

Q2 Report

30 June 2023





Reach the whole
Android market
with your game

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FLEXION

Flexion achieves H1 revenue growth of 12% to GBP 31.8m despite decline in Q2 revenue. General slow-down in mid-core segment and unfavourable FX are contributing factors. The company sees a positive outlook for second half of the year with many new growth drivers.

April-June 2023 performance

- Total revenue decreased by 12% to GBP 15.5m (17.7)*
- Gross profit decreased by 19% to GBP 2.4m (2.9)
- Adjusted EBITDA† decreased by 63% to GBP 0.5m (1.4)
- Operating Profit grew to GBP 70k (-380k)
- EPS amounted to GBP -0.43 pence (-1.45 pence)
- Operating cash flow amounted to GBP 0.9m (1.0)
- Cash and cash equivalents grew to GBP 12.7m (8.4)

January-June 2023 performance

- Total revenue increased by 12% to GBP 31.8m (28.3)*
- Gross profit increased by 11% to GBP 4.9m (4.4)
- Adjusted EBITDA‡ decreased to GBP 1.3m (1.7)
- Operating result remained at GBP -0.1m (-0.1)

* 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.

Q2 2023

Important events during the quarter

- Launch of Hill Climb Racing and Hill Climb Racing 2 from Fingersoft
- Announcement of strategic partnership with Xiaomi. Integration of GetApps to our suite of alternative marketplaces
- Participation in Samsung Game Launcher project
- Audiencly won the exclusive marketing and sponsorship contract for 7vsWild in all German speaking countries

Q3 2023

Important events after the quarter

- Launch of Monopoly Go! – most successful launch to date
- Launch of several titles on DT Hubs – Digital Turbine’s new carrier distribution platform
- Launch of several top games on GetApps. This new platform contributed the most new users to our platform in July
- New distribution channels represented 40% of total new users in July
- 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



“Significant wins and investment should result in a strong second half of the year.”

Jens Lauritzson
CEO, Flexion Mobile Plc

Q: How would you describe the quarter?

A: The second quarter was a “consolidation” quarter for us, a quarter where we worked intensively to assimilate last year’s 100% hyper growth and to lock in the next growth drivers that will kick in during the second half of the year. Such drivers include the new Monopoly GO! game, already one of the strongest mobile games worldwide. We launched the game in our channels on the 25th of July, and it has been our strongest launch to date.

While we are totally confident that the business is already returning to growth levels exceeding the 12% we have already experienced in H1 2023 versus H1 2022 (and 120% versus 2021), the year-on-year decline in the second quarter was naturally disappointing. It stemmed from a combination of two main factors: a general slow-down in spend on mid-core games and negative foreign exchange effects. To put the effect of foreign exchange simply: Total Q2 Revenue measured in our reporting currency GBP was down 12% year-on-year, while GBP has strengthened some 8% against our main trading currency USD this quarter. That accounts for a significant part of the year-on-year decline.

Secondly, some of our best-selling games were impacted by an industry-wide downturn before revenue from new games kicked in, thus resulting in a temporary decline. The market boost from Covid is over, changes to privacy rules have made user acquisition more complex and, of course, weak global macro data has also adversely impacted the games we distribute – and we are not alone in this regard. Revenue for the same games on the market leading platform, Google Play, was down 28% in this quarter compared with 2022.

Q: What were the big positives you mentioned for the quarter?

A: We have delivered several successful and ground-breaking new projects, which make me excited about the future. I have outlined them separately below to provide some needed visibility in terms of what I believe will continue to drive our growth and to strengthen our market position. They also showcase the strength in our model as we continue to build market share despite the macro environment.

Increased Distribution – We see the best return on investment by growing distribution for our existing portfolio, and we achieve that by strengthening relationships with existing channels and/or adding new channels to our platform. The more the traffic, the stronger is our offering in terms of existing and new games. This quarter has been characterised by new distribution projects. In July, 40% of our total monthly new users (1.6 million) came from channels we only

launched in Q2. This is a big achievement and will set us up nicely for the rest of the year but more importantly for 2024!

Xiaomi – Many have asked me why we announced this partnership last month when we were already working with Xiaomi, the world’s second-largest android smartphone manufacturer. Allow me to explain. GetApps, Xiaomi’s Appstore, had until this year only been rolled out in a few markets and had no own payment platform. Early partners had to bring their own integrated payment service while Xiaomi offered some limited marketing. Flexion was one of the early adopters – we launched a few titles in a couple of markets. This year, on the back of the strong tailwinds for alternative distribution, Xiaomi decided to go all-in with a full global rollout of GetApps including their own payment platform offering favourable terms to developers and strong marketing support. We have since completed the full integration and launched a handful of titles, and by July, this channel was already contributing the largest number of new monthly users to our games. There is still work to be done on monetisation, but we believe Xiaomi could over time become one of the leading alternative mobile games stores, and one where Flexion has an important part to play.

Digital Turbine – in Q1, we announced our strategic marketing partnership with Digital Turbine, the leader in mobile game user acquisition services in the USA, and we have since integrated and launched a few of our strong titles on DT Hubs – a new distribution platform for mobile carriers and OEMs. So far, four of the biggest US carriers have gone live with DT Hubs. When this is fully rolled out during the second half of the year, we expect millions of new users from this channel in the US.

Samsung Game Launcher – this is a new and super exciting cloud-gaming service by Samsung. It is in beta launch in the US and Canada and Flexion is supporting the project with some of our best games. It will be fully rolled out through Samsung Game Launcher – their service which is preloaded on all Samsung devices. The new service lets consumers play a game instantly as it is streamed, and no downloading of files is necessary. It significantly improves conversion and is perfectly suited for user acquisition. This could become a game changer for Galaxy App Store.

Amazon Fire TV – this is a new and exciting channel opportunity which brings our games to smart TVs. So far, we have only launched Hill Climb Racing, but we have noted significant volume and quite strong monetisation.

Windows 11 – Amazon and Microsoft have joined forces and are bringing mobile games to PCs through Windows 11. The project is now starting to gain real traction with users. During this quarter, we have launched a few games including Monopoly Go. It is a highly strategic project both for Microsoft and for Amazon.

New Scopely Titles – We expanded our Scopely contract earlier this year to include their two big new titles Monopoly Go and Stumble Guys. Following its global launch, “MONOPOLY GO!” quickly became the #1 mobile board game in the world and was the biggest casual mobile game launch of the last five years in the west. We have only been live with this title for four weeks but so far it is our strongest launch to date. If we manage to generate 10% of the revenue the game is achieving via Google Play, it will be the strongest title in our portfolio. With such a strong title, the question is only – how many users we can drive to the game through our channels. Needless to say, we are aiming high and have managed to secure the best possible marketing commitment for this purpose. Expanding our distribution and reach is therefore critical to make the most of this and similar growth opportunities. We aim to launch the second title, “Stumble Guys”, later this quarter. “Stumble Guys,” is already enjoyed by tens of millions of players every week and was also one of the top ten most downloaded apps in the world in 2022. With games like this in our portfolio we become a very attractive partner for most distribution channels.

Audiency – 7vsWild project. The first six months of the year are usually slower for marketing agencies and this year has been no exception. It is, therefore, a real pleasure to announce that Audiency has won the exclusive rights to sell all sponsorship and advertising for the third series of the hugely popular German online event **7vsWild**, where several famous influencers are placed out in the wild on a survival mission. The series will be live streamed and available on YouTube and Amazon Freevee during Q4 ~2023 and Q1-2024. The first two seasons have averaged over 100 million views per season. Our 2023 revenue forecast for the project is EUR 5m and we already have approx. 50% of the budget committed from advertisers. It is worth mentioning that the participants in the show are some of the biggest gaming influencers in Germany and this will surely lead to incremental business for Audiency in 2024 and beyond. Being part of Flexion was one of the decisive points in winning this bid and it could accelerate their growth for years to come.

On the tech side, we worked intensively on upgrading our systems to adapt to last year's 100% hyper growth and to prepare for the next growth drivers. Our teams succeeded in developing and soft-launching a new, significantly enhanced, version of our distribution-enabling software, and we've made good inroads into streamlining the settlement and reporting platform to cope with the vast increase in the numbers of transactions we expect to support.

Lastly, on game-sourcing, we have a strong sales pipeline and are in negotiations with several leading developers. These include takeovers of existing revenues and users in some alternative channels for certain games. We are now looking at converting these leads to boost our revenue in Q4 and beyond. I think it is fair to say that it has been a challenge to recruit strong salespeople who can close these complex deals in key markets. Our business development team currently only consists of four fulltime employees. Recruitment is ongoing and I am confident that we will add strong members to the team very soon. To date this year, we have added NetEase and Fingersoft as well as expanded our Scopely partnership but we can do better and that is one of our focus areas for the remainder of the year.

Q: Your Gross Margin and EBITDA is down more relative to your revenue, please can you expand on this?

A: Looking at the gross margin within distribution, it was impacted negatively due to lower sales but also due to relatively more substantial declines on key titles with higher margins. We expect a partial recovery in Q3 and onwards. With a reduced margin and continued investment in future growth our EBITDA was impacted negatively in the first half of the year. However, Flexion is a growth company with a strong cash position and our current priorities are balanced revenue growth and investing to ensure we can support future profitable growth.

Q: How do you see Flexion's position in the current market?

A: The games market is going through a transition phase, with several factors playing a role. First, we all benefitted from stronger demand during and after Covid. With the weaker financial climate and inflation at peak levels this phase is now over. Moreover, Apple, which is still the most important platform for game developers, has introduced changes to user tracking (IDFA), so the biggest User Acquisition (UA) companies found that they could not operate in the same way, and this has led to less spend on traditional UA services.

All in all, these factors have accelerated the need for change. Over time, game design may change and favour more casual games on mobile that take a page out of mid-core game monetisation. Games like Monopoly Go and Stumble Guys are typical of the new breed of mobile games. These games may have to rely on new user acquisition strategies, including creator programmes, better virality and sharing (this is where cloud gaming may play a future role). All this makes the landscape for marketers more challenging, and we see distribution with higher margin channels coming into play already. These winds of change are good for us. Flexion is very well positioned in all of this. Not only do we represent some of the biggest games in the market, but we also know all the important players that are driving this change.

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

A: Due to the general slowdown both in tech and now also in gaming we have been cautious in our recent approaches. Valuations of private companies are still lagging the public market. We are having several strategic discussions which may materialise in transactions over time.

Q: Your guidance indicated have guided on 20-40% growth for the year, where are you on this?

A: Due to the market slow-down and delays in game signings as well as launching and activating new opportunities, our annual guidance is now more challenging. Having said that, we have, as previously explained managed to secure many significant projects this year and we are now working with 100% focus on execution and monetising them in 2023. We therefore still believe and feel confident in our ability to deliver at the lower range of our market guidance. It is accordingly interesting to conclude that alternative distribution channels are gaining market share. This is particularly interesting for Flexion given the pending break-up of Apple's and Google Play's oligopoly driven by regulatory changes during 2024.

Financial Development

April–June 2023

REVENUE

Total revenue decreased by 12% year-on-year to GBP 15,497,411 (17,707,446), of which In-App Purchase (IAP) revenue decreased by 10% year-on-year to GBP 13,812,951 (15,369,276), non-IAP revenue decreased to GBP 28,416 (35,399) and Marketing services revenue decreased to GBP 1,656,044 (2,302,771).

Total revenue for the quarter decreased by 5% compared with the preceding quarter.

GROSS PROFIT

Cost of sales decreased by 11% year-on-year to GBP 13,130,793 (14,789,788).

Total gross profit decreased by 19% year-on-year to GBP 2,366,618 (2,917,658) with gross profit from Marketing services contributing GBP 578,742 (631,701). IAP gross profit decreased year-on-year to GBP 1,759,460 (2,250,558) due to the decrease in revenue. Non-IAP gross profit decreased to GBP 28,416 (35,399). All non-IAP revenue carried a 100% margin to Flexion.

Total gross profit decreased by 6% compared with the preceding quarter. IAP gross profit decreased by 7% compared with the preceding quarter. Total gross profit margin (which now includes Marketing services) decreased from 15.4% to 15.3%, with Marketing services gross profit margin increasing from 32.7% to 34.9% offset by IAP gross profit margin which decreased from 13.1% to 12.7% compared with the preceding quarter. The fall in IAP gross profit margin is explained by lower revenue of titles with relatively high margin contribution.

GENERAL AND ADMINISTRATIVE EXPENSES

The total headcount increased by 22 year-on-year to 132 (110) of which, Distribution's headcount represented 94 (78). There are now 16 (12) strategic and 78 (66) core headcounts within Distribution. Core headcounts include staff for group functions to support with acquisitions. Adjusted staff cost for Distribution increased from GBP 885,184 to GBP 1,094,286. Audiency had a headcount of 38 (32). Group staff and contractor costs increased by 31% year-on-year to GBP 1,386,958 (1,055,439) driven by inflationary salary pressure and the increase in headcount in both Distribution and Marketing Services.

Other overheads decreased year-on-year to GBP 333,192 (1,563,503) driven by GBP -127,653 (909,609) in unrealised/realised foreign exchange net gains/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.

The total amortisation of GBP 542,954 (647,307) includes GBP 250,885 (578,901) related to game distribution rights, GBP 131,381 (0) related to Brand, GBP 85,039 (0) related to customer relationships and GBP 75,649 (68,406) related to capitalised development costs.

As a result, group general and administrative expenses decreased year-on-year to GBP 2,296,690 (3,298,093).

During the quarter, the headcount for distribution decreased by 1 to 94 and the headcount for new strategies increased by 1 to 16 excluding Audiency. Total staff and contractor costs for distribution increased by 8% compared with the preceding quarter as a result of inflationary related increases. Adjusted staff costs for Distribution, as reported in the KPI section, increased by 8%. Other overheads decreased by GBP 0.3m compared with the preceding quarter, driven by GBP -0.1m (0.1m) in foreign exchange movements and an adjustment made to the amortisation method of game distribution rights in the current quarter.

ADJUSTED EBITDA AND NET EARNINGS

Adjusted EBITDA for the quarter amounted to GBP 518,815 (1,387,426) driven by lower gross profit from both Distribution and the Marketing Services. Compared with the preceding quarter, EBIT increased to GBP 69,928 (-182,505) and result after tax for this quarter amounted to GBP -207,456 (-506,795). Adjusted profit before tax amounted to GBP -72,050 (-148,986).

CASH FLOW

Operating cash flow decreased by GBP 0.1m year-on-year to GBP 909,567 (1,035,850) primarily due to working capital timing effects. Net cash flow increased by GBP 2.9m to GBP 885,158 (-1,991,666).

FINANCIAL POSITION

Cash amounted to GBP 12,739,904 (8,435,435) and there were no interest-bearing liabilities. During the quarter, cash increased by GBP 713,913, driven by positive operating cashflow. Trade and other receivables amounted to GBP 8,407,593 (9,330,250). Trade and other payables amounted to GBP 12,937,394 (14,871,120).

CHANGES IN NUMBER OF GAMES DURING THE QUARTER

The average monthly revenue for top-tier games past the ramp-up period decreased to USD 610,814 (646,148) compared to the preceding quarter and remained at 8 games when compared to the preceding quarter. The average monthly revenue for mid-tier games increased to USD 42,041 (38,717) compared to the preceding quarter.

During the quarter, the number of live top-tier games remained at 10 titles. The number of live mid-tier games increased by 1 to 15 titles. There are currently two signed top-tier games awaiting launch. One of these games was launched in late July and one game will be launched in Q3. There were no signed mid-tier games yet to be launched.

January–June 2023

The first six months of the financial year ending December 2023 showed continued growth in revenue with total revenue increasing by 12% to GBP 31,772,123 (28,267,821). IAP revenue grew by 9% to GBP 28,270,210 (25,887,593). Gross profit increased by 11% to GBP 4,878,711 (4,381,048) during the period. General and administrative expenses increased by 11% to GBP 4,991,288 (4,513,529). Adjusted EBITDA decreased to GBP 1,262,137 (1,717,220). The result after tax decreased to GBP -714,251 (-476,819).



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

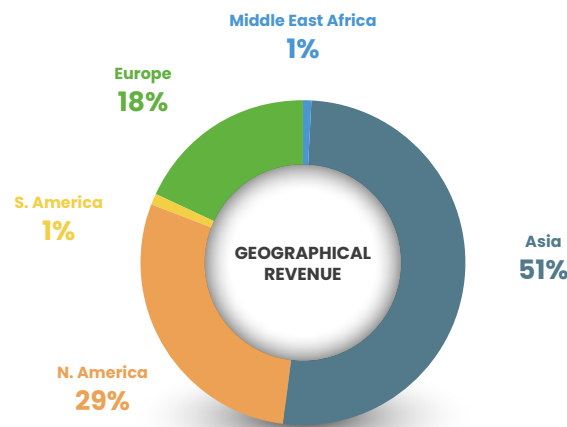
Non-IAP revenue includes revenue from integration fees and minimum guarantees and other revenue that is non-recurring. It includes recurring revenue share from in-game advertising, historical subscription revenue and legacy revenue.

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 30 June 2023 is presented below.



The main market for group revenue during the quarter was Asia with 51% market share followed by North America with 29% market share. Europe accounted for 18%, South America for 1% 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 132 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

Q3 report - 2023 financial year	22 Nov. 2023
Q4 report - 2023 financial year	20 Mar. 2024
Q1 report - 2024 financial year	21 May 2024
Q2 report - 2024 financial year	21 Aug. 2024

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Further information

For further information, contact CFO Niklas Koresaar at +44 207 351 59 44 or ir@flexionmobile.com or visit the company's website: www.flexionmobile.com.

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 22 August 2023.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the quarterly period ended 30 June 2023

	Notes	QTD Jun-23 3 months Unaudited GBP	QTD Jun-22 3 months Unaudited GBP	YTD Jun-23 6 months Unaudited GBP	YTD Jun-22 6 months Unaudited GBP	YTD Dec-22 12 months Unaudited GBP
Total revenue	3	15,497,411	17,707,446	31,772,123	28,267,821	68,529,614
Cost of sales		(13,130,793)	(14,789,788)	(26,893,412)	(23,886,773)	(57,463,846)
Total gross profit	4	2,366,618	2,917,658	4,878,711	4,381,048	11,065,768
General and administrative expenses	5	(2,296,690)	(3,298,093)	(4,991,288)	(4,513,529)	(9,611,953)
Adjusted EBITDA[†]		518,815	1,387,426	1,262,137	1,717,220	4,751,015
Depreciation of tangible assets		33,586	31,844	67,337	50,534	115,141
Amortisation of intangible assets		542,954	647,307	1,286,639	872,823	2,448,682
Foreign exchange loss/(gain)		(127,653)	909,609	20,738	747,243	509,803
Corporate acquisition related costs		-	179,101	-	179,101	223,574
Operating profit / (loss) for the period		69,928	(380,435)	(112,577)	(132,481)	1,453,815
Finance costs		(230,745)	(303,500)	(551,515)	(304,696)	(960,752)
Profit / (Loss) before tax for the period		(160,817)	(683,935)	(664,092)	(437,177)	493,063
Tax		(46,639)	(48,183)	(50,159)	(39,642)	(142,864)
Profit / (Loss) after tax for the period		(207,456)	(732,118)	(714,251)	(476,819)	350,199
Attributable to:						
Equity holders of the parent		(207,456)	(732,118)	(714,251)	(476,819)	350,199
Profit / (Loss) for the period		(207,456)	(732,118)	(714,251)	(476,819)	350,199
Other comprehensive income						
Foreign exchange differences		(31,058)	3,246	(53,574)	3,246	23,062
Total comprehensive profit / (loss) for the period		(238,514)	(728,872)	(767,825)	(473,573)	373,261
Attributable to:						
Equity holders of the parent		(238,514)	(728,872)	(767,825)	(473,573)	373,261
Profit / (Loss) for the period		(238,514)	(728,872)	(767,825)	(473,573)	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 30 June 2023

	Notes	Jun-23 Unaudited GBP	Jun-22 Unaudited GBP	Dec-22 Unaudited GBP
Assets				
Non-current assets				
Property, plant and equipment	7	253,444	129,656	78,560
Intangible assets	8	20,615,607	23,278,254	21,782,246
Investments		400,327	184,372	400,327
Deferred tax assets		-	48,361	-
Total non-current assets		21,269,378	23,640,643	22,261,133
Current assets				
Trade and other receivables	9	8,407,593	9,330,250	11,497,388
Cash and cash equivalents		12,739,903	8,435,436	13,801,593
Total current assets		21,147,496	17,765,686	25,298,981
Total assets		42,416,874	41,406,329	47,560,114
Equity and liabilities				
Equity				
Share capital		113,292	101,032	109,309
Share premium		21,315,255	15,445,000	19,730,020
Other reserves		319,704	436,563	341,593
Retained earnings		(2,838,416)	(2,977,302)	(2,124,165)
Total equity		18,909,835	13,005,293	18,056,757
Non-current liabilities				
Deferred Tax liabilities	11	2,577,523	2,807,472	2,685,547
Lease liabilities		159,597	30,020	22,303
Contingent consideration	11	3,343,636	5,165,253	5,795,451
Total non-current liabilities		6,080,756	8,002,745	8,503,301
Current liabilities				
Trade and other payables	10	12,937,394	14,871,120	17,272,755
Lease liabilities		75,054	62,511	29,397
Deferred consideration	11	-	3,991,692	2,056,064
Contingent consideration	11	4,413,835	1,472,968	1,641,840
Total current liabilities		17,426,283	20,398,291	21,000,056
Total liabilities		23,507,039	28,401,036	29,503,357
Total equity and liabilities		42,416,874	41,406,329	47,560,114

Consolidated Statement of Cash Flows

for the quarterly period ended 30 June 2023

	QTD Jun-23 3 months Unaudited	QTD Jun-22 3 months Unaudited	YTD Jun-23 6 months Unaudited	YTD Jun-22 6 months Unaudited	YTD Dec-22 12 months Unaudited
Cash flow from operating activities					
Profit / (Loss) before tax for the period	(160,817)	(683,935)	(664,092)	(437,177)	493,063
Profit before tax for the period	(160,817)	(683,935)	(664,092)	(437,177)	493,063
Adjustments for:					
Foreign exchange losses / (gains)	(18,167)	(35,413)	(10,066)	(221,387)	(149,205)
Share based payments	24,199	18,959	47,878	35,920	57,840
Depreciation of tangible assets	33,586	31,844	67,337	50,534	115,141
Amortisation of intangible assets	542,954	647,307	1,286,639	872,823	2,448,682
Interest paid	243,171	303,503	563,979	304,699	920,907
Working capital:					
Change in trade and other receivables	(49,246)	(4,091,036)	2,915,419	(3,805,032)	(6,376,986)
Change in trade and other payables	293,887	4,844,621	(4,358,850)	6,168,621	8,570,257
Net cash flow from operating activities	909,567	1,035,850	(151,756)	2,969,001	6,079,699
Cash flow from investing activities					
Investment in associate	-	-	-	(184,372)	(400,327)
Acquisition of a subsidiary, net of cash acquired	-	(2,884,905)	(518,571)	(2,884,905)	(2,884,905)
Expenditure on property, plant and equipment	(1,354)	-	(33,573)	-	(7,895)
Capitalised development cost	(60,000)	(112,208)	(120,000)	(157,207)	(237,485)
Payment of game distribution rights	-	-	-	(5,962,049)	(5,962,049)
Net cash flow from investing activities	(61,354)	(2,997,113)	(672,144)	(9,188,533)	(9,492,661)
Cash flow from financing activities					
Issue of ordinary shares, net of issue costs	70,965	-	70,965	28,325	2,341,464
Payment of lease liabilities	(34,020)	(30,403)	(65,936)	(53,090)	(96,556)
Net cash flow from financing activities	36,945	(30,403)	5,029	(24,765)	2,244,908
Net change in cash and cash equivalents	885,158	(1,991,666)	(818,871)	(6,244,298)	(1,168,054)
Cash and cash equivalents at beginning of period	12,025,990	10,391,688	13,801,592	14,458,346	14,458,346
Effect of exchange rate fluctuations on cash held during the period	(171,244)	35,413	(242,817)	221,387	511,301
Cash and cash equivalents at end of period	12,739,904	8,435,435	12,739,904	8,435,435	13,801,593

Consolidated Statement of Changes in Equity

for the period ended 30 June 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	-	(2,333,859)	13,080,670
Acquisition of subsidiary	-	-	-	-	(166,624)	(166,624)
Profit for the period	-	-	-	3,246	(476,819)	(473,573)
Total comprehensive income	100,049	14,917,283	397,197	3,246	(2,977,302)	12,440,473
Transactions with owners, recorded directly in equity						
Share based payments	983	527,717	35,920	-	-	564,620
Deferred tax on share options	-	-	200	-	-	200
Issue of share capital	-	-	-	-	-	-
Balance at 30 June 2022	101,032	15,445,000	433,317	3,246	(2,977,302)	13,005,293
Balance at 1 January 2023	109,309	19,730,020	318,531	23,062	(2,124,165)	18,056,757
Loss for the period	-	-	-	(53,574)	(714,251)	(767,825)
Total comprehensive income	109,309	19,730,020	318,531	(30,512)	(2,838,416)	17,288,932
Transactions with owners, recorded directly in equity						
Share based payments	-	-	47,878	-	-	47,878
Deferred tax on share options	-	-	(16,193)	-	-	(16,193)
Issue of share capital	3,983	1,585,235	-	-	-	1,589,218
Balance at 30 June 2023	113,292	21,315,255	350,216	(30,512)	(2,838,416)	18,909,835

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 30 June 2022 and 30 June 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:	Jun-23 Unaudited	Jun-22 Unaudited
Revenue breakdown		
IAP Revenue	13,812,951	15,369,276
Non-IAP Revenue	28,416	35,399
Marketing services	1,656,044	2,302,771
Total Revenue	15,497,411	17,707,446

4. Gross profit

Gross profit disclosed in the statement of profit and loss is analysed as follows:	Jun-23 Unaudited	Jun-22 Unaudited
Gross profit breakdown		
IAP gross profit	1,759,460	2,250,558
Non-IAP gross profit	28,416	35,399
Marketing services	578,742	631,701
Total gross profit	2,366,618	2,917,658

5. General and administrative expenses

General and administrative expenses disclosed in the statement of profit or loss is analysed as follows:	Jun-23 Unaudited	Jun-22 Unaudited
General and administrative expenses		
Staff and contractor costs	1,386,958	1,055,439
Depreciation	33,586	31,844
Amortisation	542,954	647,307
Other overheads	333,192	1,563,503
Total	2,296,690	3,298,093

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:

	Jun-23 Unaudited	Jun-22 Unaudited
Property, plant and equipment		
Office Equipment	17,687	22,292
Leasehold improvements	7,382	-
Right-to-use assets	228,375	107,364
Total	253,444	129,655

In the second quarter for the year ending 31 December 2023 depreciation for property, plant equipment amounted to GBP 33,586.

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:

	Jun-23 Unaudited	Jun-22 Unaudited
Intangible asset		
Goodwill	7,242,550	7,242,550
Capitalised development costs	905,112	1,008,416
Game distribution rights	4,515,923	6,034,827
Computer software	-	425
Customer relationships	3,353,697	3,736,807
Brand	4,598,325	5,255,229
Total	20,615,607	23,278,254

In the second quarter for the year ending 31 December 2023 amortisation amounted to GBP 542,954.

9. Trade and other receivables

	Jun-23 Unaudited	Jun-22 Unaudited
Assets		
Trade receivables	1,649,540	1,281,270
Other receivables	639,300	139,495
Prepayments and accrued income	6,118,753	7,909,485
Trade and other receivables	8,407,593	9,330,250

Other receivables include GBP 76,168 (36,834) of VAT receivables, GBP 127,043 (76,481) of advances, GBP 391,903 of other financial assets and GBP 44,186 (26,180) of other non-material items.

10. Trade and other payables

	Jun-23 Unaudited	Jun-22 Unaudited
Liabilities		
Trade payables	1,994,511	1,720,768
Social security and other taxes	79,484	122,628
Accrued expenses	10,048,865	12,297,534
Other payables	703,163	452,762
Corporate tax payable	111,371	277,428
Trade and other payables	12,937,394	14,871,120

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 30 June 2023, there have been no changes in the estimate of the probable cash outflow but the liability has increased to EUR 9.0 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 30 June 2023	N. of shares and votes	%	Aggregated %
Mobile Sensations Ltd	11,250,522	20.0%	20%
Palmstierna Invest AB	3,405,280	6.1%	26%
Goldman Sachs & Co. LLC	2,640,580	4.7%	31%
Palmstierna Fredrik	1,932,778	3.4%	34%
Julius Baer & Co Ltd	1,825,888	3.2%	37%
Clearstream Banking S.A.	1,673,788	3.0%	40%
HSBC Trinkaus and Burkhardt GMBH	1,647,401	2.9%	43%
The Bank of New York Mellon	1,581,615	2.8%	46%
Joachim Odqvist	1,560,415	2.8%	49%
IBKR Financial Services AG	1,560,338	2.8%	52%
Other shareholders	27,116,910	48.3%	100%
Total number of shares	56,195,515	100%	

Share data

	QTD Jun-23 3 months	QTD Jun-22 3 months	FY Dec-22 12 months
Number of shares at period end (adjusted for share split and bonus issue)	56,175,515	50,516,015	54,654,573
Amount of weighted average shares outstanding for the period (adjusted for share split and bonus issue)	55,356,447	50,178,660	51,181,806
Profit / (Loss) per share			
– basic attributable to ordinary equity holders of the parent (pence) ◊	(0.43)	(1.45)	1.08
– diluted, attributable to ordinary equity holders of the parent (pence) ◊	(0.43)	(1.45)	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 Jun-23 3 months	QTD Mar-23 3 months	QTD Dec-22 3 months	QTD Sep-22 3 months	QTD Jun-22 3 months
Top-tier games pending launch	No.	2	2	0	0	1
Mid-tier games pending launch	No.	0	1	3	1	0
Total top-tier games live	No.	10	10	9	9	10
Total mid-tier games live	No.	16	15	15	15	15
Top-tier games average monthly gross revenue	USD	610,814	646,148	817,952	806,548	789,996
Number of games live past ramp-up period	No.	8	8	8	7	7
Mid-tier games average monthly gross revenue	USD	42,041	38,717	42,685	48,876	44,467
Number of games live past ramp-up period	No.	13	13	14	12	12
Mid-tier games pending launch						
Total revenue growth - YoY	%	(12%)	54%	108%	138%	127%
Total revenue growth - QoQ	%	(5%)	(25%)	17%	5%	68%
IAP gross profit growth - YoY	%	(22%)	34%	77%	141%	146%
IAP gross profit growth - QoQ	%	(7%)	(25%)	4%	8%	58%
IAP gross profit margin	%	12.7%	13.1%	13.8%	14.8%	14.6%
Total gross profit margin	%	15.3%	15.4%	16.8%	16.3%	16.5%
Adjusted EBITDA margin	%	3.3%	4.6%	7.1%	8.0%	7.8%
Operating profit / (loss) margin	%	0.5%	(1.1%)	8.7%	(1.6%)	(2.2%)
Average monthly operational cashflow	GBP	309,245	(356,474)	341,481	671,358	313,560
Headcount for Distribution services	No.	94	95	94	85	78
Of which headcount for new strategies	No.	16	15	14	14	12
Adjusted staff cost for Distribution services	GBP	1,094,286	1,015,409	1,171,978	928,101	885,184
Number of shares at period end	No.	56,175,515	55,097,529	54,654,573	51,669,353	50,516,015
Amount of weighted average shares outstanding for period	No.	55,356,447	54,751,659	52,752,427	50,742,156	50,178,660
Profit / (Loss) per share (pence)	GBpp	(0.43)	(0.97)	2.78	(1.22)	(1.45)

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 capitalised 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	
	Q2 Jun	Q1 Mar	Q4 Dec	Q3 Sep	Q2 Jun	Q1 Mar	Q4 Dec	Q3 Sep
IAP revenue	13,813	14,457	18,260	16,449	15,369	10,518	10,403	7,794
Non-IAP revenue	28	27	71	31	35	42	53	15
Marketing Services Revenue	1,656	1,790	3,382	2,069	2,303	-	-	-
Total revenue	15,497	16,274	21,713	18,549	17,707	10,560	10,456	7,809
IAP gross profit	1,759	1,899	2,521	2,435	2,251	1,421	1,427	1,009
Non-IAP gross profit	28	27	71	31	35	42	53	15
Marketing Services Revenue	579	586	1,066	560	632	-	-	-
Total gross profit	2,367	2,512	3,658	3,026	2,918	1,463	1,480	1,024
Adjusted EBITDA	519	743	1,551	1,482	1,375	330	351	141
Operating profit / (loss) (EBIT)	70	(183)	1,881	(294)	(393)	248	634	(18)
Finance cost	(231)	(321)	(350)	(306)	(303)	(1)	(2)	(2)
Profit / (Loss) before tax	(161)	(503)	1,530	(600)	(696)	247	633	(20)
Adjusted profit / (loss) before tax	(72)	(149)	1,061	294	393	85	652	55
Tax	(47)	(4)	(69)	(34)	(20)	8	5	(15)
Profit / (Loss) after tax	(207)	(507)	1,461	(634)	(716)	255	638	(35)

Cash flow

GBP, 000

	2023		2022				2021	
	Q2 Jun	Q1 Mar	Q4 Dec	Q3 Sep	Q2 Jun	Q1 Mar	Q4 Dec	Q3 Sep
Cash flow from operating activities before changes in working capital	665	627	2,443	838	403	323	617	128
Changes in working capital	245	(1,688)	(1,269)	1,098	635	1,610	5,877	(551)
Cash flow from net operating activities	910	(1,061)	1,174	1,936	1,038	1,933	6,494	(423)
Cash flow from investing activities	(61)	(611)	(25)	(279)	(2,997)	(6,191)	(6,808)	(116)
Cash flow from financing activities	37	(32)	2,185	85	(33)	6	(23)	55
Net change in cash and cash equivalents	885	(1,704)	3,334	1,742	(1,992)	(4,252)	(336)	(484)
Cash and cash equivalents at end of the period	12,740	12,026	13,802	10,457	8,435	10,392	14,458	15,062

Balance Sheet

GBP, 000

	2023		2022				2021	
	Q2 Jun	Q1 Mar	Q4 Dec	Q3 Sep	Q2 Jun	Q1 Mar	Q4 Dec	Q3 Sep
Property, plant and equipment	253	284	79	112	130	56	75	93
Intangible assets	20,616	21,099	21,782	22,173	23,278	7,578	7,759	1,022
Other non-current assets	400	400	400	425	233	237	52	33
Total non-current assets	21,269	21,783	22,261	22,710	23,641	7,871	7,886	1,149
Trade and other receivables	8,408	8,472	11,497	9,845	9,363	5,176	5,467	3,794
Cash and cash equivalents	12,740	12,026	13,802	10,457	8,435	10,392	14,458	15,062
Total current assets	21,147	20,498	25,299	20,302	17,798	15,568	19,925	18,856
Total equity	18,910	18,099	18,057	13,495	13,038	13,368	13,081	12,412
Total non-current liabilities	6,081	8,749	7,967	7,999	8,003	-	-	-
Trade and other payables	12,937	12,610	17,273	16,497	14,871	10,027	14,664	7,506
Lease liabilities	75	100	29	35	62	44	66	87
Deferred consideration	-	1,027	2,056	3,062	3,992	-	-	-
Contingent consideration	4,414	1,695	2,178	1,924	1,473	-	-	-
Total current liabilities	17,426	15,432	21,536	21,518	20,398	10,071	14,730	7,593




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