

23 August 2023

FINEOS reports FY23 financial results highlighting growth in Subscription Revenue and improved GP margins

FINEOS Corporation Holdings PLC (ASX:FCL), a leading provider of core systems for life, accident and health insurance (LA&H) carriers globally, is pleased to announce its audited financial results for the full year ended 30 June 2023 (FY23).

FY23 Key Highlights

- Total Revenue of €125.0m (down 1.7% on FY22), in line with previously provided guidance range of €124m to €128m
 - Subscription Revenue of €62.4m, up 15.9% on FY22
 - Subscription Revenue surpasses Services Revenue of €60.8m
 - ARR of €67.3m, up 19.3% on 30 June 2022
- Gross Profit up 3.2% to €85.7m (FY22: €83.0m), with GP margin of 68.5%
 - GP margin strengthened to 70.5% in the second half as benefits of cost measures realised
- EBITDA of €2.0m, down 70.2% on FY22
- Statutory net loss after tax of €21.4m (FY22: loss of €26.0m)
- Professional Services average utilisation of 86% (FY22: 89%), remains in line with management expectations
- Cash balance as at 30 June 2023 was €25.5 million, and no debt
 - Post year end; A\$40m capital raise to strengthen balance sheet completed on 16 August 2023 comprising of a fully underwritten A\$35m institutional placement to investors and A\$5m conditional placement to Michael Kelly, Founder & CEO of FINEOS, subject to FINEOS securityholder approval.

FY23 Key Milestones

- Continued migration of clients to the FINEOS Platform;
 - Major contract win for full AdminSuite
 - 3 new client wins, including a 1st in the newly entered Direct-to-Employer market
 - 3 on-premises clients contract to move to the cloud

- North American Subscription Revenues grew 17.9% on FY22 and continues to be underpinned by adoption of the FINEOS Platform for Employee Benefits
- FINEOS continues to prioritise investment in R&D, increasing to 38.8% of revenue in FY23 versus 34.0% in FY22
- FINEOS previously announced cost reduction strategies commenced, and improvements have been achieved in second versus first half FY23 costs resulting in higher GP margin (2H23: 70.5% v 1H23: 66.9%)

Commenting on the result, FINEOS Founder & CEO Michael Kelly said:

“Having announced a partial set of unaudited results last week in conjunction with a successful equity raise, we are very pleased to report the full set of audited financial and operational results for the year ended 30 June 2023. We welcome our new investors who joined the FINEOS register as part of our A\$40m raise and appreciate the support from our existing investors. As we look to FY24 there are a number of key priorities we will be especially focused on including but not limited to;

- Driving customer success to scale and move FINEOS clients away from legacy core systems
- Increasing our new business sales as well as cross sales to our existing clients
- Gaining more efficiency and cost savings through the execution of our cost out program
- Achieving cash flow positivity for 2H24 and for FY25 in aggregate

Influencing these key priorities will always be our overarching strategy to lead the global market in group, voluntary and absence management employee benefits.”

Outlook (unchanged):

- Total Revenue for FY24 is expected to be in the range of €131m – €135m
 - Subscription revenue growth rate in low to mid-teens percentage
 - Low single digit percentage growth in services revenues as FINEOS provides system integrators (SI) a greater role in our product implementations.
- In March 2023 FINEOS announced a €10m operating cost out program and to date, €8.7m in annualised gross cost savings has been achieved. FINEOS remains on track to achieve the €10m in cost savings
- Due to 2 new recent deals (1st Direct-to-Employer deal and 2nd AdminSuite deal), FINEOS will be investing a further €1.9m in R&D investment
- Expecting to achieve positive free cash flow in 2H24 and for FY25 in aggregate

- With 7 of the top 10 US group carriers in the US as existing clients and over 60 clients globally, FINEOS remains strongly positioned to increase the footprint, revenues and market leadership of the FINEOS Platform

Results call details:

Investors and analysts are invited to join a conference call hosted by Michael Kelly, CEO and Ian Lynagh, CFO on Wednesday 23 August at 5:00pm AEST / 8.00am Irish time.

Participants must register for the conference call at the link below and will receive their dial in number upon registration to: <https://s1.c-conf.com/diamondpass/10032264-06ws42.html>

The Company advises that its Annual General Meeting will be held virtually on 5 December 2023 and the closing date for receipt of nominations from persons wishing to be considered for election as a director, is 23 October 2023.

This notice has been authorised for provision to the ASX by the Company's Board of Directors.

Investor enquiries:

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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 employee benefits insurers in the U.S. as well as a 70% market share of group insurance in Australia. With employees and offices throughout the world, FINEOS continues to work with innovative, progressive insurers in North America, EMEA, and Asia Pacific.

For more information, visit www.FINEOS.com