

24 February 2021

FINEOS reports strong subscription revenue growth in 1H21

FINEOS Corporation Holdings PLC (ASX:FCL), the leading provider of core systems for life, accident and health insurance (LA&H) carriers, is pleased to announce its financial results for the half year ended 31 December 2020 (1H21).

Key 1H21 Highlights:

- Acquisition of Limelight Health (LLH) business in the U.S. in August 2020
- Total Revenue of €52.6m up 30.1% from €40.4m in 1H20, reflecting 20.1% organic growth and 10% growth from acquisition
- Software revenue was €19.1m in 1H21;
 - Organic subscription recurring revenue growth of 35.1% on 1H20, or 51.5% growth including contribution from LLH
 - ILF revenue of €1.2m down 16.8% from €1.5 million in 1H20 reflecting run off in old pricing model revenue
- Services revenue was €33.4m in 1H21
 - Organic services revenue growth of 15.9% on 1H20, or 23.3% growth including contribution from LLH.
 - Negative FX impact of (€1.5m) on services revenue in 1H21
- Gross Profit of €33.8m up 20.1% from €28.2m in 1H20
- Statutory EBITDA of €3.2m down 53.6% from €6.8m in 1H20
- Pro forma EBITDA of €5.1m down 42.8% from €8.9m in 1H20
- Statutory Net loss after tax of (€5.1m) down from a net profit after tax of €0.1m in 1H20
- Pro forma Net loss after tax of (€2.5m) down from a net profit after tax of €2.4m in 1H20
- Total headcount of 1,043 as at 31 December 2020 up 40.8% from 741 at 31 December 2019

Financial Result Commentary

Commenting on the results, Chief Executive Officer Michael Kelly said: “Despite a challenging year for our clients and economies globally in 2020 due to the pandemic, we achieved a strong level of organic revenue growth, with topline revenue growing at 20.1% before the contribution of the recently acquired Limelight Health, which contributed a further 10% to bring total revenue growth for the period to 30.1% versus 1H20.”

Subscription revenue grew organically by 35.1% on 1H20 and including the contribution from Limelight Health, grew 51.5% on 1H20. Services revenue growth over the period since 1H20 was 15.9% versus 1H20, and 23.3% including Limelight Health contribution. The prior corresponding period included services

revenue from a large implementation project that has since successfully completed. Services revenue growth for 1H21 was also negatively impacted by (€1.5) million due to FX movements.

Headcount increased mainly across R&D, Cloud Operations and from the addition of Limelight Health employees giving rise to higher operating expense costs which increased to €30.7 million, up 43.6% from €21.4 million in 1H20. Included in this was also higher G&A costs which had one-off transaction costs of (€1.8) million in 1H21.

On a statutory basis, the Group reported a net loss after tax of (€5.1) million, down from a net profit after tax of €0.1 million in the prior corresponding period (1H20), driven by the higher aforementioned operating expenses. On a proforma underlying basis the result produced a net loss of (€2.1) million for 1H21.

Operational Highlights

Headcount grew to 1,043 at 31 December 2020, an increase of 40.8% versus pcp, growth driven primarily from the addition of the Limelight Health team in the U.S. as well as new hires. All staff continue to work remotely due to the global pandemic and as a result extra office space procured last year in Dublin has since been released, as was a new office lease in Atlanta that was in the final stages of being secured last year. Employee retention levels remained consistently high at over 90%, while Product Consulting average utilisation was 86% for 1H21 down from 91% in 1H20, in line with management expectations.

FINEOS has continued the strategy of investing in research and development of the FINEOS AdminSuite, and as part of the integration of the Limelight Health product suite will continue to invest in product to drive future revenue growth.

FY21 Outlook

Total Revenue for FY21 including contribution from Limelight Health, expected to be in the range of €102-105 million, after impacts from foreign exchange.

Reaffirming FY21 guidance of 30% growth in subscription revenue, before contribution from Limelight Health which is expected to be approx. €4 million in subscription revenue for FY21.

Adequate headcount in place to deliver on FY21 commitments.

New deal signed in February 2021, new name client in ANZ representing first in region to feature on FINEOS Platform in the cloud.

The outlook and guidance are subject to ongoing review and the uncertainty surrounding the impact of the COVID-19 pandemic on the global economy and other risks outlined in the 1H21 interim financial report. Guidance provided is calculated based on the assumption of a EUR:USD fx rate of 1:1.2136.

Results call details:

Investors and analysts are invited to join a conference call hosted by Michael Kelly, CEO and Tom Wall, CFO on Thursday 25th February at 7.30am AEDT (24th February 8.30pm GMT).

Participants must register for the conference call at the link below and will receive their dial in number upon registration: <https://s1.c-conf.com/diamondpass/10012506-409e2j.html>

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

Investor enquiries:

Orla Keegan, Head of Investor Relations

P: +353 87 379 4920

E: orla.keegan@FINEOS.com

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