English Translation
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Consolidated Financial Results for the Nine Months Ended September 30, 2024 [IFRS]

November 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 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 the nearest million yen)

1. Consolidated Financial Results for the Nine Months Ended September 30, 2024

(1) Consolidated Operating Results (Cumulative)

(% 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		Total comprehensive income	
FY2024 Q3	24,574	30.7	3,339	86.3	1,204	232.6	1,300	203.0	1,240	223.8	1,240	223.8	1,402	(63.0)
FY2023 Q3	18,802	37.6	1,792	115.5	362	-	429	-	383	-	383	-	3,792	(28.4)

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

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
FY2024 Q3	12.15	12.02
FY2023 Q3	3.77	3.73

(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 September 30, 2024	39,934	30,564	30,564	76.5
As of December 31, 2023	37,852	29,091	29,091	76.9

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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	-	0.00	-		
FY2024 (Forecast)				2.00	2.00

(Note) Revision of most recently announced dividend forecasts: Yes

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

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(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 September 30, 2024: 102,205,271 shares
As of December 31, 2023: 101,882,216 shares
2) Total number of treasury stock at the end of the period:
As of September 30, 2024: 86,857 shares
As of December 31, 2023: 257 shares
3) Average number of shares during the period (cumulative):
Nine months ended September 30, 2024: 102,019,907 shares
Nine months ended September 30, 2023: 101,628,240 shares

* Review of the attached quarterly consolidated financial statements by a certified public accountant or auditing firm: No

* 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 provided above 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 of Operating Results

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

Revenue for the nine months ended September 30, 2024, was ¥24,574 million (up 30.7 % year-over-year) due to increased revenue from existing customers through up-selling and cross-selling, and from new customers through expansion into verticals and regions. In addition, ARR (*1) as of September 2024 was ¥33,437 million, a 30.3 % growth from ¥25,663 million as of September 2023.

Gross profit for the nine months ended September 30, 2024, was ¥12,864 million (up 33.0 % year-over-year), and gross margin was 52.3 % (up 9% points year-over-year).

Although the amount of operating expenses (Sales and marketing expenses, Research and development expenses, and General and administrative expenses) increased with the expansion of the business scale and the impact of foreign exchange rates, the ratio of operating expenses to revenue decreased by 1.8% points from 50.4% to 48.6% compared to the same period of the previous fiscal year. The ratio of research and development expenses to revenue increased by 2.1% points year-over-year due to intensified research and development activities for product differentiation and foreign exchange effects. Meanwhile, the ratio of sales and marketing expenses and general and administrative expenses to revenue fell by 4.0% points due to improved productivity. As a result, EBITDA (*3) was ¥3,339 million (¥1,547 million increase from the same period of the previous fiscal year), operating income was ¥1,204 million (¥842 million increase from the same period of the previous fiscal year), profit before tax was ¥1,300 million (¥871 million increase from the same period of the previous fiscal year), and profit attributable to owners of the parent company was ¥1,240 million (¥857 million increase from 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 September 2024 is calculated by multiplying the one-month average of recurring revenue from April 2024 to September 2024 by 12 for solutions provided under the consumption-based pricing structure, and by multiplying the recurring revenue for September 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)

As of the end of the third quarter of the current fiscal year, total assets amounted to ¥39,934 million, reflecting an increase of ¥2,082 million compared to the end of the previous fiscal year. Current assets increased by ¥824 million compared to the end of the previous fiscal year, with the primary increase due to an increase in trade receivables and contract assets resulting from higher revenue (¥1,858 million increases compared to the end of the previous fiscal year). The main decrease was due to a reduction in cash and cash equivalents (¥934 million decreases compared to the end of the previous fiscal year) due to expenditures related to the acquisition of intangible assets, and a decrease in time deposits resulting from withdrawals (¥632 million decreases compared to the end of the previous fiscal year). Non-current assets increased by ¥1,258 million compared to the end of the previous fiscal year, with the primary increase due to the capitalization of development costs, which met the capitalization criteria, leading to an increase in goodwill and intangible assets (¥1,596 million increases compared to the end of the previous fiscal year). The main decrease was due to amortization of right-of-use assets (¥374 million decreases compared to the end of the previous fiscal year).

(Liabilities)

As of the end of the third quarter of the current fiscal year, total liabilities amounted to ¥9,370 million, reflecting an increase of ¥609 million compared to the end of the previous fiscal year. Current liabilities increased by ¥1,018 million compared to the end of the previous fiscal year, with the primary increases due to a rise in trade payables resulting from higher cost of sales (¥567 million increases compared to the end of the previous fiscal year) and an increase in borrowings from financial institutions (¥400 million increases compared to the end of the previous fiscal year). Non-current liabilities decreased by ¥409 million compared to the end of the previous fiscal year, primarily due to the payment of lease liabilities (¥398 million decreases compared to the end of the previous fiscal year).

(Equity)

As of the end of the third quarter of the current fiscal year, total equity amounted to ¥30,564 million, reflecting an increase of ¥1,473 million compared to the end of the previous fiscal year. The primary increase was due to the increase in retained earnings resulting from quarterly net profit (¥1,240 million increases compared to the end of the previous fiscal year).

(b) Cash flows

As of the end of the third quarter of the current fiscal year, cash and cash equivalents amounted to ¥5,200 million, a decrease of ¥934 million compared to the end of the previous fiscal year.

The cash flows from operating, investing, and financing activities for the nine months ending September 30, 2024, are as follows:

(Cash flows from operating activities)

The funds generated from operating activities amounted to ¥1,607 million, reflecting an increase of ¥843 million compared to the same period in the previous fiscal year. The primary factor for the increase in cash inflow was the rise in profit before tax, adjusted for non-cash items (¥1,523 million increases compared to the same period in the previous year), while the main factor for the decrease was an increase in working capital (¥474 million increases compared to the same period in the previous year).

(Cash flows from investing activities)

The funds used in investing activities amounted to ¥2,438 million, reflecting an increase of ¥3,817 million in expenditure compared to the same period in the previous fiscal year. The primary factors for the increase in cash outflows were a decrease in proceeds from net decrease in time deposits (¥3,904 million decreases in inflows compared to the same period in the previous year) and increased expenditures for the acquisition of intangible assets (¥777 million increases compared to the same period in the previous year). The main factor for the decrease in cash outflows was a reduction in expenditure for the acquisition of financial assets measured at fair value through profit or loss (¥822 million decreases compared to the same period in the previous year).

(Cash flows from financing activities)

The funds used in financing activities amounted to ¥259 million, reflecting a decrease of ¥1,684 million in expenditures compared to the same period in the previous fiscal year. The main factor for the decrease in cash outflows was an increase in cash inflows from short-term borrowings (¥1,800 million increases compared to the same period in the previous year).

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

There is no change in the consolidated full-year guidance from that announced on February 14, 2024.

Regarding the dividend forecast, as stated in the "Announcement on Revision of the Dividend Forecast" disclosed on November 14, 2024, the year-end dividend forecast for the fiscal year ending December 31, 2024, has been revised from "Not decided" to "2.00 yen".

We recognize that the shareholder return is an important management objective and have considered it, including dividends and share buybacks, taking into account our financial results, financial position and core free cash flow (Note). On August 14, 2024, we decided to acquire treasury shares for the first time since the IPO.

We have made steady progress for both revenue and profit against our full-year guidance as in the third quarter of FY2024 financial results and expect the core free cash flow for FY2024 to improve from the previous fiscal year. Accordingly, we decided to revise our year-end dividend forecast for FY2024 to 2.00 yen per share as our first dividend payment since the IPO, after the comprehensive consideration of capital needs, including investments for business growth such as R&D for future growth and M&A, as well as the need to enhance retained earnings.

(Note) Core free cash flow = Cash flows from operating activities + Payments for intangible assets

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2 Condensed Quarterly Consolidated Financial Statements

(1) Condensed Quarterly Consolidated Statements of Financial Position

(Millions of yen)

	As of December 31, 2023	As of September 30, 2024
Assets		
Current assets		
Cash and cash equivalents	6,134	5,200
Time deposits	8,004	7,372
Trade receivables	3,726	4,604
Contract assets	1,629	2,609
Other receivables	331	348
Other current assets	165	407
Other financial assets	4,940	5,213
Total current assets	24,929	25,753
Non-current assets		
Property, plant and equipment	228	216
Right-of-use assets	2,686	2,312
Goodwill and intangible assets	9,347	10,943
Deferred tax assets	190	173
Other financial assets	472	391
Other non-current assets	-	146
Total non-current assets	12,923	14,181
Total assets	37,852	39,934
Liabilities and equity		
Liabilities		
Current liabilities		
Borrowings	600	1,000
Contract liabilities	174	201
Trade payables	2,436	3,003
Other liabilities	2,546	2,507
Current tax payables	45	62
Lease liabilities	655	706
Other current liabilities	91	86
Total current liabilities	6,547	7,565
Non-current liabilities		
Provisions	68	64
Deferred tax liabilities	54	47
Lease liabilities	2,092	1,694
Total non-current liabilities	2,214	1,805
Total liabilities	8,761	9,370
Equity		
Share capital	7,555	7,607
Capital surplus	23,880	24,044
Treasury shares	(0)	(145)
Retained earnings	(8,471)	(7,231)
Other components of equity	6,127	6,289
Equity attributable to owners of the parent company	29,091	30,564
Total equity	29,091	30,564
Total liabilities and equity	37,852	39,934

(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 nine months ended September 30, 2024

(Millions of yen)

	2023 (From January 1, 2023 to September 30, 2023)	2024 (From January 1, 2024 to September 30, 2024)
Revenue	18,802	24,574
Cost of sales	(9,131)	(11,710)
Gross profit	9,671	12,864
Sales and marketing expenses	(5,892)	(7,153)
Research and development expenses	(2,229)	(3,437)
General and administrative expenses	(1,364)	(1,353)
Other income	183	304
Other expenses	(7)	(21)
Operating income	362	1,204
Finance income	405	356
Finance costs	(338)	(260)
Profit before tax	429	1,300
Income taxes	(46)	(60)
Profit for the period	383	1,240
Profit attributable to:		
Owners of the parent company	383	1,240
Basic earnings per share (yen)	3.77	12.15
Diluted earnings per share (yen)	3.73	12.02

For the three months ended September 30, 2024

(Millions of yen)

	2023 (From July 1, 2023 to September 30, 2023)	2024 (From July 1, 2024 to September 30, 2024)
Revenue	7,080	9,050
Cost of sales	(3,357)	(4,178)
Gross profit	3,723	4,872
Sales and marketing expenses	(2,161)	(2,515)
Research and development expenses	(831)	(1,195)
General and administrative expenses	(484)	(448)
Other income	73	89
Other expenses	(6)	(15)
Operating income	314	788
Finance income	148	109
Finance costs	(143)	(61)
Profit before tax	319	836
Income taxes	(18)	(22)
Profit for the period	301	814
Profit attributable to:		
Owners of the parent company	301	814
Basic earnings per share (yen)	2.96	7.97
Diluted earnings per share (yen)	2.94	7.88

Condensed Quarterly Consolidated Statements of Comprehensive Income

For the nine months ended September 30, 2024

(Millions of yen)

	2023 (From January 1, 2023 to September 30, 2023)	2024 (From January 1, 2024 to September 30, 2024)
Profit for the period	383	1,240
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	46	(124)
Total items that will not be reclassified subsequently to profit or loss	46	(124)
Items that may be reclassified to profit or loss		
Foreign currency translation differences on foreign operations	3,363	286
Total items that may be reclassified subsequently to profit or loss	3,363	286
Total other comprehensive income for the period	3,409	162
Total comprehensive income for the period	3,792	1,402
Total comprehensive income attributable to:		
Owners of the parent company	3,792	1,402

For the three months ended September 30, 2024

(Millions of yen)

	2023 (From July 1, 2023 to September 30, 2023)	2024 (From July 1, 2023 to September 30, 2023)
Profit for the period	301	814
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)	(89)
Total items that will not be reclassified subsequently to profit or loss	(31)	(89)
Items that may be reclassified to profit or loss		
Foreign currency translation differences on foreign operations	981	(3,612)
Total items that may be reclassified subsequently to profit or loss	981	(3,612)
Total other comprehensive income for the period	950	(3,701)
Total comprehensive income for the period	1,251	(2,887)
Total comprehensive income attributable to:		
Owners of the parent company	1,251	(2,887)

(3) 【Condensed Quarterly Consolidated Statement of Changes in Equity】

For the nine months ended September 30, 2023 (From January 1, 2023 to September 30, 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 (loss) 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
Profit for the period	-	-	-	383	-	-	-	383
Other comprehensive income	-	-	-	-	3,363	46	3,409	3,409
Total comprehensive income	-	-	-	383	3,363	46	3,409	3,792
Share options of the Company	-	99	-	-	-	-	-	99
Exercise of share options	11	11	-	-	-	-	-	22
Purchase of treasury shares	-	-	(0)	-	-	-	-	(0)
Total transactions with owners	11	110	(0)	-	-	-	-	121
Balance at September 30, 2023	7,546	23,822	(0)	(9,090)	7,806	30	7,836	30,114

For the nine months ended September 30, 2024 (From January 1, 2024 to September 30, 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 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	-	-	-	1,240	-	-	-	1,240
Other comprehensive income	-	-	-	-	286	(124)	162	162
Total comprehensive income	-	-	-	1,240	286	(124)	162	1,402
Share options of the Company	-	112	-	-	-	-	-	112
Exercise of share options	52	52	-	-	-	-	-	104
Purchase of treasury shares	-	-	(145)	-	-	-	-	(145)
Total transactions with owners	52	164	(145)	-	-	-	-	71
Balance at September 30, 2024	7,607	24,044	(145)	(7,231)	6,437	(148)	6,289	30,564

(4) Condensed Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	2023 (From January 1, 2023 to September 30, 2023)	2024 (From January 1, 2024 to September 30, 2024)
Cash flows from operating activities		
Profit before tax	429	1,300
Depreciation and amortization	1,426	2,131
Interest income	(405)	(356)
Interest expense	80	57
Expected credit losses	84	16
Gains on financial assets measured at fair value through profit or loss	(178)	(210)
Gains on forfeited contingent consideration	-	(73)
Share-based compensation expense	121	216
Others	0	(1)
Change in working capital		
Trade receivables	(783)	(968)
Contract assets	(620)	(992)
Other receivables	(44)	138
Other current assets	(220)	(226)
Other non-current assets	-	(145)
Contract liabilities	(55)	27
Trade payables	238	587
Other liabilities	413	35
Other current liabilities	(7)	(8)
Subtotal	479	1,528
Interest received	428	201
Interest paid	(80)	(61)
Income taxes paid	(63)	(61)
Net cash provided by operating activities	764	1,607
Cash flows from investing activities		
Payments for property, plant and equipment	(118)	(62)
Payments for intangible assets	(2,307)	(3,084)
Payment for acquisition of a subsidiary	(42)	-
Withdrawal of time deposits	31,561	6,468
Placement of time deposits	(26,895)	(5,706)
Acquisition of financial assets measured at fair value through profit or loss	(888)	(66)
Proceeds from disposal of financial assets at fair value through profit or loss	72	-
Increase in guarantee deposits	(6)	(6)
Decrease in guarantee deposits	2	18
Net cash (used in) provided by investing activities	1,379	(2,438)
Cash flows from financing activities		
Proceeds from short-term borrowing	-	1,800
Repayment of short-term borrowing	(1,499)	(1,400)
Payment of lease liabilities	(444)	(514)
Proceeds from issuance of shares	0	0
Payments to acquire treasury shares	(0)	(145)
Net cash used in financing activities	(1,943)	(259)
Effects of exchange rate changes on cash and cash equivalents	637	156
Net (decrease) increase in cash and cash equivalents	837	(934)
Cash and cash equivalents at the beginning of the period	3,804	6,134
Cash and cash equivalents at end of period	4,641	5,200

(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.

(Revenue)
Disaggregation of revenue recognized from contracts with customers
The Group monitors sales performance by region to develop the business and allocates revenues to the region-based management units.

For the nine months ended September 30

	2023 (From January 1, 2023 to September 30, 2023)	2024 (From January 1, 2024 to September 30, 2024)
	Millions of yen	Millions of yen
Northeast Asia region	12,177	16,381
United States and Europe region	3,085	4,565
Greater China region	3,012	3,271
Southeast Asia region	528	357
	18,802	24,574

For the three months ended September 30

	2023 (From July 1, 2023 to September 30, 2023)	2024 (From July 1, 2024 to September 30, 2024)
	Millions of yen	Millions of yen
Northeast Asia region	4,439	6,090
United States and Europe region	1,413	1,818
Greater China region	1,148	1,038
Southeast Asia region	80	104
	7,080	9,050

Information by region
Northeast Asia—consisting of Japan and South Korea;
United States and Europe - consisting of United States and countries in Europe including United Kingdom and France;
Greater China Region—consisting of mainland China, Taiwan and the Hong Kong Special Administrative Region; and
Southeast Asia—consisting of all other countries in the Asia-Pacific region, including Singapore, Malaysia, Philippines, Thailand, Vietnam, India, Indonesia and Australia.

(Events after the reporting period)
Not Applicable.