

28 October 2022

Quarterly Activities Report and Business Update

Key 1Q23 highlights:

- Receipts from customers up 14% to €35.4 million (1Q22: €31.1 million)
- Headcount at 30 September 2022 stable at 1,087 (30 June 2022: 1,075), with FY23 headcount expected to reduce slightly as further automation tools and efficiencies are implemented within the Group
- High Product Consulting employee utilisation rate of 87% (FY22: 89%), in line with management expectations
- Payments for operating activities of €32.3 million were in line with the previous quarter (4Q22: €32.4 million), with lower staff costs offset by higher administration and corporate costs
- Retirement of Mr Tom Wall as CFO, Executive Director and Company Secretary, and appointment of Ms Susan O'Connor as the Company's new CFO
- Upcoming FINEOS Board changes, including the proposed appointment of highly experienced US insurance executive Mr William J. Mullaney, with Mr Gilles Biscay and Dr Martin Fahy to step down
- Post quarter-end, New Ireland Assurance Company plc, a member of Bank of Ireland Group, became FINEOS' newest client, signing an agreement for the FINEOS Platform for Employee Benefits for group and individual income protection, life and critical illness
- Closing cash balance at 30 September 2022 of €38.4 million and no debt, supporting the Company's organic growth plans
- Reaffirmed guidance for FY23 revenue of between €135 million and €140 million (underpinned by organic growth from existing customers) and remain on track to achieve a positive free cashflow position in FY24

FINEOS Corporation Holdings PLC (ASX:FCL), the leading provider of core systems for life, accident and health insurance carriers globally, is pleased to provide this quarterly activities report alongside the Company's Appendix 4C cash flow statement for the three months ended 30 September 2022 (1Q23).

Commenting on FINEOS' performance over 1Q23, Founder & CEO Michael Kelly said:

"Our growth has continued over the start of FY23, with ongoing subscriptions growth driving increased cash receipts generated in the first quarter, and more recently a new client signing in our home market of Ireland. I am excited by the growth opportunities I see for the business, in particular with our existing clients and further supporting them in digitising and streamlining their businesses and enabling them to better interact with their customers. With FINEOS continuing its growth trajectory and performing to plan, we have reaffirmed our FY23 revenue guidance of between €135 million and €140 million, and remain on track to achieve a positive free cash flow position in FY24."

Cash receipts from customers up 14% to €35.4 million

1Q23 customer cash receipts (net of tax) were up 14% to €35.4 million (1Q22: €31.1 million). The continued growth in customer receipts was achieved through project successes and the cumulative effect of increasing recurring revenue, in line with the Company's 'land and expand' growth strategy.

Cash payments were up 3% to €32.3 million as investment continued to support growth initiatives

Ongoing investment in research and development is central to the Company's long term growth strategy, with investment focused on product development. Research and development investment includes both capitalised and operating costs. Capitalised R&D payments of €5.9 million were down 9% and 14% on 1Q22 and 4Q22 respectively. Uncapitalised R&D payments continued to increase in line with the Company's growth strategy and focus on product development.

Product manufacturing and operating payments in 1Q23 were relatively stable (compared to 4Q22) at €10.6 million.

As planned, headcount held stable at 1,087 (30 June 2022: 1,075). Staff costs of €15.0 million in 1Q23 were down 3% on 4Q22 reflecting lower contractor payments relative to 4Q22.

1Q23 administration and corporate payments were up 14% to €5.9 million (4Q22: €5.2 million), primarily due to the seasonal impact of prepayments historically made in the first quarter of every year, including a number of software license and insurance costs.

In reference to payments made to related parties in 1Q23 (Section 6 of the attached Appendix 4C report):

- 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 €350k, which includes salaries and reimbursements for costs incurred.

Retirement of Mr Tom Wall as CFO, Executive Director and Company Secretary, and appointment of Ms Susan O'Connor as the Company's new Chief Financial Officer

After 19 years with FINEOS, CFO & Executive Director, Mr Wall, stepped down from the Board and his Executive roles on 30 September 2022, allowing for a timely transition of duties and responsibilities to Ms Susan O'Connor, who commenced with the Company on 5 July 2022 and was appointed CFO on 1 October 2022. The Board would like to thank Mr Wall for his service to the Company and wishes him all the best in his future endeavours.

Upcoming FINEOS Board changes, including the proposed appointment of highly experienced US insurance executive Mr William J. Mullaney, with Mr Gilles Biscay and Dr Martin Fahy to step down

FINEOS was pleased to announce that Mr William J. Mullaney will join the Company's Board as an independent non-executive Director, commencing on 1 January 2023 (subject to securityholder approval at the Annual General Meeting in December). The Board is recommending Mr Mullaney's appointment as a non-executive Director of FINEOS, knowing he will bring valuable insight and relationships in the US insurance industry.

In addition, to facilitate Board rotation, Mr Gilles Biscay and Dr Martin Fahy will retire from the Board in December 2022. The Board would like to thank both gentlemen for their contributions to FINEOS and wishes them all the best in their future endeavours.

Post 4Q22, New Ireland Assurance Company became FINEOS' newest client

New Ireland signed an agreement for the FINEOS Platform Employee Benefits for group and individual income protection, life and critical illness. Commenting on FINEOS' newest client, Founder & CEO Michael Kelly said: "FINEOS is especially proud to grow with another client here in our home market."

Cash balance supports organic growth initiatives as planned

The cash balance at 30 September 2022 was €38.4 million and the Company had no debt. Unfavourable exchange rate movements during the quarter had a negative impact of €0.6 million on the cash balance at the end of 1Q23.

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

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About FINEOS

FINEOS (ASX:FCL) is a leading provider of core systems for life, accident and health insurance carriers globally with 7 of the 10 largest group life and health carriers in the US as well as a 70% market share of Group Insurance in Australia. With employees and offices throughout the world, FINEOS continues to scale, working with innovative progressive carriers in North America, Europe and Asia Pacific.

The FINEOS Platform provides customers full end-to-end core administration for group, voluntary and absence employee benefits across the global life, accident and health industry. The FINEOS Platform includes the FINEOS AdminSuite core product suite as well as add-on products, FINEOS Engage to support digital engagement and FINEOS Insight for analytics and reporting.

For more information, please visit 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 SEPTEMBER 2022

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	35,350	35,350
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(10,582)	(10,582)
(c) advertising and marketing	(330)	(330)
(d) leased assets	(462)	(462)
(e) staff costs	(14,980)	(14,980)
(f) administration and corporate costs	(5,902)	(5,902)
1.3 Dividends received (see note 3)		
1.4 Interest received	0	0
1.5 Interest and other costs of finance paid	(111)	(111)
1.6 Income taxes paid	(188)	(188)
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)	314	314
1.9 Net cash from / (used in) operating activities	3,109	3,109
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses	(2,403)	(2,403)
(c) property, plant and equipment	(98)	(98)
(d) investments		
(e) intellectual property	(5,900)	(5,900)
(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	(8,401)	(8,401)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options	2	2
3.4	Transaction costs related to issues of equity securities or convertible debt securities		
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	2	2

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	44,311	44,311
4.2	Net cash from / (used in) operating activities (item 1.9 above)	3,109	3,109
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(8,401)	(8,401)

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)	2	2
4.5	Effect of movement in exchange rates on cash held	(640)	(640)
4.6	Cash and cash equivalents at end of period	38,381	38,381

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	38,381	44,311
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)	38,381	44,311

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	350
<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 Jacquel 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 1 amounted to €350K 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)	3,109
8.2	Cash and cash equivalents at quarter end (item 4.6)	38,381
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)	40,381
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 October 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 – eg 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