



Q2 Report — 30 June 2022

Flexion Mobile reports new growth record and hits USD 20 million revenue milestone for the quarter. Gross profit soars by 211% resulting in adjusted EBITDA of GBP 1.4 million.

April-June 2022 performance

- Total revenue increased by 127% to GBP 17.7m (7.8)*
- Gross profit increased by 211% to GBP 2.9m (0.9)
- Adjusted EBITDA[‡] increased to GBP 1.4m (0.02)
- Operating result decreased to GBP -0.4m (-0.05)
- Earnings per share amounted to GBP -1.42 pence (-0.13 pence)
- Cash and cash equivalents amounted to GBP 8.4m (15.6)

January-June 2022 performance

- Total revenue increased by 97% to GBP 28.2m (14.4)*
- Gross profit increased by 149% to GBP 4.4m (1.8)
- Adjusted EBITDA[‡] increased to GBP 1.7m (-0.1)
- Operating result increased to GBP -0.1m (-0.2)

Important events during the quarter

- New Milestone - Hitting USD 20m in quarterly revenue
- Signing of King of Avalon from FunPlus
- Launching of King's Choice from ONEMT
- Launching of Kingdom Guard from tap4fun
- Launching of Mahjong Treasure Quest from Vizor Apps
- Consolidation of Audiency acquisition

Important events after the quarter

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

* 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. Adjusted EBITDA (adjusted operating profit for several non-cash items) is used by the Company for internal performance analysis to assess the implementation of our strategies. Management believes that this adjusted measure is a more appropriate metric for understanding the underlying performance of the company.

Q&A with the CEO



Q: How would you describe this quarter?

A: This was an exceptionally busy quarter with focus on the integration of the newly acquired Audiencly into the Flexion group, primarily to realise the significant sales and marketing synergies between Audiencly and the Flexion distribution service. Specifically, this means that we have started to cross-sell Audiencly influencer marketing to our game developers and our distribution service to Audiencly's customer base. In addition, our channel sales team has successfully executed on several marketing campaigns to kick-start some of our games in ramp-up. These efforts clearly generated strong growth during the quarter, with revenue from distribution (our organic growth) increasing by 97% and group revenue increasing by 127%.

Q: Is this organic rate of growth of 97% something that Flexion Mobile will be able to maintain going forward?

A: The first six months of the year saw strong performance and a quick ramp-up in sales on some of the big titles we signed and launched last year and that's why we increased our revenue guidance on distribution (organic revenue) from 40-60% to 60-80%. Year-to-date revenue growth from distribution is 81%, which is slightly above our revenue guidance.

Q: In addition to organic growth, you have also added growth through the acquisition of Audiencly. How should we view this added growth and the effect it has on organic growth?

A: Sales and marketing synergies were the main drivers for this acquisition. If we look at distribution, it is all about attracting new paying users to our games and the more sophisticated user acquisition tools we have access to, the more we can control our own destiny within

distribution. Therefore, it is very attractive to own a leading influencer marketing agency and have in-house expertise in user acquisition. By utilising Audiencly's services in alternative distribution, we are opening the door for them to sell their services to our existing developers in the wider market, i.e. the whole mobile eco-system and other platforms like PC and console. So, this is a tremendous opportunity and a major driver for our group revenue growth — now pacing at 127%! We are unique in being able to offer this package of services to our game developers.

Q: How did profitability perform during the quarter?

A: Our gross profit grew by an amazing 211% to GBP 2.9m this quarter year-on-year, while staff costs and ordinary other overheads within distribution remained relatively flat at GBP 1.0m. Since the Audiencly acquisition, we are now exposed to very complex IFRS acquisition accounting with large potential FX adjustments. In addition, by being a truly global business, we are exposed to FX movements in over 90 currencies around the world. Therefore, we have chosen to eliminate the foreign exchange impact on our EBITDA to illustrate more clearly the underlying profitability of our operations. The strong momentum and growth can clearly be seen in our Adjusted EBITDA, which grew by 80 times to GBP 1.4m for the quarter. Most of the foreign exchange effects are due to quarterly timing differences and tend to balance out over the course of the year. For instance, we have already noted a positive FX effect of GBP 0.25m in July.

Q: Your operating cashflow is very strong, is this driven by your EBITDA?

A: Our operating cashflow, which year-to-date amounts to GBP 3.0m, is partly driven by the above positive EBITDA contribution and partly by our working capital model including contributions from the multi-game agreement signed in September 2021.

Q: Given that you have now completed your first corporate acquisition, what are you focusing on to increase your service offering?

A: We are looking at increasing our services beyond distribution in alternative markets. Influencer marketing is highly attractive and a great opportunity for the Flexion group and we have now taken the first steps with the acquisition of Audiencly and a 20% stake in Liteup Media. Through Liteup Media, we can now offer an attractive digitalised tool for our influencers to access a target audience through a performance marketing model, which again ultimately benefits our game developers by driving traffic to their games on Flexion's platform. We are actively looking at new opportunities in this space. In-house, we are building up expertise in performance marketing and we are continuing to identify attractive opportunities within games marketing that fit with our market position and group vision.

Q: Have you signed any new games during the quarter and how is the pipeline for new games?

A: We signed two games during the quarter, King of Avalon from FunPlus and King's Choice from ONEMT, both repeat deals with existing developers. Our sales team is starting to see more in-bound leads and positive effects from the synergies with Audiencly.

Q: Have you seen a change in the type of games you aim to sign?

A: Thanks to our strong performance and attractive portfolio, we are aiming higher on the top grossing charts. Our top-tier titles generate on average USD 0.8m in revenue per month or almost USD 10m per year. These are substantial amounts even for the biggest developers and one of the reasons why we are now signing more leading titles.

Q: What is the outlook for the rest of the year?

A: Given that our quarterly performance is above of our revenue guidance of 90-110% on group level and 60-80% for distribution services, we are naturally quite confident that we will meet our targets. This, combined with strong games signings and Audiency sales synergies, also makes us increasingly excited about the outlook for 2023.

Jens Lauritzson – CEO

Financial Development



April-June 2022

REVENUE

Total revenue grew by 127% year-on-year to GBP 17,707,446 (7,811,164), of which In-App Purchase (IAP) revenue grew by 97% year-on-year to GBP 15,369,276 (7,786,366) and non-IAP revenue increased to GBP 35,399 (24,798). Marketing services revenue from the newly acquired Audiency influencer agency amounted to GBP 2,302,771.

Total revenue for the quarter increased by 68% compared with the preceding quarter, driven by IAP revenue, which grew by 46%, and the addition of marketing services.

GROSS PROFIT

Cost of sales increased by 115% year-on-year to GBP 14,789,788 (6,871,501).

Total gross profit grew by 211% year-on-year to GBP 2,917,658 (939,663) with gross profit from marketing services contributing GBP 631,701. IAP gross profit grew by 146% year-on-year to GBP 2,250,558 (914,865) 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 35,399 (24,798). All non-IAP revenue carried a 100% margin to Flexion.

Total gross profit increased by 99% compared with the preceding quarter. IAP gross profit grew by 58% compared with the preceding quarter. Total gross profit margin (which now includes marketing services) increased from 13.86% to 16.48%, and IAP gross profit margin increased from 13.51% to 14.64% compared with the preceding quarter.

GENERAL AND ADMINISTRATIVE EXPENSES

The total headcount increased by 47 year-on-year to 110 (63) of which the Audiency headcount represented 32. The headcount now involved in new strategies is 12, excluding Audiency. Group staff and contractor costs increased by 48% year-on-year to GBP 1,055,439 (711,666). Other overheads increased to GBP 1,575,930 (199,208) year-on-year driven by GBP 910,059 (-11,041) in foreign exchange gains/losses as well as GBP 179,101 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. The total amortisation of GBP 647,307 includes GBP 578,901 (0) related to game distribution rights and GBP 68,406 (57,028) 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 was rolled into the project and was 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 3,310,519 (991,503).

During the quarter, the headcount for distribution increased by 2 to 78 and the headcount for new strategies increased by 3 to 12 excluding Audiency. Total staff and contractor costs remained flat when compared with the preceding quarter. Adjusted staff costs for distribution, as reported in the KPI section, increased by 7%. Other overheads increased by GBP 1.8m compared with the preceding quarter, driven by the amortisation of game distribution rights, and unfavourable foreign exchange movements.

ADJUSTED EBITDA AND NET EARNINGS

Adjusted EBITDA for the quarter amounted to GBP 1,375,450 (17,748) driven by higher gross profit from distribution and the Adjusted EBITDA contribution of GBP 0.2m from Audiency. The definition of adjusted EBITDA was amended during this quarter, refer to the note in the P&L section. EBIT decreased compared to the preceding quarter to an operating loss of GBP -392,861 (-51,840) and result after tax for this quarter amounted to GBP -716,378 (255,300) compared to the preceding quarter.

CASH FLOW

Operating cash flow increased by GBP 18,392 year-on-year to GBP 1,037,995 (1,019,603). Year to date operating cash flow increased by GBP 1,191,109 year-on-year to GBP 2,971,146 (1,780,037).

FINANCIAL POSITION

Cash amounted to GBP 8,435,436 (15,609,171) and there were no interest-bearing liabilities. During the quarter, cash decreased by GBP 1,956,252, driven by the initial cash consideration paid for the acquisition of Audiency. Trade and other receivables amounted to GBP 9,363,117 (3,597,776) year-on-year. Trade and other payables amounted to GBP 14,871,121 (7,856,929) year-on-year.

CHANGES IN NUMBER OF GAMES DURING THE QUARTER

The average monthly revenue for top-tier games increased to USD 789,996 (731,612) compared to the preceding quarter and now includes 7 games compared to 5 in the preceding quarter. The average monthly revenue for mid-tier games increased to USD 44,467 (41,970) compared to the preceding quarter.

During the quarter, the number of live top-tier games increased to 10 (8), with 2 new titles launched. The number of live mid-tier games remained at 15 titles with 2 new mid-tier titles launched and 2 titles moved out of the tier classification. The number of signed top-tier games yet to be launched decreased to 1. There are currently no signed mid-tier games awaiting launch.

January–June 2022

The first six months of the financial year ending December 2022 showed steady revenue growth with total revenue increasing by 97% to GBP 28,267,821 (14,368,195). IAP revenue grew by 81% to GBP 25,887,593 (14,328,133). Gross profit increased by 149% to GBP 4,381,048 (1,760,528) during the period. General and administrative expenses increased by 131% to GBP 4,525,955 (1,958,168). Adjusted EBITDA increased to GBP 1,705,245 (-136,454). The result after tax decreased to GBP -461,077 (-298,985).

It is noted that these numbers do only include three months of Audiency numbers and hence year to date numbers are a mix of Flexion only and group numbers.

Niklas Koresaar – CFO

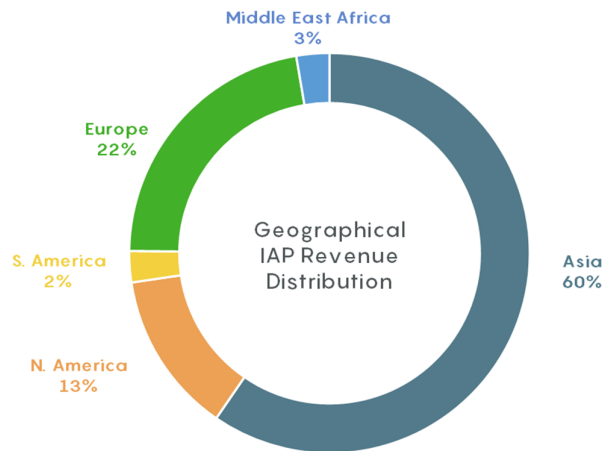
Other Information

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.

The geographical breakdown of IAP revenue for the quarter ending 30 June 2022 is presented below.



The main market for IAP revenue during the quarter was Asia with 60% market share followed by Europe with 22% market share. North America accounted for 13%, Middle East and Africa for 3% and South America for 2%.

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.

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 110 employees and long-term contractors.

Material risks and uncertainties

The company's material risks and uncertainties include, but are not limited to, risks related to market, technology, contracts, regulatory requirements, key staff, financial requirements and counterparties. A detailed risk description of the Company is given in the audited financial statements for the period ended 31 December 2021.

Financial calendar

Q3 report - 2022 financial year	23 Nov. 2022
Q4 report - 2022 financial year	22 Mar. 2023
Q1 report - 2023 financial year	16 May 2023
Q2 report - 2023 financial year	22 Aug. 2023

Certified Adviser

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Further information

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MAR Publishing Statement

This statement is information that Flexion Mobile Plc is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 8:00 am CEST on 23 August 2022.

Financial reports in brief

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

	Notes	QTD Jun-22 3 months 2022 Unaudited GBP	QTD Jun-21 3 months 2020/21 Unaudited GBP	YTD Jun-22 6 months 2022 Unaudited GBP	YTD Jun-21 6 months 2020/21 Unaudited GBP	FY Dec-21 9 months 2021 Audited GBP
Total revenue	3	17,707,446	7,811,164	28,267,821	14,368,195	26,076,493
Cost of sales		(14,789,788)	(6,871,501)	(23,886,773)	(12,607,667)	(22,632,925)
Total gross profit	4	2,917,658	939,663	4,381,048	1,760,528	3,443,568
General and administrative expenses	5	(3,310,519)	(991,503)	(4,525,955)	(1,958,168)	(2,879,340)
Adjusted EBITDA[‡]		1,375,450	17,747	1,705,245	(136,454)	509,663
Depreciation of tangible assets		31,844	18,690	50,534	37,380	56,070
Amortisation of intangible assets		647,307	61,938	872,823	118,967	198,797
Impairment write-back		-	-	-	(84,120)	(392,574)
Foreign exchange loss/(gain)		910,059	(11,041)	747,694	(11,041)	83,143
Corporate acquisition related costs		179,101	-	179,101	-	-
Operating profit / (loss) for the period		(392,861)	(51,840)	(144,907)	(197,640)	564,228
Finance costs		(303,500)	(2,332)	(304,696)	(5,028)	(6,167)
Profit / (Loss) before tax for the period		(696,361)	(54,172)	(449,603)	(202,668)	558,061
Tax		(20,016)	(10,986)	(11,474)	(96,317)	(20,230)
Profit / (Loss) after tax for the period		(716,377)	(65,158)	(461,077)	(298,985)	537,831
Attributable to:						
Equity holders of the parent		(716,377)	(65,158)	(461,077)	(298,985)	537,831
Profit / (Loss) for the period		(716,377)	(65,158)	(461,077)	(298,985)	537,831
Other comprehensive income						
Foreign exchange differences		2,552	-	2,552	-	-
Total comprehensive profit / (loss) for the period		(713,825)	(65,158)	(458,525)	(298,985)	537,831
Attributable to:						
Equity holders of the parent		(713,825)	(65,158)	(458,525)	(298,985)	537,831
Profit / (Loss) for the period		(713,825)	(65,158)	(458,525)	(298,985)	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. Adjusted EBITDA (adjusted operating profit for several non-cash items) is used by the Company for internal performance analysis to assess the implementation of our strategies. Management believes that this adjusted measure is a more appropriate metric for understanding the underlying performance of the company.

Consolidated Statement of Financial Position as at 30 June 2022

	Notes	Jun-22 2022 Unaudited GBP	Jun-21 2020/21 Unaudited GBP	Dec-21 2021 Audited GBP
Assets				
Non-current assets				
Property, plant and equipment	7	129,656	112,133	74,753
Intangible assets	8	23,278,254	971,265	7,758,858
Investments		184,372	-	-
Deferred tax assets		48,361	41,089	52,002
Total non-current assets		23,640,643	1,124,487	7,885,613
Current assets				
Trade and other receivables	9	9,363,117	3,597,776	5,466,910
Cash and cash equivalents		8,435,436	15,609,171	14,458,346
Total current assets		17,798,553	19,206,947	19,925,257
Total assets		41,439,196	20,331,434	27,810,870
Equity and liabilities				
Equity				
Share capital		101,032	99,849	100,049
Share premium		15,445,000	14,841,496	14,917,283
Other reserves		435,869	362,525	397,197
Retained earnings		(2,943,742)	(2,936,849)	(2,333,859)
Total equity		13,038,159	12,367,021	13,080,670
Non-current liabilities				
Deferred Tax liabilities	11	2,807,472	-	-
Lease liabilities		30,020	22,281	-
Contingent consideration	11	5,165,253	-	-
Total non-current liabilities		8,002,745	22,281	-
Current liabilities				
Trade and other payables	10	14,871,121	7,856,929	14,664,546
Lease liabilities		62,511	85,203	65,654
Deferred consideration	11	3,991,692	-	-
Contingent consideration	11	1,472,968	-	-
Total current liabilities		20,398,292	7,942,132	14,730,200
Total liabilities		28,401,037	7,964,413	14,730,200
Total equity and liabilities		41,439,196	20,331,434	27,810,870

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

	QTD Jun-22 3 months 2022 Unaudited	QTD Jun-21 3 months 2020/21 Unaudited	YTD Jun-22 6 months 2022 Unaudited	YTD Jun-21 6 months 2020/21 Unaudited	FY Dec-21 9 months 2021 Audited
Cash flow from operating activities					
Profit / (Loss) before tax for the period – continuing operations	(696,361)	(54,172)	(449,603)	(202,668)	558,061
Profit / (Loss) before tax for the period	(696,361)	(54,172)	(449,603)	(202,668)	558,061
Adjustments for:					
Foreign exchange losses / (gains)	97,316	24,672	(88,658)	146,836	180,092
Impairment write back	-	-	-	(84,120)	(392,574)
Share based payments	18,959	15,639	35,921	31,066	34,771
Depreciation of tangible assets	31,844	18,690	50,534	37,380	56,070
Amortisation of intangible assets	647,307	61,938	872,823	118,967	198,797
Interest paid	303,503	2,332	304,699	5,038	5,877
Working capital:					
Change in trade and other receivables	(4,209,195)	(738,572)	(3,923,192)	296,892	(2,229,829)
Change in trade and other payables	4,844,624	1,689,075	6,168,623	1,430,646	8,506,773
Net cash flow from operating activities	1,037,997	1,019,602	2,971,147	1,780,037	6,918,037
Cash flow from investing activities					
Investment in associate	-	-	(184,372)	-	-
Acquisition of a subsidiary, net of cash acquired	(2,884,905)	-	(2,884,905)	-	-
Capitalised game distribution rights	-	-	-	-	(6,765,792)
Capitalised development cost	(112,208)	(71,623)	(157,207)	(169,821)	(230,283)
Payment of game distribution rights	-	-	(5,962,049)	-	-
Net cash flow from investing activities	(2,997,113)	(71,623)	(9,188,533)	(169,821)	(6,996,075)
Cash flow from financing activities					
Issue of ordinary shares, net of issue costs	-	-	28,325	1,797,009	75,987
Payment of lease liabilities	(32,549)	(22,687)	(55,236)	(45,374)	(68,063)
Net cash flow from financing activities	(32,549)	(22,687)	(26,911)	1,751,635	7,924
Net change in cash and cash equivalents	(1,991,665)	925,292	(6,244,297)	3,361,851	(70,113)
Cash and cash equivalents at beginning of period	10,391,688	14,708,551	14,458,346	12,394,156	14,708,551
Effect of exchange rate fluctuations on cash held during the period	35,413	(24,672)	221,387	(146,836)	(180,092)
Cash and cash equivalents at end of period	8,435,436	15,609,171	8,435,436	15,609,171	14,458,346

Consolidated Statement of Changes in Equity for the period ended 30 June 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	-	-	-	-	(298,985)	(298,985)
Total comprehensive income	96,522	13,047,815	521,665	-	(2,936,849)	10,729,153
Transactions with owners, recorded directly in equity						
Share based payments	-	-	31,066	-	-	31,066
Deferred tax on share options	-	-	(190,206)	-	-	(190,206)
Issue of share capital	3,327	1,793,681	-	-	-	1,797,008
Balance at 30 June 2021	99,849	14,841,496	362,525	-	(2,936,849)	12,367,021
Balance at 1 January 2022	100,049	14,917,283	397,197	-	(2,333,859)	13,080,670
Acquisition of subsidiary	-	-	-	-	(148,806)	(148,806)
Profit for the period	-	-	-	2,552	(461,077)	(458,525)
Total comprehensive income	100,049	14,917,283	397,197	2,552	(2,943,742)	12,473,339
Transactions with owners, recorded directly in equity						
Share based payments	983	527,717	35,920	-	-	564,620
Deferred tax on share options	-	-	200	-	-	200
Issue of share capital	-	-	-	-	-	-
Balance at 30 June 2022	101,032	15,445,000	433,317	2,552	(2,943,742)	13,038,159

Notes

1. Basis of preparation

The condensed financial statements for the three months ended 30 June 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 June 2021 and 30 June 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:

	Jun-22 2022	Jun-21 2021
	Unaudited	Unaudited
Revenue breakdown		
IAP Revenue	15,369,276	7,786,366
Non-IAP Revenue	35,399	24,798
Marketing services	2,302,771	-
Total Revenue	17,707,446	7,811,164

4. Gross profit

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

	Jun-22 2022	Jun-21 2021
	Unaudited	Unaudited
Gross profit breakdown		
IAP gross profit	2,250,558	914,865
Non-IAP gross profit	35,399	24,798
Marketing services	631,701	-
Total gross profit	2,917,658	939,663

5. General and administrative expenses

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

	Jun-22 2022	Jun-21 2021
	Unaudited	Unaudited
General and administrative expenses		
Staff and contractor costs	1,055,439	711,666
Impairment write back	-	-
Depreciation	31,844	18,690
Amortisation	647,307	61,938
Other overheads	1,575,929	199,209
Total	3,310,519	991,503

6. Related party transactions

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

7. Property, plant and equipment

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

	Jun-22 2022	Jun-21 2021
	Unaudited	Unaudited
Property, plant and equipment		
Office Equipment	22,292	-
Right-to-use assets	107,364	112,133
Total	129,656	112,133

In the second quarter for the period ending 31 December 2022 depreciation for property, plant equipment amounted to GBP 31,844.

8. Intangible assets

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

	Jun-22 2022	Jun-21 2021
Intangible asset	Unaudited	Unaudited
Goodwill	7,242,550	-
Capitalised development costs	1,008,416	971,265
Game distribution rights	6,034,827	-
Computer software	425	-
Customer relationships	3,736,807	-
Brand	5,255,229	-
Total	23,278,254	971,265

In the second quarter for the period ending 31 December 2022 amortisation amounted to GBP 647,307.

9. Trade and other receivables

	Jun-22 2022	Jun-21 2021
Assets	Unaudited	Unaudited
Trade receivables	1,102,068	29
Other receivables	175,754	127,255
Prepayments and accrued income	8,085,295	3,470,492
Trade and other receivables	9,363,117	3,597,776

Other receivables include GBP 76,481 (90,367) of advances, GBP 31,154 of corporate tax receivables, GBP 12,013 of loans and GBP 56,106 (36,888) of other non-material items.

10. Trade and other payables

	Jun-22 2022	Jun-21 2021
Liabilities	Unaudited	Unaudited
Trade payables	1,720,768	1,968,683
Social security and other taxes	122,628	97,461
Accrued expenses	12,297,534	5,745,270
Other payables	452,319	45,515
Corporate tax payable	277,428	-
Deferred income	444	-
Trade and other payables	14,871,121	7,856,929

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		179,101

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 June 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. Intangible assets such as Brand value and Goodwill have 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 0.18m, 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

On 22 August 2022, Flexion acquired a further 10% of Liteup Media UG for USD 250,000, through a directed share issue, bringing the total ownership up to 20%. This second tranche was conditional upon Liteup achieving certain thresholds. Flexion has the right to acquire up to 40% of the company through directed share issue at an agreed fixed valuation of USD 2.5 million with an additional option to acquire the whole company from the founders in 2025 for a multiple of gross profit.

The Flexion share

The share

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

Ownership table

Top 10 shareholders as of 30 June 2022	N. of shares and votes	%	Aggregated %
Mobile Sensations Ltd	10,997,181	21.77%	22%
BNY Mellon NA	3,584,293	7.10%	29%
Palmstierna Invest AB	3,405,280	6.74%	36%
Palmstierna Fredrik	2,312,253	4.58%	40%
Julius Baer & Co Ltd	1,771,888	3.51%	44%
Joachim Odqvist	1,560,415	3.09%	47%
Nordic Small Cap Fund	1,384,015	2.74%	50%
Avanza Pension	1,294,222	2.56%	52%
Industrial Equity AB	1,188,792	2.35%	54%
HSBC Bank PLC	924,250	1.83%	56%
Other shareholders	22,093,426	43.74%	100%
Total number of shares	50,516,015	100%	

Share data

	QTD Jun-22 3 months 2022	QTD Jun-21 3 months 2021	FY Dec-21 9 months 2021
Number of shares at period end (adjusted for share split and bonus issue)	50,516,015	49,924,672	50,024,672
Amount of weighted average shares outstanding for the period (adjusted for share split and bonus issue)	50,178,660	48,917,336	49,955,905
Profit / (Loss) per share			
— basic attributable to ordinary equity holders of the parent (pence) [◇]	(1.42)	(0.13)	1.08
— diluted, attributable to ordinary equity holders of the parent (pence) [◇]	(1.42)	(0.13)	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 June 2022 totalled 3,467,562 (2021: 3,389,562) and are potentially dilutive.

Main KPI numbers

Summary of the Company's Key Performance Indicators

		QTD Jun-22 3 months 2022	QTD Mar-22 3 months 2022	QTD Dec-21 3 months 2021	QTD Sep-21 3 months 2021	QTD Jun-21 3 months 2021
Top-tier games pending launch	No.	1	2	1	4	2
Mid-tier games pending launch	No.	0	1	2	1	2
Total top-tier games live	No.	10	8	8	5	5
Total mid-tier games live	No.	15	15	15	17	15
Top-tier games average monthly gross revenue	USD	789,996	731,612	726,066	558,429	565,818
Number of games live past ramp-up period	No.	7	5	5	5	5
Mid-tier games average monthly gross revenue	USD	44,467	41,970	50,943	56,524	55,403
Number of games live past ramp-up period	No.	12	14	11	13	11
Total revenue growth - YoY	%	127%	61%	52%	26%	61%
Total revenue growth - QoQ	%	68%	1%	34%	0%	19%
IAP gross profit growth - YoY	%	146%	76%	67%	26%	73%
IAP gross profit growth - QoQ	%	58%	0%	41%	10%	14%
IAP gross profit margin	%	14.6%	13.5%	13.7%	12.9%	11.7%
Total gross profit margin	%	16.5%	13.9%	14.2%	13.1%	12.0%
Adjusted EBITDA margin	%	7.8%	3.1%	3.4%	1.8%	0.2%
Operating profit / (loss) margin	%	(2.2%)	2.3%	6.1%	(0.2%)	(0.7%)
Average monthly operational cashflow	GBP	313,560	706,375	2,075,639	(161,955)	330,866
Headcount for distribution services	No.	78	76	64	66	63
Of which headcount for new strategies	No.	12	9	4	3	3
Adjusted staff cost for distribution services	GBP	885,184	825,428	909,524	780,457	783,290
Number of shares at period end	No.	50,516,015	50,074,672	50,024,672	50,024,672	49,924,672
Amount of weighted average shares outstanding for period	No.	50,178,660	50,027,823	50,024,672	49,948,848	49,924,672
Profit / (Loss) per share (pence)	GBpp	(1.42)	0.51	1.28	(0.07)	(0.13)

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		
	Q2	Q1	Q4	Q3	Q2	Q4	Q3	Q2
	Jun-22	Mar-22	Dec-21	Sep-21	Jun-21	Mar-21	Dec-20	Sep-20
IAP revenue	15,369	10,518	10,403	7,794	7,786	6,542	6,812	6,173
Non-IAP revenue	35	42	53	15	25	15	52	6
Marketing Services Revenue	2,303	-	-	-	-	-	-	-
Total revenue	17,707	10,560	10,456	7,809	7,811	6,557	6,864	6,179
IAP gross profit	2,251	1,421	1,427	1,009	915	806	856	801
Non-IAP gross profit	35	42	53	15	25	15	52	6
Marketing Services Revenue	632	-	-	-	-	-	-	-
Total gross profit	2,918	1,463	1,480	1,024	940	821	908	807
Adjusted EBITDA	1,375	330	351	141	18	(116)	129	79
Operating profit / (loss) (EBIT)	(393)	248	634	(18)	(52)	(146)	57	48
Finance cost	(303)	(1)	(2)	(2)	(2)	(3)	(3)	(4)
Profit / (Loss) before tax	(696)	247	633	(20)	(54)	(148)	54	45
Tax	(20)	8	5	(15)	(11)	(85)	4	(13)
Profit / (Loss) after tax	(716)	255	638	(35)	(65)	(234)	58	32

Balance Sheet

GBP, 000	Dec 2022		Dec 2021			2020/21		
	Q2	Q1	Q4	Q3	Q2	Q4	Q3	Q2
	Jun-22	Mar-22	Dec-21	Sep-21	Jun-21	Mar-21	Dec-20	Sep-20
Property, plant and equipment	130	56	75	93	112	131	150	168
Intangible assets	23,278	7,578	7,759	1,022	971	962	920	843
Other non-current assets	233	237	52	33	41	60	239	66
Total non-current assets	23,641	7,871	7,886	1,149	1,124	1,152	1,309	1,077
Trade and other receivables	9,363	5,176	5,467	3,794	3,598	2,859	3,889	3,743
Cash and cash equivalents	8,435	10,392	14,458	15,062	15,609	14,709	12,394	3,719
Total current assets	17,798	15,568	19,925	18,856	19,207	17,568	16,283	7,463
Total equity	13,038	13,368	13,081	12,412	12,367	12,434	11,028	2,805
Total non-current liabilities	8,003	-	-	-	22	44	66	87
Trade and other payables	14,871	10,027	14,664	7,506	7,857	6,158	6,416	5,567
Lease liabilities	62	44	66	87	85	84	82	81
Deferred consideration	3,992	-	-	-	-	-	-	-
Contingent consideration	1,473	-	-	-	-	-	-	-
Total current liabilities	20,398	10,071	14,730	7,593	7,942	6,241	6,498	5,648

Cash flow

GBP, 000	Dec 2022		Dec 2021			2020/21		
	Q2	Q1	Q4	Q3	Q2	Q4	Q3	Q2
	Jun-22	Mar-22	Dec-21	Sep-21	Jun-21	Mar-21	Dec-20	Sep-20
Cash flow from operating activities before changes in working capital	403	323	617	128	67	(19)	57	165
Changes in working capital	635	1,610	5,877	(551)	951	777	719	69
Cash flow from net operating activities	1,038	1,933	6,494	(423)	1,017	758	776	234
Cash flow from investing activities	(2,997)	(6,191)	(6,808)	(116)	(72)	(98)	(128)	(144)
Cash flow from financing activities	(33)	6	(23)	55	(20)	1,777	7,949	(9)
Net change in cash and cash equivalents	(1,992)	(4,252)	(336)	(484)	925	2,437	8,597	81
Cash and cash equivalents at end of the period	8,435	10,392	14,458	15,062	15,609	14,709	12,394	3,719