

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549**

**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, 2021**

**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**  
(State of other jurisdiction  
of incorporation or organization)

**81-3634591**  
(I.R.S. Employer  
Identification No.)

c/o Playtika Ltd.  
HaChoshlim St 8  
Herzliya Pituarch, 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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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 3, 2021, the registrant had 409,634,218 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,” “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 I, Item 1A, “Risk Factors” in our Annual Report on Form 10-K filed with the Securities and Exchange Commission (the “SEC”) on February 26, 2021. 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 complete 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;
- 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 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 of Form 10-K filed with the SEC on February 26, 2021. 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.

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**Part I. FINANCIAL INFORMATION**

**Item 1. FINANCIAL STATEMENTS**

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

	June 30, 2021	December 31, 2020
	(Unaudited)	
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,179.7	\$ 520.1
Short-term bank deposits	50.0	—
Restricted cash	2.7	3.5
Accounts receivable	169.5	129.3
Prepaid expenses and other current assets	112.1	101.6
<b>Total current assets</b>	<u>1,514.0</u>	<u>754.5</u>
Property and equipment, net	98.1	98.5
Operating lease right-of-use assets	84.5	73.4
Intangible assets other than goodwill, net	309.7	327.7
Goodwill	481.0	484.8
Deferred tax assets, net	27.6	28.5
Other non-current assets	4.5	8.8
<b>Total assets</b>	<u>\$ 2,519.4</u>	<u>\$ 1,776.2</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
<b>Current liabilities</b>		
Current maturities of long-term debt	\$ 12.3	\$ 104.6
Accounts payable	42.9	34.6
Operating lease liabilities, current	18.1	16.4
Accrued expenses and other current liabilities	455.8	484.8
<b>Total current liabilities</b>	<u>529.1</u>	<u>640.4</u>
Long-term debt	2,428.5	2,209.8
Employee related benefits	21.8	16.1
Operating lease liabilities, long-term	74.6	67.0
Deferred tax liabilities	74.5	86.4
<b>Total liabilities</b>	<u>3,128.5</u>	<u>3,019.7</u>
<b>Commitments and contingencies (Note 10)</b>		
<b>Stockholders' equity (deficit)</b>		
Common stock of US \$0.01 par value; 1,600.0 shares authorized and 409.6 issued and outstanding at June 30, 2021; 400.0 shares authorized and 391.1 shares issued and outstanding at December 31, 2020 <sup>(1)</sup>	4.1	3.9
Additional paid-in capital	979.6	462.3
Accumulated other comprehensive income	7.9	16.7
Accumulated deficit	(1,600.7)	(1,726.4)
<b>Total stockholders' deficit</b>	<u>(609.1)</u>	<u>(1,243.5)</u>
<b>Total liabilities and stockholders' deficit</b>	<u>\$ 2,519.4</u>	<u>\$ 1,776.2</u>

<sup>(1)</sup> Prior period results have been adjusted to reflect the 400-for-1 stock split effected in January 2021. See Note 7, *Equity Transactions and Stock Incentive Plan*, for details.

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

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

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
<b>Revenues</b>	\$ 659.2	\$ 650.5	\$ 1,298.1	\$ 1,184.7
<b>Costs and expenses</b>				
Cost of revenue	183.9	192.6	366.9	358.5
Research and development	91.8	65.8	177.0	126.6
Sales and marketing	146.5	125.8	286.6	251.1
General and administrative	71.6	338.3	171.9	407.3
<b>Total costs and expenses</b>	493.8	722.5	1,002.4	1,143.5
<b>Income (loss) from operations</b>	165.4	(72.0)	295.7	41.2
Interest expense and other, net	24.0	46.0	99.7	104.3
<b>Income (loss) before income taxes</b>	141.4	(118.0)	196.0	(63.1)
Provision for income taxes	51.4	21.6	70.3	40.7
<b>Net income (loss)</b>	90.0	(139.6)	125.7	(103.8)
<b>Other comprehensive income (loss)</b>				
Foreign currency translation	2.8	2.3	(7.1)	—
Change in fair value of derivatives	(1.6)	—	(1.7)	—
<b>Total other comprehensive income (loss)</b>	1.2	2.3	(8.8)	—
<b>Comprehensive income (loss)</b>	\$ 91.2	\$ (137.3)	\$ 116.9	\$ (103.8)
<b>Net income (loss) per share attributable to common stockholders, basic</b>	\$ 0.22	\$ (0.37)	\$ 0.31	\$ (0.27)
<b>Net income (loss) per share attributable to common stockholders, diluted</b>	\$ 0.22	\$ (0.37)	\$ 0.31	\$ (0.27)
<b>Weighted-average shares used in computing net income (loss) per share attributable to common stockholders, basic</b>	409.6	378.6	408.1	378.3
<b>Weighted-average shares used in computing net income (loss) per share attributable to common stockholders, diluted</b>	411.7	378.6	410.6	378.3

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

**CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT**  
(In millions)  
(Unaudited)

	Share capital		Additional paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings (Accumulated deficit)	Total stockholders' equity (deficit)
	Shares	Amount				
<b>Balances at January 1, 2021</b>	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)
<b>Balances at March 31, 2021</b>	409.6	\$ 4.1	\$ 954.1	\$ 6.7	\$ (1,690.7)	\$ (725.8)
Net income	—	—	—	—	90.0	90.0
Stock-based compensation	—	—	25.5	—	—	25.5
Issuance of shares upon vesting of RSUs	*	*	—	—	—	*
Other comprehensive income	—	—	—	1.2	—	1.2
<b>Balances at June 30, 2021</b>	409.6	\$ 4.1	\$ 979.6	\$ 7.9	\$ (1,600.7)	\$ (609.1)

	Share capital <sup>(1)</sup>		Additional paid-in capital	Accumulated other comprehensive loss	Retained earnings (Accumulated deficit)	Total stockholders' equity (deficit)
	Shares	Amount				
<b>Balances at January 1, 2020</b>	378.0	\$ 3.8	\$ 202.1	\$ (2.9)	\$ (1,818.5)	\$ (1,615.5)
Net income	—	—	—	—	35.8	35.8
Other comprehensive loss	—	—	—	(2.3)	—	(2.3)
<b>Balances at March 31, 2020</b>	378.0	\$ 3.8	\$ 202.1	\$ (5.2)	\$ (1,782.7)	\$ (1,582.0)
Net loss	—	—	—	—	(139.6)	(139.6)
Share-based compensation	—	—	260.3	—	—	260.3
Issuance of shares upon vesting of RSUs	13.1	0.1	(0.1)	—	—	—
Shares held for tax withholdings	—	—	(15.7)	—	—	(15.7)
Other comprehensive income	—	—	—	2.3	—	2.3
<b>Balances at June 30, 2020</b>	391.1	\$ 3.9	\$ 446.6	\$ (2.9)	\$ (1,922.3)	\$ (1,474.7)

<sup>(1)</sup> Prior period results have been adjusted to reflect the 400-for-1 stock split effected in January 2021. See Note 7, *Equity Transactions and Stock Incentive Plan*, for details.

\* Represents an amount less than 0.1 or \$0.1

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

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
(In millions)  
(Unaudited)

	Six months ended June 30,	
	2021	2020
<b>Cash flows from operating activities</b>		
Net income (loss)	\$ 125.7	\$ (103.8)
Adjustments to reconcile net income (loss) to net cash from operating activities:		
Depreciation	20.5	17.0
Amortization of intangible assets	46.0	39.7
Stock-based compensation	49.8	260.3
Amortization of loan discount	27.7	7.4
Change in deferred tax, net	(10.0)	(6.4)
Loss from foreign currency	1.2	—
Non-cash lease expenses	(1.8)	1.1
Capital gain from sale of investment	(1.2)	—
Changes in operating assets and liabilities:		
Accounts receivable	(41.2)	(61.6)
Prepaid expenses and other current assets	(8.4)	10.8
Accounts payable	8.5	(22.3)
Accrued expenses and other current liabilities	(26.9)	40.9
Net cash provided by operating activities	<u>189.9</u>	<u>183.1</u>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(20.2)	(24.5)
Capitalization of internal use software costs	(23.9)	(4.4)
Purchase of intangible assets	(6.6)	(12.8)
Short-term bank deposits	(50.0)	—
Other investing activities	2.1	—
Net cash used in investing activities	<u>(98.6)</u>	<u>(41.7)</u>
<b>Cash flows from financing activities</b>		
Proceeds from bank borrowings, net	887.7	—
Repayments on bank borrowings	(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)	—
Borrowings under revolving credit facility	—	250.0
Repayment of term loan and revolving credit facility	—	(345.8)
Payment of tax withholdings on stock-based payments	—	(15.7)
Net cash out flow for business acquisitions and other	—	(1.3)
Net cash provided by (used in) financing activities	<u>570.7</u>	<u>(112.8)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>(3.2)</u>	<u>(0.1)</u>
<b>Net change in cash, cash equivalents and restricted cash</b>	<u>658.8</u>	<u>28.5</u>
<b>Cash, cash equivalents and restricted cash at the beginning of the period</b>	<u>523.6</u>	<u>272.0</u>
<b>Cash, cash equivalents and restricted cash at the end of the period</b>	<u>\$ 1,182.4</u>	<u>\$ 300.5</u>

	Six months ended June 30,	
	2021	2020
<b>Supplemental cash flow disclosures</b>		
Cash paid for income taxes	\$ 45.0	\$ 58.4
Cash paid for interest	\$ 50.1	\$ 94.8
<b>Non-cash financing and investing activities</b>		
Lease asset additions	\$ 25.9	\$ 12.8
Accrued debt issuance 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 Corporation (“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, 2020 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, 2021 are not necessarily indicative of the results that may be expected for the year ending December 31, 2021. 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, 2020.

***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 period. Actual results could differ from those estimates.

***Significant factors, assumptions, and methodologies used in estimating fair value of equity***

Prior to its initial public offering of equity in January 2021, the Company, with the assistance of third-party valuation experts, used a combination of the income approach (the discounted cash flow method) and the market approach (a combination of the guideline public company method and the guideline transaction method) to estimate its equity value in connection with its stock-based compensation program discussed below. The income approach involves applying an appropriate risk-adjusted discount rate to projected cash flows based on forecasted revenue and costs. The guideline public company method estimates the value of a company by applying market multiples of publicly traded companies in the same or similar lines of business to the results and projected results of the company being valued. The guideline transaction method estimates the value of a company by applying valuation multiples paid in actual transactions for comparable public and private companies.

The valuation of the Company's equity considers a number of objective and subjective factors that it believes market participants would consider, including (a) the Company's business, financial condition, and results of operations, including related industry trends affecting its operations; (b) its forecasted operating performance and projected future cash flows; (c) the liquid or illiquid nature of its common stock; (d) the rights and privileges of its common stock; (e) market multiples of its most comparable public peers; and (f) market conditions affecting its industry.

As of the valuation date, financial forecasts were prepared and used in the computation of the estimated fair value of the Company's equity using both the market and income approaches. The financial forecasts were based on assumed revenue growth rates and operating margin levels that considered past experience and future expectations. The assumed risks associated with achieving these forecasts were assessed in selecting the appropriate cost of capital rates.

The values derived under the market and income approaches were used to determine an initial estimated fair market value of the Company's equity. The initial estimated value was then subjected to a discount for the lack of marketability based on the impediments to liquidity as a result of the Company's previous status as a private company, including the lack of publicly available information and the lack of a trading market.

Subsequent to the Company's initial public offering of equity in January 2021, the Company uses the public trading price of its common stock on the Nasdaq stock exchange as the basis for determining the fair market value for its common stock for purposes of its stock based compensation expense.

There is inherent uncertainty in the Company's forecasts and projections, and if different assumptions and estimates had been made than those described previously, the amount of the equity valuation and stock-based compensation expense could have been materially different.

#### ***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 significant 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 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:

	<b>June 30, 2021</b>	<b>December 31, 2020</b>
Apple	54%	38%
Google	27%	35%
Facebook	7%	11%

#### ***Cash and cash equivalents***

Cash and cash equivalents consist of cash and highly liquid investments with maturities of three months or less from the date of purchase and are stated at the lower of cost or market value. Cash equivalents include investments in money market funds that can be redeemed immediately at the current net asset value per share.

***Restricted cash***

Restricted cash primarily consists of deposits to secure obligations under the Company's operating lease agreements and to secure company-issued credit cards.

***Short-term bank deposits***

Bank deposits with maturities of more than three months but less than one year are included in short-term bank deposits. Such short-term bank deposits are stated at cost which approximates market value.

***Stock-based compensation expense***

The Company has a stock-based compensation program which provides for equity awards including time-based stock options and restricted stock units ("RSUs"). Stock-based compensation expense is measured at the grant date, based on the estimated fair value of the award, and is recognized as expense over the requisite service period for the award. 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 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 pre-IPO volatility assumption. 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 option. The expected term assumption was derived using the simplified method, which is based on an average between the 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 weighted-average risk-free interest rate was based on the interest rate for U.S. Treasury bonds. 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 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.

If factors change and the Company employs different assumptions, stock-based compensation cost on future awards may differ significantly from what the Company has recorded in the past. Higher volatility and longer expected terms result in an increase to stock-based compensation determined at the date of grant. Future stock-based compensation cost and unrecognized stock-based compensation will increase to the extent that the Company grants additional equity awards to employees or assumes unvested equity awards in connection with acquisitions. If there are any modifications or cancellations of the underlying unvested securities, the Company may be required to accelerate any remaining unearned stock-based compensation cost or incur incremental cost.

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 as described further in Note 12, *Appreciation and Retention Plan*.

The value of each unit 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.

#### ***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. These hedges are highly effective in offsetting changes in the Company's future expected cash flows due to the fluctuation on the one-month LIBOR rate associated with its variable rate debt. Interest rate swap is designated as a cash flow hedge 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.

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 forward contracts to reduce its exposure to fluctuating exchange rates between the United States dollar (as the Company's functional currency) and the Company's local payroll expense incurred in Israel and denominated in Israeli Shekels ("ILS"). The Company's forward contracts are designated as cash flow hedges under ASC 815. As a result of substantially matching the critical terms between its forward contracts and the fluctuating exchange rates the Company expects these hedges to remain highly effective at offsetting fluctuations in exchange rates through their respective maturity dates.

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 forward contracts are categorized as Level 2 in the fair value hierarchy as established by ASC 820.

#### ***Net income (loss) per share***

For all periods, basic net income (loss) per share is calculated by dividing net income by the weighted-average common shares outstanding. Diluted net income (loss) per share in profitable periods 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. In the event of a loss, diluted shares are not considered because of their anti-dilutive effect.

#### ***Accounting standards recently adopted by the Company***

In December 2019, the FASB issued ASU 2019-12, *Simplifying the Accounting for Income Taxes*. ASU 2019-12 eliminates certain exceptions related to the approach for intra-period tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. It also clarifies and simplifies other aspects of the accounting for income taxes. This guidance is effective for public business entities for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. The Company adopted this standard as of January 1, 2021. The adoption of this standard did not have a significant impact on the Company's consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform*, which provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions affected by the discontinuation of LIBOR or by another reference rate expected to be discontinued. The guidance in ASU 2020-04 is optional and may be elected over time as reference rate reform activities occur. During the six months ended June 30, 2021, the Company has elected to apply the hedge accounting expedients related to probability and the assessments of effectiveness for future LIBOR-indexed cash flows to assume that the index upon which future hedged transactions will be based matches the index on the corresponding derivatives. The Company continues to evaluate the potential impacts of ASU 2020-04 and may apply other elections as applicable as additional changes in the market occur.

## NOTE 2. GOODWILL

Changes in goodwill for the six months ended June 30, 2021 were as follows (in millions):

	Six months ended June 30, 2021
<b>Balance at beginning of period</b>	\$ 484.8
Goodwill acquired during the year	—
Foreign currency translation adjustments	(3.8)
<b>Balance at end of period</b>	<u>\$ 481.0</u>

## NOTE 3. INTANGIBLE ASSETS OTHER THAN GOODWILL, NET

The carrying amounts and accumulated amortization expenses of the acquired intangible assets other than goodwill, net, including the impact of foreign currency exchange translation, at June 30, 2021 and December 31, 2020, were as follows (in millions):

	June 30, 2021		December 31, 2020
	Weighted average remaining useful life (in years)	Balance	
<b>Historical cost basis</b>			
Developed games and acquired technology	5.2	\$ 486.4	\$ 481.5
Trademarks and user base	—	19.1	19.1
Internal use software	2.8	85.3	61.5
		<u>590.8</u>	<u>562.1</u>
<b>Accumulated amortization</b>			
Developed games and acquired technology		(242.9)	(206.2)
Trademarks and user base		(19.0)	(19.0)
Internal use software		(19.2)	(9.2)
		<u>(281.1)</u>	<u>(234.4)</u>
<b>Intangible assets other than goodwill, net</b>		<u>\$ 309.7</u>	<u>\$ 327.7</u>

During the three months ended June 30, 2021 and 2020, the Company recorded amortization expense in the amounts of \$22.7 million and \$20.7 million, respectively. During the six months ended June 30, 2021 and 2020, the Company recorded amortization expense in the amounts of \$46.0 million and \$39.7 million, respectively.

As of June 30, 2021, the total expected future amortization related to intangible assets was as follows (in millions):

	<b>Amortization to be included in cost of revenue</b>
Remaining 2021	\$ 45.4
2022	73.2
2023	63.3
2024	43.2
2025 and thereafter	84.6
<b>Total</b>	<b>\$ 309.7</b>

#### NOTE 4. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities at June 30, 2021 and December 31, 2020 were as follows (in millions):

	<b>June 30, 2021</b>	<b>December 31, 2020</b>
Tax accruals	\$ 167.2	\$ 130.5
Employees and related expenses	137.5	173.8
Accrued expenses	128.6	121.6
Deferred revenues	22.5	21.3
Accrued litigation	—	37.6
<b>Total accrued expenses and other current liabilities</b>	<b>\$ 455.8</b>	<b>\$ 484.8</b>

#### NOTE 5. LEASES

The facilities of the Company are leased under various operating lease agreements, which expire on various dates, the latest of which is April 2031.

The Company's leases include office real estate and data center leases for its facilities worldwide, which are all classified as operating leases, and which expire on various dates, the latest of which is April 2031. Certain lease agreements include rental payments that are adjusted periodically for the consumer price index ("CPI"). The ROU and lease liability were calculated using the initial CPI and will not be subsequently adjusted. Certain leases include renewal options that are reasonably certain to be exercised.

Supplemental balance sheet information related to leases is as follows (in millions):

	<b>June 30, 2021</b>
<b>Operating lease right-of-use assets, gross</b>	<b>\$ 119.2</b>
Accumulated amortization	(34.7)
<b>Operating lease right-of-use assets, net</b>	<b>\$ 84.5</b>

The following is a summary of weighted average remaining lease terms and discount rates for all of the Company's operating leases:

	<b>June 30, 2021</b>
Weighted average remaining lease term (years)	6.1
Weighted average discount rates	3.8 %

Total operating lease cost was and \$6.0 million and \$3.9 million during the three months ended June 30, 2021 and 2020, respectively and \$10.6 million and \$7.6 million during the six months ended June 30, 2021 and 2020, respectively.

Cash paid for amounts included in the measurement of operating lease liabilities was \$5.4 million and \$3.0 million during the three months ended June 30, 2021 and 2020, respectively and \$10.5 million and \$6.4 million during the six months ended June 30, 2021 and 2020, respectively.

Maturities of lease liabilities are as follows as of June 30, 2021 (in millions):

Remaining 2021	\$ 10.9
2022	21.0
2023	18.6
2024	16.5
2025 and thereafter	34.4
<b>Total undiscounted cash flows</b>	<b>101.4</b>
Less: imputed interest	(8.7)
<b>Present value of lease liabilities</b>	<b>\$ 92.7</b>

#### NOTE 6. DEBT

	June 30, 2021			December 31, 2020	
	Maturity	Interest rate(s)	Book value	Face value	Book value
			<i>(in millions)</i>		
Term Loan	2028	2.843%	\$ 1,850.1	\$ 1,895.3	\$ 2,314.4
Senior Notes	2029	4.250%	590.7	600.0	—
Revolving Credit Facility	2026	n/a	—	—	—
<b>Total debt</b>			<b>2,440.8</b>	<b>2,495.3</b>	<b>2,314.4</b>
Less: Current portion of long-term debt			(12.3)	(19.0)	(104.6)
<b>Long-term debt</b>			<b>\$ 2,428.5</b>	<b>\$ 2,476.3</b>	<b>\$ 2,209.8</b>

Book value of debt in the table above is reported net of deferred financing costs and original issue discount of \$54.5 million at June 30, 2021 and deferred financing costs of \$60.6 million at December 31, 2020, 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"). Proceeds borrowed under the Credit Facilities on the closing date were used to pay off the outstanding balance on the Company's prior debt facility. 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 Credit Agreement allows the Company to request one or more incremental term loan facilities, incremental revolving credit facilities and/or increases to the New Term Loan or the Revolving Credit Facility in an aggregate amount of up to the sum of (x) the greater of (1) \$800 million and (2) 1.00 times EBITDA (as defined in the Credit Agreement) plus (y) the amount of certain voluntary prepayments of indebtedness plus (z) such additional amount so long as, (i) in the case of loans under additional credit facilities that are secured by liens on the collateral securing the Credit Agreement, the Company's net total secured leverage ratio on a pro forma basis would not exceed 3.50 to 1.00 (or in the case of incremental facilities to fund certain investments and acquisitions, the net total secured leverage ratio immediately prior to such incurrence) and (iii) in the case of any other loans under additional credit facilities, the Company's fixed charge coverage ratio on a pro forma basis would not be less than 2.00 to 1.00 (or in the case of incremental facilities to fund certain investments and acquisitions, the fixed charge coverage ratio immediately prior to such incurrence), in each case, subject to certain conditions and receipt of commitments by existing or additional financial institutions or institutional lenders.

All future borrowings under the Credit Agreement are subject to the satisfaction of customary conditions, including the absence of a default and the accuracy of representations and warranties, subject to certain exceptions.

#### *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 stepdowns to 0.375% and 0.25% based upon the Company's net 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 contains 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 assets 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).

#### *Collateral and Guarantors*

The borrowings under the Credit Agreement are guaranteed by certain material, wholly-owned restricted subsidiaries of the Company, and are secured by a pledge of substantially all of the existing and future property and assets of the Company and the guarantors (subject to exceptions), including a pledge of the capital stock of the domestic subsidiaries held by the Company and the domestic guarantors and 65% (or 100% in the case of certain of the guarantors) of the capital stock of the first-tier foreign subsidiaries held by the Company and the domestic guarantors, in each case subject to exceptions.

The Credit Agreement requires that the Company and the guarantors (a) generate at least 80.0% of the EBITDA of the Company and its restricted subsidiaries for the four fiscal quarters most recently ended prior to the end of each fiscal quarter and (b) own all "Material Intellectual Property" (defined as any intellectual property rights consisting of registered trademarks or copyrights subsisting in the name or logo of any game that generates more than 5% of the EBITDA of the Company and its restricted subsidiaries for the then most recently ended four fiscal quarters) on the last day of the four fiscal quarters most recently ended prior to the end of each fiscal quarter. If the Company and the guarantors do not satisfy such requirement, then the Company must cause sufficient additional subsidiaries (which, subject to certain limitations, may



include guarantors located in jurisdictions other than the United States, England and Wales and the State of Israel) to become guarantors in order to satisfy such requirement. As of June 30, 2021, the Company was in compliance with these requirements.

#### *Restrictive Covenants*

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, 2021, the Company's first-priority net senior secured leverage ratio was 0.75 to 1.0.

In addition, the Credit Agreement includes negative covenants, subject to certain exceptions, restricting or limiting the Company's ability and the ability of its restricted subsidiaries to, among other things: (i) make non-ordinary course dispositions of assets; (ii) make certain mergers and acquisitions; (iii) complete dividends and stock repurchases and optional redemptions (and optional prepayments) of subordinated debt; (iv) incur indebtedness; (v) make certain loans and investments; (vi) incur liens and certain fixed charges; (vii) transact with affiliates; (viii) change the business of the Company and its restricted subsidiaries; (ix) enter into sale/leaseback transactions; (x) allow limitations on negative pledges and the ability of restricted subsidiaries to pay dividends or make distributions; (xi) change the fiscal year and (xii) modify subordinated debt documents. Under the Credit Agreement, the Company may be required to meet specified leverage ratios or fixed charge coverage ratios in order to take certain actions, such as incurring certain debt or liens or making certain investments.

#### *Expenses Related to Modification of Debt*

The Company accounts for the restructuring of its debt agreements in accordance with the accounting standards applicable to troubled debt restructuring, debt modification and debt extinguishment. Under the applicable accounting standards, the Company determined that the March 2021 financing transactions qualified for modification accounting. As a result, the Company expensed \$14.5 million related to the debt modification, wrote off \$22.9 million of previously deferred financing costs related to the modification of debt related to the Company's Old Term Loan and carried over \$34.9 million of deferred financing costs to the New Term Loan.

#### **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 payable semi-annually in cash in arrears on March 15 and September 15 of each year, commencing on September 15, 2021.

##### *Guarantees*

The Notes are fully and unconditionally guaranteed, jointly and severally, on a senior unsecured basis by the Company's existing and future restricted subsidiaries that guarantee the obligations under the Credit Agreement (as defined below) (the "subsidiary guarantors").

##### *Ranking*

The Notes and the note guarantees rank equally in right of payment to all of the Company's and the subsidiary guarantors' existing and future senior indebtedness and senior in right of payment to all of the Company's and the subsidiary guarantors' future subordinated indebtedness. The Notes and the note guarantees are effectively subordinated to any of the Company's and the subsidiary guarantors' existing and future secured indebtedness to the extent of the value of the assets securing such

indebtedness, including indebtedness outstanding under the Credit Agreement. In addition, the Notes and the note guarantees are structurally subordinated to the existing and future liabilities of the Company's non-guarantor subsidiaries.

#### *Redemption*

The Company may redeem the Notes at any time prior to March 15, 2024, in whole or in part, at a redemption price equal to 100% of the accrued principal amount thereof plus accrued and unpaid interest, if any, to, but excluding, the redemption date, plus a make-whole premium.

The Company may redeem the Notes at any time on or after March 15, 2024, in whole or in part, at a redemption price equal to (i) 102.125% of the principal amount thereof, should such redemption occur before March 15, 2025, (ii) 101.063% of the principal amount thereof, should such redemption occur before March 15, 2026, and (iii) 100.000% of the principal amount thereof, should such redemption occur on or after March 15, 2026, in each case plus accrued and unpaid interest, if any, to, but excluding, the redemption date.

In addition, at any time prior to March 15, 2024, the Company may redeem up to 40% of the original aggregate principal amount of all Notes issued with the net cash proceeds from certain equity offerings at a redemption price of 104.250% of the principal amount redeemed plus accrued and unpaid interest, if any, to, but excluding, the redemption date, so long as at least 50% of the aggregate principal amount of the Notes remains outstanding immediately after the occurrence of such redemption, and the redemption date is within 90 days of the consummation of any such equity offering.

#### *Covenants*

The Indenture contains customary covenants that limit the Company's ability and, in certain instances, the ability of the Company's subsidiaries, to borrow money, create liens on assets, make distributions and pay dividends on or redeem or repurchase stock, make certain types of investments, sell stock in certain subsidiaries, enter into agreements that restrict dividends or other payments from subsidiaries, enter into transactions with affiliates, issue guarantees of indebtedness, and sell assets or merge with other companies. These limitations are subject to a number of important exceptions and qualifications set forth in the Indenture.

#### *Change of Control*

In the event of a change of control, the Company must offer to repurchase the Notes at a repurchase price equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest, if any, to, but excluding, the repurchase date.

#### *Events of Default*

Events of default under the Indenture include, among others, the following with respect to the Notes: default which continues for 30 days in the payment of interest on the Notes; default in payment of the principal of, or premium, if any, on the Notes; failure to comply with certain covenants in the Indenture for 60 days (or 120 days with respect to the covenant relating to the provision of financial reports) upon the receipt of notice from the Trustee or holders of at least 25% in aggregate principal amount of the Notes; acceleration or payment default of indebtedness of the Company or certain of its subsidiaries in excess of a specified amount that remains uncured following the applicable grace period provided in such indebtedness; final judgments against the Company or certain of its subsidiaries in excess of a specified amount that remains unpaid for 45 days; and certain events of bankruptcy or insolvency with respect to the Company or certain of its subsidiaries. In the case of an event of default arising from certain events of bankruptcy or insolvency with respect to the Company or certain of its subsidiaries, all Notes then outstanding will become due and payable immediately without further action or notice. If any other event of default occurs with respect to the Notes, the Trustee or holders of at least 25% in aggregate principal amount of the Notes may declare all Notes then outstanding to be due and payable immediately.

## Scheduled Principal Payments of Long-Term Debt

The scheduled principal payments due on long-term debt are as follows (in millions):

	<b>Amount</b>
Remaining 2021	\$ 9.5
2022	19.0
2023	19.0
2024	19.0
2025 and thereafter	2,428.8
<b>Total</b>	<b>\$ 2,495.3</b>

## NOTE 7. EQUITY TRANSACTIONS AND STOCK INCENTIVE PLAN

### *Equity Transactions*

On May 26, 2020, the Board of Directors of the Company approved an amendment to the Certificate of Incorporation of the Company (the “Stock Split”) to increase the authorized number of shares of the Company’s common stock from ten (10) shares to one million (1,000,000) shares, to decrease the par value of each share of common stock of the Company from \$1.00 per share to \$0.01 per share, and to reclassify each share of common stock issued and outstanding immediately prior to the Stock Split into 94,500 shares of common stock.

On January 5, 2021, the Company’s Board of Directors approved an amended and restated certificate of incorporation of the Company effecting an additional 400-for-1 stock split of the Company’s issued and outstanding shares of common stock and an increase to the authorized shares of our common stock and preferred stock to 1.6 billion shares and 100 million shares, respectively. The split and the increase in authorized shares of the Company’s common stock was effected on January 6, 2021 and without any change in the par value per shares.

All information herein related to the Company’s common stock and stock awards has been retroactively adjusted to give effect to both the May 26, 2020 stock split and the January 5, 2021 stock split.

### *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 Plan authorizes the issuance of stock options, restricted stock, restricted stock units (“RSUs”), dividend equivalents, stock appreciation rights, performance bonus awards and other incentive awards. The Plan authorizes the grant of awards to employees, non-employee directors and consultants of the Company.

The maximum number of shares of the Company’s common stock for which grants may be made under the Plan was 42,190,299 shares as of June 30, 2021. As of June 30, 2021, a total of 2,749,972 shares of the Company’s common stock remained available for grants of awards under the Plan.

### *Stock Options*

Outstanding stock option grants generally vest over four years, with 25% vesting on each of the four anniversaries of the grant date. The stock options have a contractual term of 10 years. Except as 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 following table summarizes the Company's stock option activity during the six months ended June 30, 2021:

	Stock Options Outstanding	Weighted Average Remaining Term (in years)	Weighted Average Exercise Price	Intrinsic Value (in millions)
<b>Outstanding at January 1, 2021</b>	8,000,000	9.5	\$ 18.71	
Granted	8,006,297		\$ 27.00	
Exercised	—			
Cancelled	(369,084)		\$ 27.00	
Expired	—			
<b>Outstanding at June 30, 2021</b>	<u>15,637,213</u>	9.3	\$ 22.76	\$ 41.0
<b>Exercisable at June 30, 2021</b>	<u>2,000,000</u>	9.0	\$ 18.71	\$ 10.3

The Company will issue new shares of common stock upon exercise of stock options.

The Company uses the Black-Scholes option pricing model to estimate the fair value and compensation cost associated with employee stock options, which is affected by the following assumptions regarding complex and subjective variables. Any changes in these assumptions may materially affect the estimated fair value of the stock-based award.

- Fair value of common stock - Prior to the Company's initial public offering of equity in January 2021, as the Company's common stock was not publicly traded, the fair value of common stock was estimated by valuation reports prepared by third-party valuation specialists. Subsequent to the Company's initial public offering, the Company uses the public trading price of its common stock on the Nasdaq stock market to determine the fair value of its common stock.
- Expected volatility – Prior to the Company's initial public offering of equity in January 2021, as the Company was a private company at the time of valuation, the Company estimated volatility based on the volatilities exhibited by comparable public companies and the Company's capital structure and utilized the observable data for a group of peer companies that grant options with substantially similar terms to assist in developing its volatility assumption. Subsequent to the Company's initial public offering, the Company continues to estimate volatility in the same manner as it has not yet established sufficient history to estimate volatility of its own.
- Risk-free interest rate - The risk-free interest rate was estimated based on the U.S. Treasury yield curve in effect at the time of grant and with maturities consistent with the expected term of the respective equity option award.
- Expected term - The Company estimated the expected term based on the average time between the vesting date and expiration date, ten years after the grant date, of the respective equity option award.
- Expected dividend yield - The Company does not anticipate paying cash dividends on its shares of common stock; therefore, the expected dividend yield was assumed to be zero.

The options granted during 2020 vest over four years, with 25% vesting on each of the four anniversaries of the grant date. For options granted during January 2021, 25% of the options generally vest on the first anniversary of the grant date, and the remaining 75% of the options vest in equal quarterly installments during the three years following the first anniversary of the grant date. The Company expects that future option grants generally will follow one of these two different vesting schedules. The stock options have a contractual term of ten years. Except as 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.

## RSUs

The majority of RSUs granted on June 26, 2020 vested immediately, while the remaining RSUs granted on June 26, 2020 vested 25% immediately, and 25% vest on each of the first three anniversaries of the grant date.

In October 2020, the Company's board of directors approved the issuance of 5,854,800 RSUs. The RSUs vest over four years, with 25% of the RSUs vesting on each of December 31, 2021, 2022, 2023 and 2024, subject to continued service on the applicable vesting date.

For RSUs granted during 2021, 25% of the RSUs generally vest on the first anniversary of the grant date, and the remaining 75% of the RSUs vest in equal quarterly installments during the three years following the first anniversary of the grant date. The Company expects that future RSU grants generally will follow the vesting schedule used in January 2021. Except as provided in an award 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. RSUs settle for outstanding shares of the Company's common stock upon vesting.

The following table summarizes the Company's RSU activity during the six months ended June 30, 2021:

	Shares	Weighted Average Grant Date Fair Value	Total Fair Value of Shares Vested (in millions)
<b>Outstanding at January 1, 2021</b>	5,944,800	\$ 21.04	
Granted	4,989,820	\$ 31.70	
Vested	(48,518)	\$ 23.90	\$ 1.3
Cancelled	(198,706)	\$ 31.62	
<b>Outstanding at June 30, 2021</b>	<u>10,687,396</u>	<u>\$ 25.81</u>	

## Stock-Based Compensation

The following table summarizes stock-based compensation costs by award type (in millions):

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Stock options	\$ 8.9	\$ 0.2	\$ 17.4	\$ 0.2
RSUs	16.6	260.1	32.4	260.1
<b>Total stock-based compensation costs</b>	<u>\$ 25.5</u>	<u>\$ 260.3</u>	<u>\$ 49.8</u>	<u>\$ 260.3</u>

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

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Research and development expenses	\$ 7.0	\$ —	\$ 13.5	\$ —
Sales and marketing expenses	3.2	—	6.0	—
General and administrative expenses	15.3	260.3	30.3	260.3
<b>Total stock-based compensation costs</b>	<u>\$ 25.5</u>	<u>\$ 260.3</u>	<u>\$ 49.8</u>	<u>\$ 260.3</u>

As of June 30, 2021, the Company's unrecognized stock-based compensation expenses related to stock options was approximately \$120.6 million, which are expected to be recognized over a period of 3.31 years. As of June 30, 2021, the Company's unrecognized stock-based compensation expenses related to unvested restricted stock units was approximately \$237.6 million, which are expected to be recognized over a period of 3.52 years.

## 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 a liability of \$2.5 million as of June 30, 2021 and was recorded between accrued expenses and other current liabilities 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*

The Company has also entered into multiple forward contracts for the future purchase of ILS. At June 30, 2021, the Company had forward contracts outstanding for an aggregate purchase of 130.6 million ILS, all which mature within the following 12 months. The aggregate fair value of the Company's forward contracts was \$0.3 million as of June 30, 2021 and was recorded in accrued expenses and other current liabilities and other non-current assets in the accompanying consolidated balance sheets.

## 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, 2021 (in millions):

	June 30, 2021		Fair Value Hierarchy
	Face Value	Fair Value	
Term Loan	\$ 1,895.3	\$ 1,883.4	Level 2
Senior Notes	600.0	597.8	Level 2
<b>Total debt</b>	<b>\$ 2,495.3</b>	<b>\$ 2,481.2</b>	

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, 2021 (in millions):

	<b>Pricing Category</b>	<b>Fair Value at June 30, 2021</b>
<b>Other non-current assets:</b>		
Derivative instruments - interest rate swaps	Level 2	\$ 1.5
Derivative instruments - FX forward contracts	Level 2	0.4
<b>Accrued expenses and other current liabilities:</b>		
Derivative instruments - interest rate swaps	Level 2	\$ 4.0
Derivative instruments - FX forward contracts	Level 2	0.1

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 Company had no financial assets or liabilities measured at fair value as of December 31, 2020.

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 this 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. As of June 30, 2021, 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.

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. The Plaintiff has filed an intent to appeal. Playtika Holding Corp. and Playtika Ltd. intend to defend the case vigorously if the Plaintiff appeals the ruling.

#### NOTE 11. REVENUE FROM CONTRACTS WITH CUSTOMERS

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

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
<b>Geographic location</b>				
USA	\$ 468.7	\$ 470.4	\$ 923.4	\$ 845.8
EMEA	94.8	85.3	186.5	166.0
APAC	49.7	51.7	99.6	93.1
Other	46.0	43.1	88.6	79.8
<b>Total</b>	<u>\$ 659.2</u>	<u>\$ 650.5</u>	<u>\$ 1,298.1</u>	<u>\$ 1,184.7</u>
<b>Platform type</b>				
Mobile	\$ 525.6	\$ 522.4	\$ 1,038.8	\$ 952.1
Web	133.6	128.1	259.3	232.6
<b>Total</b>	<u>\$ 659.2</u>	<u>\$ 650.5</u>	<u>\$ 1,298.1</u>	<u>\$ 1,184.7</u>

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

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
<b>Revenues</b>				
Third-party platforms	\$ 524.7	\$ 566.2	\$ 1,047.7	\$ 1,039.2
Internal proprietary platforms	134.5	84.3	250.4	145.5
<b>Total</b>	<u>\$ 659.2</u>	<u>\$ 650.5</u>	<u>\$ 1,298.1</u>	<u>\$ 1,184.7</u>

#### 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, 2021	December 31, 2020
Accounts receivable	\$ 169.5	\$ 129.3
Contract assets <sup>(1)</sup>	6.0	5.8
Contract liabilities <sup>(2)</sup>	22.5	21.3

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

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

During the six months ended June 30, 2021, the Company recognized the all of its contract liabilities balance as of December 31, 2020.

#### *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 units 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, determined as follows:

For 2021, (A) 14% of the 2021-2024 Retention Plan Adjusted EBITDA for such calendar year, less (B) \$25,000,000.

For 2022, (A) 14.5% of the 2021-2024 Retention Plan Adjusted EBITDA for such calendar year, less (B) \$25,000,000.

For each of 2023 and 2024, (A) 15.0% of the 2021-2024 Retention Plan Adjusted EBITDA for such calendar year, less (B) \$25,000,000.

Initial awards were granted under the 2021-2024 Retention Plan in August 2019, with subsequent awards to employees or consultants hired or retained after such date granted at the discretion of the administrator.

For certain participants in the event of the participant's termination without cause or resignation for good reason, or termination by reason of death or disability, he or she will be eligible to receive a lump sum cash payment equal to his or her proportionate share (based on the number of retention units outstanding and eligible for payment as of such date) of the unpaid portion of the total retention pool for the remaining term of the 2021-2024 Retention Plan as of the date of termination, which amount shall be paid in cash within 60 days following the date of termination. In the event of such a termination, such participant will also remain eligible to receive payments in respect of his or her appreciation units for all vesting dates that have not yet occurred prior to the date of such termination, which payments will be made as and when such payments are made to other appreciation unit holders.

For all other participants, in the event of termination due to death or disability on or after January 1, 2021, but prior to December 31, 2024, the participant will receive a payment in respect of his or her proportionate share (based on the number of retention units outstanding and eligible for payment as of such date) of the unpaid portion of the total retention pool for the remaining term of the 2021-2024 Retention Plan as of the date of termination, pro-rated for the portion of the period between January 1, 2021 and December 31, 2024 that has elapsed prior to termination, payable within 60 days following termination. In addition, the participant will retain the right to receive payments for a pro-rated portion of his or her appreciation units for

all vesting dates that have not yet occurred prior to the date of such termination, which payments will be made as and when such payments are made to other appreciation unit holders.

All payments triggered by a termination of employment or service will be subject to the execution of a general release of claims in favor of the Company. If a participant terminates service for any reason other than as described above, the participant will immediately forfeit all unvested retention units and appreciation units.

In October 2020, 43,000 appreciation units under the 2021-2024 Retention Plan were cancelled. Pursuant to an amendment to the 2017-2020 Retention Plan adopted in October 2020, these cancelled appreciation units are considered “retired units” for purposes of the plan, and will be deemed to be outstanding and eligible for payment solely for purposes of determining the per unit value to be paid to participants, but no amounts will be paid with respect to such retired units.

The Company recognized compensation expenses in respect of retention bonus and appreciation unit awards under its appreciation and retention plans of \$30.2 million and \$21.2 million during the three months ended June 30, 2021 and 2020, respectively, and \$60.0 million and \$32.2 million during the six months ended June 30, 2021 and 2020, 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 \$3.7 million and \$4.6 million during the three months ended June 30, 2021 and 2020, respectively, and \$6.8 million and \$9.5 million during the six months ended June 30, 2021 and 2020, 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,	
	2021	2020	2021	2020
Interest expense	\$ 23.1	\$ 48.4	\$ 101.1	\$ 101.8
Interest income	(0.1)	(0.2)	(0.3)	(0.3)
Foreign currency exchange, net	0.6	(2.5)	(0.2)	2.4
Other	0.4	0.3	(0.9)	0.4
<b>Total interest expense and other, net</b>	<b>\$ 24.0</b>	<b>\$ 46.0</b>	<b>\$ 99.7</b>	<b>\$ 104.3</b>

#### NOTE 14. INCOME TAXES

<i>(in millions, except tax rate)</i>	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Income before income taxes	\$ 141.4	\$ (118.0)	\$ 196.0	\$ (63.1)
Provision for income taxes	\$ 51.4	\$ 21.6	\$ 70.3	\$ 40.7
Effective tax rate	36.4 %	(18.3)%	35.9 %	(64.5)%

The effective income tax rate for the three months ended June 30, 2021 was 36.4% compared to (18.3)% for the three months ended June 30, 2020. The effective income tax rate for the six months ended June 30, 2021 was 35.9% compared to (64.5)% for the six months ended June 30, 2020. 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, 2021 include tax positions that do not meet the more likely than not standard, the impact of repatriation of the undistributed earnings of certain foreign subsidiaries and tax rates in foreign jurisdictions & the relative amounts of income earned in those jurisdictions. The primary differences between the effective tax rate and the 21% federal statutory rate for the three and six months ended June 30, 2020 were tax rates in foreign jurisdictions & the relative amounts of income earned in those jurisdictions and significant non-deductible stock-based compensation expense for certain restricted stock units granted during the period.

The Company continues to monitor tax implications resulting from new legislation passed in response to the COVID-19 pandemic in the federal, state and foreign jurisdictions where it has an income tax expense. The impact of COVID-19 pandemic related tax-measures recently enacted were not material for the three and six months ended June 30, 2021.

#### NOTE 15. ACCUMULATED OTHER COMPREHENSIVE INCOME

The following table shows a summary of changes in accumulated other comprehensive income (loss) by component for the three and six months ended June 30, 2021:

	Foreign Currency Translation	Interest Rate Swaps	Forward Contracts	Total
<b>Balance as of January 1, 2021</b>	\$ 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 (loss)	—	—	0.3	0.3
<b>Balance as of March 31, 2021</b>	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 (loss)	—	0.5	—	0.5
<b>Balance as of June 30, 2021</b>	<u>\$ 9.6</u>	<u>\$ (2.0)</u>	<u>\$ 0.3</u>	<u>\$ 7.9</u>

#### NOTE 16. NET INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCKHOLDERS

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

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
<b>Numerator:</b>				
Net income (loss)	\$ 90.0	\$ (139.6)	\$ 125.7	\$ (103.8)
<b>Denominator:</b>				
Weighted-average shares used in computing net income (loss) per share attributable to common stockholders, basic	409.6	378.6	408.1	378.3
Weighted-average shares used in computing net income (loss) per share attributable to common stockholders, diluted	411.7	378.6	410.6	378.3
Net income (loss) per share, basic	<u>\$ 0.22</u>	<u>\$ (0.37)</u>	<u>\$ 0.31</u>	<u>\$ (0.27)</u>
Net income (loss) per share, diluted	<u>\$ 0.22</u>	<u>\$ (0.37)</u>	<u>\$ 0.31</u>	<u>\$ (0.27)</u>

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

	June 30,	
	2021	2020
Stock options	7,637,213	8,000,000
RSUs	4,761,896	90,000
<b>Total</b>	<u>12,399,109</u>	<u>8,090,000</u>

**NOTE 17. SUBSEQUENT EVENTS**

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. We own some of the most iconic free-to-play mobile games in the world, many of which are the #1 games in their respective genres, based on total in-app purchases on iOS App Store and Google Play Store for the six months ended June 30, 2021 worldwide, according to App Annie. 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 proprietary 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, primarily servers. 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 proprietary 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.

#### ***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.

#### ***Interest expense and other, net***

Interest expense is primarily related to borrowings under our Credit Agreement dated as of December 10, 2019 (the "Credit Agreement"). We amended our Credit Agreement in March 2021, including amending the interest rates thereunder. 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 and short-term bank deposits. 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.

#### ***Provision for income taxes***

The provision for income taxes consists of income taxes in the various jurisdictions where we are subject to taxation, primarily the United States, the United Kingdom and Israel and was determined using a worldwide estimated annual effective tax rate and took discrete items into consideration. 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 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 metrics, including Daily Paying Users, Daily Active Users, Daily Payer Conversion, Average Revenue per Daily Active User, and Monthly Active Users. These operating metrics help our management to understand and measure the engagement levels of the our players, the size of our audience and our reach.

##### *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 would 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,	
	2021	2020	2021	2020
<i>(in millions, except percentages, Average DPUs and ARPDau)</i>				
<b>Revenues</b>	\$ 659.2	\$ 650.5	\$ 1,298.1	\$ 1,184.7
Total cost and expenses	493.8	722.5	1,002.4	1,143.5
<b>Operating income (loss)</b>	165.4	(72.0)	295.7	41.2
<b>Adjusted EBITDA</b>	264.4	283.2	522.4	469.4
<b>Non-financial performance metrics</b>				
Average DAUs	10.4	11.8	10.4	11.7
Average DPUs (in thousands)	300	315	298	293
Average Daily Payer Conversion	2.9 %	2.7 %	2.9 %	2.5 %
ARPDau	\$ 0.70	\$ 0.61	\$ 0.69	\$ 0.56
Average MAUs	36.1	36.1	33.7	36.6

*Comparison of the three and six months ended June 30, 2021 versus the three and six months ended June 30, 2020*

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
<i>(in millions)</i>	<b>(Unaudited)</b>			
<b>Revenues</b>	\$ 659.2	\$ 650.5	\$ 1,298.1	\$ 1,184.7
Cost of revenue	\$ 183.9	\$ 192.6	\$ 366.9	\$ 358.5
Research and development	91.8	65.8	177.0	126.6
Sales and marketing	146.5	125.8	286.6	251.1
General and administrative	71.6	338.3	171.9	407.3
<b>Total costs and expenses</b>	<u>\$ 493.8</u>	<u>\$ 722.5</u>	<u>\$ 1,002.4</u>	<u>\$ 1,143.5</u>

**Revenues**

Revenues for the three months ended June 30, 2021 increased by \$8.7 million when compared with the same period of 2020. Revenues for the six months ended June 30, 2021 increased by \$113.4 million when compared with the same period of 2020. The increase in revenues was primarily due to our ongoing improvements to monetization, new content and product features, and increased engagement across our broader portfolio of games.

**Cost of revenue**

Cost of revenue for the three month ended June 30, 2021 decreased by \$8.7 million when compared with the same period of 2020, primarily as a result of a larger percentage of our revenues being derived through our proprietary platforms where we pay lower fees to facilitate the revenue transactions.

Cost of revenue for the six months ended June 30, 2021 increased by \$8.4 million when compared with the same period of 2020. The increase in cost of revenue was primarily due to increased platform fees associated with increased revenues and increased amortization expense for recently capitalized software development costs, both of which were partially offset by the reduced platform fees associated with a higher percentage of our revenues being derived through our proprietary platforms.

**Research and development expenses**

Research and development expenses for the three and six months ended June 30, 2021 increased by \$26.0 million and \$50.4 million, respectively, when compared with the same periods of 2020. The formula for determining the payment amounts under the 2017-2020 retention plan resulted in expense under that plan being recognized on an accelerated basis, with higher expense recognized in the earlier years of the plan. Based upon a change to the structure of how award payments are determined within the terms of the Playtika Holding Corp. Retention Plan (the "2021-2024 Retention Plan") as compared to the 2017-2020 plan, expense under the current plan is required to be recognized ratably over the term of the plan. As a result, when comparing the three and six month periods ended June 30, 2021 with the same periods of 2020, long-term compensation expense under the respective retention plan included within research and development expenses has increased by approximately \$1.5 million and \$3.1 million, respectively. In addition, the introduction of stock-based compensation plans has resulted in approximately \$7.0 million and \$13.5 million, respectively, in additional research and development expense for the three and six month periods ended June 30, 2021 when compared to the same periods of 2020. The remaining increase in research and development expenses was primarily due to increased headcount and payroll costs, partially offset by a reduction in our third-party hosting costs.



### **Sales and marketing expenses**

Sales and marketing expenses for the three and six months ended June 30, 2021 increased by \$20.7 million and \$35.5 million, respectively, when compared with the same period of 2020. As discussed above, the accelerated recognition of long-term compensation expense under the 2017-2020 retention plan as opposed to the ratable recognition of such expense under the 2021-2024 Retention Plan resulted in an increase in expense within sales and marketing expenses of approximately \$2.8 million and \$6.1 million, respectively, when comparing the three and six month periods ended June 30, 2021 with the prior year periods. In addition, our stock-based compensation plans resulted in approximately \$3.2 million and \$6.0 million, respectively, in additional sales and marketing expense for the three and six month periods ended June 30, 2021, when compared with the prior year periods. The remaining increases in sales and marketing expenses for both the three and six month periods ending June 30, 2021 were primarily due to increased headcount and payroll costs, and increased media buy expenses.

### **General and administrative expenses**

General and administrative expenses for the three and six months ended June 30, 2021 decreased by \$266.7 million and \$235.4 million, respectively, when compared with the same period of 2020. General and Administrative expense includes \$15.3 million and \$30.3 million, respectively, of stock-based compensation expense for the three and six months ended June 30, 2021, as compared with \$260.3 million and \$260.3 million, respectively, for the comparable periods of 2020. Also included in general and administrative expenses for the three and six months ended June 30, 2020, with no comparable amounts for the same periods of 2021, are expenses associated with a legal settlement of approximately \$37.6 million. Also included in general and administrative expenses for the six months ended June 30, 2020 are expenses for contingent consideration and merger and acquisition related activity of approximately \$29.9 million, compared with \$6.8 million for the six months ended June 30, 2021. 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, 2020, are bonus expenses of approximately \$35.2 million paid as a result of the successful initial public offering of the Company's stock in January 2021. Adjusting for these items, general and administrative expenses for the three and six months ended June 30, 2021 would have increased by \$15.9 million and \$20.1 million, respectively, when compared to the same periods of 2020. These increases were a result of an increase in long-term compensation expense under the retention plan, partially offset by other immaterial changes.

### **Other Factors Affecting Net Income**

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
	<b>(Unaudited)</b>			
<i>(in millions)</i>				
Interest expense	\$ 23.1	\$ 48.4	\$ 101.1	\$ 101.8
Interest income	(0.1)	(0.2)	(0.3)	(0.3)
Foreign currency exchange, net	0.6	(2.5)	(0.2)	2.4
Other	0.4	0.3	(0.9)	0.4
Provision for income taxes	51.4	21.6	70.3	40.7

### **Interest expense**

In March 2021, the Company refinanced its 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, the Company recorded approximately \$14.5 million in expense associated with the Refinancing Transaction. Prior to these one-time charges to interest expense, interest expense for the six months ended June 30, 2021 was lower than interest expense in the same period of 2020 due to lower interest rates.

### ***Provision for income taxes***

The effective income tax rate for the three months ended June 30, 2021 was 36.4% compared to (18.3)% for the three months ended June 30, 2020. The effective income tax rate for the six months ended June 30, 2021 was 35.9% compared to (64.5)% for the six months ended June 30, 2020. 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, 2021 include tax positions that do not meet the more likely than not standard, the impact of repatriation of the undistributed earnings of certain foreign subsidiaries and tax rates in foreign jurisdictions & the relative amounts of income earned in those jurisdictions. The primary differences between the effective tax rate and the 21% federal statutory rate for the three and six months ended June 30, 2020 were tax rates in foreign jurisdictions & the relative amounts of income earned in those jurisdictions and significant non-deductible stock-based compensation expense for certain restricted stock units granted during the period.

### **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) legal settlements, (vii) contingent consideration, (viii) acquisition and related expenses, (ix) expense under our long-term compensation plans, (x) M&A-related retention payments, and (xi) certain other items, including impairments. 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.

<i>(in millions)</i>	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
<b>Net income (loss)</b>	\$ 90.0	\$ (139.6)	\$ 125.7	\$ (103.8)
Provision for income taxes	51.4	21.6	70.3	40.7
Interest expense and other, net	24.0	46.0	99.7	104.3
Depreciation and amortization	33.3	29.5	66.5	56.7
<b>EBITDA</b>	<b>198.7</b>	<b>(42.5)</b>	<b>362.2</b>	<b>97.9</b>
Stock-based compensation <sup>(1)</sup>	25.5	260.3	49.8	260.3
Acquisition and related expenses <sup>(2)</sup>	6.3	0.4	42.0	29.9
Legal settlement <sup>(3)</sup>	—	37.6	—	37.6
Long-term cash compensation <sup>(4)</sup>	30.2	21.2	60.0	32.2
M&A related retention payments <sup>(5)</sup>	3.7	4.6	6.8	9.5
Other one-time items	—	1.6	1.6	2.0
<b>Adjusted EBITDA</b>	<b>\$ 264.4</b>	<b>\$ 283.2</b>	<b>\$ 522.4</b>	<b>\$ 469.4</b>
<b>Net income (loss) margin</b>	<b>13.7 %</b>	<b>(21.5)%</b>	<b>9.7 %</b>	<b>(8.8)%</b>
<b>Adjusted EBITDA margin</b>	<b>40.1 %</b>	<b>43.5 %</b>	<b>40.2 %</b>	<b>39.6 %</b>

<sup>(1)</sup> Reflects, for the three and six months ended June 30, 2021 and 2020, stock-based compensation expense related to the issuance of equity awards to certain of our employees.

<sup>(2)</sup> Amounts for the six months ended June 30, 2021 primarily relate to bonus expenses paid as a result of the successful initial public offering of the Company's stock in January 2021. Amounts for the three and six months ended June 30, 2020 include (i) contingent consideration expense with respect to our acquisitions of Seriously and Supertreat, and (ii) third-party fees for actual or planned acquisitions, including related legal, consulting and other expenditures.

<sup>(3)</sup> Reflects a legal settlement expense of \$37.6 million for the three and six months ended June 30, 2020.

<sup>(4)</sup> 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.

<sup>(5)</sup> Includes retention awards to key individuals associated with acquired companies as an incentive to retain those individuals on a long-term basis. For more information, see Note 12, *Appreciation and Retention Plan*, of our consolidated financial statements included in this document.

## 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 for investment opportunities 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 pursuant to the Credit Agreement. Our cash and cash equivalents and short-term bank deposits totaled \$1,229.7 million and \$520.1 million at June 30, 2021 and December 31, 2020, respectively. As of June 30, 2021 and December 31, 2020, we had \$600 million and \$350 million in additional borrowing capacity pursuant to our Revolving Credit Facility (as defined below), respectively. Payments of short-term debt obligations and other commitments are expected to be made from cash on hand 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 additional term loans or issuances of equity.

Our restricted cash totaled \$2.7 million at June 30, 2021 and \$3.5 million at December 31, 2020. Restricted cash primarily consists of deposits to secure obligations under our operating lease agreements and to secure company-issued credit cards.

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:

<i>(in millions)</i>	<b>Six months ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
Net cash flows provided by operating activities	\$ 189.9	\$ 183.1
Net cash flows used in investing activities	(98.6)	(41.7)
Net cash flows provided by (used in) financing activities	570.7	(112.8)
Effect of foreign exchange rate changes on cash and cash equivalents	(3.2)	(0.1)
Net change in cash, cash equivalents and restricted cash	<u>\$ 658.8</u>	<u>\$ 28.5</u>

### **Operating Activities**

Net cash flows provided by operating activities for the six months ended June 30, 2021 was \$189.9 million when compared with \$183.1 million for the same period of 2020. 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 and stock-based compensation, with changes in working capital impacted by the payment of annual and incentive bonuses, the payment of our prior-year legal settlement, and payment of long-term cash compensation during the first half of 2021, combined with other normal working-capital timing differences.

### **Investing Activities**

Net cash flow used in investing activities for the six months ended June 30, 2021 was \$98.6 million when compared with \$41.7 million for the same period of 2020. Cash flows used in investing activities generally includes outflows related to the purchase and capitalization of assets. In addition, cash outflows for the six months ended June 30, 2021 includes \$50 million for amounts placed into short-term bank deposits.

### **Financing Activities**

Net cash flows provided by financing activities for the six months ended June 30, 2021 was \$570.7 million, compared to cash flows used in financing activities of \$112.8 million for the same period of 2020. Financing activity cash flows for the six months ended June 30, 2021 primarily relate to the Company's initial public offering of its equity in January 2021, and the refinancing of its Old Term Loan (as defined below) in March 2021. Financing activity cash flows for the six months ended June 30, 2020 primarily relate to repayments on the Company's bank borrowings.

### **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, 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 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 will be 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.

### **COVID-19**

The global pandemic associated with COVID-19 has caused major disruption to all aspects of the global economy and daily life in recent months, particularly as quarantine and stay-at-home orders have been imposed by all levels of government. 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 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.

### **Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates and foreign currency exchange rates. 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 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.

We had borrowings outstanding under our Term Loan with book values of \$1,850.1 million and \$2,314.4 million at June 30, 2021 and December 31, 2020, respectively, which were subject to a weighted average interest rate of 2.85% and 7.207% for

the six months ended June 30, 2021 and the year ended December 31, 2020, respectively. There were no borrowings against our Revolving Credit Facility at June 30, 2021 or December 31, 2020.

A hypothetical 100 basis point increase or decrease in weighted average interest rates under our Term Loan and Revolving Credit Facility, based upon the face value of such instruments and after consideration of the Company's interest rate swap agreements, would increase our interest expense by \$14.0 million over a twelve-month period.

We do not purchase or hold any derivative financial instruments for trading purposes.

### ***Investment Risk***

We had cash and cash equivalents including restricted cash and cash equivalents totaling \$1,182.4 million and \$523.6 million as of June 30, 2021 and December 31, 2020, respectively. We also had short-term bank deposits of \$50.0 million as of June 30, 2021. 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 an immaterial amount.

### ***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, or 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, Canadian Dollar, British Pound, Euro, and Romanian Leu. 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, 2021, we had forward contracts outstanding for an aggregate purchase of 130.6 million ILS, all which mature during the following 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, 2021, 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, 2021.

During the three months ended June 30, 2021, the Company completed the implementation of an enterprise management performance software the Company will use to facilitate consolidated 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, 2020, which factors could materially affect our business, financial condition, liquidity or future results. 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, 2020. 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.

**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**

None.



**Item 6. EXHIBITS**

<b>Exhibits</b>	<b>Description</b>
4.1	<a href="#"><u>Indenture, dated March 11, 2021, among Playtika Holding Corp., the subsidiary guarantors party thereto and Wilmington Trust, National Association, as trustee (incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, as filed with the SEC on March 11, 2021)</u></a>
4.2	<a href="#"><u>Form of 4.250% Senior Notes due 2029 (included in Exhibit 4.1) (incorporated herein by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K, as filed with the SEC on March 11, 2021)</u></a>
10.1	<a href="#"><u>Incremental Assumption Agreement No. 3 and Second Amendment to Credit Agreement, dated as of March 11, 2021, among Playtika Holding Corp., the subsidiary guarantors party thereto, the lenders party thereto and Credit Suisse AG, Cayman Islands Branch, as administrative agent (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, as filed with the SEC on March 11, 2021)</u></a>
31.1	<a href="#"><u>Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u></a>
31.2	<a href="#"><u>Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u></a>
32.1	<a href="#"><u>Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u></a>
32.2	<a href="#"><u>Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u></a>
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)

## 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 6, 2021

**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 6, 2021

By: /s/ Robert Antokol

\_\_\_\_\_  
Robert Antokol  
Chief Executive Officer and Chairperson of the Board  
(principal executive officer)

**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 6, 2021

By: /s/ Craig Abrahams

Craig Abrahams  
President and Chief Financial Officer  
(principal financial officer)

**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, 2021 (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 6, 2021

By: /s/ Robert Antokol

Robert Antokol  
Chief Executive Officer and Chairperson of the Board  
(principal executive officer)

**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, 2021 (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 6, 2021

By: /s/ Craig Abrahams

Craig Abrahams  
President and Chief Financial Officer  
(principal financial officer)