

# Q4 Report

31 December 2022



Reach the whole  
Android market  
with your game

Q4

# Content.

<b>03</b>	Fourth quarter in brief	>
<b>04</b>	Q&A with the CEO	>
<b>06</b>	Financial Development	>
<b>07</b>	Other Information	>
<b>08</b>	Financial reports in brief	>
<b>12</b>	Notes	>
<b>15</b>	The Flexion share	>
<b>16</b>	Main KPI numbers	>
<b>17</b>	Quarterly figures	>

**FLEXION**

## Flexion closes its strongest year to date with another record quarter. Total revenue grows by 108%, gross profit up 147% and adjusted EBITDA hits GBP 1.6m.

### October–December 2022 performance

- Total revenue increased by 108% to GBP 21.7m (10.5)\*
- Gross profit increased by 147% to GBP 3.7m (1.5)
- Adjusted EBITDA† increased to GBP 1.6m (0.4)
- Adjusted profit before tax# increased to GBP 1.1m (0.6)
- EPS amounted to GBP 2.78 pence (1.28 pence)
- Adjusted EPS amounted to GBP 1.88 pence (1.32 pence)
- Operating cash flow amounted to GBP 1.2m (0.5)
- Cash and cash equivalents amounted to GBP 13.8m (14.5)

### January– December 2022 performance

- Total revenue increased by 110% to GBP 68.5m (32.6)\*
- Gross profit increased by 159% to GBP 11.1m (4.3)
- Adjusted EBITDA† increased to GBP 4.8m (0.4)
- Adjusted profit before tax# increased to GBP 1.8m (0.5)
- Operating cash flow amounted to GBP 6.1m (1.9)

\* 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 -0.5m.

# Q4 2022

### Important events during the quarter

- Signing of Age of Apes from tap4fun
- Launch of Kiss of War from tap4fun
- Closed a directed issue of shares to the public with proceeds of SEK 25.3m from more than 2,300 subscribers.

# Q1 2023

### Important events after the quarter

- Signing of Hill Climb Racing and Hill Climb Racing 2 from Fingersoft
- Signing and launch of Vikingard from NetEase Games
- Strategic partnership announcement with Digital Turbine
- The 2022 audit is still ongoing and presented 2022 numbers are therefore unaudited.

# Q&A with the CEO

**“Since the listing in 2018, quarterly revenue has grown more than 30 times, which is amazing.”**

**Jens Lauritzson**  
CEO, Flexion Mobile Plc

**Q: How would you describe the quarter?**

**A:** We closed the 2022 financial year on another high, posting our seventh consecutive quarterly revenue record. Since the listing in 2018, quarterly revenue has grown more than 30 times, which is amazing. In 2022, we reported growth of 110% and over the last three calendar years, we have averaged annual growth of 105%.

The strong Q4 performance came on the back of a gaming market that is experiencing a temporary slowdown in growth and margins, partly due to a structural change for paid user acquisition triggered by Apple’s privacy policy. Flexion sailed unaffected through this turbulent period and we are seeing growth in all areas of the business. This makes me very bullish about the future. While everyone is talking about reducing staff and overheads due to weaker performance, we see an opportunity to accelerate growth and attract key talent, while investing in new business areas and making new acquisitions.

**Q: What specifically drove this very strong growth in Q4?**

**A:** We are in a great position and we continue to benefit from the shifting market trends. The fourth quarter is traditionally a strong period for us and this year was no exception. I am very pleased with how well we executed the important Q4 promotion and marketing campaigns in both business areas. As a result, we saw quarterly growth in Distribution by 76% and in Group by 108%.

**Q: You are also reporting very strong EBITDA growth, can you explain why?**

**A:** As I previously pointed out, we have now reached critical mass within Distribution, meaning that we have covered our platform investment costs and can therefore leverage economies of scale in the business. We are benefiting from low marginal costs going forward and that is why our annual adjusted EBITDA is growing faster than our revenue – by more than 300% compared to 110%. Influencer Marketing is also contributing to the growth in EBITDA.

**Q: Your cash flow generation is very good. Why is that?**

**A:** Yes, we have a very strong cash EBITDA. In simple terms, when we increase EBITDA, we also increase cash, unlike most game publishers who tend to have highly capitalized game development projects that boost EBITDA before generating positive cash flow. Our strong model is quite unique and helps us to invest in future growth.

**Q: You have provided guidance of 20–40% growth for 2023, can you please shed some light on this?**

**A:** We expect our strong momentum to continue and estimate annual revenue growth to be in the span of 20–40% in 2023. This is following on from our amazing 110% growth in 2022. Starting from a much higher revenue base it is of course much more challenging to grow with the same percentage pace, but annualised over two years, this means over 60% per year. The guidance is based solely on organic growth, meaning it does not include acquisitions.

**Q: You have just announced a strategic partnership with Digital Turbine. Please explain what this will mean for Flexion?**

**A:** First and foremost, it means new and exciting distribution opportunities for our current and future games with some of the biggest mobile carriers in the US. Digital Turbine (DT) is a Nasdaq (US) listed company in the mobile adtech space with focus on app distribution and monetization. It works with many of the large game developers, most of the major American carriers and several of the biggest device manufacturers. There are clear marketing synergies and with DT's move into the alternative app store space, we have now formed a strategic partnership focused on bringing some of the top game developers to alternative app stores. Starting immediately, DT will promote the Flexion suite of services to their game customers, and it has just announced its first game store with US Cellular, and there are many more in the pipeline. We expect the marketing partnership to start having an impact towards the end of this year. It is worth mentioning that Digital Turbine recently invested in Aptoide, which provides the white-label app store platform used by DT. We are already integrated with Aptoide and have been evaluating its platform since last year.

**Q: Have you been affected by the recent turbulence caused by Silicon Valley Bank?**

**A:** For some time now, our policy has been to keep cash in two separate global banks, and we are not affected by this development. However, indirectly, it improves our position as the impending cash squeeze in tech should provide opportunities for growth companies like us with strong cash positions.

**Q: You raised SEK 25m through a public offering in December, please can you explain why?**

**A:** There were three principal reasons for the issue of shares. First of all, we do see more and more companies with squeezed cash positions, so it is very useful to sit on a strong cash position when we are looking at investments and acquisitions. Secondly, we wanted to expand our retail presence on the Swedish stock market, so it was great to see that the capital round doubled the numbers of the shareholders in the company. Thirdly, we wanted to improve the underlying liquidity of the share which we accomplished with this round.

**Q: Finally, how do you view Flexion's growth beyond 2023?**

**A:** Given the current momentum of the alternative market and the strong growth in influencer marketing, we are pushing ahead on all fronts. We are gaining more traction with the top game companies and the synergies with Audiencly are starting to materialize. As an example, NetEase was already a long-standing customer of Audiencly when it signed with Flexion Distribution in Q1 2023. In addition, we have successfully secured the long-term commitment of most of our large customers, which in turn means that we have a high and stable revenue base to grow from. Investing in new sales is a priority for us as is creating incentive programs to attract more top game developers. Alongside of this, we are looking at new M&A opportunities and investments in new business areas. These are initiatives that will support growth in 2023 but will turbocharge the company in 2024 and beyond.

**Jens Lauritzson** | CEO



**Jens Lauritzson**  
CEO, Flexion Mobile Plc

# Financial Development

## October–December 2022

### REVENUE

Total revenue grew by 108% year-on-year to GBP 21,712,865 (10,456,405), of which In-App Purchase (IAP) revenue grew by 76% year-on-year to GBP 18,259,584 (10,403,226), non-IAP revenue increased to GBP 71,213 (53,179) and Marketing services revenue amounted to GBP 3,382,068 (0).

Total revenue for the quarter increased by 17% compared with the preceding quarter, driven by Marketing services revenue, which grew by 63% and IAP revenue, which grew by 11%.

### GROSS PROFIT

Cost of sales increased by 101% year-on-year to GBP 18,054,411 (8,976,604).

Total gross profit grew by 147% year-on-year to GBP 3,658,454 (1,479,801) with gross profit from Marketing services contributing GBP 1,066,419. IAP gross profit grew by 77% year-on-year to GBP 2,520,822 (1,426,622) due to the increase in revenue and higher margin contribution from the multi-game contract signed in September 2021. Non-IAP gross profit increased to GBP 71,213 (53,179). All non-IAP revenue carried a 100% margin to Flexion.

Total gross profit increased by 21% compared with the preceding quarter. IAP gross profit increased by 4% compared with the preceding quarter. Total gross profit margin (which now includes marketing services) increased from 16.3% to 16.9%, with Marketing services gross profit margin increasing from 27.1% to 31.5% offset by IAP gross profit margin which decreased from 14.8% to 13.8% 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 63 year-on-year to 127 (64) of which, the Distribution's headcount represented 94 (64). There are now 14 (4) strategic and 80 (60) core headcounts within Distribution. Adjusted staff cost for Distribution increased from GBP 909,524 to GBP 1,171,978. Audiency had a headcount of 33 in December 2022. Group staff and contractor costs increased by 79% year-on-year to GBP 1,548,553 (867,245) driven by the addition of Audiency related staff costs.

Other overheads decreased year-on-year to GBP -220,204 (280,842) driven by GBP 779,106 (-19,168) in unrealised/realised foreign exchange net gains. These gains come on the back of previous reported foreign exchange losses. These foreign exchange effects were seen in several different accounts, including IAP cost of sales accruals, deferred and contingent considerations related to corporate acquisition costs, cash balances and invoice payables. The Group is actively working on a larger settlement project to reduce unrealised/realised FX effects within settlement and financial reporting.

The total amortisation of GBP 416,812 (71,339) includes GBP 197,071 (0) related to Brand, GBP 111,776 (0) related to customer relationships, GBP 76,448 (71,339) related to capitalised development costs and GBP 31,729 (0) related to game distribution rights. The low amortisation of game distribution rights during the quarter is due to an adjustment to match a straight line amortisation of these rights over the assessed economic life of these rights.

As a result, group general and administrative expenses increased year-on-year to GBP 1,777,953 (845,542).

During the quarter, the headcount for distribution increased by 9 to 94 and the headcount for new strategies remained at 14 excluding Audiency. Total staff and contractor costs for distribution increased by 31% compared with the preceding quarter. Adjusted staff costs for Distribution, as reported in the KPI section, increased by 26%. Other overheads decreased by GBP 1.2m compared with the preceding quarter, driven by favourable foreign exchange movements and an adjustment made to the amortisation method of game distribution rights.

### ADJUSTED EBITDA AND NET EARNINGS

Adjusted EBITDA for the quarter amounted to GBP 1,551,472 (350,882) driven by higher gross profit from Distribution and the Adjusted EBITDA contribution of GBP 0.7m from Audiency. Compared with the preceding quarter, EBIT increased to GBP 1,880,500 (-294,204) and result after tax for this quarter amounted to GBP 1,461,185 (-634,168). Adjusted profit before tax amounted to GBP 1,060,604 (294,363).

### CASH FLOW

Operating cash flow increased by GBP 0.6m year-on-year to GBP 1,174,458 (532,235). Net cash flow increased by GBP 3.7m to GBP 3,334,197 (-336,475).

### FINANCIAL POSITION

Cash amounted to GBP 13,801,593 (14,458,346) and there were no interest-bearing liabilities. During the quarter, cash increased by GBP 3,344,761, driven by the capital fundraise closed in December 2022. Trade and other receivables amounted to GBP 11,497,388 (5,466,911). Trade and other payables amounted to GBP 17,272,755 (14,664,546).

### CHANGES IN NUMBER OF GAMES DURING THE QUARTER

The average monthly revenue for top-tier games increased to USD 817,952 (806,548) compared to the preceding quarter and increased by 1 to 8 games when compared to the preceding quarter. The average monthly revenue for mid-tier games increased to USD 42,685 (48,876) compared to the preceding quarter.

During the quarter, the number of live top-tier games remained 9 titles. The number of live mid-tier games remained at 15 titles. There are currently no signed top-tier games awaiting launch. The number of signed mid-tier games yet to be launched increased to 3 (1).

## January– December 2022

The twelve months of the financial year ending December 2022 showed large revenue growth with total revenue increasing by 110% to GBP 68,529,614 (32,633,524). IAP revenue grew by 86% to GBP 60,595,788 (32,525,232). Gross profit increased by 159% to GBP 11,065,768 (4,264,433) during the period. General and administrative expenses increased by 150% to GBP 9,611,953 (3,846,005). Adjusted EBITDA increased to GBP 4,751,015 (393,494). The result after tax increased to GBP 373,261 (304,004). Adjusted profit before tax increased to 1,844,134 (530,740). Operating cash flow increased by GBP 4.2m to GBP 6,079,699 (1,891,266).

Note that these figures only include nine months of Audiency figures and accordingly year-to-date figures are a mix of Flexion alone and Group figures.

In addition, note that the presented numbers for 2022 are unaudited as the current audit is ongoing.

**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

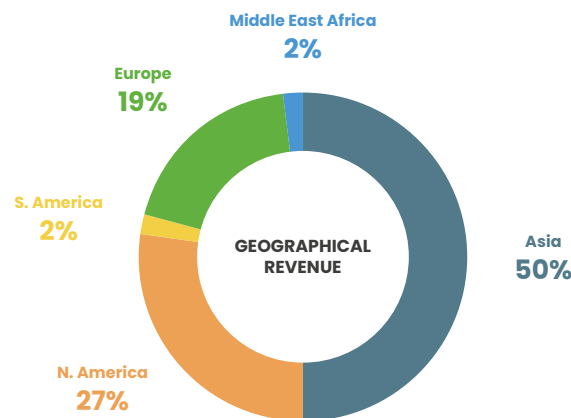
Non-IAP revenue includes revenue from integration fees and minimum guarantees and other revenue that is non-recurring. It includes recurring revenue share from in-game advertising, historical subscription revenue and legacy revenue.

### 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 December 2022 is presented below.



The main market for group revenue during the quarter was Asia with 51% market share followed by North America with 30% market share. Europe accounted for 16%, 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 127 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

Q1 report - 2023 financial year	16 May. 2023
Q2 report - 2023 financial year	22 Aug. 2023
Q3 report - 2023 financial year	22 Nov. 2023
Q4 report - 2023 financial year	20 Mar. 2024

## Certified Adviser

FNCA Sweden AB, info@fnca.se, telephone: +46 8 528 00 399.

## 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 March 2023.

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the quarterly period ended 31 December 2022

	Notes	QTD Dec-22 3 months 2022 Unaudited GBP	QTD Dec-21 3 months 2021 Unaudited GBP	YTD Dec-22 12 months 2022 Unaudited GBP	YTD Dec-21 12 months 2021 Unaudited GBP	FY Dec-21 9 months 2021 Audited GBP
Total revenue	3	21,712,865	10,456,405	68,529,614	32,633,524	26,076,493
Cost of sales		(18,054,411)	(8,976,604)	(57,463,846)	(28,369,091)	(22,632,925)
<b>Total gross profit</b>	<b>4</b>	<b>3,658,454</b>	<b>1,479,801</b>	<b>11,065,768</b>	<b>4,264,433</b>	<b>3,443,568</b>
General and administrative expenses	5	(1,777,953)	(845,542)	(9,611,953)	(3,846,005)	(2,879,340)
<b>Adjusted EBITDA<sup>†</sup></b>		<b>1,551,472</b>	<b>350,882</b>	<b>4,751,015</b>	<b>393,494</b>	<b>509,664</b>
Depreciation of tangible assets		32,792	18,690	115,141	74,760	56,070
Amortisation of intangible assets		416,812	71,339	2,448,682	255,825	198,797
Impairment write-back		-	(392,574)	-	(476,694)	(392,574)
Foreign exchange loss/(gain)		(779,106)	19,168	509,803	121,175	83,143
Corporate acquisition related costs		473	-	223,574	-	-
<b>Operating profit for the period</b>		<b>1,880,501</b>	<b>634,259</b>	<b>1,453,815</b>	<b>418,428</b>	<b>564,228</b>
Finance costs		(350,111)	(1,583)	(960,752)	(8,863)	(6,167)
<b>Profit before tax for the period</b>		<b>1,530,390</b>	<b>632,676</b>	<b>493,063</b>	<b>409,565</b>	<b>558,061</b>
Tax		(69,204)	5,499	(142,864)	(105,561)	(20,230)
<b>Profit after tax for the period</b>		<b>1,461,186</b>	<b>638,175</b>	<b>350,199</b>	<b>304,004</b>	<b>537,831</b>
<b>Attributable to:</b>						
Equity holders of the parent		1,461,186	638,175	350,199	304,004	537,831
<b>Profit for the period</b>		<b>1,461,186</b>	<b>638,175</b>	<b>350,199</b>	<b>304,004</b>	<b>537,831</b>
<b>Other comprehensive income</b>						
Foreign exchange differences		6,549	-	23,062	-	-
<b>Total comprehensive profit for the period</b>		<b>1,467,735</b>	<b>638,175</b>	<b>373,261</b>	<b>304,004</b>	<b>537,831</b>
<b>Attributable to:</b>						
Equity holders of the parent		1,467,735	638,175	373,261	304,004	537,831
<b>Profit for the period</b>		<b>1,467,735</b>	<b>638,175</b>	<b>373,261</b>	<b>304,004</b>	<b>537,831</b>

<sup>†</sup> 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 December 2022

	Notes	Dec-22 2022 Unaudited GBP	Dec-21 2021 Audited GBP
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	78,560	74,753
Intangible assets	8	21,782,246	7,758,858
Investments		400,327	-
Deferred tax assets		-	52,002
<b>Total non-current assets</b>		<b>22,261,133</b>	<b>7,885,613</b>
<b>Current assets</b>			
Trade and other receivables	9	11,497,388	5,466,911
Cash and cash equivalents		13,801,593	14,458,346
<b>Total current assets</b>		<b>25,298,981</b>	<b>19,925,257</b>
<b>Total assets</b>		<b>47,560,114</b>	<b>27,810,870</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital		109,309	100,049
Share premium		19,730,020	14,917,283
Other reserves		341,593	397,197
Retained earnings		(2,124,165)	(2,333,859)
<b>Total equity</b>		<b>18,056,757</b>	<b>13,080,670</b>
<b>Non-current liabilities</b>			
Deferred Tax liabilities	11	2,685,547	-
Lease liabilities		22,303	-
Contingent consideration	11	5,795,451	-
<b>Total non-current liabilities</b>		<b>8,503,301</b>	<b>-</b>
<b>Current liabilities</b>			
Trade and other payables	10	17,272,755	14,664,546
Lease liabilities		29,397	65,654
Deferred consideration	11	2,056,064	-
Contingent consideration	11	1,641,840	-
<b>Total current liabilities</b>		<b>21,000,056</b>	<b>14,730,200</b>
<b>Total liabilities</b>		<b>29,503,357</b>	<b>14,730,200</b>
<b>Total equity and liabilities</b>		<b>47,560,114</b>	<b>27,810,870</b>

## Consolidated Statement of Cash Flows

for the quarterly period ended 31 December 2022

	QTD Dec -22 3 months 2022 Unaudited	QTD Dec -21 3 months 2021 Unaudited	YTD Dec -22 12 months 2022 Unaudited	YTD Dec -21 12 months 2021 Unaudited	FY Dec-21 9 months 2021 Audited
<b>Cash flow from operating activities</b>					
Profit before tax for the period	1,530,390	632,676	493,063	409,565	558,061
<b>Profit before tax for the period</b>	<b>1,530,390</b>	<b>632,676</b>	<b>493,063</b>	<b>409,565</b>	<b>558,061</b>
<b>Adjustments for:</b>					
Foreign exchange losses / (gains)	150,015	267,367	(149,205)	476,807	180,092
Impairment write back	-	(392,574)	-	(476,694)	(392,574)
Share based payments	2,974	17,728	57,840	50,198	34,771
Depreciation of tangible assets	32,792	18,690	115,141	74,760	56,070
Amortisation of intangible assets	416,812	71,339	2,448,682	255,825	198,797
Interest paid	310,258	1,583	920,907	8,873	5,877
<b>Working capital:</b>					
Change in trade and other receivables	(2,044,954)	(1,280,660)	(6,376,986)	(1,179,973)	(2,229,829)
Change in trade and other payables	776,172	1,196,087	8,570,257	2,271,905	8,506,773
<b>Net cash flow from operating activities</b>	<b>1,174,459</b>	<b>532,236</b>	<b>6,079,699</b>	<b>1,891,266</b>	<b>6,918,038</b>
<b>Cash flow from investing activities</b>					
Investment in associate	(278)	-	(400,327)	-	-
Acquisition of a subsidiary, net of cash acquired	-	-	(2,884,905)	-	-
Expenditure on property, plant and equipment	1,430	-	(7,895)	-	-
Capitalised game distribution rights	-	-	-	-	(6,765,792)
Capitalised development cost	(26,031)	(42,280)	(237,485)	(328,481)	(230,283)
Payment of game distribution rights	-	(803,743)	(5,962,049)	(803,743)	-
<b>Net cash flow from investing activities</b>	<b>(24,879)</b>	<b>(846,023)</b>	<b>(9,492,661)</b>	<b>(1,132,224)</b>	<b>(6,996,075)</b>
<b>Cash flow from financing activities</b>					
Issue of ordinary shares, net of issue costs	2,197,193	-	2,341,464	1,872,996	75,987
Payment of lease liabilities	(12,575)	(22,688)	(96,556)	(91,040)	(68,063)
<b>Net cash flow from financing activities</b>	<b>2,184,618</b>	<b>(22,688)</b>	<b>2,244,908</b>	<b>1,781,956</b>	<b>7,924</b>
<b>Net change in cash and cash equivalents</b>	<b>3,334,198</b>	<b>(336,475)</b>	<b>(1,168,054)</b>	<b>2,540,998</b>	<b>(70,113)</b>
Cash and cash equivalents at beginning of period	10,456,832	15,062,188	14,458,346	12,394,155	14,708,551
Effect of exchange rate fluctuations on cash held during the period	10,563	(267,367)	511,301	(476,807)	(180,092)
<b>Cash and cash equivalents at end of period</b>	<b>13,801,593</b>	<b>14,458,346</b>	<b>13,801,593</b>	<b>14,458,346</b>	<b>14,458,346</b>

## Consolidated Statement of Changes in Equity

for the period ended 31 December 2022

	Share capital GBP	Share premium GBP	Other reserves GBP	Foreign currency translation reserve GBP	Retained earnings GBP	Total GBP
Balance at 1 January 2021	96,522	13,047,815	521,665	-	(2,637,863)	11,028,139
Profit for the year	-	-	-	-	304,004	304,004
<b>Total comprehensive income</b>	<b>96,522</b>	<b>13,047,815</b>	<b>521,665</b>	<b>-</b>	<b>(2,333,859)</b>	<b>11,332,143</b>
<b>Transactions with owners, recorded directly in equity</b>						
Share based payments	-	-	50,198	-	-	50,198
Deferred tax on share options	-	-	(174,667)	-	-	(174,667)
Issue of share capital	3,527	1,869,469	-	-	-	1,872,996
<b>Balance at 31 December 2021</b>	<b>100,049</b>	<b>14,917,283</b>	<b>397,197</b>	<b>-</b>	<b>(2,333,859)</b>	<b>13,080,670</b>
Balance at 1 January 2022	100,049	14,917,283	397,197	-	(2,333,859)	13,080,670
Adjustments to opening retained earnings	-	-	-	-	18,992	18,992
Acquisition of subsidiary	-	-	-	-	(159,497)	(159,497)
Profit for the year	-	-	-	23,062	350,199	373,261
<b>Total comprehensive income</b>	<b>100,049</b>	<b>14,917,283</b>	<b>397,197</b>	<b>23,062</b>	<b>(2,124,165)</b>	<b>13,313,426</b>
<b>Transactions with owners, recorded directly in equity</b>						
Share based payments	-	-	57,840	-	-	57,840
Deferred tax on share options	-	-	(136,506)	-	-	(136,506)
Issue of share capital	9,260	4,812,737	-	-	-	4,821,997
<b>Balance at 31 December 2022</b>	<b>109,309</b>	<b>19,730,020</b>	<b>318,531</b>	<b>23,062</b>	<b>(2,124,165)</b>	<b>18,056,757</b>

# 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 nine-month period ended 31 December 2021 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 12-months ended 31 December 2021 and 31 December 2022 is unaudited. The financial information for the nine months ended 31 December 2021 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 Group's financial statements for the period ended 31 December 2022.

## 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:	Dec-22 2022 Unaudited	Dec-21 2021 Unaudited
<b>Revenue breakdown</b>	Unaudited	Unaudited
IAP Revenue	18,259,584	10,403,226
Non-IAP Revenue	71,213	53,179
Marketing services	3,382,068	-
<b>Total Revenue</b>	<b>21,712,865</b>	<b>10,456,405</b>

## 4. Gross profit

Gross profit disclosed in the statement of profit and loss is analysed as follows:	Dec-22 2022 Unaudited	Dec-21 2021 Unaudited
<b>Gross profit breakdown</b>		
IAP gross profit	2,520,822	1,426,622
Non-IAP gross profit	71,213	53,179
Marketing services	1,066,419	-
<b>Total gross profit</b>	<b>3,658,454</b>	<b>1,479,801</b>

## 5. General and administrative expenses

General and administrative expenses disclosed in the statement of profit or loss is analysed as follows:	Dec-22 2022 Unaudited	Dec-21 2021 Unaudited
<b>General and administrative expenses</b>		
Staff and contractor costs	1,548,553	867,245
Impairment write back	-	(392,574)
Depreciation	32,792	18,690
Amortisation	416,812	71,339
Other overheads	(220,204)	280,842
<b>Total</b>	<b>1,777,953</b>	<b>845,542</b>

## 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:	<b>Dec-22</b> <b>2022</b> Unaudited	<b>Dec-21</b> <b>2021</b> Unaudited
<b>Property, plant and equipment</b>		
Office Equipment	18,884	-
Leasehold improvements	8,548	-
Right-to-use assets	51,128	74,753
<b>Total</b>	<b>78,560</b>	<b>74,753</b>

In the fourth quarter for the year ending 31 December 2022 depreciation for property, plant equipment amounted to GBP 32,792.

## 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:	<b>Dec-22</b> <b>2022</b> Unaudited	<b>Dec-21</b> <b>2021</b> Unaudited
<b>Intangible asset</b>		
Goodwill	7,242,550	-
Capitalised development costs	937,244	993,066
Game distribution rights	5,228,112	6,765,792
Computer software	-	-
Customer relationships	3,513,254	-
Brand	4,861,086	-
<b>Total</b>	<b>21,782,246</b>	<b>7,758,858</b>

In the fourth quarter for the year ending 31 December 2022 amortisation amounted to GBP 416,812.

## 9. Trade and other receivables

	<b>Dec-22</b> <b>2022</b> Unaudited	<b>Dec-21</b> <b>2021</b> Unaudited
<b>Assets</b>		
Trade receivables	2,483,448	9
Other receivables	87,775	171,803
Prepayments and accrued income	8,926,165	5,295,099
<b>Trade and other receivables</b>	<b>11,497,388</b>	<b>5,466,911</b>

Other receivables include GBP 38,745 of VAT receivables, GBP 37,614 (38,600) of advances and GBP 11,416 (33,203) of other non-material items.

## 10. Trade and other payables

	<b>Dec-22</b> <b>2022</b> Unaudited	<b>Dec-21</b> <b>2021</b> Unaudited
<b>Liabilities</b>		
Trade payables	1,906,779	1,389,153
Social security and other taxes	142,734	83,779
Accrued expenses	13,528,296	13,159,042
Other payables	1,190,054	32,572
Corporate tax payable	504,892	-
<b>Trade and other payables</b>	<b>17,272,755</b>	<b>14,664,546</b>

## 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 April 2023, April 2024 and April 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 December 2022, there have been no changes in the estimate of the probable cash outflow but the liability has increased to EUR 8.4 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
<b>Fair value of consideration transferred</b>		
Amount settled in cash	3,405,434	
Amount settled in equity	500,374	
Deferred consideration	3,961,376	
Contingent consideration	6,233,655	
<b>Total</b>		<b>14,100,839</b>
<b>Acquired net assets</b>		
Fixed Assets	20,313	
Working capital	407,959	
Net (debt)/cash	245,453	
<b>Total acquired net assets</b>	<b>673,725</b>	
<b>Excess consideration for allocation</b>		<b>13,427,114</b>
<b>Identified intangible assets</b>		
Customer relationships	3,736,807	
Brand	5,255,229	
<b>Intangible assets</b>	<b>8,992,036</b>	
<b>Deferred tax on intangible assets</b>	<b>(2,807,472)</b>	
<b>Residual goodwill</b>		<b>7,242,550</b>
Consideration settled in cash	3,405,434	
Cash and cash equivalents acquired	(520,529)	
<b>Net cash outflow from acquisition</b>		<b>2,884,905</b>
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 December 2022	N. of shares and votes	%	Aggregated %
Mobile Sensations Ltd	11,042,181	20.2%	20%
BNY Mellon NA	3,584,293	6.6%	27%
Palmstierna Invest AB	3,405,280	6.2%	33%
Palmstierna Fredrik	1,930,487	3.5%	37%
Julius Baer & Co Ltd	1,834,388	3.4%	40%
Avanza Pension	1,573,419	2.9%	43%
Joachim Odqvist	1,560,415	2.9%	46%
IBKR Financial Services AG	1,511,742	2.8%	48%
Nordic Small Cap Fund	1,378,161	2.5%	51%
Clearstream Banking S.A.	1,218,170	2.2%	53%
<b>Other shareholders</b>	<b>25,616,037</b>	<b>46.9%</b>	<b>100%</b>
<b>Total number of shares</b>	<b>54,654,573</b>	<b>100%</b>	

## Share data

	QTD Sep-22 3 months 2022	QTD Sep-21 3 months 2021	FY Dec-21 9 months 2021
<b>Number of shares at period end</b> (adjusted for share split and bonus issue)	54,654,573	50,024,672	50,024,672
<b>Amount of weighted average shares outstanding for the period</b> (adjusted for share split and bonus issue)	52,752,427	49,955,905	49,955,905
<b>Profit / (Loss) per share</b>			
– basic attributable to ordinary equity holders of the parent (pence) ◊	2.78	1.28	1.08
– diluted, attributable to ordinary equity holders of the parent (pence) ◊	2.65	1.20	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 December 2022 totalled 2,731,062 (2021: 3,305,062) and are potentially dilutive.

# Main KPI numbers

## Summary of the Company's Key Performance Indicators

		QTD Dec-22 3 months 2022	QTD Sep-22 3 months 2022	QTD Jun-22 3 months 2021	QTD Mar-21 3 months 2021	QTD Dec-21 3 months 2021
Top-tier games pending launch	No.	0	0	1	2	1
Mid-tier games pending launch	No.	3	1	0	1	2
Total top-tier games live	No.	9	9	10	8	8
Total mid-tier games live	No.	15	15	15	15	15
Top-tier games average monthly gross revenue	USD	817,952	806,548	789,996	731,612	726,066
Number of games live past ramp-up period	No.	8	7	7	5	5
Mid-tier games average monthly gross revenue	USD	42,685	48,876	44,467	41,970	50,943
Number of games live past ramp-up period	No.	14	12	12	14	11
Total revenue growth - YoY	%	108%	138%	127%	61%	52%
Total revenue growth - QoQ	%	17%	5%	68%	1%	34%
IAP gross profit growth - YoY	%	77%	141%	146%	76%	67%
IAP gross profit growth - QoQ	%	4%	8%	58%	0%	41%
IAP gross profit margin	%	13.8%	14.8%	14.6%	13.5%	13.7%
Total gross profit margin	%	16.8%	16.3%	16.5%	13.9%	14.2%
Adjusted EBITDA margin	%	7.1%	8.0%	7.8%	3.1%	3.4%
Operating profit / (loss) margin	%	8.7%	(1.6%)	(2.2%)	2.3%	6.1%
Average monthly operational cashflow	GBP	341,481	671,358	313,560	706,375	2,075,639
Headcount for Distribution services	No.	94	85	78	76	64
Of which headcount for new strategies	No.	14	14	12	9	4
Adjusted staff cost for Distribution services	GBP	1,171,978	928,101	885,184	825,428	909,524
Number of shares at period end	No.	54,654,573	51,669,353	50,516,015	50,074,672	50,024,672
Amount of weighted average shares outstanding for period	No.	52,752,427	50,742,156	50,178,660	50,027,823	50,024,672
Profit / (Loss) per share (pence)	GBpp	2.78	(1.22)	(1.42)	0.51	1.28

## Definitions

<b>Number of top-tier games pending launch</b>	Number of games generating at least USD 140,000 per month for which a contract has been signed but which are not live yet
<b>Number of mid-tier games pending launch</b>	Number of games generating at least USD 40,000 per month for which a contract has been signed but which are not live yet
<b>Number of total top-tier games live</b>	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
<b>Number of total mid-tier games live</b>	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
<b>Average monthly gross revenue</b>	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
<b>Ramp-up period</b>	Six-month period from launch date to reach a stable revenue inflow level
<b>Growth rates - YoY</b>	Rates measured to the comparable period in the previous financial year
<b>Growth rates - QoQ</b>	Rates measured to the comparable period in the previous quarter
<b>IAP gross profit margin</b>	IAP revenue gross profit to total revenue
<b>Total gross profit margin</b>	Total revenue (IAP and non-IAP) gross profit to total revenue (IAP and non-IAP)
<b>Adjusted EBITDA margin</b>	Adjusted EBITDA to total revenue (IAP and non-IAP)
<b>Operating profit / (loss) margin</b>	Operating profit/(loss) to total revenue (IAP and non-IAP)
<b>Average monthly operational cashflow</b>	Average operational cashflow (excl. effects of exchange rate fluctuations on cash held) divided by number of months in the measured period
<b>Headcount</b>	Number of all staff plus all long-term contractors as at the end of the period
<b>Adjusted staff cost</b>	Total cost of all staff and long-term contractors before any deduction for capitalised development cost
<b>Number of shares at period end</b>	Number of shares at period end adjusted for share split and bonus issue
<b>Amount of weighted average shares outstanding for the period</b>	Amount of weighted average shares outstanding for period, adjusted for share split and bonus issue
<b>Profit/(Loss) per share (pence)</b>	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

	Dec 2022				Dec 2021			2020/21
	Q4 Dec-22	Q3 Sep-22	Q2 Jun-22	Q1 Mar-22	Q4 Dec-21	Q3 Sep-21	Q2 Jun-21	Q4 Mar-21
IAP revenue	18,260	16,449	15,369	10,518	10,403	7,794	7,786	6,542
Non-IAP revenue	71	31	35	42	53	15	25	15
Marketing Services Revenue	3,382	2,069	2,303	-	-	-	-	-
<b>Total revenue</b>	<b>21,713</b>	<b>18,549</b>	<b>17,707</b>	<b>10,560</b>	<b>10,456</b>	<b>7,809</b>	<b>7,811</b>	<b>6,557</b>
IAP gross profit	2,521	2,435	2,251	1,421	1,427	1,009	915	806
Non-IAP gross profit	71	31	35	42	53	15	25	15
Marketing Services Revenue	1,066	560	632	-	-	-	-	-
<b>Total gross profit</b>	<b>3,658</b>	<b>3,026</b>	<b>2,918</b>	<b>1,463</b>	<b>1,480</b>	<b>1,024</b>	<b>940</b>	<b>821</b>
<b>Adjusted EBITDA</b>	<b>1,551</b>	<b>1,482</b>	<b>1,375</b>	<b>330</b>	<b>351</b>	<b>141</b>	<b>18</b>	<b>(116)</b>
<b>Operating profit / (loss) (EBIT)</b>	<b>1,881</b>	<b>(294)</b>	<b>(393)</b>	<b>248</b>	<b>634</b>	<b>(18)</b>	<b>(52)</b>	<b>(146)</b>
Finance cost	(350)	(306)	(303)	(1)	(2)	(2)	(2)	(3)
<b>Profit / (Loss) before tax</b>	<b>1,530</b>	<b>(600)</b>	<b>(696)</b>	<b>247</b>	<b>633</b>	<b>(20)</b>	<b>(54)</b>	<b>(148)</b>
Adjusted Profit / (Loss) before tax	1,061	294	393	85	652	55	(65)	(110)
<b>Tax</b>	<b>(69)</b>	<b>(34)</b>	<b>(20)</b>	<b>8</b>	<b>5</b>	<b>(15)</b>	<b>(11)</b>	<b>(85)</b>
<b>Profit / (Loss) after tax</b>	<b>1,461</b>	<b>(634)</b>	<b>(716)</b>	<b>255</b>	<b>638</b>	<b>(35)</b>	<b>(65)</b>	<b>(234)</b>

## Income statement

GBP, 000

	Dec 2022				Dec 2021			2020/21
	Q4 Dec-22	Q3 Sep-22	Q2 Jun-22	Q1 Mar-22	Q4 Dec-21	Q3 Sep-21	Q2 Jun-21	Q4 Mar-21
<b>Cash flow from operating activities before changes in working capital</b>	<b>2,443</b>	<b>838</b>	<b>403</b>	<b>323</b>	<b>617</b>	<b>128</b>	<b>67</b>	<b>(19)</b>
Changes in working capital	(1,269)	1,098	635	1,610	5,877	(551)	951	777
<b>Cash flow from net operating activities</b>	<b>1,174</b>	<b>1,936</b>	<b>1,038</b>	<b>1,933</b>	<b>6,494</b>	<b>(423)</b>	<b>1,017</b>	<b>758</b>
<b>Cash flow from investing activities</b>	<b>(25)</b>	<b>(279)</b>	<b>(2,997)</b>	<b>(6,191)</b>	<b>(6,808)</b>	<b>(116)</b>	<b>(72)</b>	<b>(98)</b>
<b>Cash flow from financing activities</b>	<b>2,185</b>	<b>85</b>	<b>(33)</b>	<b>6</b>	<b>(23)</b>	<b>55</b>	<b>(20)</b>	<b>1,777</b>
Net change in cash and cash equivalents	3,334	1,742	(1,992)	(4,252)	(336)	(484)	925	2,437
<b>Cash and cash equivalents at end of the period</b>	<b>13,802</b>	<b>10,457</b>	<b>8,435</b>	<b>10,392</b>	<b>14,458</b>	<b>15,062</b>	<b>15,609</b>	<b>14,709</b>

## Balance Sheet

GBP, 000

	Dec 2022				Dec 2021			2020/21
	Q4 Dec-22	Q3 Sep-22	Q2 Jun-22	Q1 Mar-22	Q4 Dec-21	Q3 Sep-21	Q2 Jun-21	Q4 Mar-21
Property, plant and equipment	79	112	130	56	75	93	112	131
Intangible assets	21,782	22,173	23,278	7,578	7,759	1,022	971	962
Other non-current assets	400	425	233	237	52	33	41	60
<b>Total non-current assets</b>	<b>22,261</b>	<b>22,710</b>	<b>23,641</b>	<b>7,871</b>	<b>7,886</b>	<b>1,149</b>	<b>1,124</b>	<b>1,152</b>
Trade and other receivables	11,497	9,845	9,363	5,176	5,467	3,794	3,598	2,859
Cash and cash equivalents	13,802	10,457	8,435	10,392	14,458	15,062	15,609	14,709
Total current assets	25,299	20,302	17,798	15,568	19,925	18,856	19,207	17,568
<b>Total equity</b>	<b>18,057</b>	<b>13,495</b>	<b>13,038</b>	<b>13,368</b>	<b>13,081</b>	<b>12,412</b>	<b>12,367</b>	<b>12,434</b>
<b>Total non-current liabilities</b>	<b>7,967</b>	<b>7,999</b>	<b>8,003</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22</b>	<b>44</b>
Trade and other payables	17,273	16,497	14,871	10,027	14,664	7,506	7,857	6,158
Lease liabilities	29	35	62	44	66	87	85	84
Deferred consideration	2,056	3,062	3,992	-	-	-	-	-
Contingent consideration	2,178	1,924	1,473	-	-	-	-	-
<b>Total current liabilities</b>	<b>21,536</b>	<b>21,518</b>	<b>20,398</b>	<b>10,071</b>	<b>14,730</b>	<b>7,593</b>	<b>7,942</b>	<b>6,241</b>



  
FLEXION