

29 April 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 March 2021 (3Q21), as attached.

Highlights:

- **FY21 total revenue on track to hit upper end of guidance range \$102m - \$105m and achieve the targeted 30% growth in subscription revenue (before contribution from Limelight acquisition)**
- **Closing cash balance at 31 March 2021 of €27.4m, down from €30.7m at 31 December 2020**
- **Cash receipts of €26.6m in 3Q21, a decrease of 6% from €28.2m in prior quarter but an increase of 11% on prior corresponding period (3Q20) of €24.1m**
- **Headcount of 1,041 at 31 March 2021 in line with the total of 1,043 at 31 December 2020**
- **High Product Consulting employee utilisation rate with a year to date average of 87% at end of 3Q21, slightly up on prior quarter equivalent average of 86%, but in line with management expectations**
- **2 new client contract wins in U.S. and ANZ regions**
- **On premise to cloud migrations with existing clients continued. Cloud related revenue now represents ~70% of total revenue**
- **Majority of the company continues to work remotely as a result of COVID-19, with some ANZ employees partially returning to the office**

Third Quarter Performance

The cash balance at 31 March 2021 was €27.4 million, with customer cash receipts (net of tax) of €26.6 million for the quarter, down on a strong previous quarter of €30.1 million and reflecting timing of collections. Versus prior corresponding period, customer cash receipts were up 11% from €24.1 million in 3Q20.

Favorable exchange rates during the quarter had a positive impact of €1.6 million on the cash balance.

Research and development costs capitalised for the quarter were €5.9 million, down from €6.7 million in the previous quarter. Versus prior corresponding period, R&D costs capitalised was up from €3.7 million reflecting the inclusion of Limelight Health costs this quarter and increased R&D headcount overall year on year. 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 €8.2 million decreased slightly on prior quarter of €8.9 million, however staff costs of €13.1 million increased by 20% on prior quarter of €10.9 million, mainly driven by the timing of an employee related tax payment made in January, as headcount numbers remained largely unchanged from prior period.

Administration and Corporate costs in 3Q21 totaled €3.3 million, down from €4.0 million in the previous quarter which included a small portion of the transaction costs associated with the acquisition in 1Q21.

Commenting on the performance for the quarter, CEO Michael Kelly said: “The third quarter saw us delivering on some key go lives at the beginning of the year for our clients in order to hit a number of January deadlines as we support them in their digital transformations.

We continued our migration of existing clients to the cloud, and added another large carrier in the U.S., Principal Financial Group to the list of carriers upgrading, as they announced they will migrate from the on-premise Claims system to the FINEOS Platform. This follows the growing market trend of carriers advancing to SaaS as a key part of their digital transformations in order to provide their customers with more streamlined experiences. Cloud related revenues at FINEOS now represents approximately 70% of total revenue, despite migrations from on premise solutions to the FINEOS Platform not yet commencing for our ANZ based clients.

In addition to meeting existing client demands, we closed 2 significant new deals; our first cloud contract in the ANZ region with Partners Life, and our first FINEOS New Business and Underwriting contract with American Public Life, utilising the functionality of the Limelight Health business acquired earlier in the financial year.

Demand for FINEOS from existing clients remains strong as they seek to prioritise their investment in the FINEOS Platform, in order for them to deliver seamless customer experiences and benefit from increased security, scalability and efficiency. Along with the new client wins, this positions us well to deliver top line revenue for FY21 at the upper end of the guidance range recently provided to the market in February at the half year results, of \$102 -\$105 million.”

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 €291k 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 MARCH 2021

Consolidated statement of cash flows	Current quarter €'000	Year to date (9 months) €'000
1. Cash flows from operating activities		
1.1 Receipts from customers	26,624	84,898
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(8,165)	(26,814)
(c) advertising and marketing	(282)	(719)
(d) leased assets	(462)	(1,547)
(e) staff costs	(13,185)	(35,100)
(f) administration and corporate costs	(3,262)	(14,990)
1.3 Dividends received (see note 3)		
1.4 Interest received	(0)	2
1.5 Interest and other costs of finance paid	(132)	(405)
1.6 Income taxes paid	(123)	(849)
1.7 Government grants and tax incentives	(2)	49
1.8 Other (provide details if material)	571	848
1.9 Net cash from / (used in) operating activities	1,583	5,374
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses	0	(56,225)
(c) property, plant and equipment	(547)	(869)
(d) investments		

Consolidated statement of cash flows		Current quarter €'000	Year to date (9 months) €'000
	(e) intellectual property	(5,935)	(17,712)
	(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	(6,483)	(74,806)

3.	Cash flows from financing activities		
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	1	867
3.4	Transaction costs related to issues of equity securities or convertible debt securities	0	(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	Net cash from / (used in) financing activities	1	56,209

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	30,737	39,831
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,583	5,374

Consolidated statement of cash flows		Current quarter €'000	Year to date (9 months) €'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(6,483)	(74,806)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1	56,209
4.5	Effect of movement in exchange rates on cash held	1,554	783
4.6	Cash and cash equivalents at end of period	27,392	27,392

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	27,392	30,737
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)	27,392	30,737

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	291
<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>		

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 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)	1,583
8.2 Cash and cash equivalents at quarter end (item 4.6)	27,392
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)	29,392
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:29 April 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.