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.

Consolidated Financial Results for the three months ended March 31, 2024 [IFRS]

May 14, 2024

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 14, 2024
Scheduled date of commencing dividend payments: Not decided
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, 2024

(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, 2024	7,374	32.8	736	90.7	65	-	80	-	57	-	57	-	2,046	-
Three months ended March 31, 2023	5,552	32.3	386	47.2	(31)	-	(12)	-	(34)	-	(34)	-	142	(88.8)

* 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, 2024	0.56	0.56
Three months ended March 31, 2023	(0.33)	(0.33)

*1 Outstanding share options equivalent to 1,228,505 shares of common shares are antidilutive as of March 31, 2023, thus not included in the calculation of diluted loss per share for the three months period ended March 31, 2023. 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, 2024	39,591	31,214	31,214	78.8
As of December 31, 2023	35,496	26,374	26,374	74.3

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2. Dividends

(Yen)

	Annual Dividends				
	End of 1st Quarter	End of 2nd Quarter	End of 3rd Quarter	End of Year	Total
FY2023	-	0.00	-	0.00	0.00
FY2024	-				
FY2024 (Forecast)		0.00	-	Not decided	Not decided

(Note)1. Revision of most recently announced dividend forecasts: No
2. The year-end dividend forecast for FY2024 has not yet been decided, and the dividend payment would be determined based on the conditions of core free cash flow (Note 2) for FY2024.
3. Core free cash flow = Cash flows from operating activities + Payments for intangible assets

3. Consolidated Financial Results Forecast for the year ending December 31, 2024

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

	Revenue		EBITDA *		Operating Income		Income before income taxes		Net income		Net income attributable to owners of the parent company		Basic earnings per share
		%		%		%		%		%		%	Yen
FY2024	34,495	30.6	4,898	72.8	2,090	161.0	2,003	88.5	1,899	89.6	1,899	89.6	18.64

* 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, 2024: 101,984,083 shares
As of December 31, 2023: 101,882,216 shares
2) Total number of treasury stock at the end of the period:
As of March 31, 2024: 257 shares
As of December 31, 2023: 257 shares
3) Average number of shares during the period (cumulative):
Three months ended March 31, 2024: 101,917,883 shares
Three months ended March 31, 2023: 101,535,531 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 three months ended March 31, 2024, was ¥7,374 million (up 32.8 % 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 2024 was ¥29,033 million, a 34.3% growth from ¥21,620 million as of March 2023.

Gross profit for the three months ended March 31, 2024, was ¥3,812 million (up 37.1 % year-over-year) and gross margin was 51.7% (50.1% in the same period of the previous fiscal year). The improvement in gross margin was due to continuous technological advancements.

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 1.8% 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 ¥736 million (¥386 million in the same period of the previous fiscal year), operating income was ¥65 million (¥31 million loss in the same period of the previous fiscal year), profit before tax was ¥80 million (¥12 million loss in the same period of the previous fiscal year), and profit attributable to owners of the parent company was ¥57 million (¥34 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 2024 is calculated by multiplying the one-month average of recurring revenue from October 2023 to March 2024 by 12 for solutions provided under the consumption-based pricing structure, and by multiplying the recurring revenue for March 2024 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, 2024, amounted to ¥39,591 million, a decrease of ¥1,739 million from December 31, 2023. Current assets increased by ¥692 million from December 31, 2023, mainly due to an increase of ¥463 million in contract assets due to business growth, an increase of ¥433 million in other financial assets due to exchange rate fluctuations, and a decrease of ¥627 million in cash and cash equivalents due to payments for intangible assets, etc. Non-current assets increased by ¥1,047 million from December 31, 2023, mainly due to an increase of ¥1,173 million in goodwill and intangible assets due to capitalization of development costs that meet the requirements for capitalization.

(Liabilities)

Total liabilities as of March 31, 2024, amounted to ¥8,377 million, a decrease of ¥384 million from December 31, 2023. Current liabilities decreased by ¥250 million from December 31, 2023, mainly due to a decrease of ¥274 million in other liabilities due to payment of unpaid salaries and taxes, etc. Non-current liabilities decreased by ¥134 million from December 31, 2023, mainly due to a decrease of ¥132 million in lease liabilities due to payment.

(Equity)

Equity as of March 31, 2024, amounted to ¥31,214 million, an increase of ¥2,123 million from December 31, 2023, mainly due to an increase of ¥1,989 million in other components of equity due to changes in exchange rates.

(b) Cash flows

Cash and cash equivalents as of March 31, 2024, was ¥5,507 million, a decrease of ¥627 million from December 31, 2023.

Cash flows from each activity for the three months ended March 31, 2024, and their significant components are as follows:

(Cash flows from operating activities)

Net cash used in operating activities was ¥200 million, decreased by ¥201 million compared to the same period of the previous fiscal year. This is mainly attributable to an increase of ¥349 million in profit before tax adjusted for non-cash items compared to the same period of the previous fiscal year and a decrease of ¥169 million in interest received compared to the same period of the previous fiscal year.

(Cash flows from investing activities)

Net cash used in investing activities was ¥558 million, decreased by ¥7,340 million compared to ¥6,782 million of income for the same period of the previous fiscal year. This is mainly attributable to a decrease in income from net decrease of ¥7,971 million in time deposits compared to the same period of the previous fiscal year, an increase in payments for intangible assets by ¥255 million compared to the same period of the previous fiscal year, and a decrease of ¥889 million in acquisition of financial assets measured at fair value through profit or loss compared to the same period of the previous fiscal year.

(Cash flows from financing activities)

Net cash used in financing activities was ¥170 million, increased by ¥39 million compared to the same period of the previous fiscal year.

(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

(Millions of Yen)

	As of December 31, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and cash equivalents	6,134	5,507
Time deposits	8,004	8,134
Trade receivables	3,726	3,823
Contract assets	1,629	2,092
Other receivables	331	398
Other current assets	165	294
Other financial assets	4,940	5,373
Total current assets	24,929	25,621
Non-current assets		
Property, plant and equipment	228	267
Right-of-use assets	2,686	2,550
Goodwill and intangible assets	9,347	10,520
Deferred tax assets	190	187
Other financial assets	472	446
Total non-current assets	12,923	13,970
Total assets	37,852	39,591
Liabilities and equity		
Liabilities		
Current liabilities		
Borrowings	600	600
Contract liabilities	174	199
Trade payables	2,436	2,440
Other liabilities	2,546	2,272
Current tax payables	45	44
Lease liabilities	655	661
Other current liabilities	91	81
Total current liabilities	6,547	6,297
Non-current liabilities		
Provisions	68	66
Deferred tax liabilities	54	54
Lease liabilities	2,092	1,960
Total non-current liabilities	2,214	2,080
Total liabilities	8,761	8,377
Equity		
Share capital	7,555	7,569
Capital surplus	23,880	23,943
Treasury shares	(0)	(0)
Retained earnings	(8,471)	(8,414)
Other components of equity	6,127	8,116
Equity attributable to owners of the parent company	29,091	31,214
Total equity	29,091	31,214
Total liabilities and equity	37,852	39,591

(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, 2024

(Millions of Yen)

	2023 (From January 1, 2023 to March 31, 2023)	2024 (From January 1, 2024 to March 31, 2024)
Revenue	5,552	7,374
Cost of sales	(2,771)	(3,562)
Gross profit	2,781	3,812
Sales and marketing expenses	(1,777)	(2,328)
Research and development expenses	(650)	(995)
General and administrative expenses	(433)	(497)
Other income	49	76
Other expenses	(1)	(3)
Operating income (loss)	(31)	65
Finance income	122	120
Finance costs	(103)	(105)
Loss before tax	(12)	80
Income taxes	(22)	(23)
Loss for the period	(34)	57
Loss attributable to:		
Owners of the parent company	(34)	57
Basic loss per share (yen)	(0.33)	0.56
Diluted loss per share (yen)	(0.33)	0.56

Condensed Quarterly Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2024

(Millions of Yen)

	2023 (From January 1, 2023 to March 31, 2023)	2024 (From January 1, 2024 to March 31, 2024)
Loss for the period	(34)	57
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	23	(26)
Total items that will not be reclassified subsequently to profit or loss	23	(26)
Items that may be reclassified to profit or loss		
Foreign currency translation differences on foreign operations	153	2,015
Total items that may be reclassified subsequently to profit or loss	153	2,015
Total other comprehensive income for the period	176	1,989
Total comprehensive income for the period	142	2,046
Total comprehensive income attributable to:		
Owners of the parent company	142	2,046

(3) Condensed Quarterly Consolidated Statements of Changes in Equity

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

(Millions 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, 2023	7,535	23,712	(0)	(9,473)	4,443	(16)	4,427	26,201
Loss for the period	-	-	-	(34)	-	-	-	(34)
Other comprehensive income	-	-	-	-	153	23	176	176
Total comprehensive income	-	-	-	(34)	153	23	176	142
Share options of the Company 8	-	24	-	-	-	-	-	24
Exercise of share options 8	3	3	-	-	-	-	-	6
Purchase of treasury shares	-	-	(0)	-	-	-	-	(0)
Total transactions with owners	3	27	(0)	-	-	-	-	30
Balance at March 31, 2023	7,538	23,739	(0)	(9,507)	4,596	7	4,603	26,373

For the three months ended March 31, 2024 (From January 1, 2024 to March 31, 2024)

(Millions 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, 2024	7,555	23,880	(0)	(8,471)	6,151	(24)	6,127	29,091
Profit for the period	-	-	-	57	-	-	-	57
Other comprehensive income	-	-	-	-	2,015	(26)	1,989	1,989
Total comprehensive income	-	-	-	57	2,015	(26)	1,989	2,046
Share options of the Company 8	-	49	-	-	-	-	-	49
Exercise of share options 8	14	14	-	-	-	-	-	28
Total transactions with owners	14	63	-	-	-	-	-	77
Balance at March 31, 2024	7,569	23,943	(0)	(8,414)	8,166	(50)	8,116	31,214

(4) Condensed Quarterly Consolidated Statements of Cash Flows

(Millions of Yen)

	2023 (From January 1, 2023 to March 31, 2023)	2024 (From January 1, 2024 to March 31, 2024)
Cash flows from operating activities		
Profit (loss) before tax	(12)	80
Depreciation and amortization	415	670
Interest income	(122)	(120)
Interest expense	26	19
Expected credit losses	21	10
Gain on financial assets measured at fair value through profit or loss	(46)	(70)
Share-based compensation expense	30	77
Others	0	(5)
Change in working capital		
Trade receivables	(332)	104
Contract assets	4	(350)
Other receivables	(6)	63
Other current assets	(5)	(121)
Contract liabilities	22	18
Trade payables	92	(157)
Other liabilities	(623)	(386)
Other current liabilities	11	(12)
Subtotal	(525)	(180)
Interest received	183	14
Interest paid	(26)	(14)
Income taxes paid	(33)	(20)
Net cash used in operating activities	(401)	(200)
Cash flows from investing activities		
Payments for property, plant and equipment	(70)	(61)
Payments for intangible assets	(703)	(958)
Payment for acquisition of a subsidiary	(42)	-
Withdrawal of time deposits	10,905	445
Placement of time deposits	(2,489)	-
Acquisition of financial assets measured at fair value through profit or loss	(889)	-
Proceeds from disposal of financial assets at fair value through profit or loss	72	-
Increase in guarantee deposits	(2)	-
Decrease in guarantee deposits	-	16
Net cash (used in) provided by investing activities	6,782	(558)
Cash flows from financing activities		
Proceeds from short-term borrowing	-	600
Repayments of short-term borrowing	-	(600)
Payment of lease liabilities	(131)	(170)
Proceeds from issuance of shares	0	0
Payments to acquire treasury shares	(0)	-
Net cash used in financing activities	(131)	(170)
Effects of exchange rate changes on cash and cash equivalents	59	301
Net (decrease) increase in cash and cash equivalents	6,309	(627)
Cash and cash equivalents at the beginning of the period	3,804	6,134
Cash and cash equivalents at end of period	10,113	5,507

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

(Events after the reporting period)

Not Applicable.