

24 February 2022

FINEOS reports solid performance in key financial metrics

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 2021 (1H22).

Key 1H22 Highlights:

- Total Revenue was €65.4m, up 24.4% from €52.6m in 1H21
 - North America revenue represented 80.0% of total revenue, up from 70.7% in 1H21
- Software revenue was €25.2m, up 35.6% from €19.1m in 1H21
 - Subscription revenue was €24.5m representing growth of 41.0% on 1H21
 - ILF revenue of €0.7m down 47.3% from €1.2 million in 1H21 reflecting continued run off in old revenue pricing model
- Services revenue was €39.5m, up 18.3% from €33.4m in 1H21
- ARR was €51.8m at 31 Dec 21, up 35.2% from €38.3m at 31 Dec 20
- Gross Profit was €42.5m, up 25.6% from €33.8m in 1H21
- Gross profit margin was 65.0%, broadly in line with 1H21 margin of 64.4%
- EBITDA was €6.5m, up 103.1% from €3.2m in 1H21
- Statutory Net loss after tax was (€4.6m), down from a net loss after tax of (€5.1m) in 1H21
- Well-funded balance sheet with cash balance of €48.6m at 31 Dec 21, up from €14.0m at 30 Jun 21, reflecting funds from capital raise in Sept 21
- Total headcount of 1,098 at 31 Dec 21 up 5.3% from 1,043 at 31 Dec 20
- Product consulting average utilisation was 90%, up from 86% in 1H21
- Employee retention rate remained greater than 90%, in line with prior periods

Results commentary:

Commenting on the results, Chief Executive Officer Michael Kelly said: "The first half of FY22 has seen yet another good performance across the key metrics we benchmark our business against. Compared to 1H21, total revenue grew 24.4% to €65.4 million, Subscription revenue grew 41.0% to €25.2 million, and revenue from the North American employee benefits insurance carrier market increased almost 10 percentage points to 80.0%, as our client base there continued to engage in new installations, version upgrades and platform migrations. Paid leave has become a key employee benefit in the US market and FINEOS Absence continues to be a key focus point for the company to ensure we continue to deliver to our clients. Legislation

in this area is constantly changing meaning FINEOS must keep up with product R&D to maintain our market leadership.

Another one of our key performance metrics is annualised recurring revenue (ARR), which reached €51.8 million at 31 December 2021, an increase of 35.2% on the ARR at 30 December 2021. Services revenue grew 18.3% to €39.5 million, an anticipated slower growth pace than Subscription revenue. As part of our strategy to grow our product revenues, we will engage more system integrator partners for implementation and upgrade services work.”

As part of FINEOS’ growth strategy, we target cross-selling and up-selling within our existing client base and our recurring subscription revenue growth is a clear indication we are achieving that goal. The revenue growth over the period also reflects the expansion we achieved with our existing clients given the volume of new name business was, as anticipated, slow to materialise given the weaker industry market conditions. The value of our singular industry focused R&D investment however is being realised as our client base continues to invest more with us in modernising their core systems in support of their digital transformation strategies.

FINEOS’ focus on product and technology investment continued during the period and included core platform enhancements, resulting in two new contract wins for the FINEOS Insight and FINEOS Engage modules. Both of these modules benefited from the acquisitions made in 1H21 of Limelight Health and in 2H21 of Spraoi, and these new contract wins reflect the quality of these products in the market. Our focus on continuing to invest in product and technology reflects our commitment to execute our strategy and pursue our long-term opportunities and aspirations.

The cash balance at 31 December 2021 was €48.6 million, up from €14.0 million at 30 June 2021, following the successful capital raise in September. This provides us with strong financial support and strategic flexibility as we pursue our growth strategy, as defined by the following four pillars;

1. Grow and upsell with existing clients
2. Win new clients
3. Expand sales and enter new markets
4. Make FINEOS the L,A&H industry leading platform for Group, Voluntary and Absence Management

Headcount grew to 1,098 at 31 December 2021, an increase of 5.3% on 31 December 2020. Attrition levels remained low, with the employee retention rate over the period greater than 90%. Operationally, all offices are back open following the various lockdown disruptions across the regions and a hybrid model of remote working has been adopted following feedback from employees on their preferences. Product Consulting average utilisation was 90% for 1H22 up from 86% in 1H21, in line with increased demand from existing clients.

Total operating expenses increased 17.6% to €36.0 million, with the cloud operations and support expense line increasing most significantly by 67.4% to €7.2 million in order to support business demands and additional hosting costs. This was partially offset by an 8.8% decrease in the G&A expense line. All other expense lines grew in line with expectations.

On a statutory basis, the Group reported a net loss after tax of (€4.6) million, a 9.8% improvement on the loss reported in 1H21, driven by increased operating leverage and a higher tax credit in 1H22 versus 1H21.

FY22 Outlook

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 are supported by a pipeline of cross-sell and up-sell opportunities with existing and new clients. Continued investment in R&D is planned, to capitalise on the market opportunity.

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 1H22 interim financial report. Guidance provided is calculated based on the assumption of a EUR:USD fx rate of 1:1.1156.

Results call details:

Investors and analysts are invited to join a conference call hosted by Michael Kelly, CEO and Tom Wall, CFO on Thursday 24th February at 6.00pm AEDT (24th February 7.00am GMT).

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/10019402-uh43l2e.html>

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

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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

