

30 January 2023

Quarterly Activities Report and Business Update

Key 2Q23 highlights:

- Cash balance at 31 December 2022 of €24.0 million and no debt, supporting the Company's organic growth plans
- Cash receipts from customers of €27.4 million, down 18% on prior corresponding period (2Q22: €33.6 million)
- Headcount at 31 December 2022 slightly down at 1,063 (30 September 2022: 1,087) as further automation and efficiencies are implemented within the Group
- Product Consulting employee utilisation rate of 86% (FY22: 89%), slightly down but remains in line with management expectations
- Payments for operating activities of €33.0 million during the quarter were in line with the previous quarter (Q123: €32.3 million)
- Highly experienced US insurance executive Mr William J. Mullaney appointed to the Board at the 2022 AGM, with Mr Gilles Biscay and Dr Martin Fahy stepping down to facilitate orderly Board rotation
- QSuper Limited officially began the upgrade of their FINEOS Claims system to the cloud-based SaaS FINEOS Platform
- New Ireland Assurance Company plc contract signing announced in last quarter has progressed into full project implementation

FINEOS Corporation Holdings PLC (ASX:FCL), (Fineos or Company) the leading provider of core systems for life, accident and health insurance globally, is pleased to provide this report alongside the Company's Appendix 4C cashflow statement for the three months ended 31 December 2022 (2Q23).

Commenting on FINEOS' performance over 2Q23, Founder & CEO Michael Kelly said:

"Our first half has closed out in line with expectations, reflecting healthy cash collections and continued execution of our strategy. Our platform continues to strengthen as customers scale their business on FINEOS to eliminate legacy systems and streamline their business. With the commencement of our first cloud upgrade in Australia during this period we expect cloud upgrade activity in this region to grow through the calendar year."

QSuper Limited becomes first FINEOS client in Australia to upgrade to the Cloud

QSuper Limited, first contracted in 2018 for the on-premise FINEOS Claims solution, officially commenced their upgrade to the cloud SaaS based FINEOS Platform to enable agility, a better customer digital experience, enhanced security and technology capabilities (aided by the Amazon AWS platform), and the transfer of operational infrastructure management to the FINEOS Platform. Growing demand continues from existing FINEOS on-premise clients to move to the FINEOS Platform.

Cash receipts from customers down 18% to €27.4 million

2Q23 customer cash receipts (net of tax) were down 18% to €27.4 million (2Q22: €35.4 million).

While Subscription Revenues have continued to grow during the quarter (by 6% v 1Q23 and by 19% v 2Q22), the timing of the vast majority of related receipts for Subscription Revenues fall due for collection in the third Quarter. Receipts in 1Q23 were boosted by the receipt of €3.4 million in early July that had been expected in 4Q22.

Two major client projects achieved significant milestone implementation deliverables, which led to a temporary reduction in Services demand before the next project phases commenced. However, the positive consequence of these significant milestone implementation deliverables has meant that Subscription Revenues continued to increase during the quarter.

Cash payments were up 2% to €33.0 million as investment was maintained to support growth initiatives

Ongoing investment in product research and development is central to the Company's long-term growth strategy. Research and development investment includes both capitalised and operating costs. Capitalised R&D payments of €7.7 million were up 41% when compared with 2Q22. Uncapitalised R&D payments continued to increase in line with the Company's growth strategy and focus on product development.

Staff costs of €16.5 million in 2Q23 were up 11% on 1Q23. This figure needs to be read together with Product manufacturing and operating payments in 2Q23, as these were 8% lower (compared to 1Q23) at €9.8 million. Lower Services Revenues in the quarter meant less cost allocated to Product manufacturing and operating costs and more costs allocated under the Staff costs category. There was a small reduction in headcount to 1,063 (30 September 2022 1,087).

2Q23 administration and corporate payments were down 2% to €5.8 million (1Q23: €5.9 million).

In reference to payments made to related parties in 2Q23 (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 €297k, which includes salaries and reimbursements for costs incurred.

Cash balance supports organic growth initiatives as planned

The cash balance at 31 December 2022 was €24.0 million and the Company had no debt. As the Euro to USD was largely stable over the past quarter FINEOS received neither material benefit nor loss through the quarter.

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 Holdings plc

ABN

633 278 430

Quarter ended ("current quarter")

31 DECEMBER 2022

Consolidated statement of cash flows	Current quarter €'000	Year to date (6 months) €'000
1. Cash flows from operating activities		
1.1 Receipts from customers	27,407	62,757
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(9,767)	(20,349)
(c) advertising and marketing	(446)	(776)
(d) leased assets	(272)	(734)
(e) staff costs	(16,557)	(31,537)
(f) administration and corporate costs	(5,832)	(11,734)
1.3 Dividends received (see note 3)		
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	(93)	(204)
1.6 Income taxes paid	525	337
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)	(353)	(39)
1.9 Net cash from / (used in) operating activities	(5,387)	(2,278)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses	0	(2,403)
(c) property, plant and equipment	(20)	(118)
(d) investments		
(e) intellectual property	(7,682)	(13,582)
(f) other non-current assets		

Consolidated statement of cash flows		Current quarter €'000	Year to date (6 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	(7,702)	(16,103)

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	135	137
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	135	137

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	38,381	44,311
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(5,387)	(2,278)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(7,702)	(16,103)

Consolidated statement of cash flows		Current quarter €'000	Year to date (6 months) €'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	135	137
4.5	Effect of movement in exchange rates on cash held	(1,465)	(2,105)
4.6	Cash and cash equivalents at end of period	23,962	23,962

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	23,981	38,381
5.2	Call deposits		
5.3	Bank overdrafts	(19)	
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	23,962	38,381

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	297
<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 2 amounted to €297K 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.</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.		

8.	Estimated cash available for future operating activities	€'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(5,368)
8.2	Cash and cash equivalents at quarter end (item 4.6)	23,962
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)	25,962
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1) <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>	5
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: 30 January 2023.....

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