



Consolidated Financial Results for the six months ended June 30, 2022 [IFRS]

August 12, 2022

Company name: Appier Group, Inc.

Stock exchange listing: Tokyo Stock Exchange

Stock code: 4180

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Scheduled date for filing of quarterly securities report: August 12, 2022

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 six months ended June 30, 2022

(1) Consolidated Operating Results (cumulative)

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

(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	
Six months ended June 30, 2022	8,557	54.2	475	-	(92)	-	(195)	-	(233)	-	(233)	-	3,846	-
Six months ended June 30, 2021	5,550	37.7	(144)	-	(783)	-	(815)	-	(858)	-	(858)	-	(382)	-

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

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended June 30, 2022	(2.30)	(2.30)
Six months ended June 30, 2021	(8.95)	(8.95)

*1 On January 29, 2021, the Company allotted common shares by 90,761,489 shares to the sole shareholder of the Company. Accordingly, basic earnings per share and diluted earnings per share are calculated as if the allotment of shares was executed at the beginning of the year ended December 31, 2021.

*2 Stock options equivalent to 1,496,163 shares of common stock as of June 30, 2022 are not included in the calculation of diluted loss per share, as they are antidilutive to earnings per share. Such stock options may potentially dilute basic earnings per share 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 June 30, 2022	35,111	26,712	26,712	76.1
As of December 31, 2021	31,206	22,836	22,836	73.2

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
FY2021	-	0.00	-	0.00	0.00
FY2022	-	0.00			
FY2022 (Forecast)			-	0.00	0.00

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

3. Consolidated Financial Results Forecast for the year ending December 31, 2022

(% 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		Basic earnings per share
		%		%		%		%		%		%	Yen
FY2022	18,455	45.8	1,068	-	(84)	-	(196)	-	(287)	-	(287)	-	(2.83)

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

(Note) Revision of most recently announced consolidated financial results forecasts: Yes

(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 June 30, 2022: 101,334,580 shares
 - As of December 31, 2021: 101,164,657 shares
 - 2) Total number of treasury stock at the end of the period:
 - As of June 30, 2022: 80 shares
 - As of December 31, 2021: None
 - 3) Average number of shares during the period (cumulative):
 - Six months ended June 30, 2022: 101,216,835 shares
 - Six months ended June 30, 2021: 95,854,892 shares

* On January 29, 2021, the Company allotted common shares by 90,761,489 shares to the sole shareholder of the Company. Accordingly, total number of shares issued at the end of the period and average number of shares during the period are calculated as if the allotment of shares was executed at the beginning of the year ended December 31, 2021.

* 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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1. 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".

During the six months ended June 30, 2022, demands for our services have been expanded because of the enhancement of our sales team and the efforts of continuous improvements of our solutions. ARR (*1) as of June 2022 was ¥16,585 million, a 53.1% growth from ¥10,834 million as of June 2021. Revenue for the six months ended June 30, 2022 was ¥8,557,210 thousand (up 54.2% year-over-year).

Gross profit for the six months ended June 30, 2022 was ¥4,291,298 thousand (up 58.4% year-over-year). This was due to an improvement in gross profit margin by enhancement of our CrossX algorithm and increase in the proportion of revenue derived from our other solutions, primarily AIQUA, AiDeal and AIXON, which have higher gross profit margins.

EBITDA (*3) was ¥474,845 thousand (¥143,530 thousand loss in the same period of the previous fiscal year), operating loss was ¥91,976 thousand (¥782,664 thousand loss in the same period of the previous fiscal year), loss before tax was ¥195,380 thousand (¥815,045 thousand loss in the same period of the previous fiscal year), and loss attributable to owners of the parent company was ¥233,195 thousand (¥858,351 thousand loss in the same period of the previous fiscal year) due to upfront investments in sales personnel and engineers for future business expansion.

(*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 June 2022 is calculated by multiplying the one-month average of recurring revenue from January 2022 to June 2022 by 12 for solutions provided under the consumption-based pricing structure, and by multiplying the recurring revenue for June 2022 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 + IPO-related expenses

(2) Financial Position

(a) Assets, liabilities, and equity

(Assets)

Total assets as of June 30, 2022 amounted to ¥35,111,349 thousand, an increase of ¥3,905,776 thousand from December 31, 2021. Current assets increased by ¥2,567,601 thousand from December 31, 2021 mainly due to an increase of ¥2,742,454 thousand in Other financial assets due to acquisition of financial assets at fair value through profit or loss, an increase of ¥1,229,825 thousand in Time deposits due to foreign currency translation, a decrease of ¥1,572,571 thousand in Cash and cash equivalents due to acquisition of financial assets at fair value through profit or loss, placement of time deposits, and payments for intangible assets. Non-current assets increased by ¥1,338,175 thousand from December 31, 2021 mainly due to an increase of ¥1,340,168 thousand in Goodwill and intangible assets due to capitalization of development costs that meet the requirements for capitalization.

(Liabilities)

Total liabilities as of June 30, 2022 amounted to ¥8,398,891 thousand, an increase of ¥29,006 thousand from December 31, 2021. Current liabilities increased by ¥151,927 thousand from December 31, 2021 mainly due to an increase of ¥152,982 thousand in Borrowings due to the foreign currency translation, a decrease of ¥131,269 thousand in Other liabilities due to payment of bonuses. Non-current liabilities decreased by ¥122,921 thousand from December 31, 2021 mainly due to a decrease of ¥126,984 thousand in Lease liabilities due to payment.

(Equity)

Equity as of June 30, 2022 amounted to ¥26,712,458 thousand, an increase of ¥3,876,770 thousand from December 31, 2021 mainly due to an increase of ¥4,079,521 thousand in Other components of equity due to changes in exchange rates, and a decrease of ¥233,195 thousand in Retained earnings due to net loss.

(b) Cash flows

Cash and cash equivalents as of June 30, 2022 was ¥4,988,335 thousand, a decrease of ¥1,572,571 thousand from December 31, 2021.

Cash flows from each activity for the six months ended June 30, 2022 and their significant components are as follows:

(Cash flows from operating activities)

Net cash provided by operating activities was ¥202,938 thousand, increased by ¥1,226,226 thousand compared to ¥1,023,288 thousand of disbursements for the six months ended June 30, 2021. This is mainly attributable to a decrease of ¥619,665 thousand in Loss before tax compared to the same period of the previous fiscal year, a decrease of ¥72,197 thousand in Trade receivables (an increase of ¥190,539 thousand in the same period of the previous fiscal year), and an increase of ¥256,133 thousand in Depreciation and amortization compared to the same period of the previous fiscal year.

(Cash flows from investing activities)

Net cash used in investing activities was ¥1,998,545 thousand, increased by ¥2,730,578 thousand compared to the ¥732,033 thousand of proceeds for the six months ended June 30, 2021. This is mainly attributable to an increase of Placement of time deposits by ¥7,247,377 thousand compared to the same period of the previous fiscal year, Acquisition of financial assets at fair value through profit or loss of ¥ 2,491,005 thousand (zero for the same period of the previous fiscal year), an increase of ¥381,769 thousand in Payments for intangible assets compared to the same period of the previous fiscal year, and an increase of ¥7,416,240 thousand in Withdrawal of time deposits compared to the same period of the previous fiscal year.

(Cash flows from financing activities)

Net cash used in financing activities was ¥251,328 thousand, increased by ¥14,846,797 thousand compared to the ¥14,595,469 thousand of proceeds for the six months ended June 30, 2021. This is mainly attributable to a decrease of ¥15,041,164 thousand in Proceeds from issuance of shares compared to the same period of the previous fiscal year, and a decrease of ¥210,697 thousand in Payment of expenses for issuance of shares compared to the same period of the previous fiscal year.

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

For the six months ended June 30, 2022, we have done better than expected in new customer acquisition and expansion on existing customers. Thus we outperformed our guidance in revenue and profit or losses announced on May 9, 2022. Accordingly, we have made an upward revision on our consolidated full-year guidance.

For further details, please refer to the “Announcement on Revision of the Consolidated Full-year Guidance” disclosed on August 12, 2022.

2 Condensed Quarterly Consolidated Financial Statements

(1) Condensed Quarterly Consolidated Statements of Financial Position

(Thousands of yen)

	As of December 31, 2021	As of June 30, 2022
Assets		
Current assets		
Cash and cash equivalents	6,560,906	4,988,335
Time deposits	14,939,084	16,168,909
Trade receivables	1,921,124	2,009,479
Contract assets	889,153	944,476
Other receivables	69,733	37,913
Other current assets	103,964	159,999
Other financial assets	-	2,742,454
Total current assets	24,483,964	27,051,565
Non-current assets		
Property, plant and equipment	138,885	149,094
Right-of-use assets	3,045,855	2,955,378
Goodwill and intangible assets	2,977,175	4,317,343
Deferred tax assets	180,548	183,756
Other financial assets	379,146	454,213
Total non-current assets	6,721,609	8,059,784
Total assets	31,205,573	35,111,349
Liabilities and equity		
Liabilities		
Current liabilities		
Borrowings	2,096,881	2,249,863
Contract liabilities	97,685	114,366
Trade payables	1,477,760	1,561,958
Other liabilities	1,489,481	1,358,212
Current tax payables	18,270	17,282
Lease liabilities	492,672	540,361
Other current liabilities	77,424	60,058
Total current liabilities	5,750,173	5,902,100
Non-current liabilities		
Provisions	50,940	53,977
Deferred tax liabilities	10,040	11,066
Lease liabilities	2,558,732	2,431,748
Total non-current liabilities	2,619,712	2,496,791
Total liabilities	8,369,885	8,398,891
Equity		
Share capital	7,526,244	7,529,926
Capital surplus	23,644,664	23,671,484
Treasury shares	-	(58)
Retained earnings	(9,494,299)	(9,727,494)
Other components of equity	1,159,079	5,238,600
Equity attributable to owners of the parent company	22,835,688	26,712,458
Total equity	22,835,688	26,712,458
Total liabilities and equity	31,205,573	35,111,349

English Translation

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(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 six months ended June 30, 2022

	(Thousands of yen)	
	2021	2022
	(From January 1, 2021 to June 30, 2021)	(From January 1, 2022 to June 30, 2022)
Revenue	5,549,867	8,557,210
Cost of sales	(2,841,092)	(4,265,912)
Gross profit	2,708,775	4,291,298
Sales and marketing expenses	(2,002,197)	(2,837,545)
Research and development expenses	(824,872)	(1,043,085)
General and administrative expenses	(673,075)	(727,898)
Other income	10,859	227,163
Other expenses	(2,154)	(1,909)
Operating loss	(782,664)	(91,976)
Finance income	18,829	41,151
Finance costs	(51,210)	(144,555)
Loss before tax	(815,045)	(195,380)
Income taxes	(43,306)	(37,815)
Loss for the period	(858,351)	(233,195)
Loss attributable to:		
Owners of the parent company	(858,351)	(233,195)
Basic loss per share (yen)	(8.95)	(2.30)
Diluted loss per share (yen)	(8.95)	(2.30)

For the three months ended June 30, 2022

	(Thousands of yen)	
	2021	2022
	(From April 1, 2021 to June 30, 2021)	(From April 1, 2022 to June 30, 2022)
Revenue	2,800,586	4,359,750
Cost of sales	(1,402,492)	(2,169,286)
Gross profit	1,398,094	2,190,464
Sales and marketing expenses	(981,622)	(1,491,381)
Research and development expenses	(402,584)	(582,298)
General and administrative expenses	(268,074)	(379,159)
Other income	7,335	167,828
Other expenses	(182)	(615)
Operating loss	(247,033)	(95,161)
Finance income	8,212	24,955
Finance costs	(27,803)	(97,878)
Loss before tax	(266,624)	(168,084)
Income taxes	(10,613)	(18,667)
Loss for the period	(277,237)	(186,751)
Loss attributable to:		
Owners of the parent company	(277,237)	(186,751)
Basic loss per share (yen)	(2.76)	(1.84)
Diluted loss per share (yen)	(2.76)	(1.84)

Condensed Quarterly Consolidated Statements of Comprehensive Income

For the six months ended June 30, 2022

	(Thousands of yen)	
	2021 (From January 1, 2021 to June 30, 2021)	2022 (From January 1, 2022 to June 30, 2022)
Loss for the period	(858,351)	(233,195)
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	-	31,916
Total items that will not be reclassified subsequently to profit or loss	-	31,916
Items that may be reclassified to profit or loss		
Foreign currency translation differences on foreign operations	476,684	4,047,605
Total items that may be reclassified subsequently to profit or loss	476,684	4,047,605
Total other comprehensive income for the period	476,684	4,079,521
Total comprehensive income (loss) for the period	(381,667)	3,846,326
Total comprehensive income (loss) attributable to:		
Owners of the parent company	(381,667)	3,846,326

For the three months ended June 30, 2022

	(Thousands of yen)	
	2021 (From April 1, 2021 to June 30, 2021)	2022 (From April 1, 2022 to June 30, 2022)
Loss for the period	(277,237)	(186,751)
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	-	(9,310)
Total items that will not be reclassified subsequently to profit or loss	-	(9,310)
Items that may be reclassified to profit or loss		
Foreign currency translation differences on foreign operations	(49,298)	2,776,265
Total items that may be reclassified subsequently to profit or loss	(49,298)	2,776,265
Total other comprehensive income for the period	(49,298)	2,766,955
Total comprehensive income (loss) for the period	(326,535)	2,580,204
Total comprehensive income (loss) attributable to:		
Owners of the parent company	(326,535)	2,580,204

English Translation

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(3) Condensed Quarterly Consolidated Statements of Changes in Equity

For the six months ended June 30, 2021 (From January 1, 2021 to June 30, 2021)

(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, 2021	0*	16,248,390	-	(8,315,781)	(264,441)	-	(264,441)	7,668,168
Loss for the period	-	-	-	(858,351)	-	-	-	(858,351)
Other comprehensive income	-	-	-	-	476,684	-	476,684	476,684
Total comprehensive loss	-	-	-	(858,351)	476,684	-	476,684	(381,667)
Share issued pursuant to the listing	7,520,629	7,309,932	-	-	-	-	-	14,830,561
Share options of the Company	-	39,570	-	-	-	-	-	39,570
Exercise of share options	38	38	-	-	-	-	-	76
Total transactions with owners	7,520,667	7,349,540	-	-	-	-	-	14,870,207
Balance at June 30, 2021	7,520,667	23,597,930	-	(9,174,132)	212,243	-	212,243	22,156,708

*Less than ¥ 1 thousand.

For the six months ended June 30, 2022 (From January 1, 2022 to June 30, 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	-	-	-	(233,195)	-	-	-	(233,195)
Other comprehensive income	-	-	-	-	4,047,605	31,916	4,079,521	4,079,521
Total comprehensive income	-	-	-	(233,195)	4,047,605	31,916	4,079,521	3,846,326
Share options of the Company	-	23,138	-	-	-	-	-	23,138
Exercise of share options	3,682	3,682	-	-	-	-	-	7,364
Purchase of treasury shares	-	-	(58)	-	-	-	-	(58)
Total transactions with owners	3,682	26,820	(58)	-	-	-	-	30,444
Balance at June 30, 2022	7,529,926	23,671,484	(58)	(9,727,494)	5,182,544	56,056	5,238,600	26,712,458

English Translation

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(4) Condensed Quarterly Consolidated Statements of Cash Flows

	(Thousands of yen)	
	2021	2022
	(From January 1, 2021 to June 30, 2021)	(From January 1, 2022 to June 30, 2022)
Cash flows from operating activities		
Loss before tax	(815,045)	(195,380)
Depreciation and amortization	307,698	563,831
Interest income	(18,829)	(41,151)
Interest expense	14,888	30,195
Expected credit losses	1,603	43,726
Gain on financial assets measured at fair value through profit or loss	-	(9,431)
Gains on forfeited contingent consideration	-	(57,178)
Share-based compensation expense	39,570	30,332
Others	-	(108)
Change in working capital		
Trade receivables	40,170	108,064
Contract assets	(190,539)	72,197
Other receivables	(3,208)	55,081
Other current assets	(42,990)	(53,895)
Contract liabilities	1,671	4,374
Trade payables	(95,663)	(134,414)
Other liabilities	(245,590)	(160,608)
Other liabilities to a related party	(5)	-
Other current liabilities	(98)	(23,459)
Subtotal	(1,006,367)	232,176
Interest received	30,342	23,127
Interest paid	(14,679)	(30,085)
Income taxes paid	(32,584)	(22,280)
Net cash provided by (used in) operating activities	(1,023,288)	202,938
Cash flows from investing activities		
Payments for property, plant and equipment	(13,398)	(29,193)
Payments for intangible assets	(631,982)	(1,013,751)
Payment for acquisition of a subsidiary	(22,946)	(35,298)
Withdrawal of time deposits	2,422,212	9,838,452
Placement of time deposits	(1,022,809)	(8,270,186)
Acquisition of financial assets measured at fair value through profit or loss	-	(2,491,005)
Others	956	2,436
Net cash provided by (used in) investing activities	732,033	(1,998,545)
Cash flows from financing activities		
Payment of lease liabilities	(235,168)	(251,440)
Proceeds from issuance of shares	15,041,334	170
Payment of expenses for issuance of shares	(210,697)	-
Payments to acquire treasury shares	-	(58)
Net cash provided by (used in) financing activities	14,595,469	(251,328)
Effects of exchange rate changes on cash and cash equivalents	76,620	474,364
Net increase in cash and cash equivalents	14,380,834	(1,572,571)
Cash and cash equivalents at the beginning of the period	1,634,707	6,560,906
Cash and cash equivalents at end of period	16,015,541	4,988,335

(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 Appea Group consists of a single segment by AISaaS business.

(Events after the reporting period)

Not Applicable.