

# Flexion Mobile

## Game signings the highlight of Q3

- Q3 sales growth of 26% y-o-y
- We still see potential to double revenues
- New DCF valuation range of SEK 17-28 (17-29)

### Q3: The quarter that lays the foundation for '22-'23

Flexion reported Q3 revenues of GBP 7.8m (6.2m), corresponding to 28% y-o-y growth but flat q-o-q. This was 8% behind our forecast, and we think the deviation was caused to some extent by seasonality but even more by lower promotions in the channel stores. Gross margin was 13.1%, the same as last year, but a 1.1 p.p. improvement from Q2 on the deal with its largest customer in the US. We expected a gross margin of 12%, so gross profit was therefore in line with our estimate. EBIT was GBP -0.02m (0.05m), behind ABGSCe at GBP 0.1m. The shortfall stems from higher overhead costs that were mainly an effect of FX movements. Although Q3 was softer on numbers, we must acknowledge that Flexion signed four top-tier games during the quarter, which we believe will set the company up for two exciting years ahead.

### Live top-tier games seem to be nearing maturity...

The four top-tier games signed in the quarter generate USD 36m per month on Google Play, according to Sensor Tower. This can be compared to the current live portfolio of 22 games, which generates USD 40m per month on Google Play. However, our research indicates that two of the newly signed games have yet to reach their peak, which leads us to believe that these four games could bring in as much revenues as the entire current live portfolio. Following the Q3 miss, we lower our '22-'23e sales by ~4% and EBIT by 8-5% for the same period. We will look for monetisation data on the top-tier games in Q4 to see if this was just a temporary setback caused by seasonality and lack of promotions, or if the current portfolio is in fact starting to decline.

### ...but large potential in newly signed games

We make slight adjustments to our DCF valuation range that yields a range of SEK 17-28 (17-29).

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GBPm	2019	2020	2021e	2022e	2023e
Sales	8	21	31	45	63
EBITDA	-2	-0	0	6	9
EBITDA margin (%)	-23.6	-0.1	0.4	12.3	13.9
EBIT adj	-2	-1	-0	2	5
EBIT adj margin (%)	-24.4	-6.2	-0.5	4.5	8.2
Pretax profit	-2	-1	-0	2	5
EPS rep	-0.04	-0.03	-0.01	0.04	0.09
EPS adj	-0.04	-0.03	-0.01	0.04	0.09
Sales growth (%)	47.0	146.8	51.0	44.5	39.7
EPS growth (%)	-11.3	38.2	79.3	745.5	154.1

Source: ABG Sundal Collier, Company data

Reason: Post-results comment

## Company sponsored research

Not rated

Estimate changes (%)

	2021e	2022e	2023e
Sales	-5.2%	-3.9%	-4.1%
EBIT (rep)	-342.7%	-8.3%	-5.1%
EPS (rep)	-376.3%	-8.4%	-5.3%

Source: ABG Sundal Collier

Share price (SEK)	23/11/2021	16.4
Fair value range (per share)		17-28

IT, Sweden

FLEXM.ST/FLEXM SS

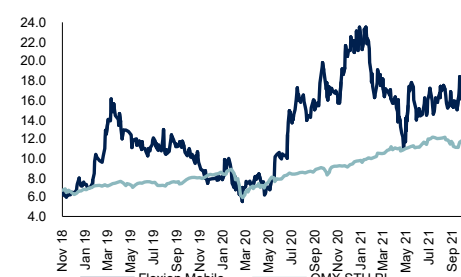
MCap (SEKm)	812
MCap (EURm)	80
Net debt (EURm)	-16

No. of shares (m)	49.7
Free float (%)	72
Av. daily volume (k)	1

Next event

Q4 report: 16 Mar

## Performance



	1m	3m	12m
Absolute (%)	-0.3	-2.1	-2.1

Source: FactSet

	2021e	2022e	2023e
P/E (x)	-242.4	37.6	14.8
P/E adj (x)	-242.4	37.6	14.8
P/BVPS (x)	5.41	4.71	3.52
EV/EBITDA (x)	426.1	10.6	5.8
EV/EBIT adj (x)	-343.4	28.9	9.8
EV/sales (x)	1.86	1.30	0.80
ROE adj (%)	-2.5	14.3	29.0
Dividend yield (%)	0	0	0
FCF yield (%)	0.3	7.4	11.6
Lease adj. FCF yld (%)	0.2	7.4	11.5
Net IB debt/EBITDA	-102.0	-2.4	-2.5
Lease adj. ND/EBITDA	-154.6	-2.5	-2.5

Please refer to important disclosures at the end of this report

This research product is commissioned and paid for by the company covered in this report. As such, this report is deemed to constitute an acceptable minor non-monetary benefit (i.e. not investment research) as defined in MiFID II.

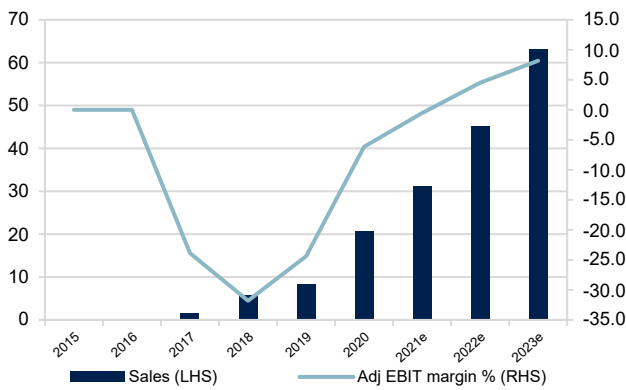
### Company description

Flexion is primarily a game distributor on the alternative Android market (which does not include Google Play or China). It offers game developers an opportunity to reach a wider Android market than Google Play, through its full service offering and unique technology, without any additional effort for the game developer itself. The Android mobile games market is growing strongly, with Google Play as the frontrunner. We believe that the alternative Android market has a good chance to match it, or even grow faster in percentage terms.

### Risks

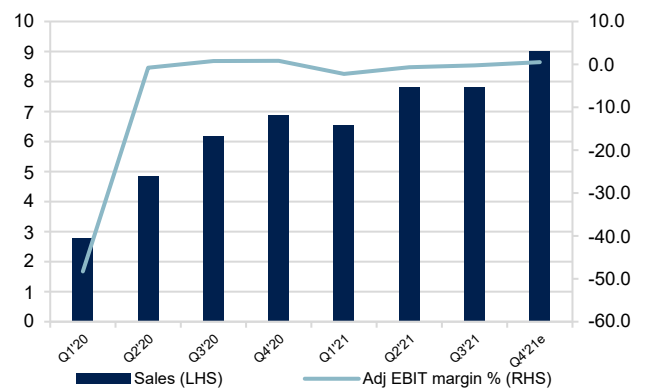
Long-term risks include dependence on key partners, increased competition, and consolidation in the Android market. We think that key channel partners are of particular importance to Flexion, as they are limited. There is currently no direct competitor to Flexion, because it is a first-mover in a niche market, but we expect increased competition. Furthermore, the current fragmentation wave on the Android market will not last forever. Eventual consolidation is likely, which might decrease the value Flexion brings to its customers.

#### Annual sales and adj. EBIT margin GBPm



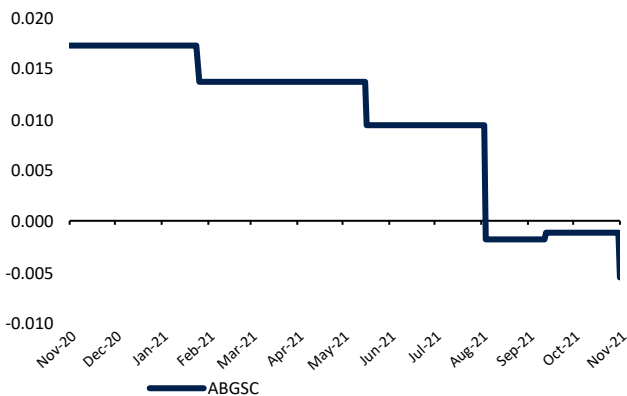
Source: ABG Sundal Collier, Company data

#### Quarterly sales and adj. EBIT margin



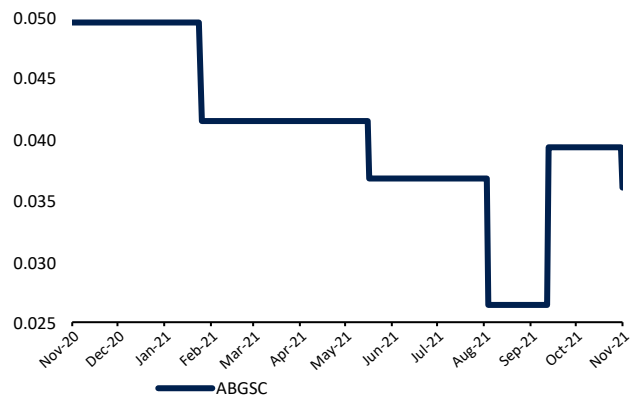
Source: ABG Sundal Collier, Company data

#### EPS estimate changes, 2021e, GBP



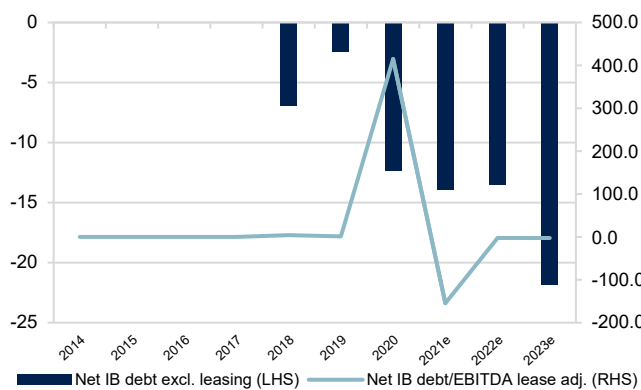
Source: ABG Sundal Collier, FactSet

#### EPS estimate changes, 2022e, GBP



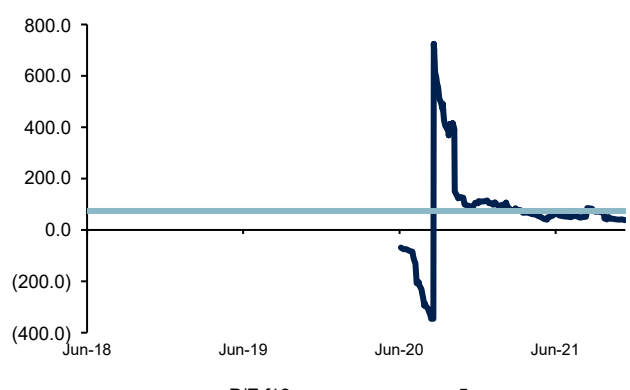
Source: ABG Sundal Collier, FactSet

#### Lease adj. net debt and ND/EBITDA



Source: ABG Sundal Collier, Company data

#### 12-month forward-looking P/E



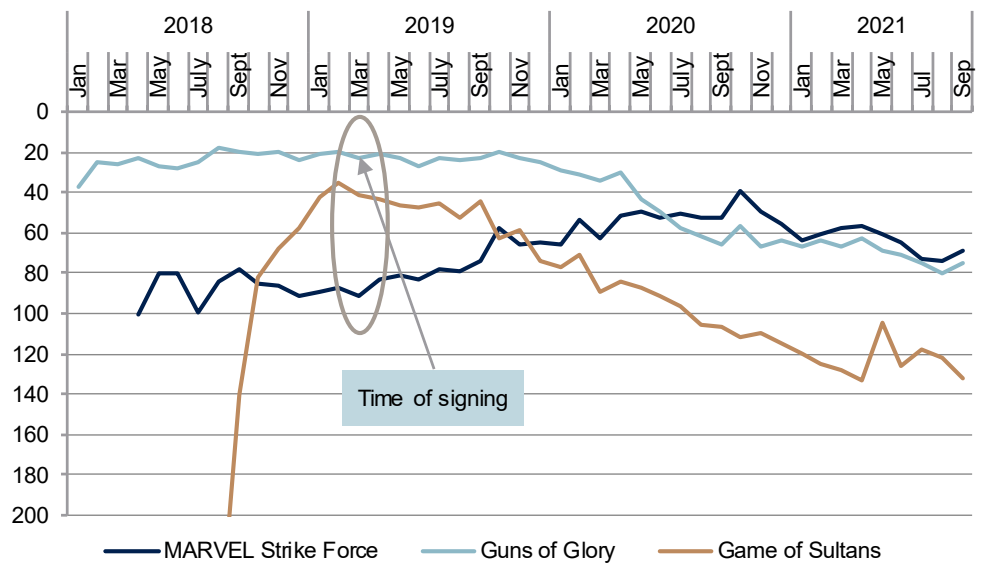
Source: ABG Sundal Collier, Company data

## Revenue visibility improves

*Flexion has signed a total of six top-tier titles in 2021 so far, four of which were signed in August and September. We think this greatly improves revenue visibility, and though we already expected that the company would sign new top-tier titles in the future, this reduces uncertainty and raises our estimates, as the pace and quality of the signed games is above our expectations. We see many similarities with the successful period during early 2019, which had a positive effect on revenues in 2020 and beyond.*

In the period between February and April in 2019, Flexion signed three top-tier titles in short succession. These turned out to be the only top-tier titles signed in 2019, but they had a huge positive effect on 2020 revenues and have continued to improve in 2021. Games usually takes 1-2 years after launch before reaching their maximum potential in terms of revenues. At the point of signature, combined monthly revenues for these three games were USD 20m on Google Play, according to Sensor Tower. Two and half years later, these games still generate USD 18m on Google Play. Below, we show how the grossing positions have developed on Google Play since Flexion signed the games in 2019. Note that Flexion’s revenues from these games can rise as the game declines on Google Play, as it can increase the number of users from scratch through organic traffic in its distribution channels.

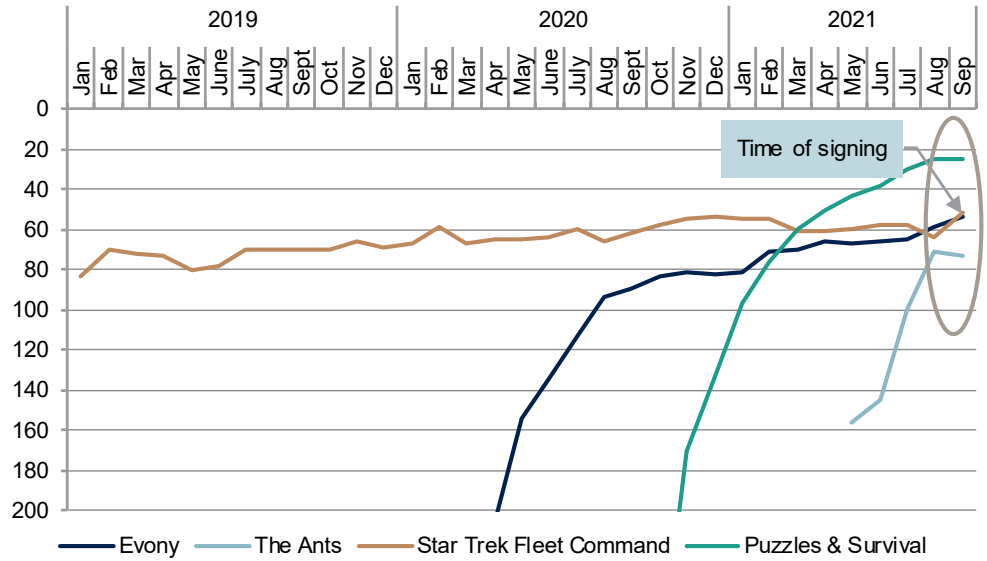
### Grossing position on Google Play, top-tier game signings of 2019



Source: ABG Sundal Collier, company data, AppMagic

Flexion has signed four new top-tier titles during August and September 2021, which takes the tally to six top-tier titles for the year. The latest four stand out in terms of revenue recognition on Google Play; combined, they generated monthly revenues of USD 39m at the point of signature. That can be compared to combined revenues of USD 20m for the three top-tier titles mentioned above. However, the USD 39m in monthly revenues is overstating the potential a bit given that for the game Puzzles & Survival, which generates monthly revenues of USD 17m according to Sensor Tower, Flexion only has distribution rights for Amazon, Samsung and Xiaomi. But even if we only count half of the USD 17m, it still represents a combined monthly revenue above USD 30m in total, which is roughly 50% higher than the games from 2019. Flexion also stated when the game was signed that it is working on securing the distribution rights for more channels for this game in the future.

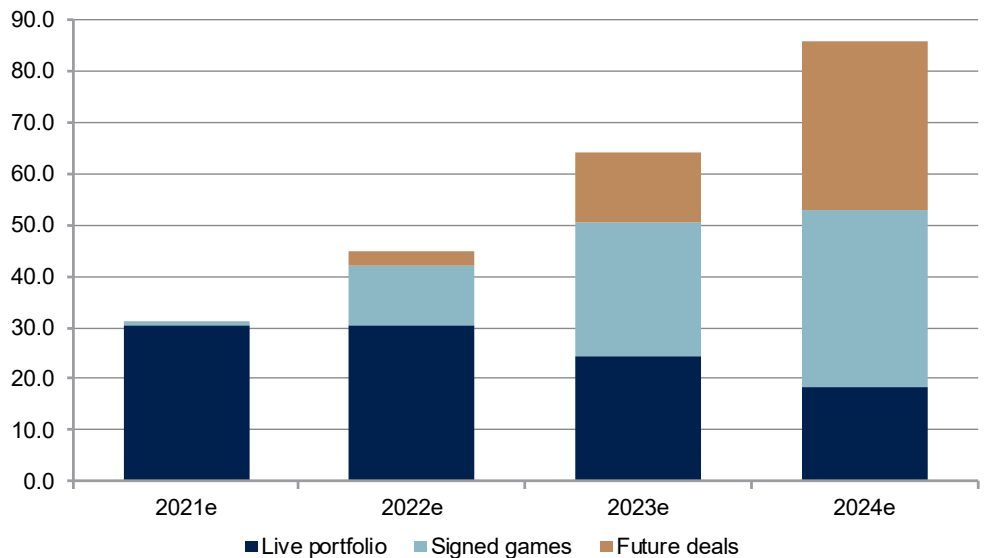
**Grossing position on Google Play, selected games of 2021**



Source: ABG Sundal Collier, company data, AppMagic

The recent game signing deals have greatly improved revenue visibility, in our view, and we think Flexion is in line to double its '21e revenues until '23e, with a little help from future game signings. We have structured our sales estimates by analysing the potential of the current live portfolio, adding the signed games that are yet to be launched and adding revenues from deals that we think will be signed in the future. For the current live portfolio, we think the peak in revenues is approaching and that revenues will be flat between '21e and '22e before they start to decline at an even pace. The logic behind this is because the majority of revenues in this category are from the large games signed and launched in 2019, which means they have been live for roughly two years and we have started to see declining performance on Google Play. For the six top-tier games signed during 2021, we have estimated that Flexion will launch two per quarter from Q3'21 to Q1'22 and that they will have the same revenue potential as the current portfolio of live top-tier games – i.e. average monthly revenues of USD 566k per game, according to the Q2 report.

**Revenue split from different categories, GBPM**



Source: ABG Sundal Collier, company data

Finally, we have assumed that Flexion will continue to sign top-tier titles at a rate of four per year. That is a rather conservative assumption when looking at the company's 2021 performance so far. On the other hand, 2020 was not as successful in terms of top-tier game signings, which is why we believe our approach is balanced. We have also assumed that these future deals will contribute slightly lower monthly revenues of USD 500k as we do not know anything about the quality of such titles. Together it paves the way for the revenues to double between '21e and '23e. Furthermore, if we look at the '22e revenues (45% y-o-y growth) that we are expecting, there is only a small contribution from future deals, meaning that the risk has been reduced with the recent game signings.

### Q3 deviations

P&L (GBPm)	Q3'20	Q3'21	Q3'21e	Diff vs. ABGSCe
IAP Revenue	6.17	7.79	8.53	
Other income	0.01	0.02	0.00	
<b>Net sales</b>	<b>6.18</b>	<b>7.81</b>	<b>8.53</b>	<b>-8%</b>
COGS	-5.37	-6.78	-7.51	-10%
<b>Gross profit</b>	<b>0.81</b>	<b>1.02</b>	<b>1.02</b>	<b>0%</b>
Opex	-0.76	-1.04	-0.92	-13%
<b>EBITDA</b>	<b>0.11</b>	<b>0.07</b>	<b>0.17</b>	<b>-62%</b>
D&A	-0.06	-0.08	-0.07	
<b>EBIT</b>	<b>0.05</b>	<b>-0.02</b>	<b>0.10</b>	<b>-118%</b>
Finance costs	0.00	0.00	-0.01	
PTP	0.04	-0.02	0.09	
Tax	-0.01	-0.01	0.00	
<b>Net profit</b>	<b>0.03</b>	<b>-0.04</b>	<b>0.09</b>	<b>-140%</b>
EPS basic (GBP)	0.00	0.00	0.00	-140%
<b>EPS dilution (GBP)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>-140%</b>
<b>Growth rates</b>	<b>Q3'20</b>	<b>Q3'21</b>	<b>Q3'21e</b>	<b>Diff vs. ABGSCe</b>
Sales grow th y-o-y	169%	26%	38%	-12.0 pp
Sales grow th q-o-q	32%	0%	10%	-9.5 pp
Personnel grow th y-o-y	19%	18%	16%	1.8 pp
<b>Margins</b>	<b>Q3'20</b>	<b>Q3'21</b>	<b>Q3'21e</b>	<b>Diff vs. ABGSCe</b>
Gross margin	13.1%	13.1%	12.0%	1.1 pp
EBITDA margin	2%	0.8%	2.0%	-1.2 pp
EBIT margin	1%	-0.2%	1.2%	-1.4 pp
Net margin	1%	-0.5%	1.0%	-1.5 pp

Source: ABG Sundal Collier, company data

### Forecast changes

GBPm	Old forecast			New forecast			Change		
	2021e	2022e	2023e	2021e	2022e	2023e	2021e	2022e	2023e
<b>Net sales</b>	<b>32.9</b>	<b>46.9</b>	<b>65.7</b>	<b>31.2</b>	<b>45.1</b>	<b>63.0</b>	<b>-5%</b>	<b>-4%</b>	<b>-4%</b>
Cogs	-28.9	-41.0	-57.1	-27.2	-39.1	-54.5	-6%	-5%	-5%
Opex	-3.9	-7.5	-7.9	-4.1	-7.7	-8.2	5%	3%	3%
Adj EBITDA	0.4	5.8	9.1	0.1	5.6	8.8	-61%	-3%	-3%
<b>Adj EBIT</b>	<b>0.1</b>	<b>2.2</b>	<b>5.4</b>	<b>-0.2</b>	<b>2.0</b>	<b>5.1</b>	<b>-343%</b>	<b>-8%</b>	<b>-5%</b>
Net financials	0.0	0.0	0.0	0.0	0.0	0.0	-38%	-26%	-26%
PTP	0.0	2.2	5.4	-0.2	2.0	5.1	-493%	-8%	-5%
Taxes	-0.1	-0.1	-0.3	-0.1	-0.1	-0.3	4%	-8%	-5%
<b>Net profit</b>	<b>-0.1</b>	<b>2.1</b>	<b>5.1</b>	<b>-0.3</b>	<b>1.9</b>	<b>4.9</b>	<b>376%</b>	<b>-8%</b>	<b>-5%</b>

Source: ABG Sundal Collier, company data

# Valuation

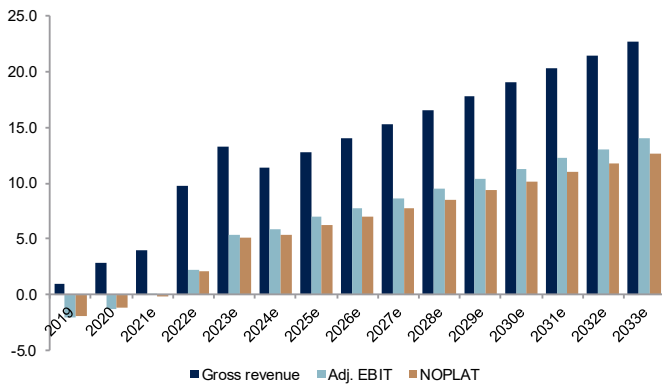
## DCF valuation range SEK 17-28

Flexion DCF scenario	Actual						Detailed forecast						DCF estimates					
	2018	2019	2020	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e		
Sales	5.6	8.3	20.4	31.1	45.1	63.0	83.1	93.1	101.5	109.6	117.3	125.5	133.0	141.0	148.0	155.4		
y-o-y %	n.a.	49.4%	145.3%	52.4%	44.8%	39.7%	32.0%	12.0%	9.0%	8.0%	7.0%	7.0%	6.0%	6.0%	5.0%	5.0%		
Gross revenue	0.9	1.0	2.8	4.0	9.7	13.3	11.2	12.7	13.9	15.1	16.3	17.6	18.8	20.0	21.2	22.4		
Gross margin	15.6%	12.1%	13.7%	12.7%	21.6%	21.1%	13.5%	13.6%	13.7%	13.8%	13.9%	14.0%	14.1%	14.2%	14.3%	14.4%		
Opex	-2.7	-3.0	-4.1	-4.1	-7.7	-8.2	-5.7	-6.1	-6.6	-7.0	-7.4	-7.8	-8.1	-8.5	-8.8	-9.1		
y-o-y %	n.a.	13.7%	33.5%	1.3%	87.1%	5.6%	9.0%	8.0%	7.0%	6.0%	6.0%	5.0%	5.0%	4.0%	4.0%	3.0%		
Adj. EBIT	-1.8	-2.0	-1.3	-0.2	2.0	5.1	5.5	6.5	7.3	8.2	8.9	9.8	10.6	11.5	12.4	13.3		
Adj. EBIT margin	-32.5%	-24.5%	-6.2%	-0.5%	4.5%	8.2%	6.7%	7.0%	7.2%	7.4%	7.6%	7.8%	8.0%	8.2%	8.3%	8.6%		
Taxes on EBIT	0.1	0.1	0.1	-0.1	-0.1	-0.3	-0.6	-0.7	-0.7	-0.8	-0.9	-1.0	-1.1	-1.2	-1.2	-1.3		
Effective tax rate	3.8%	4.3%	4.8%	-67.0%	5.0%	5.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%		
NOPLAT	-1.7	-2.0	-1.2	-0.3	1.9	4.9	5.0	5.9	6.6	7.3	8.0	8.8	9.5	10.4	11.1	12.0		
Add: Depreciation & amortisation	0.1	0.2	1.3	0.3	3.5	3.6	0.8	0.9	1.0	1.1	1.2	1.3	1.3	1.4	1.5	1.6		
D&A / sales	2.1%	1.9%	6.4%	1.0%	7.8%	5.7%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%		
Net working capital	-1.6	-0.7	-2.7	-3.3	-3.7	-4.1	-5.3	-5.7	-6.0	-6.3	-6.5	-6.3	-6.6	-7.0	-7.4	-7.8		
NWC / sales	-28.5%	-7.8%	-13.4%	-10.7%	-8.3%	-6.6%	-6.4%	-6.2%	-6.0%	-5.8%	-5.6%	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%		
Less: Chng. NWC		-0.9	2.1	0.6	0.4	0.4	1.2	0.4	0.3	0.3	0.2	-0.2	0.4	0.4	0.4	0.4		
Less: Capital expenditure	-0.1	-0.4	-0.5	-1.1	-6.3	-0.6	-0.7	-0.9	-1.0	-1.1	-1.2	-1.3	-1.3	-1.4	-1.5	-1.6		
Capex / sales	2.3%	0.5%	0.6%	0.7%	0.8%	0.8%	0.9%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%		
Free cash flow		-3.1	1.7	-0.5	-0.4	8.3	6.2	6.3	6.9	7.6	8.2	8.6	9.9	10.8	11.5	12.3		
FCF margin		-37.3%	8.2%	-1.7%	-0.9%	13.2%	7.5%	6.8%	6.8%	6.9%	7.0%	6.8%	7.5%	7.7%	7.8%	7.9%		
EV/EBIT adj.				-348.2	28.9	11.4	10.6	9.0	8.0	7.2	6.6	6.0	5.5	5.1	4.8	4.4		
Discounted FCF				-0.5	-0.3	6.3	4.3	3.9	3.9	3.9	3.9	3.7	3.9	3.8	3.7	3.6		

Terminal g	DCF sensitivity analysis					WACC		
	1.0%	7.9%	8.9%	9.9%	10.9%	9.9%	10.9%	11.9%
1.0%	27.1	23.6	20.8	18.6	16.7			
2.0%	27.3	23.7	20.9	18.6	16.8			
3.0%	27.4	23.8	21.0	18.7	16.9			
4.0%	27.5	23.9	21.0	18.8	16.9			
5.0%	27.6	24.0	21.1	18.8	17.0			

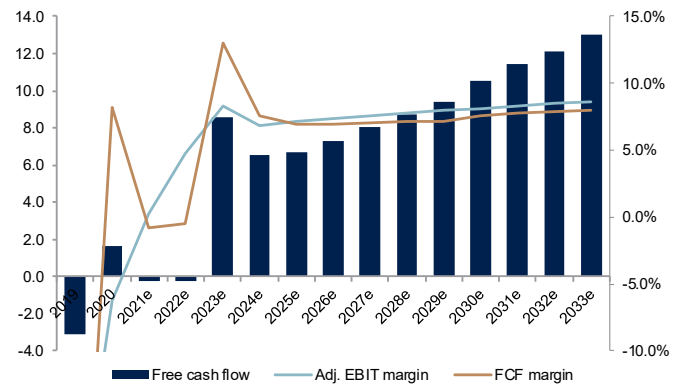
Source: ABG Sundal Collier, company data

### Gross revenue, adj. EBIT & NOPLAT, GBPM



Source: ABG Sundal Collier, company data

### FCF, GBPM, adj. EBIT & FCF margin, %



Source: ABG Sundal Collier, company data

## Flexion Mobile in brief

*Flexion was originally founded in 2007 and focused on game distribution for feature phones. In 2013, as the market transitioned towards smartphones, the company changed focus towards Android gaming. Flexion went public in June 2018 on Nasdaq First North and is now the leading multi-channel distribution platform for Android games excluding Google Play and China, the Alternative Android Market. The company works with top-tier game developers and helps them with distribution on a growing number of platforms such as Huawei, Samsung, Amazon, Xiaomi and One Store.*

### Value proposition

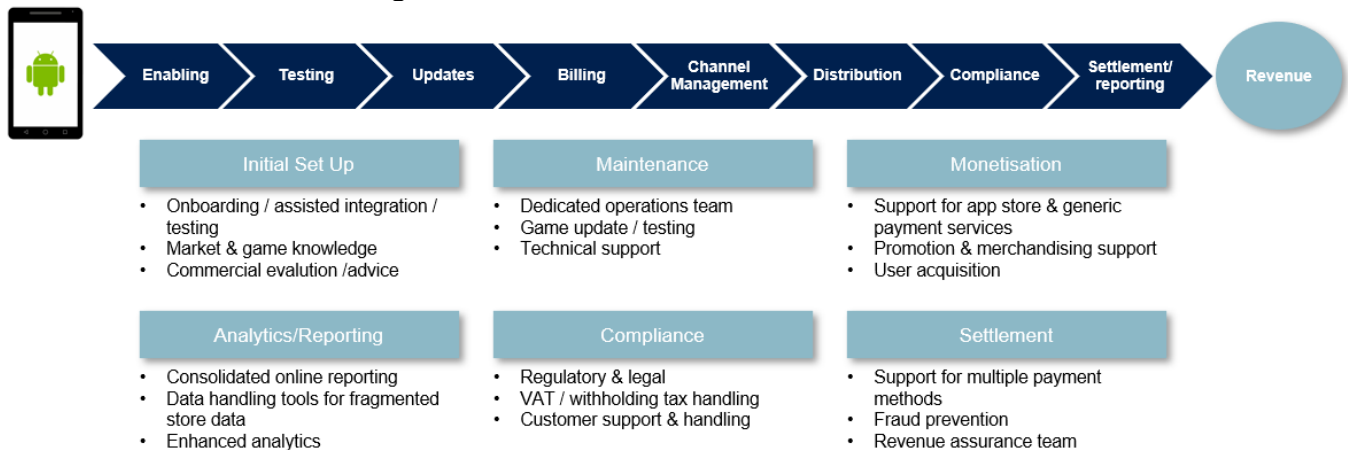
*Aims to generate approx. 10% of Google Play revenue*

Flexion aims to generate incremental revenue for its developer and channel partners. Based on its current distribution power, Flexion generates approximately 10% on top of what the games generate in Google Play. As the Alternative Android Market grows and Flexion increases its distribution footprint, there is a good chance that this percentage will increase further. The net contribution to the developer from this revenue is high as it is generated without the normal marketing, user acquisition and administrative costs required when distributing through Google Play.

### Full-service offering and technology

Flexion offers a full service and manages all steps from handling the existing game file to revenue. It includes initial set-up, maintenance, monetisation, analytics, compliance and settlement. This means that the parties involved can benefit from additional distribution and revenue with minimal effort.

#### Flexion's full-service offering



Source: ABG Sundal Collier, company data

In order to be able to provide its service offering, Flexion has developed a patented enabling and enhancement software that allows it to distribute third-party Android games in its channels. The developer's existing Android game file is transformed for new channels through an automated enabling process, including billing, software development kits (SDKs), file handling & hosting, channel pricing, testing, in-app items & pricing and update management. Enhancement features such as monetisation, retention, analytics and improved billing support can also be added manually if the developer requests it. Flexion's technology is patented in the US and is patent pending in Europe.

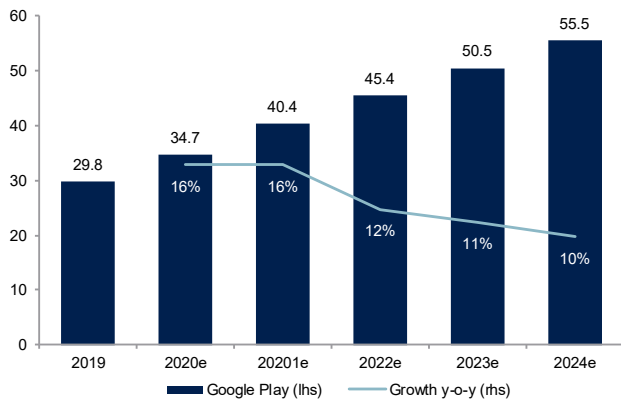
### Business model and go-to-market strategy

*Rev share agreement, aiming for a gross margin of 16%*

Flexion operates a revenue share model, taking a percentage from end-user transactions. In a typical payment flow, the channel collects payments from end-users and deducts a channel fee. Flexion receives the remainder, which it shares with the developer. Deal lengths vary but they usually run for 1-2 years at first, after which they become open-ended. Since Flexion has all the knowledge of the user base, it is difficult and expensive for the developer to break the contract on existing games. Instead, the risk relates to new games if the developer is not satisfied.

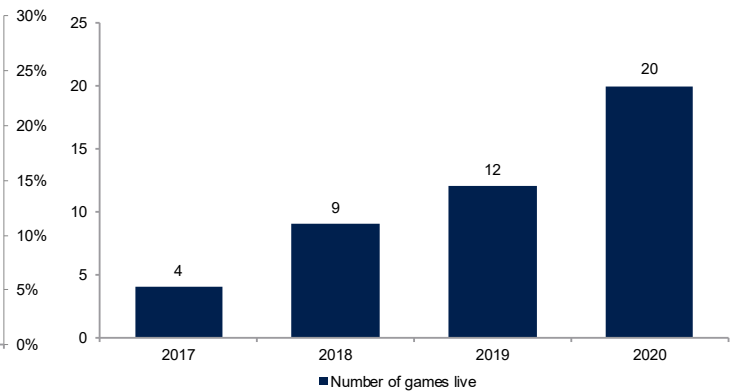
The go-to-market strategy is to sign and manage a portfolio of around 100 games in the mid-term. The company aims for one-third of these to be top-tier games, where each game has the potential to generate gross revenue in excess of USD 140,000 per month based on Flexion’s current distribution power, roughly equating to a top 200 position in the highest grossing Google Play games. The remaining two-thirds of the games shall be mid-tier games with a gross revenue potential in excess of USD 40,000 per month, roughly equating to a position between 200 and 800 in the top grossing Google Play games.

**Google Play Spending, USDbn**



Source: ABG Sundal Collier, SensorTower

**Game portfolio development**



Source: ABG Sundal Collier, company data



# Flexion Mobile

Income Statement (GBPm)	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021e
Sales	3	5	6	7	7	8	8	9
COGS	-2	-4	-5	-6	-6	-7	-7	-8
Gross profit	0	1	1	1	1	1	1	1
Other operating items	-1	-1	-1	-1	-1	-1	-1	-1
<b>EBITDA</b>	<b>-0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Depreciation and amortisation	-1	-0	-0	-0	-0	-0	-0	-0
<b>EBITA</b>	<b>-1</b>	<b>-0</b>	<b>0</b>	<b>0</b>	<b>-0</b>	<b>-0</b>	<b>-0</b>	<b>0</b>
EO items	0	0	0	0	0	0	0	0
Impairment and PPA amortisation	0	0	0	0	0	0	0	0
<b>EBIT</b>	<b>-1</b>	<b>-0</b>	<b>0</b>	<b>0</b>	<b>-0</b>	<b>-0</b>	<b>-0</b>	<b>0</b>
Net financial items	-0	-0	-0	-0	-0	-0	-0	-0
<b>Pretax profit</b>	<b>-1</b>	<b>-0</b>	<b>0</b>	<b>0</b>	<b>-0</b>	<b>-0</b>	<b>-0</b>	<b>0</b>
Tax	0	0	-0	0	-0	-0	-0	-0
<b>Net profit</b>	<b>-1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-0</b>	<b>-0</b>	<b>-0</b>	<b>0</b>
Minority interest	0	0	0	0	0	0	0	0
Net profit discontinued	0	0	0	0	0	0	0	0
<b>Net profit to shareholders</b>	<b>-1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-0</b>	<b>-0</b>	<b>-0</b>	<b>0</b>
EPS	-0.03	0.00	0.00	0.00	-0.01	-0.00	-0.00	0.00
EPS Adj	-0.03	0.00	0.00	0.00	-0.01	-0.00	-0.00	0.00
Total extraordinary items after tax	0	0	0	0	0	0	0	0
Tax rate (%)	1.9	109.0	29.0	7.0	57.5	20.3	72.1	5.0
Gross margin (%)	13.8	14.5	13.1	13.2	12.5	12.0	13.1	13.0
EBITDA margin (%)	-7.4	0.4	1.9	1.9	-1.0	0.4	0.9	1.4
EBITA margin (%)	-48.3	-0.8	0.8	0.8	-2.2	-0.7	-0.2	0.5
EBIT margin (%)	-48.3	-0.8	0.8	0.8	-2.2	-0.7	-0.2	0.5
Pretax margin (%)	-48.4	-0.9	0.7	0.8	-2.3	-0.7	-0.3	0.4
Net margin (%)	-47.5	0.1	0.5	0.8	-3.6	-0.8	-0.5	0.4
<b>Growth rates Y/Y</b>	<b>Q1 2020</b>	<b>Q2 2020</b>	<b>Q3 2020</b>	<b>Q4 2020</b>	<b>Q1 2021</b>	<b>Q2 2021</b>	<b>Q3 2021</b>	<b>Q4 2021e</b>
Sales growth (%)	66.4	152.8	168.4	176.1	136.3	61.5	26.4	31.3
EBITDA growth (%)	+chg	+chg	+chg	+chg	+chg	81.4	-39.0	-6.1
EBIT growth (%)	-chg	+chg	+chg	+chg	+chg	-chg	-chg	-17.1
Net profit growth (%)	-chg	+chg	+chg	+chg	+chg	-chg	-chg	-34.3
EPS growth (%)	-chg	+chg	+chg	+chg	+chg	-chg	-chg	-34.3
<b>Adj earnings numbers</b>	<b>Q1 2020</b>	<b>Q2 2020</b>	<b>Q3 2020</b>	<b>Q4 2020</b>	<b>Q1 2021</b>	<b>Q2 2021</b>	<b>Q3 2021</b>	<b>Q4 2021e</b>
EBITDA Adj	-0	0	0	0	-0	0	0	0
EBITDA Adj margin (%)	-7.4	0.4	1.9	1.9	-1.0	0.4	0.9	1.4
EBITA Adj	-1	-0	0	0	-0	-0	-0	0
EBITA Adj margin (%)	-48.3	-0.8	0.8	0.8	-2.2	-0.7	-0.2	0.5
EBIT Adj	-1	-0	0	0	-0	-0	-0	0
EBIT Adj margin (%)	-48.3	-0.8	0.8	0.8	-2.2	-0.7	-0.2	0.5
Pretax profit Adj	-1	-0	0	0	-0	-0	-0	0
Net profit Adj	-1	0	0	0	-0	-0	-0	0
Net profit to shareholders Adj	-1	0	0	0	-0	-0	-0	0
Net Adj margin (%)	-47.5	0.1	0.5	0.8	-3.6	-0.8	-0.5	0.4

Source: ABG Sundal Collier, Company data

# Flexion Mobile

Income Statement (GBPm)	2014	2015	2016	2017	2018	2019	2020	2021e	2022e	2023e
Sales	0	0	0	2	6	8	21	31	45	63
COGS	0	0	0	-1	-5	-7	-18	-27	-39	-54
Gross profit	0	0	0	1	1	1	3	4	6	9
Other operating items	0	0	0	-1	-3	-3	-3	-4	-0	0
<b>EBITDA</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-0</b>	<b>-2</b>	<b>-2</b>	<b>-0</b>	<b>0</b>	<b>6</b>	<b>9</b>
Depreciation and amortisation	0	0	0	-0	-0	-0	-1	-0	-4	-4
Of which leasing depreciation	0	0	0	0	0	0	0	-0	-0	-0
<b>EBITA</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-0</b>	<b>-2</b>	<b>-2</b>	<b>-1</b>	<b>-0</b>	<b>2</b>	<b>5</b>
EO items	0	0	0	0	0	0	0	0	0	0
Impairment and PPA amortisation	0	0	0	0	0	0	0	0	0	0
<b>EBIT</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-0</b>	<b>-2</b>	<b>-2</b>	<b>-1</b>	<b>-0</b>	<b>2</b>	<b>5</b>
Net financial items	0	0	0	0	-0	-0	-0	-0	-0	-0
<b>Pretax profit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-0</b>	<b>-2</b>	<b>-2</b>	<b>-1</b>	<b>-0</b>	<b>2</b>	<b>5</b>
Tax	0	0	0	0	0	0	0	-0	-0	-0
<b>Net profit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-0</b>	<b>-2</b>	<b>-2</b>	<b>-1</b>	<b>-0</b>	<b>2</b>	<b>5</b>
Minority interest	0	0	0	0	0	0	0	0	0	0
Net profit discontinued	0	0	0	0	0	0	0	0	0	0
<b>Net profit to shareholders</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-0</b>	<b>-2</b>	<b>-2</b>	<b>-1</b>	<b>-0</b>	<b>2</b>	<b>5</b>
EPS	0	0	0	-0.01	-0.04	-0.04	-0.03	-0.01	0.04	0.09
<i>EPS Adj</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>-0.01</i>	<i>-0.04</i>	<i>-0.04</i>	<i>-0.03</i>	<i>-0.01</i>	<i>0.04</i>	<i>0.09</i>
Total extraordinary items after tax	0	0	0	0	0	0	0	0	0	0
Leasing payments	0	0	0	0	0	0	0	-0	-0	-0
<i>Tax rate (%)</i>	<i>ns</i>	<i>ns</i>	<i>ns</i>	<i>16.0</i>	<i>3.8</i>	<i>4.3</i>	<i>4.8</i>	<i>61.8</i>	<i>5.0</i>	<i>5.0</i>
<i>Gross margin (%)</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>33.4</i>	<i>15.3</i>	<i>12.0</i>	<i>13.6</i>	<i>12.7</i>	<i>13.2</i>	<i>13.5</i>
<i>EBITDA margin (%)</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>-21.7</i>	<i>-29.8</i>	<i>-23.6</i>	<i>-0.1</i>	<i>0.4</i>	<i>12.3</i>	<i>13.9</i>
<i>EBITA margin (%)</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>-23.9</i>	<i>-31.8</i>	<i>-24.4</i>	<i>-6.2</i>	<i>-0.5</i>	<i>4.5</i>	<i>8.2</i>
<i>EBIT margin (%)</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>-23.9</i>	<i>-31.8</i>	<i>-24.4</i>	<i>-6.2</i>	<i>-0.5</i>	<i>4.5</i>	<i>8.2</i>
<i>Pretax margin (%)</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>-23.9</i>	<i>-31.9</i>	<i>-24.4</i>	<i>-6.2</i>	<i>-0.6</i>	<i>4.5</i>	<i>8.1</i>
<i>Net margin (%)</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>-20.1</i>	<i>-30.7</i>	<i>-23.4</i>	<i>-5.9</i>	<i>-0.9</i>	<i>4.3</i>	<i>7.7</i>
<b>Growth rates Y/Y</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021e</b>	<b>2022e</b>	<b>2023e</b>
<i>Sales growth (%)</i>	<i>na</i>	<i>na</i>	<i>na</i>	<i>na</i>	<i>250.0</i>	<i>47.0</i>	<i>146.8</i>	<i>51.0</i>	<i>44.5</i>	<i>39.7</i>
<i>EBITDA growth (%)</i>	<i>na</i>	<i>na</i>	<i>na</i>	<i>high</i>	<i>-379.7</i>	<i>-16.2</i>	<i>98.5</i>	<i>554.8</i>	<i>3,990.0</i>	<i>57.5</i>
<i>EBIT growth (%)</i>	<i>na</i>	<i>na</i>	<i>na</i>	<i>high</i>	<i>-366.1</i>	<i>-12.8</i>	<i>37.7</i>	<i>86.7</i>	<i>1,303.4</i>	<i>153.5</i>
<i>Net profit growth (%)</i>	<i>na</i>	<i>na</i>	<i>na</i>	<i>high</i>	<i>-435.2</i>	<i>-12.0</i>	<i>37.4</i>	<i>75.8</i>	<i>748.1</i>	<i>154.1</i>
<i>EPS growth (%)</i>	<i>na</i>	<i>na</i>	<i>na</i>	<i>high</i>	<i>-283.5</i>	<i>-11.3</i>	<i>38.2</i>	<i>79.3</i>	<i>745.5</i>	<i>154.1</i>
<b>Profitability</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021e</b>	<b>2022e</b>	<b>2023e</b>
<i>ROE (%)</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>-62.0</i>	<i>-41.3</i>	<i>-16.5</i>	<i>-2.5</i>	<i>14.3</i>	<i>29.0</i>
<i>ROE Adj (%)</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>-62.0</i>	<i>-41.3</i>	<i>-16.5</i>	<i>-2.5</i>	<i>14.3</i>	<i>29.0</i>
<i>ROCE (%)</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>-64.2</i>	<i>-43.0</i>	<i>-16.9</i>	<i>-1.4</i>	<i>15.0</i>	<i>30.3</i>
<i>ROCE Adj (%)</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>-64.2</i>	<i>-43.0</i>	<i>-16.9</i>	<i>-1.4</i>	<i>15.0</i>	<i>30.3</i>
<i>ROIC (%)</i>	<i>na</i>	<i>na</i>	<i>na</i>	<i>nm</i>	<i>263.9</i>	<i>-2,172.9</i>	<i>-860.6</i>	<i>20.7</i>	<i>-856.6</i>	<i>-689.7</i>
<i>ROIC Adj (%)</i>	<i>na</i>	<i>na</i>	<i>na</i>	<i>nm</i>	<i>263.9</i>	<i>-2,172.9</i>	<i>-860.6</i>	<i>20.7</i>	<i>-856.6</i>	<i>-689.7</i>
<b>Adj earnings numbers</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021e</b>	<b>2022e</b>	<b>2023e</b>
EBITDA Adj	0	0	0	-0	-2	-2	-0	0	6	9
<i>EBITDA Adj margin (%)</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>-21.7</i>	<i>-29.8</i>	<i>-23.6</i>	<i>-0.1</i>	<i>0.4</i>	<i>12.3</i>	<i>13.9</i>
EBITDA lease Adj	0	0	0	-0	-2	-2	-0	0	6	9
<i>EBITDA lease Adj margin (%)</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>-21.7</i>	<i>-29.8</i>	<i>-23.6</i>	<i>-0.1</i>	<i>0.3</i>	<i>12.2</i>	<i>13.8</i>
EBITA Adj	0	0	0	-0	-2	-2	-1	-0	2	5
<i>EBITA Adj margin (%)</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>-23.9</i>	<i>-31.8</i>	<i>-24.4</i>	<i>-6.2</i>	<i>-0.5</i>	<i>4.5</i>	<i>8.2</i>
EBIT Adj	0	0	0	-0	-2	-2	-1	-0	2	5
<i>EBIT Adj margin (%)</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>-23.9</i>	<i>-31.8</i>	<i>-24.4</i>	<i>-6.2</i>	<i>-0.5</i>	<i>4.5</i>	<i>8.2</i>
Pretax profit Adj	0	0	0	-0	-2	-2	-1	-0	2	5
Net profit Adj	0	0	0	-0	-2	-2	-1	-0	2	5
Net profit to shareholders Adj	0	0	0	-0	-2	-2	-1	-0	2	5
Net Adj margin (%)	nm	nm	nm	-20.1	-30.7	-23.4	-5.9	-0.9	4.3	7.7

Source: ABG Sundal Collier, Company data

<b>Cash Flow Statement (GBPm)</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021e</b>	<b>2022e</b>	<b>2023e</b>
EBITDA	0	0	0	-0	-2	-2	-0	0	6	9
Net financial items	0	0	0	0	-0	-0	-0	-0	-0	-0
Paid tax	0	0	0	0	0	0	0	-0	-0	-0
Non-cash items	0	0	0	0	0	0	0	0	0	0
Cash flow before change in WC	0	0	0	0	-2	-2	0	0	5	8
Change in WC	0	0	0	0	2	-1	2	1	0	0
<b>Operating cash flow</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-3</b>	<b>2</b>	<b>1</b>	<b>6</b>	<b>9</b>
CAPEX tangible fixed assets	0	0	0	0	0	0	0	0	0	0
CAPEX intangible fixed assets	0	0	0	-0	-0	-0	-1	-0	-0	-1
Acquisitions and disposals	0	0	0	0	0	0	0	0	0	0
<b>Free cash flow</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-0</b>	<b>-0</b>	<b>-3</b>	<b>2</b>	<b>0</b>	<b>5</b>	<b>8</b>
Dividend paid	0	0	0	0	0	0	0	0	0	0
Share issues and buybacks	0	0	0	0	0	0	0	0	0	0
Lease liability amortisation	0	0	0	0	0	0	0	-0	-0	-0
Other non cash items	0	0	0	0	7	-1	8	1	-6	-0
<b>Balance Sheet (GBPm)</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021e</b>	<b>2022e</b>	<b>2023e</b>
Goodwill	0	0	0	0	0	0	0	0	0	0
Other intangible assets	0	0	0	0	0	1	1	2	4	2
Tangible fixed assets	0	0	0	0	0	0	0	0	0	0
Right-of-use asset	0	0	0	0	0	0	0	0	0	0
Total other fixed assets	0	0	0	0	0	0	0	0	0	0
Fixed assets	0	0	0	0	0	1	1	2	5	2
Inventories	0	0	0	0	0	0	0	0	0	0
Receivables	0	0	0	0	1	1	4	4	5	6
Other current assets	0	0	0	0	0	2	0	0	0	0
Cash and liquid assets	0	0	0	0	7	2	12	14	14	22
<b>Total assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8</b>	<b>6</b>	<b>18</b>	<b>20</b>	<b>23</b>	<b>29</b>
Shareholders equity	0	0	0	0	6	4	11	12	14	19
Minority	0	0	0	0	0	0	0	0	0	0
<b>Total equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>4</b>	<b>11</b>	<b>12</b>	<b>14</b>	<b>19</b>
Long-term debt	0	0	0	0	0	0	0	0	0	0
Pension debt	0	0	0	0	0	0	0	0	0	0
Convertible debt	0	0	0	0	0	0	0	0	0	0
Leasing liability	0	0	0	0	0	0	0	0	0	0
Total other long-term liabilities	0	0	0	0	0	0	0	0	0	0
Short-term debt	0	0	0	0	0	0	0	0	0	0
Accounts payable	0	0	0	0	2	2	6	8	9	10
Other current liabilities	0	0	0	0	0	0	0	0	0	0
<b>Total liabilities and equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8</b>	<b>6</b>	<b>18</b>	<b>20</b>	<b>23</b>	<b>29</b>
Net IB debt	0	0	0	0	-7	-2	-12	-14	-13	-22
Net IB debt excl. pension debt	0	0	0	0	-7	-2	-12	-14	-13	-22
Net IB debt excl. leasing	0	0	0	0	-7	-2	-12	-14	-14	-22
Capital invested	0	0	0	0	-1	1	-1	-1	1	-2
Working capital	0	0	0	0	-2	1	-3	-3	-4	-4
<b>EV breakdown</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021e</b>	<b>2022e</b>	<b>2023e</b>
Market cap. diluted (m)	na	na	na	na	25	29	92	72	72	72
Net IB debt Adj	0	0	0	0	-7	-2	-12	-14	-13	-22
Market value of minority	0	0	0	0	0	0	0	0	0	0
Reversal of shares and participations	0	0	0	0	0	0	0	0	0	0
Reversal of conv. debt assumed equity	0	0	0	0	0	0	0	0	0	0
<b>EV</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>18</b>	<b>26</b>	<b>80</b>	<b>58</b>	<b>59</b>	<b>50</b>
<b>Capital efficiency</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021e</b>	<b>2022e</b>	<b>2023e</b>
Total assets turnover (%)	nm	nm	nm	nm	139.7	118.8	175.6	164.3	206.7	240.4
Working capital/sales (%)	nm	nm	nm	0	-13.9	-3.8	-3.8	-9.4	-7.8	-6.2
<b>Financial risk and debt service</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021e</b>	<b>2022e</b>	<b>2023e</b>
Net debt/equity	nm	nm	nm	nm	-1.24	-0.63	-1.11	-1.11	-0.93	-1.12
Net debt/market cap	na	na	na	na	-0.28	-0.07	-0.28	-0.21	-0.20	-0.32
Equity ratio (%)	nm	nm	nm	nm	69.2	64.9	62.7	61.1	61.8	66.0
Net IB debt adj./equity	nm	nm	nm	nm	-1.24	-0.63	-1.11	-1.11	-0.93	-1.12
Current ratio	nm	nm	nm	nm	3.18	2.69	2.51	2.33	2.09	2.77
EBITDA/net interest	na	na	na	high	-308.85	-713.83	-2.10	9.50	546.93	616.41
Net IB debt/EBITDA	nm	nm	nm	0	4.12	1.24	409.74	-102.01	-2.41	-2.47
Net IB debt/EBITDA lease Adj	nm	nm	nm	0	4.12	1.24	414.69	-154.61	-2.46	-2.51
Interest cover	nm	nm	nm	nm	-329.65	-739.33	-89.22	-11.79	199.70	362.36

Source: ABG Sundal Collier, Company data

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Valuation and Ratios (GBPm)	2014	2015	2016	2017	2018	2019	2020	2021e	2022e	2023e
Shares outstanding adj.	0	0	0	32	41	41	42	50	50	50
Fully diluted shares Adj	0	0	0	32	45	45	45	53	53	53
EPS	0	0	0	-0.01	-0.04	-0.04	-0.03	-0.01	0.04	0.09
Dividend per share Adj	0	0	0	0	0	0	0	0	0	0
EPS Adj	0	0	0	-0.01	-0.04	-0.04	-0.03	-0.01	0.04	0.09
BVPS	0	0	0	0	0.14	0.09	0.26	0.25	0.29	0.39
BVPS Adj	0	0	0	0	0.13	0.08	0.24	0.23	0.26	0.36
Net IB debt / share	na	na	na	0	-0.2	-0.1	-0.3	-0.3	-0.3	-0.4
Share price	na	na	na	na	0.55	0.64	2.02	1.35	1.35	1.35
Market cap. (m)	na	na	na	na	23	26	84	67	68	68
<b>Valuation</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021e</b>	<b>2022e</b>	<b>2023e</b>
P/E	na	na	na	na	-14.1	-14.7	-74.9	-242.4	37.6	14.8
EV/sales	na	na	na	na	3.11	3.16	3.85	1.86	1.30	0.80
EV/EBITDA	na	na	na	na	-10.4	-13.4	-2,660.9	426.1	10.6	5.8
EV/EBITA	na	na	na	na	-9.8	-12.9	-62.5	-343.4	28.9	9.8
EV/EBIT	na	na	na	na	-9.8	-12.9	-62.5	-343.4	28.9	9.8
Dividend yield (%)	na	na	na	na	0	0	0	0	0	0
FCF yield (%)	na	na	na	na	-0.5	-11.1	1.7	0.3	7.4	11.6
Lease adj. FCF yield (%)	na	na	na	na	-0.5	-11.1	1.7	0.2	7.4	11.5
P/BVPS	na	na	na	na	4.02	6.88	7.66	5.41	4.71	3.52
P/BVPS Adj	na	na	na	na	4.20	8.03	8.35	5.91	5.17	3.81
P/E Adj	na	na	na	na	-14.1	-14.7	-74.9	-242.4	37.6	14.8
EV/EBITDA Adj	na	na	na	na	-10.4	-13.4	-2,660.9	426.1	10.6	5.8
EV/EBITA Adj	na	na	na	na	-9.8	-12.9	-62.5	-343.4	28.9	9.8
EV/EBIT Adj	na	na	na	na	-9.8	-12.9	-62.5	-343.4	28.9	9.8
EV/cap. employed	na	na	na	na	3.1	6.9	7.1	4.6	4.0	2.6
<b>Investment ratios</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021e</b>	<b>2022e</b>	<b>2023e</b>
Capex/sales	nm	nm	nm	4.7	2.2	4.5	2.5	1.2	1.1	0.9
Capex/depreciation	nm	nm	nm	217.7	112.0	539.5	41.3	149.4	14.1	15.2
Capex tangibles/tangible fixed assets	nm	nm	nm	nm	0	nm	nm	nm	nm	nm
Capex intangibles/definite intangibles	nm	nm	nm	nm	52.3	68.6	55.7	36.5	38.1	35.9
Depreciation on intangibles/definite intai	nm	nm	nm	nm	17.0	12.7	134.9	23.5	271.0	235.5
Depreciation on tangibles/tangibles	nm	nm	nm	nm	342.4	nm	nm	nm	nm	nm

Source: ABG Sundal Collier, Company data

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