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29 October 2020

Quarterly Activity Report and Business Update

FINEOS Corporation Holdings PLC (ASX:FCL), the leading provider of core systems for life, accident and health insurance carriers globally, presents its quarterly activity report and Appendix 4C cash flow statement for the three month period ending 30 September 2020 (1Q21), as attached.

Highlights:

- **Closing cash balance at 30 September 2020 of €34.9m, down from €39.8m at 30 June 2020**
- **Cash receipts of €30.1m in 1Q21, an increase of 18%, up from €25.5m in prior quarter**
- **Acquisition of Limelight Health completed on 14 August 2020, cash balances reflect consolidated view**
- **Institutional placement and share purchase plan completed during the quarter to part fund the acquisition of Limelight**
- **Headcount of 1,040 at 30 September 2020, a 19% increase on the total of 875 at 30 June 2020. Growth reflects the inclusion of Limelight Health employees**
- **High Product Consulting employee utilisation rate with an annual average of 87% at end of 1Q21, slightly down on prior quarter of 91%, but in line with management expectations**
- **Vast majority of the company continues to work remotely as a result of COVID-19, with New Zealand employees partially returning to the office**
- **In October, a Heads of Agreement was signed with QInsure in Australia, signalling the intent to upgrade QInsure's FINEOS Claims system to the FINEOS Claims SaaS edition on the FINEOS Platform, powered by AWS**
- **Virtual AGM to be held and webcast on 4 November 2020**

First Quarter Performance

The company recorded a strong opening quarter for the new financial year, FY21, with an approx. six week contribution from Limelight Health which is consolidated in the numbers reported. The cash balance at 30 September 2020 was €34.9 million with customer cash receipts (net of tax) of €30.1 million for the quarter, up on the previous quarter of €25.1 million and up from €16.2 million in the prior corresponding period, primarily reflecting the timing of SaaS revenue collections and strong services revenue which is billed on a monthly basis.

During the quarter, on 14 August 2020, FINEOS acquired Limelight Health for US$75 million (A$106 million), a leading provider of highly configurable, cloud-based quoting, rating, and underwriting software solutions to insurers in North America. Limelight is highly complementary to FINEOS' strategy of strengthening its focus on the North American market and accelerating its sales, marketing and product development capabilities in the region. To help fund the acquisition an institutional placement and share purchase plan were undertaken, raising a total of A$93 million. Phase 1 of a 12-month integration process is underway and progressing well.

Unfavourable exchange rates during the quarter had a negative impact of €0.3 million on the cash balance.

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Research and development costs capitalised for the quarter were €5.1 million. Excluding a true-up of capitalisation in the June audited financial statements, R&D capitalised in the first quarter of FY21 was up on with the prior quarter due to additional headcount. The annual tax credit payment related to the R&D tax credit is due in the fourth quarter of FY21. Product manufacturing and operating costs of €9.8 million decreased slightly on prior quarter of €10.1 million primarily reflecting the timing of contractor payments.

Administration and Corporate costs for the quarter totaled €7.1 million, up from €1.7 million in the previous quarter and up from €2.9 million in the prior corresponding period, reflecting costs associated with the equity raise completed in August and the seasonal impact of prepayments historically made in the first quarter of every year including a number of license and insurance costs.

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 first quarter that amounted to €283k which includes salaries, consultancy fee and any reimbursements for costs incurred.

There were no other substantive business activities during the quarter.

Subsequent to the quarter end, in October 2020, a Heads of Agreement was signed with QInsure, a wholly owned subsidiary of the QSuper Group, one of Australia's largest and most respected superannuation funds, signaling the intent to upgrade QInsure's FINEOS Claims system to the FINEOS Claims SaaS edition on the FINEOS Platform, powered by AWS. QInsure implemented and went live with FINEOS Claims in September 2019.

Speaking about the relationship, CEO of QInsure, Phil Fraser said, "Our partnership with FINEOS continues to grow and we are realising benefits from the FINEOS Claims system, including streamlined claims processes which enables our Claim Managers to focus on providing excellent outcomes to QSuper members. We are excited to continue our partnership with FINEOS to help support our organisation agility, digital customer experience and our service excellence."

Mr Fraser added "While our partnership with FINEOS is relatively new, they have proven to be a reliable and valued partner. We will be working closely with FINEOS under this HoA to ensure APRA (the Australian Prudential Regulation Authority) is supportive of our approach."

Commenting on the performance for the quarter, CEO Michael Kelly said: "The first quarter was a very busy one as we completed the acquisition of Limelight Health in the U.S., and raised equity via an institutional placement and share purchase plan to part fund the acquisition. We went straight into Phase 1 of a 12-month integration process with Limelight Health which I'm pleased to report is going well with both sets of teams fully engaged. We have now breached 1,000 employees and remain heavily focused on delivering on client projects as we continue to navigate through the Covid-19 pandemic and prioritise the wellbeing of our people and ensure that they can continue to meet the needs of our clients."

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 Holding Plc	
ABN	**Quarter ended ("current quarter")**
633 278 430	30 September 2020

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	30,098	30,098
1.2	Payments for		
	(a) research and development		
	(b) product manufacturing and operating costs	(9,785)	(9,785)
	(c) advertising and marketing	(168)	(168)
	(d) leased assets	(872)	(872)
	(e) staff costs	(10,926)	(10,926)
	(f) administration and corporate costs	(7,804)	(7,804)
1.3	Dividends received (see note 3)		
1.4	Interest received	8	8
1.5	Interest and other costs of finance paid	(128)	(128)
1.6	Income taxes paid	(600)	(600)
1.7	Government grants and tax incentives	(28)	(28)
1.8	Other (provide details if material)	825	825
1.9	**Net cash from / (used in) operating activities**	**620**	**620**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities		
	(b) businesses	(56,482)	(56,482)
	(c) property, plant and equipment	(160)	(160)

Consolidated statement of cash flows		Current quarter €'000	Year to date (3 months) €'000
	(d) investments		
	(e) intellectual property	(5,061)	(5,061)
	(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**	**(61,702)**	**(61,702)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	56,371	56,371
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options	61	61
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(35)	(35)
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**	**56,397**	**56,397**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	39,831	39,831
4.2	Net cash from / (used in) operating activities (item 1.9 above)	620	620

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Consolidated statement of cash flows		Current quarter €'000	Year to date (3 months) €'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(61,702)	(61,702)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	56,397	56,397
4.5	Effect of movement in exchange rates on cash held	(270)	(270)
4.6	**Cash and cash equivalents at end of period**	**34,878**	**34,878**

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	34,878	39,831
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)**	**34,878**	**39,831**

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	283

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.

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7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**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 3.2% per annum.

8.	**Estimated cash available for future operating activities**	**€'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	620
8.2	Cash and cash equivalents at quarter end (item 4.6)	34,878
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)	36,878
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	N/A

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.

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

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.

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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: .....29 October 2020.....

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.

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