

Q1 Report

31 March 2023





**Reach the whole
Android market
with your game**

Q1

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FLEXION

Flexion reports continued strong growth. Quarterly revenue grows by 54% and adjusted EBITDA up by 125%.

January–March 2023 performance

- Total revenue increased by 54% to GBP 16.3m (10.6)*
- Gross profit increased by 72% to GBP 2.5m (1.5)
- Adjusted EBITDA† increased by 125% to GBP 0.7m (0.3)
- Adjusted loss before tax* amounted to GBP -0.1m (0.1)
- EPS amounted to GBP -0.97 pence (0.51 pence)
- Adjusted EPS amounted to GBP -0.28 pence (0.19 pence)
- Operating cash flow amounted to GBP -1.1m (1.9)
- Cash and cash equivalents amounted to GBP 12.0m (10.4)

* Comparison figures for the year-earlier period in brackets

† The Group defines adjusted EBITDA as earnings before interest, tax, depreciation, amortisation, finance costs, impairment losses, foreign exchange gains/losses and corporate acquisitions costs. The definition was updated in June 2022 with the exclusion of foreign exchange gains/losses and, therefore, historical adjusted EBITDA figures have been updated accordingly.

The Group defines adjusted profit before tax as profit before tax excluding foreign exchange gains/losses, amortisation of intangible assets from corporate acquisitions & corporate acquisition related costs. This quarter, the adjustment amounted to GBP 0.4m.

Q1 2023

Important events during the quarter

- Signing and launch of Vikingard from NetEase Games
- Signing of Hill Climb Racing and Hill Climb Racing 2 (soft launched) from Fingersoft
- Strategic partnership with Digital Turbine
- Signing of new extended and improved framework deal for 8 big titles
- Launch of 3rd title from ONEMT

Q2 2023

Important events after the quarter

- The 2022 audit is still ongoing and presented 2022 numbers are therefore unaudited. The Company is not aware of any material changes to what was presented in the Q4–2022 quarterly report.

Q&A with the CEO

"This is an exceptionally exciting period for alternative marketing and distribution of games."

Jens Lauritzson
CEO, Flexion Mobile Plc

Q: How would you describe the quarter?

A: We had another exceptionally busy quarter in which we focused on some of the new, major distribution opportunities that are emerging in the market. Adding distribution power to our platform and ramping up sales activities across the organization to capture the increased interest in alternative distribution is a priority for us in order to continue capturing market share. We have also signed several major titles that we will launch in the next few quarters and have been busy preparing these campaigns. I am very pleased with our overall growth of 54% compared with last year, considering that Q1 is our weakest quarter of the year, due to the seasonal effects of app store promotions. We also continued our strong organic revenue growth related to Distribution, reporting an increase of 37%. This is in line with our market guidance which is 20–40% for 2023. Gross profit grew by 72% and adjusted EBITDA by 125%.

Q: What were the highlights of the quarter?

A: The highlight of the quarter was the world's largest games conference, Game Developer Conference (GDC) in San Francisco which was dominated by discussions on alternative marketing, distribution, and payments. In this respect, we see three strong underlying market drivers, the first being the changes to IDFA, and user tracking introduced by Apple last year. This means that advertisers are now struggling with their traditional performance marketing and are looking for new marketing methods and distribution. The second major driver is the Digital Markets Act, which is now in force in the EU. This new regulatory framework serves to improve competition and limit the power of "gateways" such as Google Play and Apple App Store. Google and Apple are forced to effectively open for new distribution and payments and must comply by March 2024. Penalties can be as high as 10% of global revenue. The third driver is the current sluggish macro environment, which has slowed down global industry revenue growth. Combined, these factors have triggered a lot of new activity in our market. Big players such as Meta, Unity, and Digital Turbine are making investments and taking strategic positions. As part of the continued consolidation of game studios, it is also worth noting that Savvy Games (Saudi state-funded gaming investor) acquired Scopely (large US game developer) for USD 4.9B in April.

During GDC, we took the opportunity to announce our highly strategic partnership with Digital Turbine. This partnership focuses on joint sourcing of top-tier titles and providing our existing portfolio with new distribution in the crucial US market. This will give us access to +100m new users from Digital Turbine's platform including the main US telecom Operators. We are already seeing some positive effects on lead generation, and we expect distribution to ramp up during the second half of the year.

We also agreed a new and expanded framework deal with our biggest game publisher by adding two new blockbusters to the extended and improved deal. This deal, which now includes eight titles, will help us drive growth with improved margins and create new distribution opportunities for years to come. During the quarter, we also launched a third title from ONEMT and noted strong performance from several newly launched titles.

Q: You mention focus on increased distribution, why is this so important and when can we see revenue effects of this?

A: Scaling distribution is the next natural step for our business. Firstly, we developed the platform and took a leading market position with a strong game offering. In the next growth phase, we will continue to add games but will direct our focus more to new channels to continue to capture market share. This is why we are so excited about the general market shift in favour of alternative distribution. We are currently generating on average around 10% on top of what games are making in Google Play. With all the activity and investment in our market, this number will surely grow and will effectively increase our target market over time.

More specifically, we are developing closer ties with our existing stores where various types of new user acquisition initiatives have become increasingly important to grow market share. In addition, we are actively working on increasing the number of traditional app store partnerships and new disruptive distribution models such as the Digital Turbine partnership. These are long-term initiatives that will fuel our future growth when fully up and running. We have previously mentioned our partnership with Amazon for Windows 11 which - together with the other new projects - we expect to start seeing a positive impact from the end of this year.

Q: Please tell us more about the new titles?

A: We have several titles that are either in ramp-up or pending launch. Early figures (March and onwards) have been very promising thanks to effective and well-planned launch campaigns fuelled by user acquisition. These games are important for our existing stores but also well suited for new distribution where user acquisition will be more prominent. For the existing game Kingdom Guard, we have also extended distribution rights to include the key store ONEstore. These are all solid titles which will help us drive revenues going forward. Their combined monthly Google Play gross revenue is USD 9m.

The two blockbusters signed in March are currently also generating USD 9m combined in Google Play. The newest title was released globally in Google Play in April by the publisher and is currently the fastest growing title in its portfolio. We are obviously extremely excited about this and have started the onboarding of these games for all our channels, including Digital Turbine. The titles will be announced closer to launch.

Q: You mention cyclical effects on your revenue growth, but we did not see any of these effects last year?

A: Q1 is generally the weakest quarter of the year for games. In 2022, we managed to avoid a quarter-on-quarter revenue dip in Q1 thanks to successful launches of three large titles. The cyclical nature was therefore not obvious, but we did see a drop in the rest of the portfolio. As with most advertising services, influencer marketing is also generally affected by slower performance in Q1/Q2. The second half of the year is normally the strongest period for marketing services when budgets are spent on bigger campaigns. Combined, these effects were much clearer this year. Revenue dropped by 25%, following our record-breaking Q4 2022, which was boosted by strong game performance and a weak GBP to USD rate.

In terms of the remainder of 2023, we expect the second half of the year to be stronger, thanks to some major game launches, ramping up of new distribution and positive cyclical momentum in our market.

Q: Where are you on M&A and investment strategies?

A: We are actively looking at strategic acquisitions and investments that allow us to both attract new game developers and expand the relationships with existing developers through technology and improved service coverage. Our focus is primarily on Influencer marketing, but we are also evaluating the potential for a third service vertical outside traditional store distribution. The focus is very much on strategic fit with acquisition targets primarily being smaller profitable companies where valuations are slowly and steadily coming down.

Q: Finally, what are you most excited about during the rest of the year?

A: We are now in an exceptionally exciting period for alternative marketing and distribution of games thanks to the aforementioned underlying market and regulatory drivers. When we see the full effect of these, it could be the perfect storm and we would be right at its centre. It is both exciting and challenging, but we have been preparing for this for some time and we stand ready for the next growth journey.



Jens Lauritzson
CEO, Flexion Mobile Plc

Financial Development

January–March 2023

REVENUE

Total revenue grew by 54% year-on-year to GBP 16,274,712 (10,560,375), of which In-App Purchase (IAP) revenue grew by 37% year-on-year to GBP 14,457,259 (10,518,317), non-IAP revenue decreased to GBP 27,431 (42,058) and Marketing services revenue amounted to GBP 1,790,022 (0).

Total revenue for the quarter decreased by 25% compared with the preceding quarter, driven by strong seasonal effects especially within IAP Revenue and a strengthening of the reporting currency GBP.

GROSS PROFIT

Cost of sales increased by 51% year-on-year to GBP 13,762,619 (9,096,985).

Total gross profit grew by 72% year-on-year to GBP 2,512,093 (1,463,390) with gross profit from Marketing services contributing GBP 586,132. IAP gross profit grew by 34% year-on-year to GBP 1,898,530 (1,421,332) due to the increase in revenue. Non-IAP gross profit decreased to GBP 27,431 (42,058). All non-IAP revenue carried a 100% margin to Flexion.

Total gross profit decreased by 31% compared with the preceding quarter. IAP gross profit decreased by 25% compared with the preceding quarter. Total gross profit margin (which now includes marketing services) decreased from 16.9% to 15.4%, with Marketing services gross profit margin increasing from 31.5% to 32.7% offset by IAP gross profit margin which decreased from 13.8% to 13.1% compared with the preceding quarter. The fall in IAP gross profit margin is explained by cyclical growth of titles with relatively low margin contribution.

GENERAL AND ADMINISTRATIVE EXPENSES

The total headcount increased by 55 year-on-year to 131 (76) of which, Distribution's headcount represented 95 (76). There are now 15 (9) strategic and 80 (67) core headcounts within Distribution. Core headcounts include staff for group functions to support with acquisitions. Adjusted staff cost for Distribution increased from GBP 825,428 to GBP 1,015,409. Audiency had a headcount of 36 in March 2023. Group staff and contractor costs increased by 65% year-on-

year to GBP 1,284,499 (780,428) driven by the increase in headcount in Distribution and the addition of Audiency related staff costs.

Other overheads increased year-on-year to GBP 632,662 (190,802) driven by GBP 148,390 (-162,366) in unrealised/realised foreign exchange net losses. These foreign exchange effects were seen in several different accounts, deferred and contingent considerations related to corporate acquisition costs, cash balances and invoice payables. The Group has now implemented a new settlement structure to reduce unrealised/realised FX effects within settlement and financial reporting. Large part of the invoice payable related to foreign exchange effects seen in this quarter relates to the old settlement structure still affecting this quarter.

The total amortisation of GBP 743,686 (225,516) includes GBP 461,304 (152,064) related to game distribution rights, GBP 131,381 (0) related to Brand, GBP 74,518 (0) related to customer relationships and GBP 76,484 (71,339) related to capitalised development costs.

As a result, group general and administrative expenses increased year-on-year to GBP 2,694,598 (1,215,436).

During the quarter, the headcount for distribution increased by 1 to 95 and the headcount for new strategies increased by 1 to 15 excluding Audiency. Total staff and contractor costs for distribution decreased by 17% compared with the preceding quarter as the previous quarter held end year bonuses. As the Company's HR year is ending in March, the current quarter did not include material inflationary pressure on salaries. Adjusted staff costs for Distribution, as reported in the KPI section, decreased by 13%. Other overheads increased by GBP 0.9m compared with the preceding quarter, driven by GBP -0.1m (0.8m) in foreign exchange movements and an adjustment made to the amortisation method of game distribution rights in the previous quarter.

ADJUSTED EBITDA AND NET EARNINGS

Adjusted EBITDA for the quarter amounted to GBP 743,322 (329,794) driven by higher gross profit from Distribution and the Adjusted EBITDA contribution of GBP 0.2m from Audiency. Compared with the preceding quarter, EBIT decreased to GBP -182,505 (1,880,500) and result after tax for this quarter amounted to GBP -506,795 (1,461,185). Adjusted profit before tax amounted to GBP -148,986 (1,060,604).

CASH FLOW

Operating cash flow decreased by GBP 3.0m year-on-year to GBP -1,061,322 (1,933,152) primarily due to working capital timing effects. Net cash flow increased by GBP 2.5m to GBP -1,704,029 (-4,252,632).

FINANCIAL POSITION

Cash amounted to GBP 12,025,991 (10,391,689) and there were no interest-bearing liabilities. During the quarter, cash decreased by GBP 1,775,602, driven by the working capital movements. Trade and other receivables amounted to GBP 8,471,593 (5,175,903). Trade and other payables amounted to GBP 12,610,365 (10,026,497).

CHANGES IN NUMBER OF GAMES DURING THE QUARTER

The average monthly revenue for top-tier games past the ramp-up period decreased to USD 646,148 (817,952) compared to the preceding quarter and remained at 8 games when compared to the preceding quarter due to cyclical in app store promotion plans. The average monthly revenue for mid-tier games decreased to USD 38,717 (42,685) compared to the preceding quarter.

During the quarter, the number of live top-tier games increased by 1 to 10 titles. The number of live mid-tier games remained at 15 titles. There are currently two signed top-tier games awaiting launch. The number of signed mid-tier games yet to be launched were 1.

Niklas Koresaar | CFO



Niklas Koresaar | CFO

Other Information

Segmental information

IAP REVENUE

Flexion's focus is on growing its business by signing free-to-play games with In-App Purchase (IAP), integrating more channels and increasing the monetisation of existing games. IAP revenue is revenue receivable from end-user transactions where in-application items are sold within the games. Revenue represents revenue receivable by the company from end-user transactions involving the sale of in-application items managed by the Company less VAT, bad debt/refunds and discounts.

NON-IAP REVENUE

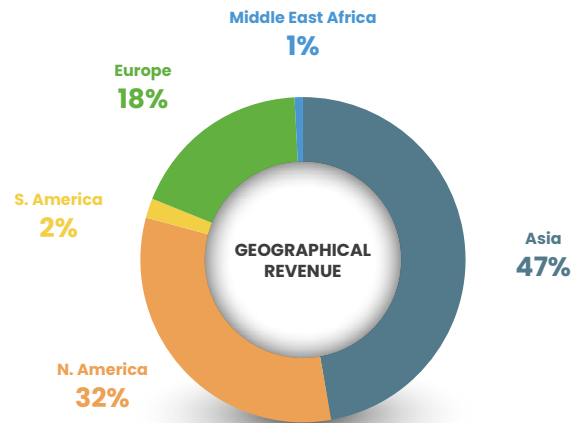
Non-IAP revenue includes revenue from integration fees and minimum guarantees and other revenue that is non-recurring. It includes recurring revenue share from in-game advertising, historical subscription revenue and legacy revenue.

MARKETING SERVICES REVENUE

Marketing services revenue include all marketing campaigns generated as part of the influencer marketing service offered.

GEOGRAPHICAL REVENUE

The geographical breakdown of group revenue for the quarter ending 31 March 2023 is presented below.



The main market for group revenue during the quarter was Asia with 47% market share followed by North America with 32% market share. Europe accounted for 18%, South America for 2% and Middle East and Africa for 1%.

Tier-games

On a quarterly basis, Flexion's Board of Directors defines and reviews the number of live top-tier and mid-tier games based on each game's revenue potential. The key factor is each game's actual performance (or overall Android performance if not yet launched by Flexion) compared to: i) a standard six-month revenue ramp-up period for each tier class; ii) the long-term minimum revenue requirement for each tier class (USD 140,000 per month for top-tier games and USD 40,000 per month for mid-tier games); iii) contractual terms that have an impact; and iv) any future events that could affect the revenue potential of a game. A game will be redefined if its performance over a period of six consecutive months, excluding the first three months after launch, does not qualify for a specific tier class. The number of tier games and their average revenue per month is reported in the Main KPI section.

Review

This interim report has not been reviewed by the company's auditor.

Number of employees and long-term contractors

At the end of the reporting period the group had 131 employees and long-term contractors.

Material risks and uncertainties

The company's material risks and uncertainties include, but are not limited to, risks related to market, technology, contracts, regulatory requirements, key staff, financial requirements and counterparties. A detailed risk description of the Company is given in the audited financial statements for the period ended 31 December 2021.

Financial calendar

Q2 report – 2023 financial year	22 Aug. 2023
Q3 report – 2023 financial year	22 Nov. 2023
Q4 report – 2023 financial year	20 Mar. 2024
Q1 report – 2024 financial year	21 May 2024
2023 AGM	28 Jun. 2023

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Further information

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MAR Publishing Statement

This statement is information that Flexion Mobile Plc is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 8:00 am CEST on 16 May 2023.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the quarterly period ended 31 March 2023

	Notes	QTD Mar-23 3 months Unaudited GBP	QTD Mar-22 3 months Unaudited GBP	YTD Dec-22 12 months Unaudited GBP
Total revenue	3	16,274,712	10,560,375	68,529,614
Cost of sales		(13,762,619)	(9,096,985)	(57,463,846)
Total gross profit	4	2,512,093	1,463,390	11,065,768
General and administrative expenses	5	(2,694,598)	(1,215,436)	(9,611,953)
Adjusted EBITDA[†]		743,322	329,794	4,751,015
Depreciation of tangible assets		33,751	18,690	115,141
Amortisation of intangible assets		743,686	225,516	2,448,682
Foreign exchange loss/(gain)		148,390	(162,366)	509,803
Corporate acquisition related costs		-	-	223,574
Operating profit / (loss) for the period		(182,505)	247,954	1,453,815
Finance costs		(320,770)	(1,196)	(960,752)
Profit / (Loss) before tax for the period		(503,275)	246,758	493,063
Tax		(3,520)	8,542	(142,864)
Profit / (Loss) after tax for the period		(506,795)	255,300	350,199
Attributable to:				
Equity holders of the parent		(506,795)	255,300	350,199
Profit / (Loss) for the period		(506,795)	255,300	350,199
Other comprehensive income				
Foreign exchange differences		(22,515)	-	23,062
Total comprehensive profit / (loss) for the period		(529,310)	255,300	373,261
Attributable to:				
Equity holders of the parent		(529,310)	255,300	373,261
Profit / (Loss) for the period		(529,310)	255,300	373,261

[†] The Group defines adjusted EBITDA as earnings before interest, tax, depreciation, amortisation, finance costs, impairment losses, foreign exchange gains/losses and corporate acquisitions costs. The definition was updated in June 2022 with the exclusion of foreign exchange gains/losses and, therefore, historical adjusted EBITDA figures have been updated accordingly.

Consolidated Statement of Financial Position

as at 31 March 2023

	Notes	Mar-23 Unaudited GBP	Mar-22 Unaudited GBP	Dec-22 Unaudited GBP
Assets				
Non-current assets				
Property, plant and equipment	7	283,591	56,063	78,560
Intangible assets	8	21,098,561	7,578,341	21,782,246
Investments		400,327	184,372	400,327
Deferred tax assets		-	52,460	-
Total non-current assets		21,782,479	7,871,236	22,261,133
Current assets				
Trade and other receivables	9	8,471,593	5,175,903	11,497,388
Cash and cash equivalents		12,025,991	10,391,689	13,801,593
Total current assets		20,497,584	15,567,592	25,298,981
Total assets		42,280,063	23,438,828	47,560,114
Equity and liabilities				
Equity				
Share capital		111,070	100,149	109,309
Share premium		20,232,928	14,945,508	19,730,020
Other reserves		386,172	401,071	341,593
Retained earnings		(2,630,960)	(2,078,559)	(2,124,165)
Total equity		18,099,210	13,368,169	18,056,757
Non-current liabilities				
Deferred Tax liabilities	11	2,584,523	-	2,685,547
Lease liabilities		164,234	-	22,303
Contingent consideration	11	6,000,534	-	5,795,451
Total non-current liabilities		8,749,291	-	8,503,301
Current liabilities				
Trade and other payables	10	12,610,365	10,026,497	17,272,755
Lease liabilities		99,582	44,162	29,397
Deferred consideration	11	1,026,612	-	2,056,064
Contingent consideration	11	1,695,003	-	1,641,840
Total current liabilities		15,431,562	10,070,659	21,000,056
Total liabilities		24,180,853	10,070,659	29,503,357
Total equity and liabilities		42,280,063	23,438,828	47,560,114

Consolidated Statement of Cash Flows

for the quarterly period ended 31 March 2023

	QTD Mar-23 3 months Unaudited	QTD Mar-22 3 months Unaudited	YTD Dec-22 12 months Unaudited
Cash flow from operating activities			
Profit / (Loss) before tax for the period	(503,275)	246,758	493,063
Profit before tax for the period	(503,275)	246,758	493,063
Adjustments for:			
Foreign exchange losses / (gains)	8,101	(185,974)	(149,205)
Share based payments	23,680	16,962	57,840
Depreciation of tangible assets	33,751	18,690	115,141
Amortisation of intangible assets	743,686	225,516	2,448,682
Interest paid	320,808	1,196	920,907
Working capital:			
Change in trade and other receivables	2,964,666	286,004	(6,376,986)
Change in trade and other payables	(4,652,739)	1,324,000	8,570,257
Net cash flow from operating activities	(1,061,322)	1,933,152	6,079,699
Cash flow from investing activities			
Investment in associate	-	(184,372)	(400,327)
Acquisition of a subsidiary, net of cash ac-quired	(518,571)	-	(2,884,905)
Expenditure on property, plant and equipment	(32,220)	-	(7,895)
Capitalised development cost	(60,000)	(45,000)	(237,485)
Payment of game distribution rights	-	(5,962,049)	(5,962,049)
Net cash flow from investing activities	(610,791)	(6,191,421)	(9,492,661)
Cash flow from financing activities			
Issue of ordinary shares, net of issue costs	-	28,325	2,341,464
Payment of lease liabilities	(31,916)	(22,688)	(96,556)
Net cash flow from financing activities	(31,916)	5,637	2,244,908
Net change in cash and cash equivalents	(1,704,029)	(4,252,632)	(1,168,054)
Cash and cash equivalents at beginning of period	13,801,593	14,458,346	14,458,346
Effect of exchange rate fluctuations on cash held during the period	(71,573)	185,974	511,301
Cash and cash equivalents at end of period	12,025,991	10,391,689	13,801,593

Consolidated Statement of Changes in Equity

for the period ended 31 March 2023

	Share capital GBP	Share premium GBP	Other reserves GBP	Foreign currency translation reserve GBP	Retained earnings GBP	Total GBP
Balance at 1 January 2022	100,049	14,917,283	397,197	397,197	(2,333,859)	13,080,670
Profit for the period	-	-	-	-	255,300	255,300
Total comprehensive income	100,049	14,917,283	397,197	-	(2,078,559)	13,335,970
Transactions with owners, recorded directly in equity						
Share based payments	100	28,225	16,962	-	-	45,287
Deferred tax on share options	-	-	(13,088)	-	-	(13,088)
Issue of share capital	-	-	-	-	-	-
Balance at 31 March 2022	100,149	14,945,508	401,071	-	(2,078,559)	13,368,169
Balance at 1 January 2023	109,309	19,730,020	318,531	23,062	(2,124,165)	18,056,757
Loss for the period	-	-	-	(22,515)	(506,795)	(529,310)
Total comprehensive income	109,309	19,730,020	318,531	547	(2,630,960)	17,527,447
Transactions with owners, recorded directly in equity						
Share based payments	-	-	23,680	-	-	23,680
Deferred tax on share options	-	-	43,414	-	-	43,414
Issue of share capital	1,761	502,908	-	-	-	504,669
Balance at 31 March 2023	111,070	20,232,928	385,625	547	(2,630,960)	18,099,210

Notes

1. Basis of preparation

The condensed financial statements for the year ended 31st December 2022 have been prepared in accordance with IAS 34 Interim Financial Reporting. The financial statements of the Group are prepared in accordance with applicable UK law and UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006. The Company's offices are in London and the registered number of Flexion Mobile is 04306881. The interim condensed consolidated financial statements are presented in GBP and have been prepared using historical cost accounting. After making appropriate enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, the board of directors continue to adopt the going concern basis in preparing the interim reports.

The financial information presented herein does not constitute full statutory accounts under Section 434 of the Companies Act 2006 and was not subject to a review by the auditors. The financial information in respect of the financial year ended 31 December 2022 is unaudited. The financial information for the 3-months ended 31 March 2022 and 31 March 2023 is unaudited.

The interim report does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's financial statements for the period ended 31 December 2021.

2. Significant accounting policies

Except where disclosed below, the accounting policies adopted in the preparation of the interim condensed financial statements for the Group are consistent with those followed in the preparation of the Company's annual financial statements for the period ended 31 December 2021. The accounting policies applied herein are consistent with those expected to be applied in the financial statements for the period ended 31 December 2022. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. Revenue

Revenue disclosed in the statement of profit or loss is analysed as follows:	Mar-23 Unaudited	Mar-22 Unaudited
Revenue breakdown		
IAP Revenue	14,457,259	10,518,317
Non-IAP Revenue	27,431	42,058
Marketing services	1,790,022	-
Total Revenue	16,274,712	10,560,375

4. Gross profit

Gross profit disclosed in the statement of profit and loss is analysed as follows:	Mar-23 Unaudited	Mar-22 Unaudited
Gross profit breakdown		
IAP gross profit	1,898,530	1,421,332
Non-IAP gross profit	27,431	42,058
Marketing services	586,132	-
Total gross profit	2,512,093	1,463,390

5. General and administrative expenses

General and administrative expenses disclosed in the statement of profit or loss is analysed as follows:	Mar-23 Unaudited	Mar-22 Unaudited
General and administrative expenses		
Staff and contractor costs	1,284,499	780,428
Depreciation	33,751	18,690
Amortisation	743,686	225,516
Other overheads	632,662	190,802
Total	2,694,598	1,215,436

6. Related party transactions

No related party transactions other than directors' emoluments have taken place during the quarter.

7. Property, plant and equipment

Property, plant and equipment comprises of office equipment and right-to-use assets according to below carrying value analysis:

	Mar-23 Unaudited	Mar-22 Unaudited
Property, plant and equipment		
Office Equipment	16,333	-
Leasehold improvements	7,965	-
Right-to-use assets	259,293	56,063
Total	283,591	56,063

In the first quarter for the year ending 31 December 2023 depreciation for property, plant equipment amounted to GBP 33,751.

8. Intangible assets

Intangible assets comprise of goodwill, capitalised development costs for internally generated software, game distribution rights, computer software, customer relationships and brand according to below carrying value analysis:

	Mar-23 Unaudited	Mar-22 Unaudited
Intangible asset		
Goodwill	7,242,550	-
Capitalised development costs	860,761	964,614
Game distribution rights	4,766,808	6,610,727
Customer relationships	3,438,736	-
Brand	4,729,706	-
Total	21,038,561	7,578,341

In the first quarter for the year ending 31 December 2023 amortisation amounted to GBP 743,686.

9. Trade and other receivables

	Mar-23 Unaudited	Mar-22 Unaudited
Assets		
Trade receivables	1,901,376	-
Other receivables	284,847	157,675
Prepayments and accrued income	6,285,370	5,018,228
Trade and other receivables	8,471,593	5,175,903

Other receivables include GBP 65,923 of VAT receivables, GBP 190,493 (148,717) of advances and GBP 28,432 (8,958) of other non-material items.

10. Trade and other payables

	Mar-23 Unaudited	Mar-22 Unaudited
Liabilities		
Trade payables	1,191,183	2,125,164
Social security and other taxes	101,803	147,849
Accrued expenses	9,945,175	7,485,618
Other payables	991,472	267,866
Corporate tax payable	380,732	-
Trade and other payables	12,610,365	10,026,497

11. Acquisitions

On 5 April 2022, the Group completed the acquisition of the entire issued capital of Audiency GmbH, an influencer marketing agency registered in Germany, thereby obtaining control.

With this acquisition Flexion improves its competitive advantage in the gaming market. The company benefits from the acquisition with the expansion into the influencer marketing sector and potential synergies between the companies.

The Company has undertaken a valuation with a leading global accounting firm to determine the purchase price and its asset allocations. The purchase price of the acquired company was fair valued at EUR 16.66m. The purchase price allocation, based on the fair value of the net assets at the acquisition date, results in the recognition of intangible assets such as customer relationships, brand value and goodwill.

According to the valuation, residual goodwill arising from the acquisition totals GBP 7,24m which includes, but is not limited to values from new sales, influencer management and synergies with the Company.

The purchase agreement included an additional maximum consideration of EUR 10.73m, payable only if the EBITDA of Audiency for the financial years ending 2022, 2023 and 2024 achieve the threshold agreed by both parties. The additional consideration will be paid in three separate instalments in Q2 2023, Q2 2024 and Q2 2025. The EUR 7.36m of contingent consideration liability recognised represents the present value of the Group's estimate of the cash outflow which has been discounted using an interest rate of 16.4%, equivalent to the valuation's assessed project IRR. The book value of the contingent consideration liability (ie without NPV adjustment) is EUR 10.47m. As at 31 March 2023, there have been no changes in the estimate of the probable cash outflow but the liability has increased to EUR 8.8 due to the change in fair value.

The customer relationships intangible asset will be amortised on a slightly adjusted (concave) curve over 10 years to match the forecasted earnings as per the undertaken valuation. The brand value intangible asset will be amortised over 10 years as per the undertaken valuation. Goodwill has an indefinite useful life and as such is not amortised according to IFRS.

Costs arising directly from the acquisition of Audiency (such as legal fees) amount to GBP 0.2m, which form part of general and administrative expenses, however, have been excluded from Adjusted EBITDA due to the nature of the costs.

The details of the business combination as follows:	Fair Value GBP	Fair Value GBP
Fair value of consideration transferred		
Amount settled in cash	3,405,434	
Amount settled in equity	500,374	
Deferred consideration	3,961,376	
Contingent consideration	6,233,655	
Total		14,100,839
Acquired net assets		
Fixed Assets	20,313	
Working capital	407,959	
Net (debt)/cash	245,453	
Total acquired net assets	673,725	
Excess consideration for allocation		13,427,114
Identified intangible assets		
Customer relationships	3,736,807	
Brand	5,255,229	
Intangible assets	8,992,036	
Deferred tax on intangible assets	(2,807,472)	
Residual goodwill		7,242,550
Consideration settled in cash	3,924,005	
Cash and cash equivalents acquired	(520,529)	
Net cash outflow from acquisition		3,403,476
Acquisition costs charged to expenses		223,574

12. Events after the reporting period

There are no material events to be disclosed after the reporting period.

The Flexion share

The share

The share was listed in Nasdaq First North on 13 June 2018 under the trading symbol (ticker) FLEXM.

Ownership table

Top 10 shareholders as of 31 March 2023	N. of shares and votes	%	Aggregated %
Mobile Sensations Ltd	11,042,181	20.0%	20%
BNY Mellon NA	3,584,293	6.5%	27%
Palmstierna Invest AB	3,405,280	6.2%	33%
Palmstierna Fredrik	1,930,487	3.5%	36%
Julius Baer & Co Ltd	1,865,977	3.4%	40%
IBKR Financial Services AG	1,561,732	2.8%	42%
Joachim Odqvist	1,560,415	2.8%	45%
Avanza Pension	1,525,981	2.8%	48%
Nordic Small Cap Fund	1,378,161	2.5%	51%
Clearstream Banking S.A.	1,218,170	2.2%	53%
Other shareholders	26,024,852	47.2%	100%
Total number of shares	55,097,529	100%	

Share data

	QTD Mar-23 3 months	QTD Mar-22 3 months	FY Dec-22 12 months
Number of shares at period end (adjusted for share split and bonus issue)	55,097,529	50,074,672	54,654,573
Amount of weighted average shares outstanding for the period (adjusted for share split and bonus issue)	54,751,659	50,027,823	51,181,806
Profit / (Loss) per share			
– basic attributable to ordinary equity holders of the parent (pence) ◊	(0.97)	0.51	1.08
– diluted, attributable to ordinary equity holders of the parent (pence) ◊	(0.97)	0.48	1.01

◊ Basic and diluted earnings are considered the same where a loss has been incurred. The effect of outstanding share options and warrants is considered anti-dilutive and is ignored for the purpose of the loss per share calculation. The adjusted share options outstanding as at 31 March 2023 totalled 2,564,312 (2022: 3,305,062) and are potentially dilutive.

Main KPI numbers

Summary of the Company's Key Performance Indicators

		QTD Mar-23 3 months	QTD Dec-22 3 months	QTD Sep-22 3 months	QTD Jun-22 3 months	QTD Mar-22 3 months
Top-tier games pending launch	No.	2	0	0	1	2
Mid-tier games pending launch	No.	1	3	1	0	1
Total top-tier games live	No.	10	9	9	10	8
Total mid-tier games live	No.	15	15	15	15	15
Top-tier games average monthly gross revenue	USD	646,148	817,952	806,548	789,996	731,612
Number of games live past ramp-up period	No.	8	8	7	7	5
Mid-tier games average monthly gross revenue	USD	38,717	42,685	48,876	44,467	41,970
Number of games live past ramp-up period	No.	13	14	12	12	14
Total revenue growth - YoY	%	54%	108%	138%	127%	61%
Total revenue growth - QoQ	%	(25%)	17%	5%	68%	1%
IAP gross profit growth - YoY	%	34%	77%	141%	146%	76%
IAP gross profit growth - QoQ	%	(25%)	4%	8%	58%	0%
IAP gross profit margin	%	13.1%	13.8%	14.8%	14.6%	13.5%
Total gross profit margin	%	15.4%	16.8%	16.3%	16.5%	13.9%
Adjusted EBITDA margin	%	4.6%	7.1%	8.0%	7.8%	3.1%
Operating profit / (loss) margin	%	(1.1%)	8.7%	(1.6%)	(2.2%)	2.3%
Average monthly operational cashflow	GBP	(356,474)	341,481	671,358	313,560	706,375
Headcount for Distribution services	No.	95	94	85	78	76
Of which headcount for new strategies	No.	15	14	14	12	9
Adjusted staff cost for Distribution services	GBP	1,015,409	1,171,978	928,101	885,184	825,428
Number of shares at period end	No.	55,097,529	54,654,573	51,669,353	50,516,015	50,074,672
Amount of weighted average shares outstanding for period	No.	54,751,659	52,752,427	50,742,156	50,178,660	50,027,823
Profit / (Loss) per share (pence)	GBPp	(0.97)	2.78	(1.22)	(1.42)	0.51

Definitions

Number of top-tier games pending launch	Number of games generating at least USD 140,000 per month for which a contract has been signed but which are not live yet
Number of mid-tier games pending launch	Number of games generating at least USD 40,000 per month for which a contract has been signed but which are not live yet
Number of total top-tier games live	Number of games generating at least USD 140,000 per month, live in at least one of our distribution channels, including games in ramp-up period
Number of total mid-tier games live	Number of games generating at least USD 40,000 per month, live in at least one of our distribution channels, including games in ramp-up period
Average monthly gross revenue	Average monthly IAP revenue generated over the quarter - excluding games in initial six months ramp-up period and games not qualifying as tier games. Average number based on sales data and excluding settlement reconciliation adjustments
Ramp-up period	Six-month period from launch date to reach a stable revenue inflow level
Growth rates - YoY	Rates measured to the comparable period in the previous financial year
Growth rates - QoQ	Rates measured to the comparable period in the previous quarter
IAP gross profit margin	IAP revenue gross profit to total revenue
Total gross profit margin	Total revenue (IAP and non-IAP) gross profit to total revenue (IAP and non-IAP)
Adjusted EBITDA margin	Adjusted EBITDA to total revenue (IAP and non-IAP)
Operating profit / (loss) margin	Operating profit/(loss) to total revenue (IAP and non-IAP)
Average monthly operational cashflow	Average operational cashflow (excl. effects of exchange rate fluctuations on cash held) divided by number of months in the measured period
Headcount	Number of all staff plus all long-term contractors as at the end of the period
Adjusted staff cost	Total cost of all staff and long-term contractors before any deduction for capital-ised development cost
Number of shares at period end	Number of shares at period end adjusted for share split and bonus issue
Amount of weighted average shares outstanding for the period	Amount of weighted average shares outstanding for period, adjusted for share split and bonus issue
Profit/(Loss) per share (pence)	Basic and diluted earnings are considered the same where a loss has been incurred. The effect of outstanding share options and warrants is considered anti-dilutive and ignored in the calculation

Quarterly figures

Income statement

GBP, 000

	2023		2022			2021		
	Q1 Mar	Q4 Dec	Q3 Sep	Q2 Jun	Q1 Mar	Q4 Dec	Q3 Sep	Q2 Jun
IAP revenue	14,457	18,260	16,449	15,369	10,518	10,403	7,794	7,786
Non-IAP revenue	27	71	31	35	42	53	15	25
Marketing Services Revenue	1,790	3,382	2,069	2,303	-	-	-	-
Total revenue	16,274	21,713	18,549	17,707	10,560	10,456	7,809	7,811
IAP gross profit	1,899	2,521	2,435	2,251	1,421	1,427	1,009	915
Non-IAP gross profit	27	71	31	35	42	53	15	25
Marketing Services Revenue	586	1,066	560	632	-	-	-	-
Total gross profit	2,512	3,658	3,026	2,918	1,463	1,480	1,024	940
Adjusted EBITDA	743	1,551	1,482	1,375	330	351	141	18
Operating profit / (loss) (EBIT)	(183)	1,881	(294)	(393)	248	634	(18)	(52)
Finance cost	(321)	(350)	(306)	(303)	(1)	(2)	(2)	(2)
Profit / (Loss) before tax	(503)	1,530	(600)	(696)	247	633	(20)	(54)
Adjusted profit / (loss) before tax	(149)	1,061	294	393	85	652	55	(65)
Tax	(4)	(69)	(34)	(20)	8	5	(15)	(11)
Profit / (Loss) after tax	(507)	1,461	(634)	(716)	255	638	(35)	(65)

Cash flow

GBP, 000

	2023		2022			2021		
	Q1 Mar	Q4 Dec	Q3 Sep	Q2 Jun	Q1 Mar	Q4 Dec	Q3 Sep	Q2 Jun
Cash flow from operating activities be-fore changes in working capital	627	2,443	838	403	323	617	128	67
Changes in working capital	(1,688)	(1,269)	1,098	635	1,610	5,877	(551)	951
Cash flow from net operating activities	(1,061)	1,174	1,936	1,038	1,933	6,494	(423)	1,017
Cash flow from investing activities	(611)	(25)	(279)	(2,997)	(6,191)	(6,808)	(116)	(72)
Cash flow from financing activities	(32)	2,185	85	(33)	6	(23)	55	(20)
Net change in cash and cash equivalents	(1,704)	3,334	1,742	(1,992)	(4,252)	(336)	(484)	925
Cash and cash equivalents at end of the period	12,026	13,802	10,457	8,435	10,392	14,458	15,062	15,609

Balance Sheet

GBP, 000

	2023		2022			2021		
	Q1 Mar	Q4 Dec	Q3 Sep	Q2 Jun	Q1 Mar	Q4 Dec	Q3 Sep	Q2 Jun
Property, plant and equipment	284	79	112	130	56	75	93	112
Intangible assets	21,099	21,782	22,173	23,278	7,578	7,759	1,022	971
Other non-current assets	400	400	425	233	237	52	33	41
Total non-current assets	21,783	22,261	22,710	23,641	7,871	7,886	1,149	1,124
Trade and other receivables	8,472	11,497	9,845	9,363	5,176	5,467	3,794	3,598
Cash and cash equivalents	12,026	13,802	10,457	8,435	10,392	14,458	15,062	15,609
Total current assets	20,498	25,299	20,302	17,798	15,568	19,925	18,856	19,207
Total equity	18,099	18,057	13,495	13,038	13,368	13,081	12,412	12,367
Total non-current liabilities	8,749	7,967	7,999	8,003	-	-	-	22
Trade and other payables	12,610	17,273	16,497	14,871	10,027	14,664	7,506	7,857
Lease liabilities	100	29	35	62	44	66	87	85
Deferred consideration	1,027	2,056	3,062	3,992	-	-	-	-
Contingent consideration	1,695	2,178	1,924	1,473	-	-	-	-
Total current liabilities	15,432	21,536	21,518	20,398	10,071	14,730	7,593	7,942




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