<b>Net movement in cash and cash equivalents</b>	<b>34.1</b>	<b>(8.8)</b>	<b>487.5%</b>
Effect of movement in exchange rates	0.5	(0.3)	(266.7%)
Cash & cash equivalents at the beginning of the period	14.0	39.8	(64.8%)
<b>Cash &amp; cash equivalents at the end of the period</b>	<b>48.6</b>	<b>30.7</b>	<b>58.3%</b>

- Lower net cash inflow from operating activities primarily due to the timing of and increase in contractor payments.
- 1H22 Investment activities represent spend on intangible assets - R&D (€11.9m), contract cost (€0.1m) and tangible fixed assets (€0.2m).
- Financing activities reflects the net amount of cash raised from the new issue of CDIs (€46.0m) less share issue costs (€0.7m).




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Outlook

# FINEOS Outlook<sup>1</sup>

- Total FY22 revenue is expected to be at the lower end of the guidance range previously provided; €125-130m. Importantly, Subscription revenue guidance is reaffirmed with continued growth in the second half expected to deliver an annualised growth rate of approximately 30%
- The outlook for Services revenue reflects both the current budgetary challenges for many insurance carriers and a move by FINEOS to rely more extensively on system integrator partners for product implementations
- Growth expectations supported by a pipeline of cross-sell and up-sell opportunities with existing and new clients
- Continued investment in R&D to capitalise on the market opportunity.

 1. The outlook and guidance are subject to ongoing review and the uncertainty surrounding the impact of the COVID-19 pandemic on the global economy. All guidance provided is calculated based on the assumption of a EUR:USD fx rate of 1:1.1156.

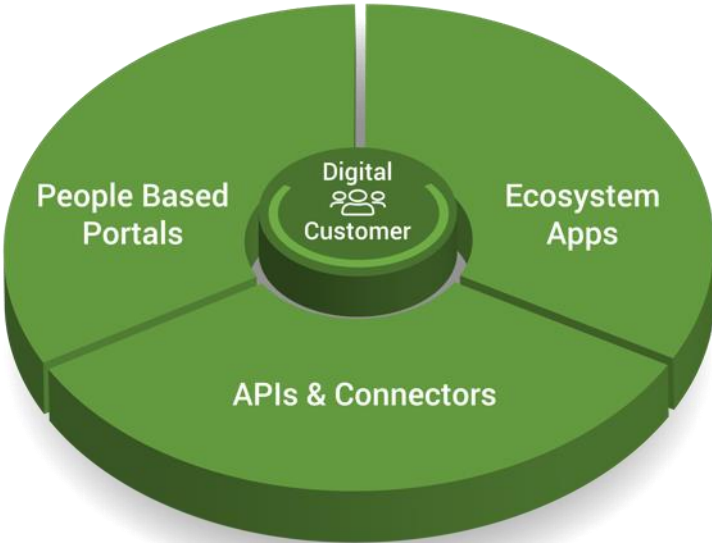
# The FINEOS Platform

### FINEOS AdminSuite



- Consumer/employer core admin
- Digital friendly process model
- Case management rules and workflow

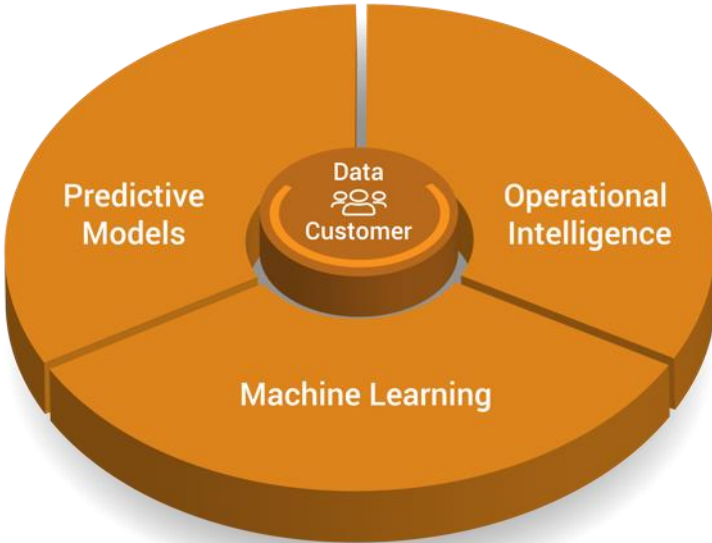
### FINEOS Engage



### PLATFORM CAPABILITIES

- End-to-end integrated components
- Comprehensive API support
- Machine learning capabilities

### FINEOS Insight



- Configurable SaaS platform
- Secure, stable and scalable
- End-to-end episode management

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