



FY23X results presentation

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

21 February 2024

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FY23X¹ Financial Highlights

FINEOS continuing to demonstrate the business' transition to a higher quality subscription revenue base

**Subscription
Revenue
€33.0m**

Up 10.5% on 1H23
Subscription revenue now
represents 54% of total revenue

**ARR
€65.3m
at 31 December'23**

Up 9.9% on 31 December 2022

**Total
Revenue
€61.1m**

Down 0.6% on 1H23

**Gross Profit
€43.7m
GP margin 71.5%**

GP margin up from 66.9% in 1H23
GP up 6.3% on 1H23

**EBITDA
€4.9m
EBITDA margin 8.1%**

EBITDA margin
up from (4.2%) 1H23

**Cash Position
€28.1m
at 31 December'23**

No debt



FY23X Operational Highlights

Guardian AdminSuite delivery progressing well & NYL to extend use of AdminSuite to support voluntary benefits in 2H24

Proves out the platform to the market for group, voluntary and absence

APAC clients benefitting from cloud migrations, more anticipated in 2H24 and onwards

More legacy platforms being made redundant due to maturity of FINEOS Platform

Securian Canada implements FINEOS Platform for Claims in 5 months

Record timeframe to go live for a client

Success in cost outages continues to improve operating margins

Further cost and automation efficiencies planned in FY24

**1,059
Total Headcount¹
as of 31 Dec '23**

Headcount remained steady with continued redistribution to lower cost regions ongoing into FY24

Institutional placement completed raising A\$40 million²

Strong balance sheet in place

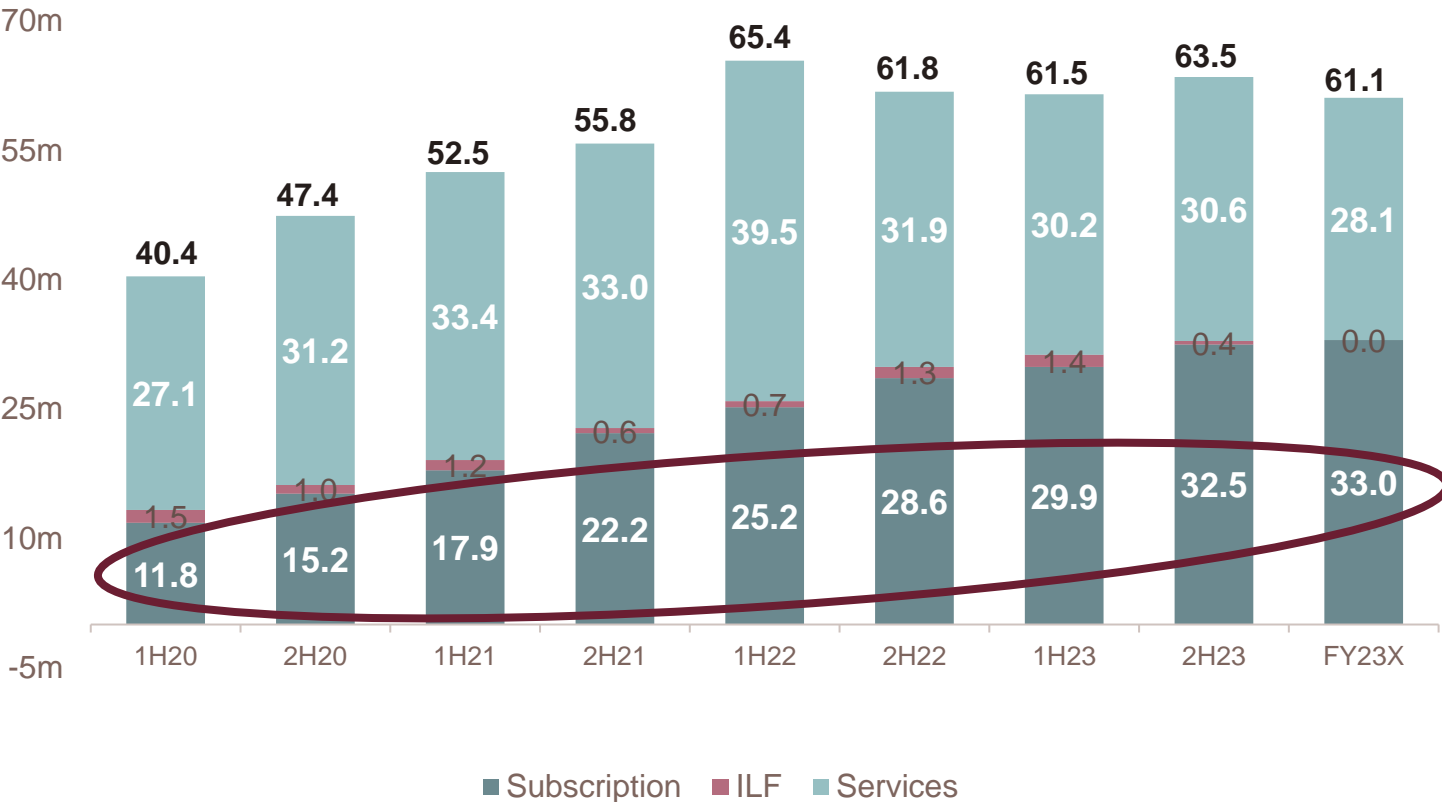


Notes: 1. Headcount includes full time employees and all contractors. 2. Comprising of a fully underwritten A\$35m institutional placement to investors in August and A\$5m conditional placement to Michael Kelly, Founder & CEO of FINEOS, completed in December following FINEOS security holder approval at the AGM.

Subscription Revenue continues to dominate over Services Revenue

Up-sell expansion initiatives and new customer wins has seen subscription revenue growth consistent with FINEOS' strategy

Total Revenue by half year €m



Breakdown of FY23X Revenues:

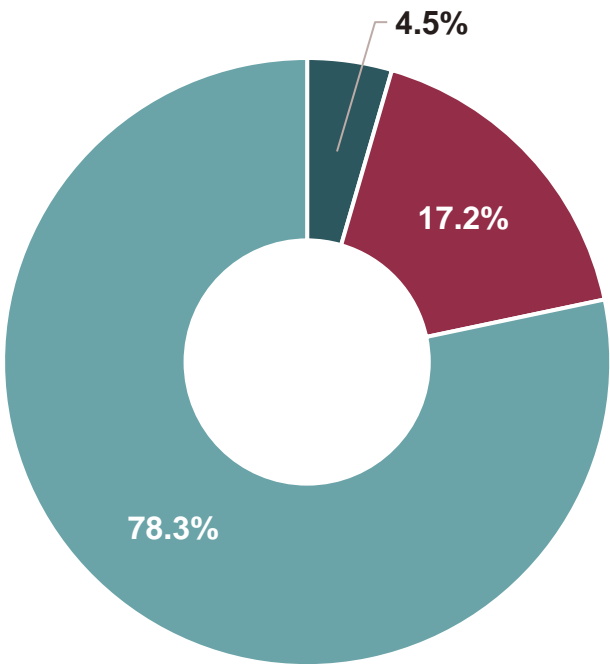
- Total Subscription Revenue of €33.0m grew by 10.5% versus 1H23. Growth driven mainly by expansion of footprint within existing customers
- ARR of €65.3m up 9.9% on 31 December 2022 and reflecting recent Limelight Health client churn
- Services Revenue down 6.9% on 1H23 due to a planned strategic partnership with large client to build product features in place of services



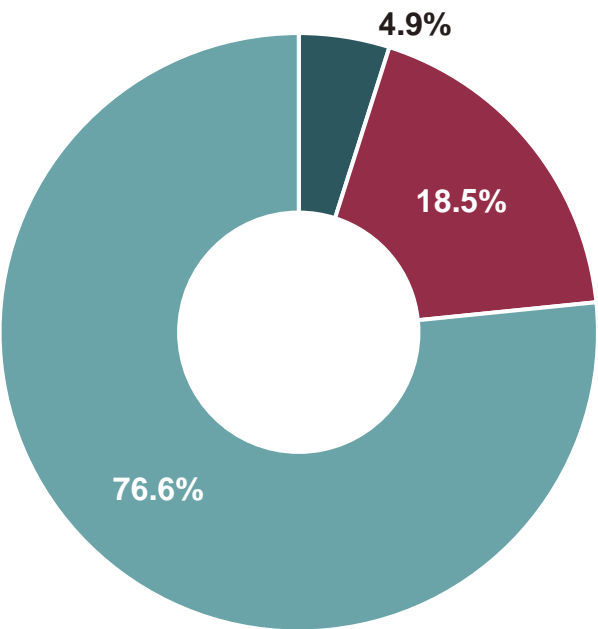
Geographic mix of revenues

Growth in Europe and APAC revenue contributions as North America continues to remain the dominant regional source of revenue at 76.6% of total revenue in FY23X

1H23 revenue by region



FY23X revenue by region



■ EMEA ■ APAC ■ North America

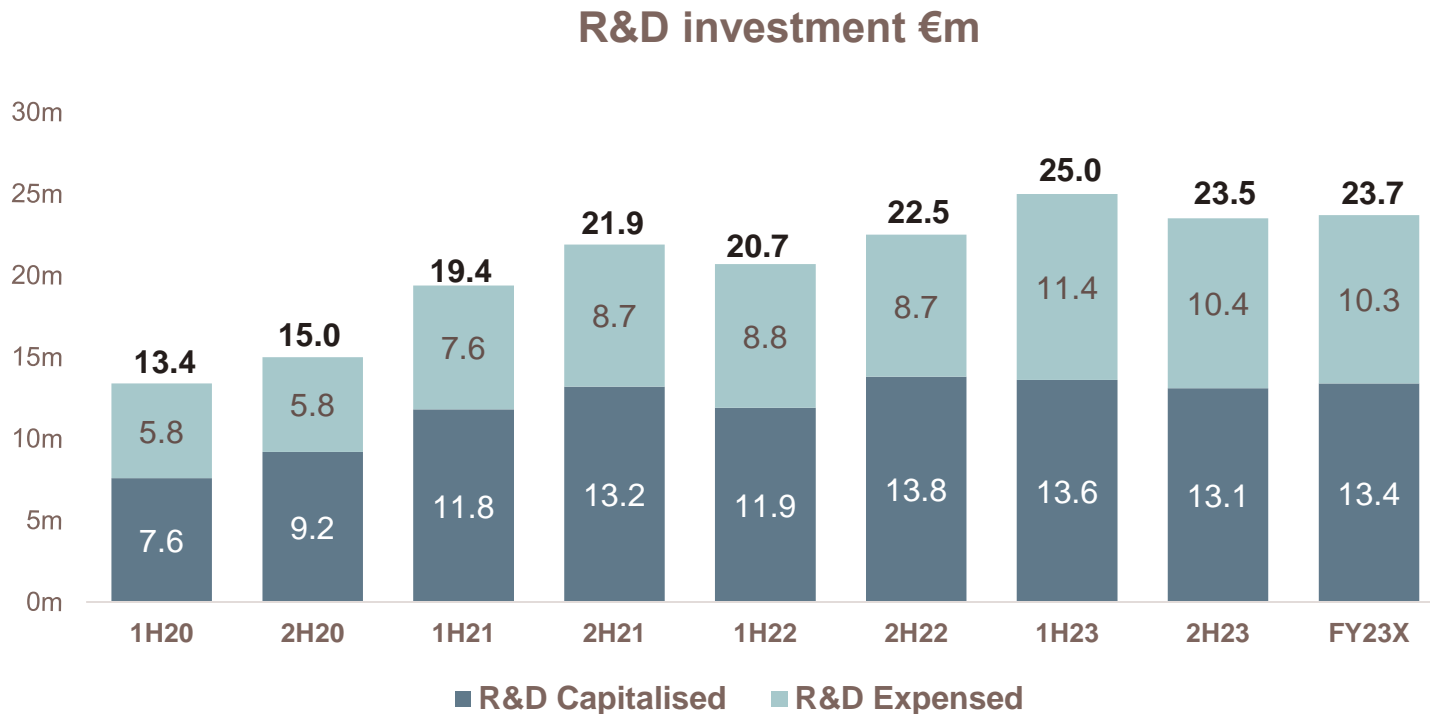
Changes to revenue growth by region

- North American revenue represents 76.6% of total revenue, down 2.8% on 1H23 due to lower services revenue from the region
- APAC overall revenue increased by 6.9%, primarily due to the start of a large cloud implementation project
- Europe region up 8.3% on 1H23 mainly due to Subscription growth from a new customer implementation



R&D investment spend moderated & decreasing as a % of revenue

FINEOS is changing the profile of its R&D spend to focus more on digital and data related work



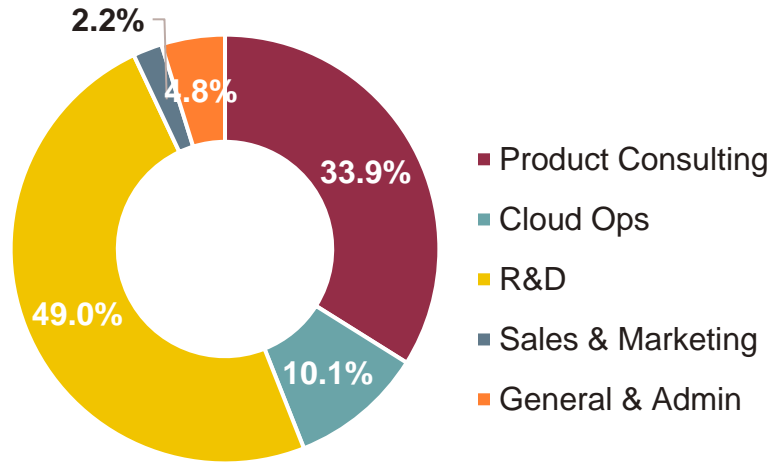
Ongoing investment being made in R&D to continue to drive subscription revenue growth

- 38.8% of Revenue invested in R&D in FY23X versus 40.7% in 1H23
- While investment is up 1.0% on 2H23, focus is on controlling the level of cost increase through cost containment initiatives
- Overall scale of investment reflects continued confidence in the Direct-to-Employer Market proposition and AdminSuite platform to drive further subscription revenue growth

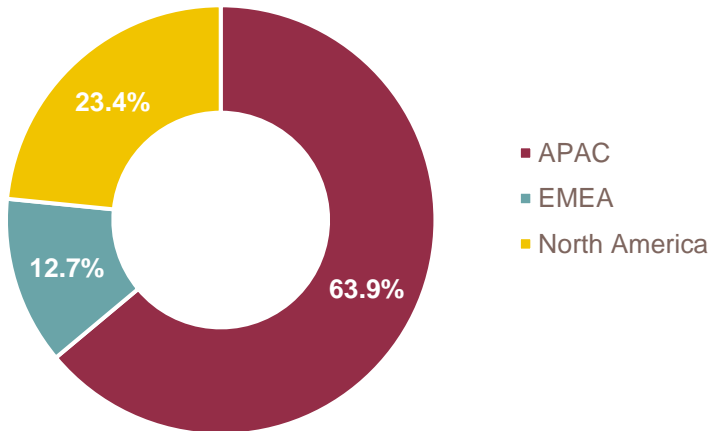


Our people – a key asset of the business

Employees by function



Employees by region



- Average Product Consulting utilisation for the period was 87% (1H23 86%)
- Retention rate of over 90%
- Scaling of FINEOS India continues across Cloud Operations, Product Consulting and R&D functions.
- Move to hiring in lower cost regions a major focus as part of cost reduction program
- 15.3% are contract resources in FY23X down from 18.9% in 1H23

87%
Utilisation

>90%
employee
retention rate

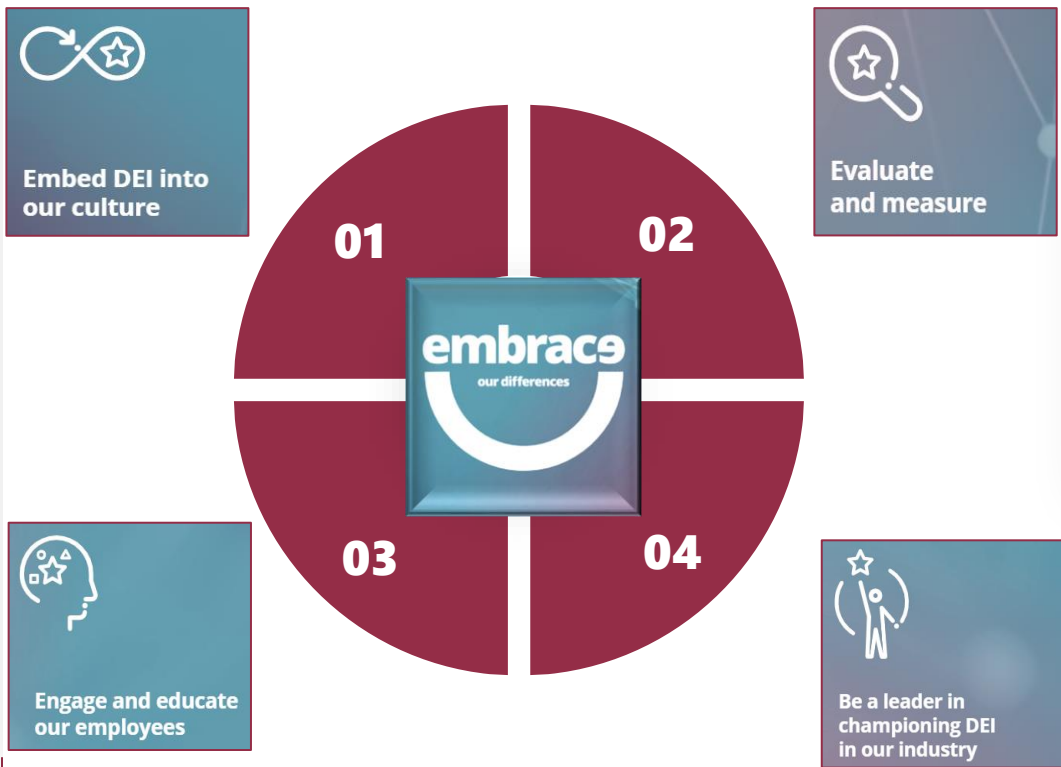
1,059
People



FINEOS DEI - Embrace

Our FINEOS Embrace DEI mission statement is that “as a company, we are committed to recognizing the value of diversity among our employees, which includes intentionally building a work environment where all employees feel included and valued both irrespective to and because of their differences.

DEI Commitments



Key Successes

- Recognised through industry awards for the **embrace** program
- Women in Tech** Employee Interest Group (EIG)
- Reconciliation Action Plan (RAP)** Reflect stage executed
- B!G Idea™** Mentorship program
- Ongoing education and awareness programs
- Disability Inclusion Program launched

Future Focus



- Launch Inclusive Communications program
- Formalise Inclusive Recruitment Practices
- Continue to measure the impact of the DEI program
- Execute the RAP action plan and assess next stage
- Enhance DEI competence



FINEOS

FINEOS ESG Strategy

At FINEOS ESG enables our FINEOS Growth Strategy and the key areas of focus across the three pillars for our ESG strategy are:

- Maintain a **low carbon footprint** and support initiatives to further reduce
- Support our people through diversity and inclusion, community initiatives and professional development
- Have clear and visible governance from the Board right throughout the company in our **policies, procedures, with a critical focus on information security and data privacy**

ESG Pillars



ENVIRONMENTAL

- Alignment with investor, customer and regulatory ESG requirements
- Optimising impacts on profitability, product and operating model



SOCIAL

- Diversity, Equity and Inclusion
- Community
- Employee Engagement and Wellness

GOVERNANCE

- Board Independence, Structure and Tenure
- Data Security and Privacy
- Audit Risk and Oversight
- CSRD Reporting



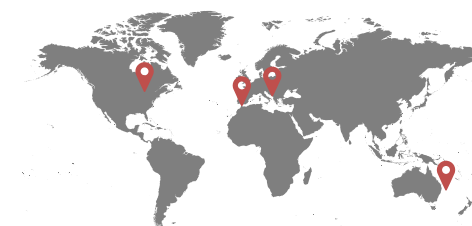
Key Successes

- Established ESG Council
- Completed external benchmarking assessment against industry peers
- Defined initial ESG KPIs and measures
- Secured funding from Enterprise Ireland

Risk Management

- Maintain / enhance reputation with investors and customers
- Maintain / grow business
- Avoid fines and penalties
- Minimise negative impact on operational efficiency and cost

Future Focus



- Develop an ESG value proposition
- Set realistic ESG targets to meet the ESG needs of our Customers
- Begin preparation for Regulatory Reporting per region (2025)
- Secure additional funding from Enterprise Ireland to support next phase



FY23X – Financial Slides

Income Statement

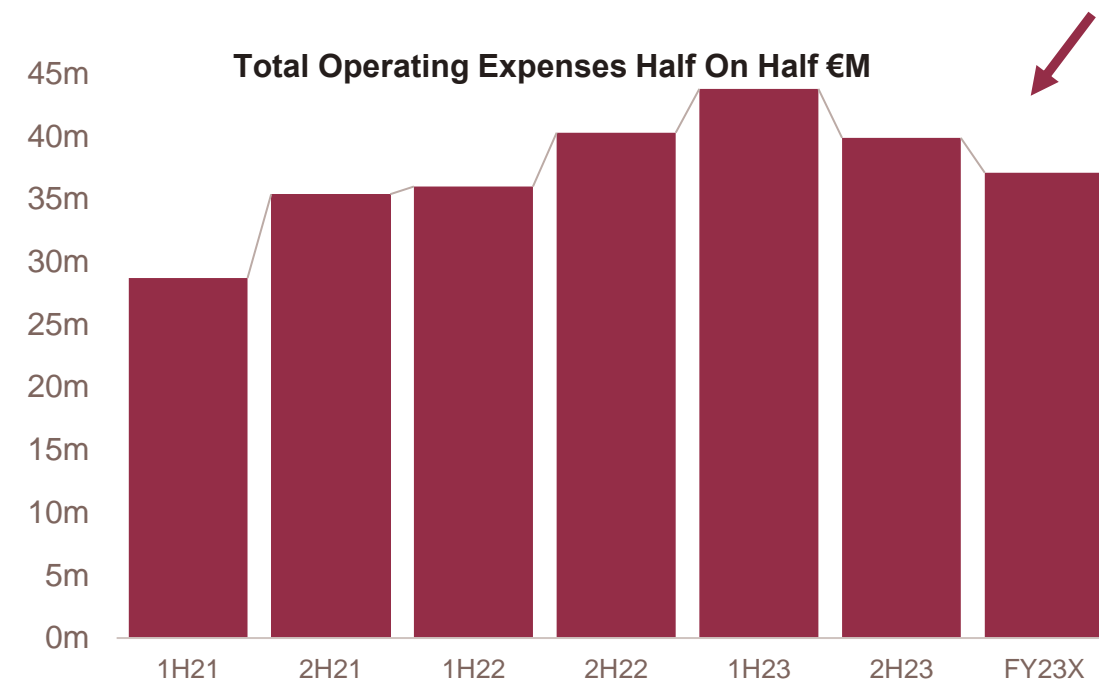
Income Statement	FY23X	1H23	% Change
	€m	€m	
Subscriptions	33.0	29.9	10.5%
Services	28.1	30.2	(6.9%)
Initial licence fees	0.0	1.4	(100.0%)
Total revenue	61.1	61.5	(0.6%)
Cost of sales	(17.4)	(20.3)	(14.5%)
Gross profit	43.7	41.2	6.3%
Gross profit margin	71.5%	66.9%	
Total operating expenses	(38.8)	(43.8)	(11.3%)
EBITDA	4.9	(2.6)	292.9%
EBITDA margin	8.1%	(4.2%)	
Depreciation	(0.9)	(1.1)	(16.5%)
Amortisation	(11.9)	(11.5)	3.7%
EBIT	(7.9)	(15.2)	(48.1%)
Net interest expense	(0.1)	(0.3)	(77.2%)
Loss before tax	(8.0)	(15.5)	(48.7%)
Income tax credit	1.1	0.9	14.7%
Loss after tax	(6.9)	(14.6)	(52.7%)
Profit after tax but before amortisation	5.0	(3.1)	261.9%

- **Total Revenue €61.1m (1H23: €61.5m)**
 - **Subscription revenue** grew by 10.5%
 - **Services revenue** down 6.9% on 1H23. The reduction in services is mainly driven by a major client switching to invest in a strategic partnership with FINEOS to build product features rather than custom software
 - **Cost of sales decreased** by €2.9m (14.5%) on 1H23 due to a reduction in contractor costs of €1.7m (lower contractor headcount), a reduction in employee cost of €0.3m and a decrease in AWS cost of €0.9m due to efficiency and favourable exchange rate
 - **Gross profit of €43.7m (1H23: €41.2m)**
- **EBITDA of €4.9m (1H23: EBITDA loss of €2.6m)**
 - **EBITDA** increase due to reduction in cost of sales and operating expenses driven by cost saving initiatives, shift in headcount base in lower cost countries and favourable exchange rates



Operating Expenses

Operating expenses	FY23X	1H23	% Change
	€m	€m	
Research & development	(11.2)	(13.0)	(13.6%)
Sales & marketing	(2.3)	(4.1)	(43.5%)
Product consulting	(9.4)	(9.8)	(4.2%)
Cloud operations/support	(8.0)	(8.4)	(4.9%)
General & administration	(8.4)	(9.1)	(7.8%)
Other income	0.5	0.6	(20.2%)
Total operating expenses	(38.8)	(43.8)	(11.3%)
% of total revenue	63.4%	71.1%	



- R&D costs are down €1.8m (13.6%) on 1H23 linked mainly to a reduction in staff cost and software costs
- Sales & marketing costs decreased €1.8m (43.5%) on 1H23 mainly due to period-on-period headcount reduction and favourable exchange rate for US cost base
- Product consulting costs decreased €0.4m (4.2%) on 1H23, driven by lower headcount but offset by lower cost of sales allocation (utilisation)
- Cloud operations/support costs decreased €0.4m (4.9%) driven by lower staff cost due to allocating staff in lower cost countries and favourable exchange rate. But offset by higher software cost
- G&A costs decreased €0.7m (7.8%) on 1H23. Factors contributing to the decrease: a reduction in the share option charge (€0.5m), a reduction in staff costs (€0.5m), offset by increases across audit, tax and legal fees (€0.3m)
- Other income decreased €0.1m (20.2%) on 1H23 due to a lower R&D tax credit but offset by higher interest income on bank deposits



Balance sheet

Statement of Financial Position	31 Dec 23	30 June 23	% Change
	€m	€m	
Cash at bank	28.1	25.5	10.3%
Trade receivables	8.3	17.4	(52.4%)
Other current assets	8.4	7.9	5.9%
Total current assets	44.8	50.8	(11.8%)
Right of use assets	3.8	4.5	(15.5%)
Development expenditure	84.8	81.9	3.6%
Goodwill	31.6	32.2	(1.7%)
Deferred tax asset	9.1	7.9	15.9%
Other non-current assets	22.2	23.9	(7.5%)
Total non-current assets	151.5	150.4	0.8%
Total assets	196.3	201.2	(2.4%)
Trade payables and accruals	11.6	13.8	(16.1%)
Deferred revenue	12.1	30.0	(59.6%)
Other current liabilities	1.9	1.9	(2.2%)
Total current liabilities	25.6	45.7	(44.1%)
Deferred R&D tax credit	3.3	3.7	(10.6%)
Lease liabilities	4.1	4.6	(10.2%)
Total non-current liabilities	7.4	8.3	(10.4%)
Total liabilities	33.0	54.0	(38.9%)
Net assets	163.3	147.2	11.0%

- **Cash at bank** movement reflects investment in the period offset by net proceeds received from the new share capital of €23.6m
- **Trade receivables** fell 52.4% mainly due to the issue of some significant annual license fee and product consulting invoices in June 2023
- **Deferred tax asset** increased €1.2m predominantly due to the increased provision for offset of tax losses against future taxable profits
- **Right of use building** decreased by €0.5m due to asset depreciation
- **Right of use software** decreased by €0.2m due to asset amortisation and a lease modification
- **Development expenditure** increase explained by R&D capitalised spend (€13.4m) being ahead of amortisation (€10.4m) in the period
- **Goodwill** decreased by negative FX movement of €0.5m on retranslation to closing rates
- **Deferred revenue** decrease of €17.9m (59.6%) due to the timing of issue of subscription invoices (predominantly January)
- **Trade payables and accruals** decrease of €2.2m (16.1%) influenced by the timing of holiday leave take-up by employees and bonus payments



Statement of Cash Flows

Statement of Cash Flows	FY23X	1H23	% Change
	€m	€m	
Net cash used in operating activities	(7.0)	(3.3)	109.2%
Net cash used in investing activities	(13.5)	(16.2)	(16.6%)
Net cash generated from financing activities	23.6	0.1	21951.0%
Net movement in cash and cash equivalents	3.1	(19.4)	(115.9%)
Effect of movement in exchange rates	(0.5)	(0.9)	(46.4%)
Cash & cash equivalents at the beginning of the period	25.5	44.3	(42.4%)
Cash & cash equivalents at the end of the period	28.1	24.0	17.3%

- **Net cash used in operating activities** of €7.0m increased 109.2% compared to 1H23 reflecting working capital spend
- **Net cash used in investment activities** of €13.5m in FY23X represents spend on intangible assets of R&D (€13.4m), contract costs (€0.1m) and tangible fixed assets (€0.1m) offset by interest income (€0.1m)
- **Net cash generated from financing activities** of €23.6m in FY23X reflects the proceeds raised from issue of CDIs (€23.9m) less share issue costs (€0.3m)





FY24 Outlook & Key Priorities

FY24 Key Priorities

- ✓ Delivering on the Guardian AdminSuite implementation – important proof point for FINEOS to the market
- ✓ Drive customer success to scale and move FINEOS clients away from legacy core systems
- ✓ Increase new business sales as well as cross sales to our existing clients
- ✓ Complete the Direct-to-Employer product and get existing clients live to enable full go-to-market approach
- ✓ Launch rewritten SaaS version of New Business and Underwriting product
- ✓ Continue to drive our clear strategies for operational efficiencies and to deliver further cost reductions
- ✓ Execute our mission to be the global market leader in group, voluntary and absence management employee benefits



Outlook & Guidance for FY24

- FY24 (1 Jan – 31 Dec) revenue to be in the range €130-135m
 - Double digit growth in the low to mid-teens (versus CY23) is expected for subscription revenue
 - Services revenue is expected to remain flat (versus CY23)
- Guidance reflects both the continued lengthening in sales cycles and Limelight health client churn
- On track for successful delivery of key projects to replace legacy systems with several large carriers to maximise product subscriptions
- Continue strategy of cost savings through operational efficiencies. FY24 total costs expected to decrease (versus CY23)
- Continue to expect positive free cash flow in the six months to 30 June 2024 and for the following 12 months in aggregate, and continuing to be self-funding thereafter
- Whilst pipeline has moved out it remains strong





Appendix

Detailed Statement of Financial Position

Statement of Financial Position	31 Dec 23	30 Jun 23	% Change
	€m	€m	
Cash at bank	28.1	25.5	10.3%
Trade receivables	8.3	17.4	(52.4%)
Unbilled receivables	1.0	2.0	(50.9%)
R&D tax credit	0.6	0.6	5.7%
Prepayments and other receivables	6.8	5.3	27.5%
Total current assets	44.8	50.8	(11.8%)
Fixed assets	0.8	1.0	(23.9%)
Right of use assets	3.8	4.5	(15.5%)
Deferred tax asset	9.1	7.9	15.9%
Development expenditure	84.8	81.9	3.6%
Contract costs (commissions)	0.7	0.9	(16.6%)
Goodwill	31.6	32.2	(1.7%)
Technology and customer relationships	20.6	22.0	(6.4%)
Total non-current assets	151.5	150.4	0.8%
Total assets	196.3	201.2	(2.4%)
Trade payables	3.2	3.6	(13.6%)
Deferred revenue	12.1	30.0	(59.6%)
Deferred R&D tax credit	0.9	0.9	(7.1%)
Lease liabilities	1.0	1.0	2.3%
Accruals	8.4	10.2	(17.0%)
Total current liabilities	25.6	45.7	(44.1%)
Deferred R&D tax credit	3.3	3.7	(10.6%)
Lease liabilities	4.1	4.6	(10.2%)
Total non-current liabilities	7.4	8.3	(10.4%)
Total liabilities	33.0	54.0	(38.9%)
Net assets	163.3	147.2	11.0%

