



Q3 Report — 30 September 2022

Flexion delivers its sixth consecutive record quarter with revenue growth of 138% and EBITDA of GBP 1.5 million.

July–September 2022 performance

- Total revenue increased by 138% to GBP 18.5m (7.8)*
- Gross profit increased by 196% to GBP 3.0m (1.0)
- Adjusted EBITDA[‡] increased to GBP 1.5m (0.1)
- Adjusted profit before tax[#] increased to GBP 0.3m (0.1)
- EPS amounted to GBP -1.22 pence (-0.07 pence)
- Adjusted EPS amounted to GBP 0.51 pence (0.08 pence)
- Operating cashflow amounted to GBP 1.9m (-0.4)
- Cash and cash equivalents amounted to GBP 10.5m (15.0)

January– September 2022 performance

- Total revenue increased by 111% to GBP 46.8m (22.2)*
- Gross profit increased by 166% to GBP 7.4m (2.8)
- Adjusted EBITDA[‡] increased to GBP 3.2m (0.04)
- Adjusted profit before tax[#] increased to GBP 0.8m (-0.1)
- Operating cashflow amounted to GBP 4.9m (1.4)

Important events during the quarter

- Launch of King of Avalon from FunPlus
- Signing and launch of Matchington Mansion from Magic Tavern Inc
- Signing of Call Me Emperor from Clicktouch Co. on the Japanese market
- Signing of Kiss of War from tap4fun
- Completion of USD 500k Liteup Media investment for 20% stake
- Launch of cost-per-install (CPI) service by Liteup Media to target TikTok users

Important events after the quarter

- With Amazon-Windows 11 deal, Flexion can help Android games reach PC audiences

** Comparison figures for the year-earlier period in brackets*

‡ The Company 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 Company 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 0.9m.

Q&A with the CEO



Q: How would you describe this quarter?

A: This was another exceptionally busy and strong quarter where we saw a great deal of momentum, especially within Distribution, and where we reported organic growth of 111%. At Group level, this resulted in explosive year-on-year quarterly revenue growth of 138%. Strong growth can also be seen for gross profit and EBITDA, at 196% and 951% respectively.

This is our sixth consecutive quarter with record figures, and naturally we are very proud of this achievement.

We are making good progress with our new and scalable Group structure – gearing the company for strong profitable growth moving forward. This decentralised structure will allow for expansion into new verticals broadening the service offering for the top game publishers in the world while also leveraging sales and cost synergies between the verticals.

Q: What is driving your continued revenue growth?

A: Our 2022 revenue guidance of 90-110% shows how ambitious we are as an organisation. Meeting these targets in the current market environment is a great accomplishment. Looking at this quarter's growth, we see that it is primarily driven by the large games we signed last year. These games are now entering their more mature long-term phase and focus is therefore on adding new growth engines for next year within Distribution. This illustrates the strength of our business model and our unique value proposition. It offers stable long-term portfolio growth with revenue bumps thanks to new signings and market share expansion.

In 2018, when we went public, we stated that our target market was around 400 games. The market has grown

tremendously since then, and the same number today is more like 800-1000 games. It is interesting to conclude that we still have a long way to go although we are expanding very rapidly.

Q: Your EBITDA growth has been very strong in the last few quarters, but this isn't reflected in profit. Can you please explain why?

A: Over time intangible assets from new acquisitions such as Audiency will grow and according to IFRS accounting principles we must amortise these. This negatively affects net operating profit and we therefore decided to introduce Adjusted profit before tax alongside Adjusted EBITDA to better reflect the **underlying** performance of the business. Essentially, we add back amortization of intangible assets from acquisitions and FX effects to get Adjusted profit before tax. This quarter, the adjustment amounted to GBP 0.9m.

Q: So where do you see growth within Distribution going forward?

A: We see plenty of new and exciting distribution initiatives from companies such as Microsoft, Digital Turbine, Amazon, Meta and more. All these companies have made the strategic decision to expand into mobile games. We are perfectly positioned to support them. In addition, the Distribution business will continue to grow through new game signing and games portfolio optimization. Finally, added competence and tools within user acquisition such as influencer marketing will fuel revenue growth through non-organic traffic. This is a new growth leg that we are very excited about for 2023.

Q: Your Audiency acquisition also appears to be performing well – is this thanks to the aforementioned marketing synergies?

A: Audiency has strong growth in its core business, and we expect that to continue. As a standalone entity, Audiency reports 61% growth in revenues and EBITDA so we are clearly pleased with the performance. In addition, we are working hard on developing marketing synergies as we cross sell our services to top grossing game developers. We expect both marketing and cost synergies to be visible next year.

Q: You recently announced that Amazon Appstore is now offered on Windows 11 and that you already have several games live, how does this work and is this an opportunity for you?

A: We have supported this project for quite some time. It is driven by the need to provide Microsoft users with more apps and games. Like many others, Microsoft has been unsuccessful in gaining meaningful traction with game developers for its Microsoft Store as this requires too much work without providing sufficient return on investment. The partnership with Amazon will provide Windows 11 users with up to 50,000 apps available on Amazon App Store. It is a win-win for Amazon and Microsoft who together will make their ecosystems more attractive to developers while allowing users to play their favourite Android games on their PCs.

Technically, it is an integration of Amazon App Store with Windows Subsystem for Android (WSA) and users are required to install the Amazon App Store on their PC. The

Amazon App Store can be found through the Microsoft Store on Windows 11 PCs in 31 supported countries within North America, Europe, Japan, and Australia. For developers who already support Amazon App Store, through Flexion, no extra work is required.

Windows 11 will be rolled out to hundreds of millions of users around the world and over time it should provide an interesting opportunity for game developers. For Flexion, it is a significant opportunity to grow its Amazon revenues for game developers and should make the Flexion game marketing services even more appealing. This is the first iteration of the Windows service, and it will take some time before it gains proper market traction, but we expect to see an impact primarily in the second half of next year.

Q: There have been many strategic mergers and acquisitions in the market in the last 12 months — what's driving these transactions?

A: In recent years, the mobile game market has noted a great deal of consolidation at studio level but the deals we are now witnessing are of a different nature. For instance, Unity's acquisition of Ironsource, (and Applovin's attempt to block it), is one example of a merger that will impact the market. The other extreme is Microsoft's USD 68 billion acquisition of Activision. We also mentioned Amazon's partnership with Microsoft for Windows 11.

Some of the deals are driven by regulatory changes such as the Digital Marketing Act in Europe which will force Google and Apple to open their walled gardens next year. However, in our opinion the biggest driver is the changes made to user tracking introduced by Apple last year. These are negatively impacting most of the ad-tech market including giants like Meta and Twitter. Games is the biggest entertainment market and most big companies want a piece of this, which in turn is driving deals. This effectively means that new ecosystems are being created that are not dependent on Google and Apple. Flexion is perfectly positioned to help some of these new ecosystems grow and become successful.

Q: You mentioned that you are working on a decentralised Group structure, why is that so important and can we expect M&A activities when this is complete?

A: Until now, our core business has been game distribution to alternative appstores which essentially means that we grow audiences and revenue for games while freeing up resources for our customers i.e., we are reducing their opportunity cost for growth. The acquisition of Audiency, was a natural step into influencer marketing as it is very similar in terms of the value it offers our customer base. The strong relationships we have established with the world's biggest game developers puts us in a unique position to further expand our service offering and become a global games marketing company.

We are looking to take new strategic positions in important game market segments such as influencer marketing, where we can become a world leader. We enter these new verticals through a combination of buy, build and commercial partnerships, all dependent on what works best for each opportunity. We focus on initiatives that show clear marketing and cost synergies. The target companies are typically smaller, profitable

market leaders in their respective niche with strong management teams. To support this growth strategy, we are now building the foundation and structure for a global leading games marketing company. It is a new and exciting phase that we are entering.

Jens Lauritzson — CEO

Financial Development



July–September 2022

REVENUE

Total revenue grew by 138% year-on-year to GBP 18,548,929 (7,808,924), of which In-App Purchase (IAP) revenue grew by 111% year-on-year to GBP 16,448,611 (7,793,649) and non-IAP revenue increased to GBP 31,310 (15,275). Marketing services revenue from the newly acquired Audiency influencer agency amounted to GBP 2,069,008.

Total revenue for the quarter increased by 5% compared with the preceding quarter, driven by IAP revenue, which grew by 7%, and offset by Marketing services revenue, which decreased by 10%.

GROSS PROFIT

Cost of sales increased by 129% year-on-year to GBP 15,522,662 (6,784,820).

Total gross profit grew by 196% year-on-year to GBP 3,026,267 (1,024,103) with gross profit from Marketing services contributing GBP 560,202. IAP gross profit grew by 141% year-on-year to GBP 2,434,755 (1,008,829) 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 31,310 (15,274). All non-IAP revenue carried a 100% margin to Flexion.

Total gross profit increased by 4% compared with the preceding quarter. IAP gross profit increased by 8% compared with the preceding quarter. Total gross profit margin (which now includes marketing services) remained flat at 16.3%, and IAP gross profit margin increased from 14.6% to 14.8% compared with the preceding quarter.

GENERAL AND ADMINISTRATIVE EXPENSES

The total headcount increased by 52 year-on-year to 118 (66) of which, the Distribution's headcount represented 85 (66). There are now 14 (3) strategic and 71 (63) core headcounts within Distribution. Adjusted staff cost for Distribution increased from GBP 780,457 to GBP 928,101. Audiency had a headcount of 33 in September 2022. Group staff and contractor costs increased by 73% year-on-year to GBP 1,150,379 (664,077) driven by the addition of Audiency related staff costs.

Other overheads increased year-on-year to GBP 979,230 (294,009) driven by GBP 541,666 (75,015) in unrealised/realised foreign exchange gains/losses as well as GBP 44,000 for corporate acquisition costs. 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.

We are actively working on a larger settlement project to reduce unrealised/realised FX effects within settlement and our financial reporting.

The total amortisation of GBP 1,159,047 (65,519) includes GBP 774,987 (0) related to game distribution rights, GBP 197,071 (0) related to Brand, GBP 111,776 (0) related to customer relationships and GBP 75,001 (65,520) related to capitalised development costs. Amortisation of game distribution rights commenced in the first quarter of 2022 after the two largest games of the multi-game agreement signed in September 2021 either went live or were rolled into the project and were set at the then GBP equivalent amount of USD 9m. The amortisation profile follows the estimated revenue profile of the project.

As a result, group general and administrative expenses increased year-on-year to GBP 3,320,471 (1,042,295).

During the quarter, the headcount for distribution increased by 7 to 85 and the headcount for new strategies increased by 2 to 14 excluding Audiency. Total staff and contractor costs for distribution increased by 13% compared with the preceding quarter. Adjusted staff costs for Distribution, as reported in the KPI section, increased by 5%. Other overheads decreased by GBP 0.4m compared with the preceding quarter, driven by favourable foreign exchange movements.

ADJUSTED EBITDA AND NET EARNINGS

Adjusted EBITDA for the quarter amounted to GBP 1,482,324 (141,033) driven by higher gross profit from Distribution and the Adjusted EBITDA contribution of GBP 0.3m from Audiency. Compared with the preceding quarter, EBIT increased to GBP -294,204 (-392,411) and result after tax for this quarter amounted to GBP -634,168 (-744,095). Adjusted profit before tax amounted to GBP 294,363 (55,241).

CASH FLOW

Operating cash flow increased by GBP 2.4m year-on-year to GBP 1,936,240 (-421,008). During the quarter, GBP 215,677 was invested in LiteUp Media. Year-to-date operating cash flow increased by GBP 4.9m year-on-year to GBP 4,905,241 (1,359,030).

FINANCIAL POSITION

Cash amounted to GBP 10,456,833 (15,062,188) and there were no interest-bearing liabilities. During the quarter, cash increased by GBP 2,021,397, driven by the initial cash consideration paid for the acquisition of Audiency in the prior quarter. Trade and other receivables amounted to GBP 9,844,913 (3,793,981). Trade and other payables amounted to GBP 16,496,582 (7,506,411).

CHANGES IN NUMBER OF GAMES DURING THE QUARTER

The average monthly revenue for top-tier games increased to USD 806,548 (789,996) compared to the preceding quarter and remained flat at 7 games when compared to the preceding quarter. The average monthly revenue for mid-tier games increased to USD 48,876 (44,467) compared to the preceding quarter.

During the quarter, the number of live top-tier games decreased to 9 (10), with 1 new title launched and 2 titles moved to mid-tier. The number of live mid-tier games remained at 15 titles with 2 top-tier titles moved to mid-tier and 2 titles moved out of the tier classification. There are currently no signed top-tier games awaiting launch. The number of signed mid-tier games yet to be launched increased to 1.

January- September 2022

The first nine months of the financial year ending December 2022 showed steady revenue growth with total revenue increasing by 111% to GBP 46,816,749 (22,177,119). IAP revenue grew by 91% to GBP 42,336,204 (22,122,006). Gross profit increased by 166% to GBP 7,407,314 (2,784,632) during the period. General and administrative expenses increased by 161% to GBP 7,834,000 (3,000,463). Adjusted EBITDA increased to GBP 3,199,543 (42,612). The result after tax decreased to GBP -1,110,987 (-334,171). Adjusted profit before tax increased to 771,904 (-120,434)

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

Niklas Koresaar — CFO

Other Information

Segmental information

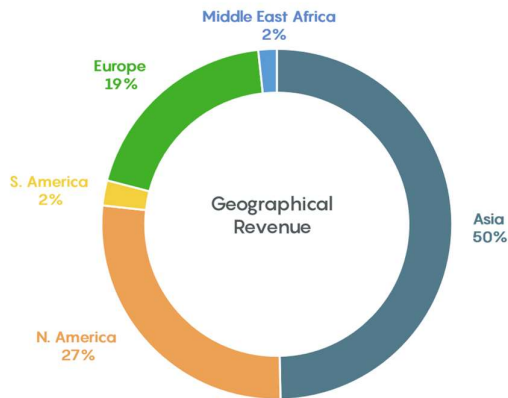
IAP REVENUE

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.

GEOGRAPHICAL REVENUE



The geographical breakdown of group revenue for the quarter ending 30 September 2022 is presented below.

The main market for group revenue during the quarter was Asia with 50% market share followed by North America with 27% market share. Europe accounted for 19%, Middle East and Africa for 2% and South America for 2%.

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 118 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

Q4 report - 2022 financial year	22 Mar. 2023
Q1 report - 2023 financial year	16 May 2023
Q2 report - 2023 financial year	22 Aug. 2023
Q3 report - 2023 financial year	22 Nov. 2023

Certified Adviser

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Further information

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

MAR Publishing Statement

This statement is information that Flexion Mobile Plc is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 8:00 am CET on 22 November 2022.

Financial reports in brief

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the quarterly period ended 30 September 2022

	Notes	QTD Sep-22 3 months 2022 Unaudited GBP	QTD Sep-21 3 months 2021 Unaudited GBP	YTD Sep-22 9 months 2022 Unaudited GBP	YTD Sep-21 9 months 2021 Unaudited GBP	FY Dec-21 9 months 2021 Audited GBP
Total revenue	3	18,548,929	7,808,924	46,816,749	22,177,119	26,076,493
Cost of sales		(15,522,662)	(6,784,820)	(39,409,435)	(19,392,487)	(22,632,925)
Total gross profit	4	3,026,267	1,024,103	7,407,314	2,784,632	3,443,568
General and administrative expenses	5	(3,320,471)	(1,042,295)	(7,834,000)	(3,000,463)	(2,879,340)
Adjusted EBITDA[‡]		1,482,324	141,033	3,199,543	42,612	509,663
Depreciation of tangible assets		31,815	18,690	82,348	56,070	56,070
Amortisation of intangible assets		1,159,047	65,519	2,031,870	184,486	198,797
Impairment write-back		-	-	-	(84,120)	(392,574)
Foreign exchange loss/(gain)		541,666	75,015	1,288,909	102,008	83,143
Corporate acquisition related costs		44,000	-	223,101	-	-
Operating profit / (loss) for the period		(294,204)	(18,192)	(426,686)	(215,831)	564,228
Finance costs		(305,946)	(2,252)	(610,642)	(7,281)	(6,167)
Profit / (Loss) before tax for the period		(600,150)	(20,444)	(1,037,328)	(223,112)	558,061
Tax		(34,018)	(14,742)	(73,659)	(111,059)	(20,230)
Profit / (Loss) after tax for the period		(634,168)	(35,186)	(1,110,987)	(334,171)	537,831
Attributable to:						
Equity holders of the parent		(634,168)	(35,186)	(1,110,987)	(334,171)	537,831
Profit / (Loss) for the period		(634,168)	(35,186)	(1,110,987)	(334,171)	537,831
Other comprehensive income						
Foreign exchange differences		13,267	-	16,514	-	-
Total comprehensive profit / (loss) for the period		(620,901)	(35,186)	(1,094,473)	(334,171)	537,831
Attributable to:						
Equity holders of the parent		(620,901)	(35,186)	(1,094,473)	(334,171)	537,831
Profit / (Loss) for the period		(620,901)	(35,186)	(1,094,473)	(334,171)	537,831

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

Consolidated Statement of Financial Position as at 30 September 2022

	Notes	Sep-22 2022 Unaudited GBP	Sep-21 2021 Unaudited GBP	Dec-21 2021 Audited GBP
Assets				
Non-current assets				
Property, plant and equipment	7	111,708	93,443	74,753
Intangible assets	8	22,173,457	1,022,126	7,758,858
Investments		400,049	-	-
Deferred tax assets		24,995	33,057	52,002
Total non-current assets		22,710,209	1,148,626	7,885,613
Current assets				
Trade and other receivables	9	9,844,913	3,793,981	5,466,910
Cash and cash equivalents		10,456,833	15,062,188	14,458,346
Total current assets		20,301,746	18,856,169	19,925,257
Total assets		43,011,955	20,004,795	27,810,870
Equity and liabilities				
Equity				
Share capital		103,341	100,049	100,049
Share premium		16,543,412	14,917,283	14,917,283
Other reserves		443,575	366,328	397,197
Retained earnings		(3,595,798)	(2,972,034)	(2,333,859)
Total equity		13,494,530	12,411,626	13,080,670
Non-current liabilities				
Deferred Tax liabilities	11	2,807,472	-	-
Lease liabilities		26,445	-	-
Contingent consideration	11	5,165,271	-	-
Total non-current liabilities		7,999,188	-	-
Current liabilities				
Trade and other payables	10	16,496,582	7,506,411	14,664,546
Lease liabilities		35,196	86,758	65,654
Deferred consideration	11	3,062,095	-	-
Contingent consideration	11	1,924,364	-	-
Total current liabilities		21,518,237	7,593,169	14,730,200
Total liabilities		29,517,425	7,593,169	14,730,200
Total equity and liabilities		43,011,955	20,004,795	27,810,870

Consolidated Statement of Cash Flows for the quarterly period ended 30 September 2022

	QTD Sep -22 3 months 2022 Unaudited	QTD Sep -21 3 months 2021 Unaudited	YTD Sep -22 9 months 2022 Unaudited	YTD Sep -21 9 months 2021 Unaudited	FY Dec-21 9 months 2021 Audited
Cash flow from operating activities					
Profit / (Loss) before tax for the period – continuing operations	(600,150)	(20,444)	(1,037,328)	(223,112)	558,061
Profit / (Loss) before tax for the period	(600,150)	(20,444)	(1,037,328)	(223,112)	558,061
Adjustments for:					
Foreign exchange losses / (gains)	(77,833)	62,603	(299,220)	209,440	180,092
Impairment write back	-	-	-	(84,120)	(392,574)
Share based payments	18,946	1,404	54,866	32,470	34,771
Depreciation of tangible assets	31,815	18,690	82,348	56,070	56,070
Amortisation of intangible assets	1,159,047	65,519	2,031,870	184,486	198,797
Interest paid	305,950	2,252	610,649	7,290	5,877
Working capital:					
Change in trade and other receivables	(526,999)	(196,205)	(4,332,031)	100,688	(2,229,829)
Change in trade and other payables	1,625,464	(354,828)	7,794,085	1,075,818	8,506,773
Net cash flow from operating activities	1,936,240	(421,008)	4,905,241	1,359,030	6,918,037
Cash flow from investing activities					
Investment in associate	(215,677)	-	(400,049)	-	-
Acquisition of a subsidiary, net of cash acquired	-	-	(2,884,905)	-	-
Expenditure on property, plant and equipment	(9,325)	-	(9,325)	-	-
Capitalised game distribution rights	-	-	-	-	(6,765,792)
Capitalised development cost	(54,247)	(116,380)	(211,455)	(286,202)	(230,283)
Payment of game distribution rights	-	-	(5,962,049)	-	-
Net cash flow from investing activities	(279,249)	(116,380)	(9,467,783)	(286,202)	(6,996,075)
Cash flow from financing activities					
Issue of ordinary shares, net of issue costs	115,946	75,987	144,271	1,872,996	75,987
Payment of lease liabilities	(30,890)	(22,978)	(83,981)	(68,353)	(68,063)
Net cash flow from financing activities	85,056	53,009	60,290	1,804,643	7,924
Net change in cash and cash equivalents	1,742,046	(484,379)	(4,502,252)	2,877,472	(70,113)
Cash and cash equivalents at beginning of period	8,435,435	15,609,171	14,458,346	12,394,156	14,708,551
Effect of exchange rate fluctuations on cash held during the period	279,352	(62,603)	500,738	(209,440)	(180,092)
Cash and cash equivalents at end of period	10,456,833	15,062,188	10,456,832	15,062,189	14,458,346

Consolidated Statement of Changes in Equity for the period ended 30 September 2022

	Share capital	Share premium	Other reserves	Foreign currency translation reserve	Retained earnings	Total
	GBP	GBP	GBP	GBP	GBP	GBP
Balance at 1 January 2021	96,522	13,047,815	521,665	-	(2,637,864)	11,028,138
Loss for the period	-	-	-	-	(334,171)	(334,171)
Total comprehensive income	96,522	13,047,815	521,665	-	(2,972,034)	10,693,967
Transactions with owners, recorded directly in equity						
Share based payments	-	-	32,470	-	-	32,470
Deferred tax on share options	-	-	(187,807)	-	-	(187,807)
Issue of share capital	3,527	1,869,469	-	-	-	1,872,996
Balance at 30 September 2021	100,049	14,917,283	366,328	-	(2,972,034)	12,411,626
Balance at 1 January 2022	100,049	14,917,283	397,197	-	(2,333,859)	13,080,670
Acquisition of subsidiary	-	-	-	-	(150,952)	(150,952)
Profit / (Loss) for the period	-	-	-	16,514	(1,110,987)	(1,094,473)
Total comprehensive income	100,049	14,917,283	397,197	16,514	(3,595,798)	11,835,245
Transactions with owners, recorded directly in equity						
Share based payments	798	143,473	54,866	-	-	199,137
Deferred tax on share options	0	0	(25,002)	-	-	(25,002)
Issue of share capital	2,493	1,482,656	-	-	-	1,485,149
Balance at 30 September 2022	103,341	16,543,412	427,061	16,514	(3,595,798)	13,494,530

Notes

1. Basis of preparation

The condensed financial statements for the nine months ended 30th September 2022 have been prepared in accordance with IAS 34 Interim Financial Reporting. The financial statements of the Company 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 three months ended 30 September 2021 and 30 September 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 Company's financial statements for the period ended 31 December 2021.

2. Significant accounting policies

Except where disclosed below, the accounting policies adopted in the preparation of the interim condensed financial statements 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 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-22 2022	Sep-21 2021
Revenue breakdown	Unaudited	Unaudited
IAP Revenue	16,448,611	7,793,649
Non-IAP Revenue	31,310	15,275
Marketing services	2,069,008	-
Total Revenue	18,548,929	7,808,924

4. Gross profit

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

	Sep-22 2022	Sep-21 2021
	Unaudited	Unaudited
Gross profit breakdown		
IAP gross profit	2,434,755	1,008,829
Non-IAP gross profit	31,310	15,274
Marketing services	560,202	-
Total gross profit	3,026,267	1,024,103

5. General and administrative expenses

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

	Sep-22 2022	Sep-21 2021
	Unaudited	Unaudited
General and administrative expenses		
Staff and contractor costs	1,150,379	664,077
Impairment write back	-	-
Depreciation	31,815	18,690
Amortisation	1,159,047	65,519
Other overheads	979,230	294,009
Total	3,320,471	1,042,295

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:

	Sep-22 2022	Sep-21 2021
	Unaudited	Unaudited
Property, plant and equipment		
Office Equipment	22,708	-
Leasehold improvements	9,131	-
Right-to-use assets	79,869	93,443
Total	111,708	93,443

In the third quarter for the period ending 31 December 2022 depreciation for property, plant equipment amounted to GBP 31,815.

8. Intangible assets

Intangible assets comprise of capitalised development costs for internally generated software and game distribution rights according to below carrying value analysis:

	Sep-22 2022	Sep-21 2021
Intangible asset	Unaudited	Unaudited
Goodwill	7,242,550	-
Capitalised development costs	987,663	1,022,126
Game distribution rights	5,259,840	-
Computer software	217	-
Customer relationships	3,625,030	-
Brand	5,058,157	-
Total	22,173,457	1,022,126

In the third quarter for the period ending 31 December 2022 amortisation amounted to GBP 1,159,047.

9. Trade and other receivables

	Sep-22 2022	Sep-21 2021
Assets	Unaudited	Unaudited
Trade receivables	1,883,928	-
Other receivables	193,776	137,140
Prepayments and accrued income	7,767,209	3,656,841
Trade and other receivables	9,844,913	3,793,981

Other receivables include GBP 110,115 of VAT receivables, GBP 51,939 (110,415) of advances, GBP 15,552 of loans and GBP 16,130 (26,725) of other non-material items.

10. Trade and other payables

	Sep-22 2022	Sep-21 2021
Liabilities	Unaudited	Unaudited
Trade payables	3,057,180	1,481,488
Social security and other taxes	153,292	86,436
Accrued expenses	12,279,889	5,849,798
Other payables	722,205	88,689
Corporate tax payable	283,572	-
Deferred income	444	-
Trade and other payables	16,496,582	7,506,411

11. Acquisitions

On 6 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.

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	3,405,434	
Cash and cash equivalents acquired	(520,529)	
Net cash outflow from acquisition		2,884,905
Acquisition costs charged to expenses		207,351

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 30 September 2022, there have been no changes in the estimate of the probable cash outflow but the liability has increased to EUR 7.71 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 in 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.

12.Events after the reporting period

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

The Flexion share

The share

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

Ownership table

Top 10 shareholders as of 30 September 2022	N. of shares and votes	%	Aggregated %
Mobile Sensations Ltd	11,022,181	21.33%	21%
BNY Mellon NA	3,584,293	6.94%	28%
Palmstierna Invest AB	3,405,280	6.59%	35%
Palmstierna Fredrik	1,930,487	3.74%	39%
Julius Baer & Co Ltd	1,771,888	3.43%	42%
Joachim Odqvist	1,560,415	3.02%	45%
Nordic Small Cap Fund	1,384,015	2.68%	48%
Avanza Pension	1,306,164	2.53%	50%
Industrial Equity AB	1,188,792	2.30%	53%
IBKR Financial Services AG	1,096,812	2.12%	55%
Other shareholders	23,419,026	45.32%	100%
Total number of shares	51,669,353	100%	

Share data

	QTD Sep-22 3 months 2022	QTD Sep-21 3 months 2021	FY Dec-21 9 months 2021
Number of shares at period end (adjusted for share split and bonus issue)	51,669,353	50,024,672	50,024,672
Amount of weighted average shares outstanding for the period (adjusted for share split and bonus issue)	50,742,156	49,948,848	49,955,905
Profit / (Loss) per share			
— basic attributable to ordinary equity holders of the parent (pence) [◇]	(1.22)	(0.07)	1.08
— diluted, attributable to ordinary equity holders of the parent (pence) [◇]	(1.22)	(0.07)	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 30 September 2022 totalled 3,193,562 (2021: 3,255,062) and are potentially dilutive.

Main KPI numbers

Summary of the Company's Key Performance Indicators

		QTD Sep-22 3 months 2022	QTD Jun-22 3 months 2022	QTD Mar-22 3 months 2021	QTD Dec-21 3 months 2021	QTD Sep-21 3 months 2021
Top-tier games pending launch	No.	0	1	2	1	4
Mid-tier games pending launch	No.	1	0	1	2	1
Total top-tier games live	No.	9	10	8	8	5
Total mid-tier games live	No.	15	15	15	15	17
Top-tier games average monthly gross revenue	USD	806,548	789,996	731,612	726,066	558,429
Number of games live past ramp-up period	No.	7	7	5	5	5
Mid-tier games average monthly gross revenue	USD	48,876	44,467	41,970	50,943	56,524
Number of games live past ramp-up period	No.	12	12	14	11	13
Total revenue growth - YoY	%	138%	127%	61%	52%	26%
Total revenue growth - QoQ	%	5%	68%	1%	34%	0%
IAP gross profit growth - YoY	%	141%	146%	76%	67%	26%
IAP gross profit growth - QoQ	%	8%	58%	0%	41%	10%
IAP gross profit margin	%	14.8%	14.6%	13.5%	13.7%	12.9%
Total gross profit margin	%	16.3%	16.5%	13.9%	14.2%	13.1%
Adjusted EBITDA margin	%	8.0%	7.8%	3.1%	3.4%	1.8%
Operating profit / (loss) margin	%	(1.6%)	(2.2%)	2.3%	6.1%	(0.2%)
Average monthly operational cashflow	GBP	671,358	313,560	706,375	2,075,639	(161,955)
Headcount for Distribution services	No.	85	78	76	64	66
Of which headcount for new strategies	No.	14	12	9	4	3
Adjusted staff cost for Distribution services	GBP	928,101	885,184	825,428	909,524	780,457
Number of shares at period end	No.	51,669,353	50,516,015	50,074,672	50,024,672	50,024,672
Amount of weighted average shares outstanding for period	No.	50,742,156	50,178,660	50,027,823	50,024,672	49,948,848
Profit / (Loss) per share (pence)	GBPp	(1.22)	(1.42)	0.51	1.28	(0.07)

DEFINITIONS

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

Quarterly figures

Income statement

GBP, 000	Dec 2022			Dec 2021			2020/21	
	Q3	Q2	Q1	Q4	Q3	Q2	Q4	Q3
	Sep-22	Jun-22	Mar-22	Dec-21	Sep-21	Jun-21	Mar-21	Dec-20
IAP revenue	16,449	15,369	10,518	10,403	7,794	7,786	6,542	6,812
Non-IAP revenue	31	35	42	53	15	25	15	52
Marketing Services Revenue	2,069	2,303	-	-	-	-	-	-
Total revenue	18,549	17,707	10,560	10,456	7,809	7,811	6,557	6,864
IAP gross profit	2,435	2,251	1,421	1,427	1,009	915	806	856
Non-IAP gross profit	31	35	42	53	15	25	15	52
Marketing Services Revenue	560	632	-	-	-	-	-	-
Total gross profit	3,026	2,918	1,463	1,480	1,024	940	821	908
Adjusted EBITDA	1,482	1,375	330	351	141	18	(116)	129
Operating profit / (loss) (EBIT)	(294)	(393)	248	634	(18)	(52)	(146)	57
Finance cost	(306)	(303)	(1)	(2)	(2)	(2)	(3)	(3)
Profit / (Loss) before tax	(600)	(696)	247	633	(20)	(54)	(148)	54
Adjusted Profit / (Loss) before tax	294	393	85	652	55	(65)	(110)	57
Tax	(34)	(20)	8	5	(15)	(11)	(85)	4
Profit / (Loss) after tax	(634)	(716)	255	638	(35)	(65)	(234)	58

Balance Sheet

GBP, 000	Dec 2022			Dec 2021			2020/21	
	Q3	Q2	Q1	Q4	Q3	Q2	Q4	Q3
	Sep-22	Jun-22	Mar-22	Dec-21	Sep-21	Jun-21	Mar-21	Dec-20
Property, plant and equipment	112	130	56	75	93	112	131	150
Intangible assets	22,173	23,278	7,578	7,759	1,022	971	962	920
Other non-current assets	425	233	237	52	33	41	60	239
Total non-current assets	22,710	23,641	7,871	7,886	1,149	1,124	1,152	1,309
Trade and other receivables	9,845	9,363	5,176	5,467	3,794	3,598	2,859	3,889
Cash and cash equivalents	10,457	8,435	10,392	14,458	15,062	15,609	14,709	12,394
Total current assets	20,302	17,798	15,568	19,925	18,856	19,207	17,568	16,283
Total equity	13,495	13,038	13,368	13,081	12,412	12,367	12,434	11,028
Total non-current liabilities	7,999	8,003	-	-	-	22	44	66
Trade and other payables	16,497	14,871	10,027	14,664	7,506	7,857	6,158	6,416
Lease liabilities	35	62	44	66	87	85	84	82
Deferred consideration	3,062	3,992	-	-	-	-	-	-
Contingent consideration	1,924	1,473	-	-	-	-	-	-
Total current liabilities	21,518	20,398	10,071	14,730	7,593	7,942	6,241	6,498

Cash flow

GBP, 000	Dec 2022			Dec 2021			2020/21	
	Q3	Q2	Q1	Q4	Q3	Q2	Q4	Q3
	Sep-22	Jun-22	Mar-22	Dec-21	Sep-21	Jun-21	Mar-21	Dec-20
Cash flow from operating activities before changes in working capital	838	403	323	617	128	67	(19)	57
Changes in working capital	1,098	635	1,610	5,877	(551)	951	777	719
Cash flow from net operating activities	1,936	1,038	1,933	6,494	(423)	1,017	758	776
Cash flow from investing activities	(279)	(2,997)	(6,191)	(6,808)	(116)	(72)	(98)	(128)
Cash flow from financing activities	85	(33)	6	(23)	55	(20)	1,777	7,949
Net change in cash and cash equivalents	1,742	(1,992)	(4,252)	(336)	(484)	925	2,437	8,597
Cash and cash equivalents at end of the period	10,457	8,435	10,392	14,458	15,062	15,609	14,709	12,394