

28 July 2022

Quarterly Activities 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 June 2022 (4Q22), as attached.

Key highlights:

- **Cash receipts from customers up 45% in 4Q22 to €32.9 million (4Q21: €22.7 million)**
- **Headcount at 30 June 2022 up 1% to 1,075 since 30 June 2021, with FY23 headcount expected to be stable from this level**
- **High Product Consulting employee utilisation rate of 89% for FY22, in line with management expectations and stable on 3Q22's year to date average of 89%**
- **Cash payments from operating activities of €32.4 million were €3.4 million (12%) higher than 3Q22 largely reflecting higher contractor payments in 4Q22 and the impact from FX movements**
- **Post quarter-end, FINEOS and New York Life Group Benefit Solutions released a groundbreaking joint case study providing proof that the purpose-built FINEOS Platform successfully meets the business challenges of one of the largest North American group insurers**
- **Closing cash balance at 30 June 2022 of €44.3 million and no debt, supporting the Company's organic growth plans**
- **Reaffirmed guidance for FY22 revenue of between €125 million to €130 million and subscription revenue growth of at least 30%**

Commenting on FINEOS' performance over 4Q22, Founder & CEO Michael Kelly said:

"The fourth quarter saw the Company continue to deliver on our growth strategy, with strong growth in customer cash receipts and subscription revenue underpinning the reaffirmation of previous guidance provided for FY22. We finished the quarter with over €44 million in cash and no debt, providing a strong capital position that supports our organic growth plans. With the business continuing its growth trajectory and cash flows building, we are on track to achieve a positive free cash flow position in FY24."

Customer cash receipts up 45% to €32.9 million

The 4Q22 customer cash receipts (net of tax) were up 45% to €32.9 million (4Q21: €22.7 million). The strong growth was underpinned by the sizeable increase in revenue and ongoing transition of customers to subscription agreements that generate higher recurring revenues. The growth in cash receipts reflects strong growth in revenues and supports the Company's reaffirmation for FY22 revenue of between €125 million to €130 million and subscription revenue growth of at least 30%.

Costs reflect continued investment to support growth initiatives

Research and development investment includes both capitalised and operating costs. Capitalised R&D costs for the quarter were down 2% to €6.8 million and up 3% to €25.8 million for the financial year (FY21: €25.0 million). Uncapitalised R&D costs continued to increase in line with the Company's growth strategy and focus on product development. €0.9 million regarding the annual R&D tax credit in Ireland was received this quarter.

Headcount decreased by 0.5% to 1,075 for 4Q22, increased by 1% during FY22 and is expected to remain stable at this level in FY23. Product manufacturing and operating costs decreased by 8% for 4Q22, while staff costs increased by 33% for 4Q22, largely reflecting higher contractor payments in 4Q22 and the impact from FX movements.

Administration and Corporate costs were up 4% to €5.2 million over 4Q22 (3Q22: €4.9 million) and up 30% to €22.6 million in the financial year (FY21 €17.4 million), primarily due to increased expenditure on software and IT costs.

In reference to payments made to related parties (Section 6 of the attached Appendix 4C report) during 4Q22:

- Rental expense of €195k relates to a lease arrangement with a related entity of Michael Kelly.
- Cash paid to Directors and Non-Executive Directors amounted to €432k, which includes salaries, consultancy fees and reimbursements for costs incurred.

Post 4Q22, FINEOS and New York Life Group Benefit Solutions (NYL) released a ground-breaking joint study proving the purpose-built FINEOS Platform successfully met NYL's business challenges

The purpose-built FINEOS Platform for NYL is used for 9 million customers with a US\$4.1 billion book of business and replaced 6 back-office systems. A ground-breaking joint study, just released, proved that the FINEOS Platform successfully met the business challenges of NYL.

Over 4Q22, both companies have been working together on a joint and extensive promotion campaign of this case study. The campaign commenced on 25 July 2022 and encompasses several events and promotional activities throughout FY23 to promote the world's first purpose-built employee benefits industry platform for group, voluntary and absence management.

Cash balance supports organic growth initiatives

The cash balance at 30 June 2022 was €44.3 million. Favourable exchange rate movements during the quarter had a positive impact of €1.6 million on the year end cash balance.

FY22 results to be released on Wednesday, 24 August 2022

An investor conference call will be hosted by Michael Kelly (Founder & CEO) and Tom Wall (CFO) at 5:00pm AEST / 8:00am BST on the same day.

Those wishing to dial into the briefing, need to pre-register via the following link: <https://s1.c-conf.com/diamondpass/10023082-flam43.html>.

Registered participants will receive their dial in number upon registration.

This announcement has been authorised for lodgement with ASX by FINEOS' Board of Directors.

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About FINEOS

In 1993, Michael Kelly established FINEOS with the introduction of a modern technology suite to help Life insurers provide great service to their customers. Today, FINEOS is the global market leader among Life, Accident and Health insurance technology providers.

FINEOS is a global software company providing modern customer-centric core software to the Employee Benefits and Life, Accident and Health industry. We help our customers move on from outdated legacy administration systems to our modern purpose built, customer-centric core product-suite, FINEOS AdminSuite for New Business, Billing, Claims, Absence and Policy Administration, enabling improved operational efficiency, increased effectiveness and excellent customer care.

FINEOS AdminSuite is designed to manage the modern complex structures and relationships of group and individual insurance processing to optimise plan, coverage and data management, operational processing and business intelligence.

The FINEOS Platform seamlessly blends FINEOS AdminSuite + FINEOS Engage + FINEOS Insight + Platform Capabilities to create the most modern SaaS core insurance platform for Employee Benefits and Life, Accident and Health.

For further information, please visit: <https://www.fineos.com/>.

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 JUNE 2022

Consolidated statement of cash flows	Current quarter €'000	Year to date (12 months) €'000
1. Cash flows from operating activities		
1.1 Receipts from customers	32,890	133,281
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(10,631)	(44,213)
(c) advertising and marketing	(583)	(1,464)
(d) leased assets	(478)	(2,400)
(e) staff costs	(15,497)	(54,117)
(f) administration and corporate costs	(5,162)	(22,563)
1.3 Dividends received (see note 3)		
1.4 Interest received	0	0
1.5 Interest and other costs of finance paid	(147)	(616)
1.6 Income taxes paid	(63)	(486)
1.7 Government grants and tax incentives	931	931
1.8 Other (provide details if material)	(811)	104
1.9 Net cash from / (used in) operating activities	449	8,457

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(g) entities		
(h) businesses		
(i) property, plant and equipment	(224)	(847)
(j) investments		
(k) intellectual property	(6,842)	(25,773)
(l) other non-current assets		

Consolidated statement of cash flows		Current quarter €'000	Year to date (12 months) €'000
2.2	Proceeds from disposal of:		
	(m) entities		
	(n) businesses		
	(o) property, plant and equipment		
	(p) investments		
	(q) intellectual property		
	(r) 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	(7,066)	(26,620)

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	0	145
3.4	Transaction costs related to issues of equity securities or convertible debt securities	0	(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	0	45,406

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	49,341	13,999
4.2	Net cash from / (used in) operating activities (item 1.9 above)	449	8,457
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(7,066)	(26,620)

Consolidated statement of cash flows		Current quarter €'000	Year to date (12 months) €'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)		45,406
4.5	Effect of movement in exchange rates on cash held	1,587	3,069
4.6	Cash and cash equivalents at end of period	44,311	44,311

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	44,311	49,341
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)	44,311	49,341

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	432
<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>		

FINEOS Corporation Limited (Ireland) is party to a lease arrangement with Jacquiel Properties Limited, a Company controlled by Michael Kelly. The rental expense for the quarter was €195K

Cash paid for Directors and Non- Executive Directors in quarter 4 amounted to €432K which includes salaries, consultancy fee, travel and reimbursement for any cost.

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.		

8. Estimated cash available for future operating activities	€'000
8.1 Net cash from / (used in) operating activities (item 1.9)	449
8.2 Cash and cash equivalents at quarter end (item 4.6)	44,311
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)	46,311
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 July 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.