



Flexion Mobile Plc
Q1 Report
30 June 2018

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Apr18 — Jun18 Q1 financial performance

- IAP (In App Purchase) revenue increased by 371% to GBP 993,245 (GBP 210,926*)
- Total revenue increased by 173% to GBP 1,038,408 (GBP 380,776)
- Gross profit increased by 105% to GBP 239,532 (GBP 116,706)
- EBITDA fell by 25% to GBP -440,761 (GBP -351,826)
- Loss per share increased to -0.73 pence (-0.52 pence)
- Operating cash flow fell by 12% to GBP -172,712 (GBP -154,683)
- Cash amounted to GBP 7.4m (GBP 2.0m)

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



Notes from the CEO

Flexion sees very strong first quarter growth. Our core business, In App Purchase (IAP) revenue, increased by 371% resulting in an increase in total revenue of 173%.

On the 13th of June, Flexion became a public company listed on Nasdaq First North in Stockholm. It required a real team effort to meet the deadline before Swedish Summer Holidays. Therefore, let me take this opportunity to thank our fantastic staff and advisors for their effort, existing and new shareholders for your support and welcome everyone on board this new and exciting journey with us.

We were off to a flying start of the 2018/19 financial year with 371% growth in IAP revenue. This has fuelled a 173% growth in total revenue. It is important to note that IAP revenue now represents 96% of our total revenue since the decision to close our legacy services. We are now focusing all our efforts on growing the core business.

The growth in IAP revenue was mainly coming from our top five titles in our biggest channels and we are starting to see the positive impact of our strong business model. We have since the beginning of the year invested in our sales teams and it is starting to generate results in terms of a growing pipeline of quality games.

Growth in gross profit was 105% compared to last year. Since we no longer get any high margin contribution from our legacy services the gross profit was slightly lower than the growth in total revenue.

We are now actively recruiting in all areas to grow our business. As a result, our cost for overheads have increased. Costs associated with our IPO amounted to GBP 187,713. The cost increase was partly offset by positive foreign exchange differences of GBP 203,172 due to the strengthening of the USD. As a result, EBITDA fell to GBP -440,761.

While we are increasing our pace of investment we also work hard to keep control of our cash burn to ensure long term stability of the company. With our current cash balance of GBP 7.4m and quarterly cashflow of GBP -172,712 we have 94 months runway. This allows us to increase our investment pace significantly without putting the company at risk.

OVERALL MARKET GROWTH

The market is steadily evolving towards more openness and developer interest in Flexion is growing stronger every quarter. We are also seeing a new trend where Asian developed games are gaining traction in the West. China, the biggest mobile games market in the world, has since March this year not approved any new titles for their domestic market due to changes in their regulatory approval processes and this in turn means that game developers are starting to look more actively at new channels outside China. It is unclear how long this will last but we strongly believe that China will be a big opportunity for Flexion starting with games developed for Western markets.

Another influencing factor is the EU decision, this summer, to fine Google for abuse of dominating position on Android. It follows similar decisions in other countries such as Russia. It is too early to say how this will impact the market but it is definitely a step towards more openness and competition. This is good for Flexion as a more vibrant ecosystem with more channels offers a bigger opportunity for us.

During the quarter Huawei, who is now bigger than Apple in terms of devices sold globally, announced their new App Store for overseas markets. Huawei is already one of the leading App Stores in China. Xiaomi, less known in Europe, is another big device manufacturer from China who also just launched their own App Store overseas. These are two examples of companies that will be needing games for their stores and Flexion is perfectly positioned to take advantage of these opportunities as they develop over time. Our existing partners Samsung and Amazon are also continuing to invest in their ecosystems. All of this will benefit us longer term as our market keeps growing. To compete with Google Play, some app stores are now offering developers better terms than Google. One such example is our partner store in Korea who just announced improved developer payouts for new games and an interesting collaboration with Samsung in Korea.

Our immediate marketing focus is on investing in stronger partnerships with our biggest channels Amazon and Samsung and bringing more games to these stores. We are working on aligning our service offer together with them to make sure that developers fully understand the value we bring.

The funding raised earlier this year provides us with the necessary marketing muscle to be able to offer developers a clear incentive to join us. We can also be more active in developer marketing and attend events globally. The decision to go public has been very welcome by most people in the industry and it has been a real pleasure to personally experience how our profile has strengthened since then.

It is with excitement we look forward to an eventful autumn.

Jens Lauritzson
Founder and CEO

Financial Development

Apr18 — Jun18 Q1 financial performance

REVENUE

IAP revenue was the main contributor to the overall growth with an increase of 371% to GBP 993,245 (GBP 210,926). This is an early indication of the positive effect we see when increasing the number of games and channels integrated with our platform.

The quarter showed significant growth with total revenue growing by 173% to GBP 1,038,408 (GBP 380,776).

Subscription revenue declined by 62% to GBP 43,317 (GBP 114,409) as some non-strategic contracts were either terminated or no longer actively supported.

Legacy revenue dropped, as expected, by 97% to GBP 1,846 (GBP 55,441) as the company no longer actively supports these old services. The last month with material legacy revenue was January 2018.

GROSS PROFIT

The quarter showed a marginally higher percentage increase in cost of sales compared to total revenue as cost of sales grew by 203% to GBP 798,876 (GBP 264,070). The main reason for this is the winddown of high margin legacy services. However, gross profit still grew with a healthy 105% to GBP 239,532 (GBP 116,706) over the quarter.

GENERAL AND ADMINISTRATIVE EXPENSES

Staff and contractors cost increased by 61% to GBP 552,986 (GBP 343,148) due to growth of head count. Other overheads remained flat as the IPO related costs of GBP 187,713 were offset by positive foreign exchange differences of GBP 203,178 primarily driven by the strengthening of the USD. These effects resulted in an overall increase in general and administrative expenses of 45% to GBP 675,404 (GBP 467,367).

EBITDA / NET RESULT

EBITDA fell by 25% to GBP -440,761 (GBP -351,826) largely driven by increased staff and contractors cost. The loss after tax fell to GBP -295,907 (GBP -167,146). This is in line with the company strategy to invest raised capital to drive growth.

FINANCIAL POSITION

The financial position is healthy with a cash balance of GBP 7,417,589 (GBP 2,037,773), no interest-bearing debt, trade and other receivables of GBP 962,650 (GBP 1,022,145), trade and other payables of GBP 1,885,175 (GBP 1,158,470). The main driver for the changes in working capital are considered to be short term cyclicality of invoicing. Total equity increased due to the February 2018 fund raise to GBP 6,674,184 (GBP 2,040,269). Note also the capital reduction described under other main activities during the quarter.

CASH FLOW

Operating cash flow decreased by 12% to GBP -172,212 (GBP -154,683) while net working capital (change in trade and other receivables less change in trade and other payables) improved by GBP 67,182 to GBP 263,160 (GBP 195,978), partially mitigating the effect of the loss of the period on the operating cash flow.

Financing contributions generated additional cash of GBP 255,950 positively affecting the net change in cash and cash equivalents (GBP 59,474 from GBP -179,994). The cash balance at the end of the quarter was GBP 7,417,589 (GBP 2,037,773) resulting in a run way of 94 months.

Other information

Segmental information

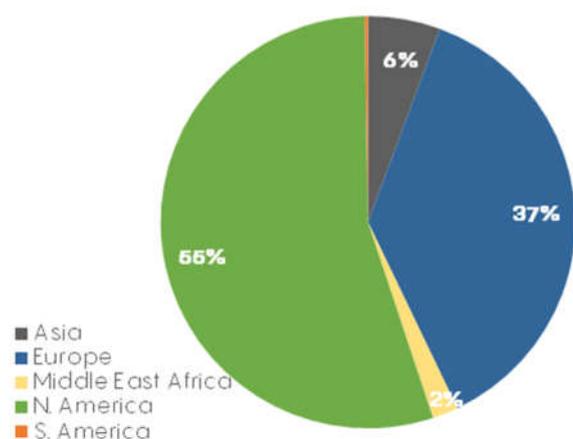
IAP REVENUE

Flexion's current focus is to grow IAP revenue by signing up additional games, integrating more channels and increasing monetization of existing games.

IAP revenue is revenue receivable from end-user transactions of sold in-application items within the games. Revenue is reported net of VAT, billing transaction costs, local taxes, bad debt/refunds and distribution channel fees deducted at source when transactions are deemed to be successful.

The geographical breakdown of IAP revenue for the quarter ending 30 June 2018 is presented below.

Geographical IAP Revenue Distribution



The main markets for IAP revenue over the quarter were the Western mobile games markets: North America with a 55% market share and Europe with a 37% market share. Asia amounted to 6%, Middle East Africa to 2% and South America 0%.

SUBSCRIPTION REVENUE

New commercial models are evolving in the games market and subscription is one that offers significant opportunities for developers. Subscription models can either be offered within current games alongside IAP or as so called bundled subscription that offer access to a portfolio of games. Flexion is currently preparing the business for such future opportunities.

Subscription revenue is currently defined as revenue from game applications using the recurring subscriptions. The revenue is derived from end-user subscription fees but the revenue may also include

integration fees and recurring service charges. Revenue is reported net of VAT, billing transaction costs, local taxes, bad debt/refunds and distribution channel fees deducted at source when transactions are deemed to be successful.

LEGACY REVENUE

Legacy revenue is old non-strategic revenue including revenue from purchases or subscription fees of game applications in feature phones. These revenues are actively being phased out as they don't carry any strategic value. The last month with material legacy revenue was January 2018.

Other main activities during the quarter

On 16 May 2018 the Company carried out a capital reduction of GBP 4.0m to comply with Companies House requirements for re-registration as a public company. The result of the capital reduction was that GBP 4.0m was moved from the share premium account to the retained earnings account on the statement of financial position.

On 1 June 2018 the Company re-registered as a public company (changed from being Flexion Mobile Ltd to Flexion Mobile Plc). To fulfil the re-registration requirements of the Companies Act 2006, the Company undertook a statutory audit of its 17 May 2018 statement of financial position. This confirmed the Company's net assets to be not less than the aggregate of its called-up share capital and distributable reserves. The audit statement was published in the company description and on the Company's website.

On 5 June 2018 the Company issued 1,000,000 shares at a nominal value of GBP 0.002 per share. The issue price for these shares was SEK 8.30 per share less a discount of SEK 2.30 per share on the basis that allotments were limited in sizes of 1,000, 2,000 and 3,000 shares per shareholder. The sole purpose of the share issue was to increase the number of shareholders and to therefore improve the post listing liquidity.

On 13 June 2018 the shares of the Company were listed on Nasdaq First North in Stockholm/Sweden under the trading symbol (ticker) FLEXM.

Events after the reporting period

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

Review

This interim report has not been reviewed by the company's auditor.

Number of staff and long-term contractors

At the end of the reporting period the company had 40 staff and long-term contractors.

Parent company reporting

There is no material difference between group and parent company reporting as the company's two subsidiaries are dormant.

Annual general meeting

The Annual General Meeting will be held at the Chelsea Harbour Hotel in London on 26 September 2018.

Material risks and factors of uncertainty

Material risks and uncertainties of the company include but are not limited to risks related to market, contracts, regulatory requirements, key staff, financial requirements and counterparties. A detailed risk description is given in the Company Description.

Financial calendar

Annual report 2017/2018 published:	04 Sep. 2018
Annual General Meeting:	26 Sep. 2018
Q2 report for 2018/19:	29 Nov. 2018
Q3 report for 2018/19:	27 Feb. 2019
Q4 report for 2018/19:	19 Jun. 2019

Certified Adviser

FNCA Sweden AB acts as the company's Certified Adviser.

Further information

For further information, contact CFO Niklas Koresaar on +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 08:00 CET on 29 August 2018.

Financial reports in brief

Consolidated statement of profit or loss and other comprehensive income for the quarterly period ended 30 June 2018

	QTD Apr-Jun 3 months 2018/19 Unaudited GBP	QTD Apr-Jun 3 months 2017/18 Unaudited GBP	YTD Apr-Jun 3 months 2018/19 Unaudited GBP	YTD Apr-Jun 3 months 2017/18 Unaudited GBP	YTD Apr-Mar 12 months 2017/18 Unaudited GBP
IAP revenue	993,245	210,926	993,245	210,926	1,559,342
Subscription revenue	43,317	114,409	43,317	114,409	353,722
Legacy revenue	1,846	55,441	1,846	55,441	142,817
Total revenue	1,038,408	380,776	1,038,408	380,776	2,055,881
Cost of sales	(798,876)	(264,070)	(798,876)	(264,070)	(1,360,606)
Gross profit	239,532	116,706	239,532	116,706	695,275
Staff and contractors cost	(552,986)	(343,148)	(552,986)	(343,148)	(1,606,040)
Other overheads	(122,418)	(124,219)	(122,418)	(124,219)	(603,720)
General and administrative expenses	(675,404)	(467,367)	(675,404)	(467,367)	(2,209,760)
Share based payments	(4,889)	(1,165)	(4,889)	(1,165)	(3,350)
EBITDA	(440,761)	(351,826)	(440,761)	(351,826)	(1,517,835)
Other Income	142,936	171,398	142,936	171,398	685,249
Depreciation of tangible assets	(5,312)	(5,312)	(5,312)	(5,312)	(21,251)
Amortization of intangible assets	(9,679)	(5,046)	(9,679)	(5,046)	(27,779)
Operating loss (EBIT)	(312,816)	(190,786)	(312,816)	(190,786)	(881,616)
Finance income/expenses	-	-	-	-	-
Tax	16,909	23,640	16,909	23,640	72,867
Loss after tax	(295,907)	(167,146)	(295,907)	(167,146)	(808,749)
Attributable to:					
Equity holders of the parent	(295,907)	(167,146)	(295,907)	(167,146)	(808,749)
Non-controlling interests	-	-	-	-	-
Loss for the period	(295,907)	(167,146)	(295,907)	(167,146)	(808,749)
Total comprehensive loss for the period	(295,907)	(167,146)	(295,907)	(167,146)	(808,749)
Attributable to:					
Owners of the parent	(295,907)	(167,146)	(295,907)	(167,146)	(808,749)
Non-controlling interests	-	-	-	-	-
	(295,907)	(167,146)	(295,907)	(167,146)	(808,749)

Consolidated statement of financial position for the quarterly period ended 30 June 2018

	June 2018/19 Unaudited GBP	June 2017/18 Unaudited GBP	March 2017/18 Unaudited GBP
Assets			
Non-current assets			
Property, plant and equipment	31,877	53,128	37,190
Intangible assets	179,862	121,194	165,776
Total non-current assets	211,739	174,322	202,966
Current assets			
Trade and other receivables	962,650	1,022,145	701,280
Cash and cash equivalents	7,417,589	2,037,773	7,358,115
Total current assets	8,380,239	3,059,918	8,059,395
Total assets	8,591,978	3,234,240	8,262,361
Equity and liabilities			
Equity			
Share capital	82,266	1,277	80,266
Share premium	4,957,133	3,484,709	8,703,183
Other reserves	28,404	12,530	14,716
Retained earnings	1,606,381	(1,458,247)	(2,099,850)
Total equity	6,674,184	2,040,269	6,698,315
Non-current liabilities			
Deferred tax liabilities	32,619	35,501	42,753
Total non-current liabilities	32,619	35,501	42,753
Current liabilities			
Trade and other payables	1,885,175	1,158,470	1,521,293
Total current liabilities	1,885,175	1,158,470	1,521,293
Total liabilities	1,917,794	1,193,971	1,564,046
Total equity and liabilities	8,591,978	3,234,240	8,262,361

Statement of cash flows for the quarterly period ended 30 June 2018

	QTD Apr-Jun 3 months 2018/19 Unaudited GBP	QTD Apr-Jun 3 months 2017/18 Unaudited GBP	YTD Apr-Jun 3 months 2018/19 Unaudited GBP	YTD Apr-Jun 3 months 2017/18 Unaudited GBP	YTD Apr-Mar 12 months 2017/18 Unaudited GBP
Cash flow from operating activities					
Operating loss (EBIT) — continuing operations	(312,816)	(190,786)	(312,816)	(190,786)	(881,616)
Operating loss (EBIT)	(312,816)	(190,786)	(312,816)	(190,786)	(881,616)
Adjustments for:					
Finance income	-	-	-	-	-
Share based payments	4,889	1,165	4,889	1,165	3,350
Depreciation of tangible assets	5,312	5,312	5,312	5,312	21,251
Amortization of intangible assets	9,679	5,046	9,679	5,046	27,779
Grant income	(142,936)	(171,398)	(142,936)	(171,398)	(685,249)
Working capital:					
Change in trade and other receivables	(264,187)	(9,646)	(264,187)	(9,646)	92,706
Change in trade and other payables	527,347	205,624	527,347	205,624	488,339
Operating cash flow	(172,712)	(154,683)	(172,712)	(154,683)	(933,440)
Grant payment	-	-	-	-	868,951
Net cash flow from operating activities	(172,712)	(154,683)	(172,712)	(154,683)	(64,489)
Cash flow from investing activities					
Expenditure on property, plant and equipment	-	-	-	-	-
Capitalised development cost	(23,764)	(25,311)	(23,764)	(25,311)	(92,626)
Bank interest received	-	-	-	-	-
Net cash flow from investing activities	(23,764)	(25,311)	(23,764)	(25,311)	(92,626)
Cash flow from financing activities					
Net proceeds from issue of equity instruments	255,950	-	255,950	-	5,297,463
Net cash flow from financing activities	255,950	-	255,950	-	5,297,463
Net change in cash and cash equivalents	59,474	(179,994)	59,474	(179,994)	5,140,348
Cash and cash equivalents at beginning of period	7,358,115	2,217,767	7,358,115	2,217,767	2,217,767
Cash and cash equivalents at end of period	7,417,589	2,037,773	7,417,589	2,037,773	7,358,115

Consolidated statement of changes in equity for the quarterly period ended 30 June 2018

	Share capital GBP	Share premium GBP	Other reserves GBP	Retained earnings GBP	Total GBP	Total GBP
Balance at 1 April 2017	1,277	3,484,709	11,366	(1,291,101)	2,206,251	2,206,251
Loss for the year	-	-	-	(167,146)	(167,146)	(167,146)
Total comprehensive income	1,277	3,484,709	11,366	(1,458,247)	2,039,105	2,039,105
Shares based payments	-	-	1,165	-	1,165	1,165
Issue of share capital	-	-	-	-	-	-
Balance at 30 June 2017	1,277	3,484,709	12,531	(1,458,247)	2,040,270	2,040,270
Balance at 1 April 2018	80,266	8,703,183	14,716	(2,097,712)	6,700,453	6,700,453
Loss for the year	-	-	-	(295,907)	(295,907)	(295,907)
Foreign exchange translation reserve	-	-	-	-	-	-
Total comprehensive income	80,266	8,703,183	14,716	(2,393,619)	6,404,546	6,404,546
Shares based payments	-	-	4,889	-	4,889	4,889
Deferred Tax	-	-	8,799	-	8,799	8,799
Bonus Issue	-	(4,000,000)	-	4,000,000	-	-
Issue of share capital	2,000	253,950	-	-	255,950	255,950
Balance at 30 June 2018	82,266	4,957,133	28,404	1,606,381	6,674,184	6,674,184

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 5 shareholders as of 30 June 2018

	Number of shares and votes	%	Aggregated %
Mobile Sensations Ltd	11,712,972	28.2%	28.2%
Palmstierna Invest AB	3,735,000	9.1%	37.2%
Industrial Equity AB	3,582,750	8.7%	46.0%
Julius Baer & Co Sweden	1,662,000	4.0%	50.0%
Rimondo Capital AB	1,661,000	4.0%	54.0%
Other shareholders	18,906,236	46.0%	100.0%
Total number of shares	41,132,958	100.0%	

Share data

	QTD Jun-18 3 months 2018/19	QTD Jun-17 3 months 2017/18	YTD Jun-18 3 months 2018/19	YTD Jun-17 3 months 2017/18	YTD Mar-18 12 months 2017/18
Number of shares at period end (adjusted for share split and bonus issue)	41,132,958	31,927,750	41,132,958	31,927,750	40,132,958
Amount of weighted average shares outstanding for period (adjusted for share split and bonus issue)	40,417,890	31,927,750	40,417,890	31,927,750	32,737,031
Loss per share – basic and diluted, attributable to ordinary equity holders of the parent (pence) ¹ .	(0.73)	(0.52)	(0.73)	(0.52)	(2.47)

¹ Basic and diluted earnings are considered the same, since where a loss is incurred, the effect of outstanding share options and warrants is considered anti-dilutive and is ignored for the purpose of the loss per share calculation. The adjusted share options outstanding as at 30 June 2018 totalled 3,783,250 (30 June 2017: 2,527,750) and are potentially dilutive.

Main KPI numbers

Summary of the Company's Key Performance Indicators

		QTD Jun-18	QTD Jun-17	YTD Jun-18	YTD Jun-17	YTD Mar-18
		3 months	3 months	3 months	3 months	12 months
		2018/19	2017/18 ⁷	2018/19	2017/18 ⁷	2017/18
IAP revenue growth ¹	%	371%	134%	371%	134%	97%
Subscription revenue growth ¹	%	-62%	434%	-62%	434%	45%
Total revenue growth ¹	%	173%	83%	173%	83%	50%
Gross profit margin ²	%	23%	31%	23%	31%	34%
EBITDA margin ³	%	-42%	-92%	-42%	-92%	-72%
Average monthly operational cashflow ⁴	GBP	-57,571	-51,561	-57,571	-51,561	-74,696
Runway left ⁵	Months	94	29	94	29	99
Headcount ⁶		40	29	40	29	36

¹ Growth rates are measured to the comparable period in the previous financial year

² Gross profit to total revenue

³ EBITDA to total revenue

⁴ Average operational cashflow divided by number of months in the measured period

⁵ Cash at end of period divided by average 12 monthly operational cash burn

⁶ Headcount is defined by the Company as all staff plus all long-term contractors

⁷ Indicative only: comparative numbers for the period ended Jun-16 have been prepared according to FRSE (Not adjusted for IFRS)

About Flexion

Introduction

Flexion is a leading distribution platform for android games. The company works with many of the top tier game developers and help them with distribution on a growing number of platforms such as Amazon, Samsung and leading regional channels in India, South Korea and Japan. At the core of Flexion’s patent pending technology is the enabling and enhancement software that let developers distribute one version of their game in multiple channels across several monetization models without any work required.

Market

Flexion’s go to market strategy focuses on a specific segment, “other channels” - Android based stores outside Google Play and China. This segment is estimated to be worth USD 2 billion, growing to USD 5 billion in 2021.



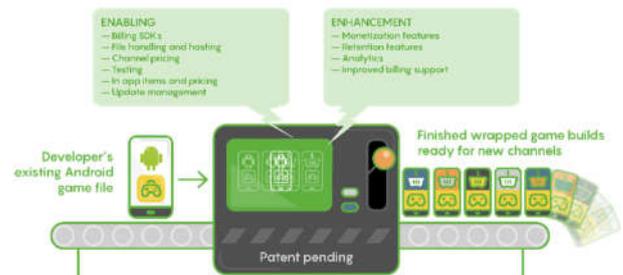
Flexion’s offering

Flexion solves technological and commercial fragmentation. Unique technology makes games compatible with any distribution channel. Integrations and commercial relationships with distribution channels create an aggregated user base to which games can be profitably distributed. Flexion’s service management offers active support of a growing portfolio of games letting developers reach new channels without additional work. For distribution channels (i.e. app stores) Flexion is a content provider.



Unique technology

The Company’s enabling technology is unique. It makes it possible to add, modify or remove features in games to make them compatible with the requirements of any store. The technology does not require developers to do any redevelopment work and does not require access to the game’s source code. Once processed, games are compatible with the requirements of any supported channel. The technology can enhance existing applications by adding features and functionality, primarily to drive revenue and user engagement.



Business model

Flexion operates with a simple revenue share model, taking a percentage from payments made in distributed games.



Strong position and limited direct competition

Flexion’s value proposition is unique. It is full service and covers everything necessary to make a game successful across multiple distribution channels. Competition is currently limited in the market segment which Flexion is currently targeting. Other companies offer products/services which cover one or some necessary steps, often with a focus on technology. Developers need to combine multiple providers and/or build own solutions. Some developers choose to build own solutions or combine multiple 3rd parties. Flexion caters to developers who want a full-service offering.