



SciPlay Reports Second Quarter 2019 Results

August 1, 2019

18% Revenue Growth Over Last Year - More than Double Market Rate

Record Mobile Revenue up 28%, Approaching \$100 million for the Quarter

LAS VEGAS, Aug. 1, 2019 /PRNewswire/ -- SciPlay Corporation (NASDAQ: SCPL) ("SciPlay" or the "Company") today reported results for the second quarter ended June 30, 2019.

Second Quarter 2019 Financial Highlights vs. Second Quarter 2018

- **Second quarter revenue** grew 18% or \$18.4 million to \$118.1 million, which was more than double the market growth rate according to estimates from Eilers and Krejcik. Mobile revenue of \$98.2 million was up 28%. This growth reflects the ongoing popularity of all of SciPlay's core games with particular strength from *Jackpot Party*® Casino, *Bingo Showdown*®, and *88 Fortunes*®.
- **Financial outlook** the company expects a continuation of the strong trends experienced in the first half of 2019. For the full year 2019, the company expects revenue to be in a range of \$480 million to \$490 million.
- **Net income** was \$26.2 million with a net income margin of 22.2%, up from \$12.2 million and 12.2%.
- **AEBITDA** was \$33.2 million, an increase of 44%, and AEBITDA margin was 28.1%, an increase of 490 bps. AEBITDA included a \$2.9 million charge in intellectual property (IP) royalties paid to Scientific Games prior to the IPO. In future quarters, there will be no more royalties paid on existing Scientific Games content.
- **Net cash provided by operating activities** was \$18.0 million reflecting strong results and includes a \$19.2 million payment related to the majority of contingent acquisition consideration. SciPlay ended the quarter with \$50.4 million in cash and cash equivalents.
- The company's \$150 million revolving credit agreement that matures in May 2024 was un-drawn at quarter end.
- **Sales and marketing expense** of \$31.2 million represented 26.4% of revenue in the second quarter versus \$34.3 million or 29.0% of revenue in the first quarter of 2019.

Key Performance Highlights

- Payer conversion rates remained strong at 6.0% validating our continued focus on live operations to drive increased player interaction with the games.
- *Jackpot Party*, our largest game by revenue, grew 28% year over year or over 3x market growth driven by improved player engagement and monetization.
- *Bingo Showdown* and *88 Fortunes* continued their strong performance as the games progress through the ramp phase.
- Three of the company's games are ranked in the top 30 in the Social Casino Category on Apple's App Store, and six games are ranked in the top 30 on Google Play for Top Grossing Casino Games.

Barry Cottle, Executive Chairman of SciPlay, said, "Our strong revenue and profitability growth continued in the second quarter. As we look ahead, our team is incredibly excited about the future given the strength of our games, platform and untapped growth opportunities."

Josh Wilson, Chief Executive Officer of SciPlay, said, "In May, we took the important step of becoming a public company, and we are now focused on executing our mission to become the #1 casual mobile gaming company in the world. In the second quarter, we saw 18% revenue growth including over 20% growth as we exited the quarter. Our superior data-driven user acquisition, engagement and monetization remain important differentiators, as we continue to grow and expand in the \$35 billion social casino and casual gaming market."

Mike Cody, Chief Financial Officer of SciPlay, added, "We are extremely pleased with the continued industry leading growth we are delivering, while also significantly improving net income, AEBITDA and generating cash for future expansion. The team remains focused on efficient and profitable growth in both our existing games as well as new opportunities both in terms of markets and game content."

SUMMARY RESULTS

(\$ in millions)	Three Months Ended June 30,	
	2019	2018
Revenue	\$ 118.1	\$ 99.7
Net income	26.2	12.2
Net income margin	22.2	% 12.2
Net cash provided by operating activities	18.0	11.4
Capital expenditures	3.1	0.8

Non-GAAP Financial Measures ⁽¹⁾

Adjusted EBITDA ⁽²⁾	\$ 33.2		\$ 23.1	
Adjusted EBITDA margin	28.1	%	23.2	%

Balance Sheet Measures	As of June 30, 2019	As of December 31, 2018
Cash and cash equivalents	\$ 50.4	\$ 10.0
Available liquidity	200.4	10.0

(1) The financial measures "AEBITDA" and "AEBITDA margin" are non-GAAP financial measures defined below under "Non-GAAP Financial Measures" and reconciled to the most directly comparable GAAP measures in the accompanying supplemental tables at the end of this release.

(2) The three months ended June 30, 2019 and 2018 include \$2.9 million and \$6.3 million of affiliate IP royalty expenses, respectively. Under the terms of the IP License Agreement, as more fully described in our prospectus dated May 2, 2019, filed with the SEC on May 6, 2019, we acquired an exclusive (subject to certain limited exceptions), perpetual, non-royalty-bearing license for intellectual property created or acquired by Bally Gaming, Inc. or its affiliates, which will result in no future royalties or fees for our use of intellectual property owned by Bally Gaming, Inc. or its affiliates in our currently available games.

Key Performance Indicators

(in millions, except ARPDAU, Average monthly revenue per payer, and percentages) Three Months Ended June 30,

	2019	2018	Increase / (Decrease)
Mobile Penetration	83	% 77	%6pp
Average MAU	8.1	8.2	(0.1)
Average DAU	2.7	2.6	0.1
ARPDAU	\$0.48	\$0.42	\$0.06
Average MPUs	0.5	0.4	0.1
Average monthly revenue per payer	\$81.42	\$75.45	\$5.97
Payer conversion rate	6.0	% 5.4	%0.6pp

pp = percentage points.

Earnings Conference Call

SciPlay executive leadership will host a conference call on Thursday, August 1, 2019, at 4:15 p.m. EST to review the Company's second quarter results. To access the call live via a listen-only webcast and presentation, please visit <http://www.sciplay.com/investors/investor-information/> and click on the webcast link under the Investor Information section. To access the call by telephone, please dial: +1 (412) 317-0790 (U.S. and International) and ask to join the SciPlay Corporation call. A replay of the webcast will be archived in the Investors section on www.sciplay.com.

About SciPlay

SciPlay (NASDAQ: SCPL) is a leading developer and publisher of digital games on mobile and web platforms. We currently offer seven core games, including social casino games Jackpot Party Casino, Gold Fish Casino, Hot Shot Casino and Quick Hit Slots, and casual games MONOPOLY Slots, Bingo Showdown and 88 Fortunes Slots. Our social casino games typically include slots-style game play and occasionally include table games-style game play, while our casual games blend slots-style or bingo game play with adventure game features. All of our games are offered and played on multiple platforms, including Apple, Google, Facebook and Amazon. In addition to our internally created games, our content library includes recognizable, real-world slot and table games content from Scientific Games Corporation. We have access to Scientific Games Corporation's library of more than 1,500 iconic casino titles which we integrate across our different games.

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SCIPLAY CORPORATION CONSOLIDATED STATEMENTS OF INCOME (Unaudited, in millions, except per share amounts)

	Three Months Ended		Six Months Ended	
	June 30, 2019	2018	June 30, 2019	2018
Revenue	\$ 118.1	\$ 99.7	\$236.5	\$197.2
Operating expenses:				
Cost of revenue ⁽¹⁾	40.5	38.4	86.2	76.0
Sales and marketing ⁽¹⁾	31.2	23.8	65.5	46.8
General and administrative ⁽¹⁾	11.1	8.7	21.4	17.2
Research and development ⁽¹⁾	6.0	6.4	11.8	12.7
Depreciation and amortization	1.8	5.8	3.5	11.6
Contingent acquisition consideration	1.4	-	1.7	18.0
Restructuring and other	0.2	-	0.5	0.1
Total operating expenses	92.2	83.1	190.6	182.4
Operating income	25.9	16.6	45.9	14.8
Other expense:				
Other expense, net	(0.4)	(0.7)	(2.0)	(0.6)
Total other expense, net	(0.4)	(0.7)	(2.0)	(0.6)
Net income before income taxes	25.5	15.9	43.9	14.2
Income tax (benefit) expense	(0.7)	3.7	4.0	3.1

Net income	26.2	12.2	39.9	11.1
Less: Net income attributable to the noncontrolling interest	13.9	-	13.9	-
Net income attributable to SciPlay	\$ 12.3	\$ 12.2	\$ 26.0	\$ 11.1
Basic and diluted net income attributable to SciPlay per share:				
Basic	\$ 0.54	\$ 0.54	\$ 1.15	\$ 0.49
Diluted	\$ 0.54	\$ 0.54	\$ 1.15	\$ 0.49
Weighted average number of shares of Class A common stock used in per share calculation:				
Basic shares	22.7	22.7	22.7	22.7
Diluted shares	22.7	22.7	22.7	22.7

(1) Excluding depreciation and amortization.

SCIPLAY CORPORATION
RECONCILIATION OF NET INCOME ATTRIBUTABLE TO SCIPLAY TO ADJUSTED EBITDA
(Unaudited, in millions)

	Three Months Ended		Six Months Ended	
	June 30,	June 30,	June 30,	June 30,
	2019	2018	2019	2018
Net income attributable to SciPlay	\$ 12.3	\$ 12.2	\$ 26.0	\$ 11.1
Net income attributable to noncontrolling interest	13.9	-	13.9	-
Net income	26.2	12.2	39.9	11.1
Contingent acquisition consideration	1.4	-	1.7	18.0
Restructuring and other	0.2	-	0.5	0.1
Depreciation and amortization	1.8	5.8	3.5	11.6
Income tax (benefit) expense	(0.7)	3.7	4.0	3.1
Stock-based compensation	3.9	0.7	6.6	1.3
Other expense, net	0.4	0.7	2.0	0.6
Adjusted EBITDA	\$ 33.2	\$ 23.1	\$ 58.2	\$ 45.8
Revenue	\$ 118.1	\$ 99.7	\$ 236.5	\$ 197.2
Net income margin	22.2	% 12.2	% 16.9	% 5.6
Adjusted EBITDA margin	28.1	% 23.2	% 24.6	% 23.2
Affiliate IP License expense ⁽¹⁾	\$ 2.9	\$ 6.3	\$ 10.2	\$ 12.6

(1) Under the terms of the IP License Agreement, as more fully described in our Prospectus dated May 2 2019 filed with the SEC on May 6, 2019, we acquired an exclusive (subject to certain limited exceptions), perpetual, non-royalty-bearing license for intellectual property created or acquired by Bally, Gaming Inc. or its affiliates, which will result in no future royalties or fees for our use of intellectual property owned by Bally Gaming Inc. or its affiliates in our currently available games.

Forward-Looking Statements

In this press release, SciPlay makes "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements describe future expectations, guidance, plans, results or strategies and can often be identified by the use of terminology such as "may," "will," "estimate," "intend," "plan," "continue," "believe," "expect," "anticipate," "target," "should," "could," "potential," "opportunity," "goal" or similar terminology and include, without limitation, SciPlay's revenue guidance for full year 2019. SciPlay is providing the financial guidance in this press release to provide investors with certain useful information to assist them with evaluating the Company. This information should not be considered in isolation or as a substitute for SciPlay's As Reported financial results prepared in accordance with U.S. GAAP. This guidance should be read in conjunction with SciPlay's respective financial statements and related footnotes filed with the SEC. SciPlay does not expect to continue to provide financial guidance and disclaims any obligation to update such information, as noted below. These forward-looking statements are based upon management's current expectations, assumptions and estimates and are not guarantees of timing, future results or performance. Therefore, you should not rely on any of these forward-looking statements as predictions of future events. Actual results may differ materially from those contemplated in these statements due to a variety of risks and uncertainties and other factors, including, among other things: our ability to attract and retain players; our reliance on third-party platforms; our dependence on the optional purchases of virtual currency to supplement the availability of periodically offered free virtual currency; our ability to continue to launch and enhance games that attract and retain a significant number of paying players; our reliance on a small percentage of our players for nearly all of our revenue; our ability to adapt to, and offer games that keep pace with, changing technology and evolving industry standards; competition; the impact of legal and regulatory restrictions on our business, including significant opposition in some jurisdictions to interactive social gaming, including social casinos, and how such opposition could lead these jurisdictions to adopt legislation or impose a regulatory framework to govern interactive social gaming or social casinos specifically, and how this could result in a prohibition on interactive social gaming or social casinos altogether, restrict our ability to advertise our games, or substantially increase our costs to comply with these regulations; laws and government regulations, both foreign and domestic, including those relating to our parent, Scientific Games Corporation, and to data privacy and security, including with respect to the collection, storage, use, transmission, sharing and protection of personal information and other consumer data, and those laws and regulations that affect companies conducting business on the internet, including ours; the continuing evolution of the scope of data privacy and security regulations, and our belief that the adoption of increasingly restrictive regulations in this area is likely within the U.S. and other jurisdictions; our ability to use the intellectual property rights of our parent, Scientific Games Corporation, and other third parties, including the third-party intellectual property rights licensed to Scientific Games Corporation, under our intellectual property license agreement with our parent; protection of our proprietary information and intellectual property, inability to license third-party intellectual property and the intellectual property rights of others; security and integrity of our games and systems; security breaches, cyber-attacks or other privacy or data security incidents,

challenges or disruptions; reliance on or failures in information technology and other systems; our ability to complete acquisitions and integrate businesses successfully; our ability to pursue and execute new business initiatives; fluctuations in our results due to seasonality and other factors; dependence on skilled employees with creative and technical backgrounds; natural events that disrupt our operations or those of our providers or suppliers; risks relating to foreign operations, including the complexity of foreign laws, regulations and markets; the uncertainty of enforcement of remedies in foreign jurisdictions; the effect of currency exchange rate fluctuations; the impact of foreign labor laws and disputes; the ability to attract and retain key personnel in foreign jurisdictions; the economic, tax and regulatory policies of local governments; and compliance with applicable anti-money laundering, anti-bribery and anti-corruption laws; U.S. and international economic and industry conditions; changes in tax laws or tax rulings, or the examination of our tax positions; litigation and other liabilities relating to our business, including litigation and liabilities relating to consumer protection, gambling-related matters, employee matters, alleged service and system malfunctions, alleged intellectual property infringement and claims relating to our contracts, licenses and strategic investments; restrictions and covenants in debt agreements, including those that could result in acceleration of the maturity of our indebtedness; failure to maintain adequate internal control over financial reporting; influence of certain stockholders, including decisions that may conflict with the interests of other stockholders; our ability to achieve some or all of the anticipated benefits of being a standalone public company; our dependence on distributions from SciPlay Parent Company, LLC to pay our taxes and expenses, including substantial payments we will be required to make under the Tax Receivable Agreement; and stock price volatility.

Additional information regarding risks and uncertainties and other factors that could cause actual results to differ materially from those contemplated in forward-looking statements is included from time to time in our filings with the SEC, including the Company's current reports on Form 8-K and quarterly reports on Form 10-Q. Forward-looking statements speak only as of the date they are made and, except for our ongoing obligations under the U.S. federal securities laws, we undertake no and expressly disclaim any obligation to publicly update any forward-looking statements whether as a result of new information, future events or otherwise.

This press release may contain references to industry market data and certain industry forecasts. Industry market data and industry forecasts are obtained from publicly available information and industry publications. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of that information is not guaranteed. Although we believe industry information to be accurate, it is not independently verified by us. In general, we believe there is less publicly available information concerning international social gaming industries than the same industries in the U.S. Some data is also based on our good faith estimates, which are derived from our review of internal surveys or data, as well as the independent sources referenced above. Assumptions and estimates of our and our industry's future performance are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in "Risk Factors" in the Company's quarterly reports on Form 10-Q. These and other factors could cause future performance to differ materially from our assumptions and estimates.

Non-GAAP Financial Measures

The Company's management uses the following non-GAAP financial measures in conjunction with GAAP financial measures: Adjusted EBITDA, or AEBITDA and AEBITDA margin. These non-GAAP financial measures are presented as supplemental disclosures. They should not be considered in isolation of, as a substitute for, or superior to, the financial information prepared in accordance with GAAP, and should be read in conjunction with the Company's financial statements filed with the SEC. The non-GAAP financial measures used by the Company may differ from similarly titled measures presented by other companies.

Specifically, the Company's management uses AEBITDA and AEBITDA margin to, among other things: (i) monitor and evaluate the performance of our business operations; (ii) facilitate our management's internal comparisons of our historical operating performance and (iii) analyze and evaluate financial and strategic planning decisions regarding future operating investments and operating budgets. In addition, our management uses AEBITDA and AEBITDA margin to facilitate management's external comparisons of our results to the historical operating performance of other companies that may have different capital structures and debt levels.

The Company's management believes that AEBITDA and AEBITDA margin are useful as they provide investors with information regarding our financial condition and operating performance that is an integral part of our management's reporting and planning processes. In particular, our management believes that AEBITDA is helpful because this non-GAAP financial measure eliminates the effects of restructuring, transaction, integration or other items that management believes have less bearing on our ongoing underlying operating performance. Management believes AEBITDA margin is useful as it provides investors with information regarding the underlying operating performance and margin generated by our business operations.

AEBITDA

AEBITDA, as used herein, is a non-GAAP financial measure that is presented as supplemental disclosure and is reconciled to net income attributable to SciPlay as the most directly comparable GAAP measure. AEBITDA should not be considered in isolation of, as a substitute for, or superior to, the consolidated financial information prepared in accordance with GAAP, and should be read in conjunction with the Company's financial statements filed with the SEC. AEBITDA may differ from similarly titled measures presented by other companies.

AEBITDA is reconciled to Net income attributable to SciPlay before: (1) net income attributable to noncontrolling interest; (2) interest expense; (3) income tax (benefit) expense; (4) depreciation and amortization; (5) contingent acquisition consideration; (6) restructuring and other, which includes charges or expenses attributable to: (a) employee severance; (b) management changes; (c) restructuring and integration; (d) M&A and other, which includes: (i) M&A transaction costs; (ii) purchase accounting adjustments; (iii) unusual items (including certain legal settlements) and (iv) other non-cash items; and (e) cost-savings initiatives; (7) stock-based compensation; (8) loss (gain) on debt financing transactions; and (9) other expense (income) including foreign currency (gains) and losses.

AEBITDA Margin

AEBITDA margin, as used herein, represents our AEBITDA (as defined above) for the three- and six-month periods ended June 30, 2019 and 2018, each calculated as a percentage of revenue. AEBITDA margin is a non-GAAP financial measure that is presented as supplemental disclosures for illustrative purposes only and is reconciled to net income (loss) margin, the most directly comparable GAAP measure, in a schedule above.

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