

28 April 2022

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 31 March 2022 (3Q22), as attached.

Highlights:

- **Closing cash balance at 31 March 2022 of €49.3m, up from €48.6m at 31 December 2021 reflecting positive cash flow generation for the quarter**
- **Strong cash receipts from customers of €35.7m in 3Q22, an increase of 6% on prior quarter and an increase of 34% on prior corresponding period (3Q21)**
- **Headcount of 1,080 at 31 March 2022 down 2% from 1,098 at 31 December 2021**
- **Product Consulting employee utilisation rate remains high with a financial year to date average of 89% at end of 3Q22, down slightly on prior quarter equivalent average of 90%**
- **Strategic alliance agreement signed with major global system integrator to accelerate digital transformations and software implementations for clients**
- **First New Zealand life and health insurer goes live on the FINEOS Platform**
- **Awards – FINEOS wins first place for Inclusion and Diversity at CIPD annual awards, the most prestigious HR award in Ireland. Shortlisted for two other awards for; Embedding a Culture of Workplace Wellbeing, and for Flexible and Hybrid Working.**

Third Quarter Performance

The cash balance at 31 December 2021 was €49.3 million, up 2% from €48.6 million in prior quarter. Customer cash receipts (net of tax) were €35.7 million for the quarter, up 6% from €33.6 million in 2Q22, and up 34% from €26.6 million in 3Q21, reflecting the timing of payments received and a higher debtors balance at the end of the period versus end of prior quarter. Favourable exchange rate movements during the quarter had a positive impact of €0.8 million on the cash balance.

Research and development costs capitalised for the quarter were €7.0 million, up on prior quarter of €5.4 million. A corresponding decrease was reflected in staff costs expensed which fell 19% in the quarter to €11.7 million from €14.3 million in 2Q22. Total R&D expenses continue to increase as investment in product and integration continues. The annual tax credit payment related to the R&D tax credit is due in the fourth quarter of FY22.

Headcount decreased by 2% to 1,080 between 30 December 2021 and 31 March 2022. Product manufacturing and operating costs remained broadly in line with prior quarter, decreasing by 1% to €11.6 million as headcount remained relatively flat.

Administration and Corporate costs in 3Q22 totaled €4.9 million, down 7% on prior quarter from €5.3 million but up 51% on prior corresponding quarter from €3.3 million, primarily reflecting increased AWS, software, and salary costs.

Operationally, FINEOS signed a strategic alliance Ernst & Young Business Consultants, Ireland, a member firm of the global EY network, to accelerate digital transformations and software implementations for clients. The formal alliance now in place is in line with FINEOS' growth strategy to increase engagement with system integrators (SI), to enable FINEOS to focus on product development and SaaS revenue growth.

In New Zealand, Partners Life became the first life and health insurance company in the region to go live on the FINEOS platform, replacing their existing system. This launch is the first stage of the company's claims transformation journey, with medical claims debuting on the FINEOS Platform later this year.

Commenting on the performance for the quarter, CEO Michael Kelly said: "The third quarter was another consistent one for cash collections and operationally we achieved a number of encouraging milestones across our regions from successful go lives, to SI alliance developments to industry awards. Most recently, the strategic alliance signed with EY demonstrates our continued focus on SI engagement. As the global Life, Accident and Health insurance market continues to rapidly transform, this partnership with EY brings business and technology experience and systems integration capabilities to bear for our clients' success."

There were no other substantive business activities during the quarter.

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 €294k which includes salaries and any reimbursements for costs incurred.

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")

31 MARCH 2022

Consolidated statement of cash flows	Current quarter €000	Year to date (9months) €000
1. Cash flows from operating activities		
1.1 Receipts from customers	35,713	100,391
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(11,559)	(33,582)
(c) advertising and marketing	(320)	(881)
(d) leased assets	(414)	(1,922)
(e) staff costs	(11,675)	(38,620)
(f) administration and corporate costs	(4,940)	(17,401)
1.3 Dividends received (see note 3)		
1.4 Interest received	0	0
1.5 Interest and other costs of finance paid	(154)	(469)
1.6 Income taxes paid	(185)	(423)
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)	852	916
1.9 Net cash from / (used in) operating activities	7,318	8,009
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(407)	(623)
(d) investments		
(e) intellectual property	(7,000)	(18,931)
(f) other non-current assets		

Consolidated statement of cash flows		Current quarter €000	Year to date (9months) €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	(7,407)	(19,554)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	0	46,006
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options	65	145
3.4	Transaction costs related to issues of equity securities or convertible debt securities		(745)
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	65	45,406

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	48,550	13,999
4.2	Net cash from / (used in) operating activities (item 1.9 above)	7,318	8,009
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(7,407)	(19,554)

Consolidated statement of cash flows		Current quarter €000	Year to date (9months) €000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	65	45,406
4.5	Effect of movement in exchange rates on cash held	815	1,481
4.6	Cash and cash equivalents at end of period	49,341	49,341

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	49,341	48,550
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)	49,341	48,550

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	294
<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.</i> <i>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)	7,318
8.2	Cash and cash equivalents at quarter end (item 4.6)	49,341
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)	51,341
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:28 April 2022.....

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.