

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2023

OR

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

For transition period from to
Commission File Number 001-39652

PLAYSTUDIOS, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

88-1802794

(I.R.S. Employer
Identification Number)

**10150 Covington Cross Drive
Las Vegas, NV 89144
(725) 877-7000**

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

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

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Class A common stock	MYPS	Nasdaq Stock Market LLC
Redeemable warrants exercisable for one share of Class A common stock at an exercise price of \$11.50 per share	MYPSW	Nasdaq Stock Market LLC

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input 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 7(a)(2)(B) of the Securities Act.

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

As of April 30, 2023, there were 115,620,666 shares of Class A common stock, \$0.0001 par value per share, and 16,457,769 shares of Class B common stock, \$0.0001 par value per share, outstanding.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). We have based these forward-looking statements on our current expectations and projections about future events. All statements, other than statements of present or historical fact included in this Quarterly Report, about our future financial performance, strategy, expansion plans, future operations, future operating results, estimated revenues, losses, projected costs, prospects, plans and objectives of management are forward-looking statements. Any statements that refer to projections, forecasts or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as “may,” “should,” “could,” “would,” “expect,” “plan,” “anticipate,” “intend,” “believe,” “estimate,” “continue,” “goal,” “project” or the negative of such terms or other similar expressions.

Forward-looking statements contained in this Quarterly Report on Form 10-Q include, but are not limited to, statements about:

- our business strategy and market opportunity;
- our future financial performance, including our expectations regarding our revenue, cost of revenue, gross profit, or gross margin, operating expenses (including changes in sales and marketing, research and development, and general and administrative expenses), and profitability;
- market acceptance of our games;
- our ability to raise financing in the future and the global credit and financial markets;
- factors relating to our business, operations, financial performance, and our subsidiaries, including:
 - changes in the competitive and regulated industries in which we operate, variations in operating performance across competitors, and changes in laws and regulations affecting our business;
 - our ability to implement business plans, forecasts, and other expectations, and identify and realize additional opportunities; and
 - general economic conditions and their impact on levels of spending by players, our awards partners, and our advertisers, including risks of inflation and recession and other macroeconomic conditions.
- our ability to maintain relationships with our platforms, such as the Apple App Store, Google Play Store, Amazon Appstore, and Facebook;
- the accounting for our outstanding warrants to purchase shares of Class A common stock;
- our ability to develop, maintain, and improve our internal control over financial reporting;
- our ability to maintain, protect, and enhance our intellectual property rights;
- our ability to successfully defend litigation brought against us;
- our ability to successfully close and integrate acquisitions to contribute to our growth objectives;
- our success in retaining or recruiting, or changes required in, our officers, key employees or directors; and
- the impact of the COVID-19 pandemic (including existing and possible future variants as well as vaccinations) on our business.

These forward-looking statements are based on our current plans, estimates and projections in light of information currently available to us, and are subject to known and unknown risks, uncertainties and assumptions about us, including those described under the heading “Risk Factors” in this Quarterly Report on Form 10-Q, and in other filings that we make with the Securities and Exchange Commission (the “SEC”) from time to time, that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. In addition, the risks described under the heading “Risk Factors” are not exhaustive. New risk factors emerge from time to time, and it is not possible to predict all such risk factors, nor can we assess the impact of all such risk factors on our business or the extent to which any risk factor or

combination of risk factors may cause actual results to differ materially from those contained in any forward-looking statements. Forward-looking statements are also not guarantees of performance. You should not put undue reliance on any forward-looking statements, which speak only as of the date hereof. Except as otherwise required by applicable law, we disclaim any duty to update any forward-looking statements, all of which are expressly qualified by the statements in this section, to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q whether as a result of new information, future events or otherwise.

We intend to announce material information to the public through our Investor Relations website ir.playstudios.com, SEC filings, press releases, public conference calls and public webcasts. We use these channels, as well as social media, to communicate with our investors, customers, and the public about our company, our offerings, and other issues. It is possible that the information we post on our website or social media could be deemed to be material information. As such, we encourage investors, the media, and others to follow the channels listed above, including our website and the social media channels listed on our Investor Relations website, and to review the information disclosed through such channels. Any updates to the list of disclosure channels through which we will announce information will be posted on the investor relations page on our website.

PART I. Financial Information**Item 1. Financial Statements**

PLAYSTUDIOS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited, in thousands, except par value amounts)

	March 31, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 127,484	\$ 134,000
Receivables	33,353	27,016
Prepaid expenses and other current assets	12,238	14,963
Total current assets	173,075	175,979
Property and equipment, net	17,345	17,532
Operating lease right-of-use assets	14,395	15,562
Intangibles assets and internal-use software, net	78,818	77,231
Goodwill	47,133	47,133
Deferred income taxes	16,208	13,969
Other long-term assets	4,658	4,603
Total non-current assets	178,557	176,030
Total assets	\$ 351,632	\$ 352,009
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	3,412	4,425
Warrant liabilities	4,740	3,682
Operating lease liabilities, current	4,506	4,571
Accrued liabilities	22,941	21,473
Total current liabilities	35,599	34,151
Minimum guarantee liability	1,500	1,500
Operating lease liabilities, non-current	10,574	11,660
Other long-term liabilities	2,240	2,385
Total non-current liabilities	14,314	15,545
Total liabilities	\$ 49,913	\$ 49,696
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.0001 par value (100,000 shares authorized, no shares issued and outstanding as of March 31, 2023 and December 31, 2022)	—	—
Class A common stock, \$0.0001 par value (2,000,000 shares authorized, 118,867 and 116,756 shares issued, and 116,447 and 115,635 shares outstanding as of March 31, 2023 and December 31, 2022, respectively)	11	11
Class B common stock, \$0.0001 par value (25,000 shares authorized, 16,457 and 16,457 shares issued and outstanding as of March 31, 2023 and December 31, 2022, respectively).	2	2
Additional paid-in capital	297,662	290,337
Retained earnings	14,186	16,756
Accumulated other comprehensive loss	(94)	(151)
Treasury stock, at cost, 2,420 and 1,166 shares at March 31, 2023 and December 31, 2022, respectively	(10,048)	(4,642)
Total stockholders' equity	301,719	302,313
Total liabilities and stockholders' equity	\$ 351,632	\$ 352,009

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

PLAYSTUDIOS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited, in thousands, except per share data)

	Three Months Ended March 31,	
	2023	2022
Net revenue	\$ 80,123	\$ 70,451
Operating expenses:		
Cost of revenue ⁽¹⁾	19,527	21,033
Selling and marketing	18,066	20,540
Research and development	17,755	16,981
General and administrative	11,901	9,691
Depreciation and amortization	11,033	8,394
Restructuring and related	4,048	8,655
Total operating costs and expenses	<u>82,330</u>	<u>85,294</u>
Loss from operations	(2,207)	(14,843)
Other (expense) income, net:		
Change in fair value of warrant liabilities	(1,058)	(2,716)
Interest income (expense), net	895	(5)
Other income, net	60	187
Total other expense, net	<u>(103)</u>	<u>(2,534)</u>
Loss before income taxes	(2,310)	(17,377)
Income tax expense	(260)	(7,835)
Net loss	<u>\$ (2,570)</u>	<u>\$ (25,212)</u>
Net loss per share attributable to Class A and Class B common stockholders:		
Basic	\$ (0.02)	\$ (0.20)
Diluted	\$ (0.02)	\$ (0.20)
Weighted average shares of common stock outstanding:		
Basic	132,131	126,337
Diluted	132,131	126,337

(1) Amounts exclude depreciation and amortization.

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

PLAYSTUDIOS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(unaudited, in thousands)

	Three Months Ended March 31,	
	2023	2022
Net loss	\$ (2,570)	\$ (25,212)
Other comprehensive (loss) income:		
Change in foreign currency translation adjustment ⁽¹⁾	57	(6)
Total other comprehensive income (loss)	57	(6)
Comprehensive loss	\$ (2,513)	\$ (25,218)

(1) These amounts are presented gross of the effect of income taxes. The total change in foreign currency translation adjustment and the corresponding effect of income taxes are immaterial.

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

PLAYSTUDIOS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(unaudited, in thousands)

	Class A Common Stock		Class B Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance as of December 31, 2021	110,066	\$ 11	16,130	\$ 2	\$ 268,522	\$ 393	\$ 34,539	\$ 303,467
Net loss	—	—	—	—	—	—	(25,212)	(25,212)
Exercise of stock options	113	—	—	—	130	—	—	130
Issuance of shares upon vesting of restricted stock units	160	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	7,969	—	—	7,969
Other comprehensive loss	—	—	—	—	—	(6)	—	(6)
Balance as of March 31, 2022	110,339	\$ 11	16,130	\$ 2	\$ 276,621	\$ 387	\$ 9,327	\$ 286,348

	Class A Common Stock		Class B Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Treasury Stock	Total Stockholders' Equity
	Shares	Amount	Shares	Amount					
Balance as of December 31, 2022	115,635	\$ 11	16,457	\$ 2	\$ 290,337	\$ (151)	\$ 16,756	(4,642)	302,313
Net loss	—	—	—	—	—	—	(2,570)	—	(2,570)
Exercise of stock options	1,585	—	—	—	1,916	—	—	—	1,916
Issuance of shares upon vesting of restricted stock units	481	—	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	5,409	—	—	—	5,409
Repurchase of common stock	(1,254)	—	—	—	—	—	—	(5,406)	(5,406)
Other comprehensive loss	—	—	—	—	—	57	—	—	57
Balance as of March 31, 2023	116,447	\$ 11	16,457	\$ 2	\$ 297,662	\$ (94)	\$ 14,186	(10,048)	\$ 301,719

PLAYSTUDIOS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, in thousands)

	Three Months Ended March 31,	
	2023	2022
Cash flows from operating activities:		
Net loss	\$ (2,570)	\$ (25,212)
Adjustments:		
Depreciation and amortization	11,033	8,394
Amortization of loan costs	38	34
Stock-based compensation expense	4,853	6,868
Change in fair value of warrant liabilities	1,058	2,716
Change in fair value of contingent consideration	53	—
Asset impairments	—	8,353
Deferred income tax expense	(2,228)	7,945
Other	(179)	(203)
Changes in operating assets and liabilities		
Receivables	(6,861)	(203)
Prepaid expenses and other current assets	201	871
Income tax receivable	2,128	366
Accounts payable & accrued liabilities	(3,492)	1,926
Other	469	(270)
Net cash provided by operating activities	4,503	11,585
Cash flows from investing activities:		
Purchase of property and equipment	(1,849)	(1,936)
Additions to internal-use software	(5,937)	(5,519)
Other	168	2,348
Net cash used in investing activities	(7,618)	(5,107)
Cash flows from financing activities:		
Proceeds from stock option exercises	1,916	130
Repurchases of treasury stock	(5,406)	—
Net cash (used in) provided by financing activities	(3,490)	130
Foreign currency translation	89	(145)
Net change in cash and cash equivalents	(6,516)	6,463
Cash and cash equivalents at beginning of period	134,000	213,502
Cash and cash equivalents at end of period	\$ 127,484	\$ 219,965
Supplemental cash flow disclosures:		
Interest paid	\$ 41	\$ 35
Income taxes paid, net of refunds	414	244
Non-cash investing and financing activities:		
Capitalization of stock-based compensation	\$ 556	\$ 1,101
Increase in property and equipment included in accounts payable and other long-term liabilities	—	656
Additions to intangible assets related to licensing agreements	4,617	—

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, in thousands, unless otherwise noted)

NOTE 1—BACKGROUND AND BASIS OF PRESENTATION***Organization and Description of Business***

On June 21, 2021 (the “Closing Date”), Acies Acquisition Corp., a Cayman Islands exempted company (prior to the Closing Date, “Acies”), consummated the previously announced business combination (“Acies Merger”) with PlayStudios, Inc., a Delaware corporation (“Old PLAYSTUDIOS”) pursuant to the Agreement and Plan of Merger, dated as of February 1, 2021 (the “Merger Agreement”), by and among Acies, Catalyst Merger Sub I, Inc., a Delaware corporation and a direct wholly owned subsidiary of Acies, Catalyst Merger Sub II, LLC, a Delaware limited liability company and a direct wholly owned subsidiary of Acies, and Old PLAYSTUDIOS.

PLAYSTUDIOS, Inc., formerly known as Acies Acquisition Corp. (the “Company” or “PLAYSTUDIOS”), was incorporated on August 14, 2020 as a Cayman Islands exempted company, and domesticated into a Delaware corporation on June 21, 2021. The Company’s legal name became PLAYSTUDIOS, Inc. following the closing of the Acies Merger.

The Company develops and operates online and mobile social gaming applications (“games” or “game”) each of which incorporate a unique loyalty program offering “real world” rewards provided by a collection of rewards partners. The Company’s games are free-to-play and available via the Apple App Store, Google Play Store, Amazon Appstore, and Facebook (collectively, “platforms” or “platform operators”). The Company creates games based on its own original content as well as third-party licensed brands. The Company generates revenue through the in-game sale of virtual currency and through advertising.

Unless the context indicates otherwise, all references herein to “PLAYSTUDIOS,” the “Company,” “we,” “us,” and “our” are used to refer collectively to PLAYSTUDIOS, Inc. and its subsidiaries.

Basis of Presentation and Consolidation

The accompanying condensed consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”) and pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). The consolidated financial statements include the accounts of PLAYSTUDIOS, Inc. and its consolidated subsidiaries. All intercompany balances and transactions have been eliminated upon consolidation. Certain reclassifications in these financial statements have been made to comply with US GAAP applicable to public companies and SEC Regulation S-X.

The significant accounting policies referenced in the annual consolidated financial statements of the Company as of December 31, 2022 have been applied consistently in these unaudited interim consolidated financial statements. In the opinion of the Company, the accompanying unaudited financial statements contain all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of its financial position as of March 31, 2023, and its results of operations for the three months ended March 31, 2023, and 2022, and cash flows for the three months ended March 31, 2023, and 2022. The Consolidated Balance Sheet as of December 31, 2022 was derived from the audited annual financial statements but does not contain all of the footnote disclosures from the annual financial statements. The Company made certain reclassifications to the comparative balances in the condensed consolidated financial statements to conform with current year presentation.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with US GAAP requires us to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and notes thereto. Significant estimates and assumptions reflected in the Company’s condensed consolidated financial statements include the estimated consumption rate of virtual goods that is used in the determination of revenue recognition, useful lives of property and equipment and definite-lived intangible assets, the expensing and capitalization of research and development costs for internal-use software, assumptions used in accounting for income taxes, stock-based compensation and the evaluation of goodwill and long-lived assets for impairment. The Company believes the accounting estimates are appropriate and reasonably determined. Due to the inherent uncertainties in making these estimates, actual amounts could differ materially.

Emerging Growth Company

At March 31, 2023, the Company qualified as an “emerging growth company,” as defined in Section 2(a) of the Securities Act, as modified by the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”), and the Company has taken and may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act of 2002, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies are required to comply with the new or revised standards. The JOBS Act provides that an emerging growth company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such election to opt out is irrevocable. The Company has opted to take advantage of such extended transition period available to emerging growth companies which means that when a standard is issued or revised and it has different application dates for public or private companies, the Company can adopt the new or revised standard at the time private companies adopt the new or revised standard. The Company did not lose its emerging growth company status on December 31, 2022. As a result, the Company does not expect to adopt any accounting pronouncements currently deferred based on private company standards until a year subsequent to 2022. The Company will reevaluate its eligibility to retain emerging growth company status at the end of its second quarter of 2023, and otherwise as required.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For a discussion of our significant accounting policies and estimates, please refer to our 2022 Annual Report on Form 10-K filed on March 10, 2023.

Recently Issued Accounting Pronouncements Not Yet Adopted

The Company’s management has evaluated all of the recently issued, but not yet effective, accounting standards that have been issued or proposed by the Financial Accounting Standards Board (“FASB”) or other standards-setting bodies through the filing date of these financial statements and does not believe the future adoption of any such pronouncements will have a material effect on the Company’s condensed consolidated financial statements.

Recently Adopted Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326)*. The new guidance replaces the incurred loss impairment methodology in current guidance with a current expected credit loss model (“CECL”) that incorporates a broader range of reasonable and supportable information including the forward-looking information. The Company adopted this standard on January 1, 2023. The adoption of this guidance did not have a material impact on the Company’s condensed consolidated financial statements.

NOTE 3—BUSINESS COMBINATIONS**WonderBlocks Acquisition**

On August 2, 2022, playBLOCKS, Inc., a newly formed wholly-owned subsidiary of the Company (“playBLOCKS”) entered into an agreement with WonderBlocks Labs, Inc. (“WonderBlocks”), which provides tools for the development of a play-to-earn loyalty platform for digital entertainment on the Ethereum blockchain, pursuant to which playBLOCKS acquired substantially all of the assets of WonderBlocks. playBLOCKS paid WonderBlocks \$2.0 million less Indebtedness (borrowed money and accrued interest, including debt to the Company) at closing and agreed to pay between zero and \$3 million subject to the satisfaction of certain product and financial milestones. We believe this acquisition will allow us to enhance our playAWARDS model with new Web3 features and capabilities.

The Company recorded the excess of the fair value of the consideration transferred in the acquisition over the fair value of net assets acquired as goodwill. The goodwill reflects our expectations of favorable future growth opportunities and anticipated synergies through the scale of our operations. The Company expects that none of the goodwill will be deductible for federal income tax purposes. The following table summarizes the consideration paid for WonderBlocks and the amounts of the assets acquired and liabilities assumed recognized at the acquisition date:

	August 2, 2022
Consideration:	
Cash consideration	\$ 945
Note receivable plus accrued interest conversion	1,055
Contingent consideration	1,564
Total consideration transferred	\$ 3,564
Identifiable assets acquired and liabilities assumed:	
Developed technology (weighted-average useful life of 5 years)	2,403
Liabilities assumed	(15)
Total identifiable net assets	\$ 2,388
Goodwill	\$ 1,176

Brainium Studios Acquisition

On October 7, 2022, PLAYSTUDIOS US, LLC, a direct wholly-owned subsidiary of the Company entered into a membership interest purchase agreement to acquire all of the issued and outstanding membership interests in Brainium Studios LLC ("Brainium"), a mobile game publisher. The closing of the acquisition occurred on October 12, 2022, and Brainium became an indirect wholly-owned subsidiary of the Company. The purchase price for the membership interests was \$70.0 million at closing, as adjusted for cash, indebtedness, and working capital.

The Company recorded the excess of the fair value of the consideration transferred in the acquisition over the fair value of net assets acquired as goodwill. The goodwill reflects our expectations of favorable future growth opportunities and anticipated synergies through the scale of our operations. The Company expects that substantially all of the goodwill will be deductible for federal income tax purposes. The following table summarizes the consideration paid for Brainium and the amounts of the assets acquired and liabilities assumed recognized at the acquisition date:

	October 12, 2022
Consideration:	
Cash consideration	\$ 73,457
Contingent consideration	1,797
Total consideration transferred	\$ 75,254
Identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	\$ 3,738
Accounts receivable	3,190
Property and equipment	4,042
Operating lease assets	4,195
Trade names (weighted-average useful life of 10 years)	1,500
Developed technology (weighted-average useful life of 5 years)	12,600
Customer relationships (weighted-average useful life of 5 years)	12,000
Other assets	740
Liabilities assumed	(7,649)
Total identifiable net assets	\$ 34,356
Goodwill	\$ 40,898

NOTE 4—RELATED-PARTY TRANSACTIONS

The following table is a summary of balance sheet assets and liabilities from related parties:

	March 31, 2023	December 31, 2022	Financial Statement Line Item
Marketing Agreement	\$ 1,000	\$ 1,000	Intangibles, net

The Company did not have any net revenue recognized from related parties during the three months ended March 31, 2023 and 2022.

The Company's expenses recognized from related parties were immaterial during the three months ended March 31, 2023 and 2022.

MGM Resorts International ("MGM")

MGM is a stockholder and MGM's Chief Commercial Officer also serves on the Company's Board of Directors. MGM owned approximately 16.6 million and 16.6 million shares of the Company's outstanding Class A common stock as of March 31, 2023 and December 31, 2022, respectively.

In April 2011, the Company entered into a joint marketing agreement with MGM (as amended, the "Marketing Agreement") in exchange for assistance with marketing campaigns and the certain rights to utilize MGM's licensed marks and licensed copyrights for the development of certain of the Company's social casino games. The initial term of the Marketing Agreement was for one year from the go-live date of the first such game in July 2012, with automatic renewal provisions based on the games achieving specified performance criteria. As further described in Note 9—*Intangible Assets and Internal-Use Software, Net*, the Marketing Agreement was recorded as an indefinite-lived intangible asset.

NOTE 5—RECEIVABLES

Receivables consist of the following:

	March 31, 2023	December 31, 2022
Trade receivables	\$ 31,883	\$ 25,020
Other receivables	1,470	1,996
Total receivables	<u>\$ 33,353</u>	<u>\$ 27,016</u>

Trade receivables generally represent amounts due to the Company from social and mobile platform operators, including Apple, Google, Amazon and Facebook. Trade receivables are recorded when the right to consideration becomes unconditional. No allowance for doubtful accounts was considered necessary as of March 31, 2023 and December 31, 2022.

Concentration of Credit Risk

As of March 31, 2023, Apple, Inc. and Google, Inc. accounted for 43.3% and 21.0% of the Company's total receivables, respectively, while as of December 31, 2022, Apple, Inc. and Google, Inc. accounted for 33.6% and 27.2% of the Company's total receivables, respectively. As of March 31, 2023 and December 31, 2022, the Company did not have any additional counterparties that exceeded 10% of the Company's net accounts receivable.

During the year ended December 31, 2021, the Company entered into agreements pursuant to which the Company acquired the rights to develop and operate Tetris®-branded mobile games. As contemplated in the agreements, the Company agreed to an \$8.0 million Advance Payment (as defined in Note 17—*Commitments and Contingencies*). If the Company and the counterparty fail to perform according to the terms of the agreements, the maximum amount of loss which the Company may incur is approximately \$7.1 million, of which \$6.2 million related to the Advance Payment is reported within the Prepaid Expenses and Other Current Assets line item on the Consolidated Balance Sheets.

NOTE 6—PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consist of the following:

	March 31, 2023	December 31, 2022
Prepaid expenses	\$ 4,995	5,148
Income tax receivable	612	1,372
Other current assets	6,631	8,443
Total other current assets	<u>\$ 12,238</u>	<u>\$ 14,963</u>

NOTE 7—FAIR VALUE MEASUREMENT

The carrying values of the Company's cash and cash equivalents, trade receivables and accounts payable approximate fair value due to their short maturities.

The following tables present the liabilities measured at fair value on a recurring basis, by input level, in the Consolidated Balance Sheets at March 31, 2023 and December 31, 2022:

	March 31, 2023			
	Level 1	Level 2	Level 3	Total
Financial liabilities:				
Public Warrants	\$ 2,772	—	—	2,772
Private Warrants	—	1,968	—	1,968
Total financial liabilities	<u>\$ 2,772</u>	<u>\$ 1,968</u>	<u>\$ —</u>	<u>\$ 4,740</u>
	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Financial liabilities:				
Public Warrants	\$ 2,153	—	—	2,153
Private Warrants	—	1,529	—	1,529
Total financial liabilities	<u>\$ 2,153</u>	<u>\$ 1,529</u>	<u>\$ —</u>	<u>\$ 3,682</u>

NOTE 8—PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following:

	March 31, 2023	December 31, 2022
Land and land improvements	\$ 1,421	1,382
Building and building improvements	3,705	3,705
Computer equipment	9,007	9,423
Leasehold improvements	11,035	10,204
Purchased software	3,483	4,471
Furniture and fixtures	3,516	3,553
Construction in progress	466	648
Total property and equipment	32,633	33,386
Less: accumulated depreciation	(15,288)	(15,854)
Total property and equipment, net	<u>\$ 17,345</u>	<u>\$ 17,532</u>

The aggregate depreciation expense for property and equipment, net is reflected in "Depreciation and amortization" in the Condensed Consolidated Statements of Operations. During the three months ended March 31, 2023 and 2022, depreciation expense was \$1.5 million and \$0.8 million, respectively. No impairment charges or material write-offs were recorded for the three months ended March 31, 2023 and 2022.

Property and equipment, net by region consists of the following:

	March 31, 2023	December 31, 2022
United States	\$ 12,464	\$ 12,331
EMEA ⁽¹⁾	3,341	3,756
All other countries	1,540	1,445
Total property and equipment, net	<u>\$ 17,345</u>	<u>\$ 17,532</u>

(1) Europe, Middle East, and Africa (“EMEA”). Amounts primarily represent leasehold improvements of local office space and computer equipment.

NOTE 9—INTANGIBLE ASSETS AND INTERNAL-USE SOFTWARE, NET

Intangible Assets

The following table provides the gross carrying value and accumulated amortization for each major class of intangible asset other than goodwill:

	March 31, 2023			December 31, 2022		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizable intangible assets:						
Licenses	\$ 25,656	\$ (10,434)	\$ 15,222	\$ 21,040	\$ (7,962)	\$ 13,078
Acquired technology	15,003	(1,580)	13,423	15,003	(830)	14,173
Customer relationships	12,000	(1,200)	10,800	12,000	(600)	11,400
Trade names	2,740	(1,315)	1,425	2,740	(1,278)	1,462
Internal-use software	152,291	(115,343)	36,948	145,798	(109,680)	36,118
	<u>207,690</u>	<u>(129,872)</u>	<u>77,818</u>	<u>196,581</u>	<u>(120,350)</u>	<u>76,231</u>
Nonamortizable intangible assets:						
Marketing Agreement with a related party	1,000	—	1,000	1,000	—	1,000
Total intangible assets	<u>\$ 208,690</u>	<u>\$ (129,872)</u>	<u>\$ 78,818</u>	<u>\$ 197,581</u>	<u>\$ (120,350)</u>	<u>\$ 77,231</u>

During the three months ended March 31, 2023 and 2022, the Company capitalized internal-use software development costs of \$5.5 million and \$6.6 million.

During the three months ended March 31, 2023 and 2022, intangible asset and internal-use software amortization was \$9.5 million and \$7.6 million, respectively. The aggregate amortization expense for amortizable intangible assets and internal-use software is reflected in “Depreciation and amortization” in the Consolidated Statements of Operations.

There were no impairment charges for intangible assets or internal-use software for the three months ended March 31, 2023. During the three months ended March 31, 2022, the Company adopted a plan to suspend the further development of Kingdom Boss, resulting in a change in the useful life of the assets associated with Kingdom Boss. The Company recorded an \$8.4 million non-cash impairment charge during the first quarter of 2022 within “Restructuring and related” in the Condensed Consolidated Statement of Operations.

As of March 31, 2023, the estimated annual amortization expense is as follows:

Year Ending December 31,	Projected Amortization Expense
Remaining 2023	\$ 27,263
2024	27,514
2025	12,041
2026	6,167
2027	4,120
Thereafter	713
Total	\$ 77,818

NOTE 10—GOODWILL

Goodwill

The following table provides the changes in the carrying amount of goodwill for the three months ended March 31, 2023 and December 31, 2022:

	Goodwill, Gross	Accumulated Impairment	Goodwill, Net
Balance as of December 31, 2022	47,133	—	47,133
Additions from acquisitions	—	—	—
Measurement period adjustments	—	—	—
Balance as of March 31, 2023	\$ 47,133	\$ —	\$ 47,133

NOTE 11—WARRANT LIABILITIES

Public Warrants and Private Warrants

Upon the closing of the Acies Merger, there were approximately 7.2 million publicly-traded redeemable warrants to purchase shares of Class A common stock (the "Public Warrants") and 3.8 million redeemable warrants to purchase shares of Class A common stock initially issued to Acies Acquisition, LLC (the "Sponsor") in a private placement (the "Private Warrants") by Acies. Each whole Public Warrant entitles the registered holder to purchase one whole share of the Company's Class A common stock at a price of \$11.50 in cash per share, subject to adjustment as discussed below, as of October 27, 2021. Pursuant to the Warrant Agreement, a holder of Public Warrants may exercise the Public Warrants only for a whole number of shares of Class A common stock. The Public Warrants will expire 5 years after the completion of the Acies Merger, or earlier upon redemption or liquidation. The Private Warrants are identical to the Public Warrants, except that the Private Warrants and the shares of Class A common stock issuable upon exercise of the Private Warrants were not transferable until after the completion of the Acies Merger, subject to certain limited exceptions. Additionally, the Private Warrants are non-redeemable so long as they are held by the initial holder or any of its permitted transferees. If the Private Warrants are held by someone other than the initial holder or its permitted transferees, the Private Warrants will be redeemable by the Company and exercisable by such holders on the same basis as the Public Warrants. The Private Warrants may be exercised on a cashless basis so long as held by the Sponsor or certain permitted transferees.

The Company may redeem the outstanding Public Warrants in whole, but not in part, at a price of \$0.01 per Public Warrant upon a minimum of 30 days' prior written notice of redemption, if and only if the last sale price of the Company's Class A common stock equals or exceeds \$18.00 per share for any 20-trading days within a 30-trading day period ending three business days before the Company sends the notice of redemption to the holders of the Public Warrants. If the Company calls the Public Warrants for redemption, management will have the option to require all holders that wish to exercise the Public Warrants to do so on a cashless basis. In no event will the Company be required to net cash settle the exercise of Public Warrants.

On April 1, 2022, the Company commenced (i) an offer to each holder of its outstanding Public Warrants and Private Warrants (collectively, the "Warrants") the opportunity to receive \$1.00 in cash, without interest, for each outstanding Warrant tendered by the holder pursuant to the offer (the "Offer to Purchase"), and (ii) the solicitation of consents (the "Consent Solicitation") from holders of the outstanding Warrants to amend the Warrant Agreement, dated as of October 22,

2020, by and between the Company (formerly Acies Acquisition Corp.) and Continental Stock Transfer & Trust Company, which governs all of the Warrants (the "Warrant Amendment") (collectively the "Tender Offer").

The Tender Offer expired midnight, Eastern Time, at the end of the day on May 13, 2022 (the "Expiration Date"), in accordance with its terms. Broadridge Corporate Issuer Solutions, Inc., the depository for the Tender Offer, indicated that as of the Expiration Date, (i) 1,792,463 outstanding Public Warrants, or approximately 25% of the outstanding Public Warrants were validly tendered in and not withdrawn from the Offer to Purchase, and (ii) none of the outstanding Private Warrants were validly tendered in and not withdrawn from the Offer to Purchase. The Warrant Amendment was not approved.

The Company paid \$1.8 million for all Public Warrants tendered by the holders pursuant to the Offer to Purchase and \$1.1 million of fees, expenses, and other related amounts incurred in connection with the Tender Offer.

At March 31, 2023, there were approximately 5.4 million Public Warrants and 3.8 million Private Warrants outstanding. Refer to Note 7—*Fair Value Measurements* for further information.

NOTE 12—ACCRUED LIABILITIES

Accrued liabilities consist of the following:

	March 31, 2023	December 31, 2022
Accrued payroll and vacation	9,402	9,666
Accrued user acquisition	2,559	4,183
Income taxes payable	2,071	702
Accrued royalties	29	1,484
Minimum guarantee liability	4,320	1,500
Other accruals	4,560	3,938
Total accrued liabilities	<u>\$ 22,941</u>	<u>\$ 21,473</u>

NOTE 13—LEASES

The Company's operating leases primarily consist of real estate leases such as offices. During the quarter ended March 31, 2023, operating lease expense was \$3.3 million. The Company does not have any finance leases. Total variable and short-term lease payments were immaterial for all periods presented.

Supplemental balance sheet information related to operating leases are as follows:

	March 31, 2023	December 31, 2022
Operating lease right-of-use assets, net	\$ 14,395	\$ 15,562
Operating lease liabilities, current	4,506	4,571
Operating lease liabilities, noncurrent	10,574	11,660
Operating lease liabilities, total	<u>\$ 15,080</u>	<u>\$ 16,231</u>
Weighted average remaining lease term, years	3.8	4.0
Weighted average discount rate	3.3 %	3.3 %

Operating lease liability maturities:

Year ending December 31,	Operating Leases	
Remaining 2023	\$	3,818
2024		4,760
2025		2,916
2026		2,542
2027		1,752
Thereafter		382
Total undiscounted cash flows	\$	16,170
Less: imputed interest	\$	(1,090)
Lease liabilities, total	\$	15,080

As of March 31, 2023, the Company did not have material additional operating leases that have not yet commenced.

NOTE 14—LONG-TERM DEBT***Credit Agreement***

On June 24, 2021, in connection with the closing of the Acies Merger, the Company terminated and replaced its previous credit facility. The Company, a subsidiary of the Company, JPMorgan Chase Bank, N.A., as administrative agent and JPMorgan Chase Bank, N.A., Silicon Valley Bank and Wells Fargo Securities, LLC, as joint bookrunners and joint lead arrangers entered into a credit agreement (the "Credit Agreement") which provides for a five-year revolving credit facility in an aggregate principal amount of \$75.0 million. Borrowings under the Credit Agreement may be borrowed, repaid and re-borrowed by the Company, and are available for working capital, general corporate purposes and permitted acquisitions.

Commitment fees and interest rates are determined on the basis of either a Eurodollar rate or an Alternate Base Rate plus an applicable margin. The applicable margins are initially 2.50%, in the case of Eurodollar loans, and 1.50%, in the case of Alternate Base Rate loans. The applicable margin is subject to adjustment based upon the Company's Total Net Leverage Ratio (as defined in the Credit Agreement). Eurodollar rates and the Alternate Base Rate are subject to floors of 0.00% and 1.00%, respectively. The Credit Agreement contains various affirmative and negative financial and operational covenants applicable to the Company and its subsidiaries.

The Credit Agreement includes customary reporting requirements, conditions precedent to borrowing and affirmative, negative and financial covenants. Specific financial covenants include the following, commencing with the quarter ended September 30, 2021:

- Total Net Leverage Ratio of 3.50:1.00 (subject to increase to 4.00:1.00 following consummation of certain material acquisitions)
- Fixed Charge Coverage Ratio of 1.25:1.00.

On May 13, 2022, the Company entered into the Amendment No. 1 to the Credit Agreement, which amended the Credit Agreement to, among other things, exclude from the definition of Fixed Charge Coverage Ratio certain funds, up to \$15.0 million, expended or to be expended by the Company in connection with the Tender Offer.

On August 9, 2022, the Company entered into the Amendment No. 2 to the Credit Agreement, which further amended the Credit Agreement (as amended by Amendment No. 1 to the Credit Agreement) to, among other things, (i) increase the total current available line of credit from \$75.0 million to \$81.0 million, (ii) change the basis for calculation of interest under the facility from LIBOR to SOFR, and (iii) exclude from the calculation of the Fixed Charge Coverage Ratio (A) up to \$6.0 million for the acquisition of, and improvements to, the real property located at 10150 Covington Cross Drive, Las Vegas, Nevada 89144 incurred on or prior to the first anniversary of the effective date of Amendment No. 2 to the Credit Agreement, and (B) up to \$20.0 million for the redemption or repurchase of up to 11.0 million warrants to purchase shares of Class A common stock of the Company, and shares of Class A common stock of the Company, on or before December 31, 2023, of which as of the date of Amendment No. 2 to the Credit Agreement the Company had used \$1.8 million to redeem outstanding warrants to purchase Class A common stock in connection with the Tender Offer.

The Company capitalized a total of \$0.7 million in debt issuance costs related to the Credit Agreement and subsequent amendments. As of March 31, 2023, the Company does not have any balances outstanding under the Credit Agreement.

NOTE 15—REVENUE FROM CONTRACTS WITH CUSTOMERS**Disaggregation of Revenue**

The following table summarizes the Company's revenue disaggregated by type, and by over time or point in time recognition:

	Three Months Ended March 31,	
	2023	2022
Virtual currency (over time) ⁽¹⁾	\$ 64,385	\$ 65,935
Advertising (point in time)	13,085	4,075
Other revenue (point in time or over time)	2,653	441
Total net revenue	<u>\$ 80,123</u>	<u>\$ 70,451</u>

(1) Virtual currency is recognized over the estimated consumption period.

The following table summarizes the Company's revenue disaggregated by geography:

	Three Months Ended March 31,	
	2023	2022
United States	\$ 69,557	\$ 62,103
All other countries	10,566	8,348
Total net revenue	<u>\$ 80,123</u>	<u>\$ 70,451</u>

Contract Balances

Contract assets represent the Company's ability to bill customers for performance obligations completed under a contract. As of March 31, 2023 and December 31, 2022, there were no contract assets recorded in the Company's consolidated balance sheet. The deferred revenue balance related to the purchase of virtual currency was immaterial as of March 31, 2023 and December 31, 2022. The opening and closing balance of trade receivables is further described in Note 5—*Receivables*.

NOTE 16—INCOME TAXES

The Company recorded an income tax expense of \$0.3 million and \$7.8 million for the three months ended March 31, 2023 and 2022, respectively. Our effective tax rate was (11.3)% for the three months ended March 31, 2023 compared to (45.1)% for the three months ended March 31, 2022. The effective rate of (11.3)% differs from the federal statutory rate of 21% primarily due to nondeductible stock compensation, the recognition of additional state tax liabilities due to an updated nexus study, the fair value adjustment to the warrant liability, and the effect of additional foreign taxes paid related to a settlement with the Israel Tax Authority.

NOTE 17—COMMITMENTS AND CONTINGENCIES**Minimum Guarantee Liability**

The following are the Company's total minimum guaranteed obligations as of:

	March 31, 2023	December 31, 2022
Minimum guarantee liability-current	\$ 4,320	\$ 1,500
Minimum guarantee liability-noncurrent	1,500	1,500
Total minimum guarantee obligations	<u>\$ 5,820</u>	<u>\$ 3,000</u>
Weighted-average remaining contractual term (in years)	<u>1.8</u>	<u>2.0</u>

The following are the Company's remaining expected future payments of minimum guarantee obligations as of March 31, 2023:

Year Ending December 31,	Minimum Guarantee Obligations
Remaining 2023	\$ 4,320
2024	1,500
2025	—
2026	—
2027	—
Total	<u>\$ 5,820</u>

N3TWORK, Inc.

On November 22, 2021, the Company entered into agreements with N3TWORK Inc. and The Tetris Company, LLC pursuant to which the Company acquired the rights to develop and operate Tetris®-branded mobile games for an initial term through August 2024. The Company paid N3TWORK Inc. \$13.0 million at closing and agreed to pay up to an additional \$34.0 million subject to satisfaction of certain conditions (the "Contingent Payments"). As of March 31, 2023, the Company advanced \$0 million of the Contingent Payments (the "Advance Payment"). \$1.8 million of the Advance Payment was considered earned as of March 31, 2023, which is included within "Prepaid expenses and other current assets" within the Condensed Consolidated Balance Sheets.

Other

The Company is party to ordinary and routine litigation incidental to its business. On a case-by-case basis, the Company engages inside and outside counsel to assess the probability of potential liability resulting from such litigation. After making such assessments, the Company makes an accrual for the estimated loss only when the loss is reasonably probable and an amount can be reasonably estimated. The Company does not expect the outcome of any pending litigation to have a material effect on the Company's Condensed Consolidated Balance Sheets, Condensed Consolidated Statements of Operations, or Condensed Consolidated Statements of Cash Flows.

In May 2021, the Company became party to a litigation matter brought by TeamSava d.o.o. Beograd ("TeamSava") and other related parties. The plaintiffs filed a Statement of Claim in May 2021 in Tel Aviv District Court in Israel, alleging claims, among other things, that the Company breached the terms of a commercial contract relating to services provided by TeamSava and related parties in connection with the sourcing and administrative management of personnel in Serbia who provided game development services exclusively for the Company. The pending litigation seeks damages of 27.3 million New Israeli Shekels ("NIS"). The Company believes that the claims are without merit and the Company intends to vigorously defend against them; however, there can be no assurance that the Company will be successful in the defense of this litigation. The Company's range of possible loss could be up to 27.3 million NIS based on the claim amount of the litigation, but the Company is not able to reasonably estimate the probability or amount of loss and therefore has not made any accruals.

On April 6, 2022, a class action lawsuit was filed in the United States District Court, Northern District of California, by a purported Company shareholder in connection with alleged federal securities law violations: Christian A. Felipe et. al. v. PLAYSTUDIOS, Inc. (the "Felipe Complaint"). On July 15, 2022, the Felipe Complaint was transferred to the United States District Court for the District of Nevada, Southern Division. On October 4, 2022, the plaintiffs filed an amendment to the Felipe Complaint. The Felipe Complaint names the Company, several current and former board members of the Company, board members and officers of Acies Acquisition Corp., and Andrew Pascal, the Company's Chairman and CEO, as defendants. The Felipe Complaint alleges misrepresentations and omissions regarding the state of the Company's development of the Kingdom Boss game and its financial projections and future prospects in the S-4 Registration Statement filed by Acies that was declared effective on May 25, 2021, the Proxy Statement filed by Acies on May 25, 2021, and other public statements that touted Old PLAYSTUDIOS' and the Company's financial performance and operations, including statements made on earnings calls and the Amended S-1 Registration Statement filed by the Company that was declared effective on July 30, 2021. The Felipe Complaint alleges that the misrepresentations and omissions resulted in stock price drops of 13% on August 12, 2021, and 5% on February 25, 2022, following (i) the Company's release of financial results for the second quarter of 2021, ended on June 30, 2021, and (ii) the filing of the Company's Annual Report on Form 10-K for the year ended December 31, 2021 and issuance of a press release summarizing financial results for the fourth quarter and year ended December 31, 2021, respectively. The Felipe Complaint seeks an award of damages for an unspecified amount. The Company believes that the claims are without merit and the Company intends to vigorously defend against them; however,

there can be no assurance that the Company will be successful in the defense of this litigation. The Company is not able to reasonably estimate the probability or amount of loss and therefore has not made any accruals.

On February 28, 2023, the Company initiated an internal reorganization plan which is intended to enhance efficiency and reduce operating expenses. The reorganization plan includes a reduction of the Company's current total global workforce by approximately 14 percent. The Company expects to substantially complete the personnel reduction by the end of the second quarter of fiscal year 2023, but the timing of certain reductions will vary based on job function and location, including local legal requirements.

The Company incurred \$2.5 million of costs related to the internal reorganization plan and estimates that it will incur approximately \$0 million in total charges in connection with the plan. These charges primarily relate to employee transition, severance payments, employee benefits, stock-based compensation, and lease termination costs which is included within "Restructuring and related" within the Condensed Consolidated Statements of Operations.

The estimates of the charges and expenditures that the Company expects to incur in connection with the reorganization plan, and the timing thereof, are subject to a number of assumptions, including local law requirements in various jurisdictions, and actual amounts may differ materially from estimates. In addition, the Company may incur other charges or cash expenditures not currently contemplated due to unanticipated events that may occur, including charges in connection with the implementation of the reorganization plan.

For the three months ended March 31, 2023, changes in liabilities resulting from the severance charges and related accruals were as follows:

	Severance and Related
Balance as of December 31, 2022	\$ —
Charges	\$ 2,475
Payments	\$ (620)
Balance as of March 31, 2023	\$ 1,854

NOTE 18—STOCKHOLDERS' EQUITY

Common Stock

Subject to the prior rights of the holders of any preferred stock, the holders of common stock are entitled to receive dividends out of the funds legally available at the times and in the amounts determined by the Company's Board of Directors. Each holder of Class A common stock is entitled to one vote for each share of Class A common stock held and each holder of Class B common stock is entitled to twenty votes for each share of Class B common stock held. After the full preferential amounts due to preferred stockholders have been paid or set aside, the remaining assets of the Company available for distribution to its stockholders, if any, are distributed to the holders of common stock ratably in proportion to the number of shares of common stock then held by each such holder. None of the Company's common stock is entitled to preemptive rights or subject to redemption. With the exception of the conversion of the Class B common stock into Class A common stock as described below, the Company's common stock is not convertible into any other shares of the Company's capital stock.

The shares of Class B common stock are subject to a "sunset" provision if any member of the Founder Group transfers shares of Class B common stock outside the Founder Group (except for certain permitted transfers). In the event of such non-permitted transfers, any share transferred will automatically convert into shares of Class A common stock. In addition, the outstanding shares of Class B common stock will be subject to a "sunset" provision by which all outstanding shares of Class B common stock will automatically convert into shares of Class A common stock (i) if holders representing a majority of the Class B common stock vote to convert the Class B common stock into Class A common stock, (ii) if the Founder Group and its permitted transferees collectively no longer beneficially own at least 20% of the number of shares of Class B common stock collectively held by the Founder Group as of the closing of the Acies Merger, or (iii) on the nine-month anniversary of the Founder's death or disability, unless such date is extended by a majority of independent directors of the Company.

Accumulated Other Comprehensive Loss

The following tables shows a summary of changes in accumulated other comprehensive income (loss):

	Currency Translation Adjustment	Total Accumulated Other Comprehensive Loss
Balance as of December 31, 2022	\$ (151)	\$ (151)
Foreign currency translation	57	57
Balance as of March 31, 2023	<u>\$ (94)</u>	<u>\$ (94)</u>

	Currency Translation Adjustment	Total Accumulated Other Comprehensive Income (Loss)
Balance as of December 31, 2021	\$ 393	\$ 393
Foreign currency translation	(6)	(6)
Balance as of March 31, 2022	<u>\$ 387</u>	<u>\$ 387</u>

Stock Repurchase Program

On November 10, 2021, the Company's Board of Directors approved a stock repurchase program authorizing the Company to purchase up to \$0.0 million of the Company's Class A common stock over a period of 12 months. On November 2, 2022, the Company's Board of Directors extended such period for an additional 12 months until November 10, 2023. Subject to applicable rules and regulations, the shares may be purchased from time to time in the open market or in privately negotiated transactions. Such purchases will be at times and in amounts as the Company deems appropriate, based on factors such as market conditions, legal requirements and other business considerations.

As of March 31, 2023, the Company has acquired 2.4 million shares of its Class A common stock under this program at an aggregate value of \$0.0 million and an average of \$4.13 per share. Repurchased shares were held in treasury. The remaining availability under the November 2022 \$0.0 million stock repurchase program was \$0.0 million as of March 31, 2023.

From April 1, 2023 through May 8, 2023, the Company acquired 1.3 million shares of its Class A common stock under this program at an aggregate value of \$0.7 million and an average of \$4.24 per share. Repurchased shares were held in treasury.

NOTE 19—STOCK-BASED COMPENSATION

The following table summarizes stock-based compensation expense for the periods shown:

	Three Months Ended March 31,	
	2023	2022
Selling and marketing	\$ 184	\$ 319
General and administrative	2,458	3,149
Research and development	2,211	3,400
Stock-based compensation expense	<u>\$ 4,853</u>	<u>\$ 6,868</u>
Capitalized stock-based compensation	<u>\$ 556</u>	<u>\$ 1,101</u>

As of March 31, 2023, there was approximately \$1.5 million and \$45.2 million in unrecognized stock-based compensation expense related to stock options and restricted stock units that are expected to be recognized over a weighted-average expected vesting period of 1.0 year and 2.9 years, respectively. The Company granted 2.8 million restricted stock units during the three months ended March 31, 2023.

NOTE 20—NET LOSS PER SHARE

The following table sets forth the computation of basic and diluted net loss attributable to Class A and Class B common stockholders per share (in thousands except per share data):

	Three Months Ended March 31, 2023		Three Months Ended March 31, 2022	
	Class A	Class B	Class A	Class B
Numerator				
Net loss attributable to common stockholders – basic	\$ (2,250)	\$ (320)	\$ (21,992)	\$ (3,220)
Potential dilutive effect of derivative instruments	—	—	—	—
Net loss attributable to common stockholders – diluted	\$ (2,250)	\$ (320)	\$ (21,992)	\$ (3,220)
Denominator				
Weighted average shares of common stock outstanding - basic	115,673	16,458	110,207	16,130
Potential dilutive effect of derivative instruments	—	—	—	—
Weighted average shares of common stock outstanding - diluted	115,673	16,458	110,207	16,130
Net loss attributable to common stockholders per share				
Basic	\$ (0.02)	\$ (0.02)	\$ (0.20)	\$ (0.20)
Diluted	\$ (0.02)	\$ (0.02)	\$ (0.20)	\$ (0.20)

For the periods presented above, the net loss per share amounts are the same for Class A and Class B common stock because the holders of each class are entitled to equal per share dividends or distributions in liquidation in accordance with the Certificate of Incorporation. The undistributed losses for each period are allocated based on the contractual participation rights of the Class A and Class B common stock as if the losses for the period had been distributed. As the liquidation and dividend rights are identical, the undistributed losses are allocated on a proportionate basis.

The following equity awards outstanding at the end of each period presented have been excluded from the computation of diluted net loss per share of common stock for the periods presented due to their anti-dilutive effect:

	Three Months Ended March 31,	
	2023	2022
Stock options	7,617	14,486
Restricted stock units	13,357	7,690
Public Warrants	5,382	7,175
Private Warrants	3,822	3,821
Earnout Shares	15,000	15,000
	45,178	48,172

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

The following discussion and analysis provides information which our management believes is relevant to an assessment and understanding of our condensed consolidated results of operations and financial condition. The discussion and analysis should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto contained in this Quarterly Report on Form 10-Q. This discussion contains forward-looking statements and involves numerous risks and uncertainties, including, but not limited to, those described in the “Risk Factors” section of this Quarterly Report on Form 10-Q. Actual results may differ materially from those contained in any forward-looking statements. Unless the context otherwise requires, references to “we”, “us”, “our”, and “the Company” are intended to mean the business and operations of PLAYSTUDIOS, Inc. and its consolidated subsidiaries.

Our actual results and the timing of certain events may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such a discrepancy include, but are not limited to, those discussed elsewhere in this Quarterly Report on Form 10-Q, particularly in the section titled “Risk Factors” set forth in Part II, Item 1A of this Quarterly Report on Form 10-Q. All forward-looking statements in this report are based on information available to us as of the date hereof, and we assume no obligation to update any such forward-looking statements to reflect future events or circumstances, except as required by law.

Overview

We are a developer and publisher of free-to-play casual games for mobile and social platforms each of which incorporate our unique playAWARDS loyalty program. Over our eleven-year history, we developed a portfolio of free-to-play social casino games that are considered to be among the most innovative and unique in the genre. They include the award-winning *POP! Slots*, *myVEGAS Slots*, *my KONAMI Slots*, *myVEGAS Blackjack*, *myVEGAS Bingo*, *Tetris®*, *Solitaire*, *Spider Solitaire*, *Sudoku*, and *Mahjong*. Our games are based on original content, real-world slot game content, as well as third-party licensed brands and are downloadable and playable for free on multiple social and mobile-based platforms, including the Apple App Store, Google Play Store, Amazon Appstore, and Facebook.

Each of our games is powered by our proprietary *playAWARDS* program and incorporates loyalty points that are earned by players as they engage with our games. These loyalty points enable our players to earn real-world rewards from a portfolio of entertainment, retail, technology, travel, leisure, and gaming brands across the globe. The rewards are provided by our collection of awards partners, the majority of whom provide their rewards at no cost to us, in exchange for product integration, marketing support, and participation in our loyalty program. The program is enabled by our *playAWARDS* platform which consists of a robust suite of tools that enable our awards partners to manage their rewards in real time, measure the value of our players’ engagement, and gain insight into the effectiveness and value they derive from the program. Through our self-service platform, awards partners can launch new rewards, make changes to existing offers, and in real time see how players are engaging with their brands. The platform tools also provide awards partners the ability to measure the off-line value our players generate as consumers and patrons of their real-world establishments.

Our *playAWARDS* platform embodies all of the features, tools, and capabilities needed to deliver loyalty programs tailored for the games industry. Our consumer-facing brand for our loyalty program is *myVIP*. The *myVIP* program is an aspirational benefits framework, with in-game mechanics and rewards features, along with a player development and hosting program. The program dynamically ranks and assigns players to tiers based on their accumulation of tier points, which are a proxy for their overall engagement with our games. The tier points are separate from and are not interchangeable with the loyalty points earned in the *playAWARDS* program. Qualified players are provided access to enhanced benefits that increase with each tier. Higher tiers provide access to a VIP player portal whereby players can view and purchase special chip bundles, redeem loyalty points for a curated set of rewards, and communicate directly with a dedicated personal host. The VIP player portal, concierge, and host programs enhance the in-game and real-world reward experience with both in-game and in-person, invitation-only special events. We believe that the *myVIP* program drives increased player engagement and retention, and therefore extends each game’s life-cycle and revenue potential.

We primarily generate our revenue from the sale of virtual currency, which players can choose to purchase at any time to enhance their playing experience. Once purchased, our virtual currency cannot be withdrawn from the game, transferred from one game to another or from one player to another, or be redeemed for monetary value. Players who install our games receive free virtual currency upon the initial launch of the game, and they may also collect virtual currency free of charge at periodic intervals or through targeted marketing promotions. Players may exhaust the free virtual currency and may choose to purchase additional virtual currency. Additionally, players can send free “gifts” of virtual currency to their friends on Facebook. Our revenue from virtual currency has been generated world-wide, but is largely concentrated in North America.

We also generate revenue from in-game advertising. Advertisements can be in the form of an impression, click-throughs, banner ads, or offers, where players are rewarded with virtual currency or loyalty points for watching a short video.

Impact of COVID-19

The COVID-19 pandemic and related containment and mitigation efforts, including social distancing, shelter-in-place, quarantine, and similar policies, practices, and governmental orders, have resulted in widespread disruption in global economies, productivity, and financial markets and have materially altered our day-to-day business operations. We have followed guidance by the U.S., Israel, Hong Kong, and other applicable foreign and local governments to protect our employees and operations during the pandemic. We cannot predict potential future impacts of the COVID-19 pandemic or other future health epidemics or contagious disease outbreaks on our business or operations, but we will continue to actively monitor the related issues and may take further precautionary actions that alter our business operations, including as may be required by federal, state, local, or foreign authorities or that we determine are in the best interests of our employees, players, partners, and stockholders.

In addition to the potential direct impacts to our business, the global economy has been, and is likely to continue to be, significantly weakened as a result of the actions taken in response to the COVID-19 pandemic, and future government intervention remains uncertain. A weakened global economy may impact our players and their purchasing decisions within our games, in particular as a result of the limitations associated with redeeming real-world rewards due to government-mandated or other restrictions on travel and other activities and limitations on our players' discretionary spending, consumer activity during the pandemic and its impact on advertising investments, and the ability of our business partners, including our awards partners, to navigate this complex social, health, and economic environment, any of which could result in disruption to our business and results of our operations.

The duration and extent of the impact from the COVID-19 pandemic depends on future developments that cannot accurately be predicted at this time, such as the severity and transmission rate of the virus, the existence of any additional waves of the COVID-19 pandemic and variants thereof, the extent and effectiveness of containment actions, progress towards widespread rapid testing, effective treatment alternatives, and the success and timing of vaccination efforts, and the impact of these and other factors on our employees, players, and business partners. We have observed labor shortages, increasing competition for talent, and increasing employee attrition. If we are not able to respond to and manage the impact of such events effectively, our business may be harmed.

See "Risk Factors" for more information related to the COVID-19 pandemic.

Key Factors Affecting Our Performance

There are a number of factors that affect the performance of our business, and the comparability of our results from period to period, including:

- *Third-Party Platform Agreements*—Historically we derived substantially all of our revenue from in-game purchases of virtual currency that are processed by platform providers such as the Apple App Store, Google Store, Amazon Appstore, and on Facebook. The platform providers charge us a transaction fee to process payments from our players for their purchase of in-game virtual currency. These platform fees are generally set at 30% of the in-game purchase. Each platform provider has broad discretion to set its platform fees and to change and interpret its terms of service and other policies with respect to us and other developers in its sole discretion, and those changes may be unfavorable to us.
- *Player Acquisition*—Establishing and maintaining a loyal network of players and paying players is vital for our success. As such, we spend a significant amount on advertising and other forms of player acquisition, such as traditional marketing and advertising, email and push notifications, and cross promoting between our games in order to grow our player base. These expenditures are generally related to new content launches, game enhancements, and ongoing programs to drive new player acquisition and the reactivation of lapsed player engagement. Our player acquisition strategy is centered on a payback period methodology, and we strive to optimize spend between the acquisition of new players and the reactivation of inactive players.
- *Player Monetization*—Our revenue to date has been primarily driven through the sale of virtual currency. Paying players purchase virtual currency in our games because of the perceived value, which is dependent on the relative ease of obtaining equivalent virtual currency by simply playing our game. The perceived value of our virtual currency can be impacted by various actions that we take in our games including offering discounts for virtual currency or giving away virtual currency in promotions. Managing game economies is difficult and relies on our assumptions and judgment. If we fail to manage our virtual economies properly or fail to promptly and successfully respond to any such disruption, our

reputation may suffer and our players may be less likely to play our games and to purchase virtual currency from us in the future, which would cause our business, financial condition, and results of operations to suffer.

- *Investment in Game Development*—In order to maintain interest from existing players and add new players and achieve our desired revenue growth, we must continually improve the content, offers, and features in our existing games and the release of new games. As a result, we invest a significant amount of our technological and creative resources to ensure that we support an appropriate cadence of innovative content that our players will find appealing. These expenditures generally occur in advance of the release of new content or the launch of a new game, and the resulting revenue may not exceed the development costs, or the game or feature may be abandoned in its entirety.
- *Investment in our playAWARDS and myVIP programs*—In order to drive player engagement and retention we invest a significant amount of resources to enhance the playAWARDS and myVIP programs. We continually evaluate these programs through an iterative feedback process with our players and awards partners and update them so that both our players and awards partners are able to optimize their personalized experience. As a result, we continuously incur expenses to enhance and update these programs. However, the results may not generate revenue and the enhancements may require additional significant modifications or be abandoned in their entirety.
- *Real-World Rewards*—We currently offer real-world rewards relating to, among other things, dining, live entertainment shows, and hotel rooms, and we plan to continue to expand and diversify our rewards loyalty program in order to maintain and enhance the perceived value offering to our players. Our players' willingness to make in-game purchases is directly impacted by our ability to provide desirable rewards. The real-world rewards we offer to our players are provided at no cost to us by our awards partners, and there is no obligation for us to pay or otherwise compensate either our awards partners or players for any player redemptions under our awards partner agreements.

Key Performance Indicators

We manage our business by regularly reviewing several key operating metrics to track historical performance, identify trends in player activity, and set strategic goals for the future. Our key performance metrics are impacted by several factors that could cause them to fluctuate on a quarterly basis, such as platform providers' policies, seasonality, player connectivity, and the addition of new content to games. We believe these measures are useful to investors for the same reasons. In addition, we also present certain non-GAAP performance measures. These performance measures are presented as supplemental disclosure and should not be considered superior to or as a substitute for the consolidated financial statements prepared under U.S. GAAP. The non-GAAP measures presented in this Quarterly Report on Form 10-Q should be read together with the unaudited condensed consolidated financial statements and the respective related notes thereto included elsewhere in this Quarterly Report on Form 10-Q. The key performance indicators and non-GAAP measures presented in this Quarterly Report on Form 10-Q may differ from similarly titled measures presented by other companies and are not a substitute for financial statements prepared in accordance with U.S. GAAP.

Key Performance Indicators

Daily Active Users ("DAU")

Daily Active Users ("DAU") is defined as the number of individuals who played a game on a particular day. We track DAU by the player ID, which is assigned for each game installed by an individual. As such, an individual who plays two different PLAYSTUDIOS games on the same day is counted as two DAU while an individual who plays the same PLAYSTUDIOS game on two different devices is counted as one DAU. Brainium tracks DAU by app instance ID, which is assigned to each installation of a game on a particular device. As such, an individual who plays two different Brainium games on the same day is counted as two DAU and an individual who plays the same Brainium game on two different devices is also counted as two DAU. The term "Average DAU" is defined as the average of the DAU, determined as described above, for each day during the period presented. We use DAU and Average DAU as measures of audience engagement to help us understand the size of the active player base engaged with our games on a daily basis.

Monthly Active Users ("MAU")

Monthly Active Users ("MAU") is defined as the number of individuals who played a game in a particular month. As with DAU, an individual who plays two different PLAYSTUDIOS games in the same month is counted as two MAU while an individual who plays the same game on two different devices is counted as one MAU, and an individual who plays two different Brainium games on the same day is counted as two MAU and an individual who plays the same Brainium game on two different devices is also counted as two MAU. The term "Average MAU" is defined as the average of the MAU,

determined as described above, for each calendar month during the period presented. We use MAU and Average MAU as measures of audience engagement to help us understand the size of the active player base engaged with our games on a monthly basis.

Daily Paying Users ("DPU")

Daily Paying Users ("DPU") is defined as the number of individuals who made a purchase in a game during a particular day. As with DAU and MAU, we track DPU based on account activity. As such, an individual who makes a purchase in two different games in a particular day is counted as two DPU while an individual who makes purchases in the same game on two different devices is counted as one DPU. The term "Average DPU" is defined as the average of the DPU, determined as described above, for each day during the period presented. We use DPU and Average DPU to help us understand the size of our active player base that makes in-game purchases. This focus directs our strategic goals in setting player acquisition and pricing strategy.

Daily Payer Conversion

Daily Payer Conversion is defined as DPU as a percentage of DAU on a particular day. Daily Payer Conversion is also sometimes referred to as "Percentage of Paying Users" or "PPU". The term "Average Daily Payer Conversion" is defined as the Average DPU divided by Average DAU for a given period. We use Daily Payer Conversion and Average Daily Payer Conversion to help us understand the monetization of our active players.

Average Daily Revenue Per DAU ("ARPDPU")

Average Revenue Per DAU ("ARPDPU") is defined for a given period as the average daily revenue per Average DAU, and is calculated as game and advertising revenue for the period, divided by the number of days in the period, divided by the Average DAU during the period. We use ARPDPU as a measure of overall monetization of our players.

Results of Operations

Summarized Consolidated Results of Operations

The following table summarizes our consolidated results of operations for the three months ended March 31, 2023 and 2022 (in thousands, except percentages):

	Three Months Ended March 31,		\$ Change	% Change
	2023	2022		
Net revenue	\$ 80,123	\$ 70,451	\$ 9,672	13.7 %
Operating expenses	82,330	85,294	(2,964)	(3.5)%
Operating loss	(2,207)	(14,843)	12,636	(85.1)%
Net loss	(2,570)	(25,212)	22,642	(89.8)%
Net loss margin	(3.2)%	(35.8)%	32.6	(91.1)%

Revenue and Key Performance Indicators (in thousands, except percentages and ARPDAU)

	Three Months Ended March 31,		Change	% Change
	2023	2022		
Virtual currency	\$ 64,385	\$ 65,935	\$ (1,550)	(2.4)%
Advertising	13,085	4,075	9,010	221.1%
Other revenue	2,653	441	2,212	501.6%
Net revenue	<u>\$ 80,123</u>	<u>\$ 70,451</u>	\$ 9,672	13.7%
Average DAU	3,565	1,555	2,010	129.3%
Average MAU	13,082	6,913	6,169	89.2%
Average DPU	28	31	(3)	(9.7)%
Average Daily Payer Conversion	0.8%	2.0%	(1.2)pp	(60.0)%
ARPDAU (in dollars)	\$ 0.24	\$ 0.50	\$ (0.26)	(52.0)%

pp = percentage points

Revenue information by geography is summarized as follows (in thousands, except percentages):

	Three Months Ended March 31,		Change	% Change
	2023	2022		
United States	\$ 69,557	\$ 62,103	\$ 7,454	12.0%
North America (excluding United States)	10,566	3,691	6,875	186.3%
Other	—	4,657	(4,657)	(100.0)%
Net revenue	<u>\$ 80,123</u>	<u>\$ 70,451</u>	\$ 9,672	13.7%

Net revenue increased \$9.7 million to \$80.1 million during the three months ended March 31, 2023 compared to \$70.5 million during the three months ended March 31, 2022. The increase was primarily driven by increases of \$9.0 million in advertising revenue and \$2.2 million in other revenue. The increase in advertising revenue was primarily driven by an increase in impression count and focus on providing more opportunities for our players to engage with advertisements, including the addition of the Tetris®-branded mobile game to our games portfolio and the acquisition of the Brainium portfolio of casual games. Virtual currency revenue decreased \$1.6 million to \$64.4 million during the three months ended March 31, 2023 compared to \$65.9 million during the three months ended March 31, 2022, primarily driven by the decline in DPU. Our Average Daily Payer Conversion rate decreased 1.2 percentage points to 0.8% during the three months ended March 31, 2023 from 2.0% during the three months ended March 31, 2022 due to the addition of Tetris® and the Brainium portfolio of games, which primarily operate with an advertising revenue model, as described above.

Operating Expenses

The following table summarizes our consolidated operating expenses for each applicable period (in thousands, except percentages):

	Three Months Ended March 31,				% of Revenue	
	2023	2022	\$ Change	% Change	2023	2022
Operating expenses:						
Cost of revenue	\$ 19,527	\$ 21,033	\$ (1,506)	(7.2)%	24.4%	29.9%
Selling and marketing	18,066	20,540	(2,474)	(12.0)%	22.5%	29.2%
Research and development	17,755	16,981	774	4.6%	22.2%	24.1%
General and administrative	11,901	9,691	2,210	22.8%	14.9%	13.8%
Depreciation and amortization	11,033	8,394	2,639	31.4%	13.8%	11.9%
Restructuring expenses	4,048	8,655	(4,607)	(53.2)%	5.1%	12.3%
Total operating expenses	<u>\$ 82,330</u>	<u>\$ 85,294</u>	\$ (2,964)	(3.5)%	102.8%	121.1%

Cost of Revenue

Cost of revenue decreased by \$1.5 million to \$19.5 million during the three months ended March 31, 2023 compared to \$21.0 million during the three months ended March 31, 2022. As a percentage of revenue, cost of revenue decreased from 29.9% for the three months ended March 31, 2022 to 24.4% for the three months ended March 31, 2023. The decrease was primarily related to an increase in advertising revenue which does not incur platform fees, and a reduction in royalty expenses associated with our revenue.

Selling and Marketing

Selling and marketing expenses decreased by \$2.5 million to \$18.1 million during the three months ended March 31, 2023 compared to \$20.5 million during the three months ended March 31, 2022. The decrease was primarily due to a reduction of user acquisition costs of \$2.7 million. As a percentage of revenue, selling and marketing expenses decreased from 29.2% for the three months ended March 31, 2022 to 22.5% for the three months ended March 31, 2023.

Research and Development

Research and development expenses increased by \$0.8 million to \$17.8 million during the three months ended March 31, 2023 compared to \$17.0 million during the three months ended March 31, 2022. The increase was primarily due to an increase of employee costs of \$2.2 million and an increase of other research and development costs of \$0.6 million. This was offset by a reduction of \$1.2 million of stock based compensation and \$0.8 million of outside services.

General and Administrative

General and administrative expenses increased by \$2.2 million to \$11.9 million during the three months ended March 31, 2023 compared to \$9.7 million during the three months ended March 31, 2022. The increase was primarily due to \$2.4 million of additional employee costs and an increase of other general and administrative expense of \$0.6 million. This increase was offset by a reduction of \$0.7 million of stock based compensation.

Depreciation and Amortization

Depreciation and amortization expenses increased by \$2.6 million to \$11.0 million during the three months ended March 31, 2023 compared to \$8.4 million during the three months ended March 31, 2022. The increase was primarily due to the acquisitions of Brainium and WonderBlocks, license renewals, and additional depreciation of property and equipment.

Restructuring Expenses

Restructuring expenses decreased by \$4.6 million from the three months ended March 31, 2022 to the three months ended March 31, 2023. The decrease was primarily due to an \$8.4 million non-cash impairment charge related to the suspension of Kingdom Boss development. This decrease was offset by an increase of \$2.3 million related to the internal reorganization and \$1.5 million in fees related to various merger and acquisition opportunities.

Other Expense, Net

The following table summarizes our consolidated non-operating expense for each applicable period (in thousands, except percentages):

	Three Months Ended March 31,		\$ Change	% Change
	2023	2022		
Change in fair value of warrant liabilities	\$ (1,058)	\$ (2,716)	\$ 1,658	61.0 %
Interest expense	895	(5)	900	18000.0 %
Other (expense) income	60	187	(127)	(67.9)%
Total other expense, net	\$ (103)	\$ (2,534)	\$ 2,431	(95.9)%

The change in fair value of warrant liabilities is related to the warrants discussed in Note 11—*Warrant Liabilities* to our consolidated financial statements herein. Interest expense is related to the unused commitment fees and debt issue costs associated with the Credit Agreement and the Private Venture Growth Capital Loan, respectively, as discussed in Note 14—*Long-Term Debt* to our consolidated financial statements herein. Other (expense) income primary relates to gains or (losses) from equity investments and gains or (losses) from foreign currency transactions with our foreign subsidiaries.

Provision for Income Taxes

Provision for income taxes resulted in a tax expense of \$0.3 million for the three months ended March 31, 2023, compared to a tax expense of \$7.8 million for the three months ended March 31, 2022. Our effective tax rate was (11.3)% for the three months ended March 31, 2023 compared to our statutory tax rate of 21%. Our effective tax rate was increased for non-deductible stock options, the deduction of foreign taxes, and for the recognition of estimated state taxes. Our effective tax rate was decreased by additional foreign taxes paid related to a settlement with the Israel Tax Authority, the recognition of additional state tax liabilities due to an updated nexus study, and the fair value adjustment of the warrant liability.

Non-GAAP Measures*Adjusted EBITDA (“AEBITDA”) and AEBITDA Margin*

Adjusted EBITDA, or AEBITDA, as used herein, is a non-GAAP financial performance measure that is presented as a supplemental disclosure and is reconciled to net income as the most directly comparable GAAP measure. We define AEBITDA as net income before interest, income taxes, depreciation and amortization, restructuring and related costs (consisting primarily of severance and other restructuring related costs), stock-based compensation expense, changes in fair value of warrant liabilities, and other income and expense items (including special infrequent items, foreign currency gains and losses, and other non-cash items). We also use AEBITDA Margin, another non-GAAP measure, which we calculate as the percentage of AEBITDA to revenue.

We use AEBITDA and AEBITDA Margin to monitor and evaluate the performance of our business operations, facilitate internal comparisons of our operating performance, and to analyze and evaluate decisions regarding future budgets and initiatives. We believe that both measures are useful because they provide investors with information regarding our operating performance that is used by our management in its reporting and planning processes. AEBITDA and AEBITDA Margin as calculated herein may not be comparable to similarly titled measures and disclosures reported by other companies.

The following table sets forth the reconciliation of AEBITDA and AEBITDA Margin to net loss and net loss margin, the most directly comparable GAAP measure (in thousands, except percentages).

	Three Months Ended March 31,	
	2023	2022
Net loss	\$ (2,570)	\$ (25,212)
Depreciation & amortization	11,033	8,394
Income tax expense	260	7,835
Stock-based compensation expense	4,853	6,868
Change in fair value of warrant liability	1,058	2,716
Change in fair value of contingent consideration	(53)	—
Restructuring and related ⁽¹⁾	4,048	8,655
Other, net ⁽²⁾	(864)	(182)
AEBITDA	17,765	9,074
GAAP Revenue	80,123	70,451
Margin as a % of revenue		
Net loss margin	(3.2)%	(35.8)%
AEBITDA Margin	22.2 %	12.9 %

(1) Amounts reported during the three months ended March 31, 2023 relate to the internal reorganization, including severance-related costs, and fees related to evaluating various merger and acquisition opportunities. Amounts reported during the three months ended March 31, 2022 consist of fees related to evaluating various merger and acquisition opportunities, severance-related costs, and a non-cash impairment charge related to the suspension of Kingdom Boss development.

- (2) Amounts reported in “Other, net” include interest expense, interest income, gains/losses from equity investments, foreign currency gains/losses, and non-cash gains/losses on the disposal of assets.

Liquidity and Capital Resources

As of March 31, 2023, we had cash and cash equivalents of \$127.5 million, which consisted of cash on hand and money market mutual funds. Historically, we have funded our operations, including capital expenditures, primarily through cash flow from operating activities. We believe that our existing cash and cash equivalents, the cash generated from operations, and the borrowing capacity under our Credit Agreement as described below will be sufficient to fund our operations and capital expenditures for at least the next twelve (12) months. 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 or we may decide to do so opportunistically.

Debt

For a description of the Credit Agreement, see Note 14—*Long-Term Debt* in our Condensed Consolidated Financial Statements and *Liquidity and Capital Resources* in our Annual Report on Form 10-K for the year ended December 31, 2022.

As of March 31, 2023, we do not have any outstanding amounts under the Credit Agreement.

Cash Flows

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

	Three Months Ended March 31,	
	2023	2022
Net cash provided by operating activities	\$ 4,503	\$ 11,585
Net cash used in investing activities	(7,618)	(5,107)
Net cash (used in) provided by financing activities	(3,490)	130
Effect of exchange rate on cash and cash equivalents	89	(145)
(Decrease) increase in cash and cash equivalents	(6,516)	6,463

Operating Activities

During the three months ended March 31, 2023, operating activities provided \$4.5 million of net cash as compared to \$11.6 million during the three months ended March 31, 2022. The decrease in cash provided from operating activities was primarily due to a unfavorable change in operating assets and liabilities, including the increase in accounts receivable of \$6.9 million due to timing fluctuations in receivables collection.

Investing Activities

Our investing activities are composed of cash used for game development and purchase of property and equipment.

During the three months ended March 31, 2023, investing activities used \$7.6 million of net cash as compared to \$5.1 million during the three months ended March 31, 2022. The change in cash used in investing activities was due to the Company receiving payments of \$2.3 million for notes receivable during the three months ended March 31, 2022.

Financing Activities

Our cash flow (used in) provided by financing activities primarily consists of payments for share repurchases partially offset by proceeds from the exercise of stock options.

During the three months ended March 31, 2023, financing activities used \$3.5 million of net cash as compared to providing \$0.1 million of cash during the three months ended March 31, 2022. The increase in cash used in financing activities was due to \$5.4 million of share repurchases made during the three months ended March 31, 2023. This was offset by \$1.9 million of cash provided by stock options exercises.

Contractual Obligations, Commitments, and Contingencies

As of March 31, 2023, there had been no material changes to our aggregated indebtedness and other contractual obligations previously reported in our Annual Report on Form 10-K for the year ended December 31, 2022.

Critical Accounting Policies and Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our condensed consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements, as well as the reported revenue generated and expenses incurred during the reporting periods. Our estimates are based on our historical experience and various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about items that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Except as described in Note 2—*Summary of Significant Accounting Policies*, there have been no material changes to our critical accounting policies and estimates as compared to the critical accounting policies and estimates disclosed in our 2022 Annual Report on Form 10-K, filed with the SEC on March 10, 2023.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates and foreign currency exchange rates. We are exposed to market risks in the ordinary course of our business. These risks primarily include interest rate risk, investment risk, and foreign currency risk as follows:

Interest Rate Risk

Our exposures to market risk for changes in interest rates relate primarily to our Credit Agreement. The Credit Agreement and our Revolver are floating rate facilities. Therefore, fluctuations in interest rates will impact the amount of interest expense we incur and have to pay. We did not have any borrowings outstanding under our Credit Agreement at March 31, 2023 and December 31, 2022, respectively.

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

Investment Risk

We had cash and cash equivalents totaling \$127.5 million and \$134.0 million as of March 31, 2023 and December 31, 2022, respectively. Our investment policy and strategy primarily attempt to preserve capital and meet liquidity requirements without significantly increasing risk. Our cash and cash equivalents primarily consist of cash on hand and money market mutual funds. We have not entered into investments for trading or speculative purposes. Changes in rates would primarily impact interest income due to the relatively short-term nature of our investments. A hypothetical 100 basis point change in interest rates would have increased or decreased our interest income for a twelve-month period by an immaterial amount.

Foreign Currency Risk

Our functional currency is the U.S. Dollar and our revenues and expenses are primarily denominated in U.S. Dollars. Our indirect foreign currency transaction exposure results mainly from the sale of our virtual currency to players outside of the U.S. While players outside of the U.S. make purchases in currencies other than the U.S. Dollar, we are paid by platform providers and record revenue in U.S. Dollars pursuant to the terms of the relevant contracts. While we have the ability to change the foreign currency pricing of our virtual currency, sudden and significant changes in the exchange rates of the Canadian and Australian Dollars and Pound Sterling to the U.S. Dollar could have a material impact on our results of operations. We do not hedge our foreign currency exposure but may do so in the future.

However, a significant portion of our headcount related expenses, consisting principally of salaries and related personnel expenses, as well as leases and certain other operating expenses, are denominated in New Israeli Shekels, or NIS. We also have foreign currency risks related to our operating expenses denominated in currencies other than the U.S. Dollar, including

the Hong Kong Dollar, Euro, Mexican Peso, Serbian Dinar, Singapore Dollar and Vietnamese Dong. Accordingly, changes in exchange rates in the future may negatively affect our future operating results as expressed in U.S. Dollars.

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

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can only provide reasonable assurance of achieving the desired control objectives and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on such evaluation, the Company's CEO and CFO have concluded that, as of the period covered by this report, the Company's disclosure controls and procedures were effective, at the reasonable assurance level, in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act and were effective in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including the Company's CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the three months ended March 31, 2023 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

From time to time, we are a party to litigation and subject to claims incident to the ordinary course of business. Although the results of litigation and claims cannot be predicted with certainty, we currently believe that the final outcome of these matters will not have a material adverse effect on our business. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors. For information regarding legal proceedings and other claims in which we are involved, see Note 17—*Commitments and Contingencies*.

Item 1A. Risk Factors

A description of certain factors that may affect our future results and risk factors is set forth in our Annual Report on Form 10-K for the year ended December 31, 2022. There have been no material changes to those factors previously disclosed in our 2022 Annual Report on Form 10-K.

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

The following table provides information about share repurchases made by us of our Class A common stock during the quarter ended March 31, 2023:

Period	Total Number of Shares Purchased¹	Average Price Paid per Share²	Total Number of Shares Purchased as Part of a Publicly Announced Program	Dollar Value of Shares that May Yet be Purchased Under the Program³ (In thousands)
January 1, 2023 - January 31, 2023	987,895	\$ 4.24	987,895	\$ 41,189
February 1, 2023 - February 28, 2023	265,834	\$ 4.47	265,834	\$ 40,000
March 1, 2023 - March 31, 2023	—	\$ —	—	\$ 40,000

1. The repurchases are being executed from time to time, subject to general business and market conditions, through open market purchases or privately negotiated transactions, including through Rule 10b5-1 trading plans, pursuant to a stock repurchase program. On November 10, 2021, the Company's Board of Directors approved a stock repurchase program authorizing the Company to repurchase, within a 12 month period, up to \$50.0 million of the Company's Class A common stock at such times and in such amounts as the Company's Board of Directors deems appropriate, based on factors such as market conditions, legal requirements, and other business considerations. The Company publicly announced the approval of such stock repurchase program on November 12, 2021. On November 2, 2022, the Company's Board of Directors approved an extension of the time period for repurchases under the stock repurchase program for an additional 12 months from November 10, 2022 to November 10, 2023. The Company publicly announced the extension of such time period on November 8, 2022. See Note 18—*Stockholders' Equity* for additional information relating to share repurchases.
2. Average price paid per share excludes costs associated with the repurchases.
3. From April 1, 2023 through May 8, 2023, the Company acquired an additional 1.3 million shares of Class A common stock under this program at an aggregate purchase price of \$5.7 million and an average purchase price of \$4.24 per share. As of May 8, 2023, the Company has remaining authorization to repurchase up to \$34.3 million of the Company's Class A common stock under the stock repurchase program described in footnote 1 above.

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not applicable

Item 5. Other Information

None

Item 6. Exhibits

The following exhibits are filed as part of, or incorporated by reference into, this Quarterly Report on Form 10-Q.

Exhibit Number	Description
3.1	Certificate of Incorporation of PLAYSTUDIOS, Inc. (incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K filed June 25, 2021).
3.2	Bylaws of PLAYSTUDIOS, Inc., effective as of June 21, 2021 (incorporated by reference to Exhibit 3.2 to Current Report on Form 8-K filed June 25, 2021).
31.1*	Certification of Chief Executive Officer of Periodic Report Pursuant to Rule 13a – 14(a) and Rule 15d – 14(a) under the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer of Periodic Report Pursuant to Rule 13a – 14(a) and Rule 15d – 14(a) under the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 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
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
104	Cover Page Interactive Data File formatted in Inline XBRL and contained in Exhibit 101.

* Filed herewith

** The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.

SIGNATURES

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

Date: May 9, 2023

By: /s/ Andrew Pascal
Name: Andrew Pascal
Title: Chairman and Chief Executive Officer
(Principal Executive Officer)

Date: May 9, 2023

By: /s/ Scott Peterson
Name: Scott Peterson
Title: Chief Financial Officer
(Principal Financial and Accounting Officer)

Certification of the Chief Executive Officer
Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a)
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Andrew Pascal, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of PLAYSTUDIOS, Inc.;
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: May 9, 2023

/s/ Andrew Pascal

Andrew Pascal
Director, Chief Executive Officer
(Principal Executive Officer)

Certification of the Chief Financial Officer
Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a)
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Scott Peterson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of PLAYSTUDIOS, Inc.;
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: May 9, 2023

/s/ Scott Peterson

Scott Peterson

Chief Financial Officer

(Principal Financial and Accounting Officer)

**Certification of CEO and CFO 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 on Form 10-Q of PLAYSTUDIOS, Inc. (the "Company") for the quarter ended March 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Andrew Pascal, as Chief Executive Officer of the Company, and Scott Peterson, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of their 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.

/s/ Andrew Pascal

Name: Andrew Pascal
Title: Director, Chief Executive Officer
(Principal Executive Officer)
Date: May 9, 2023

/s/ Scott Peterson

Name: Scott Peterson
Title: Chief Financial Officer
(Principal Financial and Accounting Officer)
Date: May 9, 2023

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to PLAYSTUDIOS, Inc. and will be retained by PLAYSTUDIOS, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.