



Consolidated Financial Results for the three months ended March 31, 2023 [IFRS]

May 15, 2023

Company name: Appier Group, Inc.

Stock exchange listing: Tokyo Stock Exchange

Stock code: 4180

URL: <https://www.appier.com/>

Representative: Chih-Han Yu, Representative Director and CEO

Contact: Koji Tachibana, Senior Vice President of Finance

Phone: +81 3 6435 6617

Scheduled date for filing of quarterly securities report: May 15, 2023

Scheduled date of commencing dividend payments: -

Supplementary briefing material on quarterly financial results: Yes

Quarterly financial results briefing: Yes (for institutional investors and analysts)

(Amounts are recorded to nearest million yen)

1. Consolidated Financial Results for the three months ended March 31, 2023

(1) Consolidated Operating Results (cumulative)

(% changes year-over-year)

(Millions of yen)

	Revenue		EBITDA *		Operating income (loss)		Income (loss) before income taxes		Net income (loss)		Net income (loss) attributable to owners of the parent company		Total comprehensive income	
Three months ended March 31, 2023	5,552	32.3	386	47.2	(31)	-	(12)	-	(34)	-	(34)	-	142	(88.8)
Three months ended March 31, 2022	4,197	52.7	262	-	3	-	(27)	-	(46)	-	(46)	-	1,266	-

* EBITDA = Operating income + Depreciation and amortization + Tax expenses included in operating expenses

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended March 31, 2023	(0.33)	(0.33)
Three months ended March 31, 2022	(0.46)	(0.46)

*1 Outstanding share options equivalent to 1,579,471 and 1,228,505 shares of common shares are antidilutive as of March 31, 2022 and 2023, respectively, thus not included in the calculation of diluted loss per share for the three months period ended March 31, 2022 and 2023, respectively. Such share options may become dilutive in the future.

(2) Consolidated Financial Position

(Millions of yen)

	Total assets	Total equity	Total equity attributable to owners of the parent company	Ratio of equity attributable to owners of the parent company
As of March 31, 2023	35,496	26,374	26,374	74.3
As of December 31, 2022	35,939	26,201	26,201	72.9

English Translation

This is a translation of the original release in Japanese. In the event of any discrepancy, the original release in Japanese shall prevail.

2. Dividends

(Yen)

	Annual Dividends				
	End of 1st Quarter	End of 2nd Quarter	End of 3rd Quarter	End of Year	Total
FY2022	-	0.00	-	0.00	0.00
FY2023	-				
FY2023 (Forecast)		0.00	-	0.00	0.00

(Note) Revision of most recently announced dividend forecasts: No

3. Consolidated Financial Results Forecast for the year ending December 31, 2023

(% changes year-over-year)
(Millions of yen)

	Revenue		EBITDA *		Operating Income (loss)		Income (loss) before income taxes		Neost income (ls)		Net income (loss) attributable to owners of the parent company		Basic earnings per share
		%		%		%		%		%		%	Yen
FY2023	25,454	31.0	2,342	71.9	535	964.3	815	634.6	718	-	718	-	7.07

* EBITDA = Operating income + Depreciation and amortization + Tax expenses included in operating expenses

(Note) Revision of most recently announced consolidated financial results forecasts: No

(Notes)

- (1) Changes in Significant Subsidiaries during the Period: No
- (2) Changes in Accounting Policies and Changes in Accounting Estimates
 - 1) Changes in accounting policies required by IFRS: No
 - 2) Changes in accounting policies other than 1) above: No
 - 3) Changes in accounting estimates: No
- (3) Number of Shares Issued (common stock)
 - 1) Total number of shares issued at the end of the period (including treasury stock):
 - As of March 31, 2023: 101,588,767 shares
 - As of December 31, 2022: 101,511,035 shares
 - 2) Total number of treasury stock at the end of the period:
 - As of March 31, 2023: 237 shares
 - As of December 31, 2022: 195 shares
 - 3) Average number of shares during the period (cumulative):
 - Three months ended March 31, 2023: 101,535,531 shares
 - Three months ended March 31, 2022: 101,187,972 shares

* This quarterly financial report is outside the scope of quarterly review procedures by a certified public accountant or an audit firm.

* Explanation of the Proper Use of Financial Results Forecasts and Other Notes
(Caution Concerning Forward-Looking Statements)

The forward-looking statements including the financial results forecast herein are based on information currently available to the Company and certain assumptions that can be deemed reasonable and are not intended as the Company's commitment to achieve such forecasts. Actual results may differ significantly from these forecasts due to a wide range of factors. For conditions prerequisite to the financial results forecast and the points to be noted in the use thereof, please refer to "1. Qualitative Information on Consolidated Financial Results for the Period (3) Explanation on Future Forecast Information including Consolidated Financial Results Forecast" of the Appendix.

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I. Qualitative Information on Consolidated Financial Results for the Period

(1) Explanation on Operating results

The Company's mission is "Turning AI into ROI by Making Software Intelligent".

Revenue for the three months ended March 31, 2023, was ¥5,552 million (up 32.3 % year-over-year) due to increased revenue from existing customers through up-selling and cross-selling, and from new customers through verticals and regions expansion. In addition, ARR (*1) as of March 2023 was ¥21,620 million, a 37.2 % growth from ¥15,758 million as of March 2022.

Gross profit for the three months ended March 31, 2023, was ¥2,781 million (up 32.4 % year-over-year) and gross margin was 50.1% (50.1% in the same period of the previous fiscal year).

Although the amount of operating expenses (Sales and marketing expenses, Research and development expenses, and General and administrative expenses) has increased with the expansion of the business scale and the impact of foreign exchange rates, the ratio to revenue of Sales and marketing expenses and General and administrative expenses have decreased. On the other hand, the ratio to revenue in Research and development expenses rose 0.7% points year over year due to the impact of foreign exchange rates and increased R&D activities related to generative AI, etc. As a result, EBITDA (*3) was ¥386 million (¥262 million in the same period of the previous fiscal year), operating loss was ¥31 million (¥3 million income in the same period of the previous fiscal year), loss before tax was ¥12 million (¥27 million loss in the same period of the previous fiscal year), and loss attributable to owners of the parent company was ¥34 million (¥46 million loss in the same period of the previous fiscal year).

(*1) Annual recurring revenue. For solutions provided under a consumption-based pricing structure, the ARR is calculated by annualizing the average monthly recurring revenue (*2) for the relevant period multiplied by 12. For solutions provided under a subscription-based pricing structure, the ARR is calculated by annualizing the recurring revenue for the last month of the relevant period multiplied by 12. The ARR for March 2023 is calculated by multiplying the one-month average of recurring revenue from October 2022 to March 2023 by 12 for solutions provided under the consumption-based pricing structure, and by multiplying the recurring revenue for March 2023 by 12 for solutions provided under the subscription-based pricing structure.

(*2) Revenue from recurring customers. For solutions provided under the consumption-based pricing structure, this refers to (1) customers that have used the Company's solutions for four or more quarters in a row and (2) new customers within the latest twelve months that have used the Company's solutions for three or more months in a row. For solutions provided under the subscription-based pricing structure, this refers to customers who have a contract with the Company for more than one year.

(*3) EBITDA = Operating income + Depreciation and amortization + Tax expenses included in operating expenses

(2) Financial Position

(a) Assets, liabilities, and equity

(Assets)

Total assets as of March 31, 2023, amounted to ¥35,496 million, a decrease of ¥443 million from December 31, 2022. Current assets decreased by ¥892 million from December 31, 2022, mainly due to a decrease of ¥8,371 million in Time deposits due to withdrawal, an increase of ¥6,309 million in Cash and cash equivalents due to withdrawal of time deposits, etc., an increase of ¥890 million in Other financial assets due to the acquisition of financial assets at fair value through profit or loss, and an increase of ¥331 million in Trade receivables due to increasing in revenue. Non-current assets increased by ¥449 million from December 31, 2022, mainly due to an increase of ¥509 million in Goodwill and intangible assets due to capitalization of development costs that meet the requirements for capitalization, and a decrease of ¥132 million in Right-of-use assets due to amortization.

(Liabilities)

Total liabilities as of March 31, 2023, amounted to ¥9,122 million, a decrease of ¥615 million from December 31, 2022. Current liabilities decreased by ¥476 million from December 31, 2022, mainly due to a decrease of 649 million in Other liabilities due to payment of unpaid salaries and taxes, etc., and an increase of ¥106 million in Trade payables due to an increase of cost of sales. Non-current liabilities decreased by ¥139 million from December 31, 2022, mainly due to a decrease of ¥138 million in Lease liabilities due to payment.

(Equity)

Equity as of March 31, 2023, amounted to ¥26,374 million, an increase of ¥173 million from December 31, 2022, mainly due to an increase of ¥176 million in Other components of equity due to changes in exchange rates.

(b) Cash flows

Cash and cash equivalents as of March 31, 2023, was ¥10,113 million, an increase of ¥6,309 million from December 31, 2022.

Cash flows from each activity for the three months ended March 31, 2023 and their significant components are as follows:

(Cash flows from operating activities)

Net cash used in operating activities was ¥401 million, increased by ¥59 million compared to ¥341 million of disbursements for the three months ended March 31, 2022. Although EBITDA increased by ¥124 million compared to the previous fiscal year, disbursements increased due to an increase in working capital, mainly as a result of an increase in Trade receivables and a decrease in Other liabilities.

(Cash flows from investing activities)

Net cash provided by investing activities was ¥6,783 million, increased by ¥9,351 million compared to the ¥2,569 million of disbursements for the three months ended March 31, 2022. This is mainly due to an increase in income due to a net decrease of ¥9,579 million in Time deposits compared to the same period of the previous fiscal year, and an increase in Payments for intangible assets by ¥236 million compared to the same period of the previous fiscal year.

(Cash flows from financing activities)

Net cash used in financing activities was ¥131 million, increased by ¥8 million compared to the same period of the previous fiscal year.

English Translation

This is a translation of the original release in Japanese. In the event of any discrepancy, the original release in Japanese shall prevail.

(3) Explanation on Future Forecast Information including Consolidated Financial Results Forecast

The forecast announced previously is to be kept unchanged.

2 Condensed Quarterly Consolidated Financial Statements

(1) Condensed Quarterly Consolidated Statements of Financial Position

(Thousands of yen)

	As of December 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and cash equivalents	3,803,630	10,112,544
Time deposits	13,932,568	5,561,289
Trade receivables	2,843,653	3,174,179
Contract assets	920,117	922,917
Other receivables	164,292	107,024
Other current assets	121,969	125,936
Other financial assets	3,576,577	4,466,745
Total current assets	25,362,806	24,470,634
Non-current assets		
Property, plant and equipment	192,491	246,705
Right-of-use assets	2,881,598	2,749,203
Goodwill and intangible assets	6,937,098	7,445,683
Deferred tax assets	174,669	166,800
Other financial assets	389,959	416,627
Total non-current assets	10,575,815	11,025,018
Total assets	35,938,621	35,495,652
Liabilities and equity		
Liabilities		
Current liabilities		
Borrowings	2,149,053	2,169,987
Contract liabilities	158,189	181,225
Trade payables	1,833,823	1,939,590
Other liabilities	2,413,623	1,764,297
Current tax payables	51,367	33,031
Lease liabilities	582,535	612,390
Other current liabilities	98,293	110,287
Total current liabilities	7,286,883	6,810,807
Non-current liabilities		
Provisions	62,387	64,022
Deferred tax liabilities	58,989	55,907
Lease liabilities	2,329,027	2,191,052
Total non-current liabilities	2,450,403	2,310,981
Total liabilities	9,737,286	9,121,788
Equity		
Share capital	7,535,199	7,538,326
Capital surplus	23,712,343	23,739,560
Treasury shares	(246)	(322)
Retained earnings	(9,472,977)	(9,506,595)
Other components of equity	4,427,016	4,602,895
Equity attributable to owners of the parent company	26,201,335	26,373,864
Total equity	26,201,335	26,373,864
Total liabilities and equity	35,938,621	35,495,652

(2) Condensed Quarterly Consolidated Statements of Profit or Loss and Condensed Quarterly Consolidated Statements of Comprehensive Income

Condensed Quarterly Consolidated Statements of Profit or Loss

For the three months ended March 31, 2023

	(Thousands of yen)	
	2022	2023
	(From January 1, 2022 to March 31, 2022)	(From January 1, 2023 to March 31, 2023)
Revenue	4,197,460	5,551,923
Cost of sales	(2,096,626)	(2,770,655)
Gross profit	2,100,834	2,781,268
Sales and marketing expenses	(1,346,164)	(1,777,231)
Research and development expenses	(460,787)	(650,689)
General and administrative expenses	(348,739)	(433,560)
Other income	59,335	49,481
Other expenses	(1,294)	(603)
Operating income (loss)	3,185	(31,334)
Finance income	16,196	122,065
Finance costs	(46,677)	(102,427)
Loss before tax	(27,296)	(11,696)
Income taxes	(19,148)	(21,922)
Loss for the period	(46,444)	(33,618)
Loss attributable to:		
Owners of the parent company	(46,444)	(33,618)
Basic loss per share (yen)	(0.46)	(0.33)
Diluted loss per share (yen)	(0.46)	(0.33)

Condensed Quarterly Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2023

	(Thousands of yen)	
	2022	2023
	(From January 1, 2022 to March 31, 2022)	(From January 1, 2023 to March 31, 2023)
Loss for the period	(46,444)	(33,618)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Changes in the fair value of an equity investment at fair value through other comprehensive income	41,226	22,778
Total items that will not be reclassified subsequently to profit or loss	41,226	22,778
Items that may be reclassified to profit or loss		
Foreign currency translation differences on foreign operations	1,271,340	153,101
Total items that may be reclassified subsequently to profit or loss	1,271,340	153,101
Total other comprehensive income for the period	1,312,566	175,879
Total comprehensive income for the period	1,266,122	142,261
Total comprehensive income attributable to:		
Owners of the parent company	1,266,122	142,261

English Translation

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(3) Condensed Quarterly Consolidated Statements of Changes in Equity

For the three months ended March 31, 2022 (From January 1, 2022 to March 31, 2022)

(Thousands of yen)

	Equity attributable to owners of the parent company							
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity			Total equity
					Financial statements translation differences of foreign operations	Unrealized gains from financial assets measured at fair value through other comprehensive income	Total	
Balance at January 1, 2022	7,526,244	23,644,664	-	(9,494,299)	1,134,939	24,140	1,159,079	22,835,688
Loss for the period	-	-	-	(46,444)	-	-	-	(46,444)
Other comprehensive income	-	-	-	-	1,271,340	41,226	1,312,566	1,312,566
Total comprehensive income	-	-	-	(46,444)	1,271,340	41,226	1,312,566	1,266,122
Share options of the Company	-	9,981	-	-	-	-	-	9,981
Exercise of share options	1,080	1,080	-	-	-	-	-	2,160
Purchase of treasury shares	-	-	(58)	-	-	-	-	(58)
Total transactions with owners	1,080	11,061	(58)	-	-	-	-	12,083
Balance at March 31, 2022	7,527,324	23,655,725	(58)	(9,540,743)	2,406,279	65,366	2,471,645	24,113,893

For the three months ended March 31, 2023 (From January 1, 2023 to March 31, 2023)

(Thousands of yen)

	Equity attributable to owners of the parent company							
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity			Total equity
					Financial statements translation differences of foreign operations	Unrealized (loss) gains from financial assets measured at fair value through other comprehensive income	Total	
Balance at January 1, 2023	7,535,199	23,712,343	(246)	(9,472,977)	4,442,874	(15,858)	4,427,016	26,201,335
Loss for the period	-	-	-	(33,618)	-	-	-	(33,618)
Other comprehensive income	-	-	-	-	153,101	22,778	175,879	175,879
Total comprehensive income	-	-	-	(33,618)	153,101	22,778	175,879	142,261
Share options of the Company	-	24,090	-	-	-	-	-	24,090
Exercise of share options	3,127	3,127	-	-	-	-	-	6,254
Purchase of treasury shares	-	-	(76)	-	-	-	-	(76)
Total transactions with owners	3,127	27,217	(76)	-	-	-	-	30,268
Balance at March 31, 2023	7,538,326	23,739,560	(322)	(9,506,595)	4,595,975	6,920	4,602,895	26,373,864

English Translation

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(4) Condensed Quarterly Consolidated Statements of Cash Flows

(Thousands of yen)

	2022 (From January 1, 2022 to March 31, 2022)	2023 (From January 1, 2023 to March 31, 2023)
Cash flows from operating activities		
Loss before tax	(27,296)	(11,696)
Depreciation and amortization	257,138	415,375
Interest income	(16,196)	(122,065)
Interest expense	16,534	26,030
Expected credit losses	17,937	20,540
Gain on financial assets measured at fair value through profit or loss	(115)	(45,744)
Gains on forfeited contingent consideration	(57,178)	-
Share-based compensation expense	12,085	30,266
Others	(257)	103
Change in working capital		
Contract assets	131,913	4,458
Trade receivables	(172,320)	(332,057)
Other receivables	53,518	(6,048)
Other current assets	(25,369)	(5,328)
Contract liabilities	2,589	21,541
Trade payables	(135,070)	91,700
Other liabilities	(353,532)	(622,614)
Other current liabilities	(21,679)	10,809
Subtotal	(317,298)	(524,730)
Interest received	524	183,457
Interest paid	(16,479)	(25,917)
Income taxes paid	(7,977)	(33,400)
Net cash used in operating activities	(341,230)	(400,590)
Cash flows from investing activities		
Payments for property, plant and equipment	(10,068)	(70,496)
Payments for intangible assets	(466,661)	(702,677)
Payment for acquisition of a subsidiary	-	(41,569)
Withdrawal of time deposits	-	10,905,021
Placement of time deposits	(1,162,873)	(2,488,947)
Acquisition of financial assets measured at fair value through profit or loss	(930,691)	(888,627)
Proceeds from disposal of financial assets at fair value through profit or loss	-	71,977
Others	1,631	(2,155)
Net cash (used in) provided by investing activities	(2,568,662)	6,782,527
Cash flows from financing activities		
Payment of lease liabilities	(122,470)	(130,915)
Proceeds from issuance of shares	56	78
Payments to acquire treasury shares	(58)	(76)
Net cash used in financing activities	(122,472)	(130,913)
Effects of exchange rate changes on cash and cash equivalents	148,061	57,890
Net (decrease) increase in cash and cash equivalents	(2,884,303)	6,308,914
Cash and cash equivalents at the beginning of the period	6,560,906	3,803,630
Cash and cash equivalents at end of period	3,676,603	10,112,544

(5) Notes to Condensed Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not Applicable.

(Notes on Significant Changes in the Amount of Equity Attributable to Owners of the Parent Company)

Not Applicable.

(Segment Information)

The presentation of segments information is omitted as Apear Group consists of a single segment by AISaaS business.

(Events after the reporting period)

Not Applicable.