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

Michael Kelly CEO & Tom Wall CFO

24th February 2022

FINEOS

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1H22 Financial Highlights

Total Revenue of
€65.4m
24.4% growth on 1H21

Subscription[1] 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[1] 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.

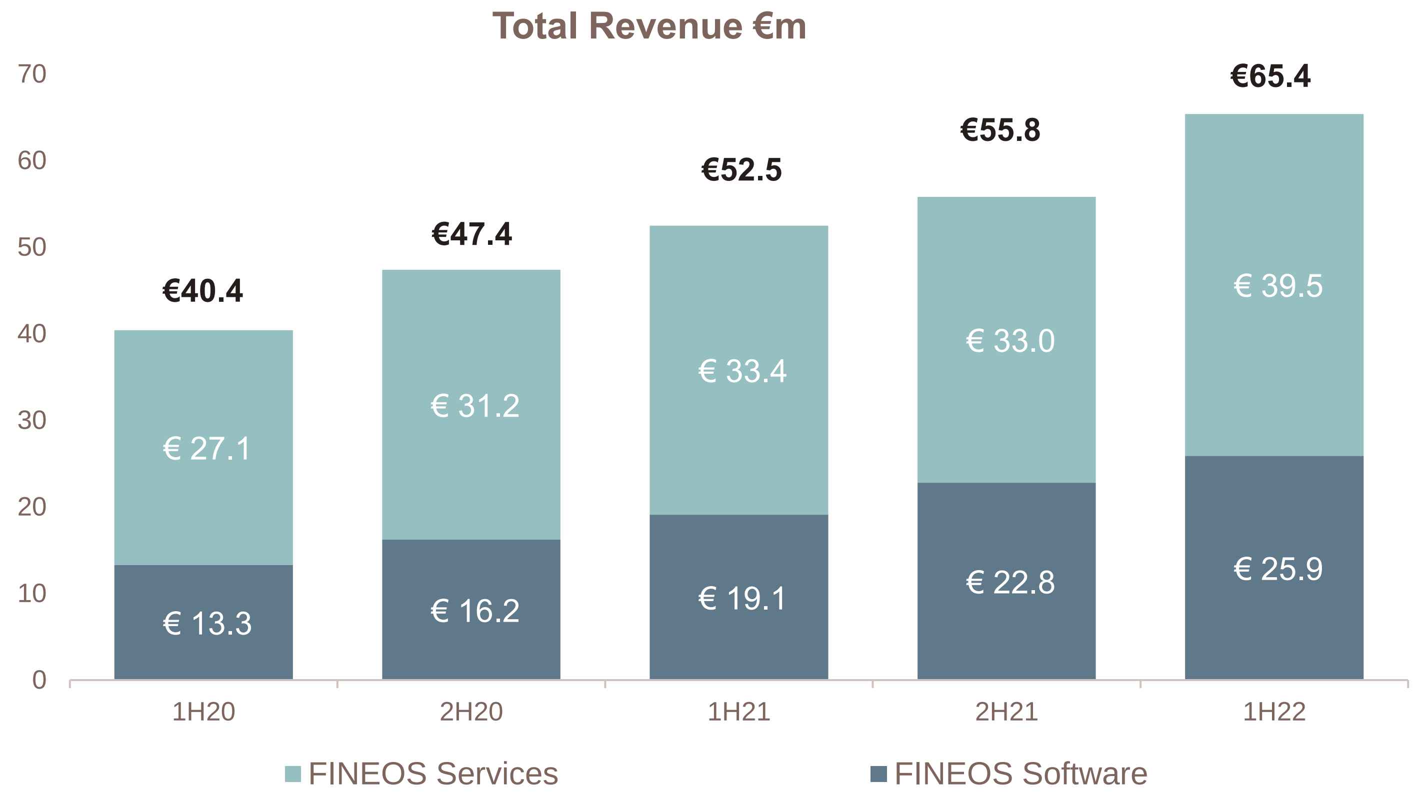
1H22 Financial Performance

All figures €m		1H22	1H21	% Variance
Revenue		**65.4**	**52.5**	**24.4%**
Software[1] *:*	Subscription revenue	25.2	17.9	41.0%
	Initial License Fees	0.7	1.2	(47.3%)
Services		39.5	33.4	18.3%
Cost of sales		**(22.9)**	**(18.7)**	**22.5%**
Gross profit		**42.5**	**33.8**	**25.6%**
Gross profit margin		65.0%	64.4%	
Total operating expenses		(36.0)	(30.6)	17.6%
EBITDA		**6.5**	**3.2**	**103.1%**
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[1]: €51.8 million

- Total revenue growth driven by cross-selling and up-selling to existing client base, and a new client win.

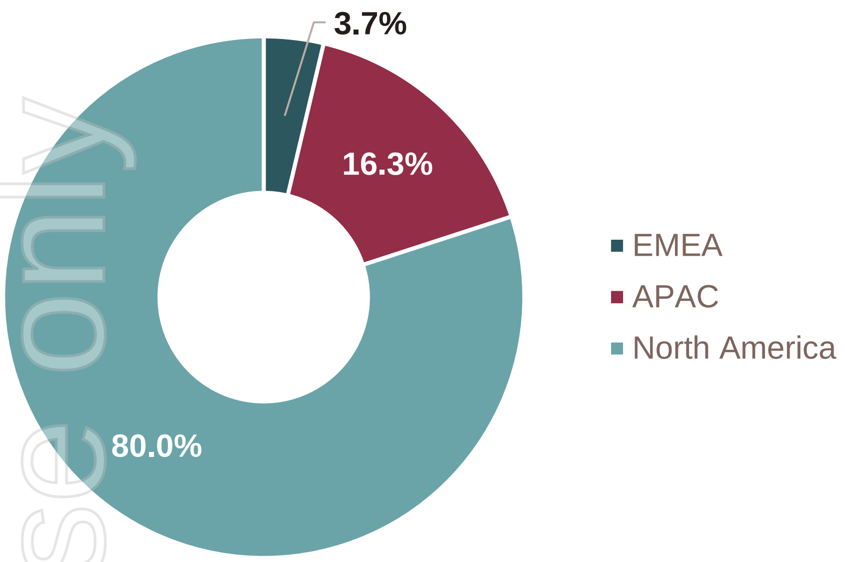
Excluding contributions from acquisitions;

- Total organic revenue growth of 22.3% vs 1H21
- Subscription organic revenue[2] growth of 39.5% vs 1H21
- Services organic revenue growth of 16.4% vs 1H21

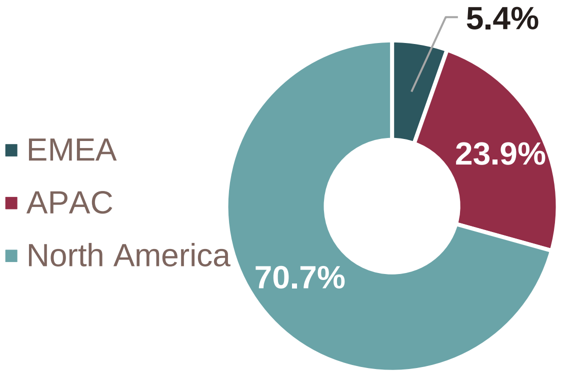
1. Calculated as December's monthly contracted subscription revenue annualised. 2. Subscription revenue represents all recurring Software revenue calculated as total Software revenue less Initial License Fees (1H22 ILF: €0.7m and 1H21 ILF €1.2m) as they are non-recurring.

Geographic mix of revenue

1H22 revenue by region



1H21 revenue by region

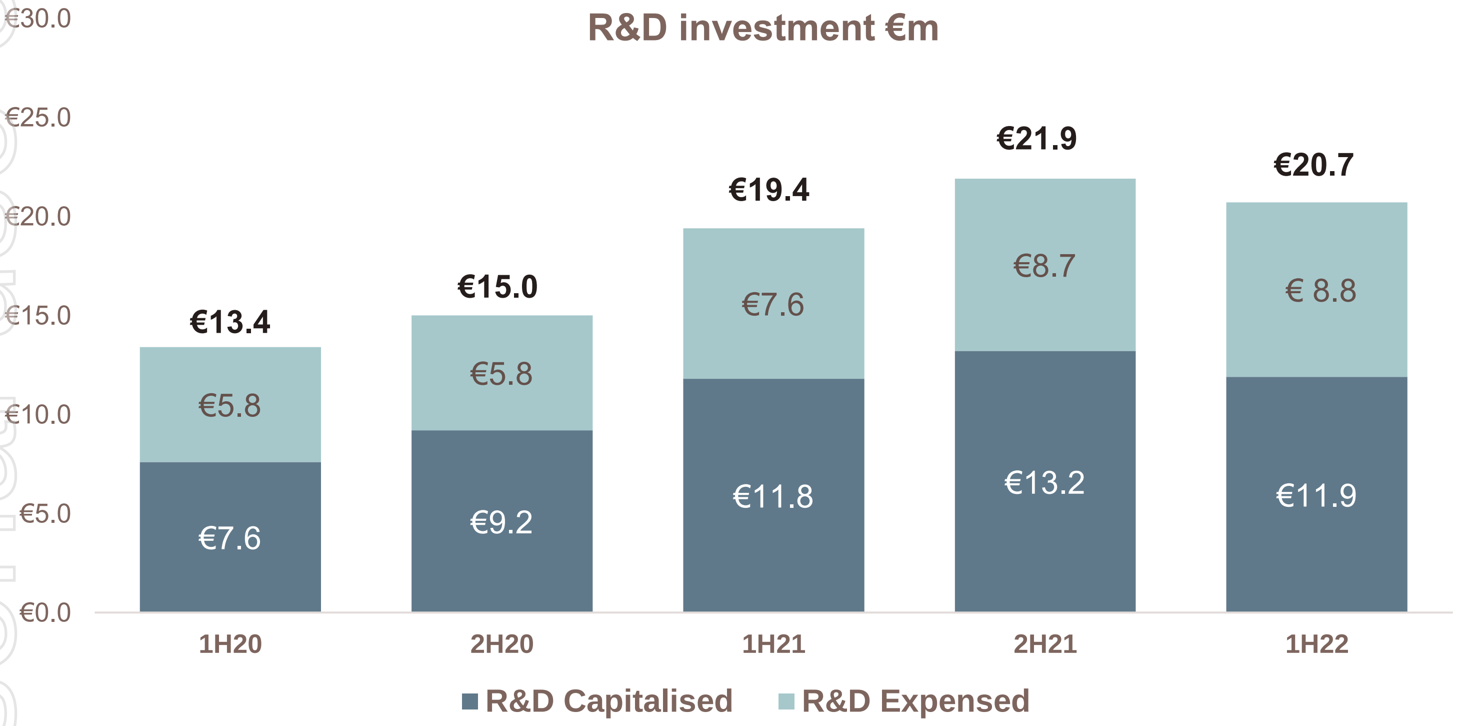


Revenue growth in the North American region driven by:

- 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

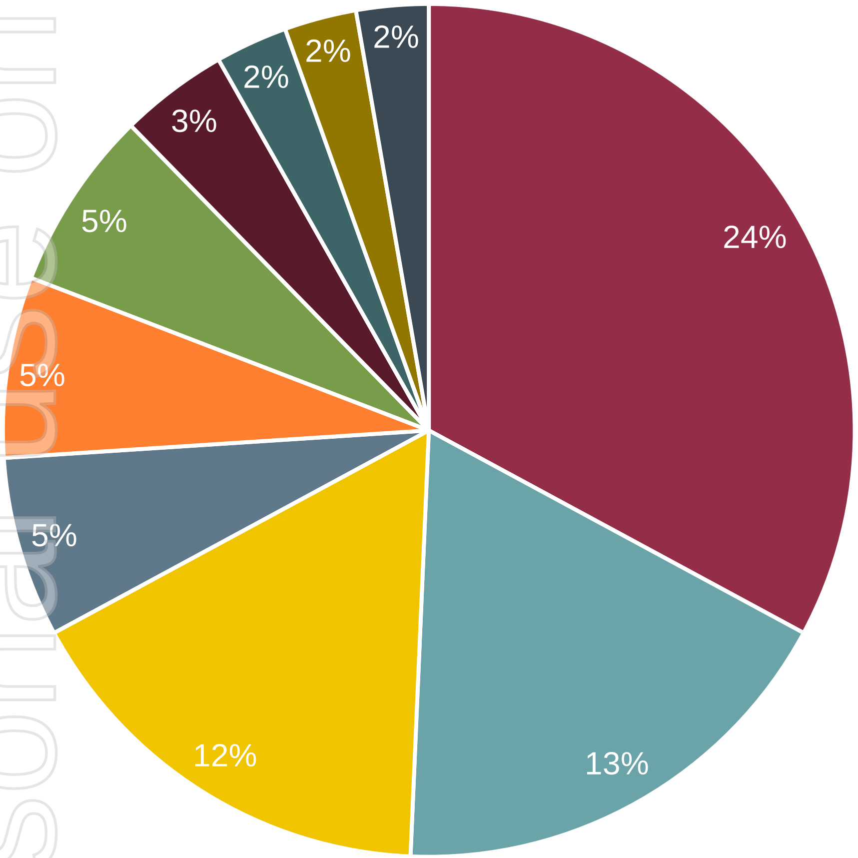


Continued investment in R&D to capitalise on the market opportunity

- 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

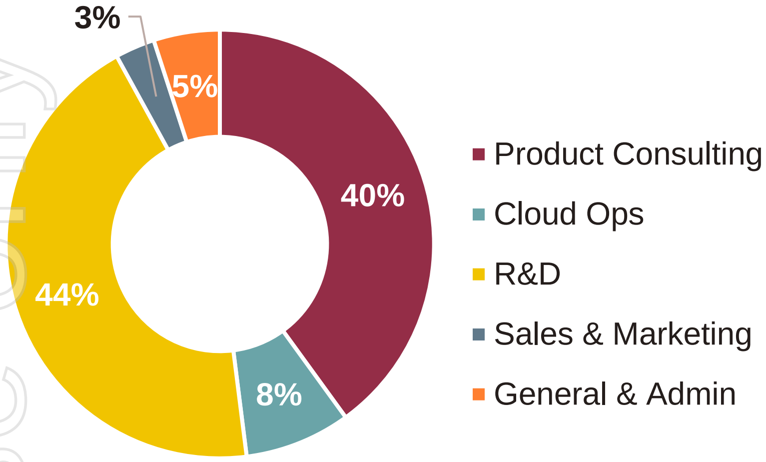


Client revenue concentration decreasing over time as client base of leading insurance carriers expands

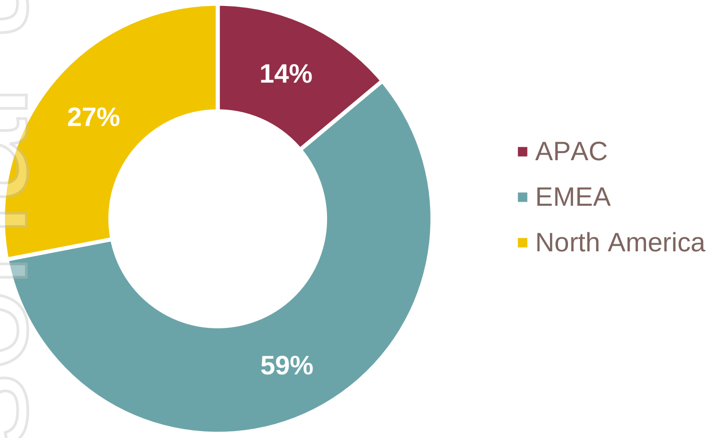
Client	No. of years	Length of relationship	% of 1H21 revenue	% of 1H22 revenue
Client 1		3 years	13%	24%
Client 2		11 years	13%	13%
Client 3		3 years	7%	12%
Client 4		18 years	9%	5%
Client 5		2 years	5%	5%
Client 6		19 years	5%	5%
Client 7		7 years	5%	3%
Client 8		2 years	<1%	2%
Client 9		15 years	2%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

>90%
Employee retention rate

1,098
People

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

Financial Performance

Statutory Income Statement

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

- 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%)
Total operating expenses	**(36.0)**	**(30.6)**	**17.6%**

- 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%
Total current assets	**71.6**	**43.6**	**64.2%**
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%
Total non-current assets	**146.4**	**140.8**	**4.0%**
Total assets	**218.0**	**184.4**	**18.2%**
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%)
Total current liabilities	**22.4**	**34.4**	**(34.9%)**
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%
Total non-current liabilities	**13.1**	**13.3**	**(1.5%)**
Provisions	0.5	0.4	25.0%
Total liabilities	**36.0**	**48.1**	**(25.2%)**
Net assets	**182.0**	**136.3**	**33.5%**

- 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 Spraoi 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%)
Net movement in cash and cash equivalents	**34.1**	**(8.8)**	**487.5%**
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%)
Cash & cash equivalents at the end of the period	**48.6**	**30.7**	**58.3%**

- 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).

Outlook

FINEOS Outlook[1]

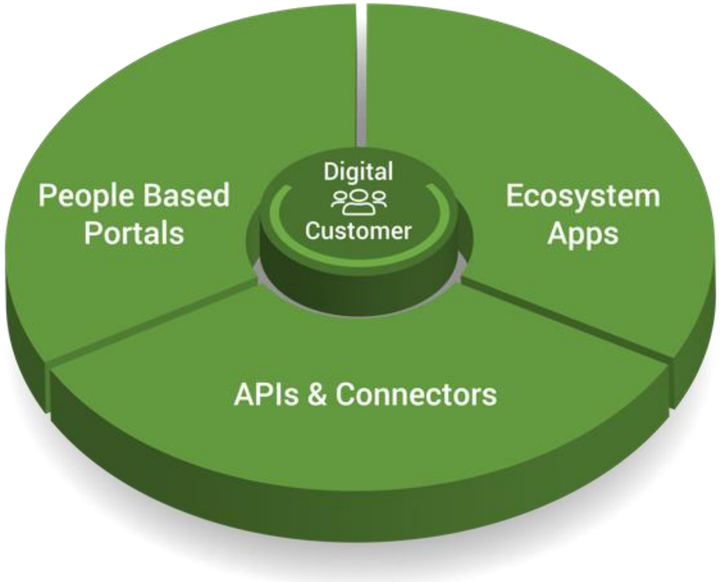
- Total FY22 revenue is expected to be at the lower end of the guidance range previously provided; €125-130m. Importantly, Subscription revenue guidance is reaffirmed with continued growth in the second half expected to deliver an annualised growth rate of approximately 30%
- The outlook for Services 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.

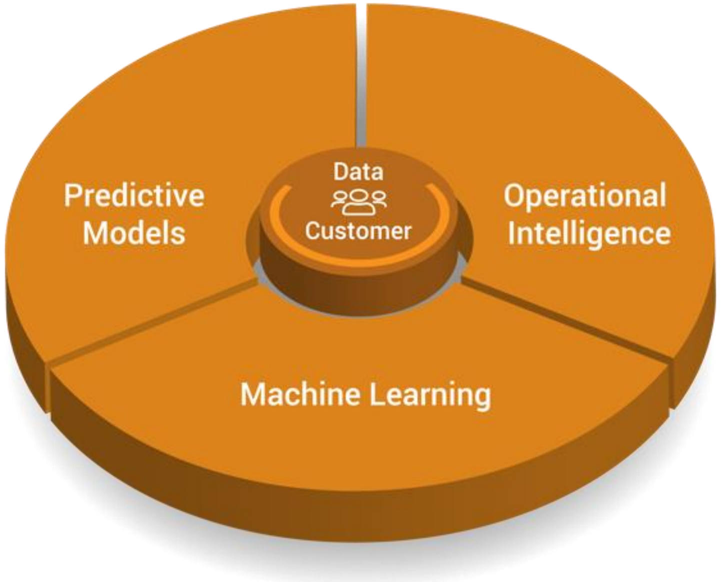
The FINEOS Platform

FINEOS AdminSuite

FINEOS Engage



FINEOS Insight



PLATFORM CAPABILITIES

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

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

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