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FINEOS on track for positive FCF in FY25 with enhanced operating margins and increasing ARR

FINEOS Corporation Holdings PLC (ASX:FCL), a leading provider of core systems for life, accident and health insurance (LA&H) carriers globally, is pleased to announce its financial results for the half year ended 30 June 2025 (1H25).

1H25 Key Highlights versus prior corresponding period (6 months ended 30 June 2024 "1H24")

- Total Revenue was €67.1m, up 4.2%
- Subscription revenue was €36.4m, up 5.7% and represents 54.3% of total revenue
- Services revenue was €30.4m, up 2.6%
- ARR of €76.4m, up 11.2%
- Gross Profit was €51.4m, up 8.4%
- Gross profit margin was 76.6%, up from 73.6%
- EBITDA was €13.1m, up 80.1%
- EBITDA margin was 19.6%, up from 11.3%
- Statutory Net loss after tax was (€1.3m), down from a net loss after tax of (€5.3m)
- Cash balance of €34.9m, up 2.0%
- On track to return to positive free cashflow in FY25 in aggregate

Financial Overview

Total revenue increased 4.2% to €67.1 million in 1H25 from the prior corresponding period (pcp). Driving this increase was a 5.7% pcp increase in subscription revenue to €36.4 million with the growth attributable to successful client scaling, cloud upgrades, along with some new name client wins.

As at 30 June 2025 FINEOS held a healthy operating cash balance of €34.9 million. Our operating cash reserves will decrease in 2H25 in line with the seasonal nature of our product license subscriptions and we expect to be positive free cash flow for FY25 in aggregate.

FINEOS continues to focus on improving margins. Operating expenses decreased 4.7% to €38.3 million in 1H25 from pcp, driven by lower product consulting, cloud operations support and sales & marketing costs, partly offset by higher R&D investment and lower other income.

The loss after tax for the six-month period ended 30 June 2025 is €1.3 million, a €4.0 million (76.4%) improvement on the loss after tax of €5.3 million for the six-month period ended 30 June 2024. The result is stated after a tax charge of €0.1 million (1H24: tax credit of €0.6m).

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Operational Highlights

We have delivered some important customer upgrades and new go-lives and are on track for the successful delivery of several key projects to continually replace legacy systems with our clients.

We continue our strategy of driving operational efficiencies via a combination of approaches including technology innovation, AI assistance, role location preferences / organisation structure improvements, and process enhancements. Consequently, our FY25 total costs will allow for further margin expansion for the remainder of this year and beyond.

New business pipeline remains solid, and we are confident of continuing to win new business and grow our revenues. In 2Q25 we contracted an order for a major on-premises migration to the cloud and also contracted with two new North America based clients.

Commenting on the results, Founder and Chief Executive Officer Michael Kelly said: "The business continues to be on a solid footing with several larger clients in the process of migrating books of business to the FINEOS Platform. We are positive about our outlook and growth prospects for FY25 and beyond and reiterate our expectation to achieve positive free cash flow in FY25 in aggregate.

We continue to round out and improve our product and platform, with our focus moving to embedding AI innovation across our whole product suite – quote-to-claim. We are also focused on the digital side through continuous API development, as we build out our partner ecosystem with large industry platforms, as well as specialist complementary product vendor partners who can provide important services to our clients. In addition, we have been growing our business with SI partners, who are scaling their skills on the FINEOS Platform. All in all, we are confident our singular focus and strategy is helping us to differentiate against our competition and gain market share.

While business performance is solid and we are within our forecast on a constant currency basis, we are experiencing FX losses, so we are forecasting to come in at the lower end of our FY25 Revenue Forecast. Of course, a lower FX rate has also had a positive impact on our non-Euro cost base, which supports our confidence of achieving positive cash flow."

2H25 Key Priorities

We continue to progress delivery of our FY25 priorities especially our revenue growth and achieve positive free cash flow for the year as a whole. As we look to the second half of the year our prioritised goals in the business are as follows:

- Delivering the Day 2 FINEOS AdminSuite requirements for Guardian in readiness for full new business take-on from the beginning of 2026 and to focus on legacy replacement thereafter
- Increase new business sales as well as cross sales to all our existing clients
- Further traction in the ANZ region on cloud upgrades and cross sales
- Continue to drive our strategies for operational efficiencies to deliver further cost reductions
- Build pipeline and deal conversions for FINEOS Absence for Employer now it is fully referenceable with two live clients
- Progressively embed AI within the FINEOS Platform for improved performance and outcomes

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Outlook & Guidance for FY25

- Revenue is now guided to be at the lower end of range provided (€138m - €143m) primarily driven by, the weakening of trading currencies (especially the USD) against FINEOS' operational currency of the Euro, and ongoing concerns about global economic conditions
- Guidance reflects ongoing work on large programs and the lengthy sales cycles
- 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. FY25 total costs expected to decrease (versus FY24)
- Continue to expect positive free cash flow in FY25 in aggregate, and to be cash generative thereafter
- Pipeline remains solid as the FINEOS Platform for Employee Benefits market reputation grows

Reiterating Outlook & Guidance beyond FY25

Growth expectations in FY25 remain on track to enable FINEOS to:

- Increase recurring revenues to 65% or better in FY27 and to 75% or better in FY29
- Increase Gross Margin to 75% in FY27 and 80% in FY29
- Increase EBITDA to 25% in FY27 and 40% in FY29
- R&D investment as a percentage of total revenue is anticipated to decrease to 30% in FY27 and decrease to 25% in FY29.

Results call details

Investors and analysts are invited to join a conference call hosted by Michael Kelly, CEO and Ian Lynagh, CFO on Thursday 28 August at 5:00pm AEST / 8:00am IST.

Participants must register for the conference call at the link below and will receive their dial in number upon registration to: https://s1.c-conf.com/diamondpass/10048619-70bqv6.html

This notice has been authorised for provision to the ASX by the Company's Board of Directors.

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