

28 April 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 31 March 2020 (**3Q20**), as attached.

Highlights:

- **Cashflow positive quarter with a closing cash balance at 31 March 2020 of €37.0m, up from €34.7m at 31 December 2019**
- **Cash receipts of €24.1m in 3Q20, an increase of 45%, up from €16.6m in prior quarter reflecting cyclical billing collections in the third quarter of the financial year**
- **Headcount of 831 at 31 March 2020, an 11% increase on the total of 747 at 31 December 2019. Growth mainly in Product Consulting¹ division**
- **High Product Consulting employee utilisation rate maintained with a year-to-date average of 91% at end of 3Q20, reflecting the continued strong demand for services work**
- **Two new name clients signed during 3Q20 for the FINEOS Claims and Absence products, bringing total new name contracts won to seven for the financial year to date**
- **System upgrades to the FINEOS Cloud Platform continues, two major northern hemisphere clients upgrading during 3Q20**
- **FY20 revenue guidance reaffirmed, on track to achieve upper end of the guidance range of €84-86 million**
- **Entire company working remotely as a result of COVID-19**

Impact of COVID-19:

FINEOS is committed first and foremost to supporting the health, well-being, and safety of our global workforce, clients and partners. Employees across our offices in Australia, New Zealand, Hong Kong, Ireland, Poland, Spain and the United States are all working remotely. This work accommodation is not new for FINEOS as we have already supported a remote workforce for a number of years and client delivery and support have not been impacted as a result of this change in work environment.

We remain committed to the delivery of our product and services for our clients and continue to see demand for our FINEOS Platform and also for our Product Consulting teams (previously known as Professional Services). Importantly, all of our major client projects remain on track.

In response to the pandemic and related legislation changes, specifically in the U.S., we have made a number of additional services and product updates available to our clients to assist them and their customers in this challenging time, including launching a COVID-19 paid leave calculator which allows consumers to estimate the amount of paid leave for qualifying absences due to COVID-19 related leave

¹ On 2nd March 2020, the Professional Services team was rebranded, and the department name changed to FINEOS Product Consulting.

reasons and as authorised by the Families First Coronavirus Response Act (FFCRA). Our Absence and IDAM (Integrated Disability and Absence Management) inhouse experts have also been busy writing a number of relevant paid leave blogs to help keep our clients up to date on the US State and Federal regulatory changes.

The impact of the pandemic and travel restrictions meant we were not able to host our Global Summit in Chicago at the end of March as previously planned. Instead, we held the very successful FINEOS Virtual Exchange and were able to present product updates and demonstrations to over 120 individuals in our client network around the globe.

From a capitalisation perspective, our balance sheet remains strong, with a healthy cash balance of €37.0 million at 31 March 2020, positioning us strongly to withstand impacts from the pandemic and respond to growth opportunities as and when they arise.

Third Quarter Performance

The company recorded a very positive third quarter, turning cash flow positive for the first time since listing, with a closing cash balance at 31 March 2020 of €37.0 million. Customer cash receipts (net of tax) totalled €24.1 million for the quarter, an increase of 45% on the previous quarter. This was driven by the billing cycle which has typically higher cash collections in the third quarter of the financial year due to the timing of annual subscription invoicing.

Unfavourable exchange rates during the quarter have had a negative impact of (€1.15) million on the cash balance.

Research and development costs capitalised for the quarter totalled €3.7 million and remain in line with the forecast for the full year. The related R&D tax credit is expected to be received in the last quarter of the financial year. Staff costs increased due to higher headcount in response to the increased demand for Product Consulting teams, as well as additions to our R&D team.

In reference to payments to related parties (Section 6 of the attached Appendix 4C report), item 1 is a lease arrangement with an entity controlled by Michael Kelly, CEO of FINEOS. The rental expense for the quarter was €195,000. Item 2 is cash paid for Directors and Non-Executive Directors during the third quarter that amounted to €322,000 which includes salaries, consultancy fee, travel and reimbursement for costs incurred.

Since the beginning of FY20, a total of seven new name contracts have been signed, with two signed during the third quarter, as announced to the market in separate ASX releases. There has also been an uptake from existing clients in cloud migrations, with two major northern hemisphere clients committing to migrating during 3Q20.

There were no other substantive business activities during the quarter.

Based on current information available, FINEOS remains confident of achieving the FY20 revenue guidance communicated with the half year results of ~~€84-€86~~ million and is currently on track to reach the upper end of that guidance range.

Commenting on the performance for the third quarter, CEO Michael Kelly said: “Despite the broader global macroeconomic conditions we have had a very strong quarter, including new client wins, existing clients migrating from on premise to our cloud platform, and turning cash flow positive ahead of prospectus forecasts. We have been engaging with staff and clients on a frequent basis, providing the necessary support as we navigate through these new and challenging circumstances surrounding the COVID-19 pandemic. We remain focused on and committed to achieving the milestones currently in place, and delivering value while remaining adaptable to environmental change now more than ever.”

Comparison of actual expenditure against “use of funds” statement presented in the Company’s prospectus lodged under ASX Listing Rule 1.1:

Use of Funds as per prospectus:	Estimated expenditure €m	Actual expenditure €m	Comment
Repayment of EIB loan	16.6	16.6	On track
Payment of the costs of the Offer	10.7	5.8	Ahead due to cost savings
Fund investment and working capital	35.5	8.7	On track. Note this figure does not reflect the total company spend on investment (e.g. R&D) and working capital.

This notice has been authorised for provision to the ASX by the Company’s Chief Financial Officer.

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About FINEOS:

FINEOS (ASX:FCL) is a leading provider of core systems for life, accident and health insurance carriers globally with 7 of the 10 largest group life and health carriers in the US as well as 6 of the 10 largest life and health carriers in Australia. With employees and offices throughout the world, FINEOS continues to scale rapidly, working with innovative progressive carriers in North America, Europe, and Asia Pacific.

The FINEOS Platform provides customers full end to end core administration for group, voluntary and individual across life, accident and health. The FINEOS Platform includes the FINEOS AdminSuite core product suite as well as add-on products, FINEOS Engage to support digital engagement and FINEOS Insight for analytics and reporting.

For more information, visit www.FINEOS.com

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 2020

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	24,079	56,832
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(6,825)	(18,939)
(c) advertising and marketing	(236)	(656)
(d) leased assets	(288)	(1,122)
(e) staff costs	(8,201)	(23,910)
(f) administration and corporate costs	(2,355)	(8,907)
1.3 Dividends received (see note 3)		
1.4 Interest received	10	33
1.5 Interest and other costs of finance paid	(125)	(2,243)
1.6 Income taxes paid	(140)	(433)
1.7 Government grants and tax incentives	0	0
1.8 Other (VAT/GST etc)	298	108
1.9 Net cash from / (used in) operating activities	6,218	763

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(418)	(970)
(d) investments		
(e) intellectual property	(3,759)	(11,333)
(f) other non-current assets		

Consolidated statement of cash flows		Current quarter €000	Year to date (9 months) €000
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment		
	(d) investments		
	(e) intellectual property		
	(f) 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	(4,177)	(12,303)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	0	61,220
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options	1,267	1,267
3.4	Transaction costs related to issues of equity securities or convertible debt securities	170	(5,784)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings	0	(15,000)
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	1,437	41,703
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	34,712	6,903
4.2	Net cash from / (used in) operating activities (item 1.9 above)	6,218	763
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4,177)	(12,303)

Consolidated statement of cash flows		Current quarter €000	Year to date (9 months) €000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,437	41,703
4.5	Effect of movement in exchange rates on cash held	(1,150)	(26)
4.6	Cash and cash equivalents at end of period	37,040	37,040

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	37,040	34,712
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)	37,040	34,712

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 | 322 |

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

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.

7.1 Loan facilities

7.2 Credit standby arrangements

7.3 Other (Overdraft)

7.4 **Total financing facilities**

	Total facility amount at quarter end €000	Amount drawn at quarter end €000
	2,000	NIL
	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)

6,218

8.2 Cash and cash equivalents at quarter end (Item 4.6)

37,040

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)

39,040

8.5 **Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**

6.3

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

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

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

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

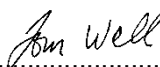
Answer:

N/A

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:28/4/20.....

Authorised by:.....Tom Wall, CFO and Executive Director
(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.