

24 April 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 March 2024 (1Q24), as attached.

Highlights:

- **Closing cash balance at 31 March 2024 of €29.8m, up from €28.1m at 31 December 2024 reflecting positive cashflow generation for the quarter**
- **Cash receipts from customers of €36.9m, an increase of 51% from prior quarter, and down 16% from the prior corresponding period (pcp)**
- **One large existing client contract currently being renegotiated and expected to be finalised in 2Q24, impacting the timing of cash collections in 1Q24**
- **Guardian remains on track to go live later this year, key milestone AdminSuite product software successfully released during the quarter in preparation for go live**
- **On track to deliver AdminSuite support for New York Life to enter the US voluntary benefits market, in line with their plans this year**
- **Cost out and efficiency focus continued during the quarter**
- **High Product Consulting employee utilisation rate with a year-to-date average of 83% at 31 March 2024, down slightly on pcp equivalent average of 84%**

Quarter Performance

The cash balance at 31 March 2024 was €29.8 million, up from €28.1 million in prior quarter reflecting the seasonally stronger quarter for cash collections. Customer cash receipts (net of tax) were €36.9 million up 51% on previous quarter but down 16% on pcp due to one large client contract currently being renegotiated with payment expected in 2Q24 once contracts are finalised. Exchange rate movements during the quarter had a positive impact of €0.5 million on the cash balance.

Research and development costs capitalised for the quarter were €6.8 million, in line with previous quarters, to support product demand. The annual tax credit payment related to the R&D tax credit is due in the second quarter of the calendar year 2024.

Cost out and efficiency measures across the company continue to be our focus as reflected in our spend, despite a number of exceptional software prepayments that occurred during the quarter. Product manufacturing and operating costs for the quarter were €9.5 million, an increase of 11% on prior quarter but down 2% on pcp. Staff costs of €13.5 million were down 3% on prior quarter and down 11% on pcp. Administration and corporate costs for the quarter totaled €6.2 million, up 13% on the previous quarter and up 43% on pcp, primarily reflecting prepayments for a number of software and data storage products in 1Q24.

Sales and Marketing activity spend for the quarter was €0.3 million, up 21% on prior period but down 34% on pcp. Headcount of 1,052 at 31 March 2024 down 1% on previous quarter end of 1,059 at 31 December 2023. The makeup of headcount continues to be biased towards growth in lower cost regions.

Commenting on the performance for the quarter, CEO Michael Kelly said: “We continue to focus on key product investment to support our clients as they implement and expand their use of the FINEOS Platform for Employee Benefits, as well as investing to round out FINEOS Absence for Employers. A lot of important work has been completed during our first quarter to ensure key milestones, including planned go lives for later in the year are met. For Guardian, we continue to be on track with FINEOS AdminSuite in preparation for their production go live later this year in line with our joint plans. This milestone, combined with the fact that New York Life continues to be the only employee benefits carrier with a modern end-to-end core system in production (\$4.1 billion premium, 9 million clients) having replaced 6 legacy core systems, should put FINEOS AdminSuite into a strong market position as the only purpose built policy administration system for group, voluntary and absence management.

Elsewhere we are renegotiating on another large client as their contract comes up for renewal. We are working to align subscription fee growth with our clients’ business growth and expect to finalise contracts shortly.

Our pipeline remains healthy as employee benefits carriers begin to appreciate the importance of core systems being purpose built for their industry.”

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 payment for the quarter was €390k which covered payments for 1Q24 and 2Q24 in advance. Item 2 is cash paid for Directors and Non-Executive Directors during the third quarter that amounted to €224k 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 March 2024

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	36,955	36,955
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(9,458)	(9,458)
(c) advertising and marketing	(282)	(282)
(d) leased assets	(252)	(252)
(e) staff costs	(13,512)	(13,512)
(f) administration and corporate costs	(6,217)	(6,217)
1.3 Dividends received (see note 3)		
1.4 Interest received	113	113
1.5 Interest and other costs of finance paid	(85)	(85)
1.6 Income taxes paid	(10)	(10)
1.7 Government grants and tax incentives	73	73
1.8 Other (provide details if material)	992	992
1.9 Net cash from / (used in) operating activities	8,317	8,317

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(400)	(400)
(d) investments		
(e) intellectual property	(6,750)	(6,750)

Consolidated statement of cash flows		Current quarter €'000	Year to date (3 months) €'000
2.2	(f) other non-current assets 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	(7,150)	(7,150)

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		
3.4	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		

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	28,135	28,135
4.2	Net cash from / (used in) operating activities (item 1.9 above)	8,317	8,317
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(7,150)	(7,150)

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)	-	-
4.5	Effect of movement in exchange rates on cash held	539	539
4.6	Cash and cash equivalents at end of period	29,841	29,841

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	29,841	28,135
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)	29,841	28,135

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	224
<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 payment for the quarter was €390K. 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 €224K 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)	8,317
8.2	Cash and cash equivalents at quarter end (item 4.6)	29,841
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)	31,841
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: 24 April 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