

27 March 2023

## FINEOS announces €10m operating cost reduction in FY24 and Investor Roadshow

**FINEOS Corporation Holdings PLC (ASX:FCL) (FINEOS or Company)**, the leading provider of core systems for life, accident and health and employee benefits insurance carriers globally, advises that FINEOS will attend investor meetings between March 27th and March 30th in Melbourne and Sydney.

Michael Kelly, CEO, and Ian Lynagh, CFO, will deliver a presentation explaining how FINEOS has a €10m operating cost reduction in place, while continuing growth and moving to free cash-flow during the second half of Company's next financial year - FY24.

- ENDS -

This release has been authorised for provision to ASX by the Company's Chairman and CEO.

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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 a 70% market share of Group Insurance in Australia. With employees and offices throughout the world, FINEOS continues to scale, 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 absence employee benefits across the global life, accident and health industry. 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](http://www.FINEOS.com)



# FCL Investor Roadshow Presentation

Michael Kelly (Founder & CEO) and Ian Lynagh (CFO)

27 March 2023 (Melbourne)

29 March 2023 (Sydney)



# Agenda

Free Cash Flow from 2H24

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Achievements since IPO

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Strategy Execution

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# FINEOS moving to Free Cash Flow from 2H24

## Cost reduction strategies in place

### **Operating cost reduction of approximately €10m in place for FY24:**

- Direct costs savings of €8m
- Indirect costs savings of €2m

### **Achieved by:**

- Workforce re-location to more attractive cost bases
- Eliminated non-essential headcount with work redistribution
- Reduced usage of certain higher cost based 3<sup>rd</sup> party contractors
- R&D CloudOps automation driving greater efficiencies
- Re-contracting with suppliers for better value
- Tight management of salaries in a changed employment environment

### **In addition to above:**

- Non-repeat of once-off earn-out costs associated with Spraoi (€2.4m in FY23)

# FINEOS moving to Free Cash Flow from 2H24

Increased Revenue expectations based on new business conversion

## Strong New Business Pipeline for:

- FINEOS Claims – New Name
- FINEOS Absence – Cross-Sell & New Name
- FINEOS AdminSuite (NB&U) – Cross-Sell & New Name

## Working Capital coverage:

- No Debt with Strong Bank Relationships – Overdraft in place
- Debt facility to bridge any funding gaps if required



# Significant Investments since IPO - August 2019

**Purpose built FINEOS AdminSuite for Employee Benefits – Group, Voluntary & Absence Management**

**NYL US\$4b live on AdminSuite eliminating 6 legacy core systems**

**Integrated Absence & Claims creating the market leading FINEOS Platform for IDAM**

**11 clients for FINEOS Absence including 4 Top 10 Group Carriers**

**FINEOS Platform – a SaaS platform for automation, data security & client / partner eco system**

**CloudOps efficiency now delivering dividends**

**Acquisitions of Limelight & Spraoi to enable full end-to-end capabilities & enhanced data insights**

**Full Quote to Claim service for the Employee Benefits market**

**Strategic product relationships in place with 3 Top 10 Group Carriers in the USA**

**FINEOS Platform for Employee Benefits – Strong Endorsement**

**Proven upgrade path of Claims on-premise clients to the FINEOS Platform**

**Long term loyalty, investment and advocacy**



# Growth achieved since IPO - August 2019

Note: Measurements calculated from 2H19 to 1H23 inclusive

**Total Revenue growth of  
84%**

**Continued YoY growth in  
Revenues**

**Significant Subscription Fee  
Revenue growth of 186%**

**Key Revenue stream continues to  
deliver double digit growth**

**North American Revenue  
78% of total revenue, up  
from 55% in 2H19**

**North America represents over  
30% of the global L,A&H market**

**79% of Revenue from SaaS  
clients having grown from  
35%**

**Transition to SaaS Platform  
company affirmed**

**Subscription Fee Revenue  
now represents 49% of total  
Revenue**

**ARR edging towards being  
primary Revenue stream**

**Key relationships in place  
with strategic System  
Integrators**

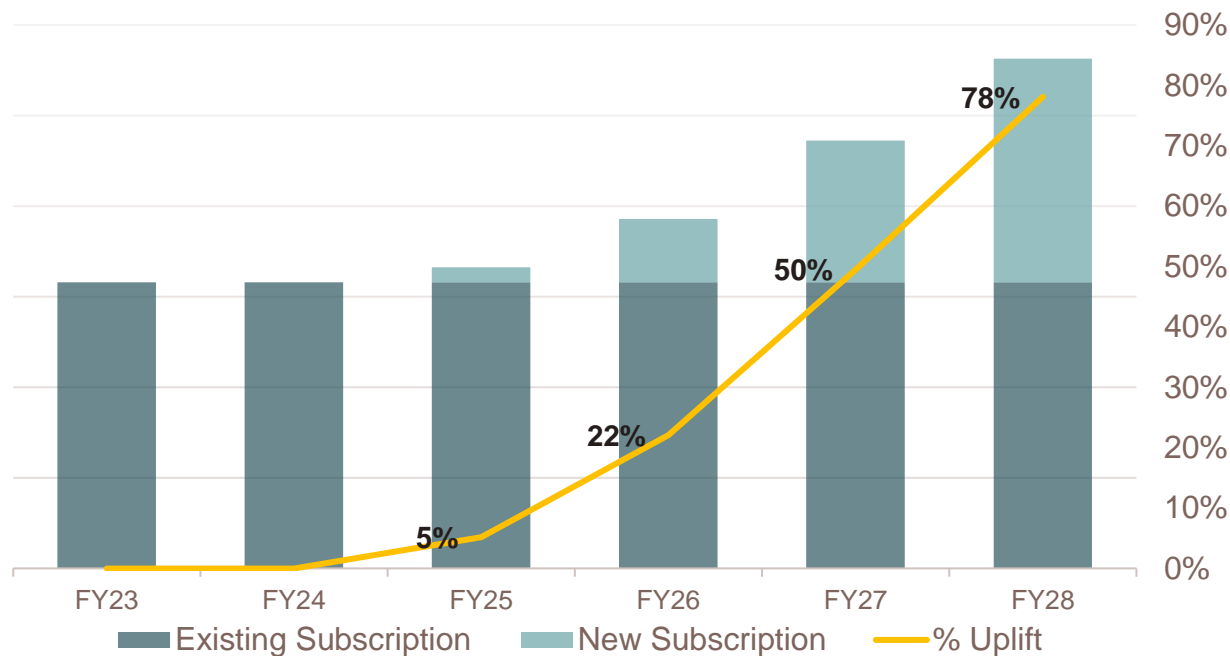
**Influence decision makers and  
help us grow our Subscriptions**



# Top 10 Group Carrier enters New Strategic Relationship

A Major existing client is now investing in a strategic partnership with FINEOS to build Product features rather than Custom software

## Roll-out increases repeatable Subscription Fee



- Client partners to supplement R&D funding of IDAM product to service top-end employer market
- Building out new capabilities spans 2H23 and all of FY24
- Incremental roll-out phases commence early FY25 for an expected 3 year program
- As roll-out progresses Subscription Fees increase to an expected 78% uplift on current fees



# Employee Benefits Market Dynamics – FINEOS is ready

## Absence Management

- Now a key core system for an Employee Benefits carrier, especially with the growing advent of Paid Family Leave (PFL)

## Growth of Voluntary / Worksite products

- Strong premium average premium growth of 7% per year in recent years. Gives employees more options and flexibility.
- Carriers progressively offering products here but historically have needed additional software platforms to service

## Policy & Billing

- FINEOS is market leader in Employee Benefits by No of clients, revenues, product achievements. New entrants are a long way from legacy elimination. No competitor has group, voluntary and absence end-to-end on a single platform.
- Growing appreciation of purpose built, end-to-end - NYL Case Study is key here

## Self-Administration

- This is an attractive market which does not require different software products to service
- FINEOS currently in contract negotiation with 2 employers for Self Admin Absence

## The Market Players

- Paid Leave States (Government)
- Employee Benefits Carriers
- Self Admin Employers

# Core Systems Competitive Landscape

## Aite Novarica | Number of Live Clients in US/Canada and Type of Insurer (Group/Individual/Both)

Information valid as at February 2023 and sourced and can be made available from Aite Novarica

	Mostly Group	Mostly Individual	Both
1-10 Clients		 <sup>1</sup>    	
10-20 Clients		 <sup>2</sup>	  
Over 20 Clients	  	    	

\*Oracle is based on Aite-Novarica estimate. Oracle declined to disclose the number of clients in US/Canada.

\*\*DXC has two solutions (1. DXC Assure Policy, 2. DXC Wealth Management Accelerator).

## FINEOS Advantage

60+ Clients

Analyst Recognition

No Churn – live clients

Dominant Top 10 Carrier coverage

Client re-investment

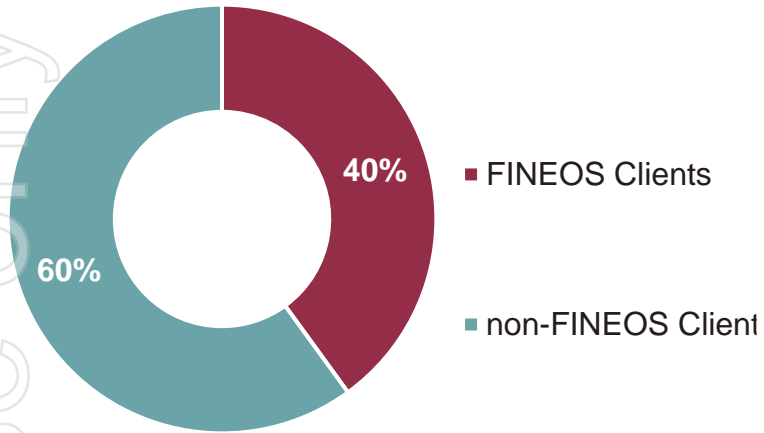
No Bad Debts

Growing ARR

Singular Market Focus

# Total Addressable Market – North America (TAM)

## Employee Benefits – North America

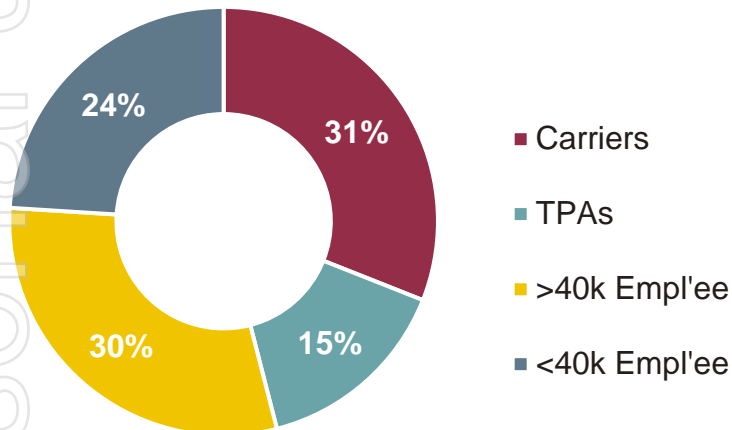


### Employee Benefits

- Large North American Employee Benefit market of US\$200 Billion in Annual Premiums
- Existing FINEOS clients command 40% of this market – largely not yet converted by FINEOS
- Huge opportunity to cross and up sell to existing client base.
- Opportunity also remains to gain new clients

us\$2b  
ARR

## Direct to Employer









### Sell Absence to Self-Admin Employers

- New adjacent market FINEOS is now targeted consistent with R&D strategy with level of acceleration
- Large Self-Admin Employer market segment with 200+ employers with 40k+ employees

us\$200m  
ARR



# Top 10 Carriers – Growing Strategic Relationships

	NB & Uwrite	Policy & Billing	Claims & Absence	
				<div>\$4bn</div> <div>managed on one platform</div> <div>9 million customers</div> <div>6 replaced legacy systems</div>
				<div>Unum Total Leave™</div> <div>Unum HR Connect</div>
<b>Tier 1 Logo</b>				Top end (very large employers) IDAM market

Loyalty, Advocacy & Investment

Thank you

Q&A