

22 October 2021

Quarterly Activity Report and Business Update

FINEOS Corporation Holdings PLC (ASX:FCL), the leading provider of core systems for life, accident and health insurance carriers globally, presents its quarterly activity report and Appendix 4C cash flow statement for the three month period ending 30 September 2021 (1Q22), as attached.

Highlights:

- **Completion of an oversubscribed AU\$70m institutional placement and a share purchase plan for retail securityholders (completed in October) raising an additional AU\$3.8m**
- **Closing cash balance at 30 September 2021 of €50.4m, up from €14.0m¹ at 30 June 2021**
- **Cash receipts from customers of €31.1m in 1Q22, an increase of 37% from €22.7m in prior quarter**
- **Senior Vice President of Sales hired in North America**
- **Integration of Spraoi technology into the FINEOS Platform to enhance FINEOS Engage and FINEOs Insight is on track**
- **FINEOS launched the first Group and Employee Benefits segment at InsureTech Connect (ITC) 2021, the insurance technology industry's largest conference and expo in the US**
- **Headcount of 1,075 at 30 September 2021 up from 1,065 at 30 June 2021**
- **High Product Consulting employee utilisation rate with a year to date average of 91% at end of 1Q22, up on prior quarter equivalent average of 88%**
- **Virtual AGM to be held and webcast on 9 November 2021**

First Quarter Performance

The cash balance at 30 September 2021 was €50.4 million, up from €14.0 million in prior quarter primarily reflecting the net proceeds received from the institutional placement of €42.7 million. Customer cash receipts (net of tax) were €31.1 million for the quarter, up 37% from €22.7 million in 4Q21 reflecting the timing of collections and a reduction in outstanding debtors' balance. Favorable exchange rate movements during the quarter had a positive impact of €0.3 million on the cash balance.

Research and development costs capitalised for the quarter were €6.5 million. Excluding a true-up of capitalisation in the June audited financial statements, R&D capitalised in the first quarter of FY22 was up on the prior quarter due to additional headcount. The annual tax credit payment related to the R&D tax credit is due in the fourth quarter of FY22. Product manufacturing and operating costs in 1Q22 were €10.3 million, an increase of 9% on prior quarter, up from €9.5 million, reflecting increased services demands and associated headcount costs. Staff costs of €12.6 million were in line with prior quarter.

1

The 4Q21 Appendix 4C reported an unaudited closing cash position as at 30 June 2021 of €13.3 million. This was restated to €14.0 million in the annual report following completion of the year end audit processes.

Administration and Corporate costs in 1Q22 totaled €7.1 million, up from €2.3 million in the previous quarter, reflecting the seasonal impact of prepayments historically made in the first quarter of every year including a number of software license and insurance costs.

Sales and Marketing activity for the quarter was centered around InsurTech Connect, the largest annual conference for insurance technology in the US. The conference, held in Las Vegas to a sellout audience of representatives from across the insurance industry, gave FINEOS the opportunity to create and lead the first Group and Employee Benefits segment; "GroupTech Connect". The event was designed specifically for Group and Employee Benefits insurers and was headlined by a keynote speech from Amy Friedrich, President of US Insurance Solutions at Principal.

During the quarter FINEOS also focused on the integration of the Spraoi AI to enhance FINEOS Engage and FINEOS Insight. Early client demonstrations of the Spraoi technology have been received favorably.

Commenting on the performance for the quarter, CEO Michael Kelly said: "The first quarter was busy as we continued to serve our growing client needs, in addition to completing an oversubscribed capital raise to support our growth strategy. Sales and Marketing continues to be a big focus this year and FINEOS' presence at ITC was a great opportunity to showcase our product suite and educate carriers further on the importance of digital transformation in the insurance space. We're also delighted to grow our sales team further in the U.S. as we welcome back David Nicolai to the position of Senior Vice President of Sales in North America."

In reference to payments to related parties (Section 6 of the attached Appendix 4C report), item 1 is a lease arrangement with a related entity of Michael Kelly. The rental expense for the quarter was €195k. Item 2 is cash paid for Directors and Non-Executive Directors during the third quarter that amounted to €410k which includes salaries, consultancy fee and any reimbursements for costs incurred.

There were no other substantive business activities during the quarter.

The Annual General Meeting will be held via conference facility hosted on the following platform: <https://services.choruscall.com.au/webcast/fineos-tsep58r3.html> on 9 November 2021 commencing at 8 a.m. (GMT) / 7 p.m. (AEDT).

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

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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

FINEOS Corporation Holding Plc

ABN

633 278 430

Quarter ended ("current quarter")

30 SEPTEMBER 2021

Consolidated statement of cash flows	Current quarter €'000	Year to date (3 months) €'000
1. Cash flows from operating activities		
1.1 Receipts from customers	31,118	31,118
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(10,303)	(10,303)
(c) advertising and marketing	(280)	(280)
(d) leased assets	(1,120)	(1,120)
(e) staff costs	(12,596)	(12,596)
(f) administration and corporate costs	(7,140)	(7,140)
1.3 Dividends received (see note 3)		
1.4 Interest received	0	0
1.5 Interest and other costs of finance paid	(120)	(120)
1.6 Income taxes paid	(166)	(166)
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)	635	635
1.9 Net cash from / (used in) operating activities	28	28
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(170)	(170)
(d) investments		
(e) intellectual property	(6,500)	(6,500)
(f) other non-current assets		

Consolidated statement of cash flows		Current quarter €'000	Year to date (3 months) €'000
2.2	Proceeds from disposal of:		
	(g) entities		
	(h) businesses		
	(i) property, plant and equipment		
	(j) investments		
	(k) intellectual property		
	(l) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	(6,670)	(6,670)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	43,676	43,676
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options	31	31
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(944)	(944)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	42,763	42,763

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	13,999	13,999
4.2	Net cash from / (used in) operating activities (item 1.9 above)	28	28
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(6,670)	(6,670)

Consolidated statement of cash flows		Current quarter €'000	Year to date (3 months) €'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	42,763	42,763
4.5	Effect of movement in exchange rates on cash held	295	295
4.6	Cash and cash equivalents at end of period	50,415	50,415

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter €'000	Previous quarter €'000
5.1	Bank balances	50,415	13,999
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	50,415	13,999

6.	Payments to related parties of the entity and their associates	Current quarter €'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	195
6.2	Aggregate amount of payments to related parties and their associates included in item 2	410
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end €'000	Amount drawn at quarter end €'000
7.1	Loan facilities		
7.2	Credit standby arrangements		
7.3	Other (Overdraft)	2,000	NIL
7.4	Total financing facilities	2,000	NIL
7.5	Unused financing facilities available at quarter end		2,000
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well. This is an unsecured overdraft facility from Bank of Ireland, the interest rate is 3.2% per annum.		

8.	Estimated cash available for future operating activities	€'000
8.1	Net cash from / (used in) operating activities (item 1.9)	28
8.2	Cash and cash equivalents at quarter end (item 4.6)	50,415
8.3	Unused finance facilities available at quarter end (item 7.5)	2,000
8.4	Total available funding (item 8.2 + item 8.3)	52,415
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not? Answer: N/A	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful? Answer: N/A	
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis? Answer: N/A	
	<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date:22 October 2021.....

Authorised by: The Board of Directors.....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – e.g. Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.