

26 October 2023

Quarterly Activity Report and Business Update

FINEOS Corporation Holdings PLC (ASX:FCL), the leading modern enterprise core software for the life, accident and health industry, presents its quarterly activity report and Appendix 4C cash flow statement for the three month period ending 30 September 2023 (1Q24), as attached.

Highlights:

- Completion of an oversubscribed A\$40m institutional placement (A\$5m from CEO Michael Kelly subject to security holder approval at the AGM) and a share purchase plan for retail securityholders (completed in September) raising an additional A\$216k
- Closing cash balance at 30 September 2023 of €34.9m, up from €25.5m at 30 June 2023
- Cash receipts from customers of €28.8m in 1Q24, a decrease of 1% from prior quarter, and down 18% from 1Q23, owing to the timing of payments, particularly in prior corresponding period (pcp)
- Another new name client win in Direct-to-Employer market
- Proposed appointment of new Board member in U.S., Ms. Terri Rhodes, previous CEO of DMEC
- Partners Life released case study outlining how the implementation of the FINEOS Platform has streamlined customer interaction and brought cost savings and efficiencies for the company and its customers
- Partnership announced with Osara Health to offer integration of additional services for cancer patients and caregivers to insurance carriers using the FINEOS Platform for group, voluntary and individual insurance products
- FINEOS to host the Group and Employee Benefits segment; GroupTech Connect (GTC) at InsureTech Connect (ITC) on 31 October 2023, the insurance technology industry's largest conference and expo in the U.S.
- Headcount of 1,044 at 30 September 2023 broadly in line with previous quarter end of 1,042 at 30 June 2023
- High Product Consulting employee utilisation rate with a year-to-date average of 88% at end of 1Q24, up on prior quarter equivalent average of 86%
- AGM to be held in Dublin and webcast for virtual attendees on 5 December 2023.

First Quarter Performance

The cash balance at 30 September 2023 was €34.9 million, up from €25.5 million in prior quarter primarily reflecting the net proceeds received from the institutional placement of €20.9 million, with a further A\$5 million due for collection from CEO Michael Kelly who participated in the placement, subject to security holder approval at the AGM. Customer cash receipts (net of tax) were €28.8 million broadly in line with 4Q23 but down 18% on pcp due to that quarter including a late payment of a large invoice. Exchange rate movements during the quarter had a negative impact of €0.7 million on the cash balance.

Research and development costs capitalised for the quarter were €6.4 million. The annual tax credit payment related to the R&D tax credit is due in the fourth quarter of FY24. Product manufacturing and operating costs in 1Q24 were €8.9 million, a decrease of 5% on prior quarter, down from €9.4 million. Staff costs of €13.7 million were down on prior quarter of €14.9 million due to the timing of contractor payments and in keeping with the ongoing execution of cost saving measures.

Administration and Corporate costs in 1Q24 totaled €9.4 million, up from €2.9 million in the previous quarter, reflecting the seasonal impact of prepayments made in the first quarter of every year, deferred payments from 4Q23, and coupled with a number of new and increasing software license costs, insurance costs, and the one-off capital raise costs that took place during the quarter.

Sales and Marketing activity spend for the quarter was down on prior period and pcp in keeping with cost saving measures. Sales and Marketing activity this quarter has centered around InsureTech Connect, the largest annual conference for insurance technology in the U.S., taking place at the end of October in Las Vegas. FINEOS will be leading the Group and Employee Benefits segment; “GroupTech Connect”, now in its third year. The event is designed specifically for Group and Employee Benefits insurers and provides a great opportunity for FINEOS to showcase its product suite and connect in person with existing and prospective clients.

Commenting on the performance for the quarter, CEO Michael Kelly said: “The first quarter has been very rewarding as we achieved a number of wins covering important project go-lives, new name client in the Direct-to-Employer market, a new partnership in Osara Health, and a case study published on Partners Life and the FINEOS platform, providing a great reference for existing clients in the region, and globally, that are about to embark on the journey of migrating to the cloud. We also completed an oversubscribed capital raise, of which I participated in, to support our growth strategy and strengthen our balance sheet. Most recently, we were delighted to announce the proposed appointment of Ms. Terri Rhodes to the Board commencing 1 January next year, subject to securityholder approval at the AGM.”

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 €272k which includes salaries and any reimbursements for costs incurred.

There were no other substantive business activities during the quarter.

The Annual General Meeting will be webcast on 5 December 2023 commencing at 8 a.m. (IST) / 7 p.m. (AEDT).

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 Holdings plc

ABN

633 278 430

Quarter ended ("current quarter")

30 September 2023

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	28,831	28,831
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(8,896)	(8,896)
(c) advertising and marketing	(278)	(278)
(d) leased assets	(212)	(212)
(e) staff costs	(13,749)	(13,749)
(f) administration and corporate costs	(9,410)	(9,410)
1.3 Dividends received (see note 3)		
1.4 Interest received	32	32
1.5 Interest and other costs of finance paid	(93)	(93)
1.6 Income taxes paid	(145)	(145)
1.7 Government grants and tax incentives	0	0
1.8 Other (provide details if material)	(162)	(162)
1.9 Net cash from / (used in) operating activities	(4,082)	(4,082)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses	0	0
(c) property, plant and equipment	(32)	(32)
(d) investments		
(e) intellectual property	(6,400)	(6,400)
(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	(6,432)	(6,432)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	20,855	20,855
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options	3	3
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(319)	(319)
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	20,539	20,539

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	25,517	25,517
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(4,082)	(4,082)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(6,432)	(6,432)

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)	20,539	20,539
4.5	Effect of movement in exchange rates on cash held	(689)	(689)
4.6	Cash and cash equivalents at end of period	34,853	34,853

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	34,853	25,517
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)	34,853	25,517

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	390
6.2	Aggregate amount of payments to related parties and their associates included in item 2	272
<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. In Q1 FY24, FINEOS Corporation Limited paid for Q1 FY24, and Q2 FY24 in advance.

Cash paid for Directors and Non- Executive Directors in quarter 1 amounted to €272K 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.		
	This is an unsecured overdraft facility from Bank of Ireland, the interest rate is 7.5% per annum.		

8.	Estimated cash available for future operating activities	€'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(4,082)
8.2	Cash and cash equivalents at quarter end (item 4.6)	34,853
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)	36,853
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	9.0
	<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: 26 October 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