



Q2 Report — 30 September 2020

Flexion continues its strong growth with total revenue up by 168% and gross profit up by 190% resulting in positive adjusted EBITDA on IAP revenue for the first time.

July 2020 to September 2020 performance

- Total revenue increased by 168% to GBP 6.2m (GBP 2.3m)*
- Gross profit increased by 190% to GBP 0.8m (GBP 0.3m)
- Adjusted EBITDA[†] improved by 125% to GBP 0.1m (GBP -0.5m)
- Operating result improved by 110% to an operating profit of GBP 0.05m (GBP -0.5m)
- Earnings per share amounted to GBP 0.08 pence (GBP -1.14 pence)
- Cash amounted to GBP 3.7m (GBP 3.1m)

April 2020 to September 2020 performance

- Total revenue increased by 161% to GBP 11m (GBP 4.2m)
- Gross profit increased by 201% to GBP 1.5m (GBP 0.5m)
- Adjusted EBITDA[†] increased by 113% to GBP 0.1m (GBP -1.0m)
- Operating result improved by 101% to an operating profit of GBP 0.01m (GBP -1.0m)
- Earnings per share amounted to GBP 0.09 pence (GBP -2.30 pence)

Important events during the quarter

- Generating positive adjusted EBITDA on IAP revenue for the first time in the company's history
- Signing of Z Day (Fun Plus), Dragon Raja (Archosaur Games), and Taptap Heroes (Ajoy Lab Games) **
- Launch of Dragon Raja, Z Day, Battle Warship (Special Games) and Tabou Stories (Nanobit)
- Legacy of Discord and Saint Seiya (YOOZOO) will not be distributed going forward
- Reclassification of one non-qualifying game as mid-tier game due to a performance well above minimum threshold

* Comparable number for the same quarter of the previous financial year in brackets

** Taptap Heroes was signed in September 2020, but press released in October 2020 after completion of technical review

† The Company defines adjusted EBITDA as earnings before interest, tax, depreciation, amortisation, finance costs, impairment losses and other income. Adjusted EBITDA (adjusting operating profit for several non-cash items) is used by the Company for internal performance analysis to assess the execution of our strategies. Management believe that this adjusted measure is a more appropriate metric to understand the underlying performance of the Company

Notes from the CEO



We just closed another record quarter in which we hit positive adjusted EBITDA on IAP revenue for the first time.

In the last two quarters we have grown our revenue organically by 123%, and by 168% over the last four quarters. Since we listed two and a half years ago top line has grown by 559%. I think this is a great achievement!

I am also very pleased that we achieved positive adjusted EBITDA on IAP revenue two quarters earlier than set out in our financial targets. This really shows the power of our distribution model.

We have also seen our top games generate more than USD 500k in monthly average gross revenue during this quarter. Some of our games now generate more than 20% of the developers' android revenue on markets outside China. This really demonstrates Flexion's distribution capacity and why developers should take the alternative market seriously and work with us.

The main growth driver this quarter was Huawei's App Gallery. During the quarter it became our biggest channel for the first time. The quality of their devices and app store is high, and so is their commitment to continue to develop AppGallery with very strong promotions to ensure that its content is performing well. Huawei has seen its fair share of political turbulence on its 5G network side but as an app distributor they start to be a real force. We are of course continually assessing Huawei's situation.

Generally, the mobile games market is currently in a transition phase, moving towards alternative distribution. The market is being under increased pressure from both market participants and regulatory bodies, resulting in changes that should support Flexion's long-term growth potential. Epic Games, together with amongst others Spotify, have challenged Google and Apple for

monopolistic behaviour in the US courts. Just a few days ago, the US Justice Department decided to sue Google for market abuse. The regulatory pressure to break up and open markets across the world is evident. India is the latest example where developers have responded negatively to the new Google Play payment terms for all apps. Google has met some of the criticism with promises of making third party stores more accessible on the next Android update. This is the first time Google openly acknowledges the important role of other stores on Android. In parallel, Apple has decided to implement new policies, restricting the way advertisers may track users on Apple's latest operating system iOS 14. This is a big blow to the advertising ecosystem. It will confine heavy-spending game developers as well as the largest providers of advertising inventory, including Facebook. Following the implementation of Apple's new policies early next year, we expect Android to gain importance for developers and organic traffic from alternative app stores to increase. It is hard to predict how the future will turn out, but the current trends are pointing in favour of alternative distribution.

We continue to invest in the development of our platform and services, further improving the tools that help us scale faster. One newly developed service is our game submission portal which allows developers to submit everything needed in order to prepare the distribution of a game. The portal is currently in beta launch with some of our closest partners. This is one of the first customer facing self-service tools and stands as a great example of how we can automate the delivery process.

Our sales pipeline is strong, and we are expecting to hit our live game target of 27 titles and positive adjusted EBITDA on IAP revenue by the end of the year. We continue to focus on growing our newly launched titles, signing new games and adding new channels. We have a strong positive momentum in our business, which we expect to continue.

We are now entering the busy Christmas quarter with a few game launches and many promotions planned. We expect a relatively stable period before we gear up for the Christmas rush. With large parts of the western world in lockdown we expect new devices and games to be high on the wish lists this year.

We are looking forward with excitement and wish you all a happy ending to a very eventful but good year for Flexion.

Jens Lauritzson - CEO

Financial Development



July 2020 to September 2020

REVENUE

IAP (In-App Purchase) revenue grew by 173% YoY to GBP 6,173,071 (GBP 2,259,966). Non-IAP revenue, which includes store integration fees and non-IAP related revenue from games, decreased by 86% YoY to GBP 5,929 (GBP 42,602). Total revenue grew by 168% YoY to GBP 6,179,001 (GBP 2,302,568).

QoQ growth for IAP revenue was 32%, non-IAP revenue decreased by 97% QoQ and total revenue grew by 28% QoQ.

GROSS PROFIT

Cost of sales increased by 165% YoY to GBP 5,372,297 (GBP 2,024,383). IAP gross profit grew by 238% YoY to GBP 800,775 (GBP 237,160), non-IAP gross profit decreased by 86% YoY to GBP 5,929 (GBP 41,025) and total gross profit grew by 190% YoY to GBP 806,704 (GBP 278,185). It should be noted that all non-IAP revenue carried 100% margin to Flexion.

IAP gross profit grew by 51% QoQ partly due to GBP 107,033 of favourable historical adjustments. Total gross profit grew by 15% QoQ. Non-IAP gross profit was positively impacted by one-off items in the last quarter and decreased 97% QoQ. Total gross profit margin decreased from 14.5% to 13.1% and IAP gross profit margin grew from 11.3% to 13.0% driven by the above historical adjustments.

GENERAL AND ADMINISTRATIVE EXPENSES

Headcount increased by 9 to 56 (47). Staff and contractors' costs increased by 5% YoY to GBP 563,808 (GBP 538,490). Other overheads fell by 16% YoY to GBP 194,636 (GBP 231,424). This was primarily driven by GBP 31,314 in positive FX revaluations. These factors resulted in general and administrative expenses to remain flat at GBP 758,444 YoY (GBP 769,914).

Staff and contractors' costs increased by GBP 32,185 QoQ (6% increase) of which GBP 12,549 relates to one off social security costs. Other overheads fell by GBP 12,579 QoQ (6% fall).

ADJUSTED EBITDA AND NET RESULT

Adjusted EBITDA increased by 125% YoY to GBP 110,346 (GBP -449,967) driven by increased gross profit and historical IAP adjustments. It is worth noting that even without those positive historical adjustments we would have achieved a positive adjusted EBITDA. We are therefore maintaining our target to reach positive adjusted EBITDA on gross profit from IAP revenue by the end of this financial year.

Operating profit (EBIT) increased by 229% QoQ to GBP 48,260 (GBP -37,543) and profit after tax increased by 747% QoQ to GBP 31,602 (GBP 3,732).

CASH FLOW

Operating cash flow increased by GBP 2,060,467 YoY to GBP 234,359 (GBP -1,826,108) driven by the Company's improved performance, relatively large, short term fluctuations in working capital and large pay-outs of minimum guarantees in the comparative period last year.

FINANCIAL POSITION

Cash amounted to GBP 3,719,171 (GBP 3,084,961) and the company held no interest-bearing debt. Cash increased by GBP 35,118 QoQ as GBP 238,234 of deferred payroll tax has been settled (deferred due to Covid-19). Trade and other receivables amounted to GBP 3,743,484 YoY (GBP 3,069,014). Trade and other payables amounted to GBP 5,567,326 YoY (GBP 2,334,133).

MG PAYMENTS

Total recoverable MG payments decreased to GBP 480,838 YoY (GBP 1,920,520). QoQ this balance decreased by GBP 223,932.

Contingent MG Payments (future commitments) reduced by GBP 2,011,370 YoY to GBP 422,190 (GBP 2,433,560). During the quarter, contingent MG payments reduced by GBP 506,009 to GBP 422,190. We expect to generate sufficient revenue to cover the remaining GBP 480,838 of recoverable MG payment and GBP 422,190 of future contingent MG commitments.

CHANGES IN NUMBER OF GAMES DURING THE QUARTER

The number of live top-tier games increased by two to eight games and the number of live mid-tier games increased by one to eleven games. This includes a deduction of the two YOOZOO games. Two top-tier games and two mid-tier games were launched. One mid-tier game was reclassified as top-tier game and one non-tier game was reclassified as mid-tier game. Number of signed top-tier games yet to be launched decreased by one to one and number of signed mid-tier games yet to be launched decreased by one to two games.

April 2020 to September 2020

The first six months of the 2020/21 financial year showed steady revenue growth with IAP revenue increasing by 160% to GBP 10,839,201 (GBP 4,162,118). Total revenue grew by 161% to GBP 11,016,870 (GBP 4,216,313). Gross profit increased by 201% to GBP 1,508,000 (GBP 500,226) over the period. General and administrative expenses decreased by 4% to GBP 1,497,283 (GBP 1,565,883). Adjusted EBITDA increased by 113% to GBP 128,416 (GBP -987,943). Profit after tax increased by 104% to GBP 35,334 (GBP -946,418).

Niklas Koresaar - CFO

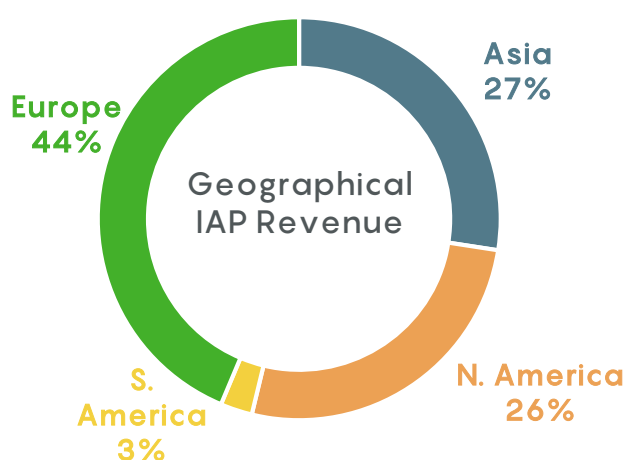
Other Information

Segmental information

IAP REVENUE

Flexion's focus is to grow its business by signing free2play games with In-App Purchase (IAP), integrating more channels and increasing monetization of existing games. IAP revenue is revenue receivable from end-user transactions of sold in-application items within the games. Revenue represents revenue receivable by the Company in respect of end-user transactions of sold in-application items managed by the Company less VAT, bad debt/refunds and discounts.

The geographical breakdown of IAP revenue for the quarter ending 30th September 2020 is presented below.



The main market for IAP revenue during the quarter was Europe with 44% market share followed by Asia with 27% market share. North America amounted to 26% and South America 3%.

NON-IAP REVENUE

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

Tier-games

On a quarterly basis, Flexion's board 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) impacting contractual terms; and iv) any future events which may affect the revenue potential of a game. A game will be redefined if its performance over a consecutive six-month period, 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 staff and long-term contractors

At the end of the reporting period the company had 56 staff and long-term contractors.

Material risks and factors of uncertainty

Material risks and uncertainties of the company 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 year ended 31 March 2020.

Financial calendar

Q3 report for 2020/21:	11 th February 2021
Q4 report for 2020/21	15 th June 2021
Q1 report for 2021/22:	24 th August 2021
Q2 report for 2021/22:	11 th November 2021

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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 08:00 CET on 05th November 2020.

Financial reports in brief

Statement of profit or loss and other comprehensive income for the quarterly period ended 30 September 2020

	Notes	QTD Sep-20 3 months 2020/21 Unaudited GBP	QTD Sep-19 3 months 2019/20 Unaudited GBP	YTD Sep-20 6 months 2020/21 Unaudited GBP	YTD Sep-19 6 months 2019/20 Unaudited GBP	YTD Mar-20 12 months 2019/20 Audited GBP
Total revenue	3	6,179,001	2,302,568	11,016,870	4,216,313	9,477,033
Cost of sales		(5,372,297)	(2,024,383)	(9,508,870)	(3,716,087)	(8,311,745)
Total gross profit	4	806,704	278,185	1,508,000	500,226	1,165,288
General and administrative expenses	5	(758,444)	(769,914)	(1,497,283)	(1,565,883)	(4,139,224)
Other income		-	-	-	78,277	78,277
Adjusted EBITDA[‡]		110,346	(449,967)	128,416	(987,943)	(1,719,449)
Depreciation of tangible assets		18,690	22,485	37,380	44,960	86,131
Amortization of intangible assets		43,396	19,277	80,318	32,753	86,732
Impairment loss		-	-	-	-	1,081,624
Other Income		-	-	-	(78,277)	(78,277)
Operating profit / (loss) for the period		48,260	(491,729)	10,717	(987,380)	(2,895,659)
Finance costs		(3,757)	(398)	(7,500)	(1,195)	(5,270)
Profit / (Loss) before tax for the period		44,503	(492,127)	3,217	(988,575)	(2,900,929)
Tax		(12,901)	24,406	32,117	42,157	85,665
Profit / (Loss) after tax for the period		31,602	(467,721)	35,334	(946,418)	(2,815,264)
Attributable to:						
Equity holders of the parent		31,602	(467,721)	35,334	(946,418)	(2,815,264)
Profit / (Loss) for the period		31,602	(467,721)	35,334	(946,418)	(2,815,264)
Other comprehensive income						
Foreign exchange differences		-	-	-	-	-
Total comprehensive income / (loss) for the period		31,602	(467,721)	35,334	(946,418)	(2,815,264)
Attributable to:						
Equity holders of the parent		31,602	(467,721)	35,334	(946,418)	(2,815,264)
Profit / (Loss) for the period		31,602	(467,721)	35,334	(946,418)	(2,815,264)

[‡]The Company defines adjusted EBITDA as earnings before interest, tax, depreciation, amortisation, finance costs, impairment losses and other income. Adjusted EBITDA (adjusting operating profit for several non-cash items) is used by the Company for internal performance analysis to assess the execution of our strategies. Management believe that this adjusted measure is a more appropriate metric to understand the underlying performance of the Company.

Statement of financial position as at 30 September 2020

	Notes	Sep-20 2020/21 Unaudited GBP	Sep-19 2019/20 Unaudited GBP	Mar-20 2019/20 Audited GBP
Assets				
Non-current assets				
Property, plant and equipment	7	168,203	22,481	205,583
Intangible assets	8	842,565	480,625	649,211
Deferred tax assets		66,085	-	-
Total non-current assets		1,076,853	503,106	854,794
Current assets				
Trade and other receivables	9	3,743,484	3,069,014	1,982,051
Cash and cash equivalents		3,719,171	3,084,961	2,732,565
Total current assets		7,462,655	6,153,975	4,714,616
Total assets		8,539,508	6,657,081	5,569,410
Equity and liabilities				
Equity				
Share capital		82,998	82,266	82,941
Share premium		5,092,481	4,957,133	5,082,618
Other reserves		323,393	129,802	107,166
Retained earnings		(2,694,150)	(860,620)	(2,729,464)
Total equity		2,804,722	4,308,581	2,543,261
Non-current liabilities				
Deferred tax liabilities		-	14,367	104,928
Lease liabilities		86,757	-	127,839
Total non-current liabilities		86,757	14,367	232,767
Current liabilities				
Lease liabilities		80,704	-	77,838
Trade and other payables	10	5,567,326	2,334,133	2,715,544
Total current liabilities		5,648,030	2,334,133	2,793,382
Total liabilities		5,734,787	2,348,500	3,026,149
Total equity and liabilities		8,539,508	6,657,081	5,569,410

Statement of cash flows for the quarterly period ended 30 September 2020

	QTD Sep-20 3 months 2020/21 Unaudited	QTD Sep-19 3 months 2019/20 Unaudited	YTD Sep-20 6 months 2020/21 Unaudited	YTD Sep-19 6 months 2019/20 Unaudited	YTD Mar-20 12 months 2019/20 Audited
Cash flow from operating activities					
Profit / (Loss) for the year — continuing operations	44,504	(492,127)	3,217	(988,575)	(2,900,929)
Profit / (Loss) for the year	44,504	(492,127)	3,217	(988,575)	(2,900,929)
Adjustments for:					
Effect of exchange rate fluctuations on cash held during the period	45,680	(17,005)	33,953	(10,174)	(15,042)
Impairment loss	-	-	-	-	1,081,624
Share based payments	13,053	9,814	25,770	19,793	44,366
Depreciation of tangible assets	18,690	22,485	37,380	44,960	86,131
Amortization of intangible assets	43,396	19,277	80,318	32,753	86,732
Grant income	-	-	-	(78,277)	(78,277)
Working capital:					
Change in trade and other receivables	(961,368)	(1,363,989)	(1,774,896)	(1,815,849)	(1,736,076)
Change in trade and other payables	1,030,404	(4,563)	2,916,785	(158,657)	286,165
Operating cash flow	234,359	(1,826,108)	1,322,527	(2,954,026)	(3,145,306)
Grant payment	-	-	-	250,708	250,708
Net cash flow from operating activities	234,359	(1,826,108)	1,322,527	(2,703,318)	(2,894,598)
Cash flow from investing activities					
Capitalised development cost	(144,201)	(99,896)	(273,673)	(166,168)	(388,733)
Net cash flow from investing activities	(144,201)	(99,896)	(273,673)	(166,168)	(388,733)
Cash flow from financing activities					
Proceed from issue of shares	9,920	-	9,920	-	75,176
Interest paid	3,757	398	7,500	398	5,279
Payment lease liabilities	(23,037)	(22,679)	(45,715)	(44,560)	(68,037)
Net cash flow from financing activities	(9,360)	(22,281)	(28,295)	(44,162)	12,418
Net change in cash and cash equivalents	80,798	(1,948,285)	1,020,559	(2,913,648)	(3,270,913)
Cash and cash equivalents at beginning of period	3,684,053	5,016,241	2,732,565	5,988,435	5,988,436
Effect of exchange rate fluctuations on cash held during the period	(45,680)	17,005	(33,953)	10,174	15,042
Cash and cash equivalents at end of period	3,719,171	3,084,961	3,719,171	3,084,961	2,732,565

Statement of changes in equity for the period ended 30 September 2020

	Share capital GBP	Share premium GBP	Other reserves GBP	Retained earnings GBP	Total GBP
Balance at 1 April 2019	82,266	4,957,133	110,706	85,797	5,235,902
Loss for the period	-	-	-	(946,417)	(946,617)
Total comprehensive income	82,266	4,957,133	110,706	(860,620)	4,289,485

Transactions with owners, recorded directly in equity

Share based payments	-	-	19,793	-	19,793
Deferred tax on share options	-	-	(697)	-	(697)
Issue of share capital	-	-	-	-	-
Balance at 30 September 2019	82,266	4,957,133	129,802	(860,620)	4,308,581

Balance at 1 April 2020	82,941	5,082,618	107,166	(2,729,485)	2,543,240
Profit for the period	-	-	-	35,335	35,335
Total comprehensive income	82,941	5,082,618	107,166	(2,694,150)	2,578,575

Transactions with owners, recorded directly in equity

Share based payments	-	-	25,770	-	25,770
Deferred tax on share options	-	-	190,457	-	190,457
Issue of share capital	57	9,863	-	-	9,920
Balance at 30 September 2020	82,998	5,092,481	323,393	(2,694,150)	2,804,722

Notes

1. Basis of preparation

The condensed consolidated financial statements for the three months ended 30 September 2020 have been prepared in accordance with IAS 34 Interim Financial Reporting. The annual financial statements of the Company are prepared in accordance with IFRS as adopted by the European Union. 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 year ended 31 March 2020 has been extracted from the statutory accounts which have been delivered to the Registrar of Companies. The Company's Independent Auditor's report on those accounts was unqualified, did not include references to any matters to which the auditor drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006. The financial information for the three months ended 30 September 2019 and 30 September 2020 is unaudited. The financial information for the twelve months ended 31 March 2020 is audited.

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 Company's financial statements for the year ended 31 March 2020.

2. Significant accounting policies

Except where disclosed below, the accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 March 2020. The accounting policies applied herein are consistent with those expected to be applied in the financial statements for the year ended 31 March 2021. The Company 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:

	Sep-20	Sep-19
	2020/21	2019/20
Revenue breakdown	Unaudited	Unaudited
IAP Revenue	6,173,071	2,259,966
Non-IAP Revenue	5,930	42,602
Total Revenue	6,179,001	2,302,568

4. Gross profit

Gross profit disclosed in the statement of profit and loss is analysed as follows:

	Sep-20	Sep-19
	2020/21	2019/20
Gross profit breakdown	Unaudited	Unaudited
IAP gross profit	800,775	237,160
Non-IAP gross profit	5,929	41,025
Total gross profit	806,704	278,185

5. General and administrative expenses

General and administrative expenses disclosed in the statement of profit or loss is analysed as follows:

	Sep-20	Sep-19
	2020/21	2019/20
General and administrative expenses	Unaudited	Unaudited
Staff and contractor costs	563,808	538,490
Other overheads	194,636	231,424
Total	758,444	769,914

6. Related party transactions

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

7. Property, plant and equipment

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

	Sep-20	Sep-19
	2020/21	2019/20
Property, plant and equipment	Unaudited	Unaudited
Leasehold improvements	-	5,313
Right-to-use assets	168,203	17,168
Total	168,203	22,481

In the second quarter for the year ending 31 March 2021 depreciation for property, plant equipment amounted to GBP 18,690.

8. Intangible assets

Intangible assets comprise of capitalized development costs for internally generated software and had a carrying value of GBP 842,565 (2020: GBP 480,625). In the second quarter for the year ending 31 March 2021 amortization amounted to GBP 43,396.

9. Trade and other receivables

	Sep-20 2020/21 Unaudited	Sep-19 2019/20 Unaudited
Assets		
Trade receivables	26,132	162,601
Other receivables	869,092	2,148,529
Prepayments and accrued income	2,848,260	757,884
Trade and other receivables	3,743,484	3,069,014

Other receivables include GBP 480,838 of minimum guarantees (2020: GBP 1,920,520), GBP 215,714 (2020: GBP 189,186) of corporation tax receivable, recoverable VAT of GBP 18,309 (2020: GBP 25,006) and GBP 154,231 (2020: GBP 13,818) of other items.

10. Trade and other payables

	Sep-20 2020/21 Unaudited	Sep-19 2019/20 Unaudited
Liabilities		
Trade payables	454,370	680,300
Social security and other taxes	76,068	69,056
Accrued expenses	4,729,996	1,473,499
Other payables	306,892	111,278
Trade and other payables	5,567,326	2,334,133

11. Contingent liabilities

The Company has entered into minimum guarantee commitments with certain developers whereby the Company guarantees: a minimum, pre-defined, monthly amount of revenue to the developer over a defined guarantee period. As the Company has the right to recover any guarantee payments made over the guarantee period if the relevant game's revenue generation exceeds the guaranteed amount and Flexion's entitled revenue share, these guarantees will not be capitalized but treated as current assets subject to periodic impairment reviews. Based on the impairment review performed as at 30 September 2020 no impairment has been identified during the quarter.

At the year end the Company was committed to making the following minimum guarantee payments under ongoing minimum guarantees:

	Sep-20 2020/21 Unaudited	Sep-19 2019/20 Unaudited
Contingent MG payments		
Minimum guarantees which expire:		
Within one year	422,190	1,880,764
Within two to five years	-	552,796
Total minimum guarantees	422,190	2,433,560

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 13th June 2018 under the trading symbol (ticker) FLEXM.

Ownership table

Top 10 shareholders as of 30 th September 2020	N. of shares and votes	%	Aggregated %
Mobile Sensations Ltd ^Δ	11,585,972	27.92%	28%
Palmstierna Invest AB	3,735,000	9.00%	37%
Palmstierna Fredrik	1,871,598	4.51%	41%
Industrial Equity AB	1,738,792	4.19%	46%
Joachim Odqvist	1,660,415	4.00%	50%
Julius Baer & Co Ltd	1,650,000	3.98%	54%
Avanza Pension	944,909	2.28%	56%
HSBC Bank Plc	924,250	2.23%	58%
Tomas Rosen	900,000	2.17%	60%
Gryningskust Holding AB	871,718	2.10%	62%
Other shareholders	15,616,304	37.63%	100%
Total number of shares	41,498,958	100%	

^Δ Mobile Sensations Ltd held 11,585,972 shares since the listing of the Company.

Share data

	QTD Sep-20 3 months 2020/21	QTD Sep-19 3 months 2019/20	YTD Mar-20 12 months 2019/20
Number of shares at period end (adjusted for share split and bonus issue)	41,498,958	41,132,958	41,470,458
Amount of weighted average shares outstanding for the period (adjusted for share split and bonus issue)	41,479,516	41,132,958	41,217,102
Profit/(Loss) per share – basic and diluted, attributable to ordinary equity holders of the parent (pence) [◇]	0.08	(1.14)	(6.83)

[◇] Basic and diluted earnings are considered the same, since where a loss is 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 30th September 2020 totalled 3,730,750 (2019: 3,734,250) and are potentially dilutive.

Main KPI numbers

Summary of the Company's Key Performance Indicators

		QTD Sep-20 3 months 2020/21	QTD Jun-20 3 months 2020/21	QTD Mar-20 3 months 2019/20	QTD Dec-19 3 months 2019/20	QTD Sep-19 3 months 2019/20
Top-tier games pending launch	No.	1	2	1	-	-
Mid-tier games pending launch	No.	2	3	3	3	1
Total top-tier games live	No.	8	6	5	5	5
Total mid-tier games live	No.	11	10	8	7	7
Top-tier games average monthly gross revenue	USD	393,086	224,125	128,457	136,159	193,405
Number of games live past ramp-up period	No.	5	4	5	4	1
Mid-tier games average monthly gross revenue	USD	52,579	81,425	57,361	66,574	59,278
Number of games live past ramp-up period	No.	7	8	7	7	7
Total revenue growth - YoY	%	168%	153%	66%	41%	46%
Total revenue growth - QoQ	%	28%	74%	12%	8%	20%
IAP gross profit growth - YoY	%	238%	149%	36%	28%	-1%
IAP gross profit growth - QoQ	%	51%	80%	8%	15%	12%
IAP gross profit margin	%	13.0%	11.3%	10.9%	11.0%	10.5%
Total gross profit margin	%	13.1%	14.5%	13.8%	11.3%	12.1%
Adjusted EBITDA margin	%	2%	0.4%	-8%	-21%	-20%
Operating profit / (loss) margin	%	1%	-1%	-48%	-23%	-21%
Average monthly operational cashflow	GBP	62,893	367,880	166,845	(225,704)	(602,901)
Headcount	No.	56	51	50	50	47
Adjusted staff cost	GBP	708,009	661,095	631,949	636,539	638,387
Number of shares at period end	No.	41,498,958	41,470,458	41,470,458	41,470,458	41,132,958
Amount of weighted average shares outstanding for period	No.	41,479,516	41,470,458	41,217,102	41,280,903	41,132,958
Profit/(Loss) per share — basic and diluted, attributable to ordinary equity holders of the parent (pence)	GBP	0.08	0.01	(3.20)	(1.33)	(1.14)

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 IAP revenue generated in a calendar month - 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 loss margin	Operating 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 - basic and diluted, attributable to ordinary equity holders of the parent	Basic and diluted earnings are considered the same since, where a loss is incurred, the effect of outstanding share options and warrants is considered anti-dilutive and ignored in the calculation

Quarterly figures

Income statement

GBP, 000	2020/21		2019/20				2018/19	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
	Sep-20	Jun-20	Mar-20	Dec-19	Sep-19	Jun-19	Mar-19	Dec-18
IAP revenue	6,173	4,666	2,684	2,475	2,260	1,902	-	-
Non-IAP revenue	6	172	91	11	43	12	-	-
Total revenue	6,179	4,838	2,775	2,486	2,303	1,914	1,668	1,760
IAP gross profit	801	530	294	272	237	212	-	-
Non-IAP gross profit	6	171	90	9	41	10	-	-
Total gross profit	807	701	384	281	278	222	226	223
Adjusted EBITDA	110	18	(210)	(522)	(450)	(538)	(451)	(702)
Operating profit / (loss) (EBIT)	48	(38)	(1,339)	(569)	(492)	(496)	(487)	(727)
Finance cost	(4)	(4)	(4)	-	-	(1)	(1)	(2)
Loss before tax	45	(41)	(1,344)	(569)	(492)	(496)	(488)	(728)
Tax	(13)	45	25	18	24	18	27	19
Profit / (Loss) after tax	32	4	(1,318)	(550)	(468)	(479)	(461)	(709)

Balance Sheet

GBP, 000	2020/21		2019/20				2018/19	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
	Sep-20	Jun-20	Mar-20	Dec-19	Sep-19	Jun-19	Mar-19	Dec-18
Property, plant and equipment	168	187	206	-	22	45	67	90
Intangible assets	843	742	649	554	481	400	347	244
Other non-current assets	66	-	-	-	-	-	10	-
Total non-current assets	1,077	929	855	554	503	445	425	334
Trade and other receivables	3,743	2,850	1,982	2,944	3,069	1,711	1,445	885
Cash and cash equivalents	3,719	3,684	2,733	2,436	3,085	5,016	5,988	6,993
Total current assets	7,463	6,534	4,715	5,381	6,154	6,727	7,434	7,878
Total equity	2,805	2,613	2,543	3,850	4,309	4,755	5,236	5,633
Total non-current liabilities	87	163	233	86	14	12	-	34
Trade and other payables	5,567	4,608	2,716	1,999	2,334	2,382	2,578	2,481
Lease liabilities	81	79	78	-	-	22	44	66
Total current liabilities	5,648	4,687	2,793	1,999	2,334	2,405	2,623	2,546

Cash flow

GBP, 000	2020/21		2019/20				2018/19	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
	Sep-20	Jun-20	Mar-20	Dec-19	Sep-19	Jun-19	Mar-19	Dec-18
Cash flow from operating activities before changes in working capital	165	19	(137)	(578)	(457)	(521)	(361)	(630)
Changes in working capital	69	1,073	638	(113)	(1,369)	(606)	(419)	814
Operating cash flow before grant payments	234	1,092	501	(692)	(1,826)	(1,127)	(780)	185
Grant payments	-	-	-	-	-	251	-	-
Cash flow from net operating activities	234	1,092	501	(692)	(1,826)	(876)	(780)	185
Cash flow from investing activities	(144)	(129)	(125)	(98)	(100)	(66)	(116)	(63)
Cash flow from financing activities	(9)	(23)	(14)	70	(23)	(23)	(21)	(23)
Net change in cash and cash equivalents	81	940	362	(719)	(1,948)	(965)	(918)	99
Cash and cash equivalents at end of the period	3,719	3,684	2,733	2,436	3,085	5,016	5,988	6,993

At a glance

About Flexion Mobile Plc (“Flexion” or the “Company”)

Introduction

Flexion runs the leading distribution platform for third-party free-to-play (freemium) games on the Android market outside Google Play and China (“Alternative Android Market”). The Company distributes many of the leading games on a growing number of channels such as Amazon, Samsung, Huawei, ONE Store, Xiami and leading regional channels. Flexion is based in London with a development office in Budapest. The Company employs 56 staff and long-term contractors and is listed on Nasdaq First North Growth Market in Stockholm with ticker name FLEXM:SS.



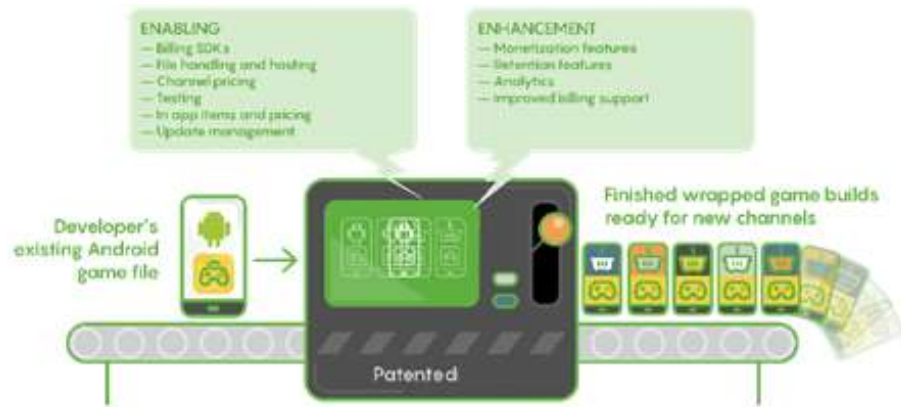
Flexion’s addressable market is the Android mobile games market, which covers more than 80% of the world’s new mobile devices. The remaining market is served by Apple’s iOS and is not currently supported by Flexion.

Flexion’s service offer

Flexion provides a full service and manages all steps from existing game file to revenue. This means that the parties involved can benefit from additional distribution and revenue with minimal effort.

Unique technology

At the core of Flexion’s technology is the patented enabling and enhancement software that allows Flexion to distribute third party Android games in its channels. This unique technology can also enhance the games by adding new distribution features required to support the increasingly fragmented market. Flexion’s technology is patented in the US and patent pending in Europe.



Value proposition

Flexion’s value proposition is to generate incremental high margin revenue to its developer and channel partners. Based on current distribution power, Flexion aims to generate approximately 10% on top of what the games generate in Google Play. As the Alternative Android Market grows and Flexion increases its distribution footprint, this percentage is expected to increase. The net contribution to the developer from this revenue is high as it is generated without the normal marketing, user acquisition and administrative costs required when distributing through Google Play.

Business model

Flexion operates a simple revenue share model, taking a percentage from end-user transactions. In a typical payment flow, the channel collects payments from end-users and deducts a channel fee. Flexion receives the remaining amount which is shared between Flexion and the developer.

Market

Industry-leading research firm Newzoo estimates the Global Games Market will generate more than \$159bn in 2020, with mobile device (incl. tablets) games accounting almost \$79bn. The Alternative Android Market is also estimated to boom thanks to an increasing demand for other app stores and growing mobile devices and app usage.

Focused growth strategy

Flexion’s focused growth strategy is to sign and manage a portfolio of around 100 games in the mid-term. A third of these games will be top-tier games where each game has the potential to generate gross revenue in excess of USD 140,000 per month based on Flexion’s current distribution power. The remaining two thirds of the games will be mid-tier games with a gross revenue potential in excess of USD 40,000 per month. Revenue per game is likely to increase over time as Flexion’s distribution power grows through stronger relationship with existing channels, large investments by the channels, improved or new distribution features and the addition of new channels. In order to speed up the sales process Flexion may invest in various forms of incentives for top developers to join Flexion early.

