

29 July 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 30 June 2021 (4Q21), as attached.

Highlights:

- **Acquisition of Spraoi, a leading provider of machine learning capabilities for the Employee Benefits and life industry, completed on 11 May 2021**
- **Closing cash balance at 30 June 2021 of €13.3m, down from €27.4m at 31 March 2021**
- **Cash receipts from customers of €22.7m in 4Q21, a decrease of 15% from €26.6m in prior quarter**
- **Headcount of 1,065 at 30 June 2021 up from 1,041 at 31 March 2021, reflecting the additional headcount from the acquisition of Spraoi**
- **High Product Consulting employee utilisation rate with a year to date average of 88% at end of 4Q21, slightly up on prior quarter equivalent average of 87%, and in line with management expectations**
- **2 new client contract wins in North America signing up to FINEOS New Business and Underwriting, and FINEOS Claims and Payments modules**
- **FY21 results to be announced on 26 August 2021**

Fourth Quarter Performance

The cash balance at 30 June 2021 was €13.3 million, down from €27.4 in prior quarter reflecting the impacts of both the acquisition of Spraoi in May 2021, and the timing of payments from customers that were collected in early July, post quarter end. Customer cash receipts (net of tax) were €22.7 million for the quarter, down from €26.6 million in 3Q21.

Unfavorable exchange rate movements during the quarter had a negative impact of €0.5 million on the cash balance.

Research and development costs capitalised for the quarter were €7.3 million, up from €5.9 million in the previous quarter and bringing the total for the year to €25 million reflecting the continued focus on R&D investment in product. The annual tax credit payment related to the R&D tax credit, of €1.3 million was received during the quarter in May.

Product manufacturing and operating costs of €9.5 million increased 16% on prior quarter from €8.2 million, reflecting increased services demands and associated headcount costs. Staff costs of €13.5 million were broadly in line with previous quarter of €13.2 million.

Administration and Corporate costs in 4Q21 totaled €2.3 million, down from €3.3 million in the previous quarter which reflected payments relating to 2Q21 for IT and Merger costs.

Commenting on the performance for the quarter, CEO Michael Kelly said: "The fourth quarter was busy as we completed the acquisition of Spraoi and began integrating them straight away. Pleasingly we had

some new customer wins too as we signed American Public Life Insurance Company in the U.S. for FINEOS New Business and Underwriting, and in Canada we welcomed Beneva as another new client to the FINEOS Platform. As we continue to grow our client base and revenues, we remain committed to R&D investment in the FINEOS platform. We look forward to delivering the full set of FY21 results to the market on 26 August.”

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 €287k which includes salaries, consultancy fee and any reimbursements for costs incurred.

Securities subject to voluntary escrow

ASX security code and description	Number of Securities
FCL Fully paid ordinary CDIs	85,171,235

The securities subject to voluntary escrow are held by associates of Michael Kelly, Executive Director and CEO of the company. They will be released from escrow after the announcement of the FY21 results on 26 August 2021.

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.

Investor enquiries:

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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")

30 JUNE 2021

Consolidated statement of cash flows	Current quarter €000	Year to date (12 months) €000
1. Cash flows from operating activities		
1.1 Receipts from customers	22,674	107,572
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(9,478)	(36,292)
(c) advertising and marketing	(466)	(1,185)
(d) leased assets	(338)	(1,885)
(e) staff costs	(13,467)	(48,567)
(f) administration and corporate costs	(2,375)	(17,365)
1.3 Dividends received (see note 3)		
1.4 Interest received	(0)	2
1.5 Interest and other costs of finance paid	(146)	(551)
1.6 Income taxes paid	(69)	(918)
1.7 Government grants and tax incentives	1,345	1,394
1.8 Other (provide details if material)	(810)	37
1.9 Net cash from / (used in) operating activities	(3,131)	2,242
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses	(3,129)	(59,354)
(c) property, plant and equipment	(77)	(946)
(d) investments		
(e) intellectual property	(7,253)	(24,965)

Consolidated statement of cash flows		Current quarter €000	Year to date (12 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	(10,459)	(85,265)

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	8	875
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	8	56,217

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	27,392	39,831
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,131)	2,241
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(10,459)	(85,265)

Consolidated statement of cash flows		Current quarter €000	Year to date (12 months) €000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	8	56,217
4.5	Effect of movement in exchange rates on cash held	(508)	278
4.6	Cash and cash equivalents at end of period	13,302	13,302

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	13,302	27,392
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)	13,302	27,392

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	287
<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)	(3,131)
8.2 Cash and cash equivalents at quarter end (item 4.6)	13,302
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)	15,302
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	4.9
<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 July 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.