

# FINEOS Corporation Holdings PLC (FCL)

Rating: Buy | Risk: High | Price Target: \$3.40

## FY22: Subs growing +20% and cash break-even in FY24. Reiterate Buy.

### Key Information

|                         |                        |
|-------------------------|------------------------|
| Current Price (\$ps)    | 1.54                   |
| 12m Target Price (\$ps) | 3.40                   |
| 52 Week Range (\$ps)    | 1.15 - 4.28            |
| Target Price Upside (%) | 120.8%                 |
| TSR (%)                 | 120.8%                 |
| Reporting Currency      | EUR                    |
| Market Cap (\$m)        | 524.9                  |
| Sector                  | Information Technology |
| Avg Daily Volume (m)    | 0.1                    |
| ASX 200 Weight (%)      | 0.03%                  |

### Fundamentals

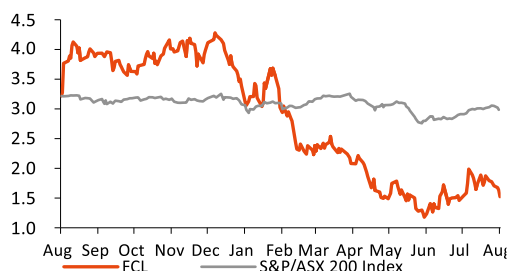
| YE 30 Jun (EUR) | FY22A   | FY23E | FY24E | FY25E  |
|-----------------|---------|-------|-------|--------|
| Sales (€m)      | 127.2   | 137.5 | 153.3 | 172.1  |
| NPAT (€m)       | (14.3)  | (7.9) | (1.4) | 6.7    |
| EPS (cps)       | (4.3)   | (2.3) | (0.4) | 1.9    |
| EPS Growth (%)  | (37.9%) | 46.7% | 82.1% | 568.8% |
| DPS (cps) (AUD) | 0.0     | 0.0   | 0.0   | 0.0    |
| Franking (%)    | 0%      | 0%    | 0%    | 0%     |

### Ratios

| YE 30 Jun        | FY22A  | FY23E  | FY24E | FY25E |
|------------------|--------|--------|-------|-------|
| P/E (x)          | (22.6) | (46.7) | nm    | 55.6  |
| EV/EBITDA (x)    | 58.1   | 21.5   | 12.7  | 8.7   |
| Div Yield (%)    | 0.0%   | 0.0%   | 0.0%  | 0.0%  |
| Payout Ratio (%) | 0.0%   | 0.0%   | 0.0%  | 0.0%  |

### Price Performance

| YE 30 Jun     | 1 Mth | 2 Mth | 3 Mth  | 1 Yr    |
|---------------|-------|-------|--------|---------|
| Relative (%)  | 1.9%  | 17.4% | 6.3%   | (45.5%) |
| Absolute (%)  | 4.4%  | 23.2% | 4.0%   | (52.7%) |
| Benchmark (%) | 2.5%  | 5.8%  | (2.3%) | (7.2%)  |



Price performance indexed to 100

Source: FactSet

### Major Shareholders

|  |      |
|--|------|
| Kayne Anderson Rudnick Investment Manage | 5.3% |
| The Vanguard Group, Inc.                 | 1.0% |
| BlackRock Investment Management (Austral | 0.8% |

### Event

FCL has released its FY22 result. Revenue was in-line with guidance with subs growth 4ppt better. The FY23 guide implies a modest +8% headline growth rate, but likely masks subs growing +20%. FCL has reiterated its target to be free cash flow positive in FY24 and has plenty of cash, which limits the downside risk. The stock is priced at just 1.35x the capital invested in its platform, while operating in a large global software vertical with a relatively concentrated vendor landscape where M&A has been a recent feature. This is bottom draw material and patience will be rewarded. Reiterate Buy.

### Highlights

- FY22 result** – Revenue of €127.2m increased 17% YoY and was in-line with guidance (€125-130m) and our forecasts (€127.5m). Subscription revenue of €53.8m grew +34% YoY, largely driven by existing customers. Services revenue of €71.4m grew +7% YoY reflecting a deliberate strategy to focus on product revenue. EBITDA delivered at €6.4m and was below our forecast (€12.8m) due to higher costs. Total cash costs were €146m (+17% YoY) and 4% higher than our forecast (€139.9m). Gross free cash flow delivered at -€18.3m vs our -€15.6m forecast. Capitalised costs were as expected (-€26m). FCL closed FY22 with net cash of €44.3m and no debt. FCL targets positive free cash flow in FY24 and we forecast a cash low point of ~€20m in 1H FY24.
- Key positives – subs growth beat guidance, 4Q ARR added accelerated, revenue guide implies +20% subs growth, reiterated free cash flow break-even target in FY24 and c€200 invested in its platform since FY15.** 1) Subs revenue grew +34% YoY ahead of guidance (>30%). Now several years on from IPO, this highlights FCL's growth with existing customers is broad based. While visibility is the challenge in the short-term, given the size of FCL's customer base it is not hard to frame the upside over the long term. 2) FCL added €10.7m ARR in FY22, with the 4Q run-rate +€3.3m vs just +€1.3m added in 3Q. We model +€12m added in FY23, consistent with the exit run-rate. Key drivers include cloud conversions (in NA and hopefully the first in ANZ), cross-sell and up-sell to existing, and some potential new name opportunities. 3) FCL have guided to revenue between €135-140m. With headcount expected to remain stable, we assume this implies flat professional services revenue, suggesting subs growth of ~20% is achievable. Growing subs at 20% through FY23 and FY24 should see software at >50% of revenue mix, which was highlighted as an aspirational target on the call. 4) FCL reiterated its target to be FCF positive in FY24. We think this implies very modest cost growth in FY23/24. We rationalise this on the basis that FCL's business is now largely scaled and it is now time to generate a return on investment. 5) Highlighting this, FCL noted it has invested over €200m in its platform since FY15 (nominal dollars), excluding a further €50m invested in M&A (post w/downs). FCL's EV implies it is trading at just 1.35x the capital invested into its platform, free of any value for its highly strategic customer base.
- Potential issues – services margin declined, growth largely driven by existing and LimeLight w/down.** 1) we estimate the margin on professional services declined 4ppt in FY22. Lower utilisation, the training up of system integrator partners and some large projects completing were highlighted as drivers. The good news is that we now see the set up for positive leverage and upside surprise. To put this in context, we think margins mean reverting could add 8ppt. 2) FCL has w/down the value of LimeLight Health goodwill by €12.6m. While non-cash it will come as a frustration to those that supported the capital raising for this business. Whilst the revenue success has not met expectations, strategically the quote-to-claim capability that LimeLight has provided is critical for success in a broader policy admin play. This is what we believe FCL will ultimately become, and NY Life is the first example.

### Recommendation

We maintain our Buy rating and \$3.40 PT. FCL is trading on an FY23 EV/Revenue multiple of 2.5x vs US peers such as Guidewire (GWRE-US) and Duck Creek (DCT-US) trading on multiples of 6.7x (Jul-23) and 4.2x (Aug-23) respectively.

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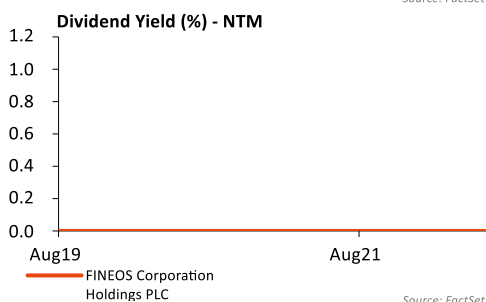
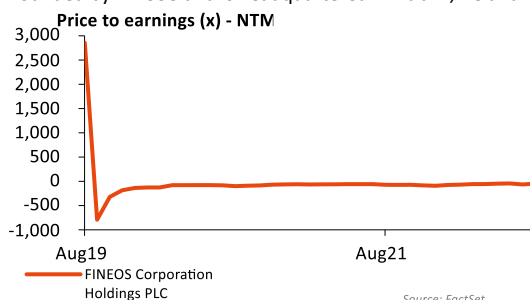
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**FINEOS Corporation Holdings PLC**  
**Information Technology**  
**Software & Services**  
**FactSet: FCL-AU / Bloomberg: FCL AU**

| Key Items             | Data        |
|-----------------------|-------------|
| Recommendation        | BUY         |
| Risk                  | HIGH        |
| Price (\$ps)          | 1.54        |
| Target Price (\$ps)   | 3.40        |
| 52 Week Range (\$ps)  | 1.15 - 4.28 |
| Shares on Issue (m)   | 340.8       |
| Market Cap (\$m)      | 524.9       |
| Enterprise Value (€m) | 477.4       |
| TSR (%)               | 120.8%      |

| Valuation NPV                   | Data  |
|---------------------------------|-------|
| Beta                            | 1.10  |
| Cost of Equity (%)              | 9.1%  |
| Cost of Debt (net) (%)          | 2.5%  |
| Risk Free Rate (%)              | 3.0%  |
| Terminal Growth (%)             | 4.0%  |
| WACC (%)                        | 9.1%  |
| Valuation (\$m)                 | 761.0 |
| Valuation per share (cps) (AUD) | 3.29  |

FINEOS Corporation Holdings Plc engages in developing and selling of computer software for the Life, Accident and Health insurance industry, primarily in Nth America and ANZ. Its solutions span the full suite of core systems including; Claim, Policy Admin and Billing. The company was founded by in 1993 and is headquartered in Dublin, Ireland.



**Financial Year End: 30 June**

| Investment Summary (EUR)     | FY21A   | FY22A   | FY23E   | FY24E   | FY25E   |
|------------------------------|---------|---------|---------|---------|---------|
| EPS (Reported) (cps)         | (4.0)   | (7.8)   | (2.3)   | (0.4)   | 1.9     |
| EPS (Underlying) (cps)       | (3.1)   | (4.3)   | (2.3)   | (0.4)   | 1.9     |
| EPS (Underlying) Growth (%)  | nm      | (37.9%) | 46.7%   | 82.1%   | 568.8%  |
| PE (Underlying) (x)          | (79.2)  | (22.6)  | (46.7)  | nm      | 55.6    |
| EV / EBIT (x)                | (34.4)  | (18.2)  | (33.3)  | (622.3) | 36.7    |
| EV / EBITDA (x)              | 44.6    | 58.1    | 21.5    | 12.7    | 8.7     |
| DPS (cps) (AUD)              | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     |
| Dividend Yield (%)           | 0.0%    | 0.0%    | 0.0%    | 0.0%    | 0.0%    |
| Franking (%)                 | 0%      | 0%      | 0%      | 0%      | 0%      |
| Payout Ratio (%)             | 0.0%    | 0.0%    | 0.0%    | 0.0%    | 0.0%    |
| Free Cash Flow Yield (%)     | (2.8%)  | (5.9%)  | (3.0%)  | (0.9%)  | 1.2%    |
| Profit and Loss (EUR) (m)    | FY21A   | FY22A   | FY23E   | FY24E   | FY25E   |
| Sales                        | 108.3   | 127.2   | 137.5   | 153.3   | 172.1   |
| Sales Growth (%)             | 23.4%   | 17.5%   | 8.0%    | 11.5%   | 12.3%   |
| EBITDA                       | 7.9     | 5.5     | 15.4    | 26.6    | 37.9    |
| EBITDA Margin (%)            | 7.3%    | 4.3%    | 11.2%   | 17.4%   | 22.0%   |
| Depreciation & Amortisation  | (18.1)  | (23.1)  | (25.4)  | (27.2)  | (28.9)  |
| EBIT                         | (10.2)  | (17.6)  | (10.0)  | (0.5)   | 9.0     |
| EBIT Margin (%)              | (9.4%)  | (13.8%) | (7.3%)  | (0.4%)  | 5.2%    |
| Net Interest                 | (0.6)   | (0.9)   | (0.8)   | (0.9)   | (0.9)   |
| Pretax Profit                | (10.8)  | (18.5)  | (10.8)  | (1.4)   | 8.1     |
| Tax                          | 1.1     | 4.2     | 2.9     | 0.0     | (1.4)   |
| Tax Rate (%)                 | (9.8%)  | (22.6%) | (27.0%) | 0.0%    | (17.5%) |
| Minorities                   | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     |
| NPAT Underlying              | (9.8)   | (14.3)  | (7.9)   | (1.4)   | 6.7     |
| Significant Items            | (2.7)   | (11.7)  | 0.0     | 0.0     | 0.0     |
| NPAT Reported                | (12.5)  | (26.0)  | (7.9)   | (1.4)   | 6.7     |
| Cashflow (EUR) (m)           | FY21A   | FY22A   | FY23E   | FY24E   | FY25E   |
| EBIT                         | (10.2)  | (17.6)  | (10.0)  | (0.5)   | 9.0     |
| Tax Paid                     | (0.9)   | (0.5)   | 2.9     | 0.0     | (1.4)   |
| Net Interest                 | (0.1)   | (0.2)   | (0.8)   | (0.9)   | (0.9)   |
| Change in Working Capital    | (1.0)   | 4.4     | 0.6     | 1.0     | 1.2     |
| Depreciation & Amortisation  | 18.1    | 23.1    | 25.4    | 27.2    | 28.9    |
| Other                        | 0.0     | 2.7     | 2.7     | 2.8     | 2.9     |
| Operating Cashflow           | 5.9     | 11.9    | 20.9    | 29.5    | 39.7    |
| Capex                        | (26.2)  | (26.8)  | (28.5)  | (29.1)  | (31.6)  |
| Acquisitions and Investments | (59.4)  | 0.0     | (2.4)   | (2.6)   | 0.0     |
| Other                        | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     |
| Investing Cashflow           | (85.6)  | (26.8)  | (30.9)  | (31.7)  | (31.6)  |
| Free Cashflow                | (21.9)  | (19.0)  | (11.1)  | (3.2)   | 4.4     |
| Equity Raised / Bought Back  | 56.2    | 45.4    | 0.0     | 0.0     | 0.0     |
| Dividends Paid               | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     |
| Change in Debt               | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     |
| Other                        | (2.4)   | (2.8)   | (2.2)   | (2.2)   | (2.3)   |
| Financing Cashflow           | 53.9    | 42.6    | (2.2)   | (2.2)   | (2.3)   |
| Net Change in Cash           | (25.8)  | 27.7    | (12.1)  | (4.5)   | 5.8     |
| Balance Sheet (EUR) (m)      | FY21A   | FY22A   | FY23E   | FY24E   | FY25E   |
| Cash                         | 14.0    | 44.3    | 32.2    | 27.7    | 33.6    |
| Accounts Receivable          | 23.6    | 26.4    | 28.6    | 31.9    | 35.8    |
| Other Current Assets         | 6.0     | 10.9    | 11.1    | 11.5    | 12.0    |
| PPE                          | 1.7     | 1.6     | 1.8     | 2.0     | 2.2     |
| Goodwill & Intangibles       | 132.5   | 133.9   | 139.1   | 143.3   | 148.3   |
| Investments                  | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     |
| Other Non Current Assets     | 6.6     | 6.3     | 3.9     | 1.4     | (1.1)   |
| Total Assets                 | 184.5   | 223.4   | 216.7   | 217.8   | 230.7   |
| Accounts Payable             | 10.8    | 10.2    | 11.0    | 12.3    | 13.8    |
| Short Term Debt              | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     |
| Long Term Debt               | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     |
| Income Taxes Payable         | 1.5     | 1.4     | 1.4     | 1.4     | 1.4     |
| Other                        | 35.9    | 42.5    | 40.2    | 38.7    | 40.4    |
| Total Liabilities            | 48.1    | 54.1    | 52.6    | 52.3    | 55.6    |
| Total Shareholder Equity     | 136.3   | 169.3   | 164.2   | 165.5   | 175.2   |
| Ratios                       | FY21A   | FY22A   | FY23E   | FY24E   | FY25E   |
| ROE (%)                      | (7.5%)  | (8.1%)  | (3.5%)  | 0.4%    | 5.1%    |
| Gearing (%)                  | (11.4%) | (35.5%) | (24.4%) | (20.1%) | (23.7%) |
| Net Debt / EBITDA (x)        | (1.8)   | (8.0)   | (2.1)   | (1.0)   | (0.9)   |

## FY22 result highlights

Figure 1: FY22 vs Shaw estimates and pcg

| Statutory P&L                    |            | FY18         | FY19         | FY20         | FY21          | FY22          | FY22F         | vs Shaw | vs PCP  |
|----------------------------------|------------|--------------|--------------|--------------|---------------|---------------|---------------|---------|---------|
|                                  |            | Actual       | Actual       | Actual       | Actual        | Actual        | Forecast      |         |         |
| <b>Total revenue</b>             | <b>\$m</b> | <b>53.8</b>  | <b>62.8</b>  | <b>87.8</b>  | <b>108.3</b>  | <b>127.2</b>  | <b>127.5</b>  | (0%)    | 17%     |
| Cost of revenue                  | \$m        | (24.9)       | (32.9)       | (46.3)       | (62.1)        | (78.4)        | (73.6)        | 7%      | 26%     |
| <b>Gross Margin</b>              | <b>\$m</b> | <b>28.9</b>  | <b>29.9</b>  | <b>41.5</b>  | <b>46.2</b>   | <b>48.8</b>   | <b>53.9</b>   | (9%)    | 6%      |
| Margin %                         | %          | 54%          | 48%          | 47%          | 43%           | 38%           | 42%           | -392bps | -431bps |
| Overhead                         | \$m        | (42.2)       | (51.6)       | (72.3)       | (100.5)       | (121.7)       | (114.7)       | 6%      | 21%     |
| <b>EBITDA</b>                    | <b>\$m</b> | <b>11.6</b>  | <b>11.2</b>  | <b>15.5</b>  | <b>7.9</b>    | <b>5.5</b>    | <b>12.8</b>   | (57%)   | (30%)   |
| Margin %                         | %          | 22%          | 18%          | 18%          | 7%            | 4%            | 10%           | -571bps | -292bps |
| D&A                              | \$m        | (7.9)        | (9.9)        | (11.8)       | (18.1)        | (23.1)        | (22.7)        |         |         |
| <b>EBIT</b>                      | <b>\$m</b> | <b>3.7</b>   | <b>1.3</b>   | <b>3.6</b>   | <b>(10.2)</b> | <b>(17.6)</b> | <b>(9.9)</b>  | 79%     | 72%     |
| Net interest                     | \$m        | (1.0)        | (1.4)        | (0.7)        | (0.6)         | (0.9)         | (1.3)         |         |         |
| <b>PBT</b>                       | <b>\$m</b> | <b>2.7</b>   | <b>(0.0)</b> | <b>2.9</b>   | <b>(10.8)</b> | <b>(18.5)</b> | <b>(11.1)</b> | 67%     | 71%     |
| Tax                              | \$m        | (1.3)        | (0.1)        | (0.9)        | 1.1           | 4.2           | 0.6           |         |         |
| <b>NPAT</b>                      | <b>\$m</b> | <b>1.4</b>   | <b>(0.1)</b> | <b>2.0</b>   | <b>(9.8)</b>  | <b>(14.3)</b> | <b>(10.5)</b> | 36%     | 46%     |
| Acquired amortisation            | \$m        | 0.0          | 0.0          | 0.0          | 1.6           | 2.0           | 2.0           |         |         |
| <b>NPATA</b>                     | <b>\$m</b> | <b>1.4</b>   | <b>(0.1)</b> | <b>2.0</b>   | <b>(8.2)</b>  | <b>(12.3)</b> | <b>(8.5)</b>  | 45%     | 51%     |
| <b>Cash EBITDA</b>               | <b>\$m</b> | <b>(4.0)</b> | <b>(6.0)</b> | <b>(3.3)</b> | <b>(16.4)</b> | <b>(18.7)</b> | <b>(12.4)</b> | 51%     | 14%     |
| <b>Cash Flow and Net Debt</b>    |            | <b>FY18</b>  | <b>FY19</b>  | <b>FY20</b>  | <b>FY21</b>   | <b>FY22</b>   | <b>FY22F</b>  |         |         |
| EBITDA                           | \$m        | 11.6         | 11.2         | 15.5         | 7.9           | 5.5           | 12.8          |         |         |
| Working capital                  | \$m        | 0.7          | 3.4          | (1.9)        | (0.2)         | 5.8           | 1.2           |         |         |
| <b>Gross operating cash flow</b> | <b>\$m</b> | <b>12.3</b>  | <b>14.7</b>  | <b>13.6</b>  | <b>7.7</b>    | <b>11.3</b>   | <b>14.0</b>   | (19%)   | 47%     |
| Cash conversion                  | \$m        | 106%         | 131%         | 88%          | 98%           | 205%          | 109%          |         |         |
| Capex                            | \$m        | (0.4)        | (0.9)        | (1.3)        | (0.9)         | (0.8)         | (0.4)         | 92%     | (10%)   |
| Capitalised development          | \$m        | (13.3)       | (15.3)       | (17.5)       | (25.3)        | (26.0)        | (25.7)        | 1%      | 3%      |
| <b>Gross free cash flow</b>      | <b>\$m</b> | <b>(3.3)</b> | <b>(3.1)</b> | <b>(7.3)</b> | <b>(20.9)</b> | <b>(18.3)</b> | <b>(15.6)</b> | 17%     | (12%)   |
| Net cash (debt)                  | \$m        | (5.1)        | (8.1)        | 39.8         | 14.0          | 44.3          | 44.3          |         |         |
| Total cash costs                 | \$m        | (57.8)       | (68.9)       | (91.1)       | (124.8)       | (145.9)       | (139.9)       | 4%      | 17%     |

Source: Company reports, Shaw and Partners analysis

### Forecast changes

Post the FY22 result, we have updated our forecasts to reflect FCL's FY23 guidance commentary which calls for €135-140m revenue in FY22. Based on FCL's commentary around stable headcount expectations, we assume flat services revenue and ~21% growth in subscription revenue. Our forecast for FCL to reach FCF breakeven in FY24 remains largely unchanged.

Figure 2: Forecast changes

| Changes to Estimates<br>\$m | Old<br>2023  | New<br>2023  | Delta       | Old<br>2024  | New<br>2024  | Delta        | Old<br>2025  | New<br>2025  | Delta       |
|-----------------------------|--------------|--------------|-------------|--------------|--------------|--------------|--------------|--------------|-------------|
| <b>Revenue</b>              | <b>139.9</b> | <b>137.5</b> | <b>-2%</b>  | <b>156.9</b> | <b>153.3</b> | <b>-2%</b>   | <b>175.8</b> | <b>172.1</b> | <b>-2%</b>  |
| Opex                        | -118.0       | -120.6       | 2%          | -123.8       | -125.2       | 1%           | -131.2       | -132.8       | 1%          |
| <b>Op EBITDA</b>            | <b>22.0</b>  | <b>16.8</b>  | <b>-23%</b> | <b>33.1</b>  | <b>28.0</b>  | <b>-15%</b>  | <b>44.6</b>  | <b>39.4</b>  | <b>-12%</b> |
| SBP                         | -0.6         | -1.4         | 148%        | -0.5         | -1.4         | 183%         | -0.4         | -1.4         | 220%        |
| EBITDA                      | 21.4         | 15.4         | -28%        | 32.6         | 26.6         | -18%         | 44.2         | 37.9         | -14%        |
| PBT                         | -4.4         | -10.8        | 143%        | 4.8          | -1.4         | -129%        | 14.4         | 8.1          | -43%        |
| NPAT                        | -4.4         | -7.9         | 77%         | 4.8          | -1.4         | -129%        | 11.9         | 6.7          | -43%        |
| Operating cashflow          | 22.8         | 20.9         | -8%         | 34.1         | 29.5         | -14%         | 43.4         | 39.7         | -9%         |
| Capex                       | -0.4         | -1.3         | 183%        | -0.5         | -1.3         | 183%         | -0.5         | -1.4         | 183%        |
| Development                 | -27.9        | -27.2        | -3%         | -29.7        | -27.8        | -6%          | -32.5        | -30.1        | -7%         |
| Leases                      | -3.6         | -2.2         | -38%        | -3.6         | -2.2         | -38%         | -3.7         | -2.3         | -38%        |
| <b>Free cashflow</b>        | <b>-9.1</b>  | <b>-9.7</b>  | <b>7%</b>   | <b>0.4</b>   | <b>-1.9</b>  | <b>-593%</b> | <b>6.7</b>   | <b>5.8</b>   | <b>-13%</b> |
| Net cash (debt)             | 35.2         | 32.2         | -8%         | 35.6         | 27.7         | -22%         | 42.3         | 33.6         | -21%        |
| Total cash costs            | -145.9       | -147.9       | 1%          | -153.5       | -153.0       | 0%           | -163.7       | -162.9       | 0%          |
| Cash EBITDA (ex SBP)        | -6.0         | -10.4        | 75%         | 3.4          | 0.2          | -93%         | 12.1         | 9.2          | -24%        |

Source: Shaw and Partners analysis

### Risks to rating and target price

#### Timing of new business contract wins

We believe deal timing is the #1 risk to our investment thesis. Our growth, break-even and margin forecasts are reliant on FCL successfully signing new business, with both new and existing customers. While FCL confirmed a €271m pipeline at the time of its IPO, the timing of when those projects land is unknown. Core systems projects are big decisions, with many moving parts, and therefore can be lumpy and may not always line up with existing implementations completing.

#### Life insurer customers are under pressure themselves

LA&H carriers are facing challenges across many aspects of their operations, including lower premium growth, lower investment returns, cost inflation, regulation, and new competition. While our base case view is that tier-1 carriers have to invest, some may instead adopt a 'run-off' mentality and look to reduce investment over time.

#### Market becomes more competitive, pressuring pricing

Insurance is a large software vertical, and therefore will attract start-up capital, vendors from adjacent markets like general insurance, and global software vendors looking for the next big market. Competitors keen to establish reference sites could aggressively price their software or services in order to gain a foothold.

#### Broader "Tech" rotation risks may impact sentiment

In FY22, small-cap software fell -28% lagging the ASX Small Ords (-21%) and the US peer group (-22%), as inflation, rising rates, geopolitical disruption and recession risks all impacted. Whilst valuations have corrected sharply, software's fundamentals generally remain strong and in many cases have improved post COVID. In FY23, given this set up, we expect software's relative growth and quality attributes to again find favour. The risk is that this does not play out and sentiment continues to be negatively impacted.

### Key financial metrics

Figure 3: Key financial metrics

| EURm, June year end       |     | FY19      | FY20    | FY21    | FY22    | FY23F   | FY24F   | FY25F   | FY26F   | FY27F   |
|---------------------------|-----|-----------|---------|---------|---------|---------|---------|---------|---------|---------|
| Revenue                   | \$m | 62.8      | 87.8    | 108.3   | 127.2   | 137.5   | 153.3   | 172.1   | 193.8   | 217.5   |
| % growth YoY              | %   | 17%       | 40%     | 23%     | 17%     | 8%      | 12%     | 12%     | 13%     | 12%     |
| % organic growth YoY      | %   | 17%       | 40%     | 13%     | 15%     | 8%      | 12%     | 12%     | 13%     | 12%     |
| Opex expensed             | \$m | (52.4)    | (73.6)  | (99.7)  | (120.3) | (120.6) | (125.2) | (132.8) | (141.3) | (150.3) |
| Operating EBITDA          | \$m | 10.4      | 14.2    | 8.7     | 7.0     | 16.8    | 28.0    | 39.4    | 52.5    | 67.2    |
| Intangibles               | \$m | (15.3)    | (17.5)  | (25.2)  | (26.0)  | (27.2)  | (27.8)  | (30.1)  | (33.0)  | (36.0)  |
| Leases and other          | \$m | (1.2)     | (0.0)   | 0.1     | 0.3     | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     |
| Cash EBITDA               | \$m | (6.0)     | (3.3)   | (16.4)  | (18.7)  | (10.4)  | 0.2     | 9.2     | 19.5    | 31.2    |
| Margin %                  | %   | (10%)     | (4%)    | (15%)   | (15%)   | (8%)    | 0%      | 5%      | 10%     | 14%     |
| Total cash costs          | \$m | (68.9)    | (91.1)  | (124.8) | (145.9) | (147.9) | (153.0) | (162.9) | (174.3) | (186.3) |
| Growth YoY                | %   | 19%       | 32%     | 37%     | 17%     | 1%      | 3%      | 6%      | 7%      | 7%      |
| Operating EBITDA          | \$m | 10.4      | 14.2    | 8.7     | 7.0     | 16.8    | 28.0    | 39.4    | 52.5    | 67.2    |
| SBP                       | \$m | (0.2)     | (0.8)   | (1.8)   | (2.7)   | (2.7)   | (2.8)   | (2.9)   | (3.1)   | (3.2)   |
| Other non-operating       | \$m | 1.0       | 2.0     | 1.0     | 1.3     | 1.3     | 1.4     | 1.5     | 1.6     | 1.8     |
| Reported EBITDA           | \$m | 11.2      | 15.5    | 7.9     | 5.5     | 15.4    | 26.6    | 37.9    | 51.0    | 65.8    |
| Margin %                  | %   | 18%       | 18%     | 7%      | 4%      | 11%     | 17%     | 22%     | 26%     | 30%     |
| D&A                       | \$m | (9.9)     | (11.8)  | (18.1)  | (23.1)  | (25.4)  | (27.2)  | (28.9)  | (30.9)  | (33.1)  |
| EBIT                      | \$m | 1.3       | 3.6     | (10.2)  | (17.6)  | (10.0)  | (0.5)   | 9.0     | 20.2    | 32.6    |
| Net interest              | \$m | (1.4)     | (0.7)   | (0.6)   | (0.9)   | (0.8)   | (0.9)   | (0.9)   | (0.8)   | (0.6)   |
| PBT                       | \$m | (0.0)     | 2.9     | (10.8)  | (18.5)  | (10.8)  | (1.4)   | 8.1     | 19.4    | 32.1    |
| Tax                       | \$m | (0.1)     | (0.9)   | 1.1     | 4.2     | 2.9     | 0.0     | (1.4)   | (3.4)   | (5.6)   |
| Norm NPAT                 | \$m | (0.1)     | 2.0     | (9.8)   | (14.3)  | (7.9)   | (1.4)   | 6.7     | 16.0    | 26.5    |
| Acquired amortisation     | \$m | 0.0       | 0.0     | 1.6     | 2.0     | 2.0     | 2.0     | 2.0     | 2.0     | 2.0     |
| Norm NPATA                | \$m | (0.1)     | 2.0     | (8.2)   | (12.3)  | (5.9)   | 0.6     | 8.7     | 18.0    | 28.5    |
| Norm diluted EPS          | cps | (0.0)     | 0.7     | (2.6)   | (3.7)   | (1.7)   | 0.2     | 2.5     | 5.1     | 8.0     |
| % growth YoY              | %   | (107%)    | (1786%) | (474%)  | 42%     | (54%)   | (110%)  | 1388%   | 105%    | 57%     |
| Cash Flow                 |     | FY19      | FY20    | FY21    | FY22    | FY23F   | FY24F   | FY25F   | FY26F   | FY27F   |
| Operating EBITDA          | \$m | 10.4      | 14.2    | 8.7     | 7.0     | 16.8    | 28.0    | 39.4    | 52.5    | 67.2    |
| Net working capital       | \$m | 4.3       | (0.6)   | (1.0)   | 4.4     | 0.6     | 1.0     | 1.2     | 1.3     | 1.5     |
| Gross operating cash flow | \$m | 14.7      | 13.6    | 7.7     | 11.3    | 17.5    | 29.0    | 40.5    | 53.8    | 68.7    |
| Cash conversion           | %   | 141%      | 95%     | 89%     | 162%    | 104%    | 103%    | 103%    | 103%    | 102%    |
| Capex                     | \$m | (0.9)     | (1.3)   | (0.9)   | (0.8)   | (1.3)   | (1.3)   | (1.4)   | (1.5)   | (1.6)   |
| Intangibles               | \$m | (15.3)    | (17.5)  | (25.3)  | (26.0)  | (27.2)  | (27.8)  | (30.1)  | (33.0)  | (36.0)  |
| Leases and other          | \$m | (1.6)     | (2.1)   | (2.4)   | (2.8)   | (2.2)   | (2.2)   | (2.3)   | (2.3)   | (2.4)   |
| Gross free cash flow      | \$m | (3.1)     | (7.3)   | (20.9)  | (18.3)  | (13.2)  | (2.3)   | 6.7     | 17.0    | 28.7    |
| Interest and tax          | \$m | (1.2)     | (2.2)   | (1.0)   | (0.7)   | 2.1     | (0.9)   | (2.3)   | (4.2)   | (6.2)   |
| Adjustments and other     | \$m | 1.1       | 0.6     | (0.8)   | 1.3     | 1.3     | 1.4     | 1.5     | 1.6     | 1.8     |
| Other investing           | \$m | 0.0       | 0.0     | (59.4)  | 0.0     | (2.4)   | (2.6)   | 0.0     | 0.0     | 0.0     |
| Other financing           | \$m | 0.0       | 41.8    | 56.2    | 45.4    | 0.0     | 0.0     | (0.0)   | 0.0     | (0.0)   |
| Change in cash            | \$m | (3.0)     | 32.9    | (25.8)  | 30.3    | (12.1)  | (4.5)   | 5.8     | 14.4    | 24.3    |
| Net free cash flow        | \$m | (4.3)     | (9.5)   | (21.9)  | (19.0)  | (11.1)  | (3.2)   | 4.4     | 12.8    | 22.5    |
| Balance Sheet             |     | FY19      | FY20    | FY21    | FY22    | FY23F   | FY24F   | FY25F   | FY26F   | FY27F   |
| Cash                      | \$m | 6.9       | 39.8    | 14.0    | 44.3    | 32.2    | 27.7    | 33.6    | 48.0    | 72.3    |
| Receivables and other     | \$m | 11.3      | 19.9    | 25.6    | 29.5    | 31.9    | 35.5    | 39.9    | 44.9    | 50.4    |
| Intangibles               | \$m | 43.7      | 51.9    | 132.5   | 133.9   | 139.1   | 143.3   | 148.3   | 154.2   | 161.1   |
| Other                     | \$m | 12.4      | 12.8    | 12.3    | 15.7    | 13.5    | 11.3    | 9.0     | 6.6     | 4.2     |
| Total assets              | \$m | 74.3      | 124.4   | 184.5   | 223.4   | 216.7   | 217.8   | 230.7   | 253.8   | 288.1   |
| Payables and other        | \$m | 21.0      | 25.7    | 29.4    | 37.3    | 40.3    | 45.0    | 50.5    | 56.9    | 63.8    |
| Borrowings                | \$m | 15.0      | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     |
| Other                     | \$m | 15.4      | 15.5    | 18.7    | 16.8    | 12.2    | 7.4     | 5.1     | 2.7     | 0.3     |
| Total Liabilities         | \$m | 51.5      | 41.2    | 48.1    | 54.1    | 52.6    | 52.3    | 55.6    | 59.6    | 64.2    |
| Net assets (equity)       | \$m | 22.8      | 83.2    | 136.3   | 169.3   | 164.2   | 165.5   | 175.2   | 194.2   | 223.9   |
| Net cash (debt)           | \$m | (8.1)     | 39.8    | 14.0    | 44.3    | 32.2    | 27.7    | 33.6    | 48.0    | 72.3    |
| Net working capital       | \$m | (9.7)     | (5.8)   | (3.8)   | (7.8)   | (8.5)   | (9.4)   | (10.6)  | (11.9)  | (13.4)  |
| Key Metrics               |     | FY19      | FY20    | FY21    | FY22    | FY23F   | FY24F   | FY25F   | FY26F   | FY27F   |
| EV/Revenue                | x   | 5.4       | 3.9     | 3.1     | 2.7     | 2.5     | 2.2     | 2.0     | 1.7     | 1.6     |
| EV/EBITDA                 | x   | 33.7      | 21.9    | 42.5    | 58.2    | 21.9    | 12.7    | 8.9     | 6.6     | 5.2     |
| EV/Cash EBITDA            | x   | (56.0)    | (102.8) | (20.6)  | (18.1)  | (32.6)  | 1,371.2 | 36.7    | 17.4    | 10.9    |
| P/E                       | x   | (3,937.3) | 233.6   | (62.5)  | (44.1)  | (95.4)  | 970.4   | 65.2    | 31.9    | 20.3    |

Source: Company reports, Shaw and Partners analysis

## Rating Classification

|                  |  |
|------------------|--|
| <b>Buy</b>       | Expected to outperform the overall market  |
| <b>Hold</b>      | Expected to perform in line with the overall market                              |
| <b>Sell</b>      | Expected to underperform the overall market                                      |
| <b>Not Rated</b> | Shaw has issued a factual note on the company but does not have a recommendation |

## Risk Rating

|               |   |
|---------------|---|
| <b>High</b>   | Higher risk than the overall market – investors should be aware this stock may be speculative |
| <b>Medium</b> | Risk broadly in line with the overall market  |
| <b>Low</b>    | Lower risk than the overall market  |

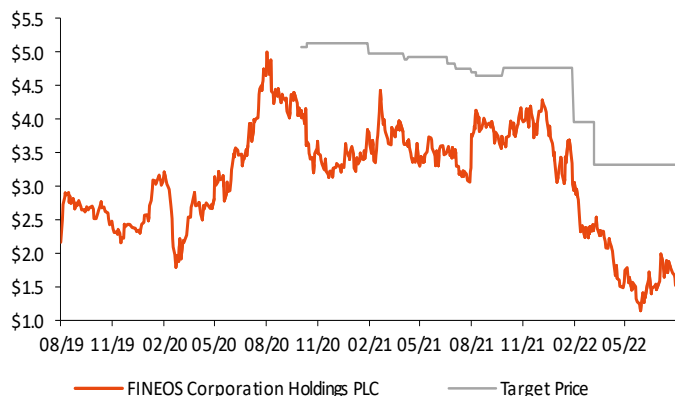
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### Distribution of Investment Ratings

| Rating | Count | Recommendation Universe |
|--------|-------|-------------------------|
| Buy    | 110   | 89%                     |
| Hold   | 12    | 10%                     |
| Sell   | 1     | 1%                      |

### History of Investment Rating and Target Price - FINEOS Corporation Holdings PLC

| Date      | Closing Price (\$) | Target Price (\$) | Rating |
|-----------|--------------------|-------------------|--------|
| 1-Apr-22  | 2.46               | 3.40              | Buy    |
| 24-Feb-22 | 3.20               | 4.30              | Buy    |
| 22-Oct-21 | 3.90               | 5.15              | Buy    |
| 3-Sep-21  | 4.58               | 5.15              | Buy    |
| 26-Aug-21 | 4.25               | 5.30              | Buy    |
| 29-Jul-21 | 3.90               | 5.30              | Buy    |
| 14-Jul-21 | 3.83               | 5.30              | Buy    |
| 5-May-21  | 3.87               | 5.30              | Buy    |
| 29-Apr-21 | 3.90               | 5.30              | Buy    |
| 24-Feb-21 | 4.05               | 5.30              | Buy    |
| 6-Nov-20  | 4.16               | 5.82              | Buy    |
| 27-Oct-20 | 4.75               | 5.84              | Buy    |





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