

26 August 2021

FINEOS reports 23.3% growth in revenue to €108.3 million

FINEOS Corporation Holdings PLC (ASX:FCL), the leading provider of core systems for life, accident and health insurance (LA&H) carriers globally, is pleased to announce its financial results for the full year ended 30 June 2021 (FY21).

Key FY21 Highlights:

- **Total revenue of €108.3m up 23.3% on FY20**
 - **Services revenue of €66.4m up 13.9% on FY20**
 - **Subscription revenue up 48.6% to €40.1m (excludes product initial license fees of €1.8 million) on FY20**
 - **Annualised recurring revenue ('ARR') of €45.7m at 30 June 2021**
 - **73% of revenue now originating in North America, up from 59% in FY20**
- **Gross Profit of €72.0m up 23.0% from €58.5 million in FY20**
- **M&A activity; two strategic bolt-on acquisitions to enhance the FINEOS platform**
 - **Limelight Health acquired in August 2020; FINEOS New Business & Underwriting solution launched**
 - **Spraoi acquired in May 2021 enhancing FINEOS Insight and Engage products**
- **Total headcount¹ at 30 June 2021 of 1,065, up 21.9% from 30 June 2020**

Result Commentary

Total revenue achieved for the fiscal year was €108.3 million, representing a 23.3% increase on prior year. ARR grew to €45.7 million at 30 June 2021. Gross profit was €72.0 million, up 23% on prior year of €58.5 million. Proforma EBITDA of €7.9 million, as adjusted for non-recurring costs, was down from €15.7 million in prior year reflecting an increase in operating expenses of 50.1%, driven by increased headcount and investment spend in R&D.

Commenting on the results, Chief Executive Officer Michael Kelly said: "FINEOS' growth journey continued into 2021 as we grew revenue, clients, headcount and product offering. We're now positioned as the number one player for group employee benefits in the North American market, measured by revenue, by number of clients and by the end-to-end "quote to claim" product that we provide.

We are pleased with the revenue growth, specifically our higher margin subscription revenue which grew by 48.6% to €40.1 million. Within this, organic growth was a strong 32.4% with the balance from the two

¹ Headcounts includes full time employees and all contractors.

acquisitions we made during the year (Limelight Health and Spraoi). This year's revenue growth was attributable to successful client implementations, cloud upgrades and add-on cross sales.

Our primary focus was and continues to be increasing our subscription revenues as we grow FINEOS into the global market leading software-as-a-service platform for life, accident, and health insurance.

Through organic growth and our two new acquisitions, our people headcount has grown from 875 on 30 June 2020 to 1,065 on 30 June 2021. In line with our growth strategy, we have continued to invest in product research and development, sales and marketing, and cloud operations support.

The total research and development investment for the fiscal year was €41.3 million, up 45.0% from €28.4 million in the previous year, reflecting increased client demand as well as the extra costs associated with our acquisition of Limelight Health. We are seeing our investment translate into subscription revenue growth, as reflected in the 48.6% year on year increase in subscription revenue and we anticipate continuing this important investment into our next fiscal year.

Our balance sheet remains debt free, with a cash balance of €14.0 million at the end of the fiscal year reflecting a slightly lower balance than originally anticipated due to some late collections and a client contract approval which came in later than initially anticipated, with the knock-on impact of an increase in our debtors at year end.

The outcome and performance achieved in the fiscal year was testament to the strength of our strategy and our relentless focus on delivering increased value and enhanced capabilities to our clients, so they provide the best care and service to their customers."

A statutory net loss after tax for the year of (€12.5) million was reported, up from (€0.2) million in FY20.

Despite the challenges brought on by the global pandemic and lengthening sales cycles, the sales team continued to execute on pipeline opportunities and closed four new name deals in the second half of the year.

Utilisation rates within the FINEOS Product Consulting teams remained consistently high, with an average rate of 88% for the year reflecting the continued high customer demand.

Outlook²

Our guidance for this coming fiscal year assumes another year of strong growth. FY22 revenue is expected to be in the range of €125-130 million, with subscription revenue anticipated to grow at approximately 30%. Growth expectations are supported by a robust pipeline of significant cross-sell and up-sell opportunities with existing clients in addition to some new name opportunities.

Results call details:

Investors and analysts are invited to join a conference call hosted by Michael Kelly, CEO and Tom Wall, CFO on Thursday 26 August at 4.30pm AEST / 7.30am Irish time.

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/10014460-js96s4.html>

² The outlook and guidance are subject to ongoing review and the uncertainty surrounding the impact of the COVID-19 pandemic on the global economy. All guidance provided is calculated based on the assumption of a EUR:USD fx rate of 1:1.1891.

The Company advises that its Annual General Meeting will be held virtually on 9 November 2021 and the closing date for receipt of nominations from persons wishing to be considered for election as a director, is 27 September 2021.

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 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

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