

Q3 Report

30 September 2024

FLEXION





“We grow revenue and audiences for games”

Contents.

03	Third quarter in brief	>
04	Comments from the CEO	>
05	Financial Development	>
06	Other Information	>
07	Financial reports in brief	>
11	Notes	>
14	The Flexion share	>
15	Main KPI numbers	>



Flexion continues to grow in Q3 supported by strong performance in audiency. Revenue is up 20% and gross profit jumps by 54%

July-September 2024 performance

- Total revenue increased by 20% to GBP 17.8m (14.8)*
- Total gross profit increased by 54% to GBP 3.9m (2.5)
- Adjusted EBITDA† increased by 15% to GBP 1.4m (1.2)
- Operating loss increased to GBP 0.6m (0.3)
- EPS amounted to GBP -2.12 pence (-0.84 pence)
- Operating cash flow amounted to GBP -0.8m (-2.0)
- Cash and cash equivalents increased to GBP 12.4m (7.5)

January-September 2024 performance

- Total revenue increased by 17% to GBP 54.6m (46.5)*
- Total gross profit increased by 53% to GBP 11.3m (7.4)
- Adjusted EBITDA† increased by 78% to GBP 3.9m (2.2)
- Operating loss increased to GBP 2.1m (0.3)

* 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, corporate acquisitions costs, fair value gains/losses and other extraordinary costs.

Q3 2024

Important events during the quarter

- Launch of Candy Crush Saga from King
- Launch of two titles from Jam City
- Signing of agreement for Zombie Waves with Fun Formula
- Appointment of CLA Evelyn Partners Limited as new auditors

Q4 2024

Important events after the quarter

- Filing of 2023 annual audited accounts
- Signing of War Machines from Wildlife Studios
- Signing of War Robots from MY.GAMES

Comments from the CEO

This month, we finally published our audited accounts for 2023, which I am delighted to report brings a close to the issues we experienced in 2022. The positive audit opinion received from our newly appointed auditors, CLA Evelyn Partners Limited, a top 10 UK accountancy firm, allows us to draw a line under issues that marked the preceding year and concentrate once more on the strong business performance and opportunities ahead. I would like to be very clear in saying that this long and painful episode is now behind us and – to some extent – I believe that we have emerged an even stronger company.

The big news from the market in Q3 2024 was the verdict in the US court case between Epic and Google. This is something we have been hoping for and have predicted for years and I am extremely pleased that Epic won on every count. Even if Google manages to delay the implementation of the act through appeal, we see this as a victory for the market as a whole. It means that the markets in both the EU and US are now ripe for disruption. The path forward is clear: Google and Apple will be pushed by market forces and regulators to loosen their grip and control of the mobile games market and we are ideally placed to capitalise on this. More specifically, it will provide alternative stores with better access to the USD 100bn mobile games market. As a result, we are likely to see more new stores and distribution channels appearing next year. While Epic and Microsoft are probably the best known, we are also seeing a great deal of activity in the mobile carrier space in Europe and the US. Our partnerships with the likes of Digital Turbine and ONEstore, both of which focus on the mobile carrier and OEM segments of the market, are likely to grow in importance over time.

The specific regulatory changes have been widely reported on by the media around the world and, broadly speaking, Google will be forced over time to a) allow alternative stores in Google Play b) allow third-party payments inside games in Google Play, and c) allow linking out to competing services. In addition, new alternative stores will also gain access to Google Play apps and games should they wish to distribute these. This is something that could help new app stores to build footfall while they – over time and with Flexion's help – integrate their own payment solutions with games instead of using Google's solution to generate revenue.

Another clear trend is the opportunity for direct distribution, according to which the larger game developers will attempt to bypass Google and Apple to directly reach the consumer. This is another significant opportunity for Flexion, enabling the parties involved to share the 30% otherwise paid to Google and Apple. These opportunities for developers will continue to drive interest in Flexion's services for years to come. In other words, this is a huge opportunity for us to be a critical ecosystem enabler in a wider open market.

There has been significant focus on the Google and Apple commission fee and how unfair it is for developers. Developers are currently paying

30% commission on most transactions made in Google Play and App Store. Now that the market is finally opening up to competition and developers are allowed to use third-party payments, they can generate higher margins and by-pass this fee. It is clear that Google and Apple will attempt to make the use of alternative payments unattractive in their stores and, accordingly, we are seeing increasing activity in relation to out-of-store payments. Most developers are planning to launch their own web stores with third-party payments and entice existing paying customers with more attractive offers through these stores. Due to the restrictive technical barriers imposed by Google and Apple, web stores only serve customers who have already installed the game. We believe that these barriers will gradually disappear as the market becomes more open over time, creating an opportunity for Flexion to expand its role, meaning as support for developers with third-party payments, distribution and marketing of games in these new channels.

We have previously mentioned our collaboration with Digital Turbine and Coda Payments, two leaders in game distribution and payments. These Flexion partnerships will already help developers fully bypass Google Play. Other significant players in this space are AppLovin and Unity, both of which have invested in services that remove the technical barriers to install games and acquire users outside the Play store. If we can combine these, we will be able to offer a fully scalable opportunity for developers, meaning the acquisition of new users and monetising these outside Google Play. This is something that web stores are currently unable to do as they still rely on Google Play to serve the game. By helping developers break free from Google and Apple's control, we can generate more margin from games and help developers gain more freedom in their marketing. This will benefit the whole market and drive continued growth for Flexion.

This naturally leads me to our new service offering, which we will launch in 2025. The new offering combines our cutting-edge services for the evolving games market and will position us as the leader in the open market. It includes our new market-leading SDK for distribution in all channels outside Google/Apple boosted by influencer marketing, creators programs and higher margin payments for the evolving D2C market. Until now, Apple has not been available to us but as the regulatory pressure bites in the EU and the rest of the world, we

expect to be able to expand our services to this important platform too, effectively doubling our target market over time. We will be soft launching the service in Q4 with a few selected partners. This will allow us to strategically reposition Flexion from a key alternative store distribution partner to a full-service marketing company. I will continue to report on our progress in relation to this in the coming quarters.

Q3 performance was strong and was supported by Audiencly, which rebounded after a weaker Q2. The main driver was a unique live event and campaigns for a newly launched game from Zynga. The outlook for Influencer Marketing remains good for Q4. 7vsWild Season 4 is now live and we expect to generate revenue in line with last season. Q3 revenue in distribution was up 17% YOY, albeit flat compared to Q2. Since the Google/EPIC verdict was delivered, we have seen stronger inbound interest in both alternative stores and D2C, which is both pleasing and is as we would have hoped. Flexion is in pole position and is in talks with many of the biggest game developers and new distribution channels, such as Epic and Microsoft, and we expect to see continued strong interest. Overall, we therefore expect a strong Q4 driven by new titles such as Candy Crush and other blockbusters, as well as 7vsWild on the influencer marketing side. Our sales pipeline remains strong, and we see good potential to expand our new partnerships. We expect Q4 revenue in the region of USD 26-30m and are very encouraged about our prospects for 2025.



Jens Lauritzson | CEO

Financial Development

JULY-SEPTEMBER 2024

REVENUE

Total revenue increased by 20% year-on-year to GBP 17,771,844 (14,777,009), of which In-App Purchase (IAP) revenue increased by 17% year-on-year to GBP 15,158,306 (12,980,944) and non-IAP revenue decreased to GBP 21,661 (28,552). Marketing Services revenue increased by 47% to GBP 2,591,877 (1,767,513).

Total revenue for the quarter decreased by 4% compared with the preceding quarter to GBP 17,771,844 (18,508,411) as per normal cyclical patterns.

GROSS PROFIT

Cost of sales increased by 13% year-on-year to GBP 13,870,182 (12,245,593).

Total gross profit increased by 54% year-on-year to GBP 3,901,661 (2,531,416) of which IAP gross profit increased by 51% year-on-year to GBP 3,079,727 (2,034,665) driven by strong performance from high margin contributing games. Marketing Services gross profit increased by 71% to GBP 800,273 (468,198). Non-IAP gross profit decreased to GBP 21,661 (28,552) and is carried at a 100% margin to Flexion.

Total gross profit margin increased from 17.1% to 22.0% year-on-year, with IAP gross profit margin which increased from 15.7% to 20.3%, and Marketing Services gross profit margin which increased from 26.5% to 30.9%.

Total gross profit increased by 9% to GBP 3,901,661 compared with the preceding quarter. IAP gross profit increased by 1% to 3,079,727 compared with the preceding quarter. Total gross profit margin increased from 20.1% to 22%, with Marketing Services gross profit margin decreasing from 32.2% to 30.9% and IAP gross profit margin increased from 18.9% to 20.3% compared with the preceding quarter.

GENERAL AND ADMINISTRATIVE EXPENSES

The total headcount increased by 27 year-on-year to 166 (139) of which, Distribution's headcount represented 115 (94) and Marketing service's headcount represented 51 (42). Adjusted staff cost for Distribution increased by 25% from GBP 1,098,363 to GBP 1,369,415 and Marketing services staff cost decrease by 6% from GBP 468,912 to GBP 442,280. Group staff and contractor costs increased by 29% year-on-year to GBP 1,811,694 (1,403,352) driven by inflationary salary pressure and the increase in headcount in both Distribution and Marketing Services.

Other overheads increased year-on-year to GBP 900,498 (810,705) driven by GBP 868,206 (355,720) in increased administrative costs offset by an increase in unrealised/realised foreign exchange net gain to GBP -129,692 (286,626). The increase in administrative costs were mainly driven by the increased legal and professional fees of which GBP 320K is extraordinary cost.

The total amortisation of GBP 1,739,269 (591,492) includes GBP 1,455,112 (250,885) related to game distribution rights, GBP 131,172 (140,737) related to Brand, GBP 85,404 (69,068) related to customer relationships and GBP 67,581 (75,649) related to capitalised development costs. As a result of the 2023 annual review performed on the expected useful life of game distribution rights, the amortisation profile has been adjusted, from January 2024, to reflect the updated expected useful life of the intangible asset.

As a result, group general and administrative expenses increased year-on-year to GBP 4,483,806 (2,838,734).

During the quarter, the headcount for Distribution remained at 115. Market service's headcount increased by 6 to 51. Total staff and contractor costs for distribution increased by 4% compared with the preceding quarter. Adjusted staff costs for Distribution, as reported in the KPI section, increased by 13% QoQ. Staff costs for Marketing Services, as reported in the KPI section, decreased by 9% QoQ. Other overheads decreased by 1% compared with the preceding quarter, driven by a reduction in legal and advisory fees during the quarter.

ADJUSTED EBITDA AND NET EARNINGS

Adjusted EBITDA for the quarter amounted to GBP 1,379,777 (415,196) driven by higher gross profit from both Distribution and Marketing Services. EBIT decreased to GBP -582,145 (-307,318) and the result after tax for this quarter amounted to GBP -710,529 (-580,952).

CASH FLOW

Operating cash flow decreased by GBP 1.2m year-on-year to GBP 835,272 (1,985,202) partly due to working capital timing effects on both trade payables and trade receivables. Net cash flow decreased to GBP -1,345,106 (-5,172,304).

FINANCIAL POSITION

Cash amounted to GBP 12,405,384 (7,531,243) and there were no interest-bearing liabilities. During the quarter, cash increased by GBP 138,113. Trade and other receivables amounted to GBP 10,297,491 (8,566,510). Trade and other payables amounted to GBP 14,971,020 (11,778,098).

CHANGES IN THE NUMBER OF GAMES DURING THE QUARTER

The average monthly revenue for top-tier games past the ramp-up period decreased to USD 655,304 (576,605) compared to the preceding quarter and the number of top-tier games past ramp-up remained at 10 titles when compared to the preceding quarter.

The average monthly revenue for mid-tier games past ramp-up increased to USD 48,224 (36,008) compared to the preceding quarter and the number of mid-tier games past ramp-up remained at 10 titles.

During the quarter, the number of live top-tier games remained at 10 titles. The number of live mid-tier games increased to 14 titles with 1 mid-tier games signed and yet to be launched.

JANUARY-SEPTEMBER 2024

The first nine months of the financial year ending December 2024 showed a 17% growth in total revenue, increasing to GBP 54,610,421 (46,549,132). IAP grew 14% to GBP 47,168,350 (41,251,154) and Marketing services revenue grew by 41% to GBP 7,374,225 (5,213,578). Gross profit increased by 134% to GBP 11,394,546 (7,410,127) during the period. General and administrative expenses increased by 73% to GBP 13,369,110 (7,732,994). Adjusted EBITDA increased by 78% to GBP 3,915,860 (2,205,296). The result after tax decreased to GBP -2,528,238 (-1,098,570).



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 includes all marketing campaigns generated as part of the influencer marketing service offered.

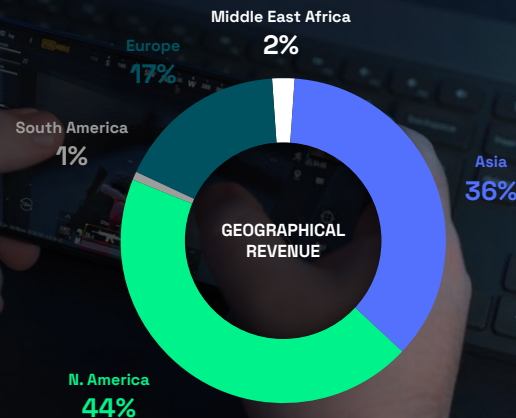
Tier-games

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.

GEOGRAPHICAL REVENUE

The geographical breakdown of group revenue for the quarter ending 30 September 2024 is presented below.

The main market for group revenue during the quarter was North America with 44% market share followed by Asia with 36% market share. Europe accounted for 17%, Middle East and Africa for 2% and South America for 1%.



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 166 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 year ended 31 December 2023.

Financial calendar

Q4 report - 2024 financial year	31 Mar. 2025
Q1 report - 2025 financial year	21 May 2025
Q2 report - 2025 financial year	21 Aug. 2025
Q3 report - 2025 financial year	19 Nov. 2025

Certified Adviser

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

Further information

For further information please visit the company's website: www.flexion.games

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 CET on 20 November 2024.

Financial reports in brief

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the quarterly period ended 30 September 2024

	Notes	QTD Sep-24 3 months Unaudited GBP	QTD Sep-23 3 months Unaudited GBP	YTD Sep-24 9 months Unaudited GBP	YTD Sep-23 9 months Unaudited GBP	Dec-23 12 months Audited GBP
Total revenue	3	17,771,844	14,777,009	54,610,421	46,549,132	70,024,081
Cost of sales		(13,870,182)	(12,245,593)	(43,304,060)	(39,139,006)	(57,527,279)
Total gross profit	4	3,901,661	2,531,416	11,306,361	7,410,127	12,496,801
General and administrative expenses	5	(4,483,806)	(2,838,734)	(13,369,110)	(7,732,994)	(11,913,558)
Adjusted EBITDA*		1,379,777	1,205,043	3,915,860	2,205,296	4,629,507
Depreciation of tangible assets		32,345	33,184	97,768	100,521	133,689
Amortisation of intangible assets		1,739,269	1,007,197	5,097,399	1,871,518	2,585,586
Foreign exchange (gain) / loss		(129,692)	301,720	(56,096)	385,865	221,945
Other extraordinary costs		320,000	170,259	839,538	170,259	1,105,044
Fair value gains		-	-	-	-	3,342,705
Operating profit / (loss) for the period		(582,145)	(307,318)	(2,062,749)	(322,867)	3,925,948
Share of profit / (loss) from associate		-	-	-	-	(352,920)
Finance costs		(73,083)	(217,921)	(326,848)	(705,840)	(923,314)
Profit / (Loss) before tax for the period		(655,228)	(525,239)	(2,389,597)	(1,028,708)	2,649,714
Tax		(55,301)	(55,713)	(138,641)	(69,862)	(258,595)
Profit / (Loss) after tax for the period		(710,529)	(580,952)	(2,528,238)	(1,098,570)	2,391,119
Attributable to:						
Equity holders of the parent		(710,529)	(580,952)	(2,528,238)	(1,098,570)	2,391,119
Profit / (Loss) for the period		(710,529)	(580,952)	(2,528,238)	(1,098,570)	2,391,119
Other comprehensive income						
Foreign exchange differences		(482,251)	115,213	(583,376)	(293,859)	(281,066)
Total comprehensive profit / (loss) for the period		(1,192,780)	(465,739)	(3,111,614)	(1,392,429)	2,110,053
Attributable to:						
Equity holders of the parent		(1,192,780)	(465,739)	(3,111,614)	(1,392,429)	2,110,053
Profit / (Loss) for the period		(1,192,780)	(465,739)	(3,111,614)	(1,392,429)	2,110,053

* The Group defines adjusted EBITDA as earnings before interest, tax, depreciation, amortisation, finance costs, impairment losses, foreign exchange gains/losses, corporate acquisitions costs, fair value gains/losses and other extraordinary costs.

Financial reports in brief

Consolidated Statement of Financial Position as at 30 September 2024

	Notes	Sep-24 Unaudited GBP	Sep-23 Unaudited GBP	Dec-23 Audited GBP
Assets				
Non-current assets				
Property, plant and equipment	7	159,893	290,790	257,818
Intangible assets	8	17,593,671	23,161,289	22,334,376
Investments		-	352,920	-
Total non-current assets		17,753,565	23,804,999	22,592,194
Current assets				
Trade and other receivables	9	10,297,491	8,566,510	15,608,415
Cash and cash equivalents		12,405,385	7,531,243	11,084,799
Total current assets		22,702,876	16,097,753	26,693,214
Total assets		40,456,441	39,902,752	49,285,408
Equity and liabilities				
Equity				
Share capital		113,508	112,467	112,467
Share premium		17,373,671	17,341,512	17,341,512
Other reserves		4,780,831	5,234,487	5,185,653
Retained earnings		(2,708,594)	(3,278,142)	(180,356)
Total equity		19,559,415	19,410,324	22,459,275
Non-current liabilities				
Deferred Tax liabilities	11	2,224,387	2,414,703	2,491,826
Lease liabilities		62,064	159,597	126,905
Contingent consideration	11	-	3,379,660	3,284,773
Total non-current liabilities		2,286,450	5,953,960	5,903,504
Current liabilities				
Trade and other payables	10	14,971,020	11,778,098	20,802,934
Lease liabilities		93,395	117,291	119,695
Contingent consideration	11	3,546,160	2,643,079	-
Total current liabilities		18,610,575	14,538,468	20,922,628
Total liabilities		20,897,025	20,492,428	26,826,133
Total equity and liabilities		40,456,441	39,902,752	49,285,408

Financial reports in brief

Consolidated Statement of Cash Flows for the quarterly period ended 30 September 2024

	QTD Sep-24 3 months Unaudited GBP	QTD Sep-23 3 months Unaudited GBP	YTD Sep-24 9 months Unaudited GBP	YTD Sep-23 9 months Unaudited GBP	Dec-23 12 months Audited GBP
Cash flow from operating activities					
Profit / (Loss) before tax for the period	(655,228)	(525,239)	(2,389,597)	(1,028,708)	2,649,714
Adjustments for:					
Foreign exchange losses / (gains)	107,421	114,746	49,153	104,680	164,587
Share based payments	54,357	61,897	183,433	201,076	151,441
Depreciation of tangible assets	32,345	33,184	97,768	100,521	133,689
Amortisation of intangible assets	1,739,269	622,412	5,097,399	1,909,051	2,585,586
Share of (profit) / loss of associate	-	-	-	-	352,920
Fair value gains	-	-	-	-	(3,342,705)
Interest paid	134,500	240,468	407,941	804,447	983,121
Working capital:					
Change in trade and other receivables	(133,149)	(1,392,011)	3,165,521	1,523,408	(5,677,748)
Change in trade and other payables	(2,114,787)	(1,140,659)	(4,133,797)	(5,751,433)	3,344,022
Net cash flow from operating activities	(835,272)	(1,985,202)	2,477,819	(2,136,958)	1,344,627
Cash flow from investing activities					
Acquisition of a subsidiary, net of cash acquired	-	-	-	(518,571)	(518,571)
Expenditure on property, plant and equipment	1,209	2,617	4,252	(30,957)	(8,026)
Expenditure on intangible assets	(510,483)	(3,175,914)	(906,234)	(3,175,914)	(3,175,914)
Capitalised development cost	-	-	-	(120,000)	-
Net cash flow from investing activities	(509,273)	(3,173,297)	(901,982)	(3,845,441)	(3,702,511)
Cash flow from financing activities					
Issue of ordinary shares, net of issue costs	33,200	18,325	33,200	89,290	89,290
Payment of lease liabilities	(33,761)	(32,130)	(103,251)	(98,066)	(133,092)
Net cash flow from financing activities	(561)	(13,805)	(70,051)	(8,776)	(43,802)
Net change in cash and cash equivalents	(1,345,106)	(5,172,304)	1,505,787	(5,991,175)	(2,401,686)
Cash and cash equivalents at beginning of period	13,916,157	12,739,904	11,084,799	13,801,592	13,801,592
Effect of exchange rate fluctuations on cash held during the period	(165,667)	(36,356)	(185,201)	(279,173)	(315,107)
Cash and cash equivalents at end of period	12,405,384	7,531,243	12,405,385	7,531,243	11,084,799

Financial reports in brief

Consolidated Statement of Changes in Equity for the period ended 30 September 2024

	Share capital GBP	Share premium GBP	Other reserves GBP	Foreign currency translation reserve GBP	Merger reserve GBP	Retained earnings GBP	Total GBP
Balance at 1 January 2023	109,309	17,252,671	735,043	656,890	2,477,349	(2,179,572)	19,051,690
Loss for the period	-	-	-	(293,859)	-	(1,098,570)	(1,392,429)
Total comprehensive income	109,309	17,252,671	735,043	363,031	2,477,349	(3,278,142)	17,659,261
Transactions with owners, recorded directly in equity							
Share based payments	-	-	201,076	-	-	-	201,076
Deferred tax on share options	-	-	(57,555)	-	-	-	(57,555)
Issue of share capital	3,157	88,841	-	-	1,515,544	-	1,607,543
Balance at 30 September 2023	112,467	17,341,512	878,563	363,031	3,992,894	(3,278,142)	19,410,324
Balance at 1 January 2024	112,467	17,341,512	816,935	375,824	3,992,894	(180,356)	22,459,275
Loss for the period	-	-	-	(583,376)	-	(2,528,238)	(3,111,614)
Total comprehensive income	112,467	17,341,512	816,935	(207,552)	3,992,894	(2,708,594)	19,347,661
Transactions with owners, recorded directly in equity							
Share based payments	-	-	183,433	-	-	-	183,433
Deferred tax on share options	-	-	(4,879)	-	-	-	(4,879)
Issue of share capital	1,041	32,159	-	-	-	-	33,200
Balance at 30 September 2024	113,508	17,373,671	995,490	(207,552)	3,992,894	(2,708,594)	19,559,416

Notes

1. Basis of preparation

The condensed financial statements for the three months ended 30 September 2024 have not been prepared in accordance with IAS 34 Interim Financial Reporting. The annual 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 2023 is audited and therefore the financial information for the 3-months ended 30 September 2023 has been updated. The financial information for the 3-months ended 30 September 2023 and 30 September 2024 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 year ended 31 December 2023.

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 year ended 31 December 2023. The accounting policies applied herein are consistent with those expected to be applied in the annual financial statements for the year ended 31 December 2023. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. Revenue

	Sep-24 Unaudited	Sep-23 Unaudited
Revenue disclosed in the statement of profit or loss is analysed as follows:		
Revenue breakdown		
IAP Revenue	15,158,306	12,980,944
Non-IAP Revenue	21,661	28,552
Marketing services	2,591,877	1,767,513
Total Revenue	17,771,844	14,777,009

4. Gross profit

	Sep-24 Unaudited	Sep-23 Unaudited
Gross profit disclosed in the statement of profit and loss is analysed as follows:		
Gross profit breakdown		
IAP gross profit	3,079,727	2,034,665
Non-IAP Revenue	21,661	28,552
Marketing services	800,273	468,198
Total gross profit	3,901,661	2,531,416

5. General and administrative expenses

	Sep-24 Unaudited	Sep-23 Unaudited
General and administrative expenses disclosed in the statement of profit or loss is analysed as follows:		
General and administrative expenses		
Staff and contractor costs	1,811,694	1,403,352
Depreciation	32,345	33,184
Amortisation	1,739,269	591,492
Other overheads	900,498	810,705
Total	4,483,806	2,838,734

6. Related party transactions

The Company is not aware of any significant related party transactions during the quarter excluding PDMM share transactions which are reported separately on the Company's website.

7. Property, plant and equipment

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

	Sep-24 Unaudited	Sep-23 Unaudited
Property, plant and equipment		
Office Equipment	8,180	15,070
Leasehold improvements	4,468	6,799
Right-to-use assets	147,245	268,921
Total	159,893	290,790

In the third quarter for the year ending 31 December 2024 depreciation for property, plant equipment amounted to GBP 32,345.

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:

	Sep-24 Unaudited	Sep-23 Unaudited
Intangible asset		
Goodwill	7,407,159	7,692,194
Capitalised development costs	425,815	829,463
Game distribution rights	3,618,581	7,379,877
Customer relationships	2,259,647	2,683,825
Brand	3,882,469	4,575,931
Total	17,593,671	23,161,289

In the third quarter for the year ending 31 December 2024 amortisation amounted to GBP 1,739,269.

9. Trade and other receivables

	Sep-24 Unaudited	Sep-23 Unaudited
Assets		
Trade receivables	1,858,392	2,083,686
Other receivables	(312,516)	(259,805)
Prepayments and accrued income	8,751,615	6,742,629
Trade and other receivables	10,297,491	8,566,510

10. Trade and other payables

	Sep-24 Unaudited	Sep-23 Unaudited
Liabilities		
Trade payables	2,897,139	2,265,609
Social security and other taxes	(125,910)	159,627
Accrued expenses	10,070,450	8,727,152
Other payables	2,105,790	513,397
Corporate tax payable	23,551	112,313
Trade and other payables	14,971,020	11,778,098

11. Acquisitions

On 5 April 2022, Flexion 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 Group 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.

The fair value of the 441,343 shares issued as part of the consideration paid for Audiency GmbH (GBP 0.5m) was based on a price of GBP 1.1338 per share.

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 fair value of the deferred consideration at acquisition was EUR 3.96m which 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 deferred consideration liability at acquisition (ie without NPV adjustment) is EUR 9.3m. The liability has been settled in full due to the payments made, equity issued and offset by the change in fair value.

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. The EUR 7.36m of contingent consideration liability initially 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 initial book value of the contingent consideration liability (ie without NPV adjustment) was EUR 10.47m. As at 30 September 2024, there has been a change in the estimate of the probable cash outflow and as a result, the liability has decreased to EUR 4.25m (EUR 4.25m is current and EUR nil is non-current) 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

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 September 2024	N. of shares and votes	%	Aggregated %
Mobile Sensations Ltd	11,354,862	20.2%	20%
Morgan Stanley Smith Barney LLC	3,696,622	6.6%	27%
Palmstierna Invest AB	3,465,780	6.2%	33%
Palmstierna Fredrik	1,803,000	3.2%	36%
Goldman Sachs & Co. LLC	1,790,392	3.2%	39%
Clearstream Banking S.A.	1,708,788	3.0%	42%
Julius Baer & Co Ltd	1,697,000	3.0%	45%
UBS Switzerland AG	1,654,872	2.9%	48%
IBKR Financial Services AG	1,592,053	2.8%	51%
The Bank of New York Mellon	1,581,512	2.8%	54%
Other shareholders	25,791,384	46.1%	100%
Total number of shares	56,316,265	100%	

Share data

	QTD Sep-24 3 months	QTD Sep-23 3 months	FY Dec-23 12 months
Number of shares at period end (adjusted for share split and bonus issue)	56,316,265	56,233,265	56,233,265
Amount of weighted average shares outstanding for the period (adjusted for share split and bonus issue)	56,238,950	56,210,388	55,912,668
Profit / (Loss) per share			
– basic attributable to ordinary equity holders of the parent (pence) ¢	(2.12)	(0.84)	3.77
– diluted, attributable to ordinary equity holders of the parent (pence) ¢	(2.12)	(0.84)	3.65

° 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 30 September 2024 totalled 2,936,485 (2023: 2,420,062) and are potentially dilutive.

Main KPI numbers

Summary of the Company's Key Performance Indicators

		QTD Sep-24 3 months	QTD Jun-24 3 months	QTD Mar-24 3 months	QTD Dec-23 3 months	QTD Sep-23 3 months
Top-tier games pending launch	No.	0	1	1	1	0
Mid-tier games pending launch	No.	1	4	0	0	0
Total top-tier games live	No.	10	11	11	10	10
Total mid-tier games live	No.	14	12	12	12	18
Top-tier games average monthly gross revenue	USD	655,304	576,605	582,070	744,674	541,700
Number of games live past ramp-up period	No.	8	10	10	10	8
Mid-tier games average monthly gross revenue	USD	48,224	36,008	35,023	33,628	34,344
Number of games live past ramp-up period	No.	10	10	10	12	16
Total revenue growth - YoY	%	20%	14%	13%	12%	(20%)
Total revenue growth - QoQ	%	0%	(3%)	(24%)	64%	(5%)
IAP gross profit growth - YoY	%	51%	74%	64%	31%	(16%)
IAP gross profit growth - QoQ	%	1%	(2%)	(6%)	62%	16%
IAP gross profit margin	%	20.3%	18.9%	19.7%	17.3%	15.7%
Total gross profit margin	%	22.0%	20.1%	21.7%	20.4%	17.1%
Adjusted EBITDA margin	%	6.5%	6.1%	9.0%	8.8%	4.5%
Operating profit / (loss) margin	%	(3.3%)	(4.2%)	(2.4%)	1.0%	(1.8%)
Average monthly operational cashflow	GBP	(314,231)	210,363	948,069	1,154,038	(699,982)
Headcount for Distribution services	No.	115	115	109	98	97
Headcount for Marketing services	No.	51	45	42	40	42
Adjusted staff cost for Distribution services	GBP	1,369,415	1,345,789	1,286,171	1,133,686	1,098,363
Staff cost for Marketing services	GBP	442,280	412,822	454,288	625,484	468,912
Number of shares at period end	No.	56,316,265	56,233,265	56,233,265	56,233,265	56,233,265
Amount of weighted average shares outstanding for period	No.	56,238,950	56,233,265	56,233,265	56,233,265	56,210,388
Profit / (Loss) per share (pence)	GBPP	(2.12)	(2.22)	(0.94)	0.02	(0.74)

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. Minor games that are part of multi-games distribution contracts are also classified as mid-tier games.
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. Minor games that are part of multi-games distribution contracts are also classified as mid-tier games.
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.

The background is a dynamic, abstract composition of wavy, parallel lines in two shades of green and blue. These lines create a sense of depth and movement, resembling a stylized, flowing landscape or a series of overlapping planes. In the center of the image, there is a solid black rectangular box. Inside this box, the word "FLEXION" is written in a bold, white, sans-serif typeface. The letters are evenly spaced and have a clean, modern appearance. The overall effect is one of visual tension and energy, with the central text acting as a focal point against the complex, organic background.

FLEXION