



FY20 Results Announcement

Michael Kelly, CEO

Tom Wall, CFO

26 August 2020



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Presenting



Michael Kelly
Founder, Chief Executive Officer

Michael has more than two decades of senior management experience in the insurance industry.

Michael began his career with Paxus Corporation and assisted in establishing Paxus' LiFE 400 product as the market leading policy administration system in continent Europe.

Michael is a previous winner of the EY Ireland Technology Entrepreneur of the Year and in 2015 was named one of the top 10 most influential executives in the Irish International FinTech sector.



Tom Wall
Chief Financial Officer

Tom has over 30 years of industry experience across the IT, financial services, distribution, and manufacturing industries.

Tom joined FINEOS in 2003 as Chief Financial Officer. Prior to joining FINEOS, Tom spent 7 years at Oracle where he held various positions including as a Board Member and Finance Director of Oracle Ireland and Finance Director for Oracle EMEA Ltd.

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FY20 Highlights

Financial Performance

FY21 Progress and Outlook

Appendix 1 – Statutory Accounts



01 | FY20 Highlights





FY20 Financial Highlights

Exceeded FY20 pro-forma prospectus forecasts and recent revenue guidance

Revenue
€87.8m

vs prospectus €74.0m, up 18.6%
vs FY19 €62.8m, up 39.8%

Subscription Revenue
€27.0m

vs prospectus €28.8m down 6.2%
vs FY19 €19.6m, up 37.9%

Pro forma EBITDA
€15.7m

vs prospectus €8.7m, up 80.6%
vs FY19 €8.4m up 88.0%

Pro forma NPAT
€2.3m

vs prospectus €(2.3)m
vs FY19 €(0.8)m

€28.4m R&D investment

vs prospectus €26.5m, up 7.1%
vs FY19 €22.8m, up 24.3%

Gross Profit Margin 66.6%

slightly up on prospectus 65.1%
vs FY19 70.1%¹

1. FY19 Gross Profit Margin restated due to a reclassification of (€2.3)m in FY19 from Cost of Sales line to operating expense line
2. Proforma Adjustment are Share based payment €1.8m, IPO cost €689k, Finance Expense €175K, Listed company cost €109k and Tax impact €8k for FY20



FY20 Operational Achievements



Largest U.S. client completes upgrade of FINEOS Claims to the cloud



Headcount up 31.8% on 30 June 2019 to 875



>90% employee retention rate



9 new name clients signed during FY20



All staff working from home since March 2020 due to COVID-19



91% Product Consulting employee utilisation



FY20 Financial Performance

Significant growth in revenue and earnings, beating prospectus and guidance forecasts

All Pro-forma ¹ figures €m	FY20 Actual	FY20 Prospectus	% Variance	FY19	% Variance
Revenue	87.8	74.0	18.6%	62.8	39.8%
Software ²	29.5	30.1	-2.0%	23.3	26.7%
Services	58.3	43.9	32.8%	39.5	47.5%
Cost of Sales	(29.3)	(25.8)	13.8%	(18.8)	56.0%
Gross Profit	58.5	48.2	21.3%	44.0	32.9%
Gross Profit Margin	66.6%	65.1%	1.4%	70.1%	-3.5%
Total Operating Expenses	(42.7)	(39.5)	8.2%	(35.6)	19.9%
EBITDA	15.7	8.7	80.6%	8.4	88.0%
EBITDA margin	17.9%	11.8%	6.1%	13.3%	4.6%
NPAT	2.3	(2.3)	NA	(0.8)	NA

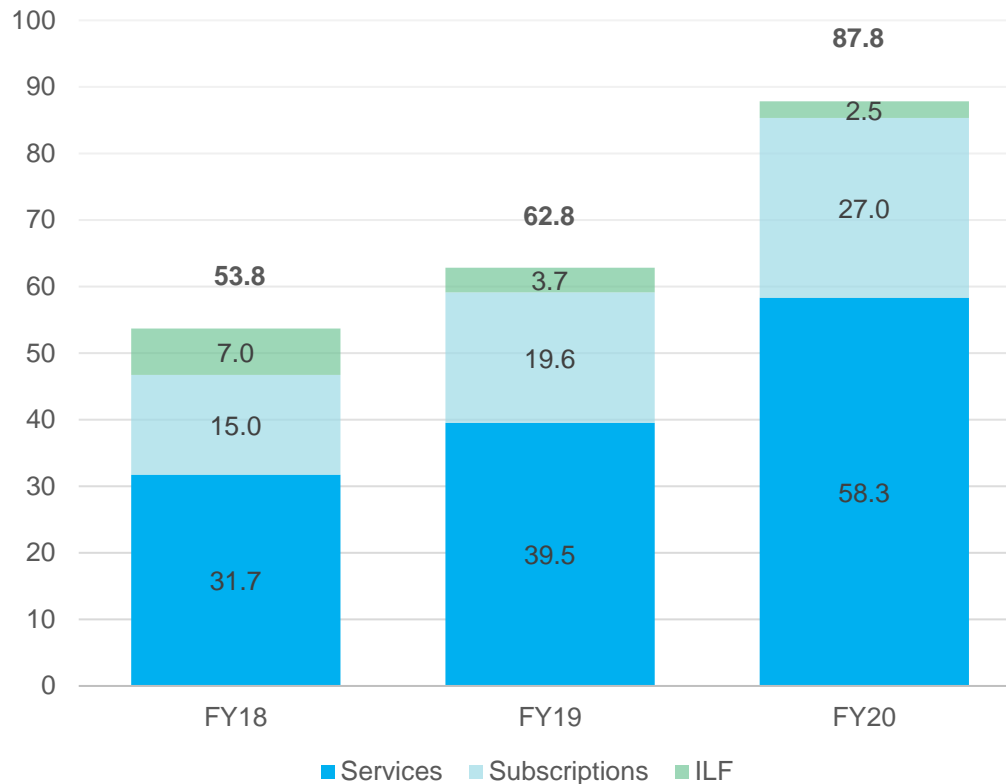
1. Proforma Adjustments are Share based payment €1.8m, IPO cost €689k, Finance Expense €175K, Listed company cost €109k and Tax impact €8k for FY20
2. Software revenue represents Initial License Fees (ILF - old model), Annual License Fees and Subscription fees (new model).



FY20 Revenue highlights

Record revenue achieved from new client wins and strong demand for FINEOS Product Consulting teams

Total Revenue €m

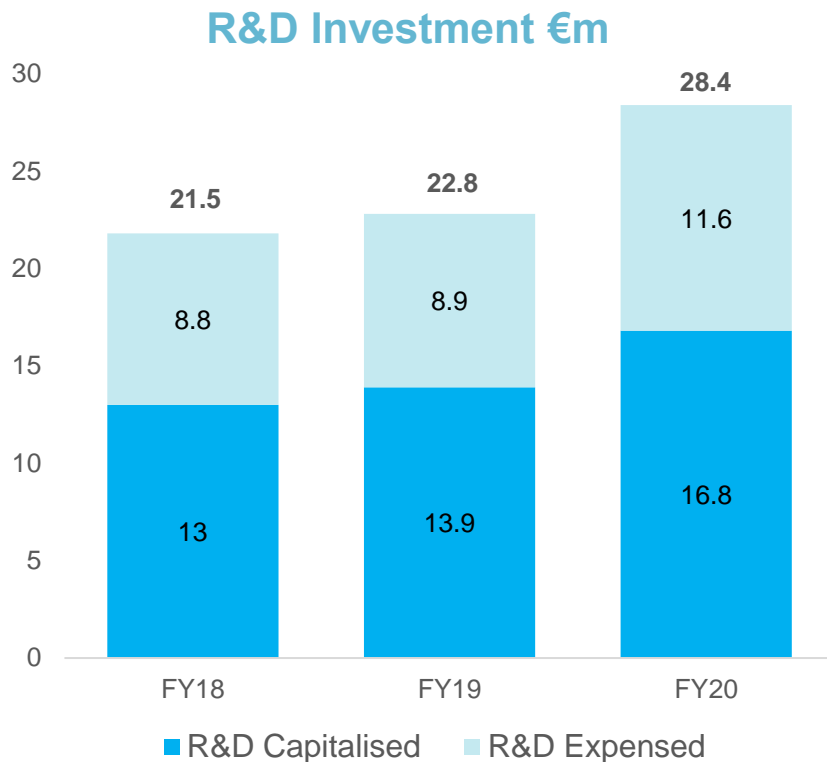


- FY20 revenue growth of 39.8% on FY19 and up 18.6% on prospectus forecast of €74.0m
 - Subscription revenue growth of 37.9% on FY19 and decline of 6.0% on prospectus forecast
 - Services revenue growth of 47.6% on FY19 and up 32.8% on prospectus forecast
 - ILF in run-off as transition continues from old ILF/ALF revenue model to our cloud-based SaaS revenue model
- 9 new name contract wins in FY20 including 8 in North America and 1 in Australia
- Existing client upselling and conversion to cloud projects ongoing (North Hemisphere clients only)
- ANZ client cloud conversions targeted for FY21



Significant R&D investment

FINEOS continues to dedicate significant resources and financial investment to develop its software through research and development over time



- Total R&D investment for FY20 up 24.3% on FY19, but down as a percentage of revenue; 32% for FY20 vs 36% in FY19
- All R&D investment focused on FINEOS AdminSuite and the FINEOS Platform for the Life, Accident and Health insurance industry
- Continue to work closely with our strategic customers where demand for new product R&D remains high
- Expanding R&D capabilities with the hiring of additional product engineers and product teams to accelerate product to market
- Continued focus on growing Subscription revenues through investment in new product R&D
- Current annual investment running ahead of revenue contribution for the new FINEOS product modules in FY21

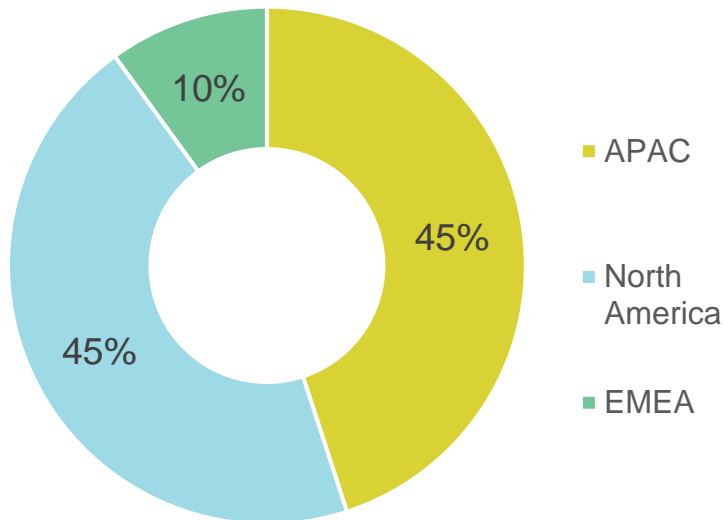


Geographic mix of revenue

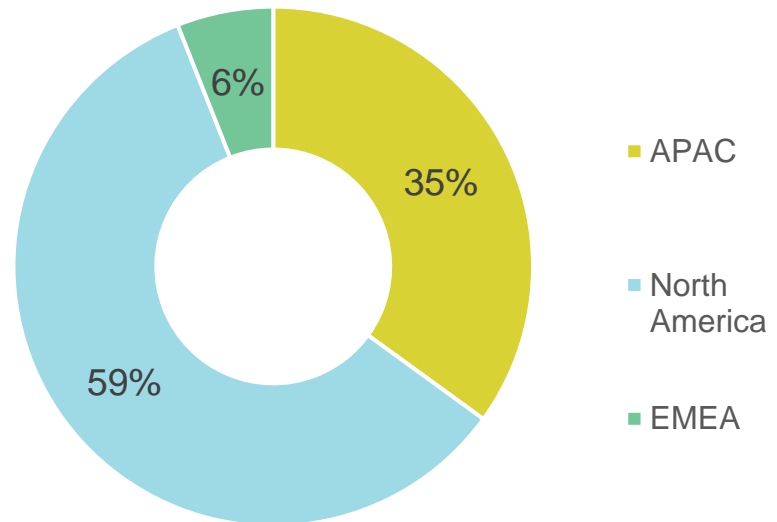
Total Revenue growth of 39.8% on FY19.

Significant expansion in North American proportion of total revenue, representing 59% for FY20 up from 45% in FY19.

FY19 revenue by region



FY20 revenue by region

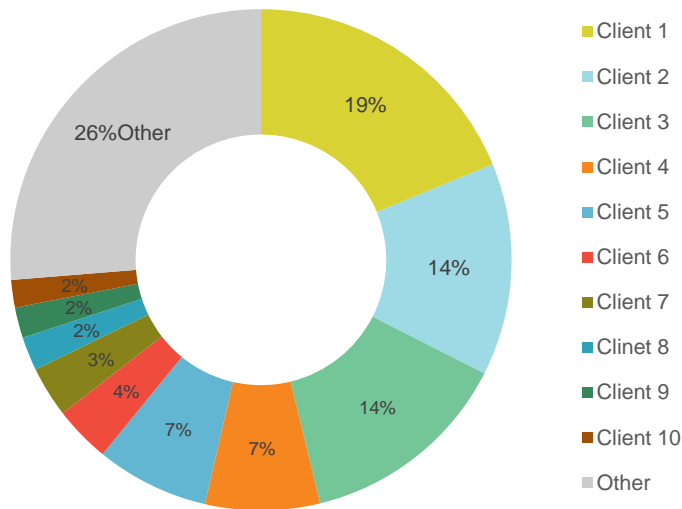




Growing global and diverse client base

FINEOS has a global and diverse client base, with many long stand relationships

FY20 client concentration by revenue



Client	Length of relationship	% of FY19 revenue	% of FY20 revenue
Client 1	16 Years	24%	19%
Client 2	9 Years	18%	14%
Client 3	1 Years	4%	14%
Client 4	1 Year	2%	7%
Client 5	5 Years	5%	7%
Client 6	13 Years	3%	4%
Client 7	8 Years	1%	3%
Client 8	15 Years	3%	2%
Client 9	2 Years	1%	2%
Client 10	New in FY20	n/a	2%

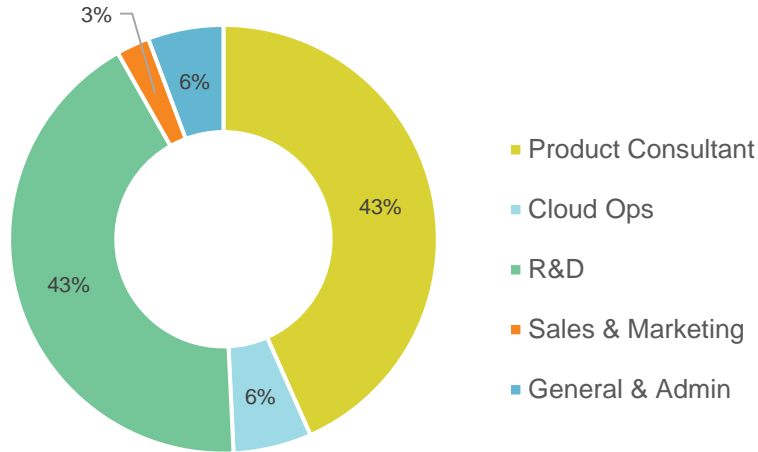
■ No. of years



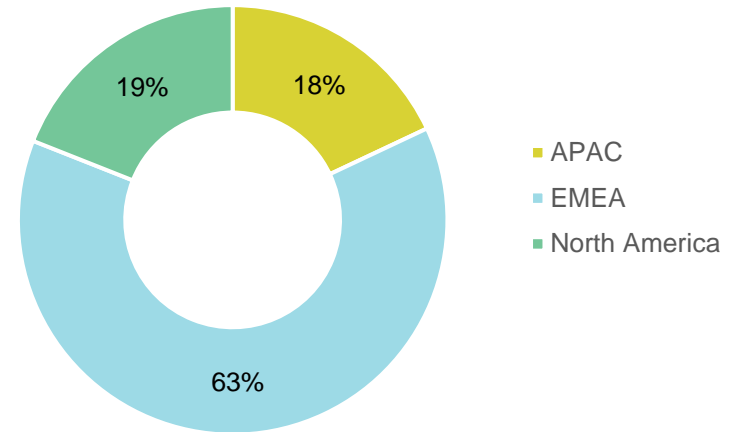
Teamwork

Aligning culture & strategy

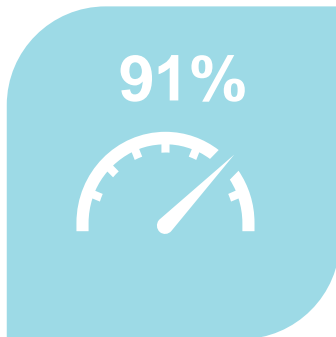
Employees by function



Employees by region



Average Employee Utilisation¹



High employee retention at >90%





Multiple growth pathways

Attractive opportunities exist to expand within existing clients, win new clients and enter new geographic markets



Grow and upsell with clients

- FINEOS has a multinational client base through its leading FINEOS Claims product
- Significant opportunities with the Company's existing FINEOS Claims client base for up-selling and cross-selling additional FINEOS Platform products, in particular Absence management
- FINEOS will seek to grow its cloud-based software revenues which have higher margins than services revenue
- Continue to migrate existing clients to the cloud



Win new clients

- Seeing high demand for IDAM (Integrated Disability and Absence Management) support from U.S. based existing and new clients
- Insurers are having to modernise their systems due to:
 - Higher regulatory complexity
 - Higher competition
 - Demand for a better customer experience
 - Cost and risk of legacy systems



Expand sales and enter new markets

- FINEOS intends to increase client acquisitions and product delivery capabilities in new geographies by expanding its sales and marketing teams, already aided by recent acquisition of Limelight Health
- FINEOS modules are compatible across jurisdictions
- There are a number of adjacent verticals (i.e. insurance lines classified within LA&H) that FINEOS is targeting, including medical, dental and vision
- M&A



FINEOS the LA&H industry platform

- Make FINEOS the industry leading platform
- FINEOS is committed to product innovation, and expanding the capabilities of the existing FINEOS Platform
- Continually add new product and services capabilities
- Exploring the potential for extended artificial intelligence and analytics integration to enhance software offering (Engage and Insight)

02 | FINANCIAL PERFORMANCE





Income Statement

€ millions Pro Forma	FY20	FY19	% Change v FY19	FY20F per prospectus	% Change v FY20F Prospectus
Software (Subscription + ILF)	29.5	23.3	26.7%	30.1	-2.0%
Services	58.3	39.5	47.5%	43.9	32.8%
Total Revenue	87.8	62.8	39.8%	74.0	18.6%
Cost of sales	(29.3)	(18.8)	56.0%	(25.8)	13.8%
Gross profit	58.5	44.0	32.9%	48.2	21.3%
Research & Development	(13.1)	(9.9)	31.8%	(11.8)	10.8%
Sales & Marketing	(4.3)	(3.7)	15.8%	(4.8)	-11.4%
Delivery	(12.7)	(11.8)	7.4%	(12.5)	1.5%
Cloud Ops./Support	(4.3)	(2.3)	87.0%	(1.9)	126.2%
General & Administration	(9.7)	(9.0)	7.8%	(9.8)	-1.0%
Other Income	1.3	1.1	19.8%	1.3	-3.0%
Total operating expenses	(42.7)	(35.6)	19.9%	(39.5)	8.2%
EBITDA	15.7	8.4	88.0%	8.7	80.6%
Depreciation	(1.9)	(1.0)	96.3%	(0.8)	136.5%
Amortisation	(10.0)	(7.4)	34.5%	(10.0)	-0.4%
EBIT	3.9	0.0	NA	(2.0)	NA
Net interest expense	(0.6)	(0.8)	-25.9%	(0.3)	98.0%
Profit/(loss) before tax	3.3	(0.8)	NA	(2.4)	NA
Income tax expense	(1.0)	(0.0)	NA	0.1	NA
Net profit/(loss) after tax	2.3	(0.8)	NA	(2.3)	NA

- FY20 total revenue growth of 39.8% on FY19 and 18.6% up on prospectus forecasts of €74.0m
- Subscription revenue €27.0m up 37.9% on €19.6m in FY19
- Services revenue growth of 47.6% on FY19
- 9 new name clients won during FY20 contributing to subscription and services revenue
- Cost of Sales increase of 56.0% on FY19 reflects increased professional services headcount, primarily contractors, required to deliver on the increase service revenue
- R&D cost increase due to additional headcount, FY20 average headcount was 345 compared to 302 in FY19
- Cloud Operations expense increase due to additional headcount, FY20 average headcount was 40 compared to 35 in FY19
- Depreciation increase due to reclassification of building lease from amortisation to depreciation, amount €1.2m in FY20



Balance Sheet

€ millions	Statutory 30-Jun-20	Statutory 30-Jun-19	% Change
Current assets			
Cash at Bank	39.8	6.9	477.0%
Trade Debtors	17.6	7.4	137.3%
R&D credit	2.3	3.8	-39.3%
Prepayments	3.5	4.3	-18.8%
Other Receivables	0.6	0.6	4.6%
Total current assets	63.8	22.9	178%
Non-current assets			
Fixed Assets	1.6	1.0	57.7%
Right of Use Building	5.6	6.3	-10.3%
Right of Use Software	1.5	0.5	220.3%
Research & Development	50.1	42.2	19.2%
Contract Costs (Commissions)	1.7	1.4	13.3%
Total non-current assets	60.6	51.3	18.1%
Total assets	124.4	74.3	67.5%
Current liabilities			
Creditors	11.3	9.1	24.1%
Interest Accrual	0.0	1.4	-100.0%
Deferred Revenue	14.2	10.4	36.6%
Other Current Liability	0.7	0.5	34.8%
Total current liabilities	24.4	21.4	22.2%
Non-current liabilities			
Long term loan	0.0	15.0	-100%
Deferred R&D Tax Credit	7.2	8.2	-11.9%
Lease liabilities	7.8	7.0	10.8%
Total non-current liabilities	15.0	30.2	-50.4%
Total liabilities	41.2	51.7	-20.3%
Net assets	83.2	22.6	267.9%

- Cash at Bank increase 477% received from IPO capital raise less IPO costs and EIB loan & interest repayment
- Increase in trade debtors reflecting higher service revenue and timing of cash collection
- R&D credit down because of a reduction in projects qualifying this year
- Prepayments down due to timing of invoices and prepayment revenue
- Right of Use (ROU) software increased due to 3 Microsoft leases renewed in this financial year
- Decrease in ROU building asset as no major lease addition this year
- R&D net increase of 19% on FY19 due to capitalised portion of total R&D investment, €16.8m, offset by amortisation of €8.7m
- Interest accrual and long-term loan nil due to repayment made to European Investment Bank
- Lease liabilities increase relates to the accounting treatment for the ROU building asset



Cashflow Statement

Consolidated Statement of Cash Flows

€ millions

	Statutory 30-Jun-20	Statutory 30-Jun-19	% Change
Net cash flows generated from operating activities	11.6	10.3	-13.4%
Net cash used in investing activities	(18.8)	(16.1)	16.9%
Net cash used in financing activities	40.2	(0.5)	NA
Net decrease in cash and cash equivalents	33.0	(3.2)	NA
Effect of movement in exchange rates	(0.0)	0.0	-5%
Cash and cash equivalents at the beginning of the year	6.9	10.1	-31.6%
Cash and cash equivalents at the end of the year	39.8	6.9	474.4%

- Strong cash position provides sufficient funds to deliver on FINEOS' growth strategy
- Investing activities represent mostly R&D capitalisation €17.5m and PPE €1.3m.
- Financing activities includes proceeds from IPO €62.9m less cost of proceeds €5.8m and repayment of EIB loan and interest €16.7m

03 | FY20 PROGRESS AND OUTLOOK





FY21 Progress and Outlook

- **Strategic acquisition of Limelight Health completed on 14 August 2020;**
 - Placement of AU\$85 million completed on 11 August 2020 to part fund the acquisition (US\$75m)
 - Security Purchase Plan to raise up to AU\$5 million ongoing, to complete in September 2020
 - Phase 1 of integration commenced
- **Targeting 20% top line revenue growth including 30% subscriptions growth, before contribution from Limelight Health**
 - Healthy pipeline, further bolstered by the acquisition
 - Strong balance sheet position with no debt
- Non-Executive Director Mr. Peter le Beau not to stand for re-election at next AGM, after 10 years of service on the Board
- Global workforce continues to work remotely

04

APPENDIX 1 Statutory Accounts





Statutory Income Statement

€ m	FY20	FY19	% Change v FY19	FY20F per prospectus	% Change v FY20F Prospectus
Software (Subscription + ILF)	29.5	23.3	26.7%	30.1	-2.0%
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Cloud Ops./Support	(4.3)	(2.3)	87.0%	(1.9)	126.2%
General & Administration	(12.1)	(9.3)	30.4%	(16.1)	-25.0%
Other Income	1.3	1.1	19.8%	1.3	-3.0%
Total operating expenses	(45.1)	(35.9)	25.7%	(45.8)	-1.5%
EBITDA	13.3	8.1	64.6%	2.4	455.4%
Depreciation	(1.9)	(1.0)	96.3%	(0.8)	136.5%
Amortisation	(10.0)	(7.4)	34.5%	(10.0)	-0.4%
EBIT	1.5	(0.3)	NA	(8.3)	NA
Net interest expense	(0.8)	(1.4)	-45.4%	(0.5)	53.6%
Profit/(loss) before tax	0.7	(1.7)	NA	(8.8)	NA
Income tax expense	(0.9)	(0.1)	NA	0.1	NA
Net profit/(loss) after tax	(0.2)	(1.8)	-87.2%	(8.7)	-97.4%