

26 August 2020

FINEOS reports 40% growth in revenue to €87.8 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 2020 (FY20).

Key FY20 Highlights:

- **Total revenue of €87.8m up 39.8% on FY19**
 - **Services revenue of €58.3m up 47.5% on FY19**
 - **Subscription revenue of €27.0 million (excludes product initial license fees of €2.5 million) up 37.9% on FY19**
- **Statutory EBITDA of €13.3m, up 64.6% from €8.1m in FY19**
- **Pro forma EBITDA of €15.7m, up 88.0% from €8.4m in FY19**
- **Statutory net loss after tax of (€0.2) million down from (€1.8) million in FY19**
- **Proforma NPAT of €2.3 million up from (€0.8) million in FY19**
- **9 new name client wins during FY20, 8 in North America and 1 in Australia**
- **Total employee headcount at 30 June 2020 of 875, up 31.8% from 30 June 2019**
- **COVID-19 impact to business remains low, employees continue to work remotely**
- **Board update - Peter le Beau to stand down as Director after 10 years of service**

Result Commentary

Commenting on the FY20 results, Chief Executive Officer Michael Kelly said: “It has been a busy and exciting year both operationally and financially for FINEOS. We completed an IPO in the first quarter, signed 5 new name clients by the end of the second quarter, moved the entire global workforce to remote working in the third quarter due to Covid-19, and closed out the year with a further 4 new name client wins to bring the total to 9 new clients for the year.

We delivered total revenue of €87.8 million reflecting growth on prior year of 39.8%, beating both prospectus and subsequent revised revenue forecasts. This outperformance was driven by strong growth in services revenue of 47.5% to €58.3 million reflecting new client wins and demand from clients to accelerate FINEOS implementations and upgrades to meet business and regulatory needs. Recurring subscription revenue also saw significant growth on prior year, up 37.9% to €27.0 million. Initial licence fees (ILF) revenue came in at €2.5 million for the year, trending downwards reflecting the move away from our old pricing model to the current SaaS pricing model that applies to all new clients since it was rolled out over 3 years ago.”

We continued to invest in product development to expand and enhance the FINEOS Platform, investing €28.4 million into research and development, representing 32.3% of revenue.”

To support our revenue and business growth, hiring continued throughout the year, primarily in our Product Consulting, R&D and Cloud Operations teams. Total headcount was 875 at 30 June 2020, up 31.8% on the prior corresponding period.

Total statutory operating expenses were €45.1 million, up 25.7% on prior year reflecting the growth in headcount, increased R&D expense as well as higher General and Administration (G&A) expenses. The increase in G&A expense is reflective of the one-off IPO cost, albeit lower than prospectus forecast, and ongoing listed company related costs.

On a pro forma basis (to align with the prospectus), excluding the one-off G&A costs, EBITDA was €15.7 million, up 88.0% on the €8.4 million achieved in FY19 and 80.6% ahead of the €8.7 million prospectus forecast. Proforma net profit after tax was €2.3 million up from a net loss after tax of (€0.8) million in FY19.

A statutory net loss after tax for the year of (€0.2) million was reported, down from (€1.8) million in FY19.

Growth Strategy

To accelerate our growth strategy, we undertook a thorough due diligence exercise in the second half of the financial year culminating in the acquisition, post year end, of Limelight Health LLP (“Limelight”).

Limelight is a leading insurtech Silicon Valley provider of cloud-based quoting, rating and underwriting software to the life, accident and health insurance carrier market in North America. Their technology is highly complementary to the FINEOS AdminSuite. The integration of the Limelight new business product suite gives FINEOS an end to end core product suite, from ‘quotations to claims management’ to make the FINEOS Platform the leading industry platform for U.S. Employee Benefits.

The acquisition was announced to the market on 11 August 2020, completed on 14 August 2020 and the integration process is already underway.

COVID-19 Impact

The company reacted quickly to the impact of the global pandemic COVID-19 and established a taskforce to coordinate activities and communications to all stakeholders. In line with best practice, employees around the world are working from home since the end of March 2020.

The sales team continued to execute on pipeline opportunities and closed 2 deals after the pandemic was announced, bringing the total to a record 9 new name client wins for the financial year.

Utilisation rates within the FINEOS Product Consulting teams remained consistently high, with an average rate of 91% for the year reflecting high customer demand and effective remote working set-up in the second half of the year.

Hiring for open roles continued and new staff were remotely onboarded in line with business demand.

Commenting on FINEOS’ response to the global pandemic, Michael Kelly said: “As part of our Corporate Public Responsibility, FINEOS developed and made a U.S. Federal Paid Leave COVID-19 payments calculator freely available to the market to support benefit calculations and entitlements for COVID-19 payments at a Federal level. In addition, the FINEOS Product Compliance team released several information bulletins and published related blogs on Federal and State COVID-19 regulatory changes as they occurred. This helped demonstrate the FINEOS expertise and growing market leadership position in the area of paid and un-paid leaves and absence management.”

Board update

After 10 years supporting and guiding FINEOS, both as a Non-executive Director and Chairman, Mr. Peter le Beau will not stand for re-election at the Annual General Meeting later this year. Peter has brought great insight to FINEOS leveraging his many years of experience, particularly in the income protection and life assurance sector in the UK, Europe, and United States. We thank Peter for his contributions and wish him well for the future.

The Company advises that its annual general meeting will be held in Dublin on 4 November 2020 and the closing date for receipt of nominations from persons wishing to be considered for election as a director, is 25 September 2020.

Outlook

In spite of the significant global headwinds and uncertainty caused by the COVID-19 pandemic, management continue to be confident of achieving impressive revenue growth levels in FY21 and are targeting topline revenue growth of 20% including subscription revenue growth of 30%, before counting the additional contribution from the recent acquisition of Limelight Health.

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 August at 5pm AEST / 8am GMT.

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/10008959-invite.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

