

30 January 2024

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 unaudited quarterly activity report and Appendix 4C cash flow statement for the three month period ending 31 December 2023, as attached.

Highlights:

- **Completion of A\$5m placement at \$2.25 from CEO Michael Kelly as approved by security holders at the AGM on 5 December**
- **Closing cash balance at 30 December 2023 of €28.1m, down from €34.9m at 30 September 2023**
- **Cash receipts from customers of €24.5m, a decrease of 15% from prior quarter, and down 10% from the prior corresponding period (pcp), reflecting lower service revenues while subscriptions growth continues**
- **On 1 November, Securian Canada went live in a record timeframe with its new claims administration software solution**
- **Completed the work for New Ireland, one of Ireland's largest life assurance companies to go live on the FINEOS platform in January 2024, providing a claims solution for group and individual income protection, life and critical illness**
- **Headcount of 1,059 at 31 December 2023 up slightly on previous quarter end of 1,044 at 30 September 2023**
- **High Product Consulting employee utilisation rate with a year-to-date average of 87% at 31 December, broadly in line with prior quarter equivalent average of 88% at 30 September 2023**
- **The Company's financial year end to change from 30 June to 31 December in 2024**
- **Results for the 6-month transitional financial year beginning on 1 July 2023 and ending on 31 December 2023 ("FY23X") scheduled to be released on 21 February 2024**

Quarter Performance

The cash balance at 31 December 2023 was €28.1 million, down from €34.9 million in prior quarter primarily reflecting the business operations partially offset by the proceeds received from the A\$5 million placement to CEO Michael Kelly as approved at the AGM on 5 December. Customer cash receipts (net of tax) were €24.5 million down 15% on previous quarter and down 10% on pcp due to slighter weaker services revenue as a small number of project start dates were pushed out. Exchange rate movements during the quarter had a positive impact of €1.2 million on the cash balance.

Research and development costs capitalised for the quarter were €7.0 million, to support product demands. The annual tax credit payment related to the R&D tax credit is due in the second quarter of the calendar year 2024.

Cost saving measures across the company continue to be focused on and implemented as reflected in the spend during the quarter; product manufacturing and operating costs for the quarter were €8.5 million, a decrease of 4% on prior quarter and down 13% on pcp. Staff costs of €14.0 million were broadly in line with prior quarter, (up 2%) and down 15% on pcp. Administration and corporate costs for the quarter totaled €5.5 million, down from €9.4 million in the previous quarter (which included a large number of annual prepayments for the business), and down 6% on pcp.

Sales and Marketing activity spend for the quarter was €0.2 million down 11% on prior period and down 48% on pcp in keeping with cost saving measures also.

Commenting on the performance for the quarter, CEO Michael Kelly said: “The last quarter of the calendar year was busy across all regions; completed the work for New Ireland to go live on the FINEOS Platform in January 2024, we celebrated a successful milestone with one of our fastest go lives for Securian Canada, a new client in 2023, where the process was completed in less than five months. This demonstrates the strength and depth of the FINEOS Platform and sets a precedent for future client implementations.

In the ANZ region, we are seeing clients successfully migrating to the FINEOS Platform and expect to see this trend continue into 2024, as legacy core systems are retired and our clients move to become more agile and operationally efficient, while utilising current versions of the FINEOS software that are regularly updated for the latest technology, cyber security, and regulatory compliance requirements.

As we embark on our new financial year in 2024, we are excited by the business prospects and opportunities in the market and continue to strive for excellence in delivery for our clients.”

In reference to payments to related parties (Section 6 of the attached Appendix 4C report), item 2 is cash paid for Directors and Non-Executive Directors during the third quarter that amounted to €219k which includes salaries and any reimbursements for costs incurred.

There were no other substantive business activities during the quarter.

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")

31 December 2023

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	24,535	53,366
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(8,503)	(17,399)
(c) advertising and marketing	(232)	(510)
(d) leased assets	(208)	(420)
(e) staff costs	(14,000)	(27,749)
(f) administration and corporate costs	(5,496)	(14,906)
1.3 Dividends received (see note 3)		
1.4 Interest received	71	103
1.5 Interest and other costs of finance paid	(91)	(184)
1.6 Income taxes paid	(138)	(283)
1.7 Government grants and tax incentives	0	0
1.8 Other (provide details if material)	126	(36)
1.9 Net cash from / (used in) operating activities	(3,936)	(8,018)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(89)	(121)
(d) investments		

Consolidated statement of cash flows		Current quarter €'000	Year to date (6 months) €'000
	(e) intellectual property	(7,000)	(13,400)
	(f) other non-current assets		
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	(7,089)	(13,521)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	3,081	23,936
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		3
3.4	Transaction costs related to issues of equity securities or convertible debt securities		(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	3,081	23,620

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	34,853	25,517
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,936)	(8,018)

Consolidated statement of cash flows		Current quarter €'000	Year to date (6 months) €'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(7,089)	(13,521)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,081	23,620
4.5	Effect of movement in exchange rates on cash held	1,226	537
4.6	Cash and cash equivalents at end of period	28,135	28,135

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	28,135	34,853
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)	28,135	34,853

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	219
<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>		

Cash paid for Directors and Non- Executive Directors in quarter 2 amounted to €219K 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)	(3,936)
8.2	Cash and cash equivalents at quarter end (item 4.6)	28,135
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)	30,135
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	8
	<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: 30 January 2024.....

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