

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 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: 001-38889

SCIPLAY CORPORATION

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of
incorporation or organization)

83-2692460

(I.R.S. Employer Identification No.)

6601 Bermuda Road, Las Vegas, Nevada 89119

(Address of principal executive offices)

(Zip Code)

(702) 897-7150

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, \$.001 par value	SCPL	The NASDAQ Stock Market

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 checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input checked="" 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

The registrant has the following number of shares outstanding of each of the registrant's classes of common stock as of November 4, 2021:

Class A Common Stock: 24,536,681

Class B Common Stock: 103,547,021

SCIPLAY CORPORATION
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FORWARD-LOOKING STATEMENTS

Throughout this Quarterly Report on Form 10-Q, we make “forward-looking statements” within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements describe future expectations, 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. The forward-looking statements contained in this Quarterly Report on Form 10-Q are generally located in the material set forth under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations” but may be found in other locations as well. These 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:

- the impact of the COVID-19 pandemic and any resulting social, political, economic and financial complications;
- risks and uncertainties related to the proposed acquisition of our public shares, including regarding the terms and consummation of such a transaction, whether it will yield additional value for our stockholders and whether it will adversely impact our business, financial results, results of operations, cash flows or stock price;
- our ability to attract and retain players;
- expectations of growth in total consumer spending on social gaming, including social casino gaming;
- our reliance on third-party platforms;
- 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;
- our dependence on the optional purchases of coins, chips and cards to supplement the availability of periodically offered free coins, chips and cards;
- restrictions and covenants in debt agreements, including those that could result in acceleration of the maturity of our indebtedness;
- the discontinuation or replacement of LIBOR, which may adversely affect interest rates;
- fluctuations in our results due to seasonality and other factors;
- dependence on skilled employees with creative and technical backgrounds;
- 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;
- the impact of legal and regulatory restrictions on our business, including significant opposition in some jurisdictions to interactive social gaming, including social casino gaming, and how such opposition could lead these jurisdictions to adopt legislation or impose a regulatory framework to govern interactive social gaming or social casino gaming specifically, and how this could result in a prohibition on interactive social gaming or social casino gaming 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;
- risks related 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;
- 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 (“SciPlay Parent LLC”) to pay our taxes and expenses, including substantial payments we will be required to make under the Tax Receivable Agreement (the “TRA”);
- failure to establish and maintain adequate internal control over financial reporting;
- stock price volatility;
- 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;
- our ability to complete acquisitions and integrate businesses successfully;
- our ability to pursue and execute new business initiatives;
- natural events and health crises that disrupt our operations or those of our providers or suppliers;
- changes in tax laws or tax rulings, or the examination of our tax positions;
- our dependence on certain key providers; and
- U.S. and international economic and industry conditions.

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 under “Risk Factors” in Part II, Item 1A of this Quarterly Report on Form 10-Q and Part I, Item 1A “Risk Factors” in our 2020 Annual Report on Form 10-K filed with the SEC on March 1, 2021 (the “2020 Form 10-K”). 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 Quarterly Report on Form 10-Q 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 and we do not make any representation as to the accuracy of that information. 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 under “Risk Factors” in Part II, Item 1A of this Quarterly Report on Form 10-Q and Part I, Item 1A “Risk Factors” in our 2020 Form 10-K. These and other factors could cause future performance to differ materially from our assumptions and estimates.

PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements (unaudited)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenue	\$ 146.6	\$ 151.2	\$ 451.7	\$ 435.1
Operating expenses:				
Cost of revenue ⁽¹⁾	46.2	48.0	141.3	138.5
Sales and marketing ⁽¹⁾	32.9	33.7	101.7	97.0
General and administrative ⁽¹⁾	13.1	21.3	46.8	46.7
Research and development ⁽¹⁾	9.8	8.8	28.8	24.3
Depreciation and amortization	4.4	2.7	11.3	6.9
Restructuring and other	1.7	0.2	3.1	1.7
Operating income	38.5	36.5	118.7	120.0
Other income (expense), net	0.1	(0.2)	(0.4)	0.9
Net income before income taxes	38.6	36.3	118.3	120.9
Income tax expense	1.6	1.2	5.5	5.9
Net income	37.0	35.1	112.8	115.0
Less: Net income attributable to the noncontrolling interest	31.1	29.6	95.7	98.5
Net income attributable to SciPlay	\$ 5.9	\$ 5.5	\$ 17.1	\$ 16.5
Basic and diluted net income attributable to SciPlay per share:				
Basic	\$ 0.24	\$ 0.24	\$ 0.71	\$ 0.72
Diluted	\$ 0.24	\$ 0.23	\$ 0.69	\$ 0.69
Weighted average number of shares of Class A common stock used in per share calculation:				
Basic shares	24.5	22.8	24.0	22.8
Diluted shares	24.8	24.1	24.9	24.0

⁽¹⁾ Excludes depreciation and amortization.

See accompanying notes to condensed consolidated financial statements.

SCIPLAY CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited, in millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net income	\$ 37.0	\$ 35.1	\$ 112.8	\$ 115.0
Other comprehensive income:				
Foreign currency translation gain (loss), net of tax	1.9	(0.3)	1.3	(0.2)
Total comprehensive income	38.9	34.8	114.1	114.8
Less: comprehensive income attributable to the noncontrolling interest	32.7	29.4	96.8	98.4
Comprehensive income attributable to SciPlay	<u>\$ 6.2</u>	<u>\$ 5.4</u>	<u>\$ 17.3</u>	<u>\$ 16.4</u>

See accompanying notes to condensed consolidated financial statements.

SCIPLAY CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited, in millions, except par value)

	As of	
	September 30, 2021	December 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 330.8	\$ 268.9
Accounts receivable, net	35.6	36.6
Prepaid expenses and other current assets	17.1	5.9
Total current assets	383.5	311.4
Property and equipment, net	3.7	4.4
Operating lease right-of-use assets	7.2	8.5
Goodwill	130.2	129.8
Intangible assets and software, net	52.6	30.3
Deferred income taxes	77.3	82.5
Other assets	1.8	1.9
Total assets	\$ 656.3	\$ 568.8
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 21.5	\$ 23.2
Accrued liabilities	33.2	22.9
Due to affiliate	2.3	5.5
Total current liabilities	57.0	51.6
Operating lease liabilities	5.9	7.5
Liabilities under TRA	64.3	68.5
Other long-term liabilities	17.8	5.7
Total liabilities	145.0	133.3
Commitments and contingencies (see Note 8)		
Stockholders' equity:		
Class A common stock, par value \$0.001 per share, 625.0 shares authorized, 24.5 and 22.8 shares issued and outstanding as of September 30, 2021 and December 31, 2020, respectively	—	—
Class B common stock, par value \$0.001 per share, 130.0 shares authorized, 103.5 and 103.5 shares issued and outstanding as of September 30, 2021 and December 31, 2020, respectively	0.1	0.1
Additional paid-in capital	44.9	46.1
Retained earnings	50.0	32.9
Accumulated other comprehensive income	1.1	0.9
Total SciPlay stockholders' equity	96.1	80.0
Noncontrolling interest	415.2	355.5
Total stockholders' equity	511.3	435.5
Total liabilities and stockholders' equity	\$ 656.3	\$ 568.8

See accompanying notes to condensed consolidated financial statements.

SCIPLAY CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Unaudited, in millions)

	Class A common stock		Class B common stock		Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Noncontrolling interest	Total
	Shares	Amount	Shares	Amount					
December 31, 2020	22.8	\$ —	103.5	\$ 0.1	\$ 46.1	\$ 32.9	\$ 0.9	\$ 355.5	\$ 435.5
Net income	—	—	—	—	—	5.3	—	32.6	37.9
Stock-based compensation	—	—	—	—	0.4	—	—	1.4	1.8
Vesting of RSUs, net of tax withholdings	1.6	—	—	—	(2.3)	—	—	(10.0)	(12.3)
Distributions to Parent and affiliates, net	—	—	—	—	—	—	—	(0.3)	(0.3)
Currency translation	—	—	—	—	—	—	(0.4)	(2.2)	(2.6)
March 31, 2021	24.4	\$ —	103.5	\$ 0.1	\$ 44.2	\$ 38.2	\$ 0.5	\$ 377.0	\$ 460.0
Net income	—	—	—	—	—	5.9	—	32.0	37.9
Stock-based compensation	—	—	—	—	0.7	—	—	2.1	2.8
Distributions to Parent and affiliates, net	—	—	—	—	—	—	—	(13.8)	(13.8)
Currency translation	—	—	—	—	—	—	0.3	1.7	2.0
June 30, 2021	24.4	\$ —	103.5	\$ 0.1	\$ 44.9	\$ 44.1	\$ 0.8	\$ 399.0	\$ 488.9
Net income	—	—	—	—	—	5.9	—	31.1	37.0
Stock-based compensation	—	—	—	—	0.1	—	—	—	0.1
Vesting of RSUs, net of tax withholdings and other	0.1	—	—	—	(0.1)	—	—	(0.5)	(0.6)
Distributions to Parent and affiliates, net	—	—	—	—	—	—	—	(16.0)	(16.0)
Currency translation	—	—	—	—	—	—	0.3	1.6	1.9
September 30, 2021	24.5	\$ —	103.5	\$ 0.1	\$ 44.9	\$ 50.0	\$ 1.1	\$ 415.2	\$ 511.3

	Class A common stock		Class B common stock		Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Noncontrolling interest	Total
	Shares	Amount	Shares	Amount					
December 31, 2019	22.7	\$ —	103.5	\$ 0.1	\$ 41.7	\$ 12.0	\$ 0.3	\$ 223.4	\$ 277.5
Net income	—	—	—	—	—	4.4	—	26.7	31.1
Stock-based compensation	—	—	—	—	0.2	—	—	(0.1)	0.1
Currency translation	—	—	—	—	—	—	(0.2)	(0.6)	(0.8)
March 31, 2020	22.7	\$ —	103.5	\$ 0.1	\$ 41.9	\$ 16.4	\$ 0.1	\$ 249.4	\$ 307.9
Net income	—	—	—	—	—	6.6	—	42.2	48.8
Distributions to Parent and affiliates, net	—	—	—	—	—	—	—	(11.6)	(11.6)
Stock-based compensation	—	—	—	—	1.0	—	—	4.1	5.1
Vesting of RSUs, net of tax withholdings	0.1	—	—	—	—	—	—	—	—
Currency translation	—	—	—	—	—	—	0.2	0.7	0.9
June 30, 2020	22.8	\$ —	103.5	\$ 0.1	\$ 42.9	\$ 23.0	\$ 0.3	\$ 284.8	\$ 351.1
Net income	—	—	—	—	—	5.5	—	29.6	35.1
Stock-based compensation	—	—	—	—	1.9	—	—	8.0	9.9
Vesting of RSUs, net of tax withholdings	—	—	—	—	(0.1)	—	—	(0.2)	(0.3)
Distributions to Parent and affiliates, net	—	—	—	—	—	—	—	(0.2)	(0.2)
Currency translation	—	—	—	—	—	—	(0.1)	(0.2)	(0.3)
September 30, 2020	22.8	\$ —	103.5	\$ 0.1	\$ 44.7	\$ 28.5	\$ 0.2	\$ 321.8	\$ 395.3

See accompanying notes to condensed consolidated financial statements.

SCIPLAY CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in millions)

	Nine Months Ended September 30,	
	2021	2020
Net cash provided by operating activities	\$ 126.3	\$ 131.9
Cash flows from investing activities:		
Capital expenditures	(8.0)	(5.0)
Acquisition of business, net of cash acquired	(5.7)	(12.6)
Net cash used in investing activities	(13.7)	(17.6)
Cash flows from financing activities:		
Payments under tax receivable agreement	(3.8)	(2.5)
Payments on license obligations	(2.6)	—
Payments of contingent consideration	(1.0)	—
Distributions to Scientific Games and affiliates, net	(30.1)	(11.8)
Taxes paid related to net share settlement of equity awards and other	(13.2)	(0.3)
Net cash used in financing activities	(50.7)	(14.6)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	—	—
Increase in cash, cash equivalents and restricted cash	61.9	99.7
Cash, cash equivalents and restricted cash, beginning of period	268.9	110.6
Cash, cash equivalents and restricted cash, end of period	\$ 330.8	\$ 210.3
Supplemental cash flow information:		
Cash paid for income taxes	\$ 4.5	\$ 1.5
Cash paid for contingent consideration included in operating activities	—	4.0
Supplemental non-cash transactions:		
Non-cash additions to intangible assets related to license agreements	\$ 16.8	\$ 1.1

See accompanying notes to condensed consolidated financial statements.

SCIPLAY CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited, amounts in USD, table amounts in millions, except per share amounts)

(1) Description of the Business and Summary of Significant Accounting Policies

Background and Nature of Operations

SciPlay Corporation was formed as a Nevada corporation on November 30, 2018 as a subsidiary of Scientific Games Corporation (“Scientific Games”, “SGC”, and “Parent”) for the purpose of completing a public offering and related transactions (collectively referred to herein as the “IPO”) in order to carry on the business of SciPlay Parent LLC and its subsidiaries (collectively referred to as “SciPlay”, the “Company”, “we”, “us”, and “our”). The IPO was completed on May 7, 2019. As the managing member of SciPlay Parent LLC, SciPlay operates and controls all of the business affairs of SciPlay Parent LLC and its subsidiaries.

On July 15, 2021, Scientific Games submitted a proposal to our board of directors to acquire all the outstanding equity interest in SciPlay not already owned by Scientific Games (approximately 19%). The offer to all SciPlay shareholders (other than Scientific Games and its subsidiaries) is the receipt of 0.250 shares of Scientific Games common stock for each share of SciPlay Class A common stock. The transaction is subject to the negotiation and execution of a mutually acceptable merger agreement with a special committee of our board of directors, and we cannot guarantee that the proposal will result in a merger or any other transactions.

We develop, market and operate a portfolio of social games played on various mobile and web platforms, including *Jackpot Party® Casino*, *Quick Hit® Slots*, *Gold Fish® Casino*, *Hot Shot Casino®*, *Bingo Showdown®*, *MONOPOLY® Slots*, *88 Fortunes® Slots* and *Solitaire Pets™ Adventure*. Our games are available in various formats. We have one operating segment with one business activity, developing and monetizing social games.

Basis of Presentation

The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America (“GAAP”) and pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). All intercompany balances and transactions have been eliminated in consolidation.

In the opinion of management, we have made all adjustments necessary to present fairly our consolidated statements of income, consolidated statements of comprehensive income, condensed consolidated balance sheets, consolidated statements of changes in stockholders’ equity and condensed consolidated statements of cash flows for the periods presented. Such adjustments are of a normal, recurring nature. These unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and related Notes included in our 2020 Form 10-K. Interim results of operations are not necessarily indicative of results of operations to be expected for a full year.

Variable Interest Entities (“VIE”) and Consolidation

Subsequent to the IPO, our sole material asset is our member’s interest in SciPlay Parent LLC. In accordance with the Operating Agreement of SciPlay Parent LLC (the “Operating Agreement”), we have all management powers over the business and affairs of SciPlay Parent LLC and to conduct, direct and exercise full control over the activities of SciPlay Parent LLC. Class A common stock issued in the IPO do not hold majority voting rights but hold 100% of the economic interest in the Company, which results in SciPlay Parent LLC being considered a VIE. Due to our power to control the activities most directly affecting the results of SciPlay Parent LLC, we are considered the primary beneficiary of the VIE. Accordingly, beginning with the IPO, we consolidate the financial results of SciPlay Parent LLC and its subsidiaries.

Significant Accounting Policies

There have been no changes to our significant accounting policies described within the Notes of our 2020 Form 10-K, except as noted below.

Minimum guarantees under licensing agreements

We enter into long-term license agreements with third parties in which we are obligated to pay a minimum guaranteed amount of royalties, typically periodically over the life of the contract. These license agreements provide us with access to a portfolio of major brands to be used across our games. We account for the minimum guaranteed obligations within Current liabilities and Other long-term liabilities at the onset of the license arrangement and record a corresponding licensed asset within intangible assets, net. The licensed intangible assets related to the minimum guaranteed obligations are amortized over the term of the license agreement with the amortization expense recorded in Depreciation and amortization. The long-term liability related to the minimum guaranteed obligations is reduced as royalty payments are made as required under the license agreement. We assess the recoverability of license agreements whenever events arise or circumstances change that indicate the carrying value of the licensed asset may not be recoverable. Recoverability of the licensed asset and the amount of impairment, if any, are determined using our policy for intangible assets with finite useful lives.

The following reflects amortization expense related to these licenses and recorded in depreciation and amortization:

	Three Months Ended				Nine Months Ended			
	September 30,				September 30,			
	2021		2020		2021		2020	
Amortization expense	\$	1.1	\$	0.5	\$	3.4	\$	0.9

The following are our total minimum guaranteed obligations for the periods presented:

	As of			
	September 30,		December 31,	
	2021		2020	
Current liabilities	\$	6.0	\$	2.6
Other long-term liabilities		11.8		0.3
Total minimum guarantee obligation	\$	17.8	\$	2.9
Weighted average remaining term (in years)		4.2		2.4

Revolving Credit Facility

On May 27, 2021, SciPlay Holding Company, LLC (“SciPlay Holding”), a wholly-owned indirect subsidiary of SciPlay Corporation (the “Company”), entered into Amendment No. 1 to that certain \$150.0 million revolving credit agreement, dated as of May 7, 2019 (the “Revolver”), by and among SciPlay Holding, SciPlay Parent Company, LLC, the several banks and other financial institutions or entities from time to time party thereto and Bank of America, N.A., as administrative agent, collateral agent and issuing lender (such amendment, “Amendment No. 1”).

Amendment No. 1 amended, among other things, certain negative covenants in the Revolver to permit SciPlay Holding to merge or consolidate with and into its direct subsidiary, Phantom EFX, LLC, which was renamed SciPlay Games, LLC (“SciPlay Games”) immediately following such merger. Substantially simultaneously with the merger, SciPlay Games expressly assumed all obligations of SciPlay Holding as the successor borrower under the Revolver.

The Revolver was undrawn as of September 30, 2021. We were in compliance with the financial covenants under the Revolver as of September 30, 2021.

New Accounting Guidance - Not Yet Adopted

The FASB issued ASU No. 2020-04 and subsequently ASU No. 2021-01, *Reference Rate Reform* (Topic 848) in March 2020 and January 2021, respectively. The new guidance provides optional expedients and exceptions for applying U.S. GAAP to contract modifications and hedging relationships, including derivative instruments impacted by changes in the interest rates used for discounting cash flows for computing variable margin settlements, subject to meeting certain criteria, that reference LIBOR or other reference rates expected to be discontinued, in 2022 or potentially 2023 (pending possible extension). The ASUs establish certain contract modification principles that entities can apply in other areas that may be affected by reference rate reform and certain elective hedge accounting expedients and exceptions. The ASUs may be applied

prospectively. We do not expect the adoption of this standard to have a material impact on our consolidated financial statements.

We do not expect that any other recently issued accounting guidance will have a significant effect on our consolidated financial statements.

Revenue Recognition

We generate revenue from the sale of coins, chips and cards, which players can use to play casino-style slot games, table games and bingo games (i.e., spin in the case of slot games, bet in the case of table games and use of bingo cards in the case of bingo games). We distribute our games through various global social web and mobile platforms such as Facebook, Apple, Google, Amazon and Microsoft. The games are primarily *WMS*, *Bally*, *Barcrest*® and *SHFL*® branded games. In addition, we also offer third-party branded games and original content.

Disaggregation of Revenue

We believe disaggregation of our revenue on the basis of platform and geographical locations of our players is appropriate because the nature and the number of players generating revenue could vary on such basis, which represent different economic risk profiles.

The following table presents our revenue disaggregated by type of platform:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Mobile	\$ 130.8	\$ 131.8	\$ 399.5	\$ 377.3
Web and other	15.8	19.4	52.2	57.8
Total revenue	\$ 146.6	\$ 151.2	\$ 451.7	\$ 435.1

The following table presents our revenue disaggregated based on the geographical location of our players:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
North America ⁽¹⁾	\$ 134.0	\$ 138.5	\$ 413.3	\$ 399.1
International	12.6	12.7	38.4	36.0
Total revenue	\$ 146.6	\$ 151.2	\$ 451.7	\$ 435.1

⁽¹⁾ North America revenue includes revenue derived from the U.S., Canada and Mexico.

Contract Assets, Contract Liabilities and Other Disclosures

We receive customer payments based on the payment terms established in our contracts. Payment for the purchase of coins, chips and cards is made at purchase, and such payments are non-refundable in accordance with our standard terms of service. Such payments are initially recorded as a contract liability, and revenue is subsequently recognized as we satisfy our performance obligations.

The following table summarizes our opening and closing balances in contract assets, contract liabilities and accounts receivable:

	Accounts Receivable	Contract Assets ⁽¹⁾	Contract Liabilities ⁽²⁾
Beginning of period balance	\$ 36.6	\$ 0.2	\$ 0.6
Balance as of September 30, 2021	35.6	0.2	0.6

⁽¹⁾ Contract assets are included within Prepaid expenses and other current assets in our consolidated balance sheets.

⁽²⁾ Contract liabilities are included within Accrued liabilities in our consolidated balance sheets.

During the nine months ended September 30, 2021 and 2020, we recognized \$0.6 million and \$0.6 million, respectively, of revenue that was included in the opening contract liability balance. Substantially all of our unsatisfied performance obligations relate to contracts with an original expected length of one year or less.

Concentration of Credit Risk

Our revenue and accounts receivable are generated via certain platform providers, which subject us to a concentration of credit risk. The following tables summarize the percentage of revenues and accounts receivable generated via our platform providers in excess of 10% of our total revenues and total accounts receivable:

	Revenue Concentration			
	Three Months Ended		Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Apple	47.3%	46.5%	46.9%	46.0%
Google	36.6%	37.0%	37.0%	37.3%
Facebook	12.5%	12.8%	12.4%	13.3%

	Accounts Receivable Concentration as of	
	September 30, 2021	December 31, 2020
Apple	49.9%	49.2%
Google	34.1%	35.4%
Facebook	11.7%	11.5%

Acquisitions

In July of 2021, we acquired privately held Koukoi Games Oy, a Finland-based developer and operator of casual mobile games, for \$5.4 million cash consideration, net of cash acquired, that allows us to expand our casual games portfolio. The transaction was accounted for as an asset acquisition, with substantially all of the cash consideration transferred allocated to intellectual property, which was assigned a 5-year useful life.

(2) Intangible Assets and Software, net and Goodwill

The following table presents certain information regarding our intangible assets and software:

	Gross Carrying Amount	Accumulated Amortization	Net Balance
Balance as of September 30, 2021			
Intellectual property	\$ 49.3	\$ (39.1)	\$ 10.2
Customer relationships	30.5	(21.5)	9.0
Software	27.2	(16.6)	10.6
Licenses	23.6	(3.4)	20.2
Brand names and other	6.7	(4.1)	2.6
Total intangible assets and software	<u>\$ 137.3</u>	<u>\$ (84.7)</u>	<u>\$ 52.6</u>
Balance as of December 31, 2020			
Intellectual property	\$ 42.2	\$ (37.2)	\$ 5.0
Customer relationships	30.5	(19.8)	10.7
Software	21.9	(13.8)	8.1
Licenses	7.7	(3.5)	4.2
Brand names	6.1	(3.8)	2.3
Total intangible assets and software	<u>\$ 108.4</u>	<u>\$ (78.1)</u>	<u>\$ 30.3</u>

The following reflects amortization expense related to intangible assets and software included within depreciation and amortization:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Amortization expense	\$ 3.9	\$ 2.3	\$ 9.9	\$ 5.8

The table below reconciles the changes in the carrying value of goodwill for the period from December 31, 2020 to September 30, 2021.

	Total
Balance as of December 31, 2020	\$ 129.8
Foreign currency adjustments	0.4
Balance as of September 30, 2021	<u>\$ 130.2</u>

(3) Leases

Our operating leases primarily consist of real estate leases such as offices. Our leases have remaining terms of approximately 3.5 years. We do not have any finance leases. Our total variable and short-term lease payments and operating lease expenses were immaterial for all periods presented.

Supplemental balance sheet and cash flow information related to operating leases is as follows:

	September 30, 2021	December 31, 2020
Operating lease right-of-use assets	\$ 7.2	\$ 8.5
Accrued liabilities	2.2	2.0
Operating lease liabilities	5.9	7.5
Total operating lease liabilities	\$ 8.1	\$ 9.5

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows for operating leases for the nine months ended September 30, 2021 and 2020, respectively	\$ 1.8	\$ 1.8
Weighted average remaining lease term, years	3.5	4.3
Weighted average discount rate	5.0 %	5.0 %

Lease liability maturities:

	Operating Leases
Remainder of 2021	\$ 0.6
2022	2.5
2023	2.5
2024	2.4
2025	0.7
Less: Imputed Interest	(0.6)
Total	\$ 8.1

As of September 30, 2021, we did not have material additional operating leases that have not yet commenced.

(4) Income Taxes

We hold an economic interest of 19.2% in SciPlay Parent LLC subsequent to the IPO. The 80.8% economic interest that we do not own represents a noncontrolling interest for financial reporting purposes. SciPlay Parent LLC is treated as a partnership for U.S. federal and most applicable state and local income tax purposes. As such, SciPlay Parent LLC is not subject to income tax in most jurisdictions, and SciPlay Parent LLC's members, of which we are one, are liable for income taxes based on their allocable share of SciPlay Parent LLC's taxable income. The effective income tax rates for the three and nine months ended September 30, 2021 were 4.1% and 4.6%, respectively, and 3.3% and 4.9% for the three and nine months ended September 30, 2020. The effective income tax rates were determined using an estimated annual effective tax rate after considering any discrete items for such periods. Our effective tax rate differs from the U.S. statutory rate of 21% primarily because we generally do not record income taxes for the noncontrolling interest portion of U.S. pre-tax income.

TRA

During the nine months ended September 30, 2021 and September 30, 2020, payments totaling \$3.8 million and \$2.5 million, respectively, were made to Scientific Games pursuant to the TRA. As of September 30, 2021 and December 31, 2020, the total TRA liability was \$68.3 million and \$72.5 million, of which \$4.0 million was included in Accrued liabilities in both periods.

(5) Related Party Transactions

The following is the summary of expenses paid to Scientific Games and settled in cash:

	Three Months Ended September 30,		Nine Months Ended September 30,		Financial Statement Line Item
	2021	2020	2021	2020	
Royalties to Scientific Games for third-party IP	\$ 0.7	\$ 1.7	\$ 2.1	\$ 5.4	Cost of revenue
Parent services	1.4	1.9	4.4	4.3	General and administrative
TRA payments (see Note 4) ⁽¹⁾	3.8	—	3.8	2.5	Accrued liabilities
Distributions to Scientific Games and affiliates, net ⁽¹⁾	16.0	0.2	30.1	11.8	Noncontrolling interest

⁽¹⁾ Under the terms of the Operating Agreement, SciPlay Corporation relies on distributions from SciPlay Parent LLC to pay its obligations under the TRA and any other tax obligations. All distributions must be on a pari-passu basis, thus initiating a pro-rata distribution to Parent and affiliates.

The following is the summary of balances due to affiliates:

	September 30, 2021	December 31, 2020
Royalties to Scientific Games for third-party IP	\$ 0.4	\$ 2.5
Parent services	1.5	0.8
Reimbursable expenses to Scientific Games and its subsidiaries	0.4	2.2
	<u>\$ 2.3</u>	<u>\$ 5.5</u>

Parent Equity Awards

See Note 6 for disclosures related to Parent's equity awards.

(6) Stockholders' Equity and Noncontrolling Interest

Noncontrolling Interest

We are a holding company, and our sole material assets are SciPlay Parent LLC Interests ("LLC Interests") that we purchased from SciPlay Parent LLC and SG Social Holding Company I, LLC, representing an aggregate 19.2% economic interest in SciPlay Parent LLC. The remaining 80.8% economic interest in SciPlay Parent LLC is owned indirectly by SGC, through the ownership of LLC Interests by the indirect wholly owned subsidiaries of SGC, the SG Members.

Stock-Based Compensation

The following table summarizes stock-based compensation expense that is included in general and administrative expenses:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
SciPlay awards	\$ —	\$ 9.8	\$ 5.1	\$ 14.7
Parent awards	0.1	0.1	0.3	0.4
Total	<u>\$ 0.1</u>	<u>\$ 9.9</u>	<u>\$ 5.4</u>	<u>\$ 15.1</u>

As of September 30, 2021, we had \$15.0 million in unrecognized stock-based compensation expense that is expected to be recognized over a weighted-average expected vesting period of 1.3 years, of which \$5.3 million relates to performance-based restricted stock units.

(7) Earnings per Share

The table below sets forth a calculation of basic earnings per share ("EPS") based on net income attributable to SciPlay divided by the basic weighted average number of Class A common stock outstanding during the period. Diluted EPS of Class A common stock is computed by dividing net income attributable to SciPlay by the weighted average number of shares of Class A common stock outstanding adjusted to give effect to all potentially dilutive securities, using the treasury stock method. No material number of restricted stock units was excluded from the calculation of diluted weighted-average common shares outstanding for the three and nine month periods ended September 30, 2021 and 2020.

We excluded Class B common stock from the computation of basic and diluted EPS, as holders of Class B common stock do not have economic interest in us, and, therefore, a separate presentation of EPS of Class B common stock under the two-class method has not been presented.

	Three Months Ended		Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Numerator:				
Net income	\$ 37.0	\$ 35.1	\$ 112.8	\$ 115.0
Less: net income attributable to the noncontrolling interest	31.1	29.6	95.7	98.5
Net income attributable to SciPlay	\$ 5.9	\$ 5.5	\$ 17.1	\$ 16.5
Denominator:				
Weighted average shares of Class A common stock for basic EPS	24.5	22.8	24.0	22.8
Effect of dilutive securities:				
Stock-based compensation grants	0.3	1.3	0.9	1.2
Weighted average shares of Class A common stock for diluted EPS	24.8	24.1	24.9	24.0
Basic and diluted net income attributable to SciPlay per share:				
Basic	\$ 0.24	\$ 0.24	\$ 0.71	\$ 0.72
Diluted	\$ 0.24	\$ 0.23	\$ 0.69	\$ 0.69

(8) Litigation

From time to time, we are subject to various claims, complaints and legal actions in the normal course of business. In addition, we may receive notifications alleging infringement of patent or other intellectual property rights. There have been no material changes to these matters since our 2020 Form 10-K was filed with the SEC, except as described below.

Washington State Matter

On April 17, 2018, a plaintiff, Sheryl Fife, filed a putative class action complaint, *Fife v. Scientific Games Corporation*, against SGC in the United States District Court for the Western District of Washington. The plaintiff seeks to represent a putative class of all persons in the State of Washington who purchased and allegedly lost virtual coins playing SGC's online social casino games, including but not limited to *Jackpot Party® Casino* and *Gold Fish® Casino*. The complaint asserts claims for alleged violations of Washington's Recovery of Money Lost at Gambling Act, Washington's consumer protection statute, and for unjust enrichment, and seeks unspecified money damages (including treble damages as appropriate), the award of reasonable attorneys' fees and costs, pre- and post-judgment interest, and injunctive and/or declaratory relief. On July 2, 2018, SGC filed a motion to dismiss the plaintiff's complaint with prejudice, which the trial court denied on December 18, 2018. SGC filed its answer to the putative class action complaint on January 18, 2019. On August 24, 2020, the trial court granted plaintiff's motion for leave to amend her complaint and to substitute a new plaintiff, Donna Reed, for the initial plaintiff, and re-captioned the matter *Reed v. Scientific Games Corporation*. On August 25, 2020, the plaintiff filed a first amended complaint against SGC, asserting the same claims, and seeking the same relief, as the complaint filed by Sheryl Fife. On September 8, 2020, SGC filed a motion to compel arbitration of plaintiff's claims and to dismiss the action, or, in the alternative, to transfer the action to the United States District Court for the District of Nevada. On April 9, 2021, the plaintiff filed a motion to certify the putative class and for a preliminary injunction. On April 26, 2021, the district court stayed the lawsuit, pending its ruling on SGC's motion to compel arbitration of plaintiff's claims and to

dismiss the action, or, in the alternative, to transfer the action to the United States District Court for the District of Nevada. On June 17, 2021, the district court denied that motion, and on June 23, 2021, SGC filed a notice of appeal from the district court's denial of that motion, and also filed a motion to stay all district court proceedings, pending the appeals court's ruling on the Company's arbitration appeal. Although the case was brought against Scientific Games, pursuant to the Intercompany Services Agreement, we would expect to cover or contribute to any damage awards due to the matter arising as a result of our business. We believe it is reasonably possible that a conclusion of this matter may result in an unfavorable outcome with no current estimated range of possible loss.

SciPlay IPO Matter (New York)

On or about October 14, 2019, the Police Retirement System of St. Louis filed a putative class action complaint in New York state court against SciPlay, certain of its executives and directors, and SciPlay's underwriters with respect to its initial public offering (the "PRS Action"). The complaint was amended on November 18, 2019. The plaintiff seeks to represent a class of all persons or entities who acquired Class A common stock of SciPlay pursuant and/or traceable to the Registration Statement filed and issued in connection with SciPlay's initial public offering, which commenced on or about May 3, 2019. The complaint asserts claims for alleged violations of Sections 11 and 15 of the Securities Act, 15 U.S.C. § 77, and seeks certification of the putative class; compensatory damages of at least \$146.0 million, and the award of the plaintiff's and the class's reasonable costs and expenses incurred in the action.

On or about December 9, 2019, Hongwei Li filed a putative class action complaint in New York state court asserting substantively similar causes of action under the Securities Act of 1933 and substantially similar factual allegations as those alleged in the PRS Action (the "Li Action"). On December 18, 2019, the New York state court entered a stipulated order consolidating the PRS Action and the Li Action into a single lawsuit. On December 23, 2019, the defendants moved to dismiss the consolidated action.

On August 28, 2020, the court issued an oral ruling granting in part and denying in part the defendants' motion to dismiss. On December 14, 2020, plaintiffs in the consolidated action filed a motion to certify the putative class. On May 12, 2021, the parties in the consolidated action reached an agreement in principle to settle the consolidated action. On July 27, 2021, the parties in the consolidated action entered into a settlement agreement to settle the consolidated action. On August 11, 2021, the New York court granted preliminary approval to the parties' proposed settlement, stayed non-settlement related proceedings in the consolidated action pending final approval of the settlement and scheduled a hearing for final approval of the settlement on November 15, 2021.

SciPlay IPO Matter (Nevada)

On or about November 4, 2019, plaintiff John Good filed a putative class action complaint in Nevada state court against SciPlay, certain of its executives and directors, SGC, and SciPlay's underwriters with respect to SciPlay's initial public offering. The plaintiff seeks to represent a class of all persons who purchased Class A common stock of SciPlay in or traceable to SciPlay's initial public offering that it completed on or about May 7, 2019. The complaint asserts claims for alleged violations of Sections 11 and 15 of the Securities Act, 15 U.S.C. § 77, and seeks certification of the putative class; compensatory damages, and the award of the plaintiff's and the class's reasonable costs and expenses incurred in the action. On February 27, 2020, the trial court entered a stipulated order that, among other things, stayed the lawsuit pending entry of an order resolving the motion to dismiss that was pending in the SciPlay IPO matter in New York state court. On September 29, 2020, the trial court entered a stipulated order that extended the stay pending a ruling on class certification in the SciPlay IPO matter in New York state court. On May 12, 2021, the parties in the Nevada lawsuit reached an agreement in principle to settle the lawsuit and so informed the Nevada court, which vacated non-settlement related proceedings in the lawsuit, pending final approval of the settlement agreement by the New York court.

Based on our assessment under ASC 410 and ASC 450 and consideration of the two SciPlay IPO matters above, we determined that both loss and insurance proceeds loss recovery, which we believe is recoverable under our insurance policy, are deemed probable and reasonably estimable. As a result, we recorded approximately \$8.3 million in Accrued liabilities and \$8.0 million in Prepaid expenses and other current assets as of September 30, 2021, with no material impact on our statement of income for the three and nine month period ended September 30, 2021.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion is intended to enhance the reader's understanding of our operations and current business environment from management's perspective and should be read in conjunction with the description of our business included under Part I, Item 1 "Condensed Consolidated Financial Statements" and Part II, Item 1A "Risk Factors" in this Quarterly

Report on Form 10-Q and under Part I, Item 1 “Business”, Item 1A “Risk Factors” and Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in our 2020 Form 10-K. The terms “we” and “our” as used herein refer to SciPlay and its consolidated subsidiaries.

This “Management’s Discussion and Analysis of Financial Condition and Results of Operations” contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and should be read in conjunction with the disclosures and information contained and referenced under “Forward-Looking Statements” and “Risk Factors” included in this Quarterly Report on Form 10-Q and “Risk Factors” included in our 2020 Form 10-K.

You can access our filings with the SEC through the SEC website at <https://www.sec.gov> or through our website, and we strongly encourage you to do so. We routinely post information that may be important to investors on our website at <https://www.sciplay.com/investors/>, and we use this website address as a means of disclosing material information to the public in a broad, non-exclusionary manner for purposes of the SEC’s Regulation Fair Disclosure (Reg FD). The contents of our website are not incorporated by reference in this Form 10-Q and shall not be deemed “filed” under the Securities Exchange Act of 1934, as amended.



BUSINESS OVERVIEW

We are a leading developer and publisher of digital games on mobile and web platforms. We currently offer eight core games, including social casino games, *Jackpot Party*[®] *Casino*, *Gold Fish*[®] *Casino*, *Quick Hit*[®] *Slots* and *Hot Shot Casino*[®], and casual games, *88 Fortunes*[®] *Slots*, *Bingo Showdown*[®], *MONOPOLY*[®] *Slots* and *Solitaire Pets*[™] *Adventure*. We currently plan to launch an additional casual game in 2022. 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, Amazon, and Microsoft. In addition to our internally created games, our content library includes recognizable, real-world slot and table games content from Scientific Games. This content allows players who like playing land-based slot machines to enjoy some of those same titles in our free-to-play games. We have access to Scientific Games’ library of more than 1,500 iconic casino titles. We also have access to content from third-party licensed brands such as *MONOPOLY*[™], *THE FLINTSTONES*[™], *JAMES BOND*[™], *MICHAEL JACKSON*[™] and *PLAYBOY*[™].²

We generate substantially all of our revenue from the sale of coins, chips and cards, which players of our games can use to play casino-style slot games and table games and bingo games. Players who install our games receive free coins, chips or cards upon the initial launch of the game and additional free coins, chips or cards at specific time intervals. Players may exhaust the coins, chips or cards that they receive for free and may choose to purchase additional coins, chips or cards in order to extend their time of game play.

As described in Note 1, on July 15, 2021, Scientific Games submitted a proposal to our board of directors to acquire the approximately 19% remaining equity interest in SciPlay not already owned by them.

² The MONOPOLY name and logo, the distinctive design of the game board, the four corner squares, the MR. MONOPOLY name and character, as well as each of the distinctive elements of the board, cards, and the playing pieces are trademarks of Hasbro for its property trading game and game equipment and are used with permission. © 2021 Hasbro. All Rights Reserved. Licensed by Hasbro.

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Recent Events

In March 2020, the World Health Organization declared the rapidly spreading COVID-19 outbreak a pandemic. In response to the COVID-19 pandemic, governments across the world implemented measures to prevent its spread, including the temporary closure of all non-essential businesses and travel restrictions. Many of our current and potential players had significantly more free time to play our games during this time. We are still seeing a higher level of paying player engagement as compared to the pre-COVID time period. We are not able to predict and quantify the ultimate impact of further COVID-19 developments on our results of operations in future periods.

In July of 2021, we acquired privately held Koukoi, a Finland-based developer and operator of casual mobile games which allows us to expand our casual games portfolio. See Note 1.

RESULTS OF OPERATIONS

Summary of Results of Operations

(\$ in millions)	Three Months Ended				Nine Months Ended			
	September 30,		Variance		September 30,		Variance	
	2021	2020	2021 vs. 2020		2021	2020	2021 vs. 2020	
Revenue	\$ 146.6	\$ 151.2	\$ (4.6)	(3)%	\$ 451.7	\$ 435.1	\$ 16.6	4 %
Operating expenses	108.1	114.7	(6.6)	(6)%	333.0	315.1	17.9	6 %
Operating income	38.5	36.5	2.0	5 %	118.7	120.0	(1.3)	(1)%
Net income	37.0	35.1	1.9	5 %	112.8	115.0	(2.2)	(2)%
Net income attributable to SciPlay	5.9	5.5	0.4	7 %	17.1	16.5	0.6	4 %
AEBITDA	\$ 44.7	\$ 49.3	\$ (4.6)	(9)%	\$ 138.5	\$ 143.7	\$ (5.2)	(4)%
Net income margin	25.2 %	23.2 %	2.0 pp	nm	25.0 %	26.4 %	(1.4)pp	nm
AEBITDA margin	30.5 %	32.6 %	(2.1)pp	nm	30.7 %	33.0 %	(2.3)pp	nm

pp = percentage points.
nm = not meaningful.

Non-GAAP Financial Measures

Adjusted EBITDA, or 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 as set forth in the below table. We define AEBITDA to include net income attributable to SciPlay before: (1) net income attributable to noncontrolling interest; (2) interest expense; (3) income tax expense; (4) depreciation and amortization; (5) 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; (e) contingent acquisition consideration and (f) cost-savings initiatives; (6) stock-based compensation; (7) loss (gain) on debt financing transactions; and (8) other expense (income) including foreign currency (gains) and losses. We also use AEBITDA margin, a non-GAAP measure, which we calculate as AEBITDA as a percentage of revenue.

Our 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.

Our 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.

The following table reconciles Net income attributable to SciPlay to AEBITDA and AEBITDA margin:

(\$ in millions, except percentages)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net income attributable to SciPlay	\$ 5.9	\$ 5.5	\$ 17.1	\$ 16.5
Net income attributable to noncontrolling interest	31.1	29.6	95.7	98.5
Net income	37.0	35.1	112.8	115.0
Restructuring and other	1.7	0.2	3.1	1.7
Depreciation and amortization	4.4	2.7	11.3	6.9
Income tax expense	1.6	1.2	5.5	5.9
Stock-based compensation	0.1	9.9	5.4	15.1
Other (income) expense, net	(0.1)	0.2	0.4	(0.9)
AEBITDA	\$ 44.7	\$ 49.3	\$ 138.5	\$ 143.7
Revenue	\$ 146.6	\$ 151.2	\$ 451.7	\$ 435.1
Net income margin (Net income/Revenue)	25.2 %	23.2 %	25.0 %	26.4 %
AEBITDA margin (AEBITDA/Revenue)	30.5 %	32.6 %	30.7 %	33.0 %

Revenue, Key Performance Indicators and Other Metrics

(\$ in millions)	Three Months Ended September 30,		Variance		Nine Months Ended September 30,		Variance	
	2021	2020	2021 vs. 2020		2021	2020	2021 vs. 2020	
Mobile	\$ 130.8	\$ 131.8	\$ (1.0)	(1)%	\$ 399.5	\$ 377.3	\$ 22.2	6 %
Web and other	15.8	19.4	(3.6)	(19)%	52.2	57.8	(5.6)	(10)%
Total revenue	\$ 146.6	\$ 151.2	\$ (4.6)	(3)%	\$ 451.7	\$ 435.1	\$ 16.6	4 %

Revenue information by geography is summarized as follows:

(\$ in millions)	Three Months Ended September 30,		Variance		Nine Months Ended September 30,		Variance	
	2021	2020	2021 vs. 2020		2021	2020	2021 vs. 2020	
North America ⁽¹⁾	\$ 134.0	\$ 138.5	\$ (4.5)	(3)%	\$ 413.3	\$ 399.1	\$ 14.2	4 %
International	12.6	12.7	(0.1)	(1)%	38.4	36.0	2.4	7 %
Total revenue	\$ 146.6	\$ 151.2	\$ (4.6)	(3)%	\$ 451.7	\$ 435.1	\$ 16.6	4 %

⁽¹⁾ North America revenue includes revenue derived from the U.S., Canada and Mexico.

Revenue

For the three months ended September 30, 2021, revenues decreased due to an event isolated in *Jackpot Party® Casino* partially offset by strong monetization metrics and record growth at *Gold Fish® Casino*.

For the nine months ended September 30, 2021, revenues increased as a result of the introduction of new content and features leading to elevated player engagement primarily led by *Gold Fish® Casino* and *Jackpot Party® Casino*.

Paying player engagement, as evidenced by AMRPPU, and payer conversion continues to be higher than pre-COVID periods.

The following reflects our Key Performance Indicators and Other Metrics:

We manage our business by tracking several key performance indicators, each of which is tracked by our internal analytics systems and referred to in our discussion of operating results. Our key performance indicators are impacted by several factors that could cause them to fluctuate on a quarterly basis, such as platform providers' policies, restrictions, seasonality, user connectivity and addition of new content to certain portfolios of games. Future growth in players and engagement will depend on our ability to retain current players, attract new players, launch new games and features and expand into new markets and distribution platforms.

For a description of the definitions of our key performance indicators and other metrics and their usefulness to our investors, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our 2020 Form 10-K.

(in millions, except ARPDau, AMRPPU, and percentages)	Three Months Ended				Nine Months Ended			
	September 30,		Variance		September 30,		Variance	
	2021	2020	2021 vs. 2020		2021	2020	2021 vs. 2020	
Mobile Penetration	89 %	87 %	2.0 pp	nm	88 %	87 %	1.0 pp	nm
Average MAU	6.1	7.3	(1.2)	(16.4)%	6.3	7.6	(1.3)	(17.1)%
Average DAU	2.3	2.6	(0.3)	(11.5)%	2.4	2.7	(0.3)	(11.1)%
ARPDau	\$ 0.69	\$ 0.63	\$ 0.06	9.5 %	\$ 0.70	\$ 0.59	\$ 0.11	18.6 %
Average MPUs	0.5	0.5	—	— %	0.5	0.5	—	— %
AMRPPU	\$ 93.67	\$ 94.10	\$ (0.43)	(0.5)%	\$ 94.26	\$ 92.94	\$ 1.32	1.4 %
Payer conversion rate	8.5 %	7.3 %	1.2 pp	nm	8.4 %	6.8 %	1.6 pp	nm

pp = percentage points.
nm = not meaningful.

The increase in mobile penetration percentage for both comparable periods primarily reflects a continued trend of players migrating from web to mobile platforms to play our games.

Average MAU and average DAU for both comparable periods decreased due to the turnover in users. ARPDau increased as a function of lower average DAU for periods presented.

For the three months ended September 30, 2021, AMRPPU decreased with consistent average MPU as payer engagement decreased as a result of an event isolated in *Jackpot Party® Casino* partially offset by record growth at *Gold Fish® Casino*. For the nine months ended September 30, 2021, AMRPPU increased with consistent average MPU due to the introduction of new content and features resulting in increased paying player interaction.

Payer conversion rates have remained at peak levels due to consistent payer interaction with the games by our players as a result of the introduction of new content and features into our games.

Operating Expenses

(\$ in millions)	Three Months Ended September 30,		Variance		Percentage of Revenue		
	2021	2020	2021 vs. 2020		2021	2020	2021 vs. 2020 Change
Operating expenses:							
Cost of revenue ⁽¹⁾	\$ 46.2	\$ 48.0	\$ (1.8)	(4)%	31.5 %	31.7 %	(0.2)pp
Sales and marketing ⁽¹⁾	32.9	33.7	(0.8)	(2)%	22.4 %	22.3 %	0.1 pp
General and administrative ⁽¹⁾	13.1	21.3	(8.2)	(38)%	8.9 %	14.1 %	(5.2)pp
Research and development ⁽¹⁾	9.8	8.8	1.0	11 %	6.7 %	5.8 %	0.9 pp
Depreciation and amortization	4.4	2.7	1.7	63 %	nm	nm	nm
Restructuring and other	1.7	0.2	1.5	750 %	nm	nm	nm
Total operating expenses	<u>\$ 108.1</u>	<u>\$ 114.7</u>	<u>\$ (6.6)</u>	(6)%			

⁽¹⁾ Excludes depreciation and amortization.
pp = percentage points.
nm = not meaningful

(\$ in millions)	Nine Months Ended September 30,		Variance		Percentage of Revenue		
	2021	2020	2021 vs. 2020		2021	2020	2021 vs. 2020 Change
Operating expenses:							
Cost of revenue ⁽¹⁾	\$ 141.3	\$ 138.5	\$ 2.8	2 %	31.3 %	31.8 %	(0.5)pp
Sales and marketing ⁽¹⁾	101.7	97.0	4.7	5 %	22.5 %	22.3 %	0.2 pp
General and administrative ⁽¹⁾	46.8	46.7	0.1	— %	10.4 %	10.7 %	(0.3)pp
Research and development ⁽¹⁾	28.8	24.3	4.5	19 %	6.4 %	5.6 %	0.8 pp
Depreciation and amortization	11.3	6.9	4.4	64 %	nm	nm	nm
Restructuring and other	3.1	1.7	1.4	82 %	nm	nm	nm
Total operating expenses	<u>\$ 333.0</u>	<u>\$ 315.1</u>	<u>\$ 17.9</u>	6 %			

⁽¹⁾ Excludes depreciation and amortization.
pp = percentage points.
nm = not meaningful

Cost of revenue

For the three and nine months ended September 30, 2021, cost of revenue as a percentage of revenue decreased primarily due to a \$1.0 million and a \$3.3 million decrease, respectively, in royalties for third-party IP.

Sales and marketing

For the three months ended September 30, 2021, sales and marketing expense decreased primarily due to a \$1.5 million decrease in user acquisition spend as a result of higher per user acquisition cost.

For the nine months ended September 30, 2021, sales and marketing expense increased due to \$2.0 million increase in user acquisition spend and a \$1.4 million increase in salaries and benefits on an 11% increase in sales and marketing headcount.

General and administrative

For the three months ended September 30, 2021, general and administrative expenses decreased primarily due to a \$9.8 million decrease in stock-based incentive compensation due to a lower achievement of performance-based restricted stock plans.

Research and development

For the three and nine months ended September 30, 2021, research and development expenses increased primarily as a result of an increase in salary and benefit costs as a result of a 5% and 7% increase in research and development headcount for the same respective periods.

Depreciation and amortization

For both comparable periods, depreciation and amortization increased due to additional long-term license agreements with third parties (see Note 1).

Net income and AEBITDA

For the three months ended September 30, 2021, net income increased primarily due to lower general and administrative expenses which was partially offset by higher depreciation and amortization and research and development as discussed above. AEBITDA decreased primarily due to a decrease in revenue related to the easing of stay-at-home orders. Net income margin increased by 2.0 percentage points primarily due to lower general and administrative expenses which was partially offset by higher depreciation and amortization, restructuring and other and research and development. AEBITDA margin decreased by 2.1 percentage points primarily due to higher general and administrative and research and development expenses.

For the nine months ended September 30, 2021, net income decreased primarily due to increase in research and development and depreciation and amortization as discussed above. AEBITDA decreased primarily due to an increase in operating expenses as described above, which was partially offset by increase in revenue. Net income margin decreased by 1.4 percentage points primarily due to increase in depreciation and amortization and research and development. AEBITDA margin decreased by 2.3 percentage points primarily due to higher general and administrative expenses and research and development expenses.

RECENTLY ISSUED ACCOUNTING GUIDANCE

For a description of recently issued accounting pronouncements, see Note 1.

CRITICAL ACCOUNTING ESTIMATES

For a description of our policies regarding our critical accounting estimates, see “Critical Accounting Estimates” in our 2020 Form 10-K. There have been no significant changes in our critical accounting estimate policies or the application or the results of the application of those policies to our condensed consolidated financial statements.

LIQUIDITY, CAPITAL RESOURCES AND WORKING CAPITAL

Introduction

SciPlay is a holding company, with no material assets other than its ownership of LLC Interests, no operating activities on its own and no independent means of generating revenue or cash flow. Operations are carried out by SciPlay Parent LLC and its subsidiaries, and we depend on distributions from SciPlay Parent LLC to pay our taxes and expenses. SciPlay Parent LLC's ability to make distributions to us is restricted by the terms of the Revolver (as defined below) by and among SciPlay Games, LLC, as the successor borrower, SciPlay Parent LLC, as a guarantor, the subsidiary guarantors party thereto, the lenders party thereto and Bank of America, N.A., as administrative agent and collateral agent, and may be restricted by any future credit agreement we or our subsidiaries enter into, any future debt or preferred equity securities we or our subsidiaries issue, other contractual restrictions or applicable Nevada law.

We have funded our operations primarily through cash flows from operating activities. Based on our current plans and market conditions, we believe that cash flows generated from our operations and borrowing capacity under the Revolver will be sufficient to satisfy our anticipated cash requirements for the foreseeable future. However, we intend to continue to make significant investments to support our business growth and may require additional funds to respond to business challenges, including the need to develop new games and features or enhance our existing games, improve our operating infrastructure or acquire complementary businesses, personnel and technologies. Accordingly, we may need to engage in equity or debt financings to secure additional funds. We may not be able to obtain additional financing on terms favorable to us, if at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly impaired, and our business may be harmed.

Dividend Policy

We have never paid any cash dividends on our common stock and do not presently intend to pay cash dividends on our common stock. However, we reconsider our dividend policy on a regular basis and may determine in the future to declare or pay cash dividends on our common stock. Under the terms of the Revolver, we are limited in our ability to pay cash dividends or make certain other restricted payments (other than stock dividends) on our common stock.

Revolving Credit Facility

For a description of the Revolver, see "Liquidity, Capital Resources and Working Capital" in our 2020 Form 10-K. There have been no material changes related to the Revolver disclosed in our 2020 Form 10-K except as described below.

On May 27, 2021, SciPlay Holding Company, LLC ("SciPlay Holding"), a wholly-owned indirect subsidiary of SciPlay Corporation (the "Company"), entered into Amendment No. 1 to that certain \$150.0 million revolving credit agreement, dated as of May 7, 2019 (the "Revolver"), by and among SciPlay Holding, SciPlay Parent Company, LLC, the several banks and other financial institutions or entities from time to time party thereto and Bank of America, N.A., as administrative agent, collateral agent and issuing lender (such amendment, "Amendment No. 1").

Amendment No. 1 amended, among other things, certain negative covenants in the Revolver to permit SciPlay Holding to merge or consolidate with and into its direct subsidiary, Phantom EFX, LLC, which was renamed SciPlay Games, LLC ("SciPlay Games") immediately following such merger. Substantially simultaneously with the merger, SciPlay Games expressly assumed all obligations of SciPlay Holding as the successor borrower under the Revolver.

The Revolver was undrawn as of September 30, 2021. We were in compliance with the financial covenants under the Revolver as of September 30, 2021. See Note 1.

Changes in Cash Flows

The following table presents a summary of our cash flows for the periods indicated:

(\$ in millions)	Nine Months Ended September 30,	
	2021	2020
Net cash provided by operating activities	\$ 126.3	\$ 131.9
Net cash used in investing activities	(13.7)	(17.6)
Net cash used in financing activities	(50.7)	(14.6)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	—	—
Increase in cash, cash equivalents and restricted cash	\$ 61.9	\$ 99.7

Net cash provided by operating activities decreased primarily due to lower earnings and a \$2.9 million unfavorable change in working capital, offset by a \$4.0 million decrease in contingent consideration payments.

Net cash used in investing activities decreased primarily due to a \$6.9 million decrease in acquisition activity, which was partially offset by a \$3.0 million increase in capital expenditures.

Net cash used in financing activities increased primarily due to an \$18.3 million increase in distributions to Parent and affiliates, a \$12.6 million increase for taxes paid related to net share settlement of equity awards and a \$2.6 million increase in payments made for license obligations.

Off Balance Sheet Obligations

As of September 30, 2021, we did not have any significant off-balance sheet arrangements.

Contractual Obligations

There have been no material changes to our contractual obligations disclosed in our 2020 Form 10-K, except as noted below.

	Cash Payments Due In				
	Total	Less than 1 year	1 - 3 years	4 - 5 years	More than 5 years
License royalty minimum guaranteed payments	\$ 17.8	\$ 6.0	\$ 10.3	\$ 1.5	\$ —

Item 3. Quantitative and Qualitative Disclosures about Market Risk

As of September 30, 2021, we had no material exposure to market risks.

Item 4. Controls and Procedures

Under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures as required by Exchange Act Rule 13a-15(b) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective as of September 30, 2021.

There were no changes in our internal control over financial reporting during the quarter ended September 30, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

For a description of our legal proceedings, see Note 8.

Item 1A. Risk Factors

There have been no material changes in our risk factors from those disclosed under Item 1A “Risk Factors” included in our 2020 Form 10-K, except as noted below.

Scientific Games’ proposed acquisition of our public shares not owned by Scientific Games (the “Proposed SciPlay Acquisition”) subjects us to a number of risks and uncertainties, including regarding the terms and consummation of such a transaction, whether it will yield additional value for our stockholders and whether it will adversely impact our business, financial results, results of operations, cash flows or stock price.

On July 15, 2021, Scientific Games submitted a proposal to our board of directors to acquire the remaining 19% equity interest in SciPlay Corporation that Scientific Games does not currently own in an all-stock transaction, following which we would become a wholly-owned subsidiary of Scientific Games. The transaction is subject to the negotiation and execution of a mutually acceptable merger agreement with a special committee of our board of directors, and we cannot guarantee that the proposal will result in a merger or any other transaction. Speculation regarding any developments related to the Proposed SciPlay Acquisition and perceived uncertainties related to the future of SciPlay or our Parent could cause our stock price to fluctuate significantly.

The Proposed SciPlay Acquisition exposes us to a number of risks and uncertainties, including that the terms of any definitive agreement with respect to the proposed transaction could be materially different from those described; diversion of management’s time to the processes associated with evaluating and consummating the proposed transaction; the incurrence of significant expenses associated with the review and pursuit of the proposed transaction; increased difficulties in attracting, retaining or motivating key management personnel; the potential loss of key customers, suppliers, vendors and other key business partners; the inability to obtain necessary regulatory approvals or otherwise satisfy conditions required in order to consummate the proposed transaction; and exposure to potential litigation. Any of these factors could disrupt our business and could have a material adverse effect on our business, financial condition, results of operations, cash flows or stock price.

There can be no assurance that this proposal, if evaluated and consummated, will provide greater value to our stockholders than that reflected in our current stock price. Further, Scientific Games’ board of directors may determine to suspend or terminate the exploration of the Proposed SciPlay Acquisition at any time. The Proposed SciPlay Acquisition is also dependent upon a number of factors that may be beyond our control, including among other factors, market conditions (including the impact of the COVID-19 pandemic), industry trends, regulatory developments and litigation.

The provisions of our articles of incorporation and bylaws requiring exclusive forum in the Eighth Judicial District Court of Clark County, Nevada for certain types of lawsuits may have the effect of discouraging lawsuits against our directors and officers.

Our articles of incorporation and bylaws provide that, to the fullest extent permitted by law, and unless we consent in writing to the selection of an alternative forum, the Eighth Judicial District Court of Clark County, Nevada, will be the sole and exclusive forum for any actions, suits or proceedings, whether civil, administrative or investigative (i) brought in our name or right or on our behalf, (ii) asserting a claim for breach of any fiduciary duty owed by any of our directors, officers, employees or agents to us or our stockholders, (iii) arising or asserting a claim arising pursuant to any provision of Nevada Revised Statutes (“NRS”), Chapters 78 or 92A or any provision of our articles of incorporation or our bylaws, (iv) to interpret, apply, enforce or determine the validity of our articles of incorporation and bylaws or (v) asserting a claim governed by the internal affairs doctrine; provided that the exclusive forum provisions will not apply to suits brought to enforce any liability or duty created by the Securities Act or the Exchange Act, or to any claim for which the federal courts have exclusive jurisdiction. Our articles of incorporation and bylaws will further provide that, in the event that the Eighth Judicial District Court of Clark County, Nevada does not have jurisdiction over any such action, suit or proceeding, then any other state district court located in the State of Nevada will be the sole and exclusive forum therefor and in the event that no state district court in the State of Nevada has jurisdiction over any such action, suit or proceeding, then a federal court located within the State of Nevada will be the sole and exclusive forum therefor. Although we believe these provisions benefit us by providing increased consistency in the application of Nevada law in the types of lawsuits to which they apply, these

provisions may have the effect of increasing the costs to bring a claim and limiting a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors and officers, which may discourage lawsuits against our directors and officers. The enforceability of similar choice of forum provisions in other companies' articles of incorporation and bylaws has been challenged in legal proceedings, and it is possible that, in connection with any applicable action brought against us, a court could find the choice of forum provisions contained in our articles of incorporation and bylaws to be inapplicable or unenforceable in such action. If a court were to find the choice of forum provisions contained in our articles of incorporation and bylaws to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could adversely affect our business, financial condition or results of operations.

We rely on third-party platforms to make our games available to players and to collect revenue.

Our social gaming offerings operate through Apple, Google, Facebook and Amazon, which also serve as significant online distribution platforms for our games, with some of our games available on Microsoft. Substantially all of our revenue was generated by players using those platforms.

Consequently, our expansion and prospects depend on our continued relationships with these providers, and any emerging platform providers that are widely adopted by our target player base. We are subject to the standard terms and conditions that these platform providers have for application developers, which govern the promotion, distribution and operation of games and other applications on their platforms, and which the platform providers can change unilaterally on short or without notice. Version updates, such as Apple's iOS 14.5 update in April 2021 which included changes to its AppTracking Transparency policy and now requires user permission before developers can track a user across apps and websites owned by other companies or access a user's device's advertising identifier, which has reduced the quantity and quality of data available to us. These changes could, among other things, have a detrimental impact on our ability to conduct targeted advertising on platforms, increase the cost to obtain new users and impact the return on investment of advertising spend. Additionally, our business would be harmed if:

- the platform providers discontinue or limit our access to their platforms;
- governments or private parties, such as internet providers, impose bandwidth restrictions or increase charges or restrict or prohibit access to those platforms;
- the platforms decline in popularity;
- the platforms modify their current discovery mechanisms, communication channels available to developers, respective terms of service or other policies, including fees;
- the platforms impose restrictions or make it more difficult for players to buy coins, chips or cards; or
- the platforms change how the personal information of players is made available to developers or develop their own competitive offerings.

If alternative platforms increase in popularity, we could be adversely impacted if we fail to create compatible versions of our games in a timely manner, or if we fail to establish a relationship with such alternative platforms. Likewise, if our platform providers alter their operating platforms, we could be adversely impacted as our offerings may not be compatible with the altered platforms or may require significant and costly modifications in order to become compatible. If our platform providers were to develop competitive offerings, either on their own or in cooperation with one or more competitors, our growth prospects could be negatively impacted. If our platform providers do not perform their obligations in accordance with our platform agreements, we could be adversely impacted.

In the past, some of these platform providers have been unavailable for short periods of time or experienced issues with their features that permit our players to purchase coins, chips or cards. For example, in the second and third quarters of 2018, we were negatively impacted by data privacy protection changes implemented by Facebook, which impaired our players' ability to access their previously acquired coins, chips or cards and purchase additional coins, chips or cards. If similar events recur on a prolonged basis or other similar issues arise that impact players' ability to download our games, access social features or purchase coins, chips or cards, it could have a material adverse effect on our revenue, operating results and brand.

Item 2. Unregistered Sales of Equity Securities

There was no stock repurchase activity during the three months ended September 30, 2021.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Description
3.1	Amended and Restated Articles of Incorporation of SciPlay Corporation (incorporated by reference to Exhibit 3.1 to SciPlay Corporation's Current Report on Form 8-K filed on May 8, 2019).
3.2	Amended and Restated Bylaws of SciPlay Corporation (incorporated by reference to Exhibit 3.2 to SciPlay Corporation's Current Report on Form 8-K filed on May 8, 2019).
10.1	Offer Letter, dated as of July 30, 2018, from Phantom EFX, LLC to Daniel O'Quinn.(†)
31.1	Certification of the Chief Executive Officer of SciPlay Corporation pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.(†)
31.2	Certification of the Interim Chief Financial Officer of SciPlay Corporation pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.(†)
32.1	Certification of the Chief Executive Officer of SciPlay Corporation pursuant to Rule 13a-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
32.2	Certification of the Interim Chief Financial Officer of SciPlay Corporation pursuant to Rule 13a-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Label Linkbase 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 - the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.

(†) Filed herewith.

** Furnished herewith.

*Management contracts and compensation plans and arrangements.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SCIPLAY CORPORATION

(Registrant)

By: /s/ Daniel O'Quinn

Name: Daniel O'Quinn

Title: Interim Chief Financial Officer

By: /s/ Michael F. Winterscheidt

Name: Michael F. Winterscheidt

Title: Chief Accounting Officer and Secretary

Dated: November 9, 2021

SCIENTIFIC GAMES

July 30, 2018

Daniel O'Quinn
1215 Crestcove Drive
Rockwall, TX 75087

Dear Daniel,

Congratulations, we are pleased to extend you an offer of employment with Phantom EFX, LLC (the "Company") in the role of Director, Accounting in the Social Gaming Division located in Austin, TX reporting to the VP Finance.

Your start date will be August 20, 2018 or such other date as is mutually agreed between you and the Company (the "Commencement Date").

COMPENSATION

In this full-time position, your base compensation will be \$6,538.46 bi-weekly which is equivalent to an annualized salary of \$170,000. Your compensation will be paid in accordance with the Company's regular payroll practices and subject to such deductions or amounts to be withheld as required by applicable law. This position is an exempt position and is not eligible for overtime compensation.

BENEFITS — FULL TIME EMPLOYEE

You will be eligible to enroll in medical, dental and vision coverage for you and your dependents on your date of hire, if you are scheduled to work 30 hours or more per week. You will receive 2x your base salary in Company paid life insurance, Company paid short term disability insurance and a core long-term disability plan equal to 50% of your base salary at no cost to you. Voluntary life insurance coverage is available for you, your spouse and children. The Company offers a generous 401(k) Plan package that is available after 45 days of employment. Additionally, you are eligible for paid time off and company holidays pursuant to company policy. More details on the Company's benefit plans will be provided during your new hire orientation. The Company reserves the right to eliminate or modify any of its benefits at any time.

INCENTIVE PLAN COMPENSATION

You are eligible to participate in the annual incentive compensation plan in amounts determined by the Compensation Committee of the Board of Directors of Scientific Games Corporation (the "Committee"). For your job level, your target incentive compensation is 20% of your annual base salary. Participation will commence in the current year if your initial date of employment is on or before September 30; otherwise your participation will commence as of January 1 of the year following your initial date of employment. Your bonus will be pro-rated based on the start date of your employment. Payments will solely depend on financial performance criteria established by the Committee, subject to modification based on considerations such as individual performance, and are pursuant to the terms and conditions of the annual incentive plan which is reviewed annually by the Committee.

RELOCATION

To assist with your relocation needs, you will be provided with \$6,000 relocation assistance. We also encourage you to consult with your tax adviser on tax consideration related to relocation. You agree that if you voluntarily leave your employment with the Company within twelve (12) months of your Commencement Date, you will repay the Company the full amount of this relocation assistance within ten (10) days of your last day with the Company.

EMPLOYMENT-AT-WILL

The scope of this letter is to outline our offer of employment and is not to be perceived as an employment contract. Your employment with the Company will be “at will,” meaning that the terms of employment, including, but not limited to, termination, demotion, promotion, transfer, compensation, benefits, duties and location of work may be changed at any time, and either you or the Company may terminate your employment at any time and for any reason, with or without notice and with or without cause. Although your job duties, title, compensation and benefits, as well as the Company’s personnel policies and procedures, may change from time to time, the “at will” nature of employment may only be changed in an express written agreement signed by you and the CEO or Chief Human Resources Officer of Scientific Games Corporation . No supervisor, manager, or representative of Scientific Games Corporation, or any of its subsidiaries, other than the CEO or Chief Human Resources Officer has any authority to alter the “at will” relationship or enter into an express or implied agreement on any other basis. This offer of employment incorporates the complete understanding of the parties and supersedes all other explicit and/or implicit, expressed or implied agreements/promises conveyed regarding this employment relationship.

CONDITIONS OF EMPLOYMENT AND OTHER INFORMATION

This offer of employment is contingent on the successful completion of a check of employment references, a background investigation, and a drug test. The results of these screens must be satisfactory to the Company. Should the results not be satisfactory to the Company, the employment offer may be rescinded in the Company’s sole discretion.

For purposes of federal immigration law, you will be required to provide the Company documentary evidence of your identity and eligibility for employment in the United States. Such documentation must be provided to us on or before the 3rd business day of your employment, or our employment relationship with you may be terminated.

The Company is subject to the laws, rules and regulations of various governmental bodies in the gaming field. In your position, you may be required to submit to background (“suitability”) and licensing investigations conducted by multiple governmental agencies. By accepting this offer of employment you agree to fully cooperate with both the Company and gaming regulators by furnishing all relevant and material information, including personally identifiable information, and documentation during the regulatory process. In the event that you are found non-suitable or are denied a license, or the investigation reveals any unsuitable and/or negative information or findings, your employment may be terminated. By signing below, you are agreeing to cooperate with and conform to all regulatory requests for information in the required timeframe and understand that any omissions can result in disciplinary action, up to and including termination.

This employment offer is contingent upon your qualifying (and remaining qualified) under any suitability or licensing requirements to which you may be subject to by reason of your position with the Company.

August 1, 2018

In addition, this offer is contingent upon your agreement, in writing prior to or on your Commencement Date, to comply fully with the Employee Intellectual Material, Secrecy & Non-Solicitation Agreement and the Code of Business Conduct as enclosed.

Finally, by signing the acknowledgement below, you affirm that you are aware of no agreements or arrangements with any individual or entity which would prohibit you from entering into an employment relationship with the Company and commencing employment in the above-described position.

This letter contains the Company's entire offer of employment and no other terms or conditions are a part of this offer.

We anticipate this offer is agreeable and trust your employment with the Company will be a mutually beneficial relationship. Please acknowledge your acceptance of the offer by signing below and returning this letter to Human Resources. We look forward to you joining the team soon.

Sincerely,

Kimber Dall
Phantom EFX, LLC
Director Human Resources

August 1, 2018

I have reviewed this offer letter, understand the contents of this offer letter and affirm that I am aware of no agreements or arrangements with any individual or entity which would prohibit me from entering into an employment relationship with the Company and commencing employment in the above-described position.

ACCEPTED AND AGREED TO this 1st day of August 2018.

By: /s/ Daniel O'Quinn
Daniel O'Quinn

SCIENTIFIC GAMES

Relocation Reimbursement Agreement

1. I, Daniel O'Quinn, acknowledge that I am relocating in connection with my employment with Scientific Games and Scientific Games is contributing to the cost of such relocation.
2. I acknowledge that I shall not be obligated to reimburse Scientific Games for any amounts it contributes to my relocation if I remain employed by Scientific Games for a period of twelve (12) months from my start date at the new location. **If, however, (1) my employment is terminated for "Cause" by Scientific Games or if I separate from Scientific Games voluntarily prior to the completion of twelve (12) months of employment at my new location, or (2) I fail to complete my relocation and begin employment at the new location, all amounts paid by Scientific Games to me, or to third parties on my behalf, under the provisions of this Relocation Reimbursement Agreement (the "Agreement") shall become due and I agree that I will immediately repay Scientific Games such amounts.** If Scientific Games terminates my employment without Cause, I will not be obligated to reimburse Scientific Games for amounts paid under the provisions of the Agreement.
3. For the purposes of this Agreement, "Cause" means: (i) gross neglect of job duties; (ii) willful misconduct; (iii) material violation of the Scientific Games Code of Business Conduct or other Scientific Games policy; (iv) failure to obtain or maintain any licenses needed to perform my job; or (v) any other willful or grossly negligent conduct that would make continued employment materially prejudicial to the best interests of Scientific Games.
4. If I am subject to a repayment obligation under Section 2, I hereby consent to Scientific Games withholding a total amount equal to the amounts Scientific Games paid to me in connection with my relocation and that Scientific Games paid to third parties on my behalf as part of my relocation, from any amounts owed to me by Scientific Games, including my regular wages, bonus (if any), final paycheck, or any accrued but unused paid time off balance as of my termination. I agree if Scientific Games is not able to withhold the full amount from the final amounts owed to me, I will immediately pay back the remaining portion owed to Scientific Games.

August 1, 2018
Date

Employee ID Number

/s/ Daniel O'Quinn
Signature

Daniel O'Quinn
Print Name

Certification by Chief Executive Officer (Principal Executive Officer) Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Joshua J. Wilson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of SciPlay Corporation;
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 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 internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant 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 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.

Date: November 9, 2021

/s/ Joshua J. Wilson

Joshua J. Wilson

Chief Executive Officer (Principal Executive Officer)

Certification by Interim Chief Financial Officer (Principal Financial Officer) Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Daniel O'Quinn, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of SciPlay Corporation;
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 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 internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant 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 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.

Date: November 9, 2021

/s/ Daniel O'Quinn

Daniel O'Quinn

Interim Chief Financial Officer (Principal Financial Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of SciPlay Corporation (the “Company”) on Form 10-Q for the period ended September 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Joshua J. Wilson, Chief Executive Officer (Principal Executive Officer) of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ Joshua J. Wilson

Joshua J. Wilson

Chief Executive Officer (Principal Executive Officer)

November 9, 2021

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of SciPlay Corporation (the “Company”) on Form 10-Q for the period ended September 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Daniel O’Quinn, Interim Chief Financial Officer (Principal Financial Officer) of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ Daniel O’Quinn

Daniel O’Quinn
Interim Chief Financial Officer (Principal Financial Officer)
November 9, 2021