PREPARED REMARKS

FY2023 Q4

TAE LEE: SVP, CORPORATE FINANCE & INVESTOR RELATIONS

Welcome everyone and thank you for joining us today for the fourth quarter 2023 earnings call for Playtika Holding Corp. Joining me on the call today are Robert Antokol, co-founder and CEO of Playtika and Craig Abrahams, Playtika's President and Chief Financial Officer.

I would like to remind you that today's discussion may contain forward-looking statements including, but not limited to, the Company's anticipated future revenue and operating performance. These statements and other comments are not a guarantee of future performance, but rather are subject to risks and uncertainties, some of which are beyond our control. These forward-looking statements apply as of today, and you should not rely on them as representing our views in the future. We undertake no obligation to update these statements after this call.

We have posted an accompanying slide deck to our investor relations website which contains information on forward-looking statements and non-GAAP measures, and we will also post our prepared remarks immediately following the call.

For a more complete discussion of the risks and uncertainties, please see our filings with the SEC.

With that, I will now turn the call over to Robert.

ROBERT ANTOKOL: FOUNDER & CHIEF EXECUTIVE OFFICER

Good morning and thank you everyone for joining our call today.

I would like to begin by expressing my pride in how our employees and business have performed over the past year.

While the year had many unexpected challenges for us to navigate as a Company, it was a year of successful acquisitions of two studios, increasing efficiency, continued growth in our Direct-to-Consumer platforms, and increased focus on our largest and growing franchises as we shifted more of our UA spending to our category leading games.

I'm pleased to announce that despite revenue headwinds, we outperformed our guidance on revenue and Credit Adjusted EBITDA. Our agility in adapting and optimizing operations in this challenging market has not only enabled us to navigate obstacles but also to surpass our expectations.

In the face of these headwinds, 2023 was the year of efficiency for Playtika.

This transformation has empowered us to move faster and to make quicker decisions, which I believe will allow us to revamp our business and get back to sustainable growth.

Our commitment to efficiency is not just about doing more with less; it is about empowering our people to sharpen our competitive edge. This approach was critical, as the mobile gaming industry continues to navigate challenges due, in part, to privacy updates affecting the marketing and monetization of games.

I want to emphasize that despite the revenue headwinds we faced, there were bright spots throughout the quarter. Our casual games grew 2.0% quarter-over-quarter, and 5.5% year-over-year, led by growth in June's Journey, which grew 1.8% quarter-over-quarter, and 33.3% year-over year. This success shows the strength and critical importance of our portfolio strategy, enabling us to navigate market challenges and capitalize on opportunities for growth.

As we look forward to the future, we have now positioned ourselves for a critical phase of reinvestment.

We are setting in motion our new capital allocation framework, which includes an initiation of a dividend, and an intention to deploy between $600 million and $1.2 billion in M&A over the next three years.

Our recent acquisitions, Animals & Coins and Governor of Poker, have demonstrated consistent month-over month growth, reinforcing our belief in growing our game portfolio through M&A.

I believe mobile gaming is at a pivotal point, with several trends pushing the need for consolidation. Our track record speaks for itself, with previous acquisitions driving growth and profitability since I co-founded the company over 13 years ago. In the evolving landscape of mobile gaming, I believe our commitment to M&A will return the company to growth.

Finally, I want to address an important decision regarding our strategic alternatives process. Our current global landscape is unpredictable, especially due to ongoing geopolitical conflicts in Israel and Ukraine. These conflicts have introduced a level of uncertainty that has impacted the process and the Board has decided to pause the evaluation of strategic alternatives.

I will now turn it over to Craig.

CRAIG ABRAHAMS: PRESIDENT & CHIEF FINANCIAL OFFICER.

Thank you, Robert.

As Robert mentioned, 2023 was the year of efficiency for Playtika. The strategic decisions that we have made as a company over the last year have further streamlined our operations and enhanced our ability to generate free cash flow. Supported by our strong financial position, I'm pleased to introduce our capital allocation framework, focusing on maximizing shareholder value and ensuring our growth is sustained.

Our goal is to deploy $600 million to $1.2 billion in M&A to enhance our portfolio and leadership position, as well as return capital to shareholders. In line with this strategy, we plan to make significant investments in performance marketing for our newly acquired growth title, Animals & Coins. While this approach is expected to lead to some margin erosion in the near term, it is designed to enhance long term revenue potential. Furthermore, we remain committed to strategically deploying incremental investments in performance marketing across selected titles within our core portfolio. Our aim here is to seize opportunities to gain market share and drive profitable growth. Our approach is grounded in a long-term vision for success, and we are confident in the strength and potential of our game portfolio.

Alongside our focus on M&A to drive growth and diversification, we are pleased to announce the initiation of a quarterly dividend starting in the first quarter of 2024, subject to quarterly Board approval, with a target of $150 million per year in dividends representing an annualized yield just over 5% based on our last four-week average share price. Beyond our dividend program, we are looking at other opportunities to enhance shareholder returns, including a share repurchase program in the future. We are committed to a balanced approach in our capital allocation strategy, aiming to invest in growth opportunities, maintain a strong and healthy balance sheet, and return capital to shareholders.

Turning to our financial results.

For the year, we achieved financial results above our guidance range. We generated $2.567 billion of revenue, down (1.9)% year over year, $235.0 million of GAAP Net Income, compared to $275.3 million of GAAP Net Income in 2022, and $832.2 million of Credit Adjusted EBITDA, an increase of 3.4% year over year. Our Credit Adjusted EBITDA margin was 32.4%, compared to 30.8% in 2022.

We generated $436.4 million of Free Cash Flow, an increase of 13.7% year over year. We define Free Cash Flow as cash flow from operating activities minus capital expenditures. We spent $79.2 million in capital expenditures, which includes purchase of property and equipment, capitalization of internal use software costs, and purchase of software for internal use. In addition, we accrued for an additional $17 million of purchases of property and equipment in Q4 FY23, that will be paid in Q1 of FY24.

For the quarter, we generated $637.9 million of revenue, up 1.2% sequentially and up 1.1% year over year. Net Income was $37.3 million, down (1.6)% sequentially and down (57.4)% year over year. Credit Adjusted EBITDA was $188.9 million, down (8.1)% sequentially and down (6.8)% year over year. Our Credit Adjusted EBITDA margin was 29.6% in the quarter, compared to 32.6% in Q3 and 32.1% in Q4 last year.

We generated $161.6 million in revenue from our Direct-to-Consumer platforms, up 0.4% sequentially and up 7.6% year over year. Our Direct-to-Consumer business now makes up 25.3% of our overall revenues. Last year we added Solitaire Grand Harvest and June’s Journey to our web store and this year we will be adding both titles to additional DTC platforms starting in the second quarter.

Turning now to our business results for the quarter.

Revenue across our Casual themed games grew 2.0% sequentially and 5.5% year over year. Year over year growth in June’s Journey, Solitaire Grand Harvest, and Redecor was offset by weakness in other Casual titles such as Best Fiends and Board Kings. We also benefitted from a full quarter’s contribution of Animals and Coins, where we are pleased to see consecutive months of sequential growth in the quarter.

Bingo Blitz revenue was $150.3 million, up 0.4% sequentially and down (3.1)% year over year. We are pleased to see a positive shift in financial performance for Bingo, as the studio improved sequentially quarter over quarter following a few quarters of sequential decline. The team launched several new projects in the quarter that contributed to the positive performance, such as a new daily layer chase, addition of rolling purchase offers, and a redesign of the core collection experience in the game, which helps strengthen the social experience.

June's Journey revenue was $77.6 million, up 1.8% sequentially and up 33.3% year over year. June's Journey became our third highest grossing game by revenue in the past quarter. June's Journey is the highest grossing hidden object game worldwide and recently surpassed the $1 billion lifetime revenue mark. Our dedication to a player-focused philosophy has elevated June's Journey to the forefront of the story-driven casual gaming genre. By providing a deeply engaging narrative within the expansion universe of "June", the game offers a captivating experience for our players. Throughout its evolution, we have regularly rolled out new features and expansions, ensuring that there is something for everyone. Fans of the narrative can explore further with additional side stories, social gamers can collaborate with their club members on solving mysteries, and those in search of a challenge can test their skills in competitive events. We have an unwavering commitment to our players and the June's Journey community, and we look forward to continuing to enrich their gaming experience for years to come.

Now over to our Social Casino-themed games. Social Casino-themed games revenue was down (0.2)% sequentially and down (4.6)% year over year.

Sequential performance benefitted from a full quarter's contribution from our newly acquired Youda studio.

Slotomania revenue was $136.9 million, down (3.6)% sequentially and down (8.3)% year over year. Despite maintaining its position as the number one game in the slots genre, it's important for us to acknowledge that some of our peers have gained share at our expense. This shift can be partially attributed to our own strategic decision to reallocate some of our performance marketing dollars towards other opportunities in our portfolio. While this was a calculated move, aimed at diversifying our growth avenues, and enhancing our overall position in the market, it has contributed to the market share loss at Slotomania. We recognize the importance of Slotomania to our portfolio and its role in driving consistent revenue and margins, and we plan to increase our user acquisition spending this year for Slotomania. This revenue mix-shift from declines in a higher-margin title, like Slotomania, to revenue growth from our casual games, including Animals & Coins, will have an impact on our margins this year. I will reiterate that 2024 will be a year of reinvestment for Playtika, and we look forward to sharing our progress in the coming quarters.

Turning to marketing. Our recent launch of several celebrity-studded campaigns underscores our leadership in leveraging partnerships to amplify our games' appeal. Historically, we have embraced offline campaigns as a key component of our marketing strategy, consistently demonstrating our ability to engage audiences through high-profile partnerships. In the past quarter, we introduced campaigns featuring Sarah Jessica Parker for Solitaire Grand Harvest, Jason Alexander for World Series of Poker, and continued our partnership with Drew Barrymore for Bingo Blitz, and Ty Pennington for Caesars Casino. These initiatives underscore our commitment to providing our players with an engaging and immersive playing experience. Alongside our celebrity endorsements, we are also launching the "New Year, New Slotomania" campaign to celebrate in-game redesigns and new features within Slotomania.

Turning now to specific line items in our P&L for the fourth quarter.

Cost of revenue decreased (0.2)% year over year and operating expenses increased 4.8% year over year.

R&D decreased (14.9)% year over year. The decline in R&D was driven by lower headcount and savings from lower discretionary spending across the company.

Sales & Marketing was up 24.6% year over year. The increase was driven primarily by investments that we made in Animals & Coins and Governor of Poker 3. We also had slightly more performance marketing spend this quarter versus the prior year in our organic portfolio, due to timing of some of our performance marketing campaigns.

G&A expenses increased by 2.5% year over year.

As of December 31st, we had approximately $1.0 billion in cash and cash equivalents.

Looking at our operational metrics, Average DPU increased 2.3% sequentially and decreased (2.2)% year over year. Average DAU increased 2.4% sequentially and decreased (2.3)% year over year. ARPDAU was $0.80 cents in the quarter, a decrease of (1.2)% sequentially and an increase of 2.6% year over year.

Turning now to our guidance and financial outlook for 2024:

We expect to deliver full year revenue between $2.52 billion and $2.62 billion. As we selectively ramp up our performance marketing spending for our portfolio, we expect Credit Adj. EBITDA between $730 million and $770 million. We expect to deploy $110 to $115 million in capital expenditures, which includes $17 million in accrued capital expenditures from Q4 FY2023 that will be paid in FY2024.

As we conclude our prepared remarks, I want to emphasize the journey we have embarked on the past few years. Our focus has been on streamlining our operations, enhancing our agility, and positioning ourselves as a resilient force and acquiror of best-in-class assets in the mobile gaming industry. This strategic refinement has enabled us to pivot towards a period of reinvestment in our core business and execute on M&A opportunities.

Simultaneously, we remain focused on generating strong free cash flows. Our financial discipline ensures that we maintain the ability to return capital to our shareholders through ongoing quarterly dividends, alongside pursuing growth opportunities for the portfolio.

Thank you for your continued trust and support and we will now take your questions.