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Consolidated Financial Results for the year ended December 31, 2022 [IFRS]

February 13, 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 of Ordinary General Meeting of Shareholders: March 29, 2023
Scheduled date of filing annual securities report: March 30, 2023
Scheduled date of dividend payment commencement: -
Supplementary briefing material on financial results: Yes
Financial results briefing: Yes (for institutional investors and analysts)

(Amounts are recorded to nearest million yen)

1. Consolidated Financial Results for the year ended December 31, 2022

(1) Consolidated Operating Results

(% changes from the previous fiscal 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	
FY2022	19,427	53.4	1,363	-	50	-	111	-	21	-	21	-	3,289	-
FY2021	12,661	41.1	42	-	(1,117)	-	(1,170)	-	(1,179)	-	(1,179)	-	245	-

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

	Basic earnings per share	Diluted earnings per share	Ratio of net income to equity attributable to owners of the parent company	Ratio of income before income taxes to total assets	Ratio of operating income to revenue
	Yen	Yen	%	%	%
FY2022	0.21	0.21	0.1	0.3	0.3
FY2021	(11.97)	(11.97)	(7.7)	(5.4)	(8.8)

*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 Outstanding share options equivalent to 1,699,348 shares of common shares are antidilutive as of December 31, 2021, thus not included in the calculation of diluted loss per share for the year ended December 31, 2021. Such share options may become dilutive in the future.

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(2) Consolidated Financial Position

(Millions of yen)

	Total assets	Total equity	Equity attributable to owners of the parent company	Ratio of equity attributable to owners of the parent company	Equity attributable to owners of the parent company per share
				%	Yen
As of December 31, 2022	35,939	26,201	26,201	72.9	258.11
As of December 31, 2021	31,206	22,836	22,836	73.2	225.73

*1 On January 29, 2021, the Company allotted common shares by 90,761,489 shares to the sole shareholder of the Company. Accordingly, Equity attributable to owners of the parent company per share is calculated as if the allotment of shares was executed at the beginning of the year ended December 31, 2021.

(3) Consolidated Cash Flows

(Millions of yen)

	From operating activities	From investing activities	From financing activities	Cash and cash equivalents at end of year
FY2022	996	(3,772)	(520)	3,804
FY2021	(747)	(9,075)	14,396	6,561

2. Dividends

	Annual Dividends					Total amount of cash dividends (annual)	Dividend payout ratio (consolidated)	Ratio of total amount of dividends to equity attributable to owners of the parent company (consolidated)
	End of 1st Quarter	End of 2nd Quarter	End of 3rd Quarter	End of Year	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of Yen	%	%
FY2022	-	0.00	-	0.00	0.00	-	-	-
FY2021	-	0.00	-	0.00	0.00	-	-	-
FY2023 (Forecast)	-	0.00	-	0.00	0.00		-	

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

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(Notes)

(1) Changes in Significant Subsidiaries during the current year: No
(Changes in specified subsidiaries accompanying changes in scope of consolidation)

(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 shares)
1) Total number of shares issued at the end of the period (including treasury stock):
As of December 31, 2022: 101,511,035 shares
As of December 31, 2021: 101,164,657 shares
2) Total number of treasury stock at the end of the period:
As of December 31, 2022: 195
As of December 31, 2021: None
3) Average number of shares during the period:
For the year ended December 31, 2022: 101,317,630 shares
For the year ended December 31, 2021: 98,458,260 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 financial report is outside the scope of audit procedures.

* 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 achieving 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. Overview of Operating Results and Financial Position (4) Qualitative Information on Consolidated Financial Results Forecast" in the Appendix.

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1. Overview of Operating Results and Financial Position

(1) Overview of Operating Results

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

Revenue for the year ended December 31, 2022, was ¥19,427 million (up 53.4 % 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 December 2022 was ¥21,095 million, a 52.8 % growth from ¥13,806 million as of December 2021.

Gross profit for the year ended December 31, 2022 was ¥9,998 million (up 60.3 % year-over-year) and gross margin was 51.5% (49.3% in the previous fiscal year). The improvement in gross margin was mainly due to CrossX algorithm improvements that enabled more efficient marketing campaigns and lower machine costs resulting from the optimization of server utilization.

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, the ratio to revenue has decreased and the cost structure has improved. As a result, EBITDA (*3) was ¥1,363 million (¥42 million in the previous fiscal year), operating income was ¥50 million (¥1,117 million loss in the previous fiscal year), profit before tax was ¥111 million (¥1,170 million loss in the previous fiscal year), and profit attributable to owners of the parent company was ¥21 million (¥1,179 million loss in 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 December 2022 is calculated by multiplying the one-month average of recurring revenue from July 2022 to December 2022 by 12 for solutions provided under the consumption-based pricing structure, and by multiplying the recurring revenue for December 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

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(2) Overview of Financial Position

(Assets)

Total assets as of December 31, 2022, amounted to ¥35,939 million, an increase of ¥4,733 million from December 31, 2021. Current assets increased by ¥879 million from December 31, 2021, mainly due to an increase of ¥3,577 million in Other financial assets due to the acquisition of financial assets at fair value through profit or loss, an increase of ¥923 million in Trade receivables due to increasing in revenue, a decrease of ¥2,757 million in Cash and cash equivalents due to acquisition of financial assets at fair value through profit or loss, etc., and a decrease of ¥1,007 million in Time deposits due to withdrawal. Non-current assets increased by ¥3,854 million from December 31, 2021, mainly due to an increase of ¥3,960 million in Goodwill and intangible assets due to capitalization of development costs that meet the requirements for capitalization and acquisition of a subsidiary, and a decrease of ¥164 million in Right-of-use assets due to amortization.

(Liabilities)

Total liabilities as of December 31, 2022, amounted to ¥9,737 million, an increase of ¥1,367 million from December 31, 2021. Current liabilities increased by ¥1,537 million from December 31, 2021, mainly due to an increase of ¥924 million in Other liabilities due to an increase of unpaid salaries and taxes, etc., and an increase of ¥356 million in Trade payables due to an increase of cost of sales. Non-current liabilities decreased by ¥169 million from December 31, 2021, mainly due to a decrease of ¥230 million in Lease liabilities due to payment.

(Equity)

Equity as of December 31, 2022, amounted to ¥26,201 million, an increase of ¥3,366 million from December 31, 2021, mainly due to an increase of ¥3,268 million in Other components of equity due to changes in exchange rates.

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(3) Overview of Cash Flows

Cash and cash equivalents as of December 31, 2022, was ¥3,804 million, a decrease of ¥2,757 million from December 31, 2021.

Cash flows from each activity for the year ended December 31, 2022, and their significant components are as follows:

(Cash flows from operating activities)

Net cash provided by operating activities was ¥996 million, increased by ¥1,743 million compared to ¥747 million of disbursements for the year ended December 31, 2021. This is mainly attributable to an increase of Profit before tax by ¥1,281 million compared to the previous fiscal year, and an increase of Depreciation and amortization by ¥587 million compared to the previous fiscal year, a decrease of ¥62 million in Contract assets (an increase of ¥334 million in the previous fiscal year), a decrease of ¥130 million in Other receivables (a decrease of ¥21 million in the previous fiscal year), an increase of ¥882 million in Trade receivables (an increase of ¥633 thousand in the previous fiscal year), and an increase of ¥210 million in Trade payables (an increase of ¥338 million in the previous fiscal year).

(Cash flows from investing activities)

Net cash used in investing activities was ¥3,772 million, a decrease of disbursement by ¥5,303 million compared to the ¥9,075 million for the year ended December 31, 2021. This is mainly attributable to an increase in Withdrawal of time deposits by ¥8,655 million compared to the previous fiscal year, a decrease in Placement of time deposits by ¥1,985 million compared to the previous fiscal year, a decrease in Acquisition of financial assets measured at fair value through other comprehensive income by ¥125 million compared to the previous fiscal year, an increase in Acquisition of financial assets measured at fair value through profit or loss by ¥3,411 million compared to the previous fiscal year, an increase in Payments for acquisition of subsidiaries by ¥1,121 million compared to the previous fiscal year, and an increase in Payments for intangible assets by ¥913 million compared to the previous fiscal year.

(Cash flows from financing activities)

Net cash used in financing activities was ¥520 million, increased by ¥14,917 million compared to the ¥14,396 million of proceeds for the year ended December 31, 2021. This is mainly attributable to a decrease of ¥15,041 million in Proceeds from issuance of shares compared to the previous fiscal year, and a decrease of ¥211 million in Payment of expenses for issuance of shares compared to the previous fiscal year.

(4) Qualitative Information on Consolidated Financial Results Forecast

For the year ending December 31, 2023, Revenue is expected to be ¥25,454 million (up 31.0 % year-over-year) due to increased revenue from existing customers through up-selling and cross-selling, and increased revenue from new customers through the expansion of verticals and regions. Regarding profit, due to continued improvement in gross margin and cost structure, we foresee EBITDA * of ¥2,342 million (an increase of ¥979 million from the previous fiscal year), Operating income of ¥535 million (an increase of ¥485 million from the previous fiscal year), Profit before income taxes of ¥815 million (an increase of ¥704 million from the previous fiscal year), and Net profit of ¥718 million (an increase of ¥696 million from the previous fiscal year).

As this financial result forecast reflects the forward-looking figures estimated based on the currently available information and may include largely uncertain factors, the actual results may be different from the forecast due to changes in the business conditions.

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

2. Basic Concept for Selection of the Accounting Standards

The Group has applied International Accounting Standards since the fiscal year ended December 31, 2018, with the aim to enhance the global comparability and convenience of financial information in the capital market.

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2 Consolidated Financial Statements and Major Notes

(1) Consolidated Statements of Financial Position

(Thousands of yen)

	As of December 31, 2021	As of December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	6,560,906	3,803,630
Time deposits	14,939,084	13,932,568
Trade receivables	1,921,124	2,843,653
Contract assets	889,153	920,117
Other receivables	69,733	164,292
Other current assets	103,964	121,969
Other financial assets	-	3,576,577
Total current assets	24,483,964	25,362,806
Non-current assets		
Property, plant and equipment	138,885	192,491
Right-of-use assets	3,045,855	2,881,598
Goodwill and intangible assets	2,977,175	6,937,098
Deferred tax assets	180,548	174,669
Other financial assets	379,146	389,959
Total non-current assets	6,721,609	10,575,815
Total assets	31,205,573	35,938,621

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(Thousands of yen)

	As of December 31, 2021	As of December 31, 2022
Liabilities and equity		
Liabilities		
Current liabilities		
Borrowings	2,096,881	2,149,053
Contract liabilities	97,685	158,189
Trade payables	1,477,760	1,833,823
Other liabilities	1,489,481	2,413,623
Current tax payables	18,270	51,367
Lease liabilities	492,672	582,535
Other current liabilities	77,424	98,293
Total current liabilities	5,750,173	7,286,883
Non-current liabilities		
Provisions	50,940	62,387
Deferred tax liabilities	10,040	58,989
Lease liabilities	2,558,732	2,329,027
Total non-current liabilities	2,619,712	2,450,403
Total liabilities	8,369,885	9,737,286
Equity		
Share capital	7,526,244	7,535,199
Capital surplus	23,644,664	23,712,343
Treasury shares	-	(246)
Retained earnings	(9,494,299)	(9,472,977)
Other components of equity	1,159,079	4,427,016
Equity attributable to owners of the parent company	22,835,688	26,201,335
Total equity	22,835,688	26,201,335
Total liabilities and equity	31,205,573	35,938,621

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

Consolidated Statements of Profit or Loss

(Thousands of yen)

	Year ended December 31, 2021	Year ended December 31, 2022
Revenue	12,660,811	19,426,604
Cost of sales	(6,421,903)	(9,428,141)
Gross profit	6,238,908	9,998,463
Sales and marketing expenses	(4,321,576)	(6,393,578)
Research and development expenses	(1,710,537)	(2,283,617)
General and administrative expenses	(1,349,082)	(1,602,426)
Other income	27,881	333,873
Other expenses	(2,463)	(2,442)
Operating income (loss)	(1,116,869)	50,273
Finance income	43,189	213,444
Finance costs	(96,392)	(152,740)
Profit (loss) before tax	(1,170,072)	110,977
Income taxes	(8,446)	(89,655)
Profit (loss) for the year	(1,178,518)	21,322
Profit (loss) attributable to:		
Owners of the parent company	(1,178,518)	21,322
Basic earnings (loss) per share (yen)	(11.97)	0.21
Diluted earnings (loss) per share (yen)	(11.97)	0.21

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Consolidated Statements of Comprehensive Income

(Thousands of yen)

	Year ended December 31, 2021	Year ended December 31, 2022
Profit (loss) for the year	(1,178,518)	21,322
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Changes in the fair value of an equity investment measured at fair value through other comprehensive income	24,140	(39,998)
Total items that will not be reclassified subsequently to profit or loss	24,140	(39,998)
Items that may be reclassified to profit or loss		
Foreign currency translation differences on foreign operations	1,399,380	3,307,935
Total items that may be reclassified subsequently to profit or loss	1,399,380	3,307,935
Total other comprehensive income for the year	1,423,520	3,267,937
Total comprehensive income for the year	245,002	3,289,259
Total comprehensive income attributable to:		
Owners of the parent company	245,002	3,289,259

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(3) Consolidated Statements of Changes in Equity

Year ended December 31, 2021

(Thousands of yen)

	Equity attributable to owners of the parent company							
					Other components of equity			
	Share capital	Capital surplus	Treasury shares	Retained earnings	Financial statements translation differences of foreign operations	Unrealized gains from financial assets measured at fair value through other comprehensive income	Total	Total equity
Balance at January 1, 2021	0*	16,248,390	-	(8,315,781)	(264,441)	-	(264,441)	7,668,168
Loss for the year	-	-	-	(1,178,518)	-	-	-	(1,178,518)
Other comprehensive income	-	-	-	-	1,399,380	24,140	1,423,520	1,423,520
Total comprehensive income	-	-	-	(1,178,518)	1,399,380	24,140	1,423,520	245,002
Share issued pursuant to the listing	7,520,629	7,309,932	-	-	-	-	-	14,830,561
Share options of the Company	-	80,727	-	-	-	-	-	80,727
Exercise of share options	5,615	5,615	-	-	-	-	-	11,230
Total transactions with owners	7,526,244	7,396,274	-	-	-	-	-	14,922,518
Balance at December 31, 2021	7,526,244	23,644,664	-	(9,494,299)	1,134,939	24,140	1,159,079	22,835,688

*Less than ¥1 thousand.

Year ended December 31, 2022

(Thousands of yen)

	Equity attributable to owners of the parent company							
					Other components of equity			
	Share capital	Capital surplus	Treasury shares	Retained earnings	Financial statements translation differences of foreign operations	Unrealized (loss) gains from financial assets measured at fair value through other comprehensive income	Total	Total equity
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
Profit for the year	-	-	-	21,322	-	-	-	21,322
Other comprehensive income	-	-	-	-	3,307,935	(39,998)	3,267,937	3,267,937
Total comprehensive income	-	-	-	21,322	3,307,935	(39,998)	3,267,937	3,289,259
Share options of the Company	-	58,724	-	-	-	-	-	58,724
Exercise of share options	8,955	8,955	-	-	-	-	-	17,910
Purchase of treasury shares	-	-	(246)	-	-	-	-	(246)
Total transactions with owners	8,955	67,679	(246)	-	-	-	-	76,388
Balance at December 31, 2022	7,535,199	23,712,343	(246)	(9,472,977)	4,442,874	(15,858)	4,427,016	26,201,335

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(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Year ended December 31, 2021	Year ended December 31, 2022
Cash flows from operating activities		
Profit (loss) before tax	(1,170,072)	110,977
Depreciation and amortization expenses	719,368	1,306,626
Interest income	(43,189)	(213,444)
Interest expense	36,095	73,534
Expected credit losses	10,217	113,064
Gain on financial assets measured at fair value through profit or loss	-	(68,265)
Gains on forfeited contingent consideration	-	(92,484)
Share-based compensation expense	91,649	76,288
Others	741	(350)
Change in working capital		
Trade receivables	(633,196)	(882,389)
Contract assets	(334,230)	62,069
Other receivables	20,843	129,980
Other current assets	4,477	(14,426)
Contract liabilities	35,935	18,367
Trade payables	337,800	210,035
Other liabilities	176,910	147,687
Other liabilities to related parties	(5)	-
Other current liabilities	20,428	20,200
Subtotal	(726,229)	997,469
Interest received	57,811	112,285
Interest paid	(36,095)	(73,302)
Income taxes paid	(42,271)	(40,564)
Net cash provided by (used in) operating activities	(746,784)	995,888
Cash flows from investing activities		
Payments for property, plant and equipment	(102,823)	(97,648)
Payments for intangible assets	(1,417,646)	(2,330,320)
Payments for acquisition of subsidiaries	(115,956)	(1,236,964)
Withdrawal of time deposits	14,408,109	23,063,130
Placement of time deposits	(21,731,621)	(19,746,219)
Acquisition of financial assets measured at fair value through other comprehensive income	(125,000)	-
Acquisition of financial assets measured at fair value through profit or loss	-	(3,410,568)
Others	9,590	(13,850)
Net cash used in investing activities	(9,075,347)	(3,772,439)
Cash flows from financing activities		
Proceeds from short-term borrowing	-	1,621,622
Repayments of short-term borrowing	-	(1,621,622)
Payments of lease liabilities	(434,394)	(520,146)
Proceeds from issuance of shares	15,041,566	346
Payments of expenses for issuance of shares	(210,697)	-
Payments to acquire treasury shares	-	(246)
Net cash (used in) provided by financing activities	14,396,475	(520,046)
Effects of exchange rate changes on cash and cash equivalents	351,855	539,321
Net (decrease) increase in cash and cash equivalents	4,926,199	(2,757,276)
Cash and cash equivalents at the beginning of the year	1,634,707	6,560,906
Cash and cash equivalents at the end of the year	6,560,906	3,803,630

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(5) Major Notes to Consolidated Financial Statements

(Notes on going concern assumption)
Not Applicable.

(Segment information)
The presentation of segments information is omitted as Appear Group consists of a single segment by AISaaS business.

(Earnings per share)
Earnings (loss) per share is based on the following:

(Thousands of yen)

	Year ended December 31, 2021	Year ended December 31, 2022
Profit (loss) attributable to owners of the parent company (Thousands of yen)	(1,178,518)	21,322
Profit (loss) adjustment (Thousands of yen)	-	-
Profit (loss) for the year used to calculate diluted loss per share (Thousands of yen)	(1,178,518)	21,322
Weighted average number of common shares (Shares)	98,458,260	101,317,630
Effect of dilution		
Outstanding share options (Shares)	-	1,379,277
Adjusted for dilutive effect (Shares)	98,458,260	102,696,907
Basic earnings (loss) per share (Yen)	(11.97)	0.21
Diluted earnings (loss) per share (Yen)	(11.97)	0.21

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

*2 Outstanding share options equivalent to 1,699,348 shares of common shares are antidilutive as of December 31, 2021, thus not included in the calculation of diluted loss per share for the year ended December 31, 2021. Such share options may become dilutive in the future.

(Events after the reporting period)
Not Applicable.