

29 January 2021

## 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 31 December 2020 (2Q21), as attached.

### Highlights:

- Closing cash balance at 31 December 2020 of €30.7m, down from €34.9m at 30 September 2020
- Cash receipts of €28.2m in 2Q21, a decrease of 6% from €30.1m in prior quarter but an increase of 69% on prior corresponding period (2Q20) of €16.6m
- Headcount of 1,043 at 31 December 2020 in line with the total of 1,040 at 30 September 2020
- High Product Consulting employee utilisation rate with a year to date average of 86% at end of 2Q21, slightly down on prior quarter equivalent average of 87%, but in line with management expectations
- Record number of client upgrades and new installation go lives achieved during the quarter ahead of January 2021 deadlines
- Limelight Health, acquired during 1Q21, has now completed its rebrand under the FINEOS platform creating the only complete end-to-end SaaS core insurance product suite in the market for the global life, accident, and health industry
- Product partnership announced with Ushur to complement the FINEOS Platform Smart Automation capabilities to enable insurers to provide even better and faster service to their customers
- On 26 November, FINEOS was named winner of the Technology Ireland Outstanding Achievement in International Growth Award at the 28th Annual Technology Ireland Industry Awards
- Majority of the company continues to work remotely as a result of COVID-19, with some ANZ employees partially returning to the office
- 1H21 results are expected to be released to the market on 24 February 2021 with a call for investors and analysts on 25 February 2021. Details to follow in a separate announcement

### Second Quarter Performance

The cash balance at 31 December 2020 was €30.7 million, with customer cash receipts (net of tax) of €28.2 million for the quarter, down on the previous quarter of €30.1 million reflecting seasonality and slightly weaker services revenue for the quarter. Versus prior corresponding period however customer cash receipts were up 69% from €16.6 million in 2Q20.

Continuing unfavourable exchange rates during the quarter had a negative impact of €0.5 million on the cash balance.

Research and development costs capitalised for the quarter were €6.9 million, up from €5.1 million in the previous quarter, the increase largely attributable to the inclusion of the capitalised portion of

Limelight Heath R&D costs (that were not included in 1Q21). 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 €8.9 million decreased slightly on prior quarter of €9.8 million primarily reflecting the slightly lower services revenue for the quarter.

Administration and Corporate costs in 2Q21 totaled €4.0 million, down from €7.8 million in the previous quarter which had included transaction costs associated with the capital raise completed in 1Q21 and the seasonal impact of prepayments, including a number of license and insurance costs that are historically made in the first quarter of every year.

Commenting on the performance for the quarter, CEO Michael Kelly said: "The second quarter was a very busy one operationally as we completed a significant number of large implementations in advance of numerous January 2021 deadlines. In total for 2020, we had 10 major North American carrier clients go live with 8 new installations and 7 upgrades of the FINEOS Platform for Employee Benefits. This unprecedented level of engagement tells us that our clients see the value of our significant R&D investment made over the past 5 years and indeed are modernising their core systems in support of their digital transformation."

We remain focused on delivering on existing client engagements, supported by a strong balance sheet with a cash balance of €30.7 million at the end of 2020. During the quarter we also completed the rebranding of Limelight Health to the FINEOS Platform, which now represents the only complete end-to-end SaaS core insurance product suite for the global life, accident, and health industry. The integration process continues and has now entered Phase 2 of the 12-month plan."

Our pipeline remains strong but the timing of new deals closing continues to push out as a result of the impact on insurance carriers from the economic uncertainty associated with Covid-19 around the world."

During the second quarter, FINEOS announced a partnership with Ushur, the leading no-code platform for customer engagement and Intelligent Automation, to deliver faster processing time, lower operating costs for carriers and a world-class user experience. Commenting on the partnership Michael Kelly said "Partnering with Ushur complements the FINEOS Platform Smart Automation capabilities to enable insurers to provide even better and faster service to their customers, and is part of our Open Ecosystem approach to working with product partners".

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 €301k which includes salaries, consultancy fee 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 Holding Plc

**ABN**

633 278 430

**Quarter ended ("current quarter")**

31 December 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter €000</b>	<b>Year to date (6 months) €000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	28,177	58,274
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(8,864)	(18,649)
(c) advertising and marketing	(268)	(436)
(d) leased assets	(212)	(1,085)
(e) staff costs	(10,945)	(21,870)
(f) administration and corporate costs	(3,968)	(11,772)
1.3 Dividends received (see note 3)		
1.4 Interest received	(7)	2
1.5 Interest and other costs of finance paid	(145)	(274)
1.6 Income taxes paid	(126)	(726)
1.7 Government grants and tax incentives	78	51
1.8 Other (provide details if material)	(549)	276
<b>1.9 Net cash from / (used in) operating activities</b>	<b>3,171</b>	<b>3,791</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses	257	(56,225)
(c) property, plant and equipment	(162)	(321)
(d) investments		
(e) intellectual property	(6,716)	(11,777)
(f) other non-current assets		

Consolidated statement of cash flows		Current quarter €000	Year to date (6 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	<b>Net cash from / (used in) investing activities</b>	<b>(6,621)</b>	<b>(68,323)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	0	56,371
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options	806	866
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(995)	(1,029)
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	<b>Net cash from / (used in) financing activities</b>	<b>(189)</b>	<b>56,208</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	34,878	39,831
4.2	Net cash from / (used in) operating activities (item 1.9 above)	3,171	3,791
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(6,621)	(68,323)

Consolidated statement of cash flows		Current quarter €000	Year to date (6 months) €000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(189)	56,208
4.5	Effect of movement in exchange rates on cash held	(501)	(771)
4.6	<b>Cash and cash equivalents at end of period</b>	<b>30,737</b>	<b>30,737</b>

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	30,737	34,878
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>30,737</b>	<b>34,878</b>

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	301
<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>		

<b>7. Financing facilities</b> <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>	<b>Total facility amount at quarter end €000</b>	<b>Amount drawn at quarter end €000</b>
7.1 Loan facilities		
7.2 Credit standby arrangements		
7.3 Other (Overdraft)	2,000	NIL
7.4 <b>Total financing facilities</b>	2,000	NIL
7.5 <b>Unused financing facilities available at quarter end</b>		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.		

<b>8. Estimated cash available for future operating activities</b>	<b>€000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	3,171
8.2 Cash and cash equivalents at quarter end (item 4.6)	30,737
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)	35,908
8.5 <b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	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: .....29 January 2021.....

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.