UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

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FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2022

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number: 001-39896

PLAYTIKA HOLDING CORP.
(Exact Name of Registrant as Specified in its Charter)

Delaware	**81-3634591**
(State of other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

c/o Playtika Ltd.
HaChoshlim St 8
Herzliya Pituach, Israel
972-73-316-3251

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value	PLTK	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of August 1, 2022, the registrant had 412,642,934 shares of common stock, $0.01 par value per share, outstanding.

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CAUTIONARY NOTE ABOUT FORWARD LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains or may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and Section 21E of the Exchange Act. All statements other than statements of historical facts contained in this quarterly report, including statements regarding our business strategy, plans and our objectives for future operations, are forward-looking statements. Further, statements that include words such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "might," "plan," "potential," "present," "preserve," "project," "pursue," "will," or "would," or the negative of these words or other words or expressions of similar meaning may identify forward-looking statements.

We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. The achievement or success of the matters covered by such forward-looking statements involves significant risks, uncertainties and assumptions, including, but not limited to, the important factors discussed in Part II, Item 1A, "Risk Factors" in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "SEC") on March 2, 2022. Moreover, we operate in a very competitive and rapidly changing environment and industry. As a result, it is not possible for our management to assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the forward-looking statements discussed in this Quarterly Report on Form 10-Q may not occur and actual results could differ materially and adversely from those anticipated, predicted or implied in the forward-looking statements.

Important factors that could cause actual results to differ materially from estimates or projections contained in the forward-looking statements include without limitation:

- our reliance on third-party platforms, such as the iOS App Store, Facebook, and Google Play Store, to distribute our games and collect revenues, and the risk that such platforms may adversely change their policies;
- our reliance on a limited number of games to generate the majority of our revenue;
- our reliance on a small percentage of total users to generate a majority of our revenue;
- our free-to-play business model, and the value of virtual items sold in our games, is highly dependent on how we manage the game revenues and pricing models;
- our inability to make acquisitions and integrate any acquired businesses successfully could limit our growth or disrupt our plans and operations;
- we may be unable to successfully develop new games;
- our ability to compete in a highly competitive industry with low barriers to entry;
- we have significant indebtedness and are subject to the obligations and restrictive covenants under our debt instruments;
- the impact of the COVID-19 pandemic on our business and the economy as a whole;
- the impact of an economic recession or periods of increased inflation, and any reductions to household spending on the types of discretionary entertainment we offer;
- our controlled company status;
- legal or regulatory restrictions or proceedings could adversely impact our business and limit the growth of our operations;
- risks related to our international operations and ownership, including our significant operations in Israel, the Ukraine and Belarus and the fact that our controlling stockholder is a Chinese-owned company;
- our reliance on key personnel;
- security breaches or other disruptions could compromise our information or our players' information and expose us to liability; and
- our inability to protect our intellectual property and proprietary information could adversely impact our business.

Additional factors that may cause future events and actual results, financial or otherwise, to differ, potentially materially, from those discussed in or implied by the forward-looking statements include the risks and uncertainties discussed in the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K filed with the SEC on March 2, 2022. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, levels of activity, performance or events and circumstances reflected in the forward-looking statements will be achieved or occur, and reported results should not be considered as an indication of future performance. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

Except as required by law, we undertake no obligation to update any forward-looking statements for any reason to conform these statements to actual results or to changes in our expectations.

Part I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS
(In millions, except for per share data)

	June 30, 2022	December 31, 2021
ASSETS	(Unaudited)	
Current assets		
Cash and cash equivalents	$ 1,165.8	$ 1,017.0
Short-term bank deposits	75.3	100.1
Restricted cash	1.8	2.0
Accounts receivable	128.5	143.7
Prepaid expenses and other current assets	115.4	72.9
Total current assets	1,486.8	1,335.7
Property and equipment, net	110.9	103.3
Operating lease right-of-use assets	108.8	89.4
Intangible assets other than goodwill, net	394.9	417.3
Goodwill	809.8	788.1
Deferred tax assets, net	42.4	38.3
Investments in unconsolidated entities	22.8	17.8
Other non-current assets	29.8	13.4
Total assets	$ 3,006.2	$ 2,803.3
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities		
Current maturities of long-term debt	$ 12.4	$ 12.2
Accounts payable	49.3	45.7
Operating lease liabilities, current	24.3	17.2
Accrued expenses and other current liabilities	530.4	494.6
Total current liabilities	616.4	569.7
Long-term debt	2,417.3	2,422.9
Contingent consideration	11.4	28.7
Employee related benefits and other long-term liabilities	3.0	23.7
Operating lease liabilities, long-term	87.8	82.3
Deferred tax liabilities	54.4	53.7
Total liabilities	3,190.3	3,181.0
Commitments and contingencies (Note 10)		
Stockholders' equity (deficit)		
Common stock of $0.01 par value; 1,600.0 shares authorized; 412.4 and 411.1 shares issued and outstanding at June 30, 2022 and December 31, 2021, respectively	4.1	4.1
Additional paid-in capital	1,107.4	1,032.9
Accumulated other comprehensive income	2.7	3.2
Accumulated deficit	(1,298.3)	(1,417.9)
Total stockholders' deficit	(184.1)	(377.7)
Total liabilities and stockholders' deficit	$ 3,006.2	$ 2,803.3

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions, except for per share data)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Revenues	$ 659.6	$ 659.2	$ 1,336.5	$ 1,298.1
Costs and expenses				
Cost of revenue	186.1	183.9	373.0	366.9
Research and development	125.2	91.8	237.9	177.0
Sales and marketing	151.8	146.5	331.5	286.6
General and administrative	105.2	71.6	182.4	171.9
Total costs and expenses	568.3	493.8	1,124.8	1,002.4
Income from operations	91.3	165.4	211.7	295.7
Interest expense and other, net	22.4	24.0	49.9	99.7
Income before income taxes	68.9	141.4	161.8	196.0
Provision for income taxes	32.5	51.4	42.2	70.3
Net income	36.4	90.0	119.6	125.7
Other comprehensive income (loss)				
Foreign currency translation	(10.0)	2.8	(13.3)	(7.1)
Change in fair value of derivatives	(5.9)	(1.6)	12.8	(1.7)
Total other comprehensive income (loss)	(15.9)	1.2	(0.5)	(8.8)
Comprehensive income	$ 20.5	$ 91.2	$ 119.1	$ 116.9
Net income per share attributable to common stockholders, basic	$ 0.09	$ 0.22	$ 0.29	$ 0.31
Net income per share attributable to common stockholders, diluted	$ 0.09	$ 0.22	$ 0.29	$ 0.31
Weighted-average shares used in computing net income per share attributable to common stockholders, basic	412.4	409.6	412.2	408.1
Weighted-average shares used in computing net income per share attributable to common stockholders, diluted	412.8	411.7	412.8	410.6

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
(In millions)
(Unaudited)

	Share capital						
	Shares	Amount	Additional paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings (Accumulated deficit)	Total stockholders' equity (deficit)
Balances at January 1, 2022	411.1	$ 4.1	$ 1,032.9	$ 3.2	$ (1,417.9)	$ (377.7)
Net income	—	—	—	—	83.2	83.2
Stock-based compensation	—	—	40.5	—	—	40.5
Issuance of shares upon vesting of RSUs	1.1	*	(*)	—	—	—
Income tax withholding related to vesting of restricted stock units and other	—	—	(1.4)	—	—	(1.4)
Other comprehensive income	—	—	—	15.4	—	15.4
Balances at March 31, 2022	412.2	4.1	1,072.0	18.6	(1,334.7)	(240.0)
Net income	—	—	—	—	36.4	36.4
Stock-based compensation	—	—	36.1	—	—	36.1
Issuance of shares upon vesting of RSUs	0.2	*	(*)	—	—	—
Income tax withholding related to vesting of restricted stock units and other	—	—	(0.7)	—	—	(0.7)
Other comprehensive income	—	—	—	(15.9)	—	(15.9)
Balances at June 30, 2022	412.4	4.1	1,107.4	2.7	(1,298.3)	(184.1)

	Share capital					
	Shares	Amount	Additional paid-in capital	Accumulated other comprehensive loss	Retained earnings (Accumulated deficit)	Total stockholders' equity (deficit)
Balances at January 1, 2021	391.1	$ 3.9	$ 462.3	$ 16.7	$ (1,726.4)	$ (1,243.5)
Net income	—	—	—	—	35.7	35.7
Issuance of common stock in the IPO, net of underwriting commission and offering costs	18.5	0.2	467.5	—	—	467.7
Stock-based compensation	—	—	24.3	—	—	24.3
Issuance of shares upon vesting of RSUs	*	*	(*)	—	—	—
Other comprehensive loss	—	—	—	(10.0)	—	(10.0)
Balances at March 31, 2021	409.6	4.1	954.1	6.7	(1,690.7)	(725.8)
Net income	—	—	—	—	90.0	90.0
Share-based compensation	—	—	25.5	—	—	25.5
Issuance of shares upon vesting of RSUs	*	*	(*)	—	—	—
Other comprehensive income	—	—	—	1.2	—	1.2
Balances at June 30, 2021	409.6	$ 4.1	$ 979.6	$ 7.9	$ (1,600.7)	$ (609.1)

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* Represents an amount less than 0.1 or $0.1

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)
(Unaudited)

	Six months ended June 30, 2022	Six months ended June 30, 2021
Cash flows from operating activities		
Net income	$ 119.6	$ 125.7
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	22.0	20.5
Amortization of intangible assets	60.1	46.0
Stock-based compensation	75.2	49.8
Amortization of loan discount	3.9	27.7
Change in contingent consideration	(9.0)	—
Change in deferred tax, net	(8.3)	(10.0)
Loss from foreign currency	9.4	1.2
Non-cash lease expenses	(6.8)	(1.8)
Capital gain from sale of investment	—	(1.2)
Changes in operating assets and liabilities:		
Accounts receivable	13.5	(41.2)
Prepaid expenses and other current and non-current assets	(32.6)	(8.4)
Accounts payable	4.1	8.5
Accrued expenses and other current and non-current liabilities	(10.0)	(26.9)
Net cash provided by operating activities	241.1	189.9
Cash flows from investing activities		
Purchase of property and equipment	(29.5)	(20.2)
Capitalization of internal use software costs	(23.7)	(23.9)
Purchase of intangible assets	(4.0)	(6.6)
Short-term bank deposits	24.8	(50.0)
Payments for business combination, net of cash acquired	(29.9)	—
Other investing activities	(5.0)	2.1
Net cash used in investing activities	(67.3)	(98.6)
Cash flows from financing activities		
Proceeds from bank borrowings, net	—	887.7
Repayments on bank borrowings	(9.5)	(955.8)
Proceeds from issuance of unsecured notes	—	178.9
Proceeds from issuance of common stock, net	—	470.4
Payment of debt issuance costs	—	(10.5)
Payment of tax withholdings on stock-based payments	(2.1)	—
Net cash provided by (used in) financing activities	(11.6)	570.7
Effect of exchange rate changes on cash and cash equivalents	(13.6)	(3.2)
Net change in cash, cash equivalents and restricted cash	148.6	658.8
Cash, cash equivalents and restricted cash at the beginning of the period	1,019.0	523.6
Cash, cash equivalents and restricted cash at the end of the period	$ 1,167.6	$ 1,182.4

	Six months ended June 30,	
	2022	2021
Supplemental cash flow disclosures		
Cash paid for income taxes	$ 78.7	$ 45.0
Cash paid for interest	$ 45.0	$ 50.1
Cash received for interest	$ 2.6	$ —
Non-cash financing and investing activities		
Right-of-use assets acquired under operating leases	$ 30.8	$ 25.9
Contingent consideration related to business acquisition	$ 11.4	$ —
Capitalization of stock-based compensation costs	$ 1.4	$ —
Accrued offering costs	$ —	$ 1.6

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(In millions, unless specified otherwise)

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of business and organization

Playtika Holding Corp. ("Playtika") and its subsidiaries (together with Playtika, the "Company") is one of the world's leading developers of mobile games creating fun, innovative experiences that entertain and engage its users. It has built best-in-class live game operations services and a proprietary technology platform to support its portfolio of games which enable it to drive strong user engagement and monetization. The Company's games are free-to-play, and the Company seeks to provide novel, curated in-game content and offers to its users, at optimal points in their game journeys to drive user engagement and monetization.

Basis of presentation and consolidation

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP") and include Playtika and all subsidiaries in which the Company has a controlling financial interest. Control generally equates to ownership percentage, whereby (i) affiliates that are more than 50% owned are consolidated; (ii) investments in affiliates of 50% or less but greater than 20% are generally accounted for using the equity method where the Company has determined that it has significant influence over the entities; and (iii) investments in affiliates of 20% or less are generally accounted for using cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer.

The significant accounting policies referenced in the annual consolidated financial statements of the Company as of December 31, 2021 have been applied consistently in these unaudited interim consolidated financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been recorded within the accompanying financial statements, consisting of normal, recurring adjustments, and all intercompany balances and transactions have been eliminated in the consolidation. Operating results for the three and six months ended June 30, 2022 are not necessarily indicative of the results that may be expected for the year ending December 31, 2022. For further information, reference is made to the consolidated financial statements and footnotes thereto included in the Company's financial statements for the year ended December 31, 2021.

Investment in unconsolidated entities

The Company holds certain equity investments in various unconsolidated entities that, based upon the structure of the investment, are not within the scope of equity method investment accounting that would lead to the consolidation conclusions above. Instead, these investments fall within the scope of ASC 321, *Investments - Equity Securities.* As permitted within that guidance, the Company has elected to account for these investments at cost less impairment, adjusted for changes in fair value from observable transactions for identical or similar investments of the same issuer as of the respective transaction dates. No change to the initial carrying amounts were recorded in the six months ended June 30, 2022.

Use of estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates, judgments and assumptions. The Company's management believes that the estimates, judgments and assumptions used are reasonable based upon information available at the time they are made. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Concentration of credit risk and significant customers

Financial instruments, which potentially expose the Company to concentrations of credit risk, consist primarily of cash and cash equivalents, short-term bank deposits, restricted cash, accounts receivable and derivative contracts. A large percentage of the Company’s cash is maintained with three financial institutions with high credit standings. The Company performs periodic evaluations of the relative credit standing of these financial institutions.

Apple, Facebook and Google are significant distribution, marketing, promotion and payment platforms for the Company's games. A significant portion of the Company’s revenues has been generated from players who accessed the Company's games through these platforms. Therefore, the Company's accounts receivable are derived mainly from sales through these three platforms. Accounts receivable are recorded at their transaction amounts and do not bear interest. The Company performs ongoing credit evaluations of its customers.

The following table summarizes the major accounts receivable of the Company as a percentage of the total accounts receivable as of the dates indicated:

	June 30, 2022	December 31, 2021
Apple	44%	42%
Google	34%	34%
Facebook	8%	8%

Stock-based compensation expense

The Company has a stock-based compensation program which provides for equity awards including time-based stock options, restricted stock units (“RSUs”) and performance stock units (“PSUs”). Stock-based compensation expense is measured at the grant date, based on the estimated fair value of the award, and is recognized as expense on a straight-line basis over the requisite service period for options and RSUs and on an accelerated basis for PSUs. The Company records forfeitures as a reduction of stock-based compensation expense as those forfeitures occur.

The Company used the Black-Scholes option pricing model to estimate the fair value and compensation cost associated with stock options. As it does not have a long history of market prices for its common stock because the stock was not publicly traded prior to January 2021, the Company used observable data for a group of peer companies that grant options with substantially similar terms to assist in developing its volatility assumptions. The expected volatility of the stock was determined using weighted average measures of the implied volatility and the historical volatility for the Company’s peer group of companies for a period equal to the expected life of the options. The weighted-average risk-free interest rates were based on the interest rate for U.S. Treasury bonds. The expected term assumptions were derived using the simplified method, which is based on an average between each vesting date and the expiration date of an option. This method was chosen because there was no historical option exercise experience due to the Company being privately held. The Company does not anticipate paying cash dividends on its shares of common stock in the future. The stock options have a contractual term of 10 years. Except as otherwise provided in an option agreement between the Company and the employee, if an employee is terminated (voluntarily or involuntarily), any unvested awards as of the date of termination will be forfeited.

The Company uses the associated per-share value at the time of grant to determine the compensation cost to be recognized associated with RSUs and PSUs granted. The Company periodically reviews the estimates of performance against the defined criteria to assess the expected payout of each outstanding PSU grant and adjusts the stock compensation expense accordingly.

For RSUs, shares are issued on the vesting dates net of the applicable statutory income tax withholding to be paid by the Company on behalf of its employees. As a result, fewer shares are generally issued than the number of RSUs outstanding, and the income tax withholding is recorded as a reduction to additional paid-in capital.

The Company’s stock-based compensation expense is recorded in the financial statement line item relevant to each of the award recipients. See *Note 7, Equity Transactions and Stock Incentive Plan*, for additional discussion.

Employee related benefits

Appreciation and retention plan

In August 2019, the Company adopted the Playtika Holding Corp. Retention Plan (the "2021-2024 Retention Plan") in order to retain key employees and reward them for contributing to the success of the Company. Under the 2021-2024 Retention Plan, eligible employees may be granted retention awards that let them receive their pro rata portion of a retention pool of $25 million per year for each of the plan years, and may also be granted appreciation units which allow the employee to receive their pro-rata portion of an appreciation pool calculated as a specified percentage of Adjusted EBITDA for each of the plan years.

The value of each unit of the 2021-2024 Retention Plan has been amortized into compensation expense using the straight-line method, which will result in the recognition of compensation costs in the same years as the underlying EBITDA used in the plan measurement is earned. See *Note 12, Appreciation and Retention Plan,* for additional discussion.

Exit or disposal activities
The Company accounts for exit or disposal cost obligations under ASC 420-10, which requires that companies only record liabilities for such activities when such liabilities have been incurred. During the three months ended June 30, 2022, the Company announced the closure of its Montreal, Los Angeles, Helsinki and London studios, along with limited other cost reduction activities. As a result, severance payments associated with these closures are being recorded as liabilities and recognized as expense over the period such payments are earned. During the three and six month periods ending June 30, 2022, the Company recognized approximately $3.4 million in severance expense associated with these closure activities in operating expenses on the consolidated statements of comprehensive income. The Company expects to record an approximately $3.3 million of additional severance during the second half of 2022.

Derivative instruments
The Company uses interest rate swap contracts to reduce its exposure to fluctuating interest rates associated with the Company's variable rate debt, and to effectively increase the portion of debt upon which the Company pays a fixed interest rate. The Company's interest rate swap agreements are designated as cash flow hedges under ASC 815 involving the receipt of variable amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreement, without the exchange of the underlying notional amount. These hedges are highly effective in offsetting changes in the Company's future expected cash flows due to the fluctuation of the USD one-month LIBOR rate associated with its variable rate debt.

The Company monitors the effectiveness of its hedges on a quarterly basis, both qualitatively and quantitatively. The Company performed a regression analysis at inception of the hedging relationship and at period end in which it compared the change in the fair value of the swap transaction and the change in fair value of a hypothetical interest rate swap having terms that identically match the terms of the debt's interest rate payments based on 30 observations that are based on historical swap rates. Based on the regression results, the Company believes that, at inception and at period end, the hedging instrument is expected to be highly effective at offsetting changes in the hedged transactions attributable to the risk being hedged. For each future reporting period, the Company will continue performing retrospective and prospective assessments of hedge effectiveness in a single regression analysis by updating the regression analysis that was prepared at inception of the hedging relationship.

The Company uses foreign currency derivative contracts to reduce its exposure to fluctuating exchange rates between the United States dollar (as the Company's functional currency) and certain expense lines denominated in Israeli Shekels ("ILS"), Polish Zloty ("PLN"), Romanian Leu ("RON") and Canadian Dollar ("CAD"). The Company's derivative contracts are designated as cash flow hedges under ASC 815. The Company monitors the effectiveness of its hedges on a quarterly basis, both qualitatively and quantitatively, and expects these hedges to remain highly effective at offsetting fluctuations in exchange rates through their respective maturity dates. See *Note 8, Derivative Instruments,* for additional discussion.

The fair value of derivative financial instruments is recognized as an asset or liability at each balance sheet date, with changes in fair value recorded in other comprehensive income on the consolidated statements of comprehensive income until the future underlying transactions occur. The fair value approximates the amount the Company would pay if these contracts were settled at the respective valuation dates. The inputs used to measure the fair value of the Company's interest rate swap agreements are categorized as Level 2 in the fair value hierarchy as established by ASC 820. The inputs used to measure the fair value of the Company's foreign currency derivative contracts are categorized as Level 2 in the fair value hierarchy as established by ASC 820.

Net income per share attributable to common stockholders

For all periods presented herein, basic net income per share is calculated by dividing net income by the weighted-average common shares outstanding. Diluted net income per share reflects the effect of all potentially dilutive common shares outstanding by dividing net income by the weighted-average of all common and potentially dilutive shares outstanding. Performance Stock Units are considered potentially dilutive as of the first day of the reporting period in which the underlying performance metric is achieved. In the event of a loss, diluted shares are not considered because of their anti-dilutive effect.

NOTE 2. ACQUISITION

Acquisition of JustPlay.LOL Ltd

On March 21, 2022, the Company acquired all of the issued and outstanding shares of JustPlay.LOL Ltd. ("JustPlay") consistent with the Company's strategy to increase its breadth of entertainment genres and leverage the Company's Boost platform to enhance game-operations. The acquisition was accounted for as a business combination.

Within the accompanying consolidated financial statements, management has recorded its initial estimate of the assets acquired and liabilities assumed in the acquisition, along with an estimate of the fair value for contingent consideration payable, based upon management's financial models for this acquisition, and upon similar allocations from prior acquisitions. The Company has engaged a third-party valuation specialist to assist the Company with finalizing these estimates, with such finalization expected to be completed during the third quarter of 2022. As such, the Company expects that the initial purchase price allocation may change.

The goodwill, which is non-deductible for tax purposes, is generally attributable to synergies between the Company's and JustPlay's respective studio operations and games.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed (in millions):

Consideration		
Total Consideration	$	42.0
Less: Cash acquired		(0.7)
Total consideration, net of cash acquired		41.3
Less: Acquisition date fair value of contingent consideration		(11.4)
Consideration paid as of March 23, 2022	**$**	**29.9**
Identifiable assets acquired and liabilities assumed		
Accounts receivable	$	1.0
Property and equipment		0.1
Intangible assets other than goodwill		12.3
Goodwill		29.7
Contingent consideration		(11.4)
Deferred tax liability		(1.5)
Liabilities assumed		(0.3)
Total identifiable assets acquired and liabilities assumed	**$**	**29.9**

The developed game assets acquired and included in the above table are being amortized on a straight-line basis over their estimated useful life of six years, which approximates the pattern in which the economic benefits of the intangible assets are expected to be realized.

Pro forma results of operations for this acquisition subsequent to the March 23, 2022 acquisition date have not been presented because the incremental results from JustPlay are not material to the consolidated statements of comprehensive income presented herein.

NOTE 3. GOODWILL

Changes in goodwill for the six months ended June 30, 2022 were as follows (in millions):

		Six months ended June 30, 2022
Balance at beginning of period	$	788.1
Goodwill acquired during the period		29.7
Foreign currency translation adjustments		(8.0)
Balance at end of period	$	809.8

NOTE 4. INTANGIBLE ASSETS OTHER THAN GOODWILL, NET

The carrying amounts and accumulated amortization of the acquired intangible assets other than goodwill, net, including the impact of foreign currency exchange translation, at June 30, 2022 and December 31, 2021, were as follows (in millions):

	June 30, 2022		December 31, 2021
	Weighted average remaining useful life (in years)	Balance	
Historical cost basis			
Developed games and acquired technology	4.7	$ 593.7	$ 591.0
Trademarks and user base	0.2	31.2	31.2
Internal use software	2.6	118.9	97.0
		743.8	719.2
Accumulated amortization			
Developed games and acquired technology		(277.6)	(247.9)
Trademarks and user base		(29.0)	(23.0)
Internal use software		(42.3)	(31.0)
		(348.9)	(301.9)
Intangible assets other than goodwill, net		$ 394.9	$ 417.3

During the three months ended June 30, 2022 and 2021, the Company recorded amortization expense in the amounts of $31.4 million and $22.7 million, respectively. During the six months ended June 30, 2022 and 2021, the Company recorded amortization expense in the amounts of $60.1 million and $46.0 million, respectively.

As of June 30, 2022, the total expected future amortization related to intangible assets was as follows (in millions):

Remaining 2022	$ 49.8
2023	99.0
2024	84.3
2025	75.2
2026 and thereafter	86.6
Total	$ 394.9

NOTE 5. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities at June 30, 2022 and December 31, 2021 were as follows (in millions):

	June 30, 2022	December 31, 2021
Employees and related expenses	$ 162.4	$ 167.8
Accrued expenses	155.3	132.7
Tax accruals	155.2	162.5
Deferred revenues	30.6	31.6
Settlement agreement	26.9	—
Total accrued expenses and other current liabilities	$ 530.4	$ 494.6

NOTE 6. DEBT

	June 30, 2022				December 31, 2021
(in millions, except interest rates)	Maturity	Interest rate	Book value	Face value	Book value
Term Loan	2028	3.810%	$ 1,837.7	$ 1,876.3	$ 1,843.8
Senior Notes	2029	4.250%	592.0	600.0	591.3
Revolving Credit Facility	2026	n/a	—	—	—
Total debt			2,429.7	2,476.3	2,435.1
Less: Current portion of long-term debt			(12.4)	(19.0)	(12.2)
Long-term debt			$ 2,417.3	$ 2,457.3	$ 2,422.9

Book value of debt in the table above is reported net of deferred financing costs and original issue discount of $46.6 million at June 30, 2022 and deferred financing costs of $50.7 million at December 31, 2021, respectively.

Credit Agreement

On December 10, 2019, the Company entered into $2,750 million of senior secured credit facilities (the "Credit Facilities"), consisting of a $250 million revolving credit facility (the "Revolving Credit Facility"), and a $2,500 million first lien term loan (the "Old Term Loan"). The Credit Facilities were provided pursuant to a Credit Agreement, dated as of December 10, 2019 (the "Credit Agreement"), by and among Playtika, the lenders party thereto, and Credit Suisse, AG, Cayman Islands Branch, as administrative agent (in such capacity, the "Administrative Agent") and collateral agent (in such capacity, the "Collateral Agent"). On June 15, 2020, the Company increased the capacity of the Revolving Credit Facility to $350 million. On January 15, 2021, the Company increased the borrowing capacity of the Revolving Credit Facility from $350 million to $550 million.

On March 11, 2021, the Company amended the Credit Agreement pursuant to an Incremental Assumption Agreement No. 3 and Second Amendment to Credit Agreement (the “Second Amendment”). The Second Amendment, among other things, effected a refinancing of the Old Term Loan with a new $1.9 billion senior secured first lien term loan borrowed under the Credit Agreement (the “New Term Loan”), increased the Revolving Credit Facility to $600 million and extended the maturity of the Revolving Credit Facility to March 11, 2026. The New Term Loan matures on March 11, 2028 and requires scheduled quarterly principal payments in amounts equal to 0.25% of the original aggregate principal amount of the New Term Loan, with the balance due at maturity.

The Revolving Credit Facility includes a maximum first-priority net senior secured leverage ratio financial maintenance covenant of 6.25 to 1.0. At June 30, 2022, the Company’s first-priority net senior secured leverage ratio was 0.81 to 1.0.

The Company was in compliance with its financial and other covenants under the Credit Agreement as of June 30, 2022.

Interest and Fees

Borrowings under the Credit Agreement bear interest at a rate equal to, at the Company’s option, either (a) LIBOR determined by reference to the cost of funds for Eurodollar deposits for the interest period relevant to such borrowing, adjusted for certain additional costs, subject to a floor of 0% or (b) a base rate determined by reference to the highest of (i) the federal funds rate plus 0.50%, (ii) the prime rate as determined by the administrative agent and (iii) the one-month adjusted LIBOR rate plus 1.00%, in each case plus an applicable margin. Such applicable margin is (x) with respect to the New Term Loan, 2.75% per annum in the case of any LIBOR loan or 1.75% per annum in the case of any base rate loan, subject to one 0.25% step-down based on the Company’s credit ratings and (y) in the case of the Revolving Credit Facility, a range from 2.25% to 3.00% per annum in the case of any LIBOR loan and a range from 1.25% to 2.00% per annum in the case of any base rate loan, based on the Company’s net senior secured leverage ratio.

In addition, on a quarterly basis, the Company is required to pay each lender under the Revolving Credit Facility a commitment fee in respect of any unused commitments under the Revolving Credit Facility in the amount of 0.50% of the principal amount of the daily unused commitments of such lender, subject to step-downs to 0.375% and 0.25% based upon the Company's senior secured leverage ratio. The Company is also required to pay customary agency fees as well as letter of credit participation fees on outstanding letters of credit.

The Credit Agreement permits voluntary prepayments and requires mandatory prepayments in certain events including, among others, 50% (subject to step-downs to 25% and 0% based upon the Company's net total secured leverage ratio) of the Company's excess cash flow to the extent such amount exceeds $10 million, certain net cash proceeds from non-ordinary asset sale transactions (subject to reinvestment rights), and 100% of net proceeds of any issuance of debt (except for debt permitted to be incurred by the Credit Agreement). If the Company's total secured leverage ratio remains below 2.0 to 1.0, consistent with the ratio for the year ended December 31, 2021, the Company's required excess cash flow percentage for 2022 will step down to 0%.

The significant terms and conditions of the Credit Agreement have not changed from what was disclosed in *Note 9, Debt* in our Annual Report on Form 10-K filed with the SEC on March 2, 2022.

Offering of 4.250% Senior Notes due 2029

Indenture

On March 11, 2021, the Company issued $600.0 million aggregate principal amount of its 4.250% senior notes due 2029 (the "Notes") under an indenture, dated March 11, 2021 (the "Indenture"), among the Company, the subsidiary guarantors party thereto and Wilmington Trust, National Association, as trustee (the "Trustee").

Maturity and Interest

The Notes mature on March 15, 2029. Interest on the Notes will accrue at a rate of 4.250% per annum. Interest on the Notes is payable semi-annually in cash in arrears on March 15 and September 15 of each year.

The significant terms and conditions of the Notes have not changed from what was disclosed in *Note 9, Debt* in our Annual Report on Form 10-K filed with the SEC on March 2, 2022.

NOTE 7. EQUITY TRANSACTIONS AND STOCK INCENTIVE PLAN

Overview of Stock Incentive Plan

On May 26, 2020, the Board of Directors of the Company approved the Playtika Holding Corp. 2020 Incentive Award Plan (the "Plan").

The maximum number of shares of the Company's common stock for which grants may be made under the Plan was 56,232,228 shares as of June 30, 2022. As of June 30, 2022, a total of 5,308,141 shares of the Company's common stock remained available for grants of awards under the Plan.

Stock Options

The following table summarizes the Company's stock option activity during the six months ended June 30, 2022:

	Stock Options Outstanding	Weighted Average Remaining Term (in years)	Weighted Average Exercise Price	Intrinsic Value (in millions)
Outstanding at January 1, 2022	15,849,693	8.8	$ 22.70	
Granted	2,531,339		$ 15.52	
Exercised	—			
Cancelled	(1,822,075)		$ 21.07	
Expired	—			
Outstanding at June 30, 2022	16,558,957	8.25	$ 19.21	$ —
Exercisable at June 30, 2022	6,015,306	7.58	$ 20.98	$ —

The Company used the Black-Scholes option pricing model for determining the estimated fair value of stock-based compensation related to stock options. The table below summarizes the assumptions used for the options granted in each respective period, as well as for options repriced during the first quarter of 2022:

	Six months ended June 30,	
	2022	**2021**
Risk-free interest rate	0.67% - 2.82%	0.67% - 0.98%
Expected dividend yield	—	—
Expected term in years	6.1	6.1
Expected volatility	37.91% - 38.60%	38.36% - 38.56%

On February 7, 2022, the Compensation Committee of the Board of Directors of the Company approved an amendment to 5,303,242 options granted in 2021 that are scheduled to vest after the first anniversary of the grant date (the "Adjusted Portion"). The Adjusted Portion was amended to reduce the per share exercise prices of such Adjusted Portion to $18.71. The company accounted for the repricing as a modification and will record incremental compensation expense of approximately $8.8 million over the remaining vesting period. There were no awards to any named executive officers or other Section 16 executives included in this repricing.

RSUs

The following table summarizes the Company's RSU activity during the six months ended June 30, 2022:

	Shares	Weighted Average Grant Date Fair Value	Total Fair Value of Shares Vested (in millions)
Outstanding at January 1, 2022	11,375,084	$ 25.29	
Granted	6,010,705	$ 15.53	
Vested	(1,451,973)	$ 30.76	$ 27.4
Cancelled	(956,706)	$ 25.41	
Outstanding at June 30, 2022	14,977,110	$ 20.81	

PSUs

On February 7, 2022, the Compensation Committee of the Board of Directors of the Company approved the grant of PSUs to certain employees pursuant to the Plan. For each annual performance period consisting of calendar years 2022 through 2025, up to 25% of the PSUs will be eligible to vest based on the Company's annual revenue growth rate during the applicable performance period relative to threshold, target and maximum achievement levels.

If the Company's annual revenue growth rate for a performance period is between two achievement levels, the achievement percentage will be determined by linear interpolation between the applicable achievement levels. Notwithstanding the foregoing, in no event shall less than 25 PSUs vest during each performance period for Israeli participants.

The following table summarizes the Company's PSU activity during the six months ended June 30, 2022:

	Shares[(1)]	Weighted Average Grant Date Fair Value	Total Fair Value of Shares Vested (in millions)
Outstanding at January 1, 2022	—	$ —	
Granted	3,478,378	$ 15.65	
Vested	—	$ —	$ —
Cancelled	—	$ —	
Outstanding at June 30, 2022	3,478,378	$ 15.65	

(1) The number of shares for the PSUs listed as granted represent the total number of PSUs granted to each recipient eligible to vest if the Company meets its highest specified performance goals for the applicable period.

Stock-Based Compensation

The following table summarizes stock-based compensation costs, net of amounts capitalized, as reported on the Company's consolidated statement of comprehensive income (in millions):

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Research and development expenses	$ 13.2	$ 7.0	$ 27.0	$ 13.5
Sales and marketing expenses	2.8	3.2	5.7	6.0
General and administrative expenses	19.4	15.3	42.5	30.3
Total stock-based compensation costs, net of amounts capitalized	$ 35.4	$ 25.5	$ 75.2	$ 49.8

During the three and six months ended June 30, 2022, the Company capitalized $0.7 million and $1.4 million of stock-based compensation cost, respectively. There was no stock-based compensation cost capitalized during the three and six months ended June 30, 2021.

As of June 30, 2022, the Company's unrecognized stock-based compensation expenses related to stock options, RSUs and PSUs was approximately $93.2 million, $264.1 million and $34.8 million, respectively. The expense related to stock options, RSUs and PSUs are expected to be recognized over a weighted average period of 2.6 years, 2.8 years and 2.5 years, respectively.

NOTE 8. DERIVATIVE INSTRUMENTS

Interest Rate Swap Agreements

In March 2021, the Company entered into two interest rate swap agreements, each with a notional value of $250 million. Each of these swap agreements is with a different financial institution as the counterparty to reduce the Company's counterparty risk. Each swap requires the Company to pay a fixed interest rate of 0.9275% in exchange for receiving one-month LIBOR. The interest rate swap agreements settle monthly commencing in April 2021 through their termination dates on April 30, 2026. The estimated fair value of the Company's interest rate swap agreements is derived from a discounted cash flow analysis. The aggregate fair value of the Company's interest rate swap agreements was an asset of $36.2 million as of June 30, 2022 and was recorded between prepaid expenses and other current assets and other non-current assets in the accompanying consolidated balance sheets based upon the timing of the underlying expected cash flows.

Foreign currency hedge agreements

At June 30, 2022, the Company had outstanding derivative contracts to purchase certain foreign currencies, including ILS, RON, and PLN at future dates. The approximate amount of hedges was equal to $170.1 million, and all contracts are expected to mature during the upcoming 12 months. The aggregate fair value of the Company's derivative contracts was a net liability of $12.0 million as of June 30, 2022 and was recorded in accrued expenses and other current liabilities in the accompanying consolidated balance sheets. In the second quarter of 2022 the Company terminated its derivative contract to purchase CAD in conjunction with the announced closing of its Canadian operations resulting in an immaterial gain.

NOTE 9. FAIR VALUE MEASUREMENTS

The Company accounts for fair value in accordance with ASC 820, *Fair Value Measurements and Disclosures* ("ASC 820"). Fair value is defined under ASC 820 as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value under ASC 820 must maximize the use of observable inputs and minimize the use of unobservable inputs. The Company uses a three-tier hierarchy, which prioritizes the inputs used in measuring fair value as follows:

> *Level 1* - Quoted prices in active markets for identical assets or liabilities.
>
> *Level 2* - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
>
> *Level 3* - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The first two levels in the hierarchy are considered observable inputs and the last is considered unobservable. The carrying value of accounts receivable and payables and the Company's cash and cash equivalents, short-term bank deposits and restricted cash, approximates fair value due to the short time to expected payment or receipt of cash.

The following table summarizes the fair value measurement of the Company's long-term debt at June 30, 2022 (in millions):

	June 30, 2022		
	Face Value	**Fair Value**	**Fair Value Hierarchy**
Term Loan	$ 1,876.3	$ 1,787.2	Level 2
Senior Notes	600.0	492.0	Level 2
Total debt	$ 2,476.3	$ 2,279.2	

The estimated fair value of the Company's term loan is based upon the prices at which the Company's debt traded in the days immediately preceding the balance sheet date. As the trading volume of the Company's debt is low relative to the overall debt balance, the Company does not believe that the associated transactions represent an active market, and therefore this indication of value represents a level 2 fair value input.

The following table sets forth the assets and liabilities measured at fair value on a recurring basis in the Company's consolidated balance sheets at June 30, 2022 (in millions):

		Fair Value at	
	Pricing Category	June 30, 2022	December 31, 2021
Cash and cash equivalents			
Money market funds	Level 1	$ 388.4	$ 310.2
Prepaid expenses and other current assets			
Derivative instruments - foreign currency derivative contracts	Level 2	$ —	$ 1.3
Derivative instruments - interest rate swaps	Level 2	10.8	—
Other non-current assets:			
Derivative instruments - interest rate swaps	Level 2	$ 25.4	$ 7.9
Accrued expenses and other current liabilities:			
Derivative instruments - foreign currency derivative contracts	Level 2	$ 12.0	$ —
Derivative instruments - interest rate swaps	Level 2	—	2.4
Contingent consideration	Level 3	$ 11.4	$ 28.7

The Company estimates the fair value of interest rate swap contracts by discounting the future cash flows of both the fixed rate and variable rate interest payments based on market yield curves. The inputs used to measure the fair value of the Company's interest rate swap contracts are categorized as Level 2 in the fair value hierarchy as established by ASC 820.

The fair value of the Company's foreign currency contracts approximates the amount the Company would pay or receive if these contracts were settled at the respective valuation dates. The inputs used to measure the fair value of the Company's foreign currency contracts are categorized as Level 2 in the fair value hierarchy as established by ASC 820.

The change in fair value of contingent consideration payable was valued using significant unobservable inputs (Level 3), was included in the general and administrative expenses in the Company's consolidated statements of comprehensive income and consisted of the following (in millions):

Balance as of January 1, 2022	$ 28.7
Recorded in connection with acquisition transaction	11.4
Adjustment based on subsequent settlement agreement[1]	(28.7)
Balance as of June 30, 2022	$ 11.4

____

(1) See *Note 10, Commitments and Contingencies,* for additional discussion.

The Company estimated the fair value of its contingent consideration liabilities using probability-weighted discounted cash flow analyses. These fair value measurements are based on significant inputs not observable in the market and thus represent

Level 3 measurements as defined in ASC 820. The extent to which the actual results differ from assumptions made within the probability-weighted analyses will result in adjustments to this liability in future periods.

The Company has not elected the fair value measurement option available under U.S. GAAP for any of its assets or liabilities that meet the option for these criteria.

NOTE 10. COMMITMENTS AND CONTINGENCIES

In December 2016, a copywriter lawsuit was filed against Wooga GmbH (a subsidiary of the Company) in the regional court of Berlin, Germany. The Plaintiff is suing for additional remuneration to his contributions for a storyline provided for one of Wooga's games and alleged reuse of parts of that storyline in one of Wooga’s other games. In its partial ruling delivered on August 18, 2020, the court dismissed the latter claim, but ordered Wooga to provide to the plaintiff revenue numbers of the game in which plaintiff’s contributions are used. Wooga complied with the court’s order. The plaintiff further pursues additional remuneration claims, including filing a statement with the court on June 13, 2022 in which plaintiff is seeking Euro 8.5 million plus interest. A hearing in court was held on June 21, 2022. The court has set a deadline of August 21, 2022 for the parties in the lawsuit to file statements. As of June 30, 2022, the Company has recorded in its financial statements a reserve based upon its best estimate outcome. It is possible that any final amounts payable in connection with this lawsuit could exceed the Company’s currently reserved best estimate. The Company has defended this case vigorously and will continue to do so.

In November 2013, the Company’s subsidiary, Playtika, Ltd., sent an initial demand letter to Enigmatus s.r.o., a game developer in the Czech Republic, which owns various U.S. trademark registrations that resemble the Company’s Sloto-formative trademark names, demanding that it cease use of the trademark Slotopoly. In response, Enigmatus s.r.o. asserted that it was the owner of the Sloto-formative trademarks and denied that its game title infringed the Company’s trademarks. Enigmatus s.r.o. applied to register one of the Company’s trademarks in the United Kingdom and European Union, and the Company successfully opposed its applications. In December 2016, Enigmatus s.r.o., filed a trademark infringement lawsuit, Enigmatus, s.r.o. v. Playtika LTD and Caesars Interactive Entertainment, Inc., against Playtika, Ltd. and Caesars Interactive Entertainment LLC in the Federal Court of Canada asserting that the Company’s use of the Slotomania trademarks violates its proprietary and trademark rights. The plaintiff sought injunctive relief and monetary damages. Pleadings have been exchanged and the lawsuit is in the discovery stage. No trial date has been scheduled. The Company has defended this case vigorously and will continue to do so. As the case is in preliminary stages, the Company cannot estimate what impact, if any, the litigation may have on its results of operations, financial condition or cash flows.

On October 26, 2020, a patent infringement claim was filed against Playtika Holding Corp., Playtika Ltd. and Caesars Interactive Entertainment LLC in U.S. District Court, District of Nevada. The Plaintiff alleged that the defendants are infringing certain patents in the field of communication and the transferring of images between the gaming server and the end device on certain of its social casino games. The Plaintiff is seeking monetary damages. On April 7, 2021, following the Company’s preliminary motions for dismissal and stay, the Company’s motion for stay was approved by the court pending ruling on motions to dismiss. On July 7, 2021, the Court issued an order finding each of the Plaintiff’s asserted patents invalid as failing to comply with certain legal requirements and dismissing the lawsuit as to all parties. On July 19, 2021, the Plaintiff filed an appeal, and a hearing on the appeal was held on May 6, 2022 before the United States Court of Appeals for the Federal Circuit. On May 13, 2022, the U.S. Court of Appeals for the Federal Circuit affirmed the District Court’s order. Plaintiff has further informed the Company that it does not intend to appeal the case to the U.S. Supreme Court.

On November 23, 2021, the Company and its directors and certain of its officers were named in a putative class action lawsuit filed in the United States District Court for the Eastern District of New York (Bar-Asher v. Playtika Holding Corp. et al.). The complaint was brought on behalf of an alleged class of purchasers of the Company’s securities between January 15, 2021 and November 2, 2021, and alleged violations of federal securities laws arising out of alleged misstatements or omissions by the defendants during the alleged class period. On March 10, 2022, the court appointed LBMotion Ltd as lead plaintiff, and the plaintiff filed an amended complaint on May 6, 2022. The amended complaint alleges violations of Section 11 and 15 of the Securities Act of 1933 and seeks, among other things, damages and attorneys’ fees and costs on behalf of the putative class. The amended complaint also added the companies that served as underwriters for the Company’s IPO as defendants in the lawsuit. As the case is in preliminary stages, the Company cannot estimate what impact, if any, the litigation may have on its results of operations, financial condition or cash flows. The Company has defended this case vigorously and will continue to do so.

On August 31, 2021, Playtika UK – House of Fun Limited ("Buyer"), a wholly owned subsidiary of the Company, entered into a Share Sale and Purchase Agreement ("SPA") with the shareholders and option holders (collectively, the "Sellers") of Reworks Oy ("Reworks") pursuant to which the Buyer (i) acquired 80% of all issued and registered shares and options ("Share Capital") of Reworks in exchange for cash consideration of $400 million, subject to customary closing adjustments, and (ii) would acquire the remaining 20% of the Share Capital ("Remainder Shares and Options") for additional cash consideration ("Earnout Payment") in an amount to be determined based on certain performance metrics during the calendar year 2022. The Earnout Payment was expected to be calculated based on the amount of "Company EBITDA" (as defined in the SPA) in calendar year 2022 in excess of $10.3 million multiplied by 6.0, not to exceed $200 million, as further described in the SPA. In the event "Company EBITDA" (as defined in the SPA) was $10.3 million or less, the Earnout Payment would be $1.

On August 1, 2022, in connection with a contractual dispute between Buyer and the Sellers under the SPA, Buyer and the Sellers entered into an Omnibus Agreement, pursuant to which, among other things, (i) Buyer acquired title to the Remainder Shares and Options in exchange for a $45 million cash payment to the Sellers (in lieu of the Earnout Payment), (ii) Buyer and the sellers' representative issued joint instructions to release $15.5 million from the Escrow Account (Claims) (as defined in the SPA) to the Sellers, (iii) Sellers released Buyer and its affiliates from all past, current and future claims arising out of the SPA, including but not limited to Reworks' obligation under the SPA to spend a minimum $75 million in marketing and user acquisition activities during calendar year 2022, with exceptions for certain representations, warranties and covenants, (iv) Buyer released Sellers and each of their affiliates from all past, current and future claims arising out of the SPA, with exceptions for certain representations, warranties and covenants, and (v) certain Key Employee Agreements (as defined in the SPA) were terminated. See *Note 17, Subsequent Events*, for additional discussion

On May 17, 2022, Guy David Ben Yosef filed a motion for approval of a class action lawsuit in district court in Tel Aviv-Jaffa Israel against Playtika Group Israel Ltd. ("PGI"), on behalf of all of PGI's customers who made game token purchases in Israel as part of games marketed by PGI during the seven years preceding the filing of the motion and for all subsequent customers of such games who purchase tokens until the resolution of the claim. The motion alleges that certain of the Company's slot, poker and solitaire-themed games, including Slotomania, Caesars Slots, Solitaire Grand Harvest, House of Fun and Poker Heat, constitute illegal gambling and are prohibited under Israeli law and are misleading under Israeli consumer protection laws and alleges unjust enrichment. The motion asserts damages of NIS 50 million. PGI's response to the motion is due on November 27, 2022, and a pre-trial hearing in district court has been set for December 11, 2022. As the case is in preliminary stages, the Company cannot estimate what impact, if any, the litigation may have on its results of operations, financial condition or cash flows. The Company will defend this case vigorously.

NOTE 11. REVENUE FROM CONTRACTS WITH CUSTOMERS

The following table provides information about disaggregated revenue by geographic location of the Company's players and type of platform (in millions):

	Three months ended June 30,				Six months ended June 30,			
	2022		2021		2022		2021	
Geographic location								
USA	$	466.8	$	468.7	$	941.2	$	923.4
EMEA		94.5		94.8		198.7		186.5
APAC		52.2		49.7		104.5		99.6
Other		46.1		46.0		92.1		88.6
Total	$	659.6	$	659.2	$	1,336.5	$	1,298.1
Platform type								
Mobile	$	527.2	$	525.6	$	1,073.2	$	1,038.8
Web		132.4		133.6		263.3		259.3
Total	$	659.6	$	659.2	$	1,336.5	$	1,298.1

Revenues through third-party platforms and through the Company's own direct-to-consumer platforms were as follows (in millions):

	Three months ended June 30,				Six months ended June 30,			
	2022		2021		2022		2021	
Revenues								
Third-party platforms	$	506.0	$	524.7	$	1,030.5	$	1,047.7
Direct-to-consumer platforms		153.6		134.5		306.0		250.4
Total	$	659.6	$	659.2	$	1,336.5	$	1,298.1

Contract balances

Payments from players for virtual items are collected by platform providers or payment processors and remitted to the Company (net of the platform or clearing fees) generally within 45 days after the player transaction. The Company's right to receive the payments collected by the platform providers or payment processors is recorded as an accounts receivable as the right to receive payment is unconditional. Deferred revenues, which represent a contract liability, represent mostly unrecognized fees billed for virtual items which have not yet been consumed at the balance sheet date. Platform fees paid to platform providers or payment processors and associated with deferred revenues represent a contract asset.

Balances of the Company's contract assets and liabilities are as follows (in millions):

	June 30, 2022		December 31, 2021	
Accounts receivable	$	128.5	$	143.7
Contract assets [(1)]		8.7		9.4
Contract liabilities [(2)]		30.6		31.6

(1) Contract assets are included within prepaid expenses and other current assets in the Company's consolidated balance sheets.

(2) Contract liabilities are included within accrued expenses and other current liabilities as "deferred revenues" in the Company's consolidated balance sheets.

During the three and six months ended June 30, 2022, the Company recognized $5.4 million and $29.4 million, respectively, of its contract liabilities that were outstanding as of December 31, 2021.

Unsatisfied performance obligations

Substantially all of the Company's unsatisfied performance obligations relate to contracts with an original expected length of one year or less.

NOTE 12. APPRECIATION AND RETENTION PLAN

In August 2019, the Board approved the 2021-2024 Retention Plan. Under the 2021-2024 Retention Plan, eligible employees may be granted retention awards that let them receive their pro rata portion of a retention pool of $25 million per year for each of the plan years, and may also be granted appreciation units which allow the employee to receive their pro-rata portion of an appreciation pool calculated as a specified percentage of Adjusted EBITDA in each of the plan years.

The Company recognized compensation expenses in respect of retention bonus and appreciation unit awards under its appreciation and retention plans of $28.0 million and $30.2 million during the three months ended June 30, 2022 and 2021, respectively, and $52.9 million and $60.0 million during the six months ended June 30, 2022 and 2021, respectively.

The Company has also granted retention awards to key individuals associated with acquired companies as an incentive to retain those individuals on a long-term basis. The Company recognized compensation expenses associated with these development-related retention payments of $9.4 million and $3.7 million during the three months ended June 30, 2022 and 2021, respectively, and $10.0 million and $6.8 million during the six months ended June 30, 2022 and 2021, respectively.

NOTE 13. INTEREST EXPENSE AND OTHER, NET

Interest expense and other, net are as follows (in millions):

	Three months ended June 30,		Six months ended June 30,	
	2022	**2021**	**2022**	**2021**
Interest expense	$ 25.9	$ 23.1	$ 49.6	$ 101.1
Interest income	(2.5)	(0.1)	(3.3)	(0.3)
Foreign currency translation differences, net	(2.2)	0.6	2.4	(0.2)
Other	1.2	0.4	1.2	(0.9)
Total interest expense and other, net	$ 22.4	$ 24.0	$ 49.9	$ 99.7

NOTE 14. INCOME TAXES

	Three months ended June 30,		Six months ended June 30,	
(in millions, except tax rate)	**2022**	**2021**	**2022**	**2021**
Income before income taxes	$ 68.9	$ 141.4	$ 161.8	$ 196.0
Provision for income taxes	$ 32.5	$ 51.4	$ 42.2	$ 70.3
Effective tax rate	47.2 %	36.4 %	26.1 %	35.9 %

The effective income tax rate for the three months ended June 30, 2022 was 47.2% compared to 36.4% for the three months ended June 30, 2021. The effective income tax rate for the six months ended June 30, 2022 was 26.1% compared to 35.9% for the six months ended June 30, 2021. The effective tax rates were determined using a worldwide estimated annual effective tax rate and took discrete items into consideration. The primary differences between the effective tax rate and the 21% federal statutory rate for the three and six months ended June 30, 2022 were due to tax provisions that do not meet the more likely than not standard, the inclusion of Global Intangible Low-Taxed Income, nondeductible share-based compensation, and the tax impact of acquisition-related liabilities. The primary differences between the effective tax rate and the 21% federal statutory rate for the three and six months ended June 30, 2021 were due to tax positions that do not meet the more likely than not standard, rates in foreign jurisdictions and the relative amounts of income earned in those jurisdictions, and the impact of repatriation of the undistributed earnings of certain foreign subsidiaries.

NOTE 15. ACCUMULATED OTHER COMPREHENSIVE INCOME

The following tables show a summary of changes in accumulated other comprehensive income (loss), net of tax, by component for the three and six months ended June 30, 2022 and 2021 (in millions):

	Foreign Currency Translation	Interest Rate Swaps	Foreign Currency Derivative Contracts	Total
Balance as of January 1, 2022	$ (1.9)	$ 4.2	$ 0.9	$ 3.2
Other comprehensive income (loss) before reclassifications	(3.3)	17.7	0.3	14.7
Amounts reclassified from accumulated other comprehensive income (loss)	—	0.8	(0.1)	0.7
Balance as of March 31, 2022	(5.2)	22.7	1.1	18.6
Other comprehensive income (loss) before reclassifications	(10.0)	5.2	(12.3)	(17.1)
Amounts reclassified from accumulated other comprehensive income	—	0.1	1.1	1.2
Balance as of June 30, 2022	$ (15.2)	$ 28.0	$ (10.1)	$ 2.7

	Foreign Currency Translation	Interest Rate Swaps	Foreign Currency Derivative Contracts	Total
Balance as of January 1, 2021	$ 16.7	$ —	$ —	$ 16.7
Other comprehensive income (loss) before reclassifications	(9.9)	0.7	(1.1)	(10.3)
Amounts reclassified from accumulated other comprehensive income	—	—	0.3	0.3
Balance as of March 31, 2021	6.8	0.7	(0.8)	6.7
Other comprehensive income (loss) before reclassifications	2.8	(3.2)	1.1	0.7
Amounts reclassified from accumulated other comprehensive income	—	0.5	—	0.5
Balance as of June 30, 2021	$ 9.6	$ (2.0)	$ 0.3	$ 7.9

NOTE 16. NET INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS

The following table sets forth the computation of basic and diluted net income per share attributable to common stockholders (in millions, except per share data):

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Numerator:				
Net income	$ 36.4	$ 90.0	$ 119.6	$ 125.7
Denominator:				
Weighted-average shares used in computing net income per share attributable to common stockholders, basic	412.4	409.6	412.2	408.1
Weighted-average shares used in computing net income per share attributable to common stockholders, diluted	412.8	411.7	412.8	410.6
Net income per share, basic	$ 0.09	$ 0.22	$ 0.29	$ 0.31
Net income per share, diluted	$ 0.09	$ 0.22	$ 0.29	$ 0.31

The following outstanding employee equity awards were excluded from the calculation of diluted net income per share because their effect would have been anti-dilutive for the periods presented:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Stock options	17,183,022	7,637,213	17,037,574	7,284,907
RSUs	7,648,295	4,761,896	9,662,094	4,318,758
Total	24,831,317	12,399,109	26,699,668	11,603,665

In addition, 3,478,378 PSUs were excluded from the calculation of diluted net income per share for the three months ended June 30, 2022 because the minimum performance measures have not yet been met.

NOTE 17. SUBSEQUENT EVENTS

On August 31, 2021, Buyer entered into a Share Sale and Purchase Agreement (“SPA”) pursuant to which the Company (i) acquired 80% of all issued and registered shares and options (“Share Capital”) of Reworks Oy, a limited liability company incorporated under the laws of Finland (“Reworks”) in exchange for cash consideration of $400 million, subject to customary closing adjustments, and (ii) would acquire the remaining 20% of the Share Capital for additional cash consideration (“Earnout Payment”) in an amount to be determined based on certain performance metrics during the calendar year 2022. The Earnout Payment was expected to be calculated based on the amount of “Company EBITDA” (as defined in the SPA) in calendar year 2022 in excess of $10.3 million multiplied by 6.0, not to exceed $200 million, as further described in the SPA. In the event “Company EBITDA” (as defined in the SPA) was $10.3 million or less, the Earnout Payment would be $1.

On August 1, 2022, Buyer entered into an Omnibus Agreement with the Sellers and acquired the Remainder Shares and Options for total consideration of $45 million. As this agreement represents the final determination of an obligation that was present at June 30, 2022, the terms of the agreement have been reflected in the financial statements herein. Thus, for the first and second quarters of 2022, the Company recognized $25 million of income and $30 million of expense, respectively, in connection with adjusting the Earnout Payment to estimated fair value. Additionally, the Company’s liability of $45 million recorded as of June 30, 2022 is split between $18.1 million recorded as compensation payable to selling shareholders that remained as employees of the Company subsequent to the acquisition of Reworks, and $26.9 million recorded as contingent consideration payable to third-party shareholders.

The Company performed a review for subsequent events through the date of these financial statements and noted no other material items for disclosure.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We are one of the world's leading developers of mobile games creating fun, innovative experiences that entertain and engage our users. We have built best-in-class live game operations services and a proprietary technology platform to support our portfolio of games which enable us to drive strong user engagement and monetization. Our games are free-to-play, and we are experts in providing novel, curated in-game content and offers to our users, at optimal points in their game journeys. Our players love our games because they are fun, creative, engaging, and kept fresh through a steady release of new features that are customized for different player segments.

Components of our Results of Operations

Revenues

We primarily derive revenue from the sale of virtual items associated with online games.

We distribute our games to the end customer through various web and mobile platforms, such as Apple, Facebook, Google and other web and mobile platforms plus our own direct-to-consumer platforms. Through these platforms, users can download our free-to-play games and can purchase virtual items to enhance their game-playing experience. Players can purchase virtual items through various widely accepted payment methods offered in the games. Payments from players for virtual items are non-refundable and relate to non-cancellable contracts that specify our obligations and cannot be redeemed for cash nor exchanged for anything other than virtual items within our games.

Our games are played primarily on various third-party platforms for which the platform providers collect proceeds from our customers and pay us an amount after deducting platform fees. We are primarily responsible for fulfilling the virtual items, have the control over the content and functionality of games and have the discretion to establish the virtual items' prices. Therefore, we are the principal and, accordingly revenues are recorded on a gross basis. Payment processing fees paid to platform providers are recorded within cost of revenue.

Cost of revenue

Cost of revenue includes payment processing fees, customer support, hosting fees and depreciation and amortization expenses associated with assets directly involved in the generation of revenues, including servers and internal use software. Platform providers (such as Apple, Facebook and Google) charge a transactional payment processing fee to accept payments from our players for the purchase of in-app virtual goods. Payment processing fees and other related expenses for in-app purchases made through our direct-to-consumer platforms are typically 3-4%, compared to a 30% platform fee for third party platforms. We generally expect cost of revenue to fluctuate proportionately with revenues.

Research and development

Research and development consists of salaries, bonuses, benefits, other compensation, including stock-based compensation and allocated overhead, related to engineering, research, and development. In addition, research and development expenses include depreciation and amortization expenses associated with assets associated with our research and development efforts. We expect research and development expenses will increase in absolute dollars as our business expands and as we increase our personnel headcount to support the expected growth in our technical development and operating activities. We also expect that research and development expenses specifically associated with new game development will fluctuate over time.

Sales and marketing

Sales and marketing consists of costs related to advertising and user acquisition, including costs related to salaries, bonuses, benefits, and other compensation, including stock-based compensation and allocated overhead. In addition, sales and marketing expenses include depreciation and amortization expenses associated with assets related to our sales and marketing efforts. We plan to continue to invest in sales and marketing to retain and acquire users. However, sales and marketing expenses may fluctuate as a percentage of revenues depending on the timing and efficiency of our marketing efforts.

General and administrative

General and administrative expenses consist of salaries, bonuses, benefits, and other compensation, including stock-based compensation, for all our corporate support functional areas, including our senior leadership. In addition, general and administrative expenses include outsourced professional services such as consulting, legal and accounting services, taxes and dues, insurance premiums, and costs associated with maintaining our property and infrastructure. General and administrative expenses also include depreciation and amortization expenses associated with assets not directly attributable to any of the expense categories above. We also record adjustments to contingent consideration payable recorded after the acquisition date, and legal settlement expenses, as components of general and administrative expense. We expect non-discrete general and administrative expenses will increase in absolute dollars to support our expected growth initiatives.

Interest expense and other, net

Interest expense is primarily related to borrowings under our Credit Agreement dated as of December 10, 2019 (as amended, the “Credit Agreement”). Our interest expense includes amortization of deferred financing costs and is offset by interest income earned on the investment of excess cash and cash equivalents. We expect to continue to incur interest expense under our Credit Agreement, although such interest expense will fluctuate based upon the underlying variable interest rates. In March 2021, we entered into two interest rate swap agreements, each with a notional value of $250 million, reducing our overall exposure to variable interest rates.

Provision for income taxes

The provision for income taxes consists of current income taxes in the various jurisdictions where we are subject to taxation, primarily the United States, the United Kingdom and Israel, as well as deferred income taxes reflecting the net tax effects of temporary differences between the carrying amounts of assets and liabilities in each of these jurisdictions for financial reporting purposes and the amounts used for income tax purposes. Under current U.S. tax law, the federal statutory tax rate applicable to corporations is 21%. Our effective tax rate can fluctuate based on various factors, including our financial results and the geographic mix to which they relate, the applicability of special tax regimes, changes in our business or operations, examination-related developments and uncertain tax positions, and changes in tax law.

Consolidated Operating Results of Playtika Holding Corp

We measure the performance of our business by using several key financial metrics, including revenue and operating income, and operating metrics, including Daily Active Users, Average Revenue per Daily Active User, Paying Users, and Average Revenue per Paying User. These operating metrics help our management to understand and measure the engagement levels of our players, the size of our audience and our reach. See “Basis of Presentation” and “Summary Consolidated Financial and Other Data” for additional information of these measures.

Daily Active Users

We define Daily Active Users, or DAUs, as the number of individuals who played one of our games during a particular day. Under this metric, an individual who plays two different games on the same day is counted as two DAUs. Similarly, an individual who plays the same game on two different platforms (e.g., web and mobile) or on two different social networks on the same day would be counted as two Daily Active Users. Average Daily Active Users for a particular period is the average of the DAUs for each day during that period. We believe that Daily Active Users is a useful metric to measure the scale and usage of our game platform.

Daily Paying Users

We define Daily Paying Users, or DPUs, as the number of individuals who purchased, with real world currency, virtual currency or items in any of our games on a particular day. Under this metric, an individual who makes a purchase of virtual currency or items in two different games on the same day is counted as two DPUs. Similarly, an individual who makes a purchase of virtual currency or items in any of our games on two different platforms (e.g., web and mobile) or on two different social networks on the same day could be counted as two DPUs. Average DPUs for a particular period is the average of the DPUs for each day during that period. We believe that Daily Paying Users is a useful metric to measure game monetization.

Daily Payer Conversion

We define Daily Payer Conversion as (i) the total number of DPUs, (ii) divided by the number of DAUs on a particular day. Average Daily Payer Conversion for a particular period is the average of the Daily Payer Conversion rates for each day during that period. We believe that Daily Payer Conversion is a useful metric to describe the monetization of our users.

Average Revenue per Daily Active User

We define Average Revenue per Daily Active User, or ARPDAU, as (i) the total revenue in a given period, (ii) divided by the number of days in that period, (iii) divided by the average DAUs during the period. We believe that ARPDAU is a useful metric to describe monetization.

Monthly Active Users

We define Monthly Active Users, or MAUs, as the number of individuals who played one of our games during a calendar month. Under this metric, an individual who plays two different games in the same calendar month is counted as two MAUs. Similarly, an individual who plays the same game on two different platforms (e.g., web and mobile) or on two different social networks during the same month would be counted as two MAUs. Average Monthly Active Users for a particular period is the average of the MAUs for each month during that period. We believe that Monthly Active Users is a useful metric to measure the scale and reach of our platform, but we base our business decisions primarily on daily performance metrics, which we believe more accurately reflect user engagement with our games.

Results of Operations

The table below shows the results of our key financial and operating metrics for the periods indicated. Unless otherwise indicated, financial metrics are presented in millions of U.S. Dollars, user statistics are presented in millions of users, and ARPDAU is presented in U.S. Dollars.

	Three months ended June 30,		Six months ended June 30,	
(in millions, except percentages, Average DPUs and ARPDAU)	**2022**	**2021**	**2022**	**2021**
Revenues	$ 659.6	$ 659.2	$ 1,336.5	$ 1,298.1
Total cost and expenses	568.3	493.8	1,124.8	1,002.4
Operating income	91.3	165.4	211.7	295.7
Net income	36.4	90.0	119.6	125.7
Adjusted EBITDA	238.9	264.4	459.4	522.4
Non-financial performance metrics				
Average DAUs	9.8	10.4	10.0	10.4
Average DPUs (in thousands)	310	300	317	298
Average Daily Payer Conversion	3.2 %	2.9 %	3.2 %	2.9 %
ARPDAU	$ 0.74	$ 0.70	$ 0.74	$ 0.69
Average MAUs	35.3	36.1	33.5	33.7

Comparison of the three and six months ended June 30, 2022 versus the three and six months ended June 30, 2021

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
(in millions)	(Unaudited)			
Revenues	$ 659.6	$ 659.2	$ 1,336.5	$ 1,298.1
Cost of revenue	$ 186.1	$ 183.9	$ 373.0	$ 366.9
Research and development	125.2	91.8	237.9	177.0
Sales and marketing	151.8	146.5	331.5	286.6
General and administrative	105.2	71.6	182.4	171.9
Total costs and expenses	$ 568.3	$ 493.8	$ 1,124.8	$ 1,002.4

Revenues

Revenues for the three and six months ended June 30, 2022 increased by $0.4 million and $38.4 million, respectively, when compared with the same periods of 2021. The increase in revenues was primarily due to the acquisition of Reworks in the third quarter of 2021, our ongoing improvements to monetization, new content and product features in certain of our games, and growth in our portfolio of casual games. For the three months ended June 30, 2022, the increase in revenues from these positive factors was mostly offset by declines in revenues in our casino portfolio, driven largely by declines in our House of Fun and Slotomania studios, combined with more challenging overall market conditions in May and June.

Cost of revenue

Cost of revenue for the three and six months ended June 30, 2022 increased by $2.2 million and $6.1 million, respectively, when compared with the same periods of 2021. The favorable impact of reduced platform fees associated with a higher percentage of our revenues being derived through our direct-to-consumer platforms was more than offset by the increased platform fees associated with revenue from Reworks, and an increase in amortization expense for recently capitalized software development costs.

Research and development expenses

Research and development expenses for the three and six months ended June 30, 2022 increased by $33.4 million and $60.9 million, respectively, when compared with the same periods of 2021. In addition to the impact of increased expenses associated with the acquisition of Reworks, the increase in research and development expenses was primarily due to increased headcount and employee compensation costs, and increased facilities costs associated with additional leased premises.

Sales and marketing expenses

Sales and marketing expenses for the three and six months ended June 30, 2022 increased by $5.3 million and $44.9 million, respectively, when compared with the same periods of 2021. In addition to the impact of increased expenses associated with the acquisition of Reworks, the increases in sales and marketing expenses for the three month period ending June 30, 2022 were primarily due to increased marketing promotions. Sales and marketing expenses for the six month period ending June 30, 2022 were impacted by these same factors, as well as increased media buy expenses and increased facilities costs associated with additional leased premises.

General and administrative expenses

General and administrative expenses for the three and six months ended June 30, 2022 increased by $33.6 million and $10.5 million, respectively, when compared with the same periods of 2021. Included in general and administrative expenses for the three and six months ended June 30, 2022, with no comparable amounts for the three and six months ended June 30, 2021, are an increase to contingent consideration of $20.3 million and a reduction to contingent consideration of $2.7 million, respectively. Included in general and administrative expenses for the six months ended June 30, 2021, with no comparable amounts for the six months ended June 30, 2022, are bonus expenses of approximately $35.4 million paid as a result of the successful initial public offering of our stock in January 2021. Excluding these specific discrete items, general and administrative expenses would have increased during the three and six months ending June 30, 2022 when compared with 2021, primarily as a result of increased headcount and employee compensation costs and expenses incurred in connection with the evaluation of strategic alternatives for the Company.

Other Factors Affecting Net Income

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
(in millions)	(Unaudited)			
Interest expense	$ 25.9	$ 23.1	$ 49.6	$ 101.1
Interest income	(2.5)	(0.1)	(3.3)	(0.3)
Foreign currency exchange, net	(2.2)	0.6	2.4	(0.2)
Other	1.2	0.4	1.2	(0.9)
Provision for income taxes	32.5	51.4	42.2	70.3

Interest expense

In March 2021, we refinanced our existing term loan with a combination of a new term loan and fixed-rate senior notes. The refinancing transaction was considered a debt-modification for accounting purposes. As a result, a portion of the original issue discount incurred when the original term loan was entered into has been carried over to the new term loan, and approximately $22.9 million of this original issue discount was written off as interest expense during the first quarter 2021. In addition, we recorded approximately $14.5 million in expense associated with the Refinancing Transaction. Excluding the impact of these discrete components of interest expense from 2021, interest expense declined by approximately $14.1 million for the six months ended June 30, 2022 when compared to 2021, primarily as a result of lower interest rates on our outstanding indebtedness.

Provision for income taxes

The effective income tax rate for the three months ended June 30, 2022 was 47.2% compared to 36.4% for the three months ended June 30, 2021. The effective income tax rate for the six months ended June 30, 2022 was 26.1% compared to 35.9% for the six months ended June 30, 2021. The effective tax rates were determined using a worldwide estimated annual effective tax rate and took discrete items into consideration. The primary differences between the effective tax rate and the 21% federal statutory rate for the three and six months ended June 30, 2022 were due to tax positions that do not meet the more likely than not standard, the inclusion of Global Intangible Low-Taxed Income, nondeductible share-based compensation, and the tax impact of acquisition-related liabilities. The primary differences between the effective tax rate and the 21% federal statutory rate for the three and six months ended June 30, 2021 were due to tax positions that do not meet the more likely than not standard, rates in foreign jurisdictions and the relative amounts of income earned in those jurisdictions, and the impact of repatriation of the undistributed earnings of certain foreign subsidiaries.

Reconciliation of Adjusted EBITDA to Net Income

Adjusted EBITDA is a non-GAAP financial measure and should not be construed as an alternative to net income as an indicator of operating performance, nor as an alternative to cash flow provided by operating activities as a measure of liquidity, or any other performance measure in each case as determined in accordance with GAAP.

Below is a reconciliation of Adjusted EBITDA to net income, the closest GAAP financial measure. We define Adjusted EBITDA as net income before (i) interest expense, (ii) interest income, (iii) provision for income taxes, (iv) depreciation and amortization expense, (v) stock-based compensation, (vi) contingent consideration, (vii) acquisition and related expenses,

(viii) expense under our long-term compensation plans, (ix) M&A-related retention payments, and (x) certain other items. We calculate Adjusted EBITDA Margin as Adjusted EBITDA divided by revenues.

We supplementally present Adjusted EBITDA and Adjusted EBITDA Margin because these are key operating measures used by our management to assess our financial performance. Adjusted EBITDA adjusts for items that we believe do not reflect the ongoing operating performance of our business, such as certain noncash items, unusual or infrequent items or items that change from period to period without any material relevance to our operating performance. Management believes Adjusted EBITDA and Adjusted EBITDA Margin are useful to investors and analysts in highlighting trends in our operating performance, while other measures can differ significantly depending on long-term strategic decisions regarding capital structure, the tax jurisdictions in which we operate and capital investments. Management uses Adjusted EBITDA and Adjusted EBITDA Margin to supplement GAAP measures of performance in the evaluation of the effectiveness of our business strategies, to make budgeting decisions, and to compare our performance against other peer companies using similar measures. We evaluate Adjusted EBITDA and Adjusted EBITDA Margin in conjunction with our results according to GAAP because we believe they provide investors and analysts a more complete understanding of factors and trends affecting our business than GAAP measures alone.

Adjusted EBITDA and Adjusted EBITDA Margin as calculated herein may not be comparable to similarly titled measures reported by other companies within the industry and are not determined in accordance with GAAP. Our presentation of Adjusted EBITDA and Adjusted EBITDA Margin should not be construed as an inference that our future results will be unaffected by unusual or unexpected items.

	Three months ended June 30,		Six months ended June 30,	
(in millions)	**2022**	**2021**	**2022**	**2021**
Net income	$ 36.4	$ 90.0	$ 119.6	$ 125.7
Provision for income taxes	32.5	51.4	42.2	70.3
Interest expense and other, net	22.4	24.0	49.9	99.7
Depreciation and amortization	42.6	33.3	82.1	66.5
EBITDA	133.9	198.7	293.8	362.2
Stock-based compensation[(1)]	35.4	25.5	75.2	49.8
Contingent consideration	20.3	—	(2.7)	—
Long-term cash compensation[(2)]	28.0	30.2	52.9	60.0
Acquisition and related expenses[(3)]	4.6	6.3	13.6	42.0
M&A related retention payments[(4)]	9.4	3.7	7.5	6.8
Other one-time items[(5)]	7.3	—	19.1	1.6
Adjusted EBITDA	$ 238.9	$ 264.4	$ 459.4	$ 522.4
Net income margin	5.5 %	13.7 %	8.9 %	9.7 %
Adjusted EBITDA margin	36.2 %	40.1 %	34.4 %	40.2 %

(1) Reflects, for the three and six months ended June 30, 2022 and 2021, stock-based compensation expense related to the issuance of equity awards to certain of our employees.

(2) Includes expenses recognized for grants of annual cash awards to employees pursuant to our Retention Plans, which awards are incremental to salary and bonus payments, and which plans expire in 2024. For more information, see *Note 12, Appreciation and Retention Plan*, of our consolidated financial statements included in this document.

(3) Amounts for the three and six months ended June 30, 2022 and the three months ended June 30, 2021, primarily relates to expenses incurred by the Company in connection with the evaluation of strategic alternatives for the Company. Amount for the six months ended June 30, 2021 primarily relates to bonus expenses paid as a result of the successful initial public offering of the Company's stock in January 2021.

(4) Includes retention awards to key individuals associated with acquired companies as an incentive to retain those individuals on a long-term basis. The amounts for the three and six months ended June 30, 2022, primarily relates to the reduction of contingent consideration payable to employees of the Company that were also selling Shareholders

of Reworks. This portion of the contingent consideration is being accounted for as an M&A retention payment to these employees, with changes in the amounts recognized as compensation expense.

(5) Amounts for the three and six months ended June 30, 2022, consists of $1.5 million and $10.3 million, respectively, incurred by the Company for severance and $1.0 million and $4.0 million, respectively, incurred by the Company for relocation and support provided to employees due to the war in Ukraine. Amounts for the three and six months ended June 30, 2022 also include $3.4 million incurred in the second quarter of 2022 related to the recently announced restructuring activities.

Liquidity and Capital Resources

Capital spending

We incur capital expenditures in the normal course of business and performs ongoing enhancements and updates to our social and mobile games to maintain our quality standards. Cash used for capital expenditures in the normal course of business is typically made available from cash flows generated by operating activities. We may also pursue acquisition opportunities for additional businesses or social or mobile games that meet our strategic and return on investment criteria. Capital needs are evaluated on an individual opportunity basis and may require significant capital commitments.

Liquidity

Our primary sources of liquidity are the cash flows generated from our operations, currently available unrestricted cash and cash equivalents, short-term bank deposits, and borrowings under our Credit Facility and Revolver. Our cash and cash equivalents and short-term bank deposits totaled $1,241.1 million and $1,117.1 million at June 30, 2022 and December 31, 2021, respectively. As of both June 30, 2022 and December 31, 2021, we had $600 million in additional borrowing capacity pursuant to our Revolving Credit Facility. Payments of short-term debt obligations and other commitments are expected to be made from cash on the balance sheet and operating cash flows. Long-term obligations are expected to be paid through operating cash flows, or, if necessary, borrowings under our Revolving Credit Facility or, if necessary, additional term loans or issuances of equity.

Our restricted cash totaled $1.8 million at June 30, 2022 and $2.0 million at December 31, 2021. Restricted cash primarily consists of deposits to secure obligations under our operating lease agreements and to secure company-issued credit cards. The classification of restricted cash as current and long-term is dependent upon the intended use of each particular reserve.

Our ability to fund our operations, pay our debt obligations and fund planned capital expenditures depends, in part, upon economic and other factors that are beyond our control, and disruptions in capital markets could impact our ability to secure additional funds through financing activities. We believe that our cash and cash equivalents balance, short-term bank deposits, restricted cash, borrowing capacity under our Revolving Credit Facility and our cash flows from operations will be sufficient to meet our normal operating requirements during the next 12 months and the foreseeable future and to fund capital expenditures.

Cash flows

The following tables present a summary of our cash flows for the periods indicated (in millions):

	Six months ended June 30,	
	2022	2021
Net cash flows provided by operating activities	$ 241.1	$ 189.9
Net cash flows used in investing activities	(67.3)	(98.6)
Net cash flows provided by (used in) financing activities	(11.6)	570.7
Effect of foreign exchange rate changes on cash and cash equivalents	(13.6)	(3.2)
Net change in cash, cash equivalents and restricted cash	$ 148.6	$ 658.8

Operating activities

Net cash flows provided by operating activities for the six months ended June 30, 2022 was $241.1 million compared with cash flows provided by operating activities of $189.9 million for the same period of 2021. Net cash flows provided by operating activities for each period primarily consisted of net income generated during the period, exclusive of non-cash expenses such as depreciation, amortization, stock-based compensation and changes in the fair value of contingent consideration payable, with changes in working capital impacted by the payment of annual and incentive bonuses and payment of long-term cash compensation during the first quarter and other normal working-capital timing differences.

Investing activities

Net cash flow used in investing activities for the six months ended June 30, 2022 was $67.3 million when compared with $98.6 million for the same period of 2021. Cash flows used in investing activities generally includes outflows related to business combinations, the purchase and capitalization of assets and the investment in short-term bank deposits.

Financing activities

Net cash flows used in financing activities for the six months ended June 30, 2022 was $11.6 million, compared to cash flows provided by financing activities of $570.7 million for the same period of 2021. Financing activity cash flows for the six months ended June 30, 2022 primarily relate to repayments on our bank borrowings. Financing activity cash flows for the six months ended June 30, 2021 primarily relate to our initial public offering of its equity in January 2021, and the refinancing of its Old Term Loan (as defined below) in March 2021.

Capital resources

On December 10, 2019, we entered into $2,750 million of senior secured credit facilities (the “Credit Facilities”), consisting of a $250 million revolving credit facility (the “Revolving Credit Facility”), and a $2,500 million first lien term loan (the “Old Term Loan”). The Credit Facilities were provided pursuant to the Credit Agreement, dated as of December 10, 2019, by and among Playtika, the lenders party thereto, and Credit Suisse, AG, Cayman Islands Branch, as administrative agent (in such capacity, the "Administrative Agent") and collateral agent (in such capacity, the "Collateral Agent"). Proceeds borrowed under the Credit Facilities on the closing date were used to pay off the outstanding balance on our prior debt facility. On June 15, 2020, we increased the capacity of the Revolving Credit Facility to $350 million. On January 15, 2021, we increased the borrowing capacity of the Revolving Credit Facility from $350 million to $550 million.

On March 11, 2021, the Credit Agreement was amended pursuant to an Incremental Assumption Agreement No. 3 and Second Amendment to Credit Agreement (the “Second Amendment”).

The Second Amendment, among other things, effected a refinancing of Old Term Loan with a new $1.9 billion senior secured first lien term loan borrowed under the Credit Agreement (the “New Term Loan”), increased the Revolving Credit Facility to $600 million and extended the maturity of the Revolving Credit Facility to March 11, 2026. The New Term Loan matures on

March 11, 2028 and requires scheduled quarterly principal payments in amounts equal to 0.25% of the original aggregate principal amount of the New Term Loan, with the balance due at maturity.

Also on March 11, 2021, we issued $600.0 million aggregate principal amount of our 4.250% senior notes due 2029 (the “Notes”). The Notes mature on March 15, 2029. Interest on the Notes will accrue at a rate of 4.250% per annum. Interest on the Notes is payable semi-annually in cash in arrears on March 15 and September 15 of each year, commencing on September 15, 2021.

Significant terms of the Credit Facilities, the New Term Loan and the Notes, including balances outstanding, interest and fees, mandatory and voluntary prepayment requirements, collateral and guarantors and restrictive covenants are detailed in *Note 6*, *Debt*, to the accompanying consolidated financial statements and in our Annual Report on Form 10-K filed with the Securities and Exchange Commission (the “SEC”) on March 2, 2022.

COVID-19

The global pandemic associated with COVID-19 has caused major disruption to all aspects of the global economy and daily life. We have followed guidance by the United States, Israeli and other applicable foreign and local governments to protect our employees and operations during the pandemic and have implemented a remote working environment for our business. We cannot predict the potential impacts of the COVID-19 pandemic on our business or operations, but we continuously monitor performance and other industry reports to assess the risk of future negative impacts as the disruptions of the COVID-19 pandemic continue to evolve.

Despite the challenges we have faced in light of the COVID-19 pandemic, the stay-at-home orders that were in place across the United States sporadically throughout the pandemic have generally been favorable to our business as a result of increased time spent with digital entertainment, including casual gaming and games involving socially interactive experiences.

The COVID-19 pandemic has resulted in and may continue to result in consumers spending a greater portion of their time at home and sustained demand for entertainment options, which may continue to benefit our financial results. We cannot predict the potential impacts of the COVID-19 pandemic on our business or operations, and there is no guarantee that these favorable trends will continue, particularly if the COVID-19 pandemic increases and the adverse consequences thereof in severity or continues for a protracted period of time, which could disrupt our operations, or put greater financial pressure on the economy and users’ discretionary income or spending habits. See “Risk Factors—Risks Related to Our Business—The recent COVID-19 pandemic and similar health epidemics, contagious disease outbreaks and public perception thereof, could significantly disrupt our operations and adversely affect our business, results of operations, cash flows or financial condition” in our Annual Report on Form 10-K filed with the Securities and Exchange Commission (the “SEC”) on March 2, 2022, for more information.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risks in the ordinary course of our business. These risks primarily include interest rate risk, investment risk, and foreign currency risk as follows:

Interest rate risk

Our exposures to market risk for changes in interest rates relate primarily to our Term Loan and our Revolving Credit Facility. The Term Loan and our Revolving Credit Facility are floating rate facilities. Therefore, fluctuations in interest rates will impact the amount of interest expense we incur and have to pay.

In March 2021, we entered into two interest rate swap agreements, each with a notional value of $250 million. Each of these swap agreements is with a different financial institution as the counterparty to reduce our counterparty risk. Each swap requires us to pay a fixed interest rate of 0.9275% in exchange for receiving one-month LIBOR. The interest rate swap agreements settle monthly commencing in April 2021 through their termination dates on April 30, 2026.

We had borrowings outstanding under our Term Loan with book values of $1,837.7 million and $1,843.8 million at June 30, 2022 and December 31, 2021, respectively, which were subject to a weighted average interest rate of 3.03% and 2.85% for the six months ended June 30, 2022 and the year ended December 31, 2021, respectively. There were no borrowings against our Revolving Credit Facility at June 30, 2022 or December 31, 2021.

A hypothetical 100 basis point increase or decrease in weighted average interest rates under our Term Loan would have increased or decreased our interest expense by $13.8 million over a twelve-month period.

The fair value of our Credit Facilities will generally fluctuate with movements of interest rates, increasing in periods of declining rates of interest and declining in periods of increasing rates of interest. A hypothetical 100 basis point increase or decrease in weighted average interest rates under our Term Loan and Revolving Credit Facility would not have had a material impact on the fair value of our Credit Facilities as of June 30, 2022.

Investment risk

We had cash and cash equivalents including restricted cash and cash equivalents totaling $1,167.6 million and $1,019.0 million as of June 30, 2022 and December 31, 2021, respectively. We also had short-term bank deposits of $75.3 million and $100.1 million as of June 30, 2022 and December 31, 2021, respectively. Our investment policy and strategy primarily attempts to preserve capital and meet liquidity requirements without significantly increasing risk. Our cash and cash equivalents and short-term deposits primarily consist of cash deposits and money market funds. We do not enter into investments for trading or speculative purposes. Changes in rates would primarily impact interest income due to the relatively short-term nature of our investments. A hypothetical 100 basis point change in interest rates would have increased or decreased our interest income for a twelve-month period by approximately $4 million.

Foreign currency risk

Our functional currency is the U.S. Dollar and our revenues and expenses are primarily denominated in U.S. Dollars. However, a significant portion of our headcount related expenses, consisting principally of salaries and related personnel expenses as well as leases and certain other operating expenses, are denominated in Israeli Shekels (“ILS”). We also have foreign currency risks related to our revenues and operating expenses denominated in currencies other than the U.S. Dollar, including the Australian Dollar, British Pound, Euro, Polish Zloty (“PLN”) and Romanian Leu (“RON”). Accordingly, changes in exchange rates in the future may negatively affect our future revenues and other operating results as expressed in U.S. Dollars. Our foreign currency risk is partially mitigated as our revenues recognized in currencies other than the U.S. Dollar is diversified across geographic regions and we incur expenses in the same currencies in these regions.

We have experienced and will continue to experience fluctuations in our net income as a result of transaction gains or losses related to remeasurement of our asset and liability balances that are denominated in currencies other than the functional currency of the entities in which they are recorded.

As of June 30, 2022, we had outstanding derivative contracts to purchase certain foreign currencies, including ILS, RON, and PLN at future dates. The notional value of amounts hedged was approximately $170.1 million, and all contracts are expected to mature during the upcoming 12 months.

Item 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures designed to provide reasonable assurance of achieving the objective that information in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified and pursuant to the requirements of the SEC’s rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow for timely decisions regarding required disclosures. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by SEC Rule 13a-15(b), we carried out an evaluation, with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of June 30, 2022, the end of the period covered by this Quarterly Report on Form 10-Q. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of June 30, 2022.

For the quarter ended June 30, 2022, there were no changes in internal control that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

For a description of our legal proceedings, see *Note 10, Commitments and Contingencies*, included in Part I. Item I of this quarterly report on Form 10-Q.

Item 1A. RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2021, which factors could materially affect our business, financial condition, liquidity or future results. Other than the risk factors detailed below, there have been no material changes to the risk factors described in the "Risk Factors" section in our Annual Report on Form 10-K for the year ended December 31, 2021. The risks described in our Annual Report on Form 10-K are not the only risks facing our company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition, liquidity, results of operations, prospects or stock price.

If general economic conditions decline, demand for our games could decline. In addition, our business is vulnerable to changing economic conditions and to other factors that adversely affect the gaming industry, which could negatively impact our business.

In-game purchases involve discretionary spending on the part of consumers. Consumers are generally more willing to make discretionary purchases, including purchases of games and services like ours, during periods in which favorable economic conditions prevail. As a result, our games may be sensitive to general economic conditions and economic cycles. A reduction or shift in domestic or international consumer spending could result in an increase in our marketing and promotional expenses, in an effort to offset that reduction, and could negatively impact our business. Discretionary spending on entertainment activities could further decline for reasons beyond our control, such as natural disasters, acts of war, pandemics, terrorism, transportation disruptions, climate change or the results of adverse weather conditions. Additionally, disposable income available for discretionary spending may be reduced by unemployment, higher housing, energy, interest, or other costs, or where the actual or perceived wealth of customers has decreased because of circumstances such as recessions or economic slowdowns, higher interest rates, lower residential real estate values, increased foreclosure rates, inflation, increased tax rates, or other economic disruptions. Moreover, in periods of increased inflation, such as the one that began in the second half of calendar year 2021, inflationary pressures have caused, and are expected to continue to cause, significant increases in the costs of other products and services which are required by consumers, such as gasoline, home heating and cooling fuels, housing and rental costs, or groceries, which in turn is likely to reduce household spending on the types of discretionary entertainment we offer, and may limit our ability to forecast future demand for our games. Any prolonged or significant decrease in consumer spending on entertainment activities could result in reduced play levels in decreased spending on our games, and could adversely impact our results of operations, cash flows and financial condition.

Our systems and operations are vulnerable to damage or interruption from natural disasters, power losses, telecommunications failures, cyber-attacks, terrorist attacks, acts of war, human errors, break-ins and similar events.

We have in the past and may continue to experience disruption as a result of catastrophic events. For example, we have relocated personnel in our Ukraine and Belarus offices as a result of military conflict and political instability due to the Russian invasion of Ukraine. In addition, we previously maintained an office in Crimea, but were forced to close and relocate our personnel as a result of Crimea's annexation by Russia in 2014. Additionally, our primary offices are located in Israel and we have several offices in Ukraine and a large office in Belarus, and are therefore subject to a heightened risk of military and political instability.

In the occurrence of a catastrophic event, including a global pandemic like the ongoing COVID-19 pandemic or the consequences of climate change, we may be unable to continue our operations and may endure system interruptions, reputational harm, delays in application development, lengthy interruptions in our services, breaches of data security and loss of critical data, such as player, customer and billing data as well as intellectual property rights, software versions or other relevant data regarding operations, and there can be no assurances that our insurance policies will be sufficient to compensate us for any resulting losses, which could have a material adverse effect on our business, financial condition and results of operations.

It may be difficult to enforce a judgment of a U.S. court against us and our officers and directors, to assert U.S. securities laws claims in Israel or to serve process on our officers and directors.

We maintain offices in Israel and many of our employees and officers and directors are residents of Israel. Certain of our assets and the assets of these persons are located in Israel. Additionally, a number of our directors are residents of China. Therefore, a judgment obtained against us, or any of these persons, including a judgment based on the civil liability provisions of the U.S. federal securities laws, may not be collectible in the United States and may not necessarily be enforced by an Israeli or Chinese court. It also may be difficult to affect service of process on these persons in the United States or to assert U.S. securities law claims in original actions instituted in Israel or China, as applicable. Additionally, it may be difficult for an investor, or any other person or entity, to initiate an action with respect to U.S. securities laws in Israel, as applicable. Israeli or Chinese courts may refuse to hear a claim based on an alleged violation of U.S. securities laws reasoning that Israel or China, as applicable, is not the most appropriate forum in which to bring such a claim. In addition, even if an Israeli or Chinese court agrees to hear a claim, it may determine that Israeli or Chinese law and not U.S. law is applicable to the claim. If U.S. law is found to be applicable, the content of applicable U.S. law must be proven as a fact by expert witnesses, which can be a time consuming and costly process. Certain matters of procedure will also be governed by Israeli or Chinese law, as applicable. There is little binding case law in Israel that addresses the matters described above. As a result of the difficulty associated with enforcing a judgment against us in Israel, you may not be able to collect any damages awarded by either a U.S. or foreign court.

The ongoing military action between Russia and Ukraine could adversely affect our business, financial condition and results of operations, including our operations in Ukraine and Belarus.

Since the invasion of Russian military forces into Ukraine in February 2022, there has been sustained conflict and disruption in the region, with ongoing conflict likely. Although the length, impact and outcome of the ongoing military conflict in Ukraine is highly unpredictable, this conflict could lead to significant market and other disruptions, including significant volatility in commodity prices and supply of energy resources such as oil and wheat, instability in financial markets, supply chain interruptions, political and social instability, increase in cyberattacks, as well as disruptions to our operations in Ukraine and Belarus.

We have a significant research and development center in Ukraine and, accordingly, our business, financial condition, results of operations and prospects are affected by economic, political and legal developments in Ukraine. We have also invested significant resources in Ukraine in the past. As a result, warfare, political turmoil or terrorist attacks in this region could negatively affect our Ukrainian operations and our business.

In addition, we have a significant research and development center in Belarus and, accordingly, our business, financial condition, results of operations and prospects are affected by economic, political and legal developments in Belarus, including the impacts of the conflict in Ukraine. We have also invested significant resources in Belarus in the past. As a result, warfare, political turmoil or terrorist attacks in this region could negatively affect our operations in Belarus and our business.

We have developed and, in some cases, implemented humanitarian efforts, including food and medical supplies, as well as contingency plans to relocate work and/or personnel to other geographies, as appropriate. Our business continuity plans are designed to address known contingency scenarios to ensure that we have adequate processes and practices in place to protect the safety of our people and to handle potential impacts to our operations. Our humanitarian efforts, crisis management procedures, business continuity plans, and disaster recovery capabilities may not be effective at preventing or mitigating the effects of ongoing, prolonged or multiple crises, such as civil unrest, military conflict and a pandemic in a concentrated geographic area. The current events in the regions where we operate may pose security risks to our people, our facilities, our operations, and infrastructure, such as utilities and network services, and the disruption of any or all of them could materially adversely affect our business, financial conditions and results of operations, and cause volatility in the price of our securities. We are continuing to monitor the situation in Ukraine and Belarus and assess options in relation to our ongoing operations and our ability to continue to do business in the region.

Furthermore, due to the political uncertainty involving Russia and Ukraine, there is also an increased likelihood that the tensions could result in cyber-attacks or cybersecurity incidents that could either directly or indirectly impact our operations. Any attempts by cyber attackers to disrupt our services or systems, if successful, could harm our business, result in the misappropriation of funds, be expensive to remedy and damage our reputation or brand. Insurance may not be sufficient to cover significant expenses and losses related to such cyber-attacks and cybersecurity incidents.

We are actively monitoring the situation in Ukraine and assessing its impact on our business. We have no way to predict the progress or outcome of the conflict in Ukraine or its impacts in Ukraine, Russia or Belarus as the conflict, and any resulting government reactions, are rapidly developing and beyond our control. The extent and duration of the military action, sanctions and resulting market disruptions could be significant and could potentially have substantial impact on the global economy and our business for an unknown period of time. Any of the above mentioned factors could affect our business, financial condition and results of operations. Any such disruptions may also magnify the impact of other risks described in this Quarterly Report on Form 10-Q or in our Annual Report on Form 10-K filed with the SEC on March 2, 2022.

Any disruption to our operations in Ukraine or Belarus may be prolonged and require us to reevaluate our operations in those countries, which may be more expensive and harm our business.

Our business may be affected by sanctions, export controls and similar measures targeting Russia and Belarus as well as other responses to Russia's invasion of Ukraine.

As a result of Russia's military conflict in Ukraine, governmental authorities in the United States, the European Union and the United Kingdom, among others, have launched numerous sanctions and export control measures, including:

- blocking sanctions on some of the largest state-owned and private Russian and Belarusian financial institutions (and their subsequent removal from SWIFT);
- blocking sanctions against Russian and Belarusian individuals, including the Russian President and the Belarussian President, other politicians and those with government connections or involved in Russian military activities;
- expansion of sectoral sanctions in various sectors of the Russian and Belarusian economies and the defense sector, including barring of Russian oil imports and purchases;
- United Kingdom sanctions introducing restrictions on providing loans to, and dealing in securities issued by, persons connected with Russia and restrictions on trade, including in connection with certain security-related goods and technology, iron and steel products, intercepting and monitoring services, maritime goods and technology, jet fuel and fuel additives and UK and EU currency banknotes;
- restrictions on access to the financial and capital markets in the European Union;
- prohibiting against U.S. persons from making new investments in Russia;
- sanctions prohibiting most commercial activities of U.S. and EU persons in Crimea and Sevastopol; and
- enhanced export controls and trade sanctions targeting Russia's imports of technological goods as a whole, including tighter controls on exports and reexports of dual-use items, stricter licensing policy with respect to issuing export licenses, and/or increased use of "end-use" controls to block or impose licensing requirements on exports, as well as higher import tariffs and a prohibition on exporting luxury goods to Russia and Belarus.

As the conflict in Ukraine continues, there can be no certainty regarding whether the governmental authorities in the United States, the European Union, the United Kingdom or other counties will impose additional sanctions, export controls, trade restrictions or other measures targeting Russia, Belarus or other territories.

Our business must be conducted in compliance with applicable economic and trade sanctions laws and regulations, including those administered and enforced by the U.S. Department of Treasury's Office of Foreign Assets Control, the U.S. Department of State, the U.S. Department of Commerce, the United Nations Security Council and other relevant governmental authorities. We must be ready to comply with the existing and any other potential additional measures imposed in connection with the conflict in Ukraine. The imposition of such measures could adversely impact our business, including preventing us from performing existing contracts, recognizing revenue, pursuing new business opportunities or receiving payment for products already supplied or services already performed with customers.

We review and monitor our contractual relationships with suppliers to establish whether any are target of the applicable sanctions. In the unlikely event that we identify a party with which we have a business relationship that is the target of applicable sanctions, we would immediately commence a legal analysis of what gives rise to the business relationship, including any contract, to estimate the most appropriate course of action to comply with the sanction regulations, together with the impact of a contractual termination according to the applicable law, and then proceed as required by the regulatory authorities. However, given the range of possible outcomes, the full costs, burdens, and limitations on our business may become significant.

Furthermore, even if an entity is not formally subject to sanctions, suppliers, customers and business partners of such entity may decide to reevaluate or cancel projects with such entity for reputational or other reasons. As result of the ongoing conflict in Ukraine, many U.S., European and other multi-national businesses across a variety of industries, including consumer goods and retail, food, energy, banking and finance, media and entertainment, tech, travel and logistics, manufacturing and others, have indefinitely suspended their operations and paused all commercial activities in Russia and Belarus. Depending on the extent and breadth of sanctions, export controls and other measures that may be imposed in connection with the conflict in Ukraine, it is possible that our business, financial condition and results of operations could be materially and adversely affected.

We may not be able to maintain adequate insurance, and our insurance may not provide adequate levels of coverage against claims.

We believe that we maintain insurance customary for businesses of our size and type. However, there are types of losses we may incur that cannot be insured against or that we believe are not economically reasonable to insure. Moreover, any loss incurred could exceed policy limits and policy payments made to us may not be made on a timely basis. In addition, we may not be able to obtain or renew certain insurance policies either on commercially reasonable terms of at all.

Such losses, or inability to maintain insurance, could adversely affect our business prospects, results of operations, cash flows and financial condition.

The price of our common stock may fluctuate substantially.

The market price of our common stock may be highly volatile and may fluctuate or decline substantially as a result of a variety of factors, some of which are beyond our control or are related in complex ways, including:

- changes in analysts’ estimates, investors’ perceptions, recommendations by securities analysts or our failure to achieve analysts’ estimates;
- quarterly variations in our or our competitors’ results of operations;
- periodic fluctuations in our revenues, which could be due in part to the way in which we recognize revenues;
- the financial projections we may provide to the public, any changes in these projections or our failure to meet these projections;
- future sales of our common stock or other securities, by us or our stockholders, as well as the anticipation of lock-up releases or lock-up waivers;
- the trading volume of our common stock;
- general market conditions and other factors unrelated to our operating performance or the operating performance of our competitors;
- changes in operating performance and stock market valuations of other technology and entertainment companies generally, or those in the games industry in particular;
- actual or anticipated changes in regulatory oversight of our industry;
- the loss of key personnel, including changes in our board of directors and management;
- programming errors or other problems associated with our products;
- legislation or regulation of our market;
- lawsuits threatened or filed against us, including litigation by current or former employees alleging wrongful termination, sexual harassment, whistleblower or other claims;
- the announcement of new games, products or product enhancements by us or our competitors;
- announced or completed acquisitions of businesses or technologies by us or our competitors;

- announcements related to patents issued to us or our competitors and related litigation;
- announcements by and transactions involving our stockholders, including Playtika Holding UK; and
- developments in our industry.

In recent years, the stock markets generally have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of listed companies. Broad market and industry factors may significantly affect the market price of our common stock, regardless of our actual operating performance.

In addition, in the past, stockholders have instituted securities class action litigation following periods of market volatility. On November 23, 2021, the Company, its directors and certain of its officers were named in a putative class action lawsuit filed in the United States District Court for the Eastern District of New York (Bar-Asher v. Playtika Holding Corp. et al.). The complaint is allegedly brought on behalf of a class of purchasers of the Company's securities between January 15, 2021 and November 2, 2021, and alleges violations of federal securities laws arising out of alleged misstatements or omissions by the defendants during the alleged class period. On March 10, 2022, the court appointed LBMotion Ltd as lead plaintiff, and the plaintiff filed an amended complaint on May 6, 2022. The amended complaint alleges violations of Section 11 and 15 of the Securities Act of 1933 and seeks, among other things, damages and attorneys' fees and costs on behalf of the putative class. The complaint seeks, among other things, damages and attorneys' fees and costs on behalf of the putative class. See "Business—Legal Proceedings." Any securities class action litigation could subject us to substantial costs, divert resources and the attention of management from our business and harm our business, results of operations, financial condition and reputation. These factors may materially and adversely affect the market price of our common stock.

A significant portion of our total outstanding shares may be sold in the near future. This could cause the market price of our common stock to drop significantly, even if our business is doing well.

Sales of a substantial number of shares of our common stock in the public market could occur at any time. These sales, or the perception in the market that the holders of a large number of shares intend to sell their shares, could result in a decrease in the market price of our common stock, including in connection with potential future offerings.

On January 24, 2022, we and our largest shareholder, Playtika Holding UK, announced that Playtika Holding UK had decided to explore options for a potential sale of a portion of the shares of our common stock held by Playtika Holding UK, which may include by means of private placements, public offerings or other transactions. The determination by Playtika Holding UK to conduct any such potential transactions, and the timing thereof, are uncertain and may depend on, among various factors, the price and terms of any such potential transactions, general market and economic conditions and the outcome of any negotiations among the applicable parties. There can be no assurance that the aforementioned explorations of potential transactions will lead to any transactions being agreed or consummated by Playtika Holding UK, and it is possible that the consummation of any such possible transactions could negatively affect the price of our common stock.

On June 28, 2022, Playtika Holding UK announced on Schedule 13D that Playtika Holding UK had entered into a Stock Purchase Agreement (the "Playtika Holding UK – Joffre SPA"), dated as of June 27, 2022, with Joffre Palace Holdings Limited ("Joffre"), pursuant to which, among other things, Joffre agreed to acquire 106,102,467 shares (the "Purchased Shares") of the common stock of the Company from Playtika Holding UK, subject to certain terms and conditions. There can be no assurances that the transactions contemplated by the Playtika Holding UK – Joffre SPA will be consummated.

Provisions in our corporate charter documents and under Delaware law could make an acquisition of us more difficult and may prevent attempts by our stockholders to replace or remove our current management.

Provisions in our amended and restated certificate of incorporation and our amended and restated bylaws may discourage, delay or prevent a merger, acquisition or other change in control of us that stockholders may consider favorable, including transactions in which stockholders might otherwise receive a premium for their shares. These provisions could also limit the price that investors might be willing to pay in the future for shares of our common stock, thereby depressing the market price of our common stock. In addition, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors. Because our board of directors is responsible for appointing the members of our management team, these provisions could in turn affect any attempt by our stockholders to replace current members of our management team. Among others, these provisions include that:

- our board of directors has the exclusive right to expand the size of our board of directors and to elect directors to fill a vacancy created by the expansion of the board of directors or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on our board of directors;
- after the date on which Playtika Holding UK and its affiliates cease to beneficially own, in the aggregate, more than 50% in voting power of our stock entitled to vote generally in the election of directors (a “Triggering Event”), our board of directors will be divided into three classes, Class I, Class II and Class III, with each class serving staggered three-year terms, which may delay the ability of stockholders to change the membership of a majority of our board of directors;
- after a Triggering Event, our stockholders may not act by written consent, which will force stockholder action to be taken at an annual or special meeting of our stockholders;
- a special meeting of stockholders may be called only by the board of directors, which may delay the ability of our stockholders to force consideration of a proposal or to take action, including the removal of directors;
- our amended and restated certificate of incorporation prohibits cumulative voting in the election of directors, which limits the ability of minority stockholders to elect director candidates;
- our board of directors may alter our bylaws without obtaining stockholder approval;
- the required approval of the holders of at least two-thirds of the shares entitled to vote at an election of directors to adopt, amend or repeal our bylaws or repeal the provisions of our amended and restated certificate of incorporation regarding the election and removal of directors;
- stockholders must provide advance notice and additional disclosures in order to nominate individuals for election to the board of directors or to propose matters that can be acted upon at a stockholders’ meeting, which may discourage or deter a potential acquiror from conducting a solicitation of proxies to elect the acquiror’s own slate of directors or otherwise attempting to obtain control of our company; and
- our board of directors is authorized to issue shares of preferred stock and to determine the terms of those shares, including preferences and voting rights, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquirer.

If the transactions contemplated by the Playtika Holding UK – Joffre SPA are consummated, a Triggering Event could occur.

Because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which prohibits a person who owns in excess of 15% of our outstanding voting stock from merging or combining with us for a period of three years after the date of the transaction in which the person acquired in excess of 15% of our outstanding voting stock, unless the merger or combination is approved in a prescribed manner.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

See *Note 10, Commitments and Contingencies*, included in Part I. Item I of this quarterly report on Form 10-Q regarding the acquisition by Buyer of the Remainder Shares and Options of Reworks.

Item 6. EXHIBITS

Exhibits	Description
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Calculation Definition Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

# Indicates management contract or compensatory plan.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Quarterly Report on Form 10-Q to be signed on its behalf by the undersigned thereunto duly authorized.

PLAYTIKA HOLDING CORP.
Registrant

By: /s/ Robert Antokol
Robert Antokol
Chief Executive Officer and Chairperson of the Board

By: /s/ Craig Abrahams
Craig Abrahams
President and Chief Financial Officer

Dated as of August 4, 2022

Exhibit 31.1

Certification of
Chief Executive Officer Pursuant to Section 302 of
the Sarbanes-Oxley Act of 2002

I, Robert Antokol, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Playtika Holding Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 4, 2022

By: /s/ Robert Antokol
Robert Antokol
Chief Executive Officer and Chairperson of the Board
(principal executive officer)

Exhibit 31.2

Certification of
Chief Financial Officer Pursuant to Section 302 of
the Sarbanes-Oxley Act of 2002

I, Craig Abrahams, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Playtika Holding Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 4, 2022

By: /s/ Craig Abrahams
Craig Abrahams
President and Chief Financial Officer
(principal financial officer)

Exhibit 32.1

Certification of
Chief Executive Officer Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of
the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Playtika Holding Corp. (the "Company") hereby certifies, to such officer's knowledge, that:

1. The Quarterly Report on Form 10-Q of the Company for the quarterly period ended June 30, 2022 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 4, 2022

By: /s/ Robert Antokol
Robert Antokol
Chief Executive Officer and Chairperson of the Board
(principal executive officer)

Exhibit 32.2

Certification of
Chief Financial Officer Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of
the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Playtika Holding Corp. (the "Company") hereby certifies, to such officer's knowledge, that:

1. The Quarterly Report on Form 10-Q of the Company for the quarterly period ended June 30, 2022 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 4, 2022

By: /s/ Craig Abrahams
Craig Abrahams
President and Chief Financial Officer
(principal financial officer)