

24 August 2022

FINEOS subscription revenue growth exceeds FY22 guidance; reaffirms expectation of positive free cashflow position in FY24

FINEOS Corporation Holdings PLC (ASX:FCL) (Company), the leading provider of core systems for employee benefits and life, accident and health insurance (LA&H) carriers, is pleased to announce a strong set of results for the 12 months ended 30 June 2022 (FY22).

Key FY22 highlights (vs FY21):

- Total Revenue up 17.5% to €127.2 million
 - North America grew to 79% of total revenue (FY21: 73%)
- Software subscription revenue up 34.3% to €53.8 million
- ARR at 30 June 2022 up 23.4% to €56.4 million (30 June 2021: €45.7 million)
- Gross Profit up 15.3% to €83.0 million, with GP margin of 65.3% in line with FY21
- EBITDA up 28.8% to €6.7 million
- Statutory net loss after tax of €26.0 million impacted by €12.6 million one-off non-cash impairment of goodwill on the acquisition of Limelight Health Inc.
- Total headcount of 1,075 at 30 June 2022 broadly in line with 30 June 2021, with product consulting average utilisation of 89% also in line with FY21
- Cash of €44.3 million and no debt, provides a strong capital position that supports growth initiatives

Commenting on the Company's results, FINEOS Founder & CEO Michael Kelly said:

"FY22 has seen yet another year of strong growth across the key metrics we benchmark our business against, underpinned by our delivery on strategy. Importantly, we achieved or exceeded the guidance we provided to the market even with the incredibly challenging operating environment faced by most businesses. I would like to thank all our team for their continued dedication and support that enabled FINEOS to achieve several significant strategic milestones over the past year."

Growing revenue and earnings, with strong growth in subscription revenues exceeding guidance

Total revenue for FY22 was up 17.5% to €127.2 million. Importantly, higher margin subscription revenue, which is the Company's primary focus, was up 34.3% to €53.8 million. Within this, organic growth was 33.5%, with the balance from the acquisitions of Limelight Health Inc. (Limelight) and DigIn Technologies LLC (Spraoi). EBITDA was up 28.8% to €6.7 million.

Continued investment to drive future growth

People headcount (including contractors) remained relatively flat over FY22, going from 1,065 on 30 June 2021 to 1,075 on 30 June 2022, with headcount expected to remain stable at this level in FY23. In line with the Company's growth strategy, investment in product research and development, sales and marketing, and cloud operations supported continued growth. Greater use of talent in certain geographies will help contain employment cost increases in the current inflationary environment.

Research and development investment was up slightly to €43.2 million, reflecting the hiring of additional product engineers and teams to accelerate product to market. FINEOS continues to generate a strong ROI on its investment as can be seen through the growth in subscription revenues.

Supporting group and individual life, accident and health insurers to evolve their businesses

As the only pureplay end-to-end insurance software platform provider focused solely on the group and individual life, accident and health market, FINEOS is facilitating the technological and business software needs of insurers as they deliver this evolving service to their clients. The Company partners with them on end-to-end delivery.

The success of these engagements is demonstrated in the multiple testimonials and references that customers provide publicly quoting FINEOS, which continues to build our proven reputation in the market. Most recently, a ground-breaking joint study with New York Life Group Benefit Solutions was released proving that the purpose-built FINEOS platform successfully met the business challenges of one of the largest North American group insurers.

Strategic acquisitions successfully integrated

The Spraoi team has been successfully integrated into the FINEOS organisation. Spraoi's ML (Machine Learning) and AI (Artificial Intelligence) products bolster FINEOS' Insight and Engage capabilities and have had further sales success with new customer and cross-sell wins in FY22 and a growing pipeline for FY23. Investment in Limelight's product roadmap continues within FINEOS and is aligned with current customer deployments and overall quote-to-claim strategic product capabilities.

Strong balance sheet supports growth plans

The Company had a cash balance of €44.3 million as at 30 June 2022. This cash balance was bolstered in FY22 through the successful €46.0 million (before costs) placement and share purchase plan. FINEOS received strong support from shareholders at the time, as well as new institutional and sophisticated investors. Favorable exchange rates during the year also had a positive impact on the cash balance.

Change of Company Secretary

Mr Tom Wall has resigned as Company Secretary (Ireland) and Mr John McKnight was appointed as Company Secretary.(Ireland), effective 23 August 2022.

Commenting on FINEOS' positive outlook for FY23 and beyond, Mr Kelly said:

"As our customers further transform their businesses to generate efficiencies and streamline their operations, we believe they will continue to invest in extending their use of the FINEOS Platform to

modernise and enhance their customer service, grow their business operations and replace outdated unsustainable legacy systems.

“Based on our robust pipeline of significant cross-sell and up-sell opportunities with existing customers, in addition to some new name opportunities, we expect to generate revenue in FY23 of between €135 million and €140 million.

“With over €44 million in cash and no debt, we are in a strong capital position to support our organic growth plans. With the business continuing its growth trajectory and cash flows strengthening, we remain on track to achieve a positive free cash flow position in FY24.

“Finally, I would like to take this opportunity to thank Mr Tom Wall, our retiring CFO, for the great service and dedication he has given FINEOS as a member of our leadership team. Tom was instrumental to the success of our IPO in August 2019 and has presided over the doubling of our revenues in the 3 years since listing, as well as the many positive advances we have made in strategically growing our Platform and Subscription Revenues. I would also like to welcome Ms Susan O'Connor as our incoming CFO and congratulate Mr John McKnight, our legal counsel at FINEOS, on his appointment to the position of Company Secretary based in Ireland.”

Investor briefing being held at 5:00pm AEST / 8:00am GMT today:

Investors and analysts are invited to join a conference call hosted by Michael Kelly (Founder & CEO) and Tom Wall (CFO). After the presentation, there will be an opportunity for Q&A.

To participate, please register via <https://s1.c-conf.com/diamondpass/10023082-flam43.html>.

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This announcement has been authorised for release by FINEOS' CEO and CFO.

For further queries please contact:

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About FINEOS:

FINEOS (ASX:FCL) is a leading provider of core systems for life, accident and health insurance carriers globally with 7 of the 10 largest group life and health carriers in the US as well as 6 of the 10 largest life and health carriers in Australia. With employees and offices throughout the world, FINEOS continues to scale rapidly, working with innovative progressive carriers in North America, Europe, and Asia Pacific.

The FINEOS Platform provides customers full end to end core administration for group, voluntary and individual across life, accident and health. The FINEOS Platform includes the FINEOS AdminSuite core product suite as well as add-on products, FINEOS Engage to support digital engagement and FINEOS Insight for analytics and reporting.

For more information, visit www.FINEOS.com