



Consolidated Financial Results for the six months ended June 30, 2023 [IFRS]

August 14, 2023

Company name: Appier Group, Inc.

Stock exchange listing: Tokyo Stock Exchange

Stock code: 4180

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

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Scheduled date for filing of quarterly securities report: August 14, 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 six months ended June 30, 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	
Six months ended June 30, 2023	11,722	37.0	936	97.1	48	-	110	-	82	-	82	-	2,541	(33.9)
Six months ended June 30, 2022	8,557	54.2	475	-	(92)	-	(195)	-	(233)	-	(233)	-	3,846	-

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

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended June 30, 2023	0.80	0.79
Six months ended June 30, 2022	(2.30)	(2.30)

*1 Outstanding share options equivalent to 1,496,163 shares of common shares are antidilutive as of June 30, 2022, thus not included in the calculation of diluted loss per share for the six months period ended June 30, 2022. 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 June 30, 2023	38,823	28,796	28,796	74.2
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	-	0.00			
FY2023 (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, 2023

(% changes year-over-year)

(Millions of yen)

	Revenue		EBITDA *		Operating Income (loss)		Income (loss) before income taxes		Net 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 June 30, 2023: 101,691,383 shares
 - As of December 31, 2022: 101,511,035 shares
 - 2) Total number of treasury stock at the end of the period:
 - As of June 30, 2023: 237 shares
 - As of December 31, 2022: 195 shares
 - 3) Average number of shares during the period (cumulative):
 - Six months ended June 30, 2023: 101,581,604 shares
 - Six months ended June 30, 2022: 101,216,835 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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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".

Revenue for the six months ended June 30, 2023, was ¥11,722 million (up 37.0 % 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 June 2023 was ¥22,465 million, a 35.5 % growth from ¥16,585 million as of June 2022.

Gross profit for the six months ended June 30, 2023, was ¥5,948 million (up 38.6 % year-over-year) and gross margin was 50.7% (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 operating expenses has decreased. As a result, EBITDA (*3) was ¥936 million (¥475 million in the same period of the previous fiscal year), operating income was ¥48 million (¥91 million loss in the same period of the previous fiscal year), profit before tax was ¥110 million (¥195 million loss in the same period of the previous fiscal year), and profit attributable to owners of the parent company was ¥82 million (¥233 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 June 2023 is calculated by multiplying the one-month average of recurring revenue from January 2023 to June 2023 by 12 for solutions provided under the consumption-based pricing structure, and by multiplying the recurring revenue for June 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 June 30, 2023, amounted to ¥38,823 million, an increase of ¥2,885 million from December 31, 2022. Current assets increased by ¥1,266 million from December 31, 2022, mainly due to an increase of ¥1,346 million in cash and cash equivalents due to withdrawal of time deposits, etc., an increase of ¥1,342 million in other financial assets due to the acquisition of financial assets at fair value through profit or loss, an increase of ¥625 million in trade receivables and contract assets due to increasing in revenue, and a decrease of ¥2,140 million in time deposits due to withdrawal. Non-current assets increased by ¥1,619 million from December 31, 2022, mainly due to an increase of ¥1,621 million in goodwill and intangible assets due to capitalization of development costs that meet the requirements for capitalization, and a decrease of ¥189 million in right-of-use assets due to amortization.

(Liabilities)

Total liabilities as of June 30, 2023, amounted to ¥10,027 million, an increase of ¥290 million from December 31, 2022. Current liabilities increased by ¥503 million from December 31, 2022, mainly due to an increase of ¥333 million in trade payables due to an increase of cost of sales. Non-current liabilities decreased by ¥212 million from December 31, 2022, mainly due to a decrease of ¥216 million in lease liabilities due to payment.

(Equity)

Equity as of June 30, 2023, amounted to ¥28,796 million, an increase of ¥2,595 million from December 31, 2022, mainly due to an increase of ¥2,459 million in other components of equity due to changes in exchange rates.

(b) Cash flows

Cash and cash equivalents as of June 30, 2023, was ¥5,150 million, an increase of ¥1,346 million from December 31, 2022.

Cash flows from each activity for the six months ended June 30, 2023, and their significant components are as follows:

(Cash flows from operating activities)

Net cash provided by operating activities was ¥555 million, increased by ¥352 million compared to the same period of the previous fiscal year. This is mainly attributable to an increase of ¥417 million in profit before tax adjusted for non-cash items compared to the same period of the previous fiscal year, an increase of ¥259 million in interest received compared to the same period of the previous fiscal year, and an increase of ¥287 million in working capital compared to the same period of the previous fiscal year.

(Cash flows from investing activities)

Net cash provided by investing activities was ¥552 million, increased by ¥2,550 million compared to the ¥1,999 million of disbursements for the six months ended June 30, 2023. This is mainly due to a decrease of ¥1,602 million in acquisition of financial assets measured at fair value through profit or loss compared to the same period of the previous fiscal year, an increase in income from net decrease of ¥1,388 million in time deposits compared to the same period of the previous fiscal year, and an increase in payments for intangible assets by ¥425 million compared to the same period of the previous fiscal year.

(Cash flows from financing activities)

Net cash used in financing activities was ¥286 million, increased by ¥34 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 June 30, 2023
Assets		
Current assets		
Cash and cash equivalents	3,803,630	5,149,630
Time deposits	13,932,568	11,792,208
Trade receivables	2,843,653	3,123,988
Contract assets	920,117	1,264,760
Other receivables	164,292	118,393
Other current assets	121,969	261,105
Other financial assets	3,576,577	4,918,656
Total current assets	25,362,806	26,628,740
Non-current assets		
Property, plant and equipment	192,491	267,214
Right-of-use assets	2,881,598	2,692,230
Goodwill and intangible assets	6,937,098	8,557,847
Deferred tax assets	174,669	179,222
Other financial assets	389,959	498,114
Total non-current assets	10,575,815	12,194,627
Total assets	35,938,621	38,823,367
Liabilities and equity		
Liabilities		
Current liabilities		
Borrowings	2,149,053	2,270,749
Contract liabilities	158,189	135,691
Trade payables	1,833,823	2,166,397
Other liabilities	2,413,623	2,412,328
Current tax payables	51,367	49,913
Lease liabilities	582,535	638,529
Other current liabilities	98,293	115,892
Total current liabilities	7,286,883	7,789,499
Non-current liabilities		
Provisions	62,387	66,829
Deferred tax liabilities	58,989	58,432
Lease liabilities	2,329,027	2,112,681
Total non-current liabilities	2,450,403	2,237,942
Total liabilities	9,737,286	10,027,441
Equity		
Share capital	7,535,199	7,542,568
Capital surplus	23,712,343	23,759,090
Treasury shares	(246)	(322)
Retained earnings	(9,472,977)	(9,391,310)
Other components of equity	4,427,016	6,885,900
Equity attributable to owners of the parent company	26,201,335	28,795,926
Total equity	26,201,335	28,795,926
Total liabilities and equity	35,938,621	38,823,367

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, 2023

	(Thousands of yen)	
	2022 (From January 1, 2022 to June 30, 2022)	2023 (From January 1, 2023 to June 30, 2023)
Revenue	8,557,210	11,722,215
Cost of sales	(4,265,912)	(5,774,426)
Gross profit	4,291,298	5,947,789
Sales and marketing expenses	(2,837,545)	(3,731,002)
Research and development expenses	(1,043,085)	(1,397,591)
General and administrative expenses	(727,898)	(880,260)
Other income	227,163	110,313
Other expenses	(1,909)	(1,211)
Operating income (loss)	(91,976)	48,038
Finance income	41,151	256,984
Finance costs	(144,555)	(194,669)
Profit (loss) before tax	(195,380)	110,353
Income taxes	(37,815)	(28,686)
Profit (loss) for the period	(233,195)	81,667
Profit (loss) attributable to:		
Owners of the parent company	(233,195)	81,667
Basic earnings (loss) per share (yen)	(2.30)	0.80
Diluted earnings (loss) per share (yen)	(2.30)	0.79

For the three months ended June 30, 2023

	(Thousands of yen)	
	2022 (From April 1, 2022 to June 30, 2022)	2023 (From April 1, 2023 to June 30, 2023)
Revenue	4,359,750	6,170,292
Cost of sales	(2,169,286)	(3,003,771)
Gross profit	2,190,464	3,166,521
Sales and marketing expenses	(1,491,381)	(1,953,771)
Research and development expenses	(582,298)	(746,902)
General and administrative expenses	(379,159)	(446,700)
Other income	167,828	60,832
Other expenses	(615)	(608)
Operating income (loss)	(95,161)	79,372
Finance income	24,955	134,919
Finance costs	(97,878)	(92,242)
Profit (loss) before tax	(168,084)	122,049
Income taxes	(18,667)	(6,764)
Profit (loss) for the period	(186,751)	115,285
Profit (loss) attributable to:		
Owners of the parent company	(186,751)	115,285
Basic earnings (loss) per share (yen)	(1.84)	1.13
Diluted earnings (loss) per share (yen)	(1.84)	1.12

English Translation

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Condensed Quarterly Consolidated Statements of Comprehensive Income

For the six months ended June 30, 2023

(Thousands of yen)

	2022 (From January 1, 2022 to June 30, 2022)	2023 (From January 1, 2023 to June 30, 2023)
Profit (loss) for the period	(233,195)	81,667
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	76,992
Total items that will not be reclassified subsequently to profit or loss	31,916	76,992
Items that may be reclassified to profit or loss		
Foreign currency translation differences on foreign operations	4,047,605	2,381,892
Total items that may be reclassified subsequently to profit or loss	4,047,605	2,381,892
Total other comprehensive income for the period	4,079,521	2,458,884
Total comprehensive income for the period	3,846,326	2,540,551
Total comprehensive income attributable to:		
Owners of the parent company	3,846,326	2,540,551

For the three months ended June 30, 2023

(Thousands of yen)

	2022 (From April 1, 2022 to June 30, 2022)	2023 (From April 1, 2023 to June 30, 2023)
Profit (loss) for the period	(186,751)	115,285
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)	54,214
Total items that will not be reclassified subsequently to profit or loss	(9,310)	54,214
Items that may be reclassified to profit or loss		
Foreign currency translation differences on foreign operations	2,776,265	2,228,791
Total items that may be reclassified subsequently to profit or loss	2,776,265	2,228,791
Total other comprehensive income for the period	2,766,955	2,283,005
Total comprehensive income for the period	2,580,204	2,398,290
Total comprehensive income attributable to:		
Owners of the parent company	2,580,204	2,398,290

English Translation

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(3) Condensed Quarterly Consolidated Statements of Changes in Equity

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

For the six months ended June 30, 2023 (From January 1, 2023 to June 30, 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
Profit for the period	-	-	-	81,667	-	-	-	81,667
Other comprehensive income	-	-	-	-	2,381,892	76,992	2,458,884	2,458,884
Total comprehensive income	-	-	-	81,667	2,381,892	76,992	2,458,884	2,540,551
Share options of the Company	-	39,378	-	-	-	-	-	39,378
Exercise of share options	7,369	7,369	-	-	-	-	-	14,738
Purchase of treasury shares	-	-	(76)	-	-	-	-	(76)
Total transactions with owners	7,369	46,747	(76)	-	-	-	-	54,040
Balance at June 30, 2023	7,542,568	23,759,090	(322)	(9,391,310)	6,824,766	61,134	6,885,900	28,795,926

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.

(4) Condensed Quarterly Consolidated Statements of Cash Flows

(Thousands of yen)

	2022 (From January 1, 2022 to June 30, 2022)	2023 (From January 1, 2023 to June 30, 2023)
Cash flows from operating activities		
Profit (loss) before tax	(195,380)	110,353
Depreciation and amortization	563,831	884,996
Interest income	(41,151)	(256,984)
Interest expense	30,195	53,141
Expected credit losses	43,726	42,009
Gains on financial assets measured at fair value through profit or loss	(9,431)	(106,083)
Gains on forfeited contingent consideration	(57,178)	-
Share-based compensation expense	30,332	53,936
Others	(108)	58
Change in working capital		
Trade receivables	108,064	(91,303)
Contract assets	72,197	(248,800)
Other receivables	55,081	30,847
Other current assets	(53,895)	(128,515)
Contract liabilities	4,374	(33,648)
Trade payables	(134,414)	160,330
Other liabilities	(160,608)	(119,392)
Other current liabilities	(23,459)	11,140
Subtotal	232,176	362,085
Interest received	23,127	281,908
Interest paid	(30,085)	(52,973)
Income taxes paid	(22,280)	(36,493)
Net cash provided by operating activities	202,938	554,527
Cash flows from investing activities		
Payments for property, plant and equipment	(29,193)	(103,698)
Payments for intangible assets	(1,013,751)	(1,438,647)
Payment for acquisition of a subsidiary	(35,298)	(41,569)
Withdrawal of time deposits	9,838,452	21,432,589
Placement of time deposits	(8,270,186)	(18,476,619)
Acquisition of financial assets measured at fair value through profit or loss	(2,491,005)	(888,627)
Proceeds from disposal of financial assets at fair value through profit or loss	-	71,977
Others	2,436	(3,737)
Net cash provided by (used in) investing activities	(1,998,545)	551,669
Cash flows from financing activities		
Payment of lease liabilities	(251,440)	(285,842)
Proceeds from issuance of shares	170	180
Payments to acquire treasury shares	(58)	(76)
Net cash used in financing activities	(251,328)	(285,738)
Effects of exchange rate changes on cash and cash equivalents	474,364	525,542
Net increase (decrease) in cash and cash equivalents	(1,572,571)	1,346,000
Cash and cash equivalents at the beginning of the period	6,560,906	3,803,630
Cash and cash equivalents at end of period	4,988,335	5,149,630

(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.