



Flexion Mobile Plc
Q2 Report
30 September 2018

Q2 Report

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Notes from the CEO

Flexion continues to show strong growth in the second quarter. Our core business In App Purchase (IAP) revenue, which represents 98% of our total revenue, grows by 281%.

Q2 financial performance

- IAP (In App Purchase) revenue increased by 281% to GBP 1,126,259 (GBP 295,658*)
- Total revenue increased by 152% to GBP 1,151,360 (GBP 456,117)
- Gross profit increased by 23% to GBP 257,990 (GBP 209,355)
- EBITDA fell by 47% to GBP -439,797 (GBP -300,139)
- Loss per share increased to GBP -0.83 pence (GBP -0.38 pence)
- Operating cash flow increased by 3.4% to GBP -431,517 (GBP -446,901)
- Cash amounted to GBP 6.9m (GBP 2.4m)

Year to date financial performance

- IAP (In App Purchase) revenue increased by 318% to GBP 2,119,504 (GBP 506,584)
- Total revenue increased by 162% to GBP 2,189,768 (GBP 836,893)
- Gross profit increased by 53% to GBP 497,522 (GBP 326,061)
- EBITDA fell by 35% to GBP -880,558 (GBP -651,965)
- Loss per share increased to GBP -1.57 pence (GBP -0.90 pence)
- Operating cash flow decreased slightly by 0.4% to GBP -604,229 (GBP -601,584)
- Cash amounted to GBP 6.9m (GBP 2.4m)

Important events during the second quarter

- Extended partnership with Chinese developer YOOZOO Games
- Participation at China Joy and Gamescom to grow the developer sales pipeline
- Recruitment of new Head of China Operations
- Received notice of allowance from United States Patent and Trade Office for our enabling and enhancement technology

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



The quarter started at a flying pace with sales trips to China Joy in Shanghai, the biggest trade fair for games in Asia, where I have had the opportunity to participate for the last three years. We then continued with Gamescom in Cologne, the biggest games fair in Europe.

China, in a very short period, has become the world's biggest games market creating a global giant in Tencent Games, now the biggest games company in the world. If one wants to launch a game in China, Tencent is the most common option for a Western developer. The market has grown at a staggering pace to become an estimated USD 13bn Android games market. In the Chinese market Google is not a major player. The market has therefore developed into a highly competitive market with a fragmented ecosystem all built on Android.

We take inspiration from China where Tencent, the leading platform, distributor and publisher of games has become the gateway for games. At Flexion, we aim to become the Tencent for games in our fast-growing alternative Android market.

China is currently in a holding pattern waiting for new regulatory guidelines to be introduced. As a result, the market has effectively been closed for new games since March this year. This obviously makes the lives of Chinese developers more difficult in this already super competitive market. For Flexion, it offers a clear opportunity since most of the top and mid-tier developers are now looking to expand outside of China and they need help primarily with their distribution. We already have some positive traction from the developers in China. In October, we announced an expanded partnership with YOOZOO Games after twelve successful months of working with their top grossing title Legacy of Discord. We can clearly see that our marketing efforts in China are paying off and we also recently signed an agreement with game developer ONEMT for the mid-tier game Rise of the Kings. Our pipeline of Chinese developers is looking good and is likely to grow over the coming quarters. As part of these efforts we have recruited a senior sales person with vast experience from the local Chinese gaming market. The new hire will join the sales team later this year as Head of China Operations.

The long-awaited launch of Fortnite on Android in August by Epic Games was a significant event for the whole

game industry. But why is this such an important milestone for us? First, when the developer of the biggest game on the planet launches on a new platform it gets a lot of media coverage. In this case, Epic Games decided to by-pass Google Play and launched with Samsung. The news created big headlines and was a major marketing coup for Samsung, but it also showed developers that the Android market is bigger than a single store — Google Play. For Flexion it has several important implications. As a channel, Samsung has gained significant momentum and now has much better traction with developers. This makes it easier for us to engage with them. In general, we don't expect developers to by-pass Google Play, but we are starting to see a trend in favour of new and alternative distribution.

In this quarterly report, we will provide a summary of our developer value proposition and mid-term vision for the company which is to manage and operate around 100 games of which one third will be top-tier games and the remaining two thirds will be mid-tier games. These games are typically ranked in the top 400 grossing charts globally and we estimate that developers on our platform (with its current size) will generate approximately an additional 10% in net Android revenue (compared to their Google Play revenue) when deployed through Flexion's service. Looking at the top 100 US grossing charts, revenue range from USD 30 million per month for top games to USD 1 million per month for games at the lower end of the chart. Signing distribution agreements for top-tier games will allow us to grow faster and cement our leading position. Offering various types of incentives to top developers may therefore become a critical part of our go-to-market strategy in the short to medium term. Over the next quarters, as our portfolio and revenue continue to grow, we intend to increase the number of reported KPIs to make it easier to follow the progress of our go-to-market roll out.

We are scaling up in all areas of the business. Currently, we can deploy and support three new games per month in existing channels. In parallel, we are evaluating new channels such as Huawei's new Western app store App Gallery and Xiaomi's Western game initiatives - in addition to our already live channels Amazon, Samsung, One Store and KDDI. On the horizon, we also see fast-growing Chinese device manufacturers such as Vivo and Oppo challenging the top Android manufactures in this space with their own game services. Google's decision to charge device manufactures next year for access to Google Play in response to the EU's antitrust verdict will, in our opinion, favour the Chinese device manufacturers in Europe who are less dependent on Google, but also Amazon and Microsoft who offer competing services.

We achieved a major milestone in September when our patent application received a positive notice of allowance by the United States Patent and Trade Office (USPTO). It has taken us four years to get to this position and it will clearly add a lot of value and ammunition

when the market becomes more competitive in the future. The next phase will be to convert our patent pending status in Europe and Hong Kong to a full patent. We intend over time to protect our intellectual property in all core markets where feasible.

We are looking forward to an exciting and busy third quarter with already plenty of planned activities for the traditionally strong holiday season. We will be going to Samsung Developer Conference in San Francisco and to G-star, the biggest game show in Korea, in November.

Jens Lauritzson
CEO

Financial Development

Jul-18 — Sep-18 Q2 financial performance

REVENUE

IAP (In-App Purchase) revenue from our core business represents 98% of total revenue.

It was the main driver for the overall growth with an increase of 281% to GBP 1,126,259 (GBP 295,658). These are early effects of the global roll out in our go-to-market strategy.

Subscription revenue declined by 81% to GBP 23,352 (GBP 121,298) as the company for some time has been winding down non-strategic contracts.

Legacy revenue dropped as planned by 96% to GBP 1,569 (GBP 39,162). The last month with material legacy revenue was January 2018. We still have a few smaller unsupported services which generate little or no revenue.

The quarter saw total revenue growing by 152% to GBP 1,151,360 (GBP 456,117).

GROSS PROFIT

Cost of sales grew by 262% to GBP 893,370 (GBP 246,762). The main reason why cost of sales grew more than total sales is the lost contribution from high margin legacy services. However, gross profit still grew 23% to GBP 257,990 (GBP 209,355) over the quarter.

GENERAL AND ADMINISTRATIVE EXPENSES

Staff and contractors cost increased as planned by 39% to GBP 548,880 (GBP 395,600) due to our continued expansion.

Other overheads grew by 26% to GBP 144,018 (GBP 113,960) primarily driven by legal and corporate secretarial costs to establish procedures for AGMs that comply with both UK legal and Swedish market rules.

These effects resulted in an overall increase in general and administrative expenses of 36% to GBP 692,898 (GBP 509,560).

EBITDA / NET RESULT

EBITDA fell in line with expectations by 47% to GBP -439,797 (GBP -300,139) largely driven by increased staff and contractors cost.

Other Income decreased to GBP 92,974 (GBP 170,050) as the company's Horizon 2020 EU grant project is coming to an end. A small grant contribution to Other Income is expected in October 2018 and any remaining positive or negative adjustments, including the potential payment of the last 10% of the grant amount and release of 5% grant guarantee will be reported after the

EU has determined the final grant amount, likely to be communicated in the financial quarter ending June 2019. The company is not aware of any events or actions that would not make it eligible for the full grant amount.

The loss after tax grew to GBP -342,633 (GBP -120,439). This is in line with the company's strategy to invest raised capital to drive growth.

FINANCIAL POSITION

The financial position is healthy with a cash balance of GBP 6,961,351 (GBP 2,434,512), no interest-bearing debt, trade and other receivables of GBP 1,278,624 (GBP 788,361), trade and other payables of GBP 2,094,579 (GBP 1,453,028). The main driver for the changes in working capital is considered to be short term cyclicity of invoicing. Total equity increased due to the February 2018 fund raise to GBP 6,319,544 (GBP 1,919,762).

CASH FLOW

Operating cash flow improved by 3.4% to GBP -431,517 (GBP -446,901) while net working capital (change in trade and other receivables less change in trade and other payables) improved by GBP 150,087 to GBP 3,391 (GBP -146,696), partially mitigating the effect of the loss of the period on the operating cash flow.

The cash balance at the end of the quarter was a healthy GBP 6,961,351 (GBP 2,434,512) resulting in a run way of 88 months at current levels.

Apr-18 — Sep-18 Six-month financial performance

The first six months of the 2018/19 financial year showed steady revenue growth within our core business area, IAP revenue, increasing by 318% to GBP 2,119,504 (GBP 506,584).

Total revenue grew by 162% to GBP 2,189,768 (GBP 836,893). Subscription revenue fell by 72% to GBP 66,850 (GBP 235,707). Legacy revenue fell as expected by 96% to GBP 3,414 (GBP 94,602).

The gross profit increased by 53% to GBP 497,522 (GBP 326,061) over the period.

General and administrative expenses increased by 40% to GBP 1,368,302 (GBP 976,927) reducing the EBITDA by 35% to GBP -880,558 (GBP -651,965).

Profit after tax fell by 122% to GBP -638,540 (GBP -287,585).

Operating cashflow slightly reduced by 0.4% to GBP -604,229 (GBP -601,584).

The cash balance at the end of the period was GBP 6,961,351 (GBP 2,434,512).

Other information

Segmental information

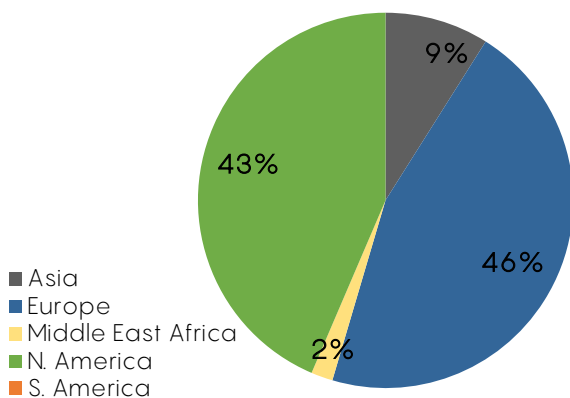
IAP REVENUE

Flexion's 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 September 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 43% market share and Europe with 46% market share. Asia amounted to 9%, 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 future opportunities in subscription relating to free-to-play games with IAP.

Subscription revenue is currently defined as revenue from game applications using 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 non-strategic revenue including revenue from purchases or subscription fees of game applications in feature phones. This revenue is actively being phased out as it doesn't carry any strategic value. The last month with material legacy revenue was January 2018.

Events after the reporting period

- The Horizon 2020 EU Grant came to an end in October 2018.
- Our Patent was published in November 2018 by the USPTO in the United States.
- In November 2018, at the Samsung Developer Conference in San Francisco, we announced our growing partnership with Samsung.

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 42 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.

Material risks and factors of uncertainty

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

Financial calendar

Q3 report for 2018/19:	27 Feb. 2019
Q4 report for 2018/19:	19 Jun. 2019
Q1 report for 2019/20:	22 Aug. 2019
Q2 report for 2019/20:	21 Nov. 2019

Certified Adviser

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

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 08:00 CET on 28 November 2018.

Financial reports in brief

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

	QTD Sep-18 3 months 2018/19 Unaudited GBP	QTD Sep-17 3 months 2017/18 Unaudited GBP	YTD Sep-18 6 months 2018/19 Unaudited GBP	YTD Sep-17 6 months 2017/18 Unaudited GBP	YTD Mar-18 12 months 2017/18 Audited GBP
IAP revenue	1,126,259	295,658	2,119,504	506,584	1,559,342
Subscription revenue	23,532	121,298	66,850	235,707	353,722
Legacy revenue	1,569	39,162	3,414	94,602	142,817
Total revenue	1,151,360	456,117	2,189,768	836,893	2,055,881
Cost of sales	(893,370)	(246,762)	(1,692,246)	(510,832)	(1,360,606)
Gross profit	257,990	209,355	497,522	326,061	695,275
Staff and contractors cost	(548,880)	(395,600)	(1,101,866)	(738,748)	(1,606,040)
Other overheads	(144,018)	(113,960)	(266,436)	(238,179)	(603,720)
General and administrative expenses	(692,898)	(509,560)	(1,368,302)	(976,927)	(2,209,760)
Share based payments	(4,889)	66	(9,778)	(1,099)	(3,350)
EBITDA	(439,797)	(300,139)	(880,558)	(651,965)	(1,517,835)
Other Income	92,974	170,050	235,910	341,448	685,249
Depreciation of tangible assets	(5,313)	(5,312)	(10,625)	(10,624)	(21,251)
Amortization of intangible assets	(10,866)	(6,312)	(20,545)	(11,358)	(27,779)
Operating loss (EBIT)	(363,002)	(141,713)	(675,818)	(332,499)	(881,616)
Finance income/expenses	-	-	-	-	-
Tax	20,369	21,274	37,278	44,914	75,005
Loss after tax	(342,633)	(120,439)	(638,540)	(287,585)	(806,611)
Attributable to:					
Equity holders of the parent	(342,633)	(120,439)	(638,540)	(287,585)	(806,611)
Non-controlling interests	-	-	-	-	-
Loss for the period	(342,633)	(120,439)	(638,540)	(287,585)	(806,611)
Total comprehensive loss for the period	(342,633)	(120,439)	(638,540)	(287,585)	(806,611)
Attributable to:					
Owners of the parent	(342,633)	(120,439)	(638,540)	(287,585)	(806,611)
Non-controlling interests	-	-	-	-	-
	(342,633)	(120,439)	(638,540)	(287,585)	(806,611)

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

	Sep-18 2018/19 Unaudited GBP	Sep-17 2017/18 Unaudited GBP	Mar-18 2017/18 Audited GBP
Assets			
Non-current assets			
Property, plant and equipment	26,565	47,815	37,190
Intangible assets	193,717	140,193	165,776
Total non-current assets	220,282	188,008	202,966
Current assets			
Trade and other receivables	1,278,624	788,361	701,280
Cash and cash equivalents	6,961,351	2,434,512	7,358,115
Total current assets	8,239,975	3,222,873	8,059,395
Total assets	8,460,257	3,410,881	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	38,713	12,465	14,716
Retained earnings	1,263,748	(1,578,686)	(2,097,712)
Total equity	6,341,860	1,919,765	6,700,453
Non-current liabilities			
Deferred tax liabilities	23,818	38,088	40,615
Total non-current liabilities	23,818	38,090	40,615
Current liabilities			
Trade and other payables	2,094,579	1,453,028	1,521,293
Total current liabilities	2,094,579	1,453,029	1,521,293
Total liabilities	2,118,397	1,491,119	1,561,908
Total equity and liabilities	8,460,257	3,410,881	8,262,361

Consolidated statement of cash flows for the quarterly period ended 30 September 2018

	QTD Sep-18 3 months 2018/19 Unaudited GBP	QTD Sep-17 3 months 2017/18 Unaudited GBP	YTD Sep-18 6 months 2018/19 Unaudited GBP	YTD Sep-17 6 months 2017/18 Unaudited GBP	YTD Mar-18 12 months 2017/18 Audited GBP
Cash flow from operating activities					
Operating loss (EBIT) — continuing operations	(363,002)	(141,713)	(675,818)	(332,499)	(881,616)
Operating loss (EBIT)	(363,002)	(141,713)	(675,818)	(332,499)	(881,616)
Adjustments for:					
Finance income	-	-	-	-	-
Share based payments	4,889	(66)	9,778	1,099	3,350
Depreciation of tangible assets	5,313	5,312	10,625	10,624	21,251
Amortization of intangible assets	10,866	6,312	20,545	11,358	27,779
Grant income	(92,974)	(170,050)	(235,910)	(341,448)	(685,249)
Working capital:					
Change in trade and other receivables	(272,165)	36,176	(536,352)	26,530	92,706
Change in trade and other payables	275,556	(182,872)	802,903	22,752	488,339
Operating cash flow	(431,517)	(446,901)	(604,229)	(601,584)	(933,440)
Grant payment	-	868,951	-	868,951	868,951
Net cash flow from operating activities	(431,517)	422,050	(604,229)	267,367	(64,489)
Cash flow from investing activities					
Expenditure on property, plant and equipment	-	-	-	-	-
Capitalised development cost	(24,721)	(25,311)	(48,485)	(50,622)	(92,626)
Bank interest received	-	-	-	-	-
Net cash flow from investing activities	(24,721)	(25,311)	(48,485)	(50,622)	(92,626)
Cash flow from financing activities					
Net proceeds from issue of equity instruments	-	-	255,950	-	5,297,463
Net cash flow from financing activities	-	-	255,950	-	5,297,463
Net change in cash and cash equivalents	(456,238)	396,739	(396,764)	216,745	5,140,348
Cash and cash equivalents at beginning of period	7,417,589	2,037,773	7,358,115	2,217,767	2,217,767
Cash and cash equivalents at end of period	6,961,351	2,434,512	6,961,351	2,434,512	7,358,115

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

	Share capital GBP	Share premium GBP	Other reserves GBP	Retained earnings GBP	Total GBP	Total GBP
Balance at 1 July 2017	1,277	3,484,709	12,531	(1,458,247)	2,040,270	2,040,270
Loss for the year	-	-	-	(120,439)	(120,439)	(120,439)
Total comprehensive income	1,277	3,484,709	12,531	(1,578,686)	1,919,831	1,919,831
Shares based payments	-	-	(66)	-	(66)	(66)
Issue of share capital	-	-	-	-	-	-
Balance at 30 September 2017	1,277	3,484,709	12,465	(1,578,686)	1,919,765	1,919,765
Balance at 1 July 2018	82,266	4,957,133	28,404	1,606,381	6,674,184	6,674,184
Loss for the year	-	-	-	(342,633)	(342,633)	(342,633)
Foreign exchange translation reserve	-	-	-	-	-	-
Total comprehensive income	82,266	4,957,133	28,404	1,263,748	6,331,551	6,331,551
Shares based payments	-	-	4,889	-	4,889	4,889
Deferred Tax	-	-	5,419	-	5,419	5,419
Bonus Issue	-	-	-	-	-	-
Issue of share capital	-	-	-	-	-	-
Balance at 30 September 2018	82,266	4,957,133	38,712	1,263,748	6,341,859	6,341,859

Main KPI numbers

Summary of the Company's Key Performance Indicators

		QTD Sep-18	QTD Jun-18	QTD Mar-18	QTD Dec-17	QTD Sep-17
		3 months	3 months	3 months	3 months	3 months
		2018/19	2018/19	2017/18	2017/18	2017/18
IAP revenue	GBP	1,126,259	993,245	689,286	374,113	295,658
Subscription revenue	GBP	23,352	43,317	22,531	87,833	121,298
Total revenue	GBP	1,151,360	1,038,408	723,626	495,365	456,117
Gross profit	GBP	257,990	239,532	151,280	217,937	209,355
EBITDA	GBP	-439,797	-440,761	-554,721	-281,100	-300,139
IAP revenue growth ¹	%	281%	371%	130%	45%	93%
Subscription revenue growth ¹	%	-81%	-62%	-78%	27%	146%
Total revenue growth ¹	%	152%	173%	54%	23%	56%
Gross profit margin ²	%	22%	23%	21%	58%	46%
EBITDA margin ³	%	-38%	-42%	-77%	-75%	-66%
Average monthly operational cashflow ⁴	GBP	-143,839	-57,571	7,359	-107,755	148,967
Runway left ⁵	Months	88	94	n/a	123	35
Number of shares at period end (adjusted for share split and bonus issue)		41,132,958	41,132,958	40,132,958	31,927,750	31,927,750
Amount of weighted average shares outstanding for period (adjusted for share split and bonus issue)		41,132,958	40,417,890	32,737,031	31,927,750	31,927,750
Loss per share — basic and diluted, attributable to ordinary equity holders of the parent (pence) ⁶	GBP	(0.83)	(0.73)	(1.27)	(0.88)	(0.38)
Headcount ⁷		42	40	36	36	33

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 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.

⁷ Headcount is defined by the Company as all staff plus all long-term contractors

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 September 2018

	Number of shares and votes	%	Aggregated %
Mobile Sensations Ltd	11,585,972 ¹	28.2%	28.2%
Palmstierna Invest AB	3,735,000	9.1%	37.2%
Industrial Equity AB	2,332,750	8.7%	46.0%
Avanza Pension	2,063,816	4.0%	50.0%
Julius Baer & Co Sweden	1,662,000	4.0%	54.0%
Other shareholders	19,753,420	46.0%	100.0%
Total number of shares	41,132,958	100.0%	

¹ Mobile Sensations Ltd held 11,585,972 shares since the listing of the Company.

Share data

	QTD Sep-18	QTD Sep-17	YTD Sep-18	YTD Sep-17	YTD Mar-18
	3 months	3 months	6 months	6 months	12 months
	2018/19	2017/18	2018/19	2017/18	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)	41,132,958	31,927,750	40,779,533	31,927,750	32,737,031
Loss per share — basic and diluted, attributable to ordinary equity holders of the parent (pence) ¹ .	(0.83)	(0.38)	(1.57)	(0.90)	(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 September 2018 totalled 3,783,250 (30 September 2017: 2,367,000) and are potentially dilutive.

About Flexion

Introduction

Flexion makes it easy for developers to maximise the revenue of their android games. We offer a full service and are a leading distribution platform for free-to-play (freemium) Android games. The company works with many of the top tier game developers and helps them distribute their games on a growing number of channels such as Amazon, Samsung and leading regional channels in India, South Korea and Japan.

Flexion is based in London with a development studio in Budapest. Flexion employs 42 staff and long-term contractors and is listed on Nasdaq First North in Stockholm with ticker name FLEXM:SS.



Market

Flexion's go-to-market strategy focuses on a specific segment "alternative distribution" – Android based stores outside Google Play and China. This segment is estimated to be worth USD 2bn, with the potential to grow to USD 5bn in 2021. Flexion's addressable market is the Android mobile games market, a USD 33bn market which covers more than 80% of the worlds mobile devices and 50% of mobile games revenue. The rest of the market is covered by Apple's iOS which is not currently supported by Flexion.

The largest player in the Android games market is the Google Play store with USD 18bn / 60% market share. The domestic Chinese market holds an estimated USD 13bn / 33% market share and the remaining market (alternative Android) which Flexion estimates to hold a USD 2bn / 6% market share. The Android market is expected to grow by 100% until 2021 and Flexion estimates the alternative Android market to grow faster by approximately 150% over the same period.

Flexion's service offer

Flexion provides a full service offer to developers and manages all steps from Android game file to revenue and data. This means that a developer can benefit from additional distribution and revenue with minimal efforts .

Unique technology

At the core of Flexion's technology is the enabling and enhancement software that allows developers to distribute their Android game in multiple channels. In addition, this unique technology can enhance the game file by adding new features and functionalities which are required in the increasingly fragmented Android market. Flexion's technology is patented in the US and patent pending in Europe.

Business model

Flexion operates a simple revenue share model, taking a percentage from payments made in distributed games. In a typical revenue flow, the channel collects payments from end-users and deducts a channel fee. Flexion receives the remaining amount and deducts a fee for its services before paying the developer.

Value proposition

Flexion's go-to-market strategy is to become the dominant distributor on the alternative Android market i.e. outside Google Play and China. The value proposition is to generate incremental high margin revenue for developers from their existing Android games. With Flexion's current platform size, developers will generate an additional 10% on top of their Google Play revenue. As the alternative Android market grows and Flexion increases its distribution footprint, this number is expected to increase. The margin contribution from this revenue is relatively high as it is generated without the developer incurring high marketing or user acquisition costs.

Mid-term vision

Flexion's go-to-market strategy involves building a business that can manage and operate around 100 top games. A third of these games will be top-tier games where each game has the potential to generate net revenue in excess of USD 100,000 per month when deployed through Flexion's service. The remaining two thirds of the games will be mid-tier games with the potential to generate more than USD 30,000 in net revenue per game per month. Revenue per game will increase over time as the alternative Android market and Flexion's distribution power grows. The games are sourced globally with 50% currently found among Google Play's top 400 grossing games. In order to speed up the sales process Flexion intend to use various forms of incentives for top developers to join Flexion early.

KPIs

Over time and when our portfolio has grown from today's size, Flexion will increase the number of reported KPIs to show how we are executing on our go-to-market strategy.



Flexion's full service offering