

28 July 2023

Quarterly Activities Report for the quarter ended June 2023

FINEOS delivers strong quarter

Key 4Q23 highlights:

- Cash balance at 30 June 2023 of €25.5 million and no debt (31 March 2023: €31.0 million), supporting the Company's organic growth plans
- Cash receipts from customers down 11.2% for the quarter versus 4Q22 but up 7.0% for the half year versus 2H22
- Headcount at 30 June 2023 slightly down at 1,042 (31 March 2023: 1,052) as further automation and efficiencies are implemented within the Company
- Outgoing payments for operating activities of €28.3 million, down 5.4% from previous quarter (3Q23: €29.9 million) in line with efficiency measures announced in March 2023.
- All of the product components of FINEOS AdminSuite comprising FINEOS Policy, FINEOS Billing, FINEOS Absence, and FINEOS Claims were selected by a top 10 US group insurance carrier for their absence related group insurance business, as announced on 19 June, 2023.
- Securian Canada selected the FINEOS Platform to expand its disability management offering.
- Two existing clients – RBC in Canada and iCare in Australia – contracted to upgrade from their on-premises FINEOS Claims product to the FINEOS Platform (cloud version) during 4Q23. iCare has also committed to expand their use of the FINEOS Platform by migrating an additional scheme to the FINEOS Platform. The pipeline of existing clients preparing to transition from on-premises to cloud remains strong.

FINEOS Corporation Holdings PLC (ASX:FCL), the leading provider of core systems for employee benefits in the life, accident and health insurance industry globally, is pleased to provide this unaudited quarterly activities report alongside the Company's Appendix 4C cashflow statement for the three months ended 30 June 2023 (4Q23).

Commenting on FINEOS' performance over 4Q23, Founder & CEO Michael Kelly said:

"We are delighted to finish our fourth quarter with the closing of a major sale of the FINEOS Platform to a top 10 US group insurance carrier. This is testament to the hard work of our team, our track record of proven success and to the truly strong customer relationships and references we have built in the US group, voluntary and absence employee benefits insurance market. We are also very pleased with our continued progress in closing deals to migrate customers to our FINEOS Platform, with new sales to Securian in Canada and commitment to additional use of the FINEOS Platform by iCare in Australia contracted during the final quarter of FY23.

The FINEOS Platform selected by a top 10 US group insurance carrier

As announced on 19 June 2023, a leading top 10 US group insurance provider of employee benefits and financial wellness solutions, has signed an agreement to implement the market-leading, purpose built FINEOS Platform (Policy, Billing, Absence and Claims products).

This project is underway with a soft go live expected in autumn 2024 and full utilisation planned for the beginning of 2025.

Securian Canada

In 4Q23, Securian Canada, a leading insurance provider of innovative life-ready insurance and protection solutions, selected the FINEOS Platform for its disability management claims administration needs. More information on the partnership can be found on: <https://www.fineos.com/2023/07/17/securian-canada-selects-the-fineos-platform-to-expand-disability-management-offering/>

Existing clients upgrading to the FINEOS Platform

The company continues to work with customers to migrate their on-premise instances of FINEOS to the FINEOS Platform. In 4Q23 a further two customers signed up to upgrade to the cloud: Royal Bank of Canada who has used FINEOS Claims since 2005; and iCare, a FINEOS Claims customer since 2008, has committed to migrating the Long Term Care scheme on their existing on premises FINEOS Claims system to the FINEOS Platform. In addition, iCare intends to expand their use of the FINEOS Platform to support the Dust Diseases Board scheme for claims management. iCare is a New South Wales government institution that provides a range of insurance services to both government and the private sector.

Cash receipts from customers down 11.2% for the quarter versus 4Q22 but up 7.0% for the half year versus 2H22.

Reflecting the seasonally high receipts in the third quarter, cash receipts from customers are down 11.2% for the quarter to €29.2 million (4Q22: €32.9 million). For the half year they are up 7.0% (2H23 €73.4 million v 2H22 €68.6 million) reflecting continued growth in Subscription Fees.

Cash outgoing payments were down 5.4% to €28.3 million mainly driven by lower headcount, timing of payments and favorable exchange rate.

Product manufacturing and operating costs were in line with prior quarter costs.

Staff costs of €14.9 million in 4Q23 were down 1.4% on 3Q23 due to a small reduction in the number of contractors and the timing of contractor payments. The weaker US Dollar also impacted positively on staff in-market costs. There was a small reduction in headcount to 1,042 (31 March 2023: 1,052).

Product Consulting employee utilisation rate of 86% (3Q23: 86%) remains in line with management expectations.

4Q23 administration and corporate payments were down 34.1% to €2.9 million (3Q23: €4.3 million) due to a combination of timing, a small reduction in headcount and favorable exchange rate movements.

Ongoing investment in product research and development is central to the Company's long-term growth strategy. Payments for Research and development (R&D) investment include both capitalised and operating costs. Capitalised R&D payments of €6.6 million were down 2.9% when compared with 4Q22 due to the small reduction in headcount. The annual tax credit of €0.6 million receipt related to the qualifying R&D expenditure in 4Q23.

In reference to payments made to related parties in 4Q23 (Section 6 of the attached Appendix 4C report): Cash paid to Directors and Non-executive Directors amounted to €161k, which includes salaries and reimbursements for costs incurred.

Cash balance supports organic growth initiatives as planned

The cash balance at 30 June 2023 was €25.5 million (31 March 2023: €31.0 million) and the Company had no debt. The receipts and payments were both impacted by currency movements to a similar extent over the past quarter.

Net cash from operations continues to increase rising to €13.5m for the full year (FY22: €8.5m).

The Company remains on track to deliver positive free cash flow in 3Q24.

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")

30 June 2023

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		29,172	136,139
1.2 Payments for			
(a) research and development			
(b) product manufacturing and operating costs		(9,376)	(39,340)
(c) advertising and marketing		(415)	(1,616)
(d) leased assets		(579)	(1,575)
(e) staff costs		(14,917)	(61,590)
(f) administration and corporate costs		(2,881)	(18,960)
1.3 Dividends received (see note 3)			
1.4 Interest received		33	38
1.5 Interest and other costs of finance paid		(117)	(399)
1.6 Income taxes paid		(51)	243
1.7 Government grants and tax incentives		573	573
1.8 Other (provide details if material)		(321)	2
1.9 Net cash from / (used in) operating activities		1,121	13,515
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		(170)	(436)
(d) investments			
(e) intellectual property		(6,643)	(26,725)
(f) other non-current assets			

Consolidated statement of cash flows		Current quarter €'000	Year to date (12 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	(6,813)	(29,564)

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	3	153
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	3	153

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	30,966	44,311
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,121	13,515
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(6,813)	(29,564)

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)	3	153
4.5	Effect of movement in exchange rates on cash held	240	(2,898)
4.6	Cash and cash equivalents at end of period	25,517	25,517

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	25,517	30,966
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)	25,517	30,966

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	0
6.2	Aggregate amount of payments to related parties and their associates included in item 2	161
<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 3 amounted to €161K which includes salaries, travel and reimbursement of any costs.

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)	1,121
8.2	Cash and cash equivalents at quarter end (item 4.6)	25,517
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)	27,517
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>	N/A
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 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 – 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