

26 February 2020

FINEOS reports 1H20 profit, strong revenue growth of 37.7% - revenue guidance for FY20 increased

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 2019 (1H20).

Key 1H20 Highlights:

- IPO on the ASX completed 16 August 2019 raising €62.9m for FINEOS
- Revenue of €40.4m up 37.7% from €29.4m in 1H19
 - Software revenue of €13.3m up 26.5% on 1H19
 - Services revenue of €27.1m up 43.9% on 1H19
- Statutory EBITDA of €6.8m up 85.3% from €3.7m in 1H19
- Pro forma EBITDA of €8.9m up 207.6% from €2.9m in 1H19
- Statutory NPAT of €0.1m up from a net loss after tax of (€0.7m) in 1H19
- Pro forma NPAT of €2.4m up from a net loss after tax of (€1.1m) in 1H19
- Basic earnings per share of €0.08 cents for 1H20 compared to a loss per share of (€0.28) cents for 1H19
- EIB loan and interest totaling €16.6 million repaid
- Net increase of 80 staff, primarily in the professional services division, added during the six month period bringing total headcount to 741 as at 31 December 2019
- Five new name contract wins during 1H20
- At the beginning of 2H20, 1 large new name contract win, as well as an existing Top 10 client by revenue signed to commence an upgrade of their FINEOS Claims on premise system to the latest version of FINEOS Claims in the cloud
- FY20 revenue guidance range upgraded from €80-€82m, to €84-€86m

Financial Result Commentary

The result for the financial half year ending 31 December 2019 (1H20) produced a statutory net profit after tax of €0.1 million, up from a net loss in the prior corresponding period (1H19) of (€0.7) million, driven by strong revenue growth of 37.7% on 1H19.

Commenting on the results, Chief Executive Officer Michael Kelly said: "We have had a very strong start to the year in terms of revenue growth supporting recent contract wins and extra demand from our clients."

Following our initial public offering listing on the ASX on 16 August 2019, 5 new customers were signed in North America during the half, while we also made solid progress on another large new name contract that we have closed earlier this month.

Increased headcount mainly in professional services and an increase in general and administration expenses primarily relating to being a listed entity and associated reporting requirements, resulted in a 24.2% increase in total operating expenses to €21.4 million, up from €17.2 million in 1H19.

Recruitment was accelerated across the business to support increased demand, which is reflected in our professional services revenue growth of 43.9%. This growth was primarily driven by our recently signed clients who are eager to embed the FINEOS Platform throughout their operations.

On a pro forma basis, the company made a net profit after tax for the year of €2.4 million, up from a net loss after tax in the same period last year (1H19) of (€1.1) million. This positions us ahead of our Prospectus forecast loss for the full year.”

Operational Highlights

Average headcount for the half year increased by 18% on 1H19 to 718. Employee retention levels remained consistently high at over 90%, while professional services average utilisation was at 91%, reflecting high customer demand, especially in North America which now represents 55% of total revenue.

As a result of growing headcount, extra office space was procured in Dublin and a new office lease in Atlanta is in the final stages of being secured.

FINEOS has continued the strategy of investing in research and development of the FINEOS AdminSuite. In addition, the company also increased investment in the FINEOS Platform (powered by AWS) and continues to work with existing on-premise clients to upgrade them so they can take full advantage of the agility and security of the most up to date cloud technology underpinning the FINEOS Platform.

The recent contract wins and demand from existing and new customers for Integrated Disability and Absence Management (IDAM) is directly related to ongoing investment in product research and development as well as industry regulatory content. FINEOS AdminSuite positions FINEOS as the only vendor with a core product suite and cloud technology platform designed and developed especially for the North American group and voluntary employee benefits, with full support for Integrated Disability and Absence Management (IDAM).

FY20 Outlook

Due to continued demand for professional services, FY20 revenue guidance range is upgraded from €80-€82 million to €84-€86 million for the full year.

In February 2020, the company announced a large new name contract win as well as signing an existing client, classified within the top 10 FINEOS clients by annual revenues, to commence a migration project to the cloud from their FINEOS Claims on-premise system to FINEOS Claims on the FINEOS Platform. This means that 6 of the top 10 FINEOS clients by annual revenues are either running FINEOS in the cloud today or are in the process of upgrading to the latest version on the FINEOS Platform – i.e. the cloud edition.

A healthy pipeline is in place to support the remaining Order Fill balance for FY20 and beyond.

Results call details:

Investors and analysts are invited to join a conference call hosted by Michael Kelly, CEO and Tom Wall, CFO on Wednesday 26 February at 6.00pm AEDT / 7.00am GMT.

Participants can register for the conference call at the link below and will receive their dial in number upon registration:

<https://s1.c-conf.com/DiamondPass/10003219-invite.html>

Alternatively, if you are unable to pre-register please dial one of the numbers below and provide the **conference ID: 10003219**

Australia: 1800 908 299

Ireland: 1800 948 607

International: +61 2 9007 8048

This notice has been authorised for provision to the ASX by the Company's CEO

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