

29 July 2024

Quarterly Activity Report and Business Update

FINEOS Corporation Holdings PLC (ASX:FCL), the leading modern enterprise core software for the life, accident and health industry, presents its unaudited quarterly activity report and Appendix 4C cash flow statement for the three month period ending 30 June 2024 (2Q24), as attached.

Highlights:

- Closing cash balance at 30 June 2024 of €34.2m, up from €29.8m at 31 March 2024 reflecting another positive cashflow generative quarter
- Cash receipts from customers of €36.3m, a slight decrease of 2% from prior quarter, but up 25% from the prior corresponding period (pcp)
- New name win in U.S. for medium sized contract for the FINEOS Platform for Absence and Claims (IDAM). The implementation is already underway with SI partner involvement
- North America new name pipeline continues to be healthy with 2 new preferred vendor positions for initial small deals for the FINEOS Platform for Absence and Claims
- In ANZ region, existing client ACC have contracted to upgrade to the FINEOS Platform i.e. cloud, project work already underway. A Canadian based client has also contracted to upgrade to the FINEOS Platform
- In North America, a small number of existing client up-sells from scaling of IDAM have positively impacted securing business in 2Q24
- Key FINEOS AdminSuite projects, including Guardian and NYL (launching Voluntary Benefits) remain on track to go live later this year
- Two clients to terminate use of product no longer aligned to the nature of their business requirements, including our very first client BCG (Britannia) who have been using the 'on premises' FINEOS Customer Management System for 27 years. The other customer is an older Limelight customer. Churn impact expected in 2H24
- Cost out and efficiency focus continued during the quarter
- High Product Consulting employee utilisation rate with a year-to-date average of 85% at 30 June 2024, broadly in line with pcp equivalent average of 86%
- 1H24 results to be announced on 21 August 2024. Call details will be released in a separate announcement
- The Annual General Meeting will be held on 4 September 2024 at 9am IST / 6pm AEST. Further details to follow in the Notice of Meeting.

Quarter Performance

The cash balance at 30 June 2024 was €34.2 million, up from €29.8 million in prior quarter reflecting another strong quarter for cash collections and lower operating payments due to a number of large prepayments made in the prior quarter. Customer cash receipts (net of tax) were €36.3 million down 2% on previous quarter and up 25% on pcp due to a number of contracts closing out and payments received. Exchange rate movements during the quarter had a positive impact of €0.3 million on the cash balance.

Research and development costs capitalised for the quarter were €7.6 million and the annual tax credit payment related to the R&D tax credit, of €0.5 million was received.

Product manufacturing and operating costs for the quarter were €7.6 million, a decrease of 20% on prior quarter and down 19% on pcp. Staff costs of €12.8 million were down 5% on prior quarter and down 14% on pcp. Administration and corporate costs for the quarter totaled €3.3 million, down 48% on the previous quarter and up 14% on pcp, primarily reflecting a number of large prepayments made in the prior quarter.

Sales and Marketing activity spend for the quarter was €0.3 million, up 10% on prior period but down 25% on pcp. Headcount of 1,046 at 30 June 2024 down 0.6% on previous quarter end of 1,052 at 31 March 2024. The makeup of headcount continues to be reshuffled to support growth in lower cost regions.

Commenting on the performance for the quarter, CEO Michael Kelly said: “The second quarter of the year saw us secure a number of new contract wins and finalise a couple of important contract renewals. Pleasingly we were cashflow positive for the second quarter in a row and consequently cashflow positive for 1H24, reflecting our commitment to driving improved operational performance and growth across the business.

In the ANZ region, work is already underway with ACC and their upgrade to the FINEOS Platform. In North America, we secured one new name client and won a number of upsells with existing clients. Whilst we did experience some customer churn, one being our very first client where the product no longer suits their needs, and the other a Limelight Health customer, both are non-core clients. We’re actively engaged with all our core clients and projects, including the planned production go live for Guardian and the FINEOS AdminSuite that remains on track to go live in September.”

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 payment for the quarter was €195k. Item 2 is cash paid for Directors and Non-Executive Directors during the quarter that amounted to €291k which includes salaries 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 Holdings plc

ABN

633 278 430

Quarter ended ("current quarter")

30 June 2024

Consolidated statement of cash flows	Current quarter €'000	Year to date (6 months) €'000
1. Cash flows from operating activities		
1.1 Receipts from customers	36,348	73,303
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(7,577)	(17,035)
(c) advertising and marketing	(310)	(592)
(d) leased assets	(277)	(529)
(e) staff costs	(12,777)	(26,289)
(f) administration and corporate costs	(3,260)	(9,477)
1.3 Dividends received (see note 3)		
1.4 Interest received	145	258
1.5 Interest and other costs of finance paid	(83)	(168)
1.6 Income taxes paid	(13)	(23)
1.7 Government grants and tax incentives	527	600
1.8 Other (provide details if material)	(981)	11
1.9 Net cash from / (used in) operating activities	11,742	20,059

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(34)	(434)
(d) investments		
(e) intellectual property	(7,625)	(14,375)
(f) other non-current assets		

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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 Net cash from / (used in) investing activities	(7,659)	(14,809)

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

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	29,841	28,135
4.2 Net cash from / (used in) operating activities (item 1.9 above)	11,742	20,059
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(7,659)	(14,809)

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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)	-	-
4.5	Effect of movement in exchange rates on cash held	259	798
4.6	Cash and cash equivalents at end of period	34,183	34,183

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	34,183	29,841
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)	34,183	29,841

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

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.

FINEOS Corporation Limited (Ireland) is party to a lease arrangement with Jacquel Properties Limited, a Company controlled by Michael Kelly. The rental expense for the quarter was €195K.

Cash paid for Directors and Non-executive Directors in quarter 2 amounted to €291K which includes salaries, travel and reimbursement of any costs.

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

8. Estimated cash available for future operating activities	€'000
8.1	11,742
8.2	34,183
8.3	2,000
8.4	36,183
8.5	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 July 2024.....

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 – 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

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