

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-K**

(Mark One)



**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
for the fiscal year ended December 31, 2023  
or



**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
for the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission file number 001-38357

**PLAYAGS, INC.**

(Exact name of registrant as specified in its charter)

Nevada

46-3698600

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification Number)

6775 S. Edmond St., Ste #300  
Las Vegas , NV 89118

(Address of principal executive offices) (Zip Code)

( 702 ) 722-6700

(Registrant's telephone number, including area code)

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

Title of each class  
Common Stock, \$0.01 par value

Trading Symbol  
AGS

Name of each exchange on which registered  
New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 ☐ Accelerated filer ☒ Non-accelerated filer ☐ Smaller reporting company ☒ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes ☒ No ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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 June 30, 2023, the market value of voting and non-voting common equity held by non-affiliates of the registrant was \$210,315,036 (1). Such aggregate market value was computed by reference to the closing price of the common stock as reporting on the New York Stock Exchange on June 30, 2023. As of March 1, 2024, there were 39,222,459 shares of the Registrant's common stock, \$0.01 par value per share, outstanding.

(1) For this purpose only, "non-affiliates" excludes directors and executive officers.

## DOCUMENTS INCORPORATED BY REFERENCE

Certain information required by Part III of this Annual Report on Form 10-K is incorporated by reference from the registrant's definitive proxy statement for its 2024 Annual General Meeting of Stockholders, which the registrant intends to file pursuant to Regulation 14A with the Securities and Exchange Commission on or before April 29, 2024.

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## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains “forward-looking statements.” Forward-looking statements include any statements that address future results or occurrences. In some cases you can identify forward-looking statements by terminology such as “may,” “might,” “will,” “would,” “should,” “could” or the negatives thereof. Generally, the words “anticipate,” “believe,” “continue,” “expect,” “intend,” “estimate,” “project,” “plan” and similar expressions identify forward-looking statements. In particular, statements about our expectations, beliefs, plans, objectives, assumptions or future events or performance contained in this Annual Report on Form 10-K in Item 1. “Business” Item 1A. “Risk Factors” and Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” are forward-looking statements. These forward-looking statements include statements that are not historical facts, including statements concerning our possible or assumed future actions and business strategies.

We have based these forward-looking statements on our current expectations, assumptions, estimates and projections. While we believe these expectations, assumptions, estimates and projections are reasonable, such forward-looking statements are only predictions and involve known and unknown risks, uncertainties and other factors, many of which are outside of our control, which could cause our actual results, performance or achievements to differ materially from any results, performance or achievements expressed or implied by such forward-looking statements. These risks, uncertainties and other factors include, but are not limited to:

- our ability to effectively compete with numerous domestic and foreign businesses;
- our ability to provide financing on favorable terms compared with our competitors;
- our ability to adapt to and offer products that keep pace with evolving technology related to our businesses;
- our ability to develop, enhance and/or introduce successful gaming concepts and game content, and recognize changes in player and operator preferences in participation games, which may adversely affect demand for our products;
- changing economic conditions and other factors that adversely affect the casino and gaming industry, the play levels of our participation games, product sales and our ability to collect outstanding receivables from our customers;
- risks associated with global pandemics or events on our business operations, financial performance, results of operations, material procurement, financial positions;
- the effect of our substantial indebtedness on our ability to raise additional capital to fund our operations, and our ability to react to changes in the economy or our industry and make debt service payments;
- changing regulations, new interpretations of existing laws, or delays in obtaining or maintaining required licenses or approvals, which may affect our ability to operate in existing markets or expand into new jurisdictions;
- our history of operating losses and a significant accumulated deficit;
- changes in the legal and regulatory scheme governing Native American gaming markets, including the ability to enforce contractual rights on Native American land, which could adversely affect revenues;
- our ability to realize satisfactory returns on money lent to new and existing customers to develop or expand gaming facilities or to acquire gaming routes;
- failures in our systems or information technology, which could disrupt our business and adversely impact our results;
- slow growth in the development of new gaming jurisdictions or the number of new casinos, declines in the rate of replacement of existing gaming machines, and ownership changes and consolidation in the casino industry;
- legislation in states and other jurisdictions which may amend or repeal existing gaming legislation;
- intellectual property rights of others, which may prevent us from developing new products and services, entering new markets, or may expose us to liability or costly litigation;
- our ability to complete future acquisitions and integrate those businesses successfully;
- our dependence on the security and integrity of our systems and products;
- the effect of natural events in the locations in which we or our customers, suppliers or regulators operate;
- failure of our suppliers and contract manufacturers to meet our performance and quality standards or requirements could result in additional costs or loss of customers;
- risks related to operations in foreign countries and outside of traditional U.S. jurisdictions;
- foreign currency exchange rate fluctuations;
- quarterly fluctuation of our business;
- risks associated with, or arising out of, environmental, health and safety laws and regulations;
- product defects which could damage our reputation and our results of operations;
- changes to the Class II regulatory scheme;
- state compacts with our existing Native American tribal customers, which may reduce demand for our Class II game and make it difficult to compete against larger companies in the tribal Class III market;
- decreases in our revenue share percentage in our participation agreements with Native American tribal customers;
- adverse local economic, regulatory or licensing changes in Oklahoma, in which a significant portion of our revenue has been derived, or material decreases in our revenue with our largest customers;
- dependence on the protection of our intellectual property and proprietary information and our ability to license intellectual property from third parties;
- failure to attract, retain and motivate key employees;
- certain restrictive open source licenses requiring us to make the source code of some of our products available to third parties and potentially granting third parties certain rights to the software;
- reliance on hardware, software and games licensed from third parties, and on technology provided by third-party vendors;
- dependence on our relationships with service providers;
- maintaining effective internal controls over financial reporting;
- our ability to maintain current customers on favorable terms;
- our ability to enter new markets and potential new markets;
- our ability to capitalize on the expansion of Internet or other forms of interactive gaming or other trends and changes in the gaming industries;
- changes in tax regulation and results of tax audits, which could affect results of operations;
- our ability to generate sufficient cash to serve all of our indebtedness in the future; and
- the other factors discussed under Item 1A. “Risk Factors”.

Given these risks and uncertainties, you are cautioned not to place undue reliance on such forward-looking statements. These forward-looking statements are made only as of the date of this Annual Report. We do not undertake and specifically decline any obligation to update any such statements or to publicly announce the results of any revisions to any such statements to reflect future events or developments unless required by federal securities law. New factors emerge from time to time, and it is not possible for us to predict all such factors.

## SUMMARY OF RISK FACTORS

The following is the summary of the risks factor disclosures. Our business is subject to a number of risks, including risks that may prevent us from achieving our business objectives or may adversely affect our business, financial condition, results of operations, cash flows, and prospects. These risks are discussed more fully below and include, but are not limited to, risks related to:

### Risks Related to Our Business and Industry

- We operate in highly competitive industries and our success depends on our ability to effectively compete with numerous domestic and foreign businesses.
- Our success is dependent upon our ability to adapt to and offer products that keep pace with evolving technology related to our businesses.
- Our success depends in part on our ability to develop, enhance and/or introduce successful gaming concepts and game content. Demand for our products and the level of play of our products could be adversely affected by changes in player and operator preferences
- The intellectual property rights of others may prevent us from developing new products and services, entering new markets or may expose us to liability or costly litigation and such litigation could have a material adverse effect on the results of our business or intellectual property.
- Our business depends on the protection of our intellectual property and proprietary information and on our ability to license intellectual property from third parties.
- Our business is vulnerable to changing economic conditions and to other factors that adversely affect the casino industry, which have negatively impacted and could continue to negatively impact the play levels of our participation games, our product sales and our ability to collect outstanding receivables from our customers.
- The global COVID-19 pandemic had a significant adverse impact and in the future similar events could have a material adverse impact on our operations and financial performance, as well as on the operations and financial performance of many of the customers and suppliers in the gaming industry that we serve. We are unable to predict the extent to which pandemics and related impacts will adversely impact our business operations, ability to procure materials, financial performance, results of operations and the achievement of our business objectives.
- We may not successfully enter new markets and potential new markets may not develop quickly or at all.
- We may not be able to capitalize on the expansion of internet or other forms of interactive gaming or other trends and changes in the gaming industries, including due to laws and regulations governing these industries.
- Our ability to operate in our existing markets or expand into new jurisdictions could be adversely affected by changing regulations, new interpretations of existing laws, and difficulties or delays in obtaining or maintaining required licenses or approvals.
- Smoking bans in casinos may reduce player traffic and affect our revenues.
- We may not realize satisfactory returns on money lent to new and existing customers to develop or expand gaming facilities or to acquire gaming routes.
- We derive a significant portion of our revenue from Native American tribal customers, and our ability to effectively operate in Native American gaming markets is vulnerable to legal and regulatory uncertainties, including the ability to enforce contractual rights on Native American land.
- We rely on information technology and other systems and any failures in our systems could disrupt our business and adversely impact our results.
- Due to the ever-changing threat landscape, our operations and services may be subject to certain risks, including hacking or other unauthorized access to control or view systems.
- Our business is dependent on the security and integrity of the systems and products we offer.
- Slow growth in the development of new gaming jurisdictions or the number of new casinos, declines in the rate of replacement of existing EGMs and ownership changes and consolidation in the casino industry could limit or reduce our future prospects.
- The results of our operations could be affected by natural events in the locations in which we or our customers, suppliers or regulators operate.
- We are dependent on our suppliers and contract manufacturers and any failure of these parties to meet our performance and quality standards or requirements could cause us to incur additional costs or lose customers.
- The risks related to operations in foreign countries and outside of traditional U.S. jurisdictions could negatively affect our results.
- Foreign currency exchange rate fluctuations and other risks could impact our business.
- Our business is subject to quarterly fluctuations.
- We could face risks associated with, or arising out of, environmental, health and safety laws and regulations.
- If our products contain defects, we may be liable for product defects or other claims, our reputation could be harmed and our results of operations adversely affected.
- Our revenues are vulnerable to the impact of changes to the Class II regulatory scheme.
- State compacts with our existing Native American tribal customers to allow Class III gaming could reduce demand for our Class II games and our entry into the Class III market may be difficult as we compete against larger companies in the tribal Class III market.
- The participation share rates for gaming revenue we receive pursuant to our participation agreements with our Native American tribal customers may decrease in the future.
- We generate a substantial amount of our total revenue in one state.
- Certain contracts with our customers are on a month-to-month basis, and if we are unable to maintain our current customers on terms that are favorable to us, our business, financial condition, or results of operations may detrimentally suffer.
- Some of our products contain open source software which may be subject to restrictive open source licenses, requiring us to make our source code available to third parties and potentially granting third parties certain rights to the software.
- We rely on hardware, software and games licensed from third parties, and on technology provided by third-party vendors, the loss of which could materially and adversely affect our business, increase our costs and delay deployment or suspend development of our EGMs, games and systems.
- Continued operation and our ability to service several of our installed EGMs depend upon our relationships with service providers, and changes in those relationships could negatively impact our business.
- We have a history of operating losses and a significant accumulated deficit, and we may not achieve or maintain profitability in the future.
- Our inability to complete future acquisitions and integrate those businesses successfully could limit our future growth.
- Failure to attract, retain and motivate key employees may adversely affect our ability to compete.
- Changes in tax regulation and results of tax audits could affect results of operations of our business.
- If we are not able to maintain adequate internal control over our financial reporting, it could adversely affect our reputation and business.

#### **Risks Related to Our Capital Structure**

- Our substantial indebtedness could adversely affect our ability to raise additional capital or to fund our operations, expose us to interest rate risk to the extent of our variable rate debt, limit our ability to react to changes in the economy, and prevent us from making debt service payments.
- We may not be able to generate sufficient cash to service all of our indebtedness, and we may be forced to take other actions to satisfy our obligations under our indebtedness that may not be successful.
- Our variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.

#### **Risks Related to Ownership of Our Common Stock**

- Our stock price may fluctuate significantly.
- We will continue to incur significant costs and devote substantial management time as a result of operating as a public company.
- Our amended and restated articles of incorporation provide that the Eighth Judicial District Court of Clark County, Nevada is the sole and exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.
- Our organizational documents may impede or discourage a takeover, which could deprive our investors of the opportunity to receive a premium for their shares.
- We are a holding company and rely on dividends, distributions and other payments, advances and transfers of funds from our subsidiaries to meet our obligations.
- You may be diluted by the future issuance of additional common stock or convertible securities in connection with our incentive plans, acquisitions or otherwise, which could adversely affect our stock price.
- We do not anticipate paying dividends on our common stock in the foreseeable future.

## PART I

### ITEM 1. BUSINESS.

Unless the context indicates otherwise, or unless specifically stated otherwise, references to the "Company", "PlayAGS", "AGS", "we", "our" and "us" refer to PlayAGS, Inc. and its consolidated subsidiaries.

#### Overview

We are a Nevada corporation formed and incorporated originally in Delaware in August 2013 and then reincorporated in Nevada in December 2017. We were formed to acquire, through one of our indirect wholly owned subsidiaries, 100% of the equity in AGS Capital, LLC ("AGS Capital") from AGS Holdings, LLC ("AGS Holdings"). AGS Capital was a supplier of Electronic Gaming Machines ("EGMs") primarily to Class II Native American gaming jurisdictions.

We are a leading designer and supplier of EGMs and other products and services for the gaming industry. Since 2014, we have expanded our product line-up to include: (i) Class III EGMs for commercial and Native American casinos permitted to operate Class III EGMs, (ii) EGMs that use the results of historical horse races ("HHR") in their game math, which are allowed in several niche markets and raceways, (iii) table game products and (iv) interactive products, all of which we believe provide us with growth opportunities as we expand in markets where we currently have limited or no presence. For the year ended December 31, 2023, approximately 67% of our total revenue was generated through recurring contracted lease agreements whereby we place EGMs and table game products at our customers' gaming facilities under either a revenue sharing agreement (we receive a percentage of the revenues that these products generate) or fee-per-day agreement (we receive a daily or monthly fixed fee per EGM or table game product), or recurring revenue from our Interactive gaming operations. We operate our business in three distinct segments: EGMs, Table Products and Interactive. Each segment's activities include the design, development, acquisition, manufacturing, marketing, distribution, installation and servicing of a distinct product line.

#### Our Operations

We provide customers with EGMs, table products, ancillary table product equipment, systems software, computer hardware, signage and other equipment for operation within their gaming facilities. In return, we receive either cash for sold items, or a share of the revenue generated by these products and systems, either as a flat monthly fee or a daily fee. The determination of whether our agreement results in a revenue share, monthly fee, or daily fee arrangement is generally governed by local gaming jurisdictions. For our revenue share arrangements on EGM products, we have historically shared between 15% and 20% of the revenues generated by the EGMs. Under our agreements for EGMs, we participate in selecting the mix of titles, maintain and service the equipment and oversee certain promotional efforts. When sold, we offer the majority of our products with an optional parts and service contract. For Table Products we typically license table games and lease related equipment for which we receive monthly royalty and lease payments. We also lease and sell roulette and baccarat signs as well as a single deck card shuffler for poker tables, *Dex S*, and our new second shuffler, the *Pax S* single-deck shuffler. Our Interactive segment generates revenues from (1) real-money gaming ("RMG") revenues, which are earned primarily based on a percentage of the revenue produced by the games we offer to our online casino customers, (2) business-to-customer ("B2C") social products where consumers purchase virtual coins used to play social casino games and (3) business-to-business ("B2B") social products where we obtain a percentage of monthly revenue generated by the white label casino apps that we build and operate for our customers. In support of our business and operations, we employ a professional staff including field service technicians, production, sales, account management, marketing, technology and game development, licensing and compliance and finance.

Our corporate headquarters are located in Las Vegas, Nevada, which serves as the primary location for the executive management and administrative functions such as finance, legal, human resources, licensing and compliance. Our licensing and compliance division oversees the application and renewal of our corporate gaming licenses, findings of suitability for key officers and directors. Our product compliance and jurisdictional engineering division located in Atlanta oversees certification of our gaming equipment and systems for specific jurisdictions as well as coordinating gaming equipment and software shipping and on-site and remote service of our equipment with gaming authorities.

Our field service technicians are responsible for installing, maintaining and servicing our gaming products and systems. Our EGM and Table Products field service operations including our call center, which operates 24 hours a day, seven days a week, is managed out of our Oklahoma facility. We can also access most of our Class II EGMs and systems remotely from approved remote locations to provide software updates and routine maintenance. In addition, our EGM and system production facilities are located in and managed out of Oklahoma City, Oklahoma, Atlanta, Georgia, and Mexico City, Mexico.

Sales, product management and account management are managed through our various locations and are located throughout the jurisdictions in which we do business. Sales and account management oversee the customer relationship at the individual location as well as at the corporate level and are responsible for developing new customer relationships. Account management is in charge of running on-site promotions and corporate sponsorship programs. In addition, our marketing team is in charge of general corporate marketing, including advertisements and participation at industry trade shows.

We employ game developers, software and system programmers, project managers and other development and administrative staff that oversee our internal game development efforts and manage third party relationships. Our EGM technology and game development operates primarily out of our Atlanta, Georgia, and Sydney, Australia locations and to a lesser extent out of our locations in Las Vegas, Nevada, Austin, Texas, Reno, Nevada, and Scottsdale, Arizona and independent contractors in Noida, India. Our Table Products technology and development operates primarily out of our Las Vegas, Nevada location. We have Interactive development teams in Tel Aviv, Israel and, Hinckley, United Kingdom, and independent contractors in Kiev, Ukraine and Noida, India.

#### Products

We provide our casino customers with HHR, Class II and Class III EGMs for the tribal and commercial gaming markets, as well as more than 60 unique table products offerings, ancillary table products equipment, systems software, computer hardware, signage, and other equipment for operation within gaming facilities such as our newly introduced card shufflers. In our Interactive segment, we offer a library of games for online casino operators, a library of casino-themed social and mobile games, and B2B social casino solutions available to land-based casino customers.

## EGM Segment

EGMs constitute our largest segment, representing 92% of our revenue for the year ended December 31, 2023. In 2023, we had a library of over 550 proprietary game titles that we offer for delivery on our EGM cabinets. These include our premium lease-only cabinets *Orion Starwall*, *Orion Curve Premium*, *Orion Rise*, and *Big Red* ("Colossal Diamonds") and the recent addition *Spectra UR43 Premium*. Also, our core cabinets that are available for sale and lease include the newly released *Spectra UR49C* and *Spectra UR43*, as well as the *Orion Portrait*, *Orion Slant*, *Orion Curve*, *Orion Upright* and *ICON*. In addition to providing complete EGM units, we offer conversion kits, which are essentially software containing new games that allow existing game titles to be converted to other game titles offered within that operating platform and on an existing cabinet.

We design all of our cabinets with the intention of capturing the attention of players on casino floors while aiming to maximize operator profits. We offer our customers the option of either leasing or purchasing our EGMs and associated gaming systems. Currently, we derive a substantial portion of our revenues from EGMs installed under revenue sharing or fee-per-day lease agreements, also known as "participation" agreements, and we refer to such revenue generation as our "participation model".

Our core game titles are targeted at maintaining and growing our current installed base and we believe that it is the performance of these game titles that our customers value. Our top-performing game titles include *Rakin' Bacon!* and a version used only on our premium games called *Rakin' Bacon Deluxe*. In addition to these titles, we have hundreds of additional titles that we design our core titles to provide a universal appeal to casino patrons. Our game studios are focused on continually producing new content that is then released to the market on a regular basis. We deliver our content on the cabinets below:

### Premium - Lease-Only Cabinets

***Spectra UR43 Premium*** – Making its debut in 2023 at the Global Gaming Expo, *Spectra UR43 Premium* takes the highly successful, award-winning core cabinet *Spectra UR43* and combines premium merchandising with regal billboard-style digital signage to create a showstopping display. Game-controlled LED embellishments add eye-catching lighting and thematic details to the bank. *Spectra UR43 Premium* features the most exclusive premium game library offered in multiple inline and pod configurations.

***Orion Starwall*** – The *Orion Starwall* video display, first introduced at the Global Gaming Expo 2019 and launched in the spring of 2020, is an award-winning merchandising innovation for our premium *Orion Portrait* games. A first-of-its kind, the large format, fully modular free-standing *Starwall* video display combines hundreds of direct view LED tiles to create a seamless video backdrop designed to attract players from across the floor. Fitting securely with banks of premium *Orion Portrait* games, the *Starwall* adds attraction through high-impact motion graphics complementary to the game theme.

***Orion Curve Premium*** – The *Orion Curve Premium* is our premium cabinet of the *Orion Curve*, premium hardware and merchandising adds to the experience, with a 10-foot showcase platform designed for 4-pods or 5-pods. Featuring an eye-catching 360-degree video display and theme-specific illuminated wedge spacers, the package provides an intimate, theater-like gameplay experience designed for social distancing yet community-style celebration on the circular overhead display.

***Orion Rise*** – Unveiled at the Global Gaming Expo in 2019, this premium tower platform is one of the three recurring-revenue-only revenue model cabinets. This dual screen cabinet features a 55 inch 4K top monitor to stand out on casino floors. Available for Class III and Class II markets, the *Orion Rise* offers exclusive titles with high-impact graphics to showcase the cabinet's attention-grabbing form.

***Big Red*** - *Big Red* is a premium cabinet focused on simple, classic spinning-reel gameplay. At 8' tall and 8' wide, its massive size and bright red color commands attention on the casino floor and creates a community-style gaming experience. Currently available with our top-performing game title *Colossal Diamonds*, *Big Red* is engineered for both Class II and Class III jurisdictions.

Our Premium titles, offered on our lease-only cabinets, include an assortment of compelling features that maximize the capabilities of the hardware. Our Premium titles include unique and niche titles that provide a distinctive player experience and are targeted at increasing floor space in both existing and new jurisdictions.

### Core - For Sale and Lease Cabinets

***Spectra UR43*** - The *Spectra UR43* presents a 43-inch ultra HD 4k portrait monitor outlined with clean game-controlled eclipse lighting. This cabinet is an evolution of the *Orion Portrait* cabinet and leads as the first cabinet in a new generation of cabinets available in Class II, Class III, and historical horse racing markets. It has a new, simple back design that provides for easy setup and connectivity for fast service.

***Spectra UR49C*** – The *Spectra UR49C* features the same high-performing operating system, game-controlled eclipse lighting, and sleek design as the successful *Spectra UR43*. The large, 49-inch ultra-HD 4K curved monitor highlights the intricate 3D graphics and innovative features of the games offered in its exclusive library. The wide, LED button deck and surround sound creates an immersive experience for the modern player.

***Orion Portrait*** - The *Orion Portrait* is the flagship of the *Orion* cabinet family. Full-color LED lights surround the *Orion Portrait's* 42-inch HD LCD touchscreen monitor, capable of changing colors and patterns on each machine or across entire banks of machines in a manner that corresponds to each feature within the game.

***Orion Slant*** – The *Orion Slant* features the same distinctive U-shaped lighting as the *Orion Portrait*. The *Orion Slant* features dual LCD HD monitors, and the latest HD audio for a cinematic surround-sound experience and introduces the *Orion* design language in the previously untapped slant dual-screen cabinet market segment.

***Orion Curve*** – Launched in 2020, the *Orion Curve* features an LCD Ultra HD curved portrait monitor for a more immersive game-play experience. The 49-inch curved touchscreen portrait monitor features 4K resolution for cinematic slot entertainment highlighted by spectacular color, breathtaking contrast, and incredible detail. Our signature *Orion* U-shaped lighting design showcases this striking platform with more than 400 game-controlled LED lights that change color based on game events, music, and sounds.

***Orion Upright*** - In 2019, we launched the *Orion Upright*, which provides us with a third dual-screen option, a form factor widely represented on casino floors. This new core cabinet features dual 27 inch displays, a 21.5 inch LCD topper, and the *Orion's* signature U-shaped lighting design featuring 420 game-synchronized full color LED lights. Sharing many titles from our *ICON* and *Orion Slant* game library, the *Orion Upright* provides our customers more flexibility to choose the best dual-screen form factor suited to their casino and access to a wide library of themes in both Class II and Class III markets.

***ICON*** – Our classic *ICON* cabinet offers modern design with seamless integration of light and sound, ergonomic features, and visual effects to complement our engaging game content and play mechanics. The *ICON* is equipped with two flush-mounted 23 inch HD LCDs, an integrated sound system, and two subtle light panels surrounding the LCD monitors, synchronized to on-screen events enhancing game features, building anticipation, celebrating big wins, and highlighting bonus events.

## Table Products Segment

We offer our customers more than 60 unique table products, including live felt table games, side bets, progressives, card shufflers, signage, and other ancillary table game equipment. Our table products are designed to enhance the table games section of the casino floor (commonly known as "the pit"). Our table products segment offers a full suite of side bets and specialty table games as well as progressive technology products that provide this enhancement and increase gaming activity and hold percentages for our casino customers. We believe that this segment will serve as an important growth engine for our company by generating further cross-selling opportunities with our EGM offerings. As of December 31, 2023, we had placed 5,415 table products domestically and internationally. Based on the number of products placed, we believe we are presently a leading supplier of table products to the gaming industry.

### *Progressives:*

*Bonus Spin Blackjack* is a first-of-its kind wheel-based table product progressive side-bet solution that uses built-in, light-up bet sensors, a tablet-style dealer interface, and a progressive engine that is fully customizable. Operators can offer anything from a progressive top prize, a fixed top prize, or an experience-based top prize. Sophisticated 3D graphics and a double-sided display draws players into the game and show prizes, results, and bet limits. By adding *Bonus Spin Blackjack* to any of their table products, operators can instantly be more effective at marketing their games by offering customizable prizes that target specific player segments, resulting in more player excitement, interaction, and a potential increase in revenues and visits. In addition, *Bonus Spin* can be easily added to any of our table products, providing substantial growth opportunities.

Due to our success with *Bonus Spin Blackjack*, we introduced an upgraded table game progressive side bet system called *Bonus Spin Xtreme*. This next generation of *Bonus Spin* features three concentric wheels, enabling *Bonus Spin Xtreme* to award all participating players with a community prize, as well as award one player position with an enhanced prize which may be a progressive jackpot. *Bonus Spin Xtreme* can link all community-style table games like blackjack, roulette, baccarat, and craps, while enabling all participating players to be rewarded with a community prize games within a casino and offer a single shared progressive jackpot – a feat which has not previously been accomplished with any product in any casino.

Another AGS progressive innovation is the *STAX Progressive*, which offers multi-level and must-hit-by progressive jackpots that can be added to basic table games like blackjack, as well as AGS proprietary table games like *Criss Cross Poker* and *Jackpot Hold'em*. *STAX Progressive*, has an eye-catching, colorful display and advertises the progressive levels with the opportunity for players to win more and we have enhanced it further with new features in high demand by casino operators including wide area progressive functionality with single and multi-site meters.

### *Side-bets:*

Our top-performing side-bet games include *Buster Blackjack*, *Lucky Lucky*, *In-Bet*, *Push Your Luck*, and *Trifecta Blackjack*. These side bets provide additional excitement for existing table games and encourage players to wager more money, thus creating more revenue for our casino customers.

### *Premium specialty table games:*

Our premium game titles, among other, include *Criss Cross Poker*, *Jackpot Hold'em* and *Chase The Flush*. This segment of the table product business provides an area for growth and expansion in the marketplace, as the industry's revenues are currently primarily dominated by a single competitor, and we have recently expanded our sales efforts to cover greater territory. The game mechanics of our proprietary, premium titles take classic public domain games and offer a twist on game play that increases volatility while simultaneously increasing hold for operators. This means players experience larger wins, which keeps them engaged in the games for longer periods of time, and operators have the potential to earn incremental revenue.

### *Shufflers and Utility:*

One of the newer areas of our Table Products segment consists of ancillary equipment offerings to table games, such as card shufflers, table signage, and our ACOT chip tray, which provide casino operators a greater variety of choice in the marketplace. This product segment includes baccarat signage, animated roulette readerboards, and our highly anticipated single-card shufflers, *Dex S* for poker tables and the *PAX S* for specialty tables. These shufflers feature a streamlined design with fewer moving parts, making them exceptionally functional, economical, and reliable, and they easily fit into existing table cutouts so casino operators can seamlessly install without changing their current layouts or replacing any tables. We believe that the table equipment area of our business holds many opportunities for growth, as the technology currently installed in the signage and readerboard areas are in a replacement cycle.

## Interactive Segment

We specialize in providing a Business-to-Business ("B2B") game aggregation platform catering to the rapidly growing online real-money gaming ("RMG") sector. Our remote gaming server empowers us to deliver an extensive library of games developed by our internal game development studios. Our catalog encompasses various game types, including slots, table games, and progressive technology. Our RMG solutions resonate with a diverse and widespread player base, positioning us as a trusted partner for operators seeking to thrive in the competitive global gaming landscape.

AGS also offers Business-to-Consumer ("B2C") free-to-play social casino apps that players across the globe can enjoy anytime online or on their mobile devices. Our most popular app, *Lucky Play Casino*, offers mobile players all the thrills of Vegas casinos. Players can choose from dozens of AGS player-favorite slot games and other casino classics like video poker, blackjack, and bingo. Our apps also feature in-app tournaments, rumbles, VIP bonuses, and unique interactive challenges.

## Other Segment Information

*Customers and marketing.* We market our products to casinos and other legal gaming establishments around the world with our domestic and international sales force and several domestic and international distributors and/or representatives. We believe the quality and breadth of our customer base is a strong testament to the effectiveness and performance of our product offerings, technological innovation, and customer service. Our customer base includes leading casino operators in leading established gaming markets such as the United States, Canada, and Latin America. Our customers include large tribal customers like the Chickasaw Nation and well-known corporate customers such as MGM Resorts, Caesars Entertainment, as well as many other commercial and tribal casinos.

Our products and the locations in which we may sell them are subject to the licensing and product approval requirements by various national, state, provincial, and tribal jurisdictional agencies that regulate gaming around the world. See "Regulation and Licensing" section below. We lease and sell our products, with an emphasis on leasing versus selling. We service the products we lease and offer service packages to customers who purchase products from us.

*Product supply.* We obtain most of the parts for our products from outside suppliers, including both off-the-shelf items as well as components manufactured to our specifications. We also manufacture parts in-house that are used for product assembly and for servicing existing products. We generally perform warehousing, quality control, final assembly and shipping from our facilities in Atlanta, Mexico City and Oklahoma City, although small inventories are maintained and repairs are performed by our field service employees. We believe that our sources of supply for components and raw materials are adequate and that alternative sources of materials are available. These sources may be affected by adverse global factors.

## **Manufacturing**

Manufacturing commitments are generally based on projected quarterly demand from customers. We have manufacturing agreements to build our gaming cabinets with multiple manufacturing vendors. We believe we have limited concentration risk with any one of these vendors, because we own the rights to our cabinet designs and thus have the ability to change manufacturers in the event of a dispute. We believe any of these vendors would be able to build our gaming cabinets for titles on any platform. As the supplier base is large, we are able to gain competitive pricing and delivery on any of our cabinets and have limited risk in supply disruptions.

Our primary EGM and Table Products production facility is located in Oklahoma City, Oklahoma. Production at this facility includes assembling and refurbishing gaming machines, parts support and purchasing. We also assemble EGMs in our Mexico City, Mexico facility at lower volume to support the Mexican market. System production is based at our Atlanta, Georgia office, where our system design team and our U.S. research and development team are based.

Field service technicians are located in various jurisdictions throughout the United States and Mexico and are dispatched from centralized call centers. They are responsible for installing, maintaining and servicing the EGMs, table games and systems.

## **Customers**

We believe the quality and breadth of our customer base is a strong testament to the effectiveness and quality of our product offerings, technological innovation and customer service. At the core of our relationship with our customers is our participation model, which aligns our financial incentives with those of our customers through a shared dependence on the games' performance. The combination of our customer-aligned participation model, quality customer service and strong game performance has allowed us to develop long-term relationships with our tribal and commercial casino customers. Our top participation customers have been with us for more than a decade, and we believe that we maintain long-term relationships with key customer decision-makers.

We have historically offered select existing and prospective customers an upfront payment, or placement fee, in exchange for exclusive rights to a percentage of their floor space. To a lesser extent, we have offered financing for casino development and expansion projects. In addition to our long-term relationships and contractual arrangements, the consistent demand for our games from the loyal, repeat players of our games further ensures our strong presence on our customers' casino floors.

Within the Native American tribal market, we provide both Class II and Class III games that generate approximately 60% of our EGM segment revenue. We also serve customers in commercial, video lottery terminal, charity bingo and route-based markets.

For the year ended December 31, 2023, we derived approximately 92% of our total revenue from our EGM segment, 5% from our Table Products segment, and 3% from our Interactive segment.

Oklahoma is our largest market and our gaming products in the state accounted for approximately 21% of our total revenue for the year ended December 31, 2023. We also lease our EGMs and to a lesser extent table products, to local casinos and slot halls in Mexico which generated approximately 6% of our total revenue in the year ended December 31, 2023.

For the year ended December 31, 2023, we did not receive more than 10% of our total revenue from any one customer.

## **Customer Contracts**

We derive the majority of our gaming revenues from lease agreements, whereby we place EGMs and systems, along with our proprietary and other licensed game content, at a customer's facility in return for either a share of the revenues that these EGMs and systems generate or a daily fee. For licensed table products and related equipment, we typically receive monthly royalty and lease payments. We measure the performance of our domestic installed base of participation EGMs on the net win per day per machine, often referred to as the win per day, or "WPD". Under our participation agreements, we earn a percentage of the win per day of our domestic installed base of participation EGMs.

Our standard contracts are no longer than one to three years in duration and may contain auto-renewal provisions for an additional term. Most of our contracts give the customer the ability to cancel the lease and return the games to the Company, a provision which renders the contracts effectively month-to-month contracts. Our contracts generally specify the number of EGMs and other equipment to be provided, revenue share, daily fee or other pricing, provisions regarding installation, training, service and removal of the machines, and other terms and conditions standard in the industry. In some circumstances, we enter into trial agreements with customers that provide a free or fee-based trial period, during which such customers may use our EGMs or table products. Each trial agreement lays out the terms of payment should the customer decide to continue using our machines.

The Company enters into development agreements and placement fee agreements with certain customers to secure floor space under lease agreements for its gaming machines. Amounts paid in connection with the development agreements are repaid to the Company in accordance with the terms of the agreement, whereas placements fees are not reimbursed. For development agreements in the form of a loan, interest income is recognized on the repayment of the loan based on the stated rate or, if not stated explicitly in the development agreement, on an imputed interest rate. If the stated interest rate is deemed to be other than a market rate or zero, a discount is recorded on the loan receivable as a result of the difference between the stated and market rate and a corresponding intangible asset is recorded. These agreements have typically been longer-term contracts, ranging from four to seven years depending on the amount of financing provided, market, and other factors.



We generally make efforts to obtain waivers of sovereign immunity in our contracts with Native American customers. However, we do not always obtain these provisions and when we do, they can be limited in scope. There is no guarantee that we will continue or improve our ability to get this term in future contracts. While we have not had any experience with contract enforceability vis-à-vis our Native American customers, we are cognizant of recent cases involving other parties dealing with waivers of sovereign immunity. Those cases put into question how sovereign immunity may be viewed by courts in the future. In the event that we enter into contracts with Native American customers in the future that do not contain a waiver of sovereign immunity, such contracts may be practically unenforceable.

We believe our game sale contracts are typical of those in the industry. They specify the general terms and conditions of the sale, equipment and services to be provided, as well as pricing and payment terms. In some cases, we provide the central server that is used to operate the purchased equipment on a lease and charge a fee-per-day based on the number of gaming machines connected to the server.

For our Interactive segment, we enter into agreements whereby revenues are generated from (1) real-money gaming ("RMG") revenues, which are earned primarily based on a percentage of the revenue produced by the games we offer to our online casino customers, (2) business-to-customer ("B2C") social products where consumers purchase virtual coins used to play social casino games and (3) business-to-business ("B2B") social products where we obtain a percentage of monthly revenue generated by the white label casino apps that we build and operate for our customers.

## **Research and Development**

We conduct research and development through an internal team to develop new gaming systems and gaming content. Research and development costs consist primarily of salaries and benefits, travel and expenses and other professional services. As of December 31, 2023, we employ 318 game developers, software and system programmers, project managers and other development and administrative staff that oversee internal game development efforts and manage third party relationships. The technology and game development division for the EGM segment operates primarily out of our Atlanta, Georgia, Austin, Texas, Reno, Nevada, Scottsdale, Arizona and Sydney, Australia locations with independent contractors also assisting in India. Our studio in Las Vegas, Nevada primarily supports our Table Products segment. We also have development and support teams for our Interactive segment in Tel Aviv, Israel. Additionally, we hire independent contractors in India and Ukraine to support the online operations of AGS iGaming. The Company does not have customer-sponsored research and development costs.

## **Intellectual Property**

We use a combination of internally developed and third-party intellectual property, all of which we believe maintain and enhance our competitive position and protect our products. Such intellectual property includes owned or licensed patents, patent applications, trademarks, and trademark applications in the United States. In addition, we have rights in intellectual property in certain foreign jurisdictions. Some of these rights, however, are shared with third parties, including in an industry wide manufacturers' patent pool. Additionally, pursuant to our license agreements with third-party game developers, we license and distribute gaming software. We also have pooling arrangements with third parties, whereby all parties to such arrangement are permitted to use certain intellectual property contributed to the pool.

## **Competition**

We encounter competition from other designers, manufacturers and operators of EGMs, table products, social casino and real-money gaming games. Our competitors range from small, localized companies to large, multi-national corporations, several of which have substantial resources and market share.

Our competitors for the live casino floor gaming machines include, but are not limited to, International Game Technology PLC ("IGT"), Light & Wonder, Inc. (formerly known as Scientific Games Corporation), Aristocrat Technologies Inc. ("Aristocrat"), Everi Holdings Inc. ("Everi"), Konami Co. Ltd. ("Konami"), Ainsworth Game Technology Ltd., and Galaxy Gaming, Inc. Additionally, there are hundreds of non-gaming companies that design and develop social casino games and apps and real-money gaming products and services. Many of our competitors are large, well-established companies with substantially larger operating staffs and greater capital resources and have been engaged in the design, manufacture and operation of gaming products for many years. Some of these companies contain significant intellectual property including patents in gaming technology and hardware design, systems and game play and trademarks. In addition, the larger competitors contain significantly larger content portfolios and content development capability and resources, are licensed in markets throughout the United States, and have international distribution. IGT, Light & Wonder, Inc., Aristocrat, and Konami all have a presence in the back-office accounting and player tracking business which expands their relationship with casino customers. Aristocrat and Everi are our primary competitors in the Class II market.

To compete effectively, we must, among other things, continue to develop high-performing, innovative games for the Class II and Class III markets, provide excellent service and support to our existing customers, effectively manage our installed base of participation gaming machines, expand our library of proprietary content, develop niche products with strong appeal to both local and next generation players, be first to market in new non-traditional markets, implement effective marketing and sales functions, and offer competitive pricing and terms on our participation and sale agreements.

## **Seasonality**

We experience fluctuations in EGM gaming operations revenues and cash flows from quarter to quarter, as our operating results have been highest during the first and second quarters and lowest in our third and fourth quarters, primarily due to the seasonality of player demand. These fluctuations, however, do not have a material impact on our revenues and cash flows.

## **Inflation and Cost Fluctuations**

Our operational expansion is affected by the cost of hardware components, which are not considered to be inflation sensitive in the long term, but rather, sensitive to changes in technology and competition in the hardware markets. In addition, we expect to continue to incur increased legal and other similar costs associated with regulatory compliance requirements and the uncertainties present in the operating environment in which we conduct our business.

## Human Capital Management

AGS is a global company with offices and employees in Australia, Canada, Israel, Brazil, Mexico, the United Kingdom and the United States. As of December 31, 2023, we had 654 full-time employees in the United States, 138 full-time employees in Mexico, 71 full-time employees in Australia, 5 full-time employees in Israel, 7 full-time employees in the United Kingdom, 6 full-time employees in Canada, and 2 full-time employees in Brazil.

The Company believes that our employees are a strategic business advantage and as such, we place a high value on delivering a positive employee experience and an engaging employee culture that enables us to attract, retain, and reward our employees. In 2023, our business continued to recover from the COVID-19 pandemic, and we benefitted from the actions that we took during the pandemic to continue to foster our inclusive employee-centric culture. The actions that benefitted us and that we continued throughout 2023 include the following:

- We continued to offer benefits to our employees that help them navigate our current hybrid working model. These benefits include employee assistance programs as well as mental and emotional resilience resources to enhance our employees' well-being.
- We regularly engaged with our employees through townhall meetings led by our Chief Executive Officer, David Lopez.

### *Employee Culture*

The Company's employee-focused culture provides greater job satisfaction, collaboration, work performance, and employee morale, which in turn results in empowered and productive employees. This has been recognized by the Company's receipt of various employee engagement awards based on employee feedback through confidential surveys and reviews, such as the prestigious 'Best and Brightest Companies to Work For in the Nation®' (every year from 2017 to 2023); 'Atlanta's Best and Brightest Companies to Work For®' (every year from 2017 to 2023); Glassdoor's 'Best Places to Work' in 2020; and recognition in the 'Nevada Top Workplaces' and 'Atlanta Top Workplaces' in 2020.

We believe that we foster an engaged employee culture by having a clear mission and strong core values, focused on innovation, trust, respect, empowerment, service, and honesty. In 2023, we refreshed our core values to better align with the future goals of the business. To further support the importance of the values, we created a peer-to-peer quarterly recognition program to honor and award employees who go above and beyond to exemplify our values. Our community focus means that we give back to our communities and work to strengthen them.

The Company provides a flexible work environment and allows remote work whenever practical to our business, which, we believe, makes our employees more dedicated and engaged because they are trusted to meet their deliverables in a manner that provides work-life balance and accommodates their lifestyles. AGS also prioritizes employee communication, through regular town halls delivered by our CEO and other executives; frequent email communications; a web-based internal communications platform called myAGS to share pertinent documents and Company information, encourage employee engagement, and provide focused resource groups; SharePoint site with easily accessible Company information; the Companywide use of Microsoft Teams for meetings, virtual events, documents and information sharing, and chat; and a dedicated group of employees called Culture Crew who plan and execute employee engagement, appreciation and community service events.

### *Diversity, Equity and Inclusion*

The diversity of ideas, perspectives, skills, knowledge, and cultures across the Company facilitates innovation, is a key competitive advantage, and, we believe, is one of our strengths. We are committed to continuing to make diversity, equity, and inclusion part of everything we do – including providing a workforce that creates a sense of belonging and opportunities for everyone.

At AGS, our diverse workforce is why we continue to win awards for our employee culture and our innovation. As of December 31, 2023, approximately 25% of the Company's global workforce was female, which is consistent with current trends in our industry, and 24% of the Company's employees in managerial roles were female. As of December 31, 2023, minorities represented approximately 45% of the Company's global workforce, of which 35% of our global employees in managerial roles were minorities. Within the Company's C-Suite, which comprises our senior executive team, 29% of our leaders were women and 57% were minorities. In addition, there are two women who serve on our Board of Directors comprising more than 30% of our Board. Annually, AGS participates in the 'Best and Brightest Companies to Work For' and 'Top Places to Work' programs which conduct anonymous employee questionnaires and benchmark the Company's human resource practices compared to other companies in the region and across the nation. In 2023, U.S. employees rated AGS 96.9% in the 'Best and Brightest places to Work For' Diversity, Equity and Inclusion category, 5.8% higher than the national average.

The Company has a diversity, equity, and inclusion task force called I.D.E.A. Squad. I.D.E.A. is short for "Inclusion, Diversity, Equality & Acceptance." The task force is comprised of employees from across multiple departments and across the globe, with executive involvement from the Chief Executive Officer, as well as other senior leaders. The role of this task force is to empower people, inside the Company and in our communities, by respecting, embracing, and socializing what makes us different, no matter our age, gender, ethnicity, religion, disability, sexual orientation, education, and national origin. The task force focuses on four key issues:

- Creating opportunities in underprivileged communities;
- Encouraging diversity of thought;
- Promoting education on the topics of racism and discrimination; and
- Celebrating diversity across various channels.

The Company conducts annual mandatory diversity training for all employees focused on diversity on the job and the changing workplace. This training defines diversity, provides coursework on how to leverage the diversity that exists within an organization, and dispels common myths that surround the topic of diversity. For our employees of color identified as future leaders, we also offer participation in McKinsey Black Leadership Academy's Management Accelerator. This program is designed to help equip our aspiring leaders of color with the capabilities, mindsets, behaviors, and network needed to achieve their professional aspirations — focusing on building core management and leadership capabilities.

AGS also makes diversity and inclusion a strategic recruiting priority through our partnership with JobTarget, which automatically posts our open positions to various online job boards targeting diverse candidates including people of color, women, people living with disabilities, and other protected and/or underrepresented job seekers.

### *Veteran Recruitment & Support*

We are committed to hiring veterans, empowering those veterans in transition to the civilian sector, and supporting our veterans and their families in their communities. The Company actively recruits for qualified military veterans by posting our open positions on MilitaryVetJobs, Veterans Enterprise, JOFNAV – Job Opportunities for Disabled American Veterans, Hire Our Heroes, US Military, and RallyPoint. Seventeen (17%) of our C-Suite, and nine percent (9%) of our U.S. employee base, served in the military. Because of their backgrounds and experience, we believe, veterans bring leadership, technical skills, and a spirit of collaboration to AGS. Once employed with AGS, the Company gives veterans the opportunity to make the most of their skills and abilities. We partner with America's Warrior Partnership, a national nonprofit organization dedicated to empowering communities through helping veterans and their families find the services and support they need in their local communities. The Company also actively supports veterans through Operation Gratitude and other organizations and outreach.

### *Competitive pay and benefits*

AGS' compensation programs are designed to align the compensation of our employees with the Company's performance and to provide the proper incentives to attract, retain and motivate employees to achieve growth goals. The structure of our compensation programs balances incentive earnings for both short-term and long-term performance, specifically:

- We provide employee wages that are competitive and consistent with employee positions, skill levels, experience, knowledge, and geographic location.
- We align our executives' long-term equity compensation with our shareholders' interests by linking realizable pay with stock and Company performance.
- All full-time employees are eligible for medical, dental, and vision insurance, paid and unpaid leave, a 401(k) retirement plan that includes Company match, and life and disability/accident coverage. We also offer flexible time-off, paid marriage, maternity, and supporting parental leave, fertility and family planning benefits, wellness programs, employee assistance programs, and tuition reimbursement.
- From time to time, with Board approval, the Company grants employees ownership opportunities in the Company through equity-based awards.

#### *Patent Incentive Program*

The establishment and maintenance of a strong patent portfolio is a corporate objective of the Company. To stimulate inventions that lead to patentable subject matter, the company has adopted a patent award program for awards and additional recognition to be given to active AGS employees who are listed as an inventor on certain patents or patent applications.

We are not a party to any collective bargaining agreements in the United States and have not experienced any strikes or work stoppages in the past.

## Regulation and Licensing

### *Licensing and Suitability Determinations*

We operate in numerous gaming jurisdictions, and our business operations, which include the manufacture, sale, and distribution, of gaming devices, gaming related equipment, related software and/or the provision of gaming related services, are subject to extensive federal, state, local, tribal and foreign government regulation as applicable in each of the gaming jurisdictions in which we operate. A significant portion of our operations take place at facilities conducting gaming activities on the tribal lands of Native American tribes resulting in our operations being subject to tribal and/or federal and sometimes state regulation depending on the classification of gaming being conducted in each such case as defined in the Indian Gaming Regulatory Act of 1988 ("IGRA"). In states where commercial gaming has been legalized, our operations are conducted subject to the applicable federal, state, and local government regulation.

While the specific regulatory requirements of the various jurisdictions vary, the gaming laws in most jurisdictions require us, each of our subsidiaries engaged in manufacturing, selling and distributing gaming products and services, our directors, officers and employees and, in some cases, certain entities or individuals who hold some level of beneficial ownership, typically 5% or more, in the Company or its affiliates as well as our lenders and other individuals or entities affiliated with us (contractually or otherwise) to obtain a license, permit, finding of suitability or other approval from gaming authorities. Gaming authorities have broad discretion in determining whether an applicant qualifies for licensing or should be deemed suitable and the burden of demonstrating suitability and the cost of the investigation is the responsibility of the applicant. While the criteria vary between jurisdictions, generally, in determining whether to grant or renew a license, the gaming authorities will consider the good character, honesty, integrity, financial ability, and responsibility of the applicant. For individual applicants, gaming authorities consider the individual's business experience, reputation for good character, criminal history, and the character of those with whom the individual associates. Qualification and suitability determinations for individuals requires the individual to submit detailed personal and financial information to the gaming authority, followed by a thorough background investigation. Gaming authorities may deny an application for licensing or a determination of suitability for any cause which they deem reasonable. If one or more gaming authorities were to find that an officer, director or key employee fails to qualify or is unsuitable to participate in the gaming industry in such jurisdiction, we would be required to sever all relationships with such person or cease doing business in such jurisdiction. Additionally, gaming authorities may require us to terminate the employment of any person who refuses to file appropriate applications. The gaming regulators having jurisdiction over us have broad power over our business operations and may deny, revoke, suspend, condition, limit, or not renew our gaming or other licenses, permits or approvals, impose substantial fines and take other action, any one of which could adversely impact our business, financial condition and results of operation. We believe we and our officers, directors, managers, key employees and affiliates have obtained or are in the process of obtaining all required gaming related licenses, permits, findings of suitability and other forms of approvals necessary to carry on our business.

It is common for gaming regulators to monitor, or to require us to disclose, our activities and any disciplinary actions against us in other gaming jurisdictions. Consequently, the business activities or disciplinary actions taken against us in one jurisdiction could result in disciplinary actions in other jurisdictions.

### *Licensing Requirements of Security Holders*

In some jurisdictions in which we operate, certain of our stockholders or holders of our debt securities may be required to undergo a suitability determination or background investigation. Many jurisdictions require any person who acquires, directly or indirectly, beneficial ownership of more than a certain percentage of our voting securities (generally 5% or more) to report the acquisition of the ownership interest and the gaming authorities may require such holder to apply for qualification or a finding of suitability. Most jurisdictions allow an "institutional investor" to apply for a waiver from such requirements provided that the institutional investor holds the ownership interest in the ordinary course of its business and for passive investment purposes only. Generally, an "institutional investor" includes an investor who is a bank, insurance company, investment company, investment advisor, or pension fund. In some jurisdictions, an application for a waiver as an institutional investor requires the submission of detailed information concerning the institutional investor and its business including, among other things, the name of each person that beneficially owns more than 5% of the voting securities of such institutional investor. If such a waiver is granted, then the institutional investor may acquire, in most cases, up to 10% of our voting securities without applying for a finding of suitability or qualification and, in some cases, a higher percentage of beneficial ownership. Even if a waiver is granted, an institutional investor may not take any action inconsistent with its status when the waiver is granted without becoming subject to a suitability determination or background investigation. A change in the investment intent of the institutional investor requires immediate reporting to the respective gaming authorities.

Notwithstanding the 5% ownership threshold, gaming authorities have broad discretion and each person who acquires, directly or indirectly, beneficial ownership of any voting security or beneficial or record ownership of any nonvoting security of any debt security of ours may be required to be found suitable if a gaming authority has reason to believe that such person's acquisition of that ownership would otherwise be inconsistent with the declared policy of the jurisdiction.

Generally, any person who fails or refuses to apply for a finding of suitability or a license within the prescribed period of time after being advised that such a finding or license is required by a gaming authority may be denied a license or be found unsuitable. The same restrictions may also apply to a record owner if the record owner, after being requested, fails to identify the beneficial owner. Any person denied a license or found unsuitable and who holds, directly or indirectly, any beneficial ownership interest in us beyond such period of time as may be prescribed by the applicable gaming authorities may be guilty of a criminal offense. Additionally, we may be subject to disciplinary action if, after we receive notice that a person is unsuitable to be a stockholder or to have a relationship with us or any of our subsidiaries, we:

- pay that person any dividend or interest upon our voting securities;
- allow that person to exercise, directly or indirectly, any voting right conferred through securities held by that person;
- pay remuneration in any form to that person for services rendered or otherwise; or
- fail to pursue all lawful efforts to terminate our relationship with that person including, if necessary, the immediate purchase of said voting securities for cash at fair market value.

In light of these regulations and their potential impact on our business, our amended and restated articles of incorporation contain provisions establishing our right to redeem the securities of disqualified holders if necessary to avoid any regulatory sanctions, to prevent the loss or to secure the reinstatement of any license, permit or approval, or if such holder is determined by any gaming authority to be unsuitable, has an application for a license or permit denied or rejected or has a previously issued license or permit rescinded, suspended, revoked or not renewed. The amended and restated articles of incorporation also include provisions defining the redemption price of such securities and the rights of a disqualified security holder.

#### *Testing and Approvals of our Gaming Products*

Many jurisdictions require our gaming devices, related gaming equipment, software, and platform to be tested for compliance with the jurisdiction's technical standards and regulations prior to our being permitted to distribute such devices, equipment, software and/or platform. The gaming authorities will conduct rigorous testing of our devices, equipment, software and/or platform through a testing laboratory which may be operated by the gaming authority or by an independent third party and may require a field trial of the device, equipment, software and/or platform before determining that it meets the gaming authority's technical standards. As part of the approval process, a gaming authority may require us to modify, update, or revise our device, equipment, software and/or platform and the approval process may require several rounds before approval is ultimately granted. The time required for product testing can be extensive and the related costs can be significant.

#### *Continued Reporting and Monitoring*

In most jurisdictions, even though we are licensed or approved, we remain under the on-going obligation to provide financial information and reports as well as to keep the applicable gaming authorities informed of any material changes in the information provided to them as part of our licensing and approval process. Most licenses and approvals must be periodically renewed, in some cases as often as annually. In connection with any initial application or renewal of a gaming license or approval, we (and individuals or entities required to submit to background investigations or suitability determinations in connection with our application or renewal) are typically required to make broad and comprehensive disclosures concerning our history, finances, ownership and corporate structure, operations, compliance controls and business relationships. We must regularly report changes in our officers, key employees and other licensed positions to applicable gaming authorities.

Most gaming jurisdictions impose fees and taxes that are payable by us in connection with our application, maintenance and renewal of our licensure or our approval to conduct business. Laws, regulations, and ordinances governing our gaming related activities and the obligations of gaming companies in any jurisdiction in which we have or in the future may have gaming operations are subject to change that could impose additional operating, financial, or other burdens on our business.

#### *Federal Registration*

The Gambling Devices Act of 1962 makes it unlawful for a person to manufacture, transport, or receive gaming devices (including our products), or components across interstate lines unless that person has first registered with the Attorney General of the United States Department of Justice. This act also imposes gambling device identification and record keeping requirements. Violation of this act may result in seizure and forfeiture of the equipment, as well as other penalties. As an entity involved in the manufacture and transportation of gaming devices, we are required to register annually.

#### *Native American Gaming Regulation*

Gaming on Native American lands is governed by federal law, tribal-state compacts, and tribal gaming regulations. Federally, gaming on Native American lands is subject to IGRA, which is administered by the National Indian Gaming Commission ("NIGC"). Under IGRA, gaming activities conducted by federally recognized Native American tribes are segmented into three classes:

- Class I, Class II and Class III.

*Class I.* Class I gaming represents traditional forms of Native American gaming as part of, or in connection with, tribal ceremonies or celebrations (e.g., contests and games of skill) and social gaming for minimal prizes. Class I gaming is regulated only by each individual Native American tribe. We do not participate in any Class I gaming activities.

*Class II.* Class II gaming involves the game of chance commonly known as bingo (whether or not electronic, computer, or other technological aids are used in connection therewith to facilitate play) and if played in the same location as bingo, also includes pull tabs, punch board, tip jars, instant bingo, and other games similar to bingo. Class II gaming also includes non-banked card games, that is, games that are played exclusively against other players rather than against the house or a player acting as a bank such as poker. However, the definition of Class II gaming specifically excludes slot machines or electronic facsimiles of Class III games. Class II gaming is regulated by the NIGC and the ordinances and regulations of the Native American tribe conducting such gaming. Subject to the detailed requirements of IGRA, including NIGC approval of such Native American tribe's gaming ordinance, federally recognized Native American tribes are typically permitted to conduct Class II gaming on Indian lands pursuant to tribal ordinances approved by the NIGC. We offer products and services to the Class II market.

*Class III.* Class III gaming includes all other forms of gaming that are neither Class I nor Class II and includes a broad range of traditional casino games such as slot machines, blackjack, craps and roulette, as well as wagering games and electronic facsimiles of any game of chance. IGRA generally permits a Native American tribe to conduct Class III gaming activities on reservation lands subject to the detailed requirements of IGRA and provided that the Native American tribe has entered into a written agreement or compact with the state that specifically authorizes the types of Class III gaming the tribe may offer. The tribal-state compacts vary from state to state. Many such tribal-state compacts address the manner and extent to which the state or tribe will license manufacturers and suppliers of gaming devices and conduct background investigations and certify the suitability of persons such as officers, directors, key persons and, in some cases, shareholders of gaming device manufacturers and suppliers. We offer products and services to the Class III market.

IGRA is administered by the NIGC and the Secretary of the U.S. Department of the Interior. The NIGC has authority to issue regulations related to tribal gaming activities, approve tribal ordinances for regulating gaming, approve management agreements for gaming facilities, conduct investigations and monitor tribal gaming generally. IGRA is subject to interpretation by the NIGC and may be subject to judicial and legislative clarification or amendment. The gaming ordinance of each Native American tribe conducting gaming under IGRA and the terms of any applicable tribal-state compact establish the regulatory requirements under which we must conduct business on Native American tribal lands.

Under IGRA, the NIGC's authority to approve gaming-related contracts is limited to management contracts and collateral agreements related to management contracts. A "management contract" includes any agreement between a Native American tribe and a contractor if such contract or agreement provides for the management of all or part of a gaming operation. To the extent that any of our agreements with Native American tribes are deemed to be management contracts, such agreements would require the approval of the NIGC in order to be valid. To our knowledge, none of our current agreements with Native American tribes qualify as management contracts under IGRA.

In addition, to the extent that any of our agreements with Native American tribes are deemed by the NIGC to create an impermissible proprietary interest, such agreements are void and unenforceable. To our knowledge, none of our current agreements with Native American tribes create an impermissible proprietary interest in Indian gaming.

#### *International Regulation*

Certain foreign countries permit the importation, sale, and operation of gaming equipment, software and related equipment in casino and non-casino environments. Some countries prohibit or restrict the payout feature of the traditional slot machine or limit the operation and the number of slot machines to a controlled number of casinos or casino-like locations. Gaming equipment must comply with the individual country's regulations. Certain jurisdictions do not require the licensing of gaming equipment operators and manufacturers. In Mexico, for example, gaming regulations have not been formalized and although we believe that we are compliant with the current informal regulations, if there are changes or new interpretations of the regulations in that jurisdiction we may be prevented or hindered from operating our business in Mexico.

#### *Social Gaming Regulation*

With respect to our social interactive gaming business, it is largely unregulated at this time. There are, however, movements in some jurisdictions to review social interactive gaming and possibly implement social interactive gaming regulations. We cannot predict the likelihood, timing, scope or terms of any such regulation or the extent to which any such regulation would affect our social interactive gaming business.

We are subject to various federal, state and international laws that affect our interactive business including those relating to the privacy and security of our customer and employee personal information and those relating to the Internet, behavioral tracking, mobile applications, advertising and marketing activities, sweepstakes and contests. Additional laws in all of these areas are likely to be passed in the future, which would result in significant limitations on or changes to the ways in which we collect, use, host, store or transmit the personal information and data of our customers or employees, communicate with our customers or deliver our products and services or may significantly increase our costs of compliance.

#### **Available Information**

The Company's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to reports filed or furnished pursuant to Section 13(a) of the Exchange Act will be made available free of charge on or through our website at [www.playags.com](http://www.playags.com) as soon as reasonably practicable after such reports are filed with, or furnished to, the SEC. The information on our website is not, and shall not be deemed to be, part of this report or incorporated into any other filings we make with the SEC. You may also read and obtain copies of any document we file at the SEC's website. The address of this website is [www.sec.gov](http://www.sec.gov).

From time to time, we may use our website as a channel of distribution of material information. Financial and other material information regarding the Company is routinely posted on and accessible at [www.playags.com](http://www.playags.com).

## ITEM 1A. RISK FACTORS.

The following risk factors should be considered carefully in addition to the other information contained in this Annual Report on Form 10-K. This Annual Report on Form 10-K contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those contained in the forward-looking statements. Factors that may cause such differences include, but are not limited to, those discussed below as well as those discussed elsewhere in this Annual Report on Form 10-K. If any of the following risks actually occur, our business, financial condition and results of operations could be materially and adversely affected.

### **Risks Related to Our Business and Industry**

***We operate in highly competitive industries and our success depends on our ability to effectively compete with numerous domestic and foreign businesses.***

We face significant competition in our businesses, especially in the evolving interactive gaming industry, not only from our traditional competitors but also from a number of other domestic and foreign providers (or, in some cases, the operators themselves), some of which have substantially greater financial resources and/or experience than we do. Many of our competitors are large, well-established companies with substantially larger operating staffs and greater capital resources and have been engaged in the design, manufacture and operation of electronic gaming equipment business for many years. We cannot assure you that our products and services will be successful or that we will be able to attract and retain players as our products and services compete with the products and services of others, which may impact the results of our operations.

Our business faces significant competition, including from illegal operators. There are a limited number of gaming operators and many established companies offer competing products. We compete on the basis of the content, features, quality, functionality, responsiveness and price of our products and services.

We also face high levels of competition in the supply of products and services for newly legalized gaming jurisdictions and for openings of new or expanded casinos. Our success is dependent on our ability to successfully enter new markets and compete successfully for new business.

We also compete to obtain space and favorable placement on casino gaming floors. Casino operators focus on performance, longevity, player appeal and price when making their purchasing and leasing decisions. Competitors with a larger installed base of EGMs and more game themes than ours may have an advantage in obtaining and retaining placements in casinos.

We have offered customers discounts, free trials and free gaming equipment, including conversion kits (and, in some cases, free EGMs) in connection with the sale or placement of our products and services. In addition, we have, in some cases, agreed to modify pricing and other contractual terms in connection with the sale or placement of our products. In select instances, we may pay for the right to place EGMs on a casino's floor and increased fee requirements from such casino operators may greatly reduce our profitability. There can be no assurance that competitive pressure will not cause us to increase the incentives that we offer to our customers or agree to modify contractual terms in ways that are unfavorable to us, which could adversely impact the results of our operations.

Our competitors may provide a greater amount of financing or better terms than we do, and this may impact demand for our products and services.

Competition for table game content is focused on player appeal, brand recognition and price. We compete on this basis, as well as on the extent of our sales, service, marketing and distribution channels. We also compete with several companies that primarily develop and license table games, as well as with non-proprietary table games such as blackjack and baccarat.

Our RMG interactive business is subject to significant competition based on game content as well as platform reliability and performance. We compete by providing our own and third-party game content via mobile and desktop channels as well as an aggregation platform to online RMG operators. In order to stay competitive in the RMG interactive business, we will need to continue to create and market game content that attracts players in legalized gaming jurisdictions.

***Our success is dependent upon our ability to adapt to and offer products that keep pace with evolving technology related to our businesses.***

The success of our products and services is affected by changing technology and evolving industry standards. Our ability to anticipate or respond to such changes and to develop and introduce new and enhanced products and services, including, but not limited to, gaming content, EGMs, table products and interactive gaming products and services, on a timely basis or at all is a significant factor affecting our ability to remain competitive, retain existing contracts or business and expand and attract new customers and players. There can be no assurance that we will achieve the necessary technological advances or have the financial resources needed to introduce new products or services on a timely basis or at all.

Our success depends upon our ability to respond to dynamic customer and player demand by producing new and innovative products and services. The process of developing new products and systems is inherently complex and uncertain. It requires accurate anticipation of changing customer needs and player preferences as well as emerging technological trends. If our competitors develop new game content and technologically innovative products and we fail to keep pace, our business could be adversely affected. If we fail to accurately anticipate customer needs and player preferences through the development of new products and technologies, we could lose business to our competitors, which would adversely affect our results of operations.

We may experience manufacturing, operational or design problems that could delay or prevent the launch of new products or services. Introducing new and innovative products and services requires us to adapt and refine our manufacturing, operations and delivery capabilities to meet the needs of our product innovation. If we cannot efficiently adapt our manufacturing infrastructure to meet the needs associated with our product innovations, or if we are unable to upgrade our production capacity in a timely manner, our business could be negatively impacted. In the past, we have experienced delays in launching new products and services due to the complex or innovative technologies embedded in our products and services. Such delays can adversely impact our results of operations.

Our success also depends on creating products and services with strong and sustained player appeal. We are under continuous pressure to anticipate player reactions to, and acceptance of, our new products while continuing to provide successful products that generate a high level of play. In some cases, a new game or electronic gaming machine will only be accepted by our casino or interactive gaming customers if we can demonstrate that it is likely to produce more revenue and/or has more player appeal than our existing products and services or our competitors' products and services.

We have invested, and may continue to invest, significant resources in research and development efforts. We invest in a number of areas, including product development for game and system-based hardware, software and game content. In addition, because of the sophistication of our newer products and the resources committed to their development, they are generally more expensive to produce. If our new products do not gain market acceptance or the increase in the average selling or leasing price of these new products is not proportionate to the increase in production cost, in each case as compared to our prior products, or if the average cost of production does not go down over time, whether by reason of long-term customer acceptance, our ability to find greater efficiencies in the manufacturing process as we refine our production capabilities or a general decrease in the cost of the technology, our margins will suffer and could negatively impact our business and results of operations. There can be no assurance that our investment in research and development will lead to successful new technologies or products. If a new product is not successful, we may not recover our development, regulatory approval or promotion costs.



***Our success depends in part on our ability to develop, enhance and/or introduce successful gaming concepts and game content. Demand for our products and the level of play of our products could be adversely affected by changes in player and operator preferences.***

We believe that creative and appealing game content produces more revenue for our customers and provides them with a competitive advantage, which in turn enhances our revenue and our ability to attract new business and to retain existing business. There can be no assurance that we will be able to sustain the success of our existing game content or effectively develop or obtain from third parties game content or licensed brands that will be widely accepted both by our customers and players. As a supplier of gaming equipment, we must offer themes and products that appeal to gaming operators and players. Our revenues are dependent on the earning power and life span of our games. We therefore face continuous pressure to design and deploy new and successful game themes and technologically innovative products to maintain our revenue and remain competitive. If we are unable to anticipate or react timely to any significant changes in player preferences, the demand for our gaming products and the level of play of our gaming products could decline. Further, we could fail to meet certain minimum performance levels, or operators may reduce revenue sharing arrangements with us, each of which could negatively impact our sales and financial results. In addition, general changes in consumer behavior, such as reduced travel activity or redirection of entertainment dollars to other venues, could result in reduced demand and reduced play levels for our gaming products.

***The intellectual property rights of others may prevent us from developing new products and services, entering new markets or may expose us to liability or costly litigation and such litigation could have a material adverse effect on the results of our business or intellectual property.***

Our success depends in part on our ability to continually adapt our products to incorporate new technologies and to expand into markets that may be created by new technologies. If technologies are protected by the intellectual property rights of others, including our competitors, we may be prevented from introducing products based on these technologies or expanding into markets created by these technologies. If the intellectual property rights of others prevent us from taking advantage of innovative technologies, our prospects and results of operations may be adversely affected.

There can be no assurance that our business activities, games, products, software, services and systems will not infringe upon the proprietary rights of others, or that other parties will not assert infringement claims against us. In addition to infringement claims, third parties may allege claims of invalidity or unenforceability against us or against our licensees or manufacturers in connection with their use of our technology. A successful challenge to, or invalidation of, one of our intellectual property interests, a successful claim of infringement by a third party against us, our products or services, or one of our licensees in connection with the use of our technologies, or an unsuccessful claim of infringement made by us against a third party or its products or services could adversely affect our business or cause us financial harm. Any such claim and any resulting litigation, should it occur, could:

- be expensive and time consuming to defend or require us to pay significant amounts in damages;
- invalidate our proprietary rights;
- cause us to cease making, licensing or using products or services that incorporate the challenged intellectual property;
- require us to redesign, reengineer or rebrand our products or services or limit our ability to bring new products and services to the market in the future;
- require us to enter into costly or burdensome royalty, licensing or settlement agreements in order to obtain the right to use a product, process or component;
- impact the commercial viability of the products and services that are the subject of the claim during the pendency of such claim; or
- require us by way of injunction to remove products or services on lease or stop selling or leasing new products or services.

A significant portion of our success depends on the protection of our intellectual property. In the future we may make claims of infringement, invalidity or enforceability against third parties. This enforcement could:

- cause us to incur greater costs and expenses in the protection of our intellectual property;
- potentially negatively impact our intellectual property rights;
- cause one or more of our patents, trademarks, copyrights or other intellectual property interests to be ruled or rendered unenforceable or invalid; or
- divert management's attention and our resources.

***Our business depends on the protection of our intellectual property and proprietary information and on our ability to license intellectual property from third parties.***

We believe that our success depends, in part, on protecting our intellectual property in the U.S. and in foreign countries and our ability to license intellectual property from third parties on commercially reasonable terms. The patent, trademark and trade secret laws of some countries may not protect our intellectual property rights to the same extent as the laws of the United States. Our intellectual property includes certain patents, trademarks and copyrights relating to our products and services (including EGMs, interactive gaming products, table games, card shufflers and accessories), as well as proprietary or confidential information that is not subject to patent or similar protection. Our success may depend, in part, on our ability to obtain protection for the trademarks, names, logos or symbols under which we market our products and to obtain copyright and patent protection for our proprietary technologies, intellectual property and innovations. There can be no assurance that we will be able to build and maintain consumer value in our trademarks, obtain patent, trademark or copyright protection or that any trademark, copyright or patent will provide us with competitive advantages. In particular, the *Alice Corp. v. CLS Bank International* (2014) U.S. Supreme Court decision tightened the standard for patent eligibility of software patents and other court decisions in recent years have trended towards a narrowing of patentable subject matter. A change in view at the United States Patent and Trademark Office (the "USPTO") has resulted in patents for table games having been put into serious doubt by the USPTO. Thus, our ability to protect table games with patents can impact our ability to sustain a competitive advantage. Furthermore, at least one federal court has held that United States patent, trademark and trade secret laws of general application are not binding on Native American tribes absent a binding waiver of sovereign immunity. These and similar decisions in the future may negatively impact the validity or enforceability of certain of our patents, our ability to protect our inventions, innovations and new technology and the value of our substantial patent portfolio.

Our intellectual property protects the integrity of our games and services. Competitors may independently develop similar or superior products or software, which could negatively impact the results of our operations. We have a limited ability to prevent others from creating materially similar products. Despite our efforts to protect these proprietary rights, unauthorized parties may try to copy our gaming products, business models or systems, use certain of our confidential information to develop competing products, or develop independently or otherwise obtain and use our gaming products or technology. In cases where our technology or product is not protected by enforceable intellectual property rights, such independent development may result in a significant diminution in the value of such technology or product.

We rely on products, technologies and intellectual property that we license from third parties for our businesses. The future success of our business may depend, in part, on our ability to obtain, retain and/or expand licenses for popular technologies and games in a competitive market. There can be no assurance that these third-party licenses, or support for such licensed products and technologies, will continue to be available to us on commercially reasonable terms, if at all. In the event that we cannot renew and/or expand existing licenses, we may be required to discontinue or limit our use of the products that include or incorporate the licensed intellectual property. Certain of our license agreements grant the licensor rights to audit our use of their intellectual property. Disputes with licensors over uses or terms could result in the payment of additional royalties or penalties by us, cancellation or non-renewal of the underlying license or litigation.

We also rely on trade secrets and proprietary know-how. We enter into confidentiality agreements with our employees and independent contractors regarding our trade secrets and proprietary information, but we cannot assure you that the obligation to maintain the confidentiality of our trade secrets and proprietary information will be honored. If these agreements are breached, it is unlikely that the remedies available to us will be sufficient to compensate us for the damages suffered. Additionally, despite various confidentiality agreements and other trade secret protections, our trade secrets and proprietary know-how could become known to, or independently developed by, competitors. Moreover, if our competitors independently develop equivalent knowledge, methods or know-how, it will be more difficult for us to enforce our rights and our business could be harmed.

***Our business is vulnerable to changing economic conditions and to other factors that adversely affect the casino industry, which have negatively impacted and could continue to negatively impact the play levels of our participation games, our product sales and our ability to collect outstanding receivables from our customers.***

Demand for our products and services depends largely upon favorable conditions in the casino industry, which is highly sensitive to casino patrons' disposable incomes and gaming activities. Discretionary spending on entertainment activities could further decline for reasons beyond our control, such as natural disasters, acts of war, terrorism, transportation disruptions, adverse health crises such as the COVID-19 pandemic, or the results of adverse weather conditions. Additionally, disposable income available for discretionary spending may be reduced by higher housing, energy, interest, or other costs, or where the actual or perceived wealth of customers has decreased because of circumstances such as lower residential real estate values, increased foreclosure rates, inflation, increased tax rates, or other economic disruptions. Consumer spending may also be affected by higher rates of inflation or a prolonged period of moderate inflation, in the United States or globally. Any prolonged or significant decrease in consumer spending on entertainment activities could result in reduced play levels on our participation games, causing our cash flows and revenues from a large share of our recurring revenue products to decline.

We have incurred, and may continue to incur, additional provisions for bad debt related to credit concerns on certain receivables.

***The global COVID-19 pandemic had a significant adverse impact and in the future similar events could have a material adverse impact on our operations and financial performance, as well as on the operations and financial performance of many of the customers and suppliers in the gaming industry that we serve. We are unable to predict the extent to which pandemics and related impacts will adversely impact our business operations, ability to procure materials, financial performance, results of operations, financial position and the achievement of our business objectives.***

The COVID-19 pandemic negatively impacted the global economy, with particular impact to the gaming industry, disrupted global supply chains, lowered equity market valuations, created significant volatility and disruption in the financial markets, and increased unemployment levels. In addition, the pandemic resulted in temporary closures of many businesses, including those of our casino customers in 2020, and resulted in the institution of physical distancing and sheltering in place requirements in many states and communities. Incidents like this may adversely affect our revenue and profitability. Furthermore, the pandemic impaired and similar events could continue to impair our ability to maintain sufficient liquidity, particularly if casinos and other gaming businesses close again or physical distancing and other COVID-19-protective measures prevent them from opening at full capacity, the impact on the global economy worsens and further impacts the disposable income available to our casino customers' patrons, or customers continue to delay making payments to us under existing obligations. Furthermore, because of changing economic and market conditions affecting the gaming industry, our ability to achieve our business objectives have been impacted and may continue to be impacted in the future. Our business operations may be disrupted because our workforce may be subject to illness, quarantines, government actions, and other restrictions imposed in connection with a pandemic. As a result, the Company may take several actions to adapt such as implementing short-term furloughs, company-wide salary reductions, and workforce reductions. In such situations we may need to seek additional debt or equity financing or, if needed and to the extent available, under federal programs. The extent to which the COVID-19 pandemic or future similar events will further impact our business, results of operations, and financial condition, as well as our capital and liquidity ratios, will depend on future developments, which are highly uncertain and cannot be predicted, including the scope and duration of the pandemic and actions taken by governmental authorities and other third parties in response to the pandemic.

The COVID-19 pandemic or future similar events may also exacerbate the risks disclosed in our Annual Report, including, but not limited to: our ability to comply with the terms of our indebtedness, our ability to generate revenues, earn profits and maintain adequate liquidity, our ability to service existing and attract new customers, maintain our overall competitiveness in the market, the potential for significant fluctuations in demand for our services, overall trends in the gaming industry impacting our business, as well as potential volatility in our stock price.

***We may not successfully enter new markets and potential new markets may not develop quickly or at all.***

If and as new and developing domestic markets develop, competition among providers of gaming-related products and services will intensify. We will face a number of hurdles in our attempts to enter these markets, including the need to expand our sales and marketing presence, compete against pre-existing relationships that our target customers may have with our competitors, the uncertainty of compliance with new or developing regulatory regimes (including regulatory regimes relating to internet gaming) with which we are not currently familiar, and oversight by regulators that are not familiar with us or our businesses. Each of these risks could materially impair our ability to successfully expand our operations into these new and developing domestic markets.

In addition, as we attempt to sell our gaming-related products and services into international markets in which we have not previously operated, we may become exposed to political, economic, tax, legal and regulatory risks not faced by businesses that operate only in the United States. The legal and regulatory regimes of foreign markets and their ramifications on our business are less certain. Our international operations are subject to a variety of risks, including different regulatory requirements and interpretations, trade barriers, difficulties in staffing and managing foreign operations, higher rates of fraud, compliance with anti-corruption and export control laws, fluctuations in currency exchange rates, difficulty in enforcing or interpreting contracts or legislation, political and economic instability and potentially adverse tax consequences. Difficulties in obtaining approvals, licenses or waivers from the gaming authorities of other jurisdictions, in addition to other potential regulatory and quasi-regulatory issues that we have not yet ascertained, may arise in international jurisdictions into which we attempt to enter. In these new markets, our operations will rely on an infrastructure of, among other things, financial services and telecommunications facilities that may not be sufficient to support our business needs. In these new markets, we may additionally provide services based upon interpretations of applicable law, which interpretation may be subject to regulatory or judicial review. These risks, among others, could materially and adversely affect our business, financial condition and operations. In connection with our expansion into new international markets, we may forge strategic relationships with business partners to assist us. The success of our expansion into these markets therefore may depend in part upon the success of the business partners with whom we forge these strategic relationships. If we do not successfully form strategic relationships with the right business partners or if we are not able to overcome cultural or business practice differences, our ability to penetrate these new international markets could suffer.

***We may not be able to capitalize on the expansion of internet or other forms of interactive gaming or other trends and changes in the gaming industries, including due to laws and regulations governing these industries.***

We participate in the new and evolving interactive gaming industry through our social and RMG interactive gaming products. Part of our strategy is to take advantage of the liberalization of interactive gaming, both within the United States and internationally. These industries involve significant risks and uncertainties, including legal, business and financial risks. The success of these industries and of our interactive gaming products and services may be affected by future developments in mobile platforms, regulatory developments, data privacy laws and other factors that we are unable to predict and are beyond our control. This fast-changing environment can make it difficult to plan strategically and can provide opportunities for competitors to grow their businesses at our expense. Consequently, the future results of our operations relating to our interactive gaming products and services are difficult to predict and may not grow at the rates we expect, and we cannot provide assurance that these products and services will be successful in the long term.

In general, our ability to successfully pursue our interactive gaming strategy depends on the laws and regulations relating to our gaming activities through interactive channels.

In jurisdictions that authorize RMG, there can be no assurance that we will be successful in offering our technology, content and services to internet gaming operators as we expect to face intense competition from our traditional competitors in the gaming industry as well as a number of other domestic and foreign providers (or, in some cases, the operators themselves), some of which have substantially greater financial resources and/or experience in this area than we do. In addition, there is a risk that the authorization of the sale of gaming offerings via interactive channels in a particular jurisdiction could, under certain circumstances, adversely impact our gaming offerings through traditional channels in such jurisdiction. Any such adverse impact would be magnified to the extent we are not involved in, and generating revenue from, the provision of RMG interactive gaming products or services in such jurisdiction. Know-your-customer and geo-location programs and technologies supplied by third parties are an important aspect of certain RMG internet and mobile gaming products and services because they confirm certain information with respect to players and prospective players, such as age, identity and location. Payment processing programs and technologies, typically provided by third parties, are also a necessary feature of RMG interactive wagering products and services. These programs and technologies are costly and may have an adverse impact on the results of our operations. Additionally, there can be no assurance that products containing these programs and technologies will be available to us on commercially reasonable terms, if at all, or that they will perform accurately or otherwise in accordance with our required specifications.

***Our ability to operate in our existing markets or expand into new jurisdictions could be adversely affected by changing regulations, new interpretations of existing laws, and difficulties or delays in obtaining or maintaining required licenses or approvals.***

We operate only in jurisdictions where gaming is legal. The gaming industry is subject to extensive governmental regulation by United States federal, state and local governments, as well as Native American tribal governments, and foreign governments. While the regulatory requirements vary by jurisdiction, most require:

- licenses and/or permits;
- documentation of qualifications, including evidence of financial stability;
- other required approvals for companies who design, assemble, supply or distribute gaming equipment and services; and
- individual suitability of officers, directors, major equity holders, lenders, key employees and business partners.

States and other jurisdictions may amend or repeal gaming enabling legislation which could materially impact our business. Any license, permit, approval or finding of suitability may be revoked, suspended or conditioned at any time. We may not be able to obtain or maintain all necessary registrations, licenses, permits or approvals, or could experience delays related to the licensing process which could adversely affect our operations and our ability to retain key employees.

To expand into new jurisdictions, in most cases, we will need to be licensed, obtain approvals of our products and/or seek licensure of our officers, directors, major equity holders, key employees or business partners and potentially lenders. If we fail to obtain or renew a license required in a particular jurisdiction for our games and EGMs, hardware or software or have such license revoked, we will not be able to expand into, or continue doing business in, such jurisdiction. Any delays in obtaining or difficulty in maintaining regulatory approvals needed for expansion within existing markets or into new jurisdictions can negatively affect our opportunities for growth. In addition, the failure of our officers, directors, key employees or business partners, equity holders, or lenders to obtain or receive licenses in one or more jurisdictions may require us to modify or terminate our relationship with such officers, directors, key employees or business partners, equity holders, or lenders, or forego doing business in such jurisdiction.

Although we plan to maintain our compliance with applicable laws as they evolve, there can be no assurance that we will do so, and that law enforcement or gaming regulatory authorities will not seek to restrict our business in their jurisdictions or institute enforcement proceedings if we are not compliant. Moreover, in addition to the risk of enforcement action, we are also at risk of loss of business reputation in the event of any potential legal or regulatory investigation whether or not we are ultimately accused of or found to have committed any violation. A negative regulatory finding or ruling in one jurisdiction could have adverse consequences in other jurisdictions, including with gaming regulators. Furthermore, the failure to become licensed, or the loss or conditioning of a license, in one market may have the adverse effect of preventing licensing in other markets or the revocation of licenses we already maintain.

Further, changes in existing gaming regulations or new interpretations of existing gaming laws may hinder or prevent us from continuing to operate in those jurisdictions where we currently do business, which would harm our operating results. In particular, the enactment of unfavorable legislation or government efforts affecting or directed at manufacturers or gaming operators, such as referendums to increase gaming taxes or requirements to use local distributors, would likely have a negative impact on our operations. Gaming regulations in Mexico have not been formalized and although we believe that we are compliant with the current informal regulations, if there are changes or new interpretations of the regulations in that jurisdiction we may be prevented or hindered from operating our business in Mexico.

Many jurisdictions also require extensive personal and financial disclosure and background checks from persons and entities beneficially owning a specified percentage (typically 5% or more) of our equity securities and may require the same from our lenders. The failure of these beneficial owners or lenders to submit to such background checks and provide required disclosure could jeopardize our ability to obtain or maintain licensure in such jurisdictions.

***Smoking bans in casinos may reduce player traffic and affect our revenues.***

Some United States jurisdictions have introduced or proposed smoking bans in public venues, including casinos, which may reduce player traffic in the facilities of our current and prospective customers, which may reduce revenues on our participation EGMs, table product lease and license revenue or impair our future growth prospects and therefore may adversely impact our revenues in those jurisdictions. Other participants in the gaming industry have reported declines in gaming revenues following the introduction of a smoking ban in jurisdictions in which they operate and we cannot predict the magnitude or timing of any decrease in revenues resulting from the introduction of a smoking ban in any jurisdiction in which we operate.

***We derive a significant portion of our revenue from Native American tribal customers, and our ability to effectively operate in Native American gaming markets is vulnerable to legal and regulatory uncertainties, including the ability to enforce contractual rights on Native American land.***

We derive a significant amount of our revenue from participation agreements with Native American gaming operators. Native American tribes are independent governments with sovereign powers and, in the absence of a specific grant of authority by Congress to a state or a specific compact or agreement between a tribal entity and a state that would allow the state to regulate activities taking place on Native American lands, they can enact their own laws and regulate gaming operations and contracts subject to IGRA. In this capacity, Native American tribes generally enjoy sovereign immunity from lawsuits similar to that of the individual states and the United States. Accordingly, before we can seek to enforce contract rights with a Native American tribe, or an agency or instrumentality of a Native American tribe, we must obtain from the Native American tribe a waiver of its sovereign immunity with respect to the matter in dispute, which we are not always able to do. Without a limited waiver of sovereign immunity, or if such waiver is held to be ineffective, we could be precluded from judicially enforcing any rights or remedies against a Native American tribe, including the right to enter Native American lands to retrieve our property in the event of a breach of contract by the tribal party to that contract. Even if the waiver of sovereign immunity by a Native American tribe is deemed effective, there could be an issue as to the forum in which a lawsuit may be brought against the Native American tribe. Further, federal courts are courts of limited jurisdiction and generally do not have jurisdiction to hear civil cases relating to Native American tribes, and we may be unable to enforce any arbitration decision effectively. Although we attempt to agree upon governing law and venue provisions in our contracts with Native American tribal customers, these provisions vary widely and may not be enforceable.

Certain of our agreements with Native American tribes are subject to review by regulatory authorities. For example, our development agreements may be subject to review by the NIGC, and any such review could require substantial modifications to our agreements or result in the determination that we have a proprietary interest in a Native American tribe's gaming activity (which is prohibited), which could materially and adversely affect the terms on which we conduct our business. The NIGC may also reinterpret applicable laws and regulations, which could affect our agreements with Native American tribes. We could also be affected by alternative interpretations of the Johnson Act as the Native American tribes, who are the customers for our Class II and Class III games, could be subject to significant fines and penalties if it is ultimately determined they are offering an illegal game, and an adverse regulatory or judicial determination regarding the legal status of our products could have material adverse consequences for our results of operations.

Government enforcement, regulatory action, judicial decisions and proposed legislative action have in the past, and will likely continue to affect our business and prospects in Native American tribal lands. The legal and regulatory uncertainties surrounding our Native American tribal agreements could result in a significant and immediate material adverse effect on our results of operations. Additionally, such uncertainties could increase our cost of doing business and could take management's attention away from operations. Regulatory action against our customers or equipment in these or other markets could result in machine seizures and significant revenue disruptions, among other adverse consequences. Moreover, Native American tribal policies and procedures, as well as tribal selection of gaming vendors, are subject to the political and governance environment within each Native American tribe. Changes in tribal leadership or tribal political pressure can affect our business relationships within Native American markets.

***We may not realize satisfactory returns on money lent to new and existing customers to develop or expand gaming facilities or to acquire gaming routes.***

We enter into agreements to provide financing for construction, expansion, or remodeling of gaming facilities, primarily in the state of Oklahoma, and have entered into agreements in other jurisdictions to provide loans and advances to route operators to acquire location contracts and fund working capital. Under these agreements, we secure long-term contracts for game placements under either a revenue share or daily fee basis in exchange for the loans and advances. We may not, however, realize the anticipated benefits of any of these strategic relationships or financings as our success in these ventures is dependent upon the timely completion of the gaming facility, the placement of our EGMs, and a favorable regulatory environment.

These activities may result in unforeseen operating difficulties, financial risks, or required expenditures that could adversely affect our liquidity. In connection with one or more of these transactions, and to obtain the necessary funds to enter these agreements, we may need to extend secured and unsecured credit to potential or existing customers that may not be repaid, incur debt on terms unfavorable to us or that we are unable to repay, or incur other contingent liabilities.

The failure to maintain controls and processes related to billing and collecting notes receivable or the deterioration of the financial condition of our customers could negatively impact our business. As a result of these agreements, the collection of notes receivable has become a matter of greater significance. While we believe the increased level of these specific receivables has allowed us to grow our business, it has also required direct, additional focus of and involvement by management. Further, and especially due to a downturn in the economy, some of our customers may not pay the notes receivable when due.

***We rely on information technology and other systems and any failures in our systems could disrupt our business and adversely impact our results.***

We rely on information technology systems that are important to the operation of our business, some of which are managed by third parties. These systems are used to process, transmit and store electronic information, to manage and support our business operations and to maintain internal controls over our financial reporting. We could encounter difficulties in developing new systems, maintaining and upgrading current systems and preventing security breaches. Among other things, our systems are susceptible to outages due to fire, floods, power loss, break-ins, cyber-attacks, network penetration, denial of service attacks and similar events. While we have and will continue to implement network security measures and data protection safeguards, our servers and other computer systems are vulnerable to viruses, malicious software, hacking, break-ins or theft, data privacy or security breaches, third-party security breaches, employee error or malfeasance and similar events. Failures in our systems or services or unauthorized access to or tampering with our systems and databases could have a material adverse effect on our business, reputation and results of operations. Any failures in our computer systems or telecommunications services could affect our ability to operate our linked games or otherwise conduct business.

Portions of our information technology infrastructure also may experience interruptions, delays or cessations of service or produce errors in connection with systems integration or migration work that takes place from time to time. We may not be successful in implementing new systems and transitioning data, which could cause business disruptions and be more expensive, time consuming, disruptive and resource-intensive. Such disruptions could materially and adversely impact our ability to deliver products to customers and interrupt other processes. If our information systems do not allow us to transmit accurate information, even for a short period of time, to key decision makers, the ability to manage our business could be disrupted and our results of operations could be materially and adversely affected. Failure to properly or adequately address these issues could impact our ability to perform necessary business operations, which could materially and adversely affect our reputation, competitive position and results of operations.

***Due to the ever-changing threat landscape, our operations and services may be subject to certain risks, including hacking or other unauthorized access to control or view systems.***

Companies are under increasing attack by cybercriminals around the world. While we implement security measures within our operations and systems, those measures may not prevent cybersecurity breaches; the access, capture, or alteration of information by criminals; the exposure or exploitation of potential security vulnerabilities; distributed denial of service attacks; the installation of malware or ransomware; acts of vandalism; computer viruses; or misplaced data or data loss that could be detrimental to our reputation, business, financial condition, and results of operations. Third parties, including our vendors, could also be a source of security risk to us in the event of a failure of their own products, components, networks, security systems, and infrastructure. Additionally, as many of our employees work remotely, there exists a risk to our internal networks in the event that our employees' devices, networks, and security systems become compromised. Further, we cannot be certain that advances in criminal capabilities, new discoveries in the field of cryptography, or other developments will not compromise or breach the technology protecting the networks that access our products and services.

Our Interactive segment's products are accessed through the Internet, and leverage the connectivity of mobile platforms. As such, security breaches in connection with the delivery of our services via the Internet may affect us and could be detrimental to our reputation, business, operating results, and financial condition. In addition, we depend on our information technology infrastructure for the B2B and B2C portions of our Interactive segment. Security breaches of, or sustained attacks against, this infrastructure could create system disruptions and shutdowns that could negatively impact our operations. We continue to invest in new and emerging technology and other solutions to protect our network and information systems, but there can be no assurance that these investments and solutions will prevent any of the risks described above.

***Our business is dependent on the security and integrity of the systems and products we offer.***

We believe that our success depends, in part, on providing secure products, services and systems to our customers. Attempts to penetrate security measures may come from various combinations of customers, retailers, vendors, employees and others. Our ability to prevent anomalies and monitor and ensure the quality and integrity of our products and services is periodically reviewed and enhanced. Similarly, we regularly assess the adequacy of our security systems to protect against any material loss to any of our customers and the integrity of our products and services to players. Expanded utilization of the internet and other interactive technologies may result in increased security risks for us and our customers. There can be no assurance that our business will not be affected by a security breach or lapse, which could have a material adverse impact on our results of operations.

Our success depends on our ability to avoid, detect, replicate and correct software and hardware anomalies and fraudulent manipulation of our EGMs and other systems. We incorporate security features into the design of our EGMs and other systems, which are designed to prevent us, our customers and players from being defrauded. We also monitor our software and hardware to avoid, detect and correct any technical errors. However, there can be no guarantee that our security features or technical efforts will continue to be effective in the future. If our security systems fail to prevent fraud or if we experience any significant technical difficulties, our operating results could be adversely affected. Additionally, if third parties breach our security systems and defraud players, or if our hardware or software experiences any technical anomalies, our customers and the public may lose confidence in our operations, or we could become subject to legal claims by our customers or players or to investigation by gaming authorities.

Our EGMs have experienced anomalies and fraudulent manipulation in the past. Games and EGMs may be replaced by casinos and other EGM operators if they do not perform according to expectations, or they may be shut down by regulators. The occurrence of anomalies in, or fraudulent manipulation of, our EGM or our other gaming products and services (including our interactive products and services), may give rise to claims from players and claims for lost revenue and profits and related litigation by our customers or players and may subject us to investigation or other action by regulatory authorities, including suspension or revocation of our licenses or other disciplinary action. Additionally, in the event of the occurrence of any such issues with our products and services, substantial engineering and marketing resources may be diverted from other projects to correct these issues, which may delay other projects and the achievement of our strategic objectives.

Although our network is private, it is susceptible to outages due to fire, floods, power loss, break-ins, cyberattacks and similar events. We have back-up capabilities for our services in the event of any such occurrence. Despite our implementation of network security measures, our servers are vulnerable to computer viruses and break-ins. Similar disruptions from unauthorized tampering with our computer systems in any such event could have a material adverse effect on our business, operating results and financial condition.

***Slow growth in the development of new gaming jurisdictions or the number of new casinos, declines in the rate of replacement of existing EGMs and ownership changes and consolidation in the casino industry could limit or reduce our future prospects.***

Demand for our new participation EGM placements and game sales is partially driven by the development of new gaming jurisdictions, the addition of new casinos or expansion of existing casinos within existing gaming jurisdictions and the replacement of existing EGMs. The establishment or expansion of gaming in any jurisdiction typically requires a public referendum or other legislative action. As a result, gaming continues to be the subject of public debate, and there are numerous active organizations that oppose gaming. There can be no assurances that new gaming jurisdictions will be established in the future or that existing jurisdictions will expand gaming, and, thus, our growth strategy could be negatively impacted.

To the extent new gaming jurisdictions are established or expanded, we cannot guarantee we will be successful penetrating such new jurisdictions or expanding our business in line with the growth of existing jurisdictions. As we enter into new markets, we may encounter legal and regulatory challenges that are difficult or impossible to foresee and which could result in an unforeseen adverse impact on planned revenues or costs associated with the new market opportunity. If we are unable to effectively develop and operate within these new markets, then our business, operating results and financial condition would be impaired. Furthermore, as we attempt to generate new streams of revenue by placing our participation EGM, table or RMG Interactive products with new customers, we may have difficulty implementing an effective placement strategy for jurisdictional-specific games. Our failure to successfully implement an effective placement strategy could cause our future operating results to vary materially from what we have forecasted.

In addition, the construction of new casinos or expansion of existing casinos fluctuates with demand, general economic conditions and the availability of financing. Slow growth in the establishment of new gaming jurisdictions or delays in the opening of new or expanded casinos and continued declines in, or low levels of demand for, EGM replacements could reduce the demand for our products and our future profits. Our business could be negatively affected if one or more of our customers is sold to or merges with another entity that utilizes more of the products and services of one of our competitors or that reduces spending on our products or causes downward pricing pressures. Such consolidations could lead to order cancellations, a slowing in the rate of EGM replacements, or require our current customers to switch to our competitors' products, any of which could negatively impact our results of operations.

***The results of our operations could be affected by natural events in the locations in which we or our customers, suppliers or regulators operate.***

We may be impacted by severe weather and other geological events, including hurricanes, earthquakes, floods or tsunamis that could disrupt our operations or the operations of our customers, suppliers, data service providers and regulators. Natural disasters or other disruptions at any of our facilities or our suppliers' facilities may impair or delay delivery of our products and services. Additionally, disruptions experienced by our regulators due to natural disasters or otherwise could delay our introduction of new products or entry into new jurisdictions where regulatory approval is necessary. Adverse weather conditions, particularly flooding, tornadoes, heavy snowfall and other extreme weather conditions often deter our customers' players from traveling or make it difficult for them to frequent the sites where our games are installed. If any of those sites experienced prolonged adverse weather conditions, or if the sites in Oklahoma, where a significant number of our games are installed, simultaneously experienced adverse weather conditions, our results of operations and financial condition would be materially and adversely affected. While we insure against certain business interruption risks, we cannot provide any assurance that such insurance will compensate us for any losses incurred as a result of natural or other disasters. Any serious disruption to our operations, or those of our customers, our suppliers or our regulators, could have a material adverse effect on the results of our operations.

***We are dependent on our suppliers and contract manufacturers and any failure of these parties to meet our performance and quality standards or requirements could cause us to incur additional costs or lose customers.***

The manufacturing, assembling and designing of our EGMs depends upon a continuous supply of raw materials and components, such as source cabinets, which we currently source primarily from a limited number of suppliers, some of whom are domiciled in various parts of the world. Our operating results could be adversely affected by an interruption or cessation in the supply of these items or a serious quality assurance lapse, including as a result of the insolvency of any of our key suppliers. Our suppliers may be affected by world events, health crises such as the COVID-19 pandemic, other factors that are out of their control and that therefore affect the products or their ability to fulfill our product requirements. We may be unable to find adequate replacements for our suppliers within a reasonable time frame, on favorable commercial terms or at all. Further, manufacturing costs may unexpectedly increase and we may not be able to successfully recover any or all of such cost increases. Any additional price increases could decrease the sales or leasing of our products, could increase our operating costs and those of our customers, and could have a material adverse effect on the results of our operations.

***The risks related to operations in foreign countries and outside of traditional United States jurisdictions could negatively affect our results.***

We operate in jurisdictions outside of the United States, principally in Mexico and on tribal lands of Native American tribes as well as RMG online operations in the United Kingdom and Europe. In addition to these locations, we have employees and contractors in Australia, Brazil, Ukraine, India, and Israel. The developments noted below, among others, could adversely affect our financial condition and results of operations:

- social, political or economic instability;
- additional costs of compliance with international laws or unexpected changes in regulatory requirements;
- tariffs and other trade barriers including shipping and importation stoppages;
- fluctuations in foreign exchange rates outside the United States;
- adverse changes in the creditworthiness of parties with whom we have significant receivables or forward currency exchange contracts;
- expropriation, nationalization and restrictions on repatriation of funds or assets;
- difficulty protecting our intellectual property;
- recessions in foreign economies;
- difficulties in maintaining foreign operations;
- changes in consumer tastes and trends;
- risks associated with compliance with anti-corruption laws;
- acts of war or terrorism; and
- United States government requirements for export.

In addition, our ability to expand successfully in foreign jurisdictions involves other risks, including difficulties in integrating foreign operations, risks associated with entering jurisdictions in which we may have little experience and the day-to-day management of a growing and increasingly geographically diverse company. Our investment in foreign jurisdictions often entails partnering or other business relationships with locally based entities, which can involve additional risks arising from our lack of sole decision-making authority, our reliance on a partner's financial condition, inconsistency between our business interests or goals and those of our partners and disputes between us and our partners.

The invasion of Ukraine by Russian troops and the retaliatory measures taken by the U.S., NATO and other countries as well as the conflict in Israel and Palestine have created global security concerns and economic uncertainty that could have a lasting impact on regional and global economies. We have approximately 30 contractors located in the Ukrainian region and 5 employees in Israel. These contractors and employees work in our interactive business and provide services that assist in the operations of our remote gaming servers used for RMG, development services and operations of our social casino revenues. While these contractors and employees perform their services remotely, given the escalating tensions and uncertainty in these regions, they are likely to experience delays in performing such services and may be unable to perform such services altogether. Moreover, our interactive business is likely to experience service disruptions or delays as a result of the conflict. We do not source products from these regions, nor do we have essential equipment in Ukraine or Israel. We are also taking action to mitigate any impacts of any disruptions caused by the conflict, which include diverting service and support resources outside of the affected regions.

The Company supplies certain equipment pursuant to the North American Free Trade Agreement or NAFTA (now known as the U.S.-Mexico-Canada Agreement or USMCA) and may be subject to audits, assessments, and penalties for non-compliance. While the Company maintains records to support such inquiries and confirm its compliance, the Company cannot be certain that it will not face costs and penalties for non-compliance which may be material to the Company. The Company's ability to import finished goods and raw materials into Mexico may be affected by changes in local regulations and government policies regarding such importations.

***Foreign currency exchange rate fluctuations and other risks could impact our business.***

For the year ended December 31, 2023, we derived approximately 11% of our revenue from customers outside of the United States. Our consolidated financial results are affected by foreign currency exchange rate fluctuations. Foreign currency exchange rate exposures arise from current transactions and anticipated transactions denominated in currencies other than U.S. dollars and from the translation of foreign currency denominated balance sheet accounts into U.S. dollar-denominated balance sheet accounts. We are exposed to currency exchange rate fluctuations because portions of our revenue and expenses are denominated in currencies other than the U.S. dollar, particularly the Mexican peso. If a foreign currency is devalued in a jurisdiction in which we are paid in such currency, we may require our customers to pay higher amounts for our products, which they may be unable or unwilling to pay.



***Our business is subject to quarterly fluctuation.***

Historically, our gaming operations revenues from casino operators in the United States have been highest during the first and second quarters and lowest in our third and fourth quarters, primarily due to the seasonality of player demand. Our quarterly operating results may vary based on the timing of the opening of new gaming jurisdictions, the opening or closing of casinos, the expansion or contraction of existing casinos, approval or denial of our products and corporate licenses under gaming regulations, the introduction of new products, the seasonality of customer capital budgets, the mix of domestic versus international sales and the mix of lease and royalty revenue versus sales and service revenue. As a result, our operating results could be volatile, particularly on a quarterly basis.

In light of the foregoing, results for any quarter are not necessarily indicative of the results that may be achieved in another quarter or for the full fiscal year. There can be no assurance that the seasonal trends and other factors that have impacted our historical results will repeat in future periods as we cannot influence or forecast many of these factors.

***We could face risks associated with, or arising out of, environmental, health and safety laws and regulations.***

We are subject to various United States federal, state and local laws and regulations that (i) regulate certain activities and operations that may have environmental or health and safety effects, such as the use of regulated materials in the manufacture of our products by third parties or our disposal of materials, substances or wastes, (ii) impose liability for costs of cleaning up, and damages to natural resources from, past spills, waste disposals on and off-site, or other releases of hazardous materials or regulated substances, and (iii) regulate workplace safety. Compliance with these laws and regulations could increase our and our third-party manufacturers' costs and impact the availability of components required to manufacture our products. Violation of these laws may subject us to significant fines, penalties or disposal costs, which could negatively impact our results of operations. We could be responsible for the investigation and remediation of environmental conditions at currently or formerly operated or leased sites, as well as for associated liabilities, including liabilities for natural resource damages, third party property damage or personal injury resulting from lawsuits that could be brought by the government or private litigants, relating to our operations, the operations of facilities or the land on which our facilities are located. We may be subject to these liabilities regardless of whether we lease or own the facility, and regardless of whether such environmental conditions were created by us or by a prior owner or tenant, or by a third-party or a neighboring facility whose operations may have affected such facility or land. That is because liability for contamination under certain environmental laws can be imposed on current or past owners or operators of a site without regard to fault. We cannot assure you that environmental conditions relating to our prior, existing or future sites or those of predecessor companies whose liabilities we may have assumed or acquired will not have a material adverse effect on our business.

***We are impacted by increasing stakeholder interest in public company performance, disclosure, and goal-setting with respect to environmental, social and governance ("ESG") matters.***

In response to growing customer, investor, employee, governmental and other stakeholder interest in our ESG practices, including our procedures, standards, and performance metrics, we have increased reporting of our ESG programs. Our ability to achieve any objective, including with respect to ESG initiatives, is subject to numerous risks, many of which are outside of our control. Examples of such risks include, but are not limited to: (i) the availability and cost of low-energy sources and technologies; (ii) evolving regulatory requirements affecting ESG standards or disclosures; (iii) the availability of suppliers that can meet our sustainability, diversity and other standards; (iv) our ability to recruit, develop, and retain diverse talent in our labor markets; and (v) the impact of our organic growth and acquisitions of businesses or operations. In addition, frameworks for tracking and reporting on ESG matters have not been standardized and continue to evolve. Our processes and controls for reporting of ESG matters may not always comply with evolving and disparate standards for identifying, measuring, and reporting ESG metrics, our interpretation of reporting standards may differ from those of others, and such standards may change over time, any of which could result in significant revisions to our ESG disclosures and objectives. In addition, certain of our products and services may be unattractive to certain investors and may cause us to be increasingly subject to ESG-driven investment practices that preclude investment in our debt and equity securities.

To the extent our ESG practices do not meet, or viewed as not meeting, evolving investor or other stakeholder expectations, then our reputation, our ability to attract or retain employees and our attractiveness as a gaming supplier, business partner or acquiror could be negatively impacted. Our failure, or perceived failure, to pursue or fulfill our goals, targets and objectives or to satisfy various reporting standards within the timelines we announce, or at all, could have similar negative impacts and expose us to government enforcement actions and private litigation.

***If our products contain defects, we may be liable for product defects or other claims, our reputation could be harmed and our results of operations adversely affected.***

Our products could be defective, fail to perform as designed or otherwise cause harm to our customers, their equipment or their products. If any of our products are defective, we may be required to recall the products and/or repair or replace them, which could result in substantial expenses and affect our profitability. Any problem with the performance of our products, such as a false jackpot or other prize, could harm our reputation, which could result in a loss of sales to customers and/or potential customers and in turn termination of leases, cancellation of orders, product returns and diversion of our resources. In addition, the occurrence of errors in, or fraudulent manipulation of, our products or software may give rise to claims by our customers or by our customers' players, including claims by our customers for lost revenues and related litigation that could result in significant liability. Any claims brought against us by customers may result in diversion of management's time and attention, expenditure of large amounts of cash on legal fees and payment of damages, lower demand for our products or services, or injury to our reputation. Our insurance may not sufficiently cover a judgment against us or a settlement payment and is subject to customary deductibles, limits and exclusions. In addition, a judgment against us or a settlement could make it difficult for us to obtain insurance in the coverage amounts necessary to adequately insure our businesses, or at all, and could materially increase our insurance premiums and deductibles in the future. In addition, software bugs or malfunctions, errors in distribution or installation of our software, failure of our products to perform as approved by the appropriate regulatory bodies or other errors or malfunctions, may subject us to investigation or other action by gaming regulatory authorities, including fines. Any of these occurrences could also result in the loss of or delay in market acceptance of our products and loss of revenue.

***Our revenues are vulnerable to the impact of changes to the Class II regulatory scheme.***

Our Native American tribal customers that operate Class II games under IGRA are subject to regulation by the NIGC. The NIGC has conducted and is expected to again conduct consultations with industry participants regarding Native American gaming activities, including the clarification of regulations regarding Class II EGMs. It is possible that any such changes in regulations, when finally enacted, could cause us to modify our Class II games to comply with the new regulations, which may result in our products becoming less competitive. Any required conversion of games pursuant to changing regulatory schemes could cause a disruption to our business. In addition, we could lose market share to competitors who offer games that do not appear to comply with published regulatory restrictions on Class II games and therefore offer features not available in our products.

***State compacts with our existing Native American tribal customers to allow Class III gaming could reduce demand for our Class II games and our entry into the Class III market may be difficult as we compete against larger companies in the tribal Class III market.***

Most of our Class II Native American tribal customers have entered into compacts with the states in which they operate to permit the operation of Class III games. While we seek to also provide Class III alternatives in these markets, we believe the number of our Class II game machine placements in those customers' facilities could decline, and our operating results could be materially and adversely affected. As our Native American tribal customers continue to transition to gaming under compacts with the state, we continue to face significant uncertainty in the market that makes our business in these states difficult to manage and predict and we may be forced to compete with larger companies that specialize in Class III gaming. We believe the establishment

of state compacts depends on a number of political, social, and economic factors that are inherently difficult to ascertain. Accordingly, although we attempt to closely monitor state legislative developments that could affect our business, we may not be able to timely predict if or when a compact could be entered into by one or more of our Native American tribal customers. For example, in Oklahoma, the continued introduction of Class III games since the passage of the tribal gaming compact in 2004 may put pressure on our revenue and unit market share and our revenue share percentages and may result in a shift in the market from revenue share arrangements to a "for sale" model.

***The participation share rates for gaming revenue we receive pursuant to our participation agreements with our Native American tribal customers may decrease in the future.***

The percentage of gaming revenue we receive pursuant to our participation agreements, or our participation share rates, with our Native American tribal customers may decrease upon contract renewals, negatively affecting our profit margins. There can be no assurance that participation rates will not decrease in the future. In addition, our Native American tribal customers may adopt policies or insist upon additional business terms during the renewal of our existing participation agreements that negatively affect the profitability of those relationships. In addition, any participation agreements we may enter into in the future with new customers or in new jurisdictions may not have terms as favorable as our existing participation agreements.

***We generate a substantial amount of our total revenue in one state.***

For the year ended December 31, 2023, approximately 21% of our total revenue was derived from the state of Oklahoma. The significant concentration of our revenue in Oklahoma means that local economic, regulatory and licensing changes in the state may adversely affect our business disproportionately to changes in national economic conditions, including adverse economic declines or slower economic recovery from prior declines. While we continue to seek to diversify the markets in which we operate, changes to our business, operations, game performance and customer relationships in the state, due to changing gaming regulations or licensing requirements, higher taxes, increased competition, declines in market revenue share percentages or otherwise, could have a material and adverse effect on our financial condition and results of operations. In addition, changes in our relationship with our largest customers, including any disagreements or disputes, a decrease in revenue share, removal of EGMs or non-renewal of contracts, could have a material and adverse effect on our financial condition and results of operations.

***Certain contracts with our customers are on a month-to-month basis, and if we are unable to maintain our current customers on terms that are favorable to us, our business, financial condition, or results of operations may detrimentally suffer.***

Certain contracts with our customers are generally on a month-to-month basis, except for customers with whom we have entered into development and placement fee agreements. We do not rely upon the stated term of our gaming device contracts to retain the business of our customers. We rely instead upon providing competitive EGMs, games and systems to give our customers the incentive to continue doing business with us. At any point in time, a significant portion of our gaming device business is subject to nonrenewal, which may have a detrimental effect on our earnings, financial condition and cash flows. To renew or extend any of our customer contracts generally, we may be required to accept financial and other terms that are less favorable to us than the terms of the expired contracts. In addition, we may not succeed in renewing customer contracts when they expire. If we are required to agree to other less favorable terms to retain our customers or we are not able to renew our relationships with our customers upon the expiration of our contracts, our business, financial condition or results of operations may detrimentally suffer.

***Some of our products contain open source software which may be subject to restrictive open source licenses, requiring us to make our source code available to third-parties and potentially granting third parties certain rights to our software.***

Some of our products contain open source software which may be subject to restrictive open source licenses. Some of these licenses may require that we make our source code governed by the open source software licenses available to third parties and/or license such software under the terms of a particular open source license, potentially granting third parties certain rights to our software. We may incur legal expenses in defending against claims that we did not abide by such licenses. If our defenses are unsuccessful, we may be enjoined from distributing products containing such open source software, be required to make the relevant source code available to third parties, be required to grant third parties certain rights to our software, be subject to potential damages or be required to remove the open source software from our products. Any of these outcomes could disrupt our distribution and sale of related products and adversely affect our business.

***We rely on hardware, software and games licensed from third parties, and on technology provided by third-party vendors, the loss of which could materially and adversely affect our business, increase our costs and delay deployment or suspend development of our EGMs, games and systems.***

We have entered into license agreements with third-parties for the exclusive use of their technology and intellectual property rights in the gaming industry and we also rely on third-party manufacturers to manufacture certain gaming equipment. We rely on these other parties to maintain and protect this technology and the related intellectual property rights. If our licensors fail to protect their intellectual property rights in material that we license and we are unable to protect such intellectual property rights, the value of our licenses may diminish significantly and our business could be significantly harmed.

In addition, if these agreements expire and we are unable to renew them, or if the manufacturers of this software or hardware, or functional equivalents of this software or hardware, were either no longer available to us or no longer offered to us on commercially reasonable terms, we may lose a valuable competitive advantage and our business could be harmed.

Acts of God, adverse weather and shipping difficulties, particularly with respect to international third-party suppliers of our components, could cause significant production delays. If we are unable to obtain these components from our established third-party vendors, we could be required to either redesign our product to function with alternate third-party products or to develop or manufacture these components ourselves, which would result in increased costs and could result in delays in the deployment of our EGMs, games and systems. Furthermore, we might be forced to limit the features available in our current or future offerings.

We rely on intellectual property licenses from one or more third-party competitors, the loss of which could materially and adversely affect our business and the sale or placement of our products. Various third-party gaming manufacturers with which we compete are much larger than us and have substantially larger intellectual property assets. The gaming manufacturer industry is very competitive and litigious, and a lawsuit brought by one of our larger competitors, whether or not well-founded, may have a material adverse effect on our business, financial condition, operations or cash flows and our ability to sell or place our products.

***Continued operation and our ability to service several of our installed EGMs depends upon our relationships with service providers, and changes in those relationships could negatively impact our business.***

We operate many EGMs that utilize third party software for which we do not own or control the underlying software code. Further, we enter into arrangements with third party vendors, from time to time, for the provision of services related to development and operation of our products. Consequently, our operations, growth prospects and future revenues could be dependent on our continued relationships with third party vendors. While we have historically maintained good relationships with third party vendors, our business would suffer if we are unable to continue these relationships in the future. Our third party vendors may have economic or business interests or goals that are inconsistent with our interests and goals, take actions contrary to our objectives or policies, undergo a change of control, experience financial and other difficulties or be unable or unwilling to fulfill their obligations under our arrangements. The failure to avoid or mitigate the risks described above or other risks associated with such arrangements could have a material adverse effect on our results of operations.

***We have a history of net losses and a significant accumulated deficit, and we may not achieve or maintain profitability in the future.***

As of December 31, 2023, we had an accumulated deficit of approximately \$353.0 million, as a result of historical net losses. These losses have resulted principally from depreciation and amortization, interest, research and development, sales and marketing and administrative expenses. We also expect our costs to increase in future periods. For example, we intend to expend significant funds to expand our sales and marketing operations, develop new products, expand into new markets, and we may not be able to increase our revenue enough to offset our higher operating expenses. We may incur significant losses in the future for a number of other reasons, including the other risks described in this Form 10-K, and unforeseen expenses, difficulties, complications and delays, and other unknown events. While we believe our growth strategy will help us achieve profitability, there can be no guarantee. If we are unable to achieve and sustain profitability, our stock price may significantly decrease.

***Our inability to complete future acquisitions and integrate those businesses successfully could limit our future growth.***

From time to time, we pursue strategic acquisitions in support of our strategic goals. In connection with any such acquisitions, we could face significant challenges in managing and integrating our expanded or combined operations, including acquired assets, operations and related workforce. There can be no assurance that acquisition opportunities will be available on acceptable terms or at all or that we will be able to obtain necessary financing or regulatory approvals to complete potential acquisitions. Our ability to succeed in implementing our strategy will depend to some degree upon the ability of our management to identify, complete and successfully integrate commercially viable acquisitions. Acquisition transactions may disrupt our ongoing business and distract management from other responsibilities.

In addition, there can be no assurance regarding when or the extent to which we will be able to realize any anticipated financial or operational benefits, synergies or cost savings from these acquisitions. We may also incur greater costs than estimated to achieve all the synergies and other benefits from an acquisition. Integration may also be difficult, unpredictable and subject to delay because of possible company culture conflicts and different opinions on technical decisions and product roadmaps. We may be required to integrate or, in some cases, replace, numerous systems, such as those involving management information, purchasing, accounting and finance, sales, billing, employee benefits, payroll, data privacy and security and regulatory compliance.

***Failure to attract, retain and motivate key employees may adversely affect our ability to compete.***

Our success depends largely on recruiting and retaining talented employees. The market for qualified, licensable executives and highly skilled, technical workers, such as content developers, is intensely competitive. The loss of key employees or an inability to hire enough technical workers could limit our ability to develop successful products, cause delays in getting new products to market, cause disruptions to our customer relationships or otherwise adversely affect our business. Experienced and capable personnel in the casino and gaming industry remain in high demand, and there is continual competition for their talents. Although we believe our compensation, benefits and other employment amenities are competitive in the markets in which we compete for talent, we may have difficulty attracting sufficiently experienced and capable personnel or retaining and motivating talented employees, and in such events our business may suffer.

Further, as a result of current global economic conditions, we are exposed to wage inflation which may have an adverse effect on our business. In recent times, we have experienced difficulties hiring and retaining key qualified personnel due to intense competition for such resources and resulting wage inflation.

***Changes in tax regulation and results of tax audits could affect results of operations of our business.***

We are subject to taxation in the United States, Canada, Mexico, the United Kingdom, Brazil, Australia, Israel, Malta and Gibraltar. Significant judgment is required to determine and estimate tax liabilities and there are many transactions and calculations where the ultimate tax determination is uncertain. Our future annual and quarterly effective tax rates could be affected by numerous factors, including changes in the applicable tax laws; the composition of pre-tax income in jurisdictions with differing tax rates; the valuation of or valuation allowances against our deferred tax assets and liabilities and substantive changes to tax rules and the application thereof by United States federal, state, local and foreign governments, all of which could result in materially higher corporate taxes than would be incurred under existing tax law or interpretation and could adversely affect our profitability. It is possible that future tax audits or changes in tax regulation may require us to change our prior period tax returns and to incur additional costs. This may negatively affect future period results.

Further, our determination of our tax liability is always subject to audit and review by applicable domestic and foreign tax authorities. Any adverse outcome of any such audit or review could have an adverse effect on our business and reduce our profits to the extent potential tax liabilities exceed our reserves, and the ultimate tax outcome may differ from the amounts recorded in our financial statements and may materially affect our financial results in the period or periods for which such determination is made, as well as future periods. We assess the likelihood of favorable or unfavorable outcomes resulting from examinations by the Internal Revenue Service and state, local and foreign tax authorities to determine the adequacy of our provision for income taxes. Although we believe our tax estimates are reasonable, there can be no assurance that any final determination will not be materially different from the treatment reflected in our historical income tax provisions and accruals, which could materially and adversely affect our financial condition and results of operations.

***If we are not able to maintain adequate internal control over our financial reporting, it could adversely affect our reputation and business.***

We are responsible for establishing and maintaining adequate internal control over financial reporting. If we cannot maintain and execute adequate internal control over financial reporting or when necessary implement new or improved controls that provide reasonable assurance of the reliability of the financial reporting and preparation of our financial statements for external use, we may suffer harm to our reputation, fail to meet our public reporting requirements on a timely basis or be unable to properly report on our business and our results of operations, cash flows and financial condition. Additionally, the inherent limitations of internal controls over financial reporting may not prevent or detect all misstatements or fraud, regardless of the adequacy of those controls.

**Risks Related to Our Capital Structure**

***Our substantial indebtedness could adversely affect our ability to raise additional capital or to fund our operations, expose us to interest rate risk to the extent of our variable rate debt, limit our ability to react to changes in the economy, and prevent us from making debt service payments.***

We are a highly leveraged company. As of December 31, 2023, we had \$566.8 million aggregate principal amount of outstanding indebtedness, in addition to \$40.0 million available for borrowing under the revolving credit facility at that date. For the year ended December 31, 2023, we had debt service costs of \$59.2 million.

Our substantial indebtedness could have important consequences for us, including, but not limited to, the following:

- limit our ability to borrow money for our working capital, capital expenditures, debt service requirements, strategic initiatives or other purposes;
- make it more difficult for us to satisfy our obligations, and any failure to comply with the obligations of any of our debt instruments, including restrictive covenants and borrowing conditions, could result in an event of default under the agreements governing our indebtedness;
- require us to dedicate a substantial portion of our cash flow from operations to the repayment of our indebtedness, thereby reducing funds available to us for other purposes;
- limit our flexibility in planning for, or reacting to, changes in our operations or business and the industry in which we operate;
- place us at a competitive disadvantage compared to our competitors that are less leveraged and that, therefore, may be able to take advantage of opportunities that our leverage prevents us from exploring;
- impact our rent expense on leased space, which could be significant;
- increase our vulnerability to general adverse economic industry and competitive conditions;
- restrict us from making strategic acquisitions, engaging in development activities, introducing new technologies, or exploiting business opportunities;
- cause us to make non-strategic divestitures;
- limit, along with the financial and other restrictive covenants in the agreements governing our indebtedness, among other things, our ability to borrow additional funds or dispose of assets;
- limit our ability to repurchase shares and pay cash dividends; and
- expose us to the risk of increased interest rates, as certain of our borrowings are at variable rates of interest.

In addition, our senior secured credit agreement contains restrictive covenants that will limit our ability to engage in activities that may be in our long-term best interest. Our failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of substantially all our indebtedness.

We may be able to incur substantial additional indebtedness in the future, subject to the restrictions contained in the credit facility. If new indebtedness is added to our current debt levels, the related risks described above could intensify.

***We may not be able to generate sufficient cash to service all our indebtedness, and we may be forced to take other actions to satisfy our obligations under our indebtedness that may not be successful.***

Our ability to pay principal and interest on our debt obligations will depend upon, among other things, (a) our future financial and operating performance (including the realization of any cost savings described herein), which will be affected by prevailing economic, industry and competitive conditions and financial, business, legislative, regulatory and other factors, many of which are beyond our control; and (b) our future ability to borrow under the revolving credit facility, the availability of which depends on, among other things, our complying with the covenants in the credit agreement governing such facility.

We cannot assure you that our business will generate cash flow from operations, or that we will be able to draw under the revolving credit facility or otherwise, in an amount sufficient to fund our liquidity needs, including the payment of principal and interest on our debt. If our cash flows and capital resources are insufficient to service our indebtedness, we may be forced to reduce or delay capital expenditures, sell assets, seek additional capital, or restructure or refinance our indebtedness. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. In addition, the terms of existing or future debt agreements may restrict us from adopting some of these alternatives. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. We may not be able to consummate those dispositions for fair market value or at all. Furthermore, any proceeds that we could realize from any such dispositions may not be adequate to meet our debt service obligations then due. Our inability to generate sufficient cash flow to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms or at all, could have a material adverse effect on our business, results of operations, and financial condition, and could negatively impact our ability to satisfy our debt obligations. See a full description of liquidity in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Financial Condition - Liquidity and Capital Resources".

***Our variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.***

Borrowings under the Amended Credit Agreement are at variable rates of interest linked to the Secured Overnight Financing Rate ("SOFR") and expose us to interest rate risk. The Federal Reserve, in conjunction with the Alternative Reference Rate Committee, a committee convened by the Federal Reserve that includes major market participants, identified SOFR, a new index calculated by short-term repurchase agreements, backed by U.S. Treasury securities, as its preferred alternative rate for US Dollar LIBOR ("USD LIBOR"). Given that SOFR is a secured rate backed by government securities, it will be a rate that does not take into account bank credit risk (as is the case with USD LIBOR). SOFR is therefore likely to be lower than USD LIBOR and is less likely to correlate with the funding costs of financial institutions. As a result, parties may seek to adjust the spreads relative to such reference rate in underlying contractual arrangements, and there can be no assurance that SOFR will perform in the same way as USD LIBOR would have at any time, including, without limitation, as a result of changes in interest and yield rates in the market, market volatility or global or regional economic, financial, political, regulatory, judicial or other events.

At this time, it is not possible to predict how markets will respond to SOFR or other alternative reference rates as the transition away from the USD LIBOR benchmarks is anticipated in coming years. While such an event would not affect our ability to borrow or maintain already outstanding borrowings, it could lead to an increase in our borrowing costs.

## Risks Related to Ownership of Our Common Stock

### *Our stock price may fluctuate significantly.*

The market price of our common stock could vary significantly as a result of a number of factors, some of which are beyond our control. In the event of a drop in the market price of our common stock, you could lose a substantial part or all of your investment in our common stock. The following factors could affect our stock price:

- our operating and financial performance;
- quarterly variations in the rate of growth (if any) of our financial indicators, such as net income per share, net income and revenues;
- the public reaction to our press releases, our other public announcements and our filings with the SEC;
- strategic actions by our competitors;
- changes in operating performance and the stock market valuations of other companies;
- announcements related to litigation;
- our failure to meet revenue or earnings estimates made by research analysts or other investors;
- changes in revenue or earnings estimates, or changes in recommendations or withdrawal of research coverage, by equity research analysts;
- speculation in the press or investment community;
- sales of our common stock by us or our stockholders, or the perception that such sales may occur;
- changes in accounting principles, policies, guidance, interpretations or standards;
- additions or departures of key management personnel;
- actions by our stockholders;
- general market conditions;
- domestic and international economic, legal and regulatory factors unrelated to our performance; and
- the realization of any risks described under this "Risk Factors" section, or other risks that may materialize in the future.

The stock markets in general have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our common stock. Securities class action litigation has often been instituted against companies following periods of volatility in the overall market and in the market price of a company's securities. Such litigation, if instituted against us, could result in very substantial costs, divert our management's attention and resources and harm our business, financial condition and results of operations. See Item 15. "Exhibits and Financial Statement Schedules" Note 12. "Commitments and Contingencies" for a description of a current securities complaint that has been filed against us and is not yet resolved.

***We will continue to incur significant costs and devote substantial management time as a result of operating as a public company.***

As a public company, we will continue to incur significant legal, accounting, insurance and other expenses. For example, we are required to comply with certain requirements of the Sarbanes-Oxley Act and the Dodd-Frank Wall Street Reform and Consumer Protection Act, as well as rules and regulations subsequently implemented by the Securities and Exchange Commission, and the New York Stock Exchange, our stock exchange, including the establishment and maintenance of effective disclosure and financial controls and changes in corporate governance practices. We expect that compliance with these requirements continue to result in increased legal and financial compliance costs and will continue to make some activities more time consuming and costly. In addition, we expect that our management and other personnel will continue to divert attention from operational and other business matters to devote substantial time to these public company requirements. In particular, we expect to continue incurring significant expenses and devote substantial management effort toward ensuring compliance with the requirements of the Sarbanes-Oxley Act. In that regard, we may need to hire additional accounting and financial staff with appropriate public company experience and technical accounting knowledge.

We have incurred and we expect to incur additional management time and cost to comply with the more stringent reporting requirements applicable to companies that are deemed accelerated filers or large accelerated filers, including complying with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act.

Additionally, as a public company we are subject to public scrutiny, shareholder actions, and potential legal claims that may arise in the normal course of running our business. The cost of insurance, including director and officer liability insurance, for a public company is significant and can increase significantly in any given year.

We cannot predict or estimate the amount of additional costs we may incur as a result of becoming a public company or the timing of such costs.

***Our amended and restated articles of incorporation provide that the Eighth Judicial District Court of Clark County, Nevada is the sole and exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.***

Our amended and restated articles of incorporation provide that, unless we consent in writing to the selection of an alternative forum, to the fullest extent permitted by applicable law the Eighth Judicial District Court of Clark County, Nevada is the sole and exclusive forum for any or all actions, suits or proceedings, whether civil, administrative or investigative or that asserts any claim or counterclaim: (a) brought in our name or right or on our behalf; (b) asserting a claim for breach of any fiduciary duty owed by any of our directors, officers, employees or agents to us or our stockholders; (c) arising or asserting a claim arising pursuant to any provision of the Nevada Revised Statutes (the "NRS") Chapters 78 or 92A or any provision of our amended and restated articles of incorporation or our amended and restated bylaws; (d) to interpret, apply, enforce or determine the validity of our amended and restated articles of incorporation or our amended and restated bylaws; or (e) asserting a claim governed by the internal affairs doctrine. The choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, or other employees, which may discourage such lawsuits against us and our directors, officers and other employees. Alternatively, if a court were to find the choice of forum provision contained in our amended and restated articles of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could adversely affect our business, financial condition and results of operations.



***Our organizational documents may impede or discourage a takeover, which could deprive our investors of the opportunity to receive a premium for their shares.***

Provisions of our amended and restated articles of incorporation and our amended and restated bylaws may make it more difficult for, or prevent a third party from, acquiring control of us without the approval of our board of directors. These provisions include:

- having a classified board of directors;
- prohibiting cumulative voting in the election of directors;
- empowering only the board of directors to fill any vacancy on our board of directors, whether such vacancy occurs as a result of an increase in the number of directors or otherwise;
- authorizing “blank check” preferred stock, the terms and issuance of which can be determined by our board of directors without any need for action by stockholders;
- restricting stockholders from acting by written consent or calling special meetings; and
- establishing advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted on by stockholders at stockholder meetings.

An issuance of shares of preferred stock could delay or prevent a change in control of us. Our board of directors has the authority to cause us to issue, without any further vote or action by the stockholders, shares of preferred stock, par value \$0.01 per share, in one or more series, to designate the number of shares constituting any series, and to fix the rights, preferences, privileges and restrictions thereof, including dividend rights, voting rights, rights and terms of redemption, redemption price or prices and liquidation preferences of such series. The issuance of shares of our preferred stock may have the effect of delaying, deferring or preventing a change in control without further action by the stockholders, even where stockholders are offered a premium for their shares.

These articles of incorporation and bylaws could make the removal of management more difficult and may discourage transactions that otherwise could involve payment of a premium over prevailing market prices for our common stock. Furthermore, the existence of the foregoing provisions could limit the price that investors might be willing to pay in the future for shares of our common stock. They could also deter potential acquirers of us, thereby reducing the likelihood that you could receive a premium for your common stock in an acquisition.

***We are a holding company and rely on dividends, distributions and other payments, advances and transfers of funds from our subsidiaries to meet our obligations.***

We are a holding company that does not conduct any business operations of our own. As a result, we are largely dependent upon cash dividends and distributions and other transfers from our subsidiaries to meet our obligations. The agreements governing the indebtedness of our subsidiaries, and limitations on payment of dividends and distributions under applicable law, impose restrictions on our subsidiaries' ability to pay dividends or other distributions to us. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Indebtedness.” The deterioration of the earnings from, or other available assets of, our subsidiaries for any reason could also limit or impair their ability to pay dividends or other distributions to us.

***You may be diluted by the future issuance of additional common stock or convertible securities in connection with our incentive plans, acquisitions or otherwise, which could adversely affect our stock price.***

As of December 31, 2023, we had 411,052,326 shares of common stock authorized but unissued. Our amended and restated articles of incorporation authorize us to issue these shares of common stock and options, rights, warrants and appreciation rights relating to common stock for the consideration and on the terms and conditions established by our board of directors in its sole discretion, whether in connection with acquisitions or otherwise. We have reserved 2,561,656 shares for issuance upon exercise of outstanding stock options and restricted shares. Any common stock that we issue, including under our new equity incentive plan or other equity incentive plans that we may adopt in the future, as well as under outstanding options would dilute the percentage ownership held by the investors who purchase common stock.

From time to time in the future, we may also issue additional shares of our common stock or securities convertible into common stock pursuant to a variety of transactions, including acquisitions. Our issuance of additional shares of our common stock or securities convertible into our common stock would dilute your ownership of us and the sale of a significant amount of such shares in the public market could adversely affect prevailing market prices of our common stock.

***We do not anticipate paying dividends on our common stock in the foreseeable future.***

We do not anticipate paying any dividends in the foreseeable future on our common stock. We intend to retain all future earnings for the operation and expansion of our business and the repayment of outstanding debt. Our senior secured credit facilities contain, and any future indebtedness likely will contain, restrictive covenants that impose significant operating and financial restrictions on us, including restrictions on our ability to pay dividends and make other restricted payments. As a result, capital appreciation, if any, of our common stock may be your major source of gain for the foreseeable future. While we may change this policy at some point in the future, we cannot assure you that we will make such a change. See "Dividend Policy."

**ITEM 1B. UNRESOLVED STAFF COMMENTS.**

None.

**ITEM 1C. CYBERSECURITY**

**Risk management and strategy**

We have implemented and maintain various information security processes designed to identify, assess and manage material risks from cybersecurity threats to our critical computer networks, third party hosted software as a service vendors, communications systems, hardware and software, and our critical data, including intellectual property, confidential information that is proprietary, strategic or competitive in nature, and our production server environments ("Information Systems and Data").

Our information technology team with oversight from our Chief Financial Officer as well as specific resources that manage our production server environment help identify, assess and manage the Company's cybersecurity threats and risks. The team includes credentialed professionals whose experience and current duties include the identification and management of cyber risks. Our information technology team identify and assess risks from cybersecurity threats by monitoring and evaluating our threat environment using various methods including, for example manual tools, automated tools, analyzing reports of threats and actors, conducting scans of the threat environment, evaluating our and our industry's risk profile, internal and external audits, third party threat assessments, conducting vulnerability assessments, use of external intelligence feeds, subscribing to reports and services that identify a cybersecurity threats, and evaluating threats reported to us.

Depending on the environment, we implement and maintain various technical, physical, and organizational measures, processes, standards and policies designed to manage and mitigate material risks from cybersecurity threats to our Information Systems and Data, including, for example: incident detection and response, disaster recovery plans, encryption of data, network security controls, data segregation, access controls, physical security, asset management, tracking and disposal, systems monitoring, employee training, and penetration testing.

Our assessment and management of material risks from cybersecurity threats are integrated into the Company's overall risk management processes. For example, the information technology team works with management to prioritize our risk management processes and mitigate cybersecurity threats that are more likely to lead to a material impact to our business and reports to the audit committee of the board of directors, which evaluates our overall enterprise risk.

We use third-party service providers to assist us from time to time to identify, assess, and manage material risks from cybersecurity threats, including for example threat intelligence service providers, cybersecurity consultants, cybersecurity software providers and penetration testing firm consultants.

We use third-party service providers to perform a variety of functions throughout our business, such as third party content providers, application providers and contract manufacturing organizations.

In the last three fiscal years, we have not experienced any material cybersecurity incidents and the expenses we have incurred from cybersecurity incidents were immaterial. For a description of the risks from cybersecurity threats that may materially affect the Company and how they may do so, see our risk factors under Part 1. Item 1A. Risk Factors in this Annual Report on Form 10-K, including the following:

- We rely on information technology and other systems and any failures in our systems could disrupt our business and adversely impact our results.
- Due to the ever-changing threat landscape, our operations and services may be subject to certain risks, including hacking or other unauthorized access to control or view systems.
- Our business is dependent on the security and integrity of the systems and products we offer.

**Governance**

Our board of directors addresses the Company's cybersecurity risk management as part of its general oversight function. The board of directors' audit committee is responsible for overseeing Company's cybersecurity risk management processes, including oversight and mitigation of risks from cybersecurity threats.

Our cybersecurity risk assessment and management processes are implemented and maintained by certain Company management, including the information technology team at the direction of our Chief Financial Officer.

Our executive team including our Chief Executive Officer, Chief Financial Officer and Chief Legal Officer are responsible for hiring appropriate personnel, helping to integrate cybersecurity risk considerations into the Company's overall risk management strategy, and communicating key priorities to relevant personnel. This executive team is responsible for approving budgets, helping prepare for cybersecurity incidents, approving cybersecurity processes, and reviewing security assessments and other security-related reports.

Our cybersecurity incident response and vulnerability management policies are designed to escalate certain cybersecurity incidents to members of management depending on the circumstances, including our Chief Executive Officer, Chief Financial Officer and Chief Legal Officer. Our information technology team works with the Company's incident response team to help the Company mitigate and remediate cybersecurity incidents of which they are notified. In addition, the Company's incident response and vulnerability management policies include reporting to the audit committee of the board of directors for certain cybersecurity incidents including significant breaches to the Company's networks or systems.

The audit committee receives regular reports from the information technology team concerning the Company's significant cybersecurity threats and risk and the processes the Company has implemented to address them. The audit committee also has access to various reports, summaries or presentations related to cybersecurity threats, risk and mitigation.

**ITEM 2. PROPERTIES.**

We currently lease the following properties:

Location	Purpose	Square Footage	Segment
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Oklahoma City, Oklahoma	Administrative offices, manufacturing and warehousing	144,233	EGM, Table Products
Duluth, Georgia	Research and development	55,264	EGM
Las Vegas, Nevada	Corporate headquarters, manufacturing and warehousing	25,088	EGM, Table Products
Atlanta, Georgia	Research and development	19,533	EGM
Mexico City, Mexico	Warehousing	18,191	EGM
Sydney, Australia	Research and development	8,805	EGM
Sydney, Australia	Research and development	8,450	EGM
Austin, Texas	Research and development	4,047	EGM
Mexico City, Mexico	Administrative offices	3,972	EGM
Reno, Nevada	Research and development	3,705	EGM
Scottsdale, Arizona	Research and development	2,750	EGM
Tel Aviv, Israel	Research and development	1,850	Interactive
Hinckley, United Kingdom	Administrative offices	1,452	Interactive
Gibraltar	Administrative offices	172	Interactive

None of the properties listed above are held in fee or subject to any major encumbrance. In addition to those listed above, we lease a number of additional properties in the United States and internationally that support our operations.

### ITEM 3. LEGAL PROCEEDINGS.

We are party to various claims and legal actions that arise in the ordinary course of business. We do not believe the outcome of such disputes or legal actions will have a material adverse effect on our financial condition, results of operations, liquidity or capital resources. See Item 15. "Exhibits and Financial Statement Schedules" Note 12. "Commitments and Contingencies" for a detailed description of various claims and legal actions we are party to.

### ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

#### Market Information

The Company's common stock began trading on the NYSE under the symbol "AGS" on January 26, 2018.

#### Holders

On March 1, 2024, we had 4 holders of record.

## Dividends

We do not intend to pay dividends for the foreseeable future. We are not required to pay dividends, and our stockholders are not guaranteed, or have contractual or other rights to receive, dividends. The declaration and payment of any future dividends is at the sole discretion of our board of directors and depends upon, among other things, our earnings, financial condition, capital requirements, level of indebtedness, contractual restrictions with respect to the payment of dividends, and other considerations that our board of directors deems relevant. Our board of directors may decide, in its discretion, at any time, to modify or repeal the dividend policy or discontinue entirely the payment of dividends.

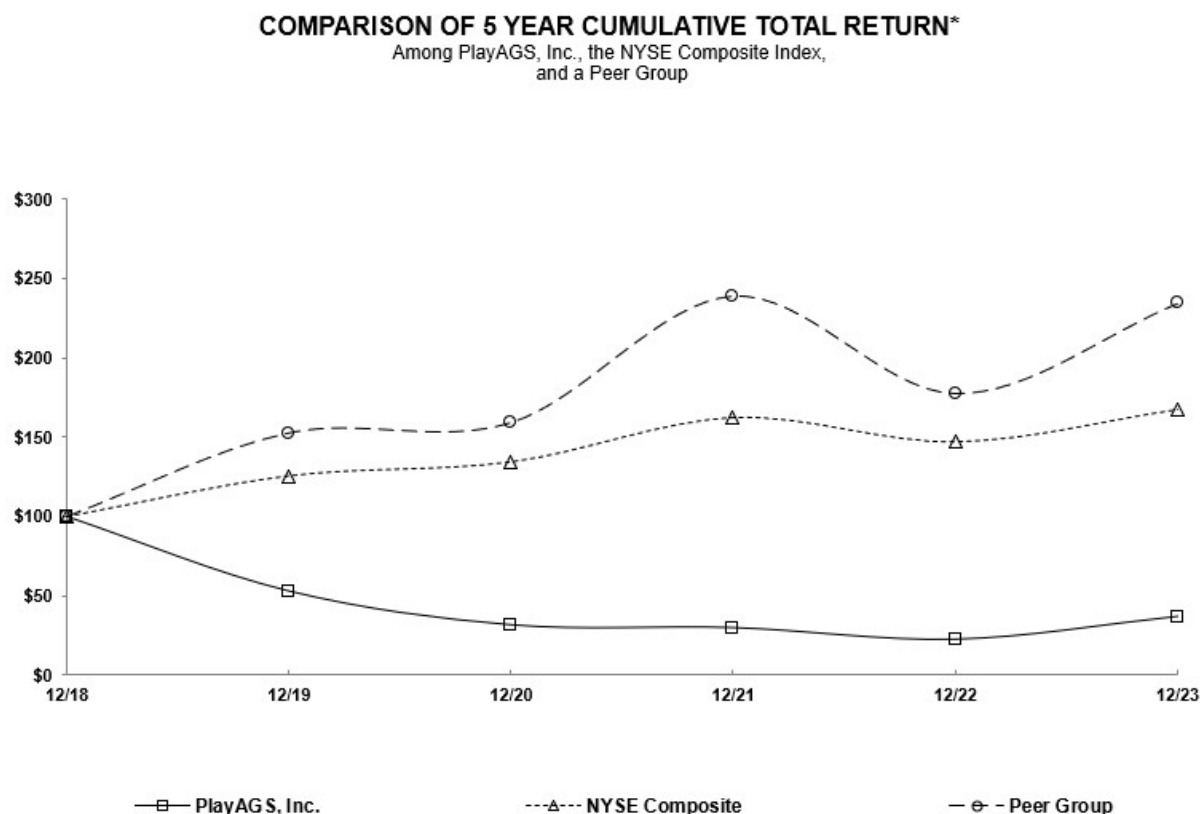
The ability of our board of directors to declare a dividend is also subject to limits imposed by Nevada corporate law. Under Nevada law, our board of directors and the boards of directors of our corporate subsidiaries incorporated in Delaware may declare dividends only to the extent of our "surplus," which is defined as total assets at fair market value minus total liabilities, minus statutory capital, or if there is no surplus, out of net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. Additionally our debt agreements contain limitations on our ability to declare and pay dividends.

## Equity Compensation

Information regarding the Company's equity compensation plans is incorporated herein by reference to Item 12 of Part III of this Annual Report.

## Stockholder Return Performance Graph

The following graph compares the cumulative total return to stockholders on our then outstanding shares of common stock, the New York Stock Exchange ("NYSE") Composite Index and indices of our peer group companies that operate in industries or lines of business similar to ours from December 31, 2018 through December 31, 2023. Our peer group companies consist of Aristocrat Leisure Ltd. (ALL.AX, ARLUF.PK), International Game Technology Plc. (New York Stock Exchange: IGT), Everi Holdings Inc. (New York Stock Exchange: EVRI) and Light & Wonder Inc. (Nasdaq Composite Index: LNW).



\*\$100 invested on 12/31/18 in stock or index, including reinvestment of dividends.  
Fiscal year ending December 31.

The companies in each peer group have been weighted based on their relative market capitalization each year. The graph assumes that \$100 was invested in our then outstanding common stock, the NYSE and the peer group indices at the beginning of the one-year period and that any dividends were reinvested. The comparisons are not intended to be indicative of future performance of our shares of common stock.

## Recent Sales of Unregistered Securities

None.

## Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

## ITEM 6. [RESERVED].

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

*In this filing, the following discussion and analysis of financial condition and results of operations should be read in conjunction with our Financial Statements included elsewhere in this Annual Report on Form 10-K and the information included in our other filings with the SEC. This discussion includes forward-looking statements within the meaning of Section 27A of the Securities Act, Section 21E of the Exchange Act and the Private Securities Litigation Reform Act of 1995 and should be read in conjunction with the disclosure and information contained and referenced in "Cautionary Note Regarding Forward-Looking Statements" and "Item 1A. Risk Factors" included elsewhere in this Annual Report on Form 10-K.*

*For a discussion of the year ended December 31, 2022 compared to the year ended December 31, 2021, please refer to Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2022.*

### Overview

We are a leading designer and supplier of EGMs and other products and services for the gaming industry. We operate our business in three distinct segments: EGMs, Table Products and Interactive. Each segment's activities include the design, development, acquisition, manufacturing, marketing, distribution, installation and servicing of a distinct product line. Founded in 2005, we historically focused on supplying EGMs, including slot machines, video bingo machines, and other electronic gaming devices, to the Native American gaming market. Since 2014, we have expanded our product line-up to include: (i) Class III EGMs for commercial and Native American casinos permitted to operate Class III EGMs, (ii) table game products and (iii) interactive products, all of which we believe provide us with growth opportunities as we expand in markets where we currently have limited or no presence. For the year ended December 31, 2023, approximately 67% of our total revenue was generated through recurring contracted lease agreements whereby we place EGMs and table game products at our customers' gaming facilities under either a revenue sharing agreement (we receive a percentage of the revenues that these products generate) or fee-per-day agreement (we receive a daily or monthly fixed fee per EGM or table game product), or recurring revenue from our Interactive gaming operations.

### Key Drivers of Our Business

Our revenues are impacted by the following key factors:

- the amount of money spent by consumers on our domestic revenue share installed base;
- the amount of the daily fee and selling price of our participation EGMs;
- our revenue share percentage with customers;
- the capital budgets of our customers;
- the level of replacement of existing EGMs in existing casinos;
- expansion of existing casinos;
- development of new casinos;
- opening or closing of new gaming jurisdictions both in the United States and internationally;
- our ability to obtain and maintain gaming licenses in various jurisdictions;
- the relative competitiveness and popularity of our EGMs compared to competitive products offered in the same facilities; and
- general macro-economic factors, including levels of and changes to consumer disposable income and personal consumption spending.

Our expenses are impacted by the following key factors:

- fluctuations in the cost of labor relating to productivity;
- overtime and training;
- fluctuations in the price of components for gaming equipment;
- fluctuations in energy prices that affect the cost of manufacturing and shipping of gaming equipment and parts;
- changes in the cost of obtaining and maintaining gaming licenses;
- fluctuations in the level of maintenance expense required on gaming equipment; and
- tariff increases.

Variations in our selling, general and administrative expenses and research and development are primarily due to changes in employment and salaries and related fringe benefits.

## Acquisitions and Divestitures

On January 3, 2022, the Company acquired certain intangible assets related to the purchase of table game-related intellectual property and an installed base of table games under the Lucky Lucky trade name from Aces Up Gaming. For a detailed description of acquisitions, See Item 1. "Financial Statements" Note 16. "Acquisitions".

## Results of Operations

### Year Ended December 31, 2023 compared to the Year Ended December 31, 2022

The following tables set forth certain selected audited consolidated financial data for the periods indicated (in thousands):

	Year ended December 31,		\$	%
	2023	2022	Change	Change
<b>Consolidated Statements of Operations:</b>				
<b>Revenues</b>				
Gaming operations	\$ 240,237	\$ 223,802	\$ 16,435	7.3%
Equipment sales	116,299	85,634	30,665	35.8%
<b>Total revenues</b>	<b>356,536</b>	<b>309,436</b>	<b>47,100</b>	<b>15.2%</b>
<b>Operating expenses</b>				
Cost of gaming operations	50,278	42,200	8,078	19.1%
Cost of equipment sales	54,849	44,472	10,377	23.3%
Selling, general and administrative	73,248	67,728	5,520	8.2%
Research and development	42,385	39,628	2,757	7.0%
Write-downs and other charges	1,434	1,923	(489)	(25.4)%
Depreciation and amortization	76,949	75,516	1,433	1.9%
<b>Total operating expenses</b>	<b>299,143</b>	<b>271,467</b>	<b>27,676</b>	<b>10.2%</b>
<b>Income from operations</b>	<b>57,393</b>	<b>37,969</b>	<b>19,424</b>	<b>51.2%</b>
<b>Other expense (income)</b>				
Interest expense	57,426	40,608	16,818	41.4%
Interest income	(1,855)	(1,059)	(796)	75.2%
Loss on extinguishment and modification of debt	-	8,549	(8,549)	(100)%
Other expense	109	131	(22)	(16.8)%
<b>Income (loss) before income taxes</b>	<b>1,713</b>	<b>(10,260)</b>	<b>11,973</b>	<b>(116.7)%</b>
Income tax (expense) benefit	(1,285)	2,225	(3,510)	(157.8)%
<b>Net income (loss)</b>	<b>\$ 428</b>	<b>\$ (8,035)</b>	<b>\$ 8,463</b>	<b>(105.3)%</b>

### Revenues

Gaming Operations. Gaming operations revenue increased primarily due to an increase in our EGM segment. EGM RPD increased 7.7% compared to the prior year from \$24.27 per day to \$26.14 per day. The increase in gaming operations revenue is also attributable to an increase of 364 units in our Tables segment.

Equipment Sales. The increase in equipment sales was primarily due to an increase of 1,225 EGMs sold year over year. The increase in equipment sales was further supported by the increase sale in Table units, which resulted in \$1.7 million of increased equipment sales revenue.

## *Operating Expenses*

Cost of Gaming Operations. The increase in the cost of gaming operations was primarily the result of increased field service and support costs of \$4.4 million primarily related to headcount and personnel cost, as well as other direct expenses and related costs compared to the prior year period due to increased activity. As a percentage of gaming operations revenue, costs of gaming operations was 20.9% and 18.9% for the years ended December 31, 2023 and December 31, 2022, respectively.

Cost of Equipment Sales. The increase in cost of equipment sales is attributable to the increase in the number of units sold compared to the prior period. We sold 5,244 EGM units during the year ended December 31, 2023, compared to 4,019 EGM units in the prior year period. As a percentage of equipment sales revenue, costs of equipment sales was 47.2% for the year ended December 31, 2023 compared to 51.9% for the prior year period, which improved year over year due to an increase in equipment sales price and a change in the mix of products sold.

Selling, General and Administrative. The increase in selling, general, and administrative expenses is due to a \$6.2 million increase in salaries and benefits, offset by a \$1.5 million decrease in professional and consulting fees.

Research and Development. The increase in research and development expense is primarily due to a \$4.0 million increase in salaries and benefit, offset by a decrease in stock-based compensation along with professional and consulting fees.

Write-downs and Other Charges. During the year ended December 31, 2023, the Company recognized \$1.4 million in write-downs and other charges primarily related to the impairment of intangible assets and the disposal of long-lived assets.

During the year ended December 31, 2022, the Company recognized \$1.9 million in write-downs and charges primarily related to a fair value adjustment to contingent consideration (the Company used level 3 fair value inputs based on projected cash flows).

Depreciation and Amortization. The increase was predominantly due to an increase in depreciation expense of \$2.2 million driven by purchases of property and equipment, offset by a decrease of \$0.8 million in amortization expense.

### *Other Expense (Income)*

Interest Expense. The increase in interest expense is primarily attributable to an increase in our effective interest rate in the current year, offset by a decrease in the amount outstanding on the term loan borrowing facility from entering into the Amended Credit Agreement in the prior year. See Item 1. "Financial Statements" Note 5. "Long-Term Debt" for a detailed discussion regarding long-term debt.

Interest Income. The increase in interest income is primarily attributable to the increased extended payment term sales.

Loss on extinguishment and modification of debt. On February 15, 2022, in connection with entering into the Amended Credit Agreement, \$8.5 million in loan costs including third-party costs and make-whole premium were expensed and included in the loss on extinguishment and modification of debt.

Other Expense. The fluctuation is due to the effect of foreign currency fluctuation on trade payables and receivables denominated in foreign currencies.

Income Taxes. The Company's effective income tax rate for the year ended December 31, 2023, was an expense of 75.0%. The difference between the federal statutory rate of 21.0% and the Company's effective tax rate for the year ended December 31, 2023, was primarily due to changes in our valuation allowance on deferred tax assets, various permanent items including tax credits and US tax on foreign income, and the expiration of the applicable statute of limitations for certain uncertain tax positions.

The Company's effective income tax rate for the year ended December 31, 2022, was a benefit of 21.7%. The difference between the federal statutory rate of 21.0% and the Company's effective tax rate for the year ended December 31, 2022, was primarily due to changes in our valuation allowance on deferred tax assets, various permanent items and lapse in the applicable statute of limitations for certain uncertain tax positions.

## Segment Operating Results

We report our business segment results by segment in accordance with the "management approach." The management approach designates the internal reporting used by our chief operating decision maker, who is our Chief Executive Officer, for making decisions and assessing performance of our reportable segments.

See Item 15. "Exhibits and Financial Statement Schedules." Note 1. "Description of the Business and Summary of Significant Accounting Policies" for a detailed discussion of our three segments. Each segment's activities include the design, development, acquisition, manufacturing, marketing, distribution, installation and servicing of its product lines. We evaluate the performance of our operating segments based on revenues and segment Adjusted EBITDA.

Segment revenues include leasing, licensing or selling of products within each reportable segment. We measure segment performance in terms of revenue, segment-specific Adjusted EBITDA and unit placements. We believe that unit placements are an important gauge of segment performance for EGM's and Table Products because it measures historical market placements of leased and sold units and provides insight into potential markets for next generation products and service. We do not present a sold unit cumulative installed base as previously sold units may no longer be in use by our customers or may have been replaced by other models or products.

### *Adjusted Expenses*

We have provided (i) adjusted cost of gaming operations, (ii) adjusted selling, general and administrative costs and (iii) adjusted research and development cost (collectively, the "Adjusted Expenses") in this Form 10-K because we believe such measures provide investors with additional information to measure our performance.

We believe that the presentation of each of the Adjusted Expenses is appropriate to provide additional information to investors about certain non-cash items that vary greatly and are difficult to predict. These Adjusted Expenses take into account non-cash stock compensation expense, acquisitions and integration-related costs including restructuring and severance, public offering costs, legal and litigation expenses including settlement payments, new jurisdictions and regulatory licensing costs, non-cash charges on capitalized installation and delivery, non-cash charges and loss on disposition of assets and other adjustments that include costs and inventory and receivable valuation charges associated with the COVID-19 pandemic. Further, we believe each of the Adjusted Expenses provides a meaningful measure of our expenses because we use it for evaluating our business performance, making budgeting decisions, and comparing our performance against that of other peer companies using similar measures. It also provides management and investors with additional information to estimate our value.

Each of the Adjusted Expenses is not a presentation made in accordance with GAAP. Our use of the term Adjusted Expenses may vary from others in our industry. Each of the Adjusted Expenses should not be considered as an alternative to our operating expenses under GAAP. Each of the Adjusted Expenses has important limitations as an analytical tool, and you should not consider it in isolation or as a substitute for the analysis of our results as reported under GAAP.

Our definition of Adjusted Expenses allows us to add back certain non-cash charges that are deducted in calculating net income and to deduct certain gains that are included in calculating net income. However, these expenses and gains vary greatly, and are difficult to predict. They can represent the effect of long-term strategies as opposed to short-term results. In addition, in the case of charges or expenses, these items can represent the reduction of cash that could be used for other corporate purposes.

Due to these limitations, we rely primarily on our GAAP cost of gaming operations, cost of equipment sales, selling, general and administrative costs and research and development costs and use each of the Adjusted Expenses only supplementally.



The tables below present each of the Adjusted Expenses and include a reconciliation to the nearest GAAP measure.

### Electronic Gaming Machines

Year Ended December 31, 2023 compared to the Year Ended December 31, 2022

(amounts in thousands except unit data)	Year Ended December 31,		\$	%
	2023	2022	Change	Change
<b>EGM segment revenues:</b>				
Gaming operations	\$ 213,079	\$ 199,274	\$ 13,805	6.9%
Equipment sales	113,974	85,057	28,917	34.0%
<b>Total EGM revenues</b>	<b>\$ 327,053</b>	<b>\$ 284,331</b>	<b>\$ 42,722</b>	<b>15.0%</b>
<b>EGM segment expenses and adjusted expenses:</b>				
<b>Cost of gaming operations(1)</b>	<b>\$ 46,433</b>	<b>\$ 39,078</b>	<b>\$ 7,355</b>	<b>18.8%</b>
Less: Adjustments(2)	4,556	2,785	1,771	63.6%
<b>Adjusted cost of gaming operations</b>	<b>41,877</b>	<b>36,293</b>	<b>5,584</b>	<b>15.4%</b>
<b>Cost of equipment sales</b>	<b>54,173</b>	<b>44,301</b>	<b>9,872</b>	<b>22.3%</b>
<b>Selling, general and administrative</b>	<b>67,217</b>	<b>61,554</b>	<b>5,663</b>	<b>9.2%</b>
Less: Adjustments(3)	9,870	10,084	(214)	(2.1)%
<b>Adjusted cost of selling, general and administrative</b>	<b>57,347</b>	<b>51,470</b>	<b>5,877</b>	<b>11.4%</b>
<b>Research and development</b>	<b>35,894</b>	<b>34,116</b>	<b>1,778</b>	<b>5.2%</b>
Less: Adjustments(4)	2,252	3,006	(754)	(25.1)%
<b>Adjusted cost of research and development</b>	<b>33,642</b>	<b>31,110</b>	<b>2,532</b>	<b>8.1%</b>
<b>Accretion of placement fees</b>	<b>6,273</b>	<b>6,345</b>	<b>(72)</b>	<b>(1.1)%</b>
<b>EGM Adjusted EBITDA</b>	<b>\$ 146,287</b>	<b>\$ 127,502</b>	<b>\$ 18,785</b>	<b>14.7%</b>
EGM Business Segment Key Performance Indicators ("KPI's"):				
<b>EGM gaming operations:</b>				
<i>EGM installed base:</i>				
Class II	11,193	11,251	(58)	(0.5)%
Class III	5,250	5,075	175	3.4%
Domestic installed base, end of period	16,443	16,326	117	0.7%
International installed base, end of period	6,126	6,244	(118)	(1.9)%
<b>Total installed base, end of period</b>	<b>22,569</b>	<b>22,570</b>	<b>(1)</b>	<b>(0.0)%</b>
<i>EGM revenue per day ("RPD"):</i>				
Domestic revenue per day	\$ 32.63	\$ 31.48	\$ 1.15	3.7%
International revenue per day	\$ 8.87	\$ 6.92	\$ 1.95	28.2%
<b>Total revenue per day</b>	<b>\$ 26.14</b>	<b>\$ 24.27</b>	<b>\$ 1.87</b>	<b>7.7%</b>
<b>EGM equipment sales</b>				
EGM units sold	5,244	4,019	1,225	30.5%
Average sales price ("ASP")	\$ 20,117	\$ 19,372	\$ 745	3.8%

(1) Exclusive of depreciation and amortization.

(2) Adjustments to cost of gaming operation include non-cash stock compensation expense, non-cash charges on capitalized installation and delivery and other adjustments.

(3) Adjustments to selling, general and administrative expense include non-cash stock compensation expense, restructuring and severance, legal and litigation expenses including settlement payments and other adjustments.

(4) Adjustments to research and development costs include non-cash stock compensation expense, acquisitions and integration-related costs including restructuring and severance.

## Gaming Operations Revenue

Gaming operations revenue increased primarily due to an increase in our EGM RPD which increased by 7.7% compared to the prior year, from \$24.27 per day to \$26.14 per day.

## Equipment Sales

The increase in equipment sales was primarily due to an increase of 1,225 EGMs sold year over year. We sold 5,244 EGM units for the year ended December 31, 2023, compared to 4,019 EGM units in the prior year period.

## EGM Adjusted EBITDA

EGM Adjusted EBITDA includes revenues and operating expenses from the EGM segment adjusted for depreciation, amortization, write-downs and other charges, accretion of placement fees, as well as other costs. See Item 15. "Exhibits and Financial Statement Schedules" Note 13. "Operating Segments" for further explanation of adjustments. The increase in EGM Adjusted EBITDA is attributable to the increase in revenue described above, offset by the related increase in cost of gaming operations, cost of equipment sales, as well as operating expenses. EGM Adjusted EBITDA margin was 44.7% and 44.8% for the years ended December 31, 2023 and December 31, 2022, respectively.

## Table Products

### Year Ended December 31, 2023 compared to Year Ended December 31, 2022

	Year Ended December 31,		\$	%
(amounts in thousands except unit data)	2023	2022	Change	Change
<b>Table Products segment revenues:</b>				
Gaming operations	\$ 15,381	\$ 14,343	\$ 1,038	7.2%
Equipment sales	2,325	577	1,748	302.9%
<b>Total Table Products revenues</b>	<b>\$ 17,706</b>	<b>\$ 14,920</b>	<b>\$ 2,786</b>	<b>18.7%</b>
<b>Table Products segment expenses and adjusted expenses:</b>				
Cost of gaming operations(1)	\$ 2,084	\$ 1,321	\$ 763	57.8%
Less: Adjustments(2)	393	363	30	8.3%
<b>Adjusted cost of gaming operations</b>	<b>1,691</b>	<b>958</b>	<b>733</b>	<b>76.5%</b>
<b>Cost of equipment sales</b>	<b>676</b>	<b>171</b>	<b>505</b>	<b>295.3%</b>
Selling, general and administrative	3,917	3,326	591	17.8%
Less: Adjustments(3)	368	272	96	35.3%
<b>Adjusted cost of selling, general and administrative</b>	<b>3,549</b>	<b>3,054</b>	<b>495</b>	<b>16.2%</b>
Research and development	2,061	2,030	31	1.5%
Less: Adjustments(4)	63	74	(11)	(14.9)%
<b>Adjusted cost of research and development</b>	<b>1,998</b>	<b>1,956</b>	<b>42</b>	<b>2.1%</b>
<b>Table Products Adjusted EBITDA</b>	<b>\$ 9,792</b>	<b>\$ 8,781</b>	<b>\$ 1,011</b>	<b>11.5%</b>
<b>Table Products unit information:</b>				
Table products installed base, end of period	5,415	5,051	364	7.2%
Average monthly lease price	\$ 238	\$ 243	\$ (5)	(2.1)%

(1) Exclusive of depreciation and amortization.

(2) Adjustments to cost of gaming operation include non-cash stock compensation expense and non-cash charges on capitalized installation and delivery.

(3) Adjustments to selling, general and administrative expense include non-cash stock compensation expense, and other adjustments.

(4) Adjustments to research and development costs include non-cash stock compensation expense.

## Gaming Operations Revenue

The increase in Table Products gaming operations revenue is attributable to an increase in the Table Products installed base. The continuing success of our progressives such as Super 4 Poker, Bonus Spin Xtreme, Pax S and Dex shufflers, as well as the Lucky Lucky acquisition (for a detailed description of acquisitions, See Item 1. "Financial Statements" Note 16. "Acquisitions"), are the primary drivers of the increase in the Table Products installed base compared to the prior year period.

## Equipment Sales

The increase in equipment sales is primarily due to an increase in the sale of our PAX S single-deck shufflers in the current period.

## Tables Products Adjusted EBITDA

Table Products Adjusted EBITDA includes the revenues and operating expenses from the Table Products segment adjusted for depreciation, amortization, write-downs and other charges, as well as other costs. See Item 15. "Exhibits and Financial Statement Schedules" Note 13. "Operating Segments" for further explanation of adjustments. The increase in Table Products Adjusted EBITDA is attributable to the increases in gaming operations revenue and equipment sales, offset by an increase in cost of equipment sales and gaming operations as well as operating expenses.

## Interactive

### Year Ended December 31, 2023 compared to Year Ended December 31, 2022

(amounts in thousands)	Year Ended December 31,		\$	%
	2023	2022	Change	Change
<b>Interactive segment revenue:</b>				
Gaming Operations	\$ 11,777	\$ 10,185	1,592	15.6%
<b>Total Interactive revenue</b>	<b>\$ 11,777</b>	<b>\$ 10,185</b>	<b>1,592</b>	<b>15.6%</b>
<b>Interactive segment expenses and adjusted expenses:</b>				
<b>Cost of gaming operations<sup>(1)</sup></b>	<b>\$ 1,761</b>	<b>\$ 1,801</b>	<b>(40)</b>	<b>(2.2)%</b>
<b>Selling, general and administrative</b>	<b>2,114</b>	<b>2,848</b>	<b>(734)</b>	<b>(25.8)%</b>
Less: Adjustments <sup>(2)</sup>	(666)	258	(924)	(358.1)%
<b>Adjusted cost of selling, general and administrative</b>	<b>2,780</b>	<b>2,590</b>	<b>190</b>	<b>7.3%</b>
<b>Research and development</b>	<b>4,430</b>	<b>3,482</b>	<b>948</b>	<b>27.2%</b>
Less: Adjustments <sup>(3)</sup>	82	48	34	70.8%
<b>Adjusted cost of research and development</b>	<b>4,348</b>	<b>3,434</b>	<b>914</b>	<b>26.6%</b>
<b>Interactive Adjusted EBITDA</b>	<b>\$ 2,888</b>	<b>\$ 2,360</b>	<b>528</b>	<b>22.4%</b>

(1) Exclusive of depreciation and amortization.

(2) Adjustments to selling, general and administrative expense include non-cash stock compensation expense, restructuring and severance, legal and litigation expenses including settlement payments and other adjustments.

(3) Adjustments to research and development costs include non-cash stock compensation expense.

## Total Interactive Revenue

The increase in gaming operations revenue is primarily attributable to an increase in RMG revenues from Canadian and the U.S.-based operators, offset by decreased revenue from international customers and our social casino revenues due to our decision to strategically refocus our resources on growth opportunities within the regulated North American RMG market.

## Interactive Adjusted EBITDA

Interactive Adjusted EBITDA includes the revenues and operating expenses from the Interactive segment adjusted for depreciation, amortization, write-downs and other charges, as well as other costs. See Item 15. "Exhibits and Financial Statement Schedules" Note 13. "Operating Segments" for further explanation of adjustments. The increase in Interactive Adjusted EBITDA is primarily attributable to an increase in revenue, offset by an increase in operating expenses.

## TOTAL ADJUSTED EBITDA RECONCILIATION TO NET INCOME (LOSS)

We have provided total Adjusted EBITDA in this Form 10-K because we believe such measure provides investors with additional information to measure our performance.

We believe that the presentation of total Adjusted EBITDA is appropriate to provide additional information to investors about certain material non-cash items that we do not expect to continue at the same level in the future, as well as other items we do not consider indicative of our ongoing operating performance. Further, we believe total Adjusted EBITDA provides a meaningful measure of operating profitability because we use it for evaluating our business performance, making budgeting decisions, and comparing our performance against that of other peer companies using similar measures. It also provides management and investors with additional information to estimate our value.

Total Adjusted EBITDA is not a presentation made in accordance with GAAP. Our use of the term total Adjusted EBITDA may vary from others in our industry. Total Adjusted EBITDA should not be considered as an alternative to operating income or net income. Total Adjusted EBITDA has important limitations as an analytical tool, and you should not consider it in isolation or as a substitute for the analysis of our results as reported under GAAP.

Our definition of Adjusted EBITDA allows us to add back certain non-cash charges that are deducted in calculating net income and to deduct certain gains that are included in calculating net income. However, these expenses and gains vary greatly, and are difficult to predict. They can represent the effect of long-term strategies as opposed to short-term results. In addition, in the case of charges or expenses, these items can represent the reduction of cash that could be used for other corporate purposes.

Due to these limitations, we rely primarily on our GAAP results, such as net income (loss), income from operations, EGM Adjusted EBITDA, Table Products Adjusted EBITDA or interactive Adjusted EBITDA and use total Adjusted EBITDA only supplementally.

The following tables reconcile net income (loss) attributable to PlayAGS, Inc. to total Adjusted EBITDA (amounts in thousands):

### Year Ended December 31, 2023 compared to the Year Ended December 31, 2022

	Year Ended December 31,		\$	%
	2023	2022	Change	Change
Net income (loss)	\$ 428	\$ (8,035)	8,463	(105.3)%
Income tax expense (benefit)	1,285	(2,225)	3,510	(157.8)%
Depreciation and amortization	76,949	75,516	1,433	1.9%
Interest expense, net of interest income and other	55,680	39,680	16,000	40.3%
Loss on extinguishment and modification of debt <sup>(1)</sup>	-	8,549	(8,549)	100.0%
Write-downs and other <sup>(2)</sup>	1,434	1,923	(489)	(25.4)%
Other adjustments <sup>(3)</sup>	2,084	2,225	(141)	(6.3)%
Other non-cash charges <sup>(4)</sup>	9,843	9,117	726	8.0%
Non-cash stock-based compensation <sup>(5)</sup>	11,264	11,893	(629)	(5.3)%
Total Adjusted EBITDA	<u>\$ 158,967</u>	<u>\$ 138,643</u>	<u>20,324</u>	<u>14.7%</u>

(1) Loss on extinguishment and modification of debt primarily relates to the refinancing of long-term debt, in which deferred loan costs and discounts related to old senior secured credit facilities were written-off.

(2) Write-downs and other include items related to loss on disposal or impairment of long-lived assets and fair value adjustments to contingent consideration.

(3) Other adjustments are primarily composed of the following:

- Costs and inventory and receivable valuation charges associated with pandemic-related events, professional fees incurred for projects, costs incurred related to public offerings, contract cancellation fees and other transaction costs deemed to be non-operating in nature;
- Acquisition and integration-related costs related to the purchase of businesses and to integrate operations and obtain costs synergies;
- Restructuring and severance costs, which primarily relate to costs incurred through the restructuring of the Company's operations from time to time and other employee severance costs recognized in the periods presented; and
- Legal and litigation related costs, which consist of payments to law firms and settlements for matters that are outside the normal course of business.

(4) Other non-cash charges are costs related to non-cash charges and losses on the disposition of assets, non-cash charges on capitalized installation and delivery, which primarily includes the costs to acquire contracts that are expensed over the estimated life of each contract and non-cash charges related to accretion of contract rights under development agreements.

(5) Non-cash stock-based compensation includes non-cash compensation expense related to grants of options, restricted stock, and other equity awards.

### **Contractual Obligations**

As of December 31, 2023, the Company is contractually obligated to make future cash payments related to our long-term debt, operating lease liability, placement fees payable, and other miscellaneous obligations.

For a description of contractual obligations related to long-term debt that include mandatory quarterly principal and interest payments, see Item 15. "Exhibits and Financial Statement Schedules" Note 5. "Long-Term Debt".

For a description of contractual obligations related to our operating lease liability, see Item 15. "Exhibits and Financial Statement Schedules" Note 14. "Leases".

As of December 31, 2023, we have a total contractual obligation to make future cash payments for placement fees of \$9.5 million, \$6.3 million of which is due in the next twelve months, and the remaining balance of \$3.2 million is due in 2025.

Based on the cash and cash equivalents on hand as of December 31, 2023, our expected cash flows from operating activities, as well as availability in our undrawn revolving credit facility, management believes that the Company has sufficient liquidity to fund its operating requirements and meet its obligations as they become due for at least the next twelve months after the financial statements are issued.

### **Indebtedness**

#### *First Lien Credit Facilities*

For a detailed description of indebtedness, see Item 1. "Financial Statements" Note 5. "Long-Term Debt".

As of December 31, 2023, there were no required financial covenants for our debt instruments.

#### *Finance Leases*

The Company has entered into leases for vehicles that are accounted for as finance leases, as described in Item 15. "Exhibits and Financial Statement Schedules" Note 5. "Long-Term Debt".

### **Liquidity and Capital Resources**

We expect that primary ongoing liquidity requirements for the next twelve months after the financial statements are issued will be for operating capital expenditures, working capital, debt servicing, game development and other customer acquisition activities. We expect to finance these liquidity requirements through a combination of cash on hand, cash flows from operating activities, and if necessary, additional financing.

Part of our overall strategy includes consideration of expansion opportunities, underserved markets and acquisition and other strategic opportunities that may arise periodically. We may require additional funds in order to execute on such strategic growth, and may incur additional debt or issue additional equity to finance any such transactions. We cannot assure you that we will be able to obtain such debt or issue any such additional equity on acceptable terms or at all.

As of December 31, 2023, the Company had \$50.9 million in cash and cash equivalents and \$40.0 million available to draw under its revolving credit facility. As of December 31, 2023, management believes that the Company has sufficient liquidity to fund its operating requirements and meet its obligations as they become due for at least the next twelve months after the financial statements are issued.

The following table summarizes our historical cash flows (in thousands):

	Year ended December 31,		\$
	2023	2022	Change
<b>Cash Flow Information:</b>			
Net cash provided by operating activities	\$ 86,199	\$ 77,709	8,490
Net cash (used in) investing activities	(58,818)	(72,088)	13,270
Net cash (used in) financing activities	(14,180)	(62,720)	48,540
Effect of exchange rates on cash and cash equivalents	68	13	55
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>\$ 13,269</b>	<b>\$ (57,086)</b>	<b>70,355</b>

#### *Operating activities*

The increase in cash provided by operating activities is primarily attributable to the improvement in our net income adjusted for non-cash expenses that increased by \$8.6 million, offset by a decrease of \$0.2 million in the use of cash related for assets and liabilities that relate to operations.

#### *Investing activities*

The decrease in cash used in investing activities was primarily due to a \$9.8 million decrease in purchases of property plant and equipment and a \$4.8 million decrease in business acquisitions, offset by a \$2.3 million increase in software development and other expenditures and a \$1.2 million increase in collections on customer notes receivable.

#### *Financing activities*

The decrease in cash used in financing activities of \$48.5 million is primarily attributable to the reduction of debt principal and payment of related debt issuance costs in conjunction with our entering into The Credit Agreement as described in Item 1. "Financial Statements" Note 5. "Long-Term Debt".

### **Significant Accounting Policies and Critical Estimates**

#### *Critical Accounting Estimates*

Our consolidated financial statements are prepared in conformity with generally accepted accounting principles ("GAAP") generally accepted in the United States of America. Accordingly, we are required to make estimates incorporating judgments and assumptions we believe are reasonable based on our historical experience, contract terms, trends in our company and the industry as a whole, as well as information available from other outside sources. Our estimates affect amounts recorded in our consolidated financial statements and there can be no assurance that actual results will not differ from initial estimates. Changes in future economic conditions or other business circumstances may affect the outcomes of our estimates and assumptions. Our accounting policies are more fully described in Item 15. "Exhibits and Financial Statement Schedules" Note 1. "Description of the Business and Summary of Significant Accounting Policies".

We consider the following accounting policies to be the most important to understanding and evaluating our financial results. These policies require management to make subjective and complex judgments that are inherently uncertain or variable.

Management considers an accounting estimate to be critical if:

- It requires assumptions to be made that were uncertain at the time the estimate was made, and
- Changes in the estimate or different estimates that could have been selected could have a material impact on our consolidated results of operation or financial condition.

## **Business Combinations**

We apply the provisions of ASC 805, "*Business Combinations*" (ASC 805), in the accounting for business acquisitions. We recognize separately from goodwill the assets acquired and the liabilities assumed, at their acquisition date fair values and goodwill is defined as the excess of consideration transferred over the net of the acquisition date fair values of the assets acquired and the liabilities assumed. Significant estimates and assumptions are required to value assets acquired and liabilities assumed at the acquisition date as well as contingent consideration, where applicable. The valuations related to acquisitions include significant estimates in the valuation of intangible assets that include trade names, brand names, customer relationships, and gaming software and technology platforms. These estimates are inherently uncertain and subject to refinement and typically include the calculation of an appropriate discount rate (Assumption #1) and projection of the cash flows (Assumption #2) associated with each acquired asset. As a result, during the measurement period, which may be up to one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. In addition, deferred tax assets, deferred tax liabilities, uncertain tax positions and tax related valuation allowances assumed in connection with a business combination are initially estimated as of the acquisition date. We reevaluate these items quarterly based upon facts and circumstances that existed as of the acquisition date and any adjustments to its preliminary estimates are recorded to goodwill if identified within the measurement period. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the consolidated statements of operations.

Assumptions/Approach used for Assumption #1: Fair value of identifiable tangible and intangible assets is based upon forecasted revenues and cash flows as well as the selected discount rate. In determining the appropriate discount rate, we incorporate assumptions regarding capital structure and return on equity and debt capital consistent with peer and industry companies.

Effect if Different Assumptions used for Assumption #1: Valuation of identifiable tangible and intangible assets requires judgment, including the selection of an appropriate discount rate. While we believe our estimates used to select an appropriate discount rate are reasonable, different assumptions could materially affect the measurement of fair value. The historical acquisitions of the Company have contained significant amounts of intangible assets and goodwill and a change in the discount rates used in the valuations of intangible assets in these acquisitions could have resulted in a change to intangible assets with an offsetting impact to goodwill.

Assumptions/Approach used for Assumption #2: Fair value of identifiable tangible and intangible assets is based upon forecasted revenues and cash flows. In developing estimated cash flows, we incorporate assumptions regarding future performance, including estimations of revenues, costs, and capital expenditures.

Effect if Different Assumptions used for Assumption #2: Valuation of identifiable tangible and intangible assets requires judgment, including estimations of cash flows, and determinations of fair value. In the Company's valuation of intangible assets, we allocated the estimated cash flows of each business acquisition to the several individual intangible assets. While we believe our estimates of future cash flows are reasonable, different assumptions could materially affect the measurement of fair value. A change in the total estimated cash flows as well as the allocation of those cash flows to each intangible asset could have resulted in a change to the value assigned to intangible assets with an offsetting impact to goodwill.

## **Revenue Recognition**

Leasing of equipment in both our EGM and Table Products segments is accounted for under lease accounting guidance in ASC 842, "*Leases*" (ASC 842) and is recorded in gaming operations revenue. Our remaining revenue streams are accounted for under ASC 606 "*Revenue from contracts with customers*" (ASC 606) including equipment sales in our EGM and, to a lesser extent, in our Table Products segments. Revenue earned in our Interactive segment is recorded in gaming operations revenue. Refer to Item 15. "Exhibits and Financial Statement Schedules" Note 1. "Description of the Business and Summary of Significant Accounting Policies", which contains a detailed description of our revenue recognition policy for our revenue streams.

For the sale of gaming machines recorded in equipment sales revenue, judgment is often required to determine whether an arrangement consists of multiple performance obligations, which are typically multiple distinct products that may be shipped to the customer at different times. For example, gaming equipment arrangements may include the sale of gaming machines to be delivered upon the consummation of the contract and additional game content conversion kits that will be delivered at a later date when requested by the customer to replace the game content on the customer's existing gaming machines. Products are identified as separate performance obligations if they are distinct, which occurs if the customer can benefit from the product on its own and is separately identifiable from other promises in the contract. Revenue is allocated to the separate performance obligations based on relative standalone selling prices determined at contract inception. Standalone selling prices are primarily determined by prices that we charge for the products when they are sold separately. When a product is not sold separately, we determine the standalone selling price with reference to our standard pricing policies and practices.

Judgment is also required to determine whether there is sufficient history to prove when it is probable that we will collect substantially all of the contracted amount. Factors that we consider include the nature of our customers, our historical collection experience with the specific customer, the terms of the arrangement and the nature of the product being sold. Our product sales contracts do not include specific performance, cancellation, termination or refund-type provisions.

### ***Definite-lived Asset Impairment***

The Company reviews its definite-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. These indicators can include the loss of a key customer or jurisdiction or cancellation of a specific product line where there is no alternative future use for the asset.

When the estimated undiscounted cash flows (Assumption #1) are not sufficient to recover the asset's carrying amount, an impairment loss is measured to the extent the fair value of the asset is less than its carrying amount. We also make judgments about the remaining useful lives of intangible assets and other long-lived assets that have finite lives (Assumption #2).

Our policy is to impair, when necessary, excess or obsolete gaming terminals on hand that we do not expect to be used. Impairment is based upon several factors, including estimated forecast of gaming terminal demand for placement into casinos.

*Assumptions/Approach used for Assumption #1:* When we identify a triggering event, we estimate cash flows directly associated with the use of the asset to test recoverability and remaining useful lives based upon forecasted revenues and cash flows. In developing estimated cash flows, we incorporate assumptions regarding future performance, including estimations of win per day and estimated installed units on lease. When the carrying amount exceeds the undiscounted cash flows expected to result from the use and eventual disposition of the asset, we then compare the carrying amount to its current fair value. We recognize an impairment loss if the carrying amount of the asset exceeds its fair value.

*Effect if Different Assumptions used for Assumption #1:* Impairment testing requires judgment, including estimates of cash flows, and determinations of fair value. While we believe our estimates of future revenues and cash flows are reasonable, different assumptions such as projected win per day and projected installed units on lease could materially affect the measurement of the recoverability and fair value of long-lived assets. If actual cash flows fall below initial forecasts, we may need to record additional amortization and/or impairment charges.

*Assumptions/Approach used for Assumption #2:* The carrying value of the asset is determined based upon management's assumptions as to the useful life of the asset, where the assets are depreciated over the estimated life on a straight-line basis.

*Effect if different assumptions used for Assumption #2:* While we believe the useful lives that we use are reasonable, different assumptions could materially affect the carrying value of long-lived assets, as well as the depreciation and amortization expense.

### ***Goodwill and Indefinite-lived Intangible Asset Impairment***

The excess of the purchase price of entities that are considered to be purchases of businesses over the estimated fair value of the assets acquired and the liabilities assumed is recorded as goodwill. The "American Gaming Systems" trade name (and related derivations such as "AGS" and "PlayAGS") asset acquired in a previous acquisition has an indefinite useful life. We do not amortize indefinite-lived assets or goodwill, but instead test for possible impairment at least annually on October 1 or more frequently if events or changes in circumstances indicate that the carrying value may not be recoverable (Assumption #1). The Company has the option to begin with a qualitative assessment, commonly referred to as Step 0, to determine whether it is more-likely-than-not that the asset's fair value is less than its carrying value. This qualitative assessment may include, but is not limited to, reviewing factors such as the general economic environment, industry and market conditions, changes in key assumptions used since the most recently performed valuation and overall financial performance of each reporting unit and the Company as a whole. If the Company determines the asset is not at risk of failing the qualitative assessment no quantitative impairment testing is required. If the Company determines that it is at risk of failing the qualitative assessment, the Company is required to perform an annual quantitative impairment test, and depending upon the results of that measurement, the recorded asset value may be written down and charged to results from operations when its carrying amount exceeds its estimated fair value.

*Assumptions/Approach used for Assumption #1:* In the first step of the impairment test, we estimate the fair value of our goodwill at the reporting unit level and indefinite-lived assets and compare that to the carrying value. Fair value is based upon forecasted product revenues and cash flows. In developing estimated cash flows, we incorporate assumptions regarding future performance, including estimations of revenues, costs, and capital expenditures. When the carrying amount exceeds fair value, we recognize an impairment charge for the amount by which the carrying amount exceeds the asset's fair value.



Effect if Different Assumptions used for Assumption #1: Impairment testing requires judgment, including estimations of cash flows, and determinations of fair value. While we believe our estimates of future cash flows are reasonable, different assumptions could materially affect the measurement of fair value. If actual cash flows fall below initial forecasts, we may need to record additional impairment charges.

The Company tests for possible impairment of indefinite lived intangible assets at least annually, on October 1. The Company performed a qualitative assessment as of October 1, 2023 on the EGM and Table Products reporting units as well as the AGS tradename and determined that it was not more likely than not that the fair value of the EGM and Table Products reporting units and AGS tradename were less than their carrying amounts as of the assessment date of October 1, 2023. In this assessment, we relied on several qualitative factors such as industry and macroeconomic conditions, as well as current projected cash flows and the last quantitative analysis performed, that concluded the excess fair values over carrying values for the EGM and Table Products reporting units were \$113.4 million and \$8.9 million, respectively and the AGS tradename excess fair value over carrying value was \$85.0 million. There is no balance of goodwill in the Company's other reporting unit.

#### **Income Taxes**

We conduct business globally and are subject to income taxes in United States federal, state, local, and foreign jurisdictions. Determination of the appropriate amount and classification of income taxes depends on several factors, including estimates of the timing and probability of realization of deferred income taxes, reserves for uncertain income tax positions and income tax payment timing.

We account for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date. Taxes on income of our foreign subsidiaries are provided at the tax rates applicable to the tax jurisdictions in which they are located. Future tax benefits are recognized to the extent that realization of those benefits is considered more likely than not and a valuation allowance is established for deferred tax assets which do not meet this threshold.

The recoverability of certain deferred tax assets is based in part on estimates of future income and the timing of temporary differences, and the failure to fully realize such deferred tax assets could result in a higher tax provision in future periods.

We apply the accounting guidance to our uncertain tax positions and under the guidance, we may recognize a tax benefit from an uncertain position only if it is more likely than not that the position will be sustained upon examination by taxing authorities based on the technical merits of the issue. The amount recognized in the financial statements is the largest benefit that we believe has greater than a 50% likelihood of being realized upon settlement.

We are required to make significant judgments when evaluating our uncertain tax positions and the related tax benefits. We believe our assumptions are reasonable; however, there is no guarantee that the final outcome of the related matters will not differ from the amounts reflected in our income tax provisions and accruals. We adjust our liability for uncertain tax positions based on changes in facts and circumstances such as the closing of a tax audit or changes in estimates. Our income tax provision may be impacted to the extent that the final outcome of these tax positions is different than the amounts recorded.

### ***Contingencies***

We assess our exposures to loss contingencies, including claims and legal proceedings, and accrue a liability if a potential loss is considered probable and the amount can be estimated. Significant judgment is required in both the determination of probability and the determination as to whether an exposure is reasonably estimable. Because of uncertainties related to these matters, if the actual loss from a contingency differs from our estimate, there could be a material impact on our results of operations or financial position. Operating expenses, including legal fees, associated with contingencies are expensed when incurred.

### ***Recently adopted accounting pronouncements***

For a description of recently adopted accounting pronouncements, see Item 15. "Exhibits and Financial Statement Schedules" Note 1. "Description of the Business and Summary of Significant Accounting Policies".

### ***Recently issued accounting pronouncements not yet adopted***

For a description of recently issued accounting pronouncements not yet adopted, see Item 15. "Exhibits and Financial Statement Schedules" Note 1. "Description of the Business and Summary of Significant Accounting Policies".

## **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

We are subject to certain market risks and uncertainties inherent in our operations. These market risks generally arise from transactions in the normal course of business. Our primary market risk exposures relate to interest rate risk and foreign currency exchange risks.

### ***Interest Rates***

Our primary exposure to market risk is interest rate risk associated with our long-term debt, which accrues interest at variable rates. Certain of our debt instruments accrue interest at SOFR subject to an interest rate floor plus an applicable margin rate. In the normal course of business, we are exposed to fluctuations in interest rates as we seek debt and equity capital to sustain our operations. All of our interest rate sensitive financial instruments are held for purposes other than trading purposes. As of December 31, 2023, approximately less than 1% of our debt were fixed-rate instruments. Assuming a constant outstanding balance for our variable-rate long term debt, a hypothetical 1% decrease in interest rates would decrease interest expense by \$5.6 million, while a hypothetical 1% increase in interest rates would increase interest expense by \$5.6 million.

### ***Foreign Currency Risk***

We are exposed to foreign currency exchange rate risk that is inherent to our foreign operations. We currently transact business in Mexico, and to a lesser extent in the United Kingdom, using the local currency. Our settlement of inter-company trade balances requires the exchange of currencies, which results in the recognition of foreign currency fluctuations. We expect that certain operations will continue to be denominated in foreign currencies. As such, we expect our cash flows and earnings to continue to be exposed to the risks that may arise from fluctuations in foreign currency exchange rates.

We derived approximately 6% of our revenue from customers in Mexico. To date, we have not engaged in hedging activities intended to protect against foreign currency risk.

#### **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.**

The information required by this item is contained in the financial statements listed in Item 15. "Exhibits and Financial Statement Schedules" of this Form 10-K.

#### **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.**

None.

#### **ITEM 9A. CONTROLS AND PROCEDURES.**

##### **Disclosure Controls and Procedures**

Under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, management has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) of the Exchange Act) as of December 31, 2023. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, our disclosure controls and procedures are effective to ensure information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the periods specified in the Securities and Exchange Commission's rules and forms and is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

##### **Management's Annual Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting and for an assessment of the effectiveness of internal control over financial reporting; as such items are defined in Rule 13a-15(f) under the Exchange Act. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

Our management has performed an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2023. In making its assessment, management has utilized the criteria established in the 2013 Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the assessment, management has concluded that our internal control over financial reporting was effective as of December 31, 2023 based on criteria in the 2013 Internal Control-Integrated Framework issued by the COSO. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our independent registered public accounting firm, PricewaterhouseCoopers LLP, has audited the effectiveness of the Company's internal control over financial reporting as of December 31, 2023, as stated in their report, which appears in Item 15 of this Annual Report on Form 10-K.

##### **Changes in Internal Control Over Financial Reporting**

There were no changes in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the quarter ended December 31, 2023 covered by this Annual Report on Form 10-K that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

#### **ITEM 9B. OTHER INFORMATION.**

None.

#### **ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS.**

Not applicable.

### PART III

Certain information required by Part III has been omitted under General Instruction G(3) to Form 10-K and incorporated by reference to our definitive proxy statement for our 2024 annual meeting of stockholders, or our 2024 Proxy Statement, to be filed pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended, or Exchange Act. Only those sections of the Proxy Statement that specifically address the items required to be set forth herein are incorporated by reference. If our 2024 Proxy Statement is not filed within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K, the omitted information will be included in an amendment to this Annual Report on Form 10-K filed not later than the end of such 120-day period.

#### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The information called for by this item will be set forth in the 2024 Proxy Statement in the sections headed: *The Board of Directors; Corporate Governance – Audit Committee; Executive Officers; and Section 16(a) Beneficial Ownership Reporting Compliance* and is incorporated herein by reference.

We have adopted a Code of Conduct and Ethics that applies to all officers, directors and employees, including our principal executive officer, principal financial officer, principal accounting officer or controller, or person performing similar functions. A current copy of the Code of Conduct and Ethics is available on the Corporate Governance section of our website at [www.playags.com](http://www.playags.com). If we make any substantive amendments to the Code of Conduct and Ethics or grants any waiver from a provision of the Code of Conduct and Ethics to any executive officer or director that are required to be disclosed pursuant to SEC rules, we will promptly disclose the nature of the amendment or waiver on our website. The information contained on our website is not considered part of, or incorporated by reference into, this Annual Report on Form 10-K or any other filing that we make with the SEC.

#### ITEM 11. EXECUTIVE COMPENSATION.

The information called for by this item will be set forth in the 2024 Proxy Statement in the sections headed: *Executive Compensation; Summary Compensation Table; Director Compensation; and Corporate Governance – Compensation Committee* and is incorporated herein by reference.

#### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The information called for by this item will be set forth in the 2024 Proxy Statement in the sections headed *Security Ownership of Certain Beneficial Owners and Management and Equity Incentive Plans – Equity Compensation Plan Information* and is incorporated herein by reference.

#### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

The information called for by this item will be set forth in the 2024 Proxy Statement in the section headed *Corporate Governance – Director Independence and Certain Relationships and Related Transactions* and is incorporated herein by reference.

#### ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

The information called for by this item will be set forth in the 2024 Proxy Statement in the section headed *Audit-Related Fees, Tax Fees and All Other Fees* and is incorporated by reference.

### PART IV

#### ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) The following documents are filed as part of this Annual Report on Form 10-K:

##### 1. Financial Statements

<a href="#">Report of Independent Registered Public Accounting Firm (PCAOB ID: 238 )</a>	<a href="#">48</a>
<a href="#">Consolidated Balance Sheets</a>	<a href="#">49</a>
<a href="#">Consolidated Statements of Operations and Comprehensive Income (Loss )</a>	<a href="#">50</a>
<a href="#">Consolidated Statements of Changes in Stockholders' Equity</a>	<a href="#">51</a>
<a href="#">Consolidated Statements of Cash Flows</a>	<a href="#">52</a>
<a href="#">Notes to Consolidated Financial Statements</a>	<a href="#">53</a>

##### 2. Financial Statement Schedules

We have omitted certain other financial statement schedules because they are not required or are not applicable, or the required information is shown in the financial statements or notes to the financial statements. We have included Schedule I - Financial Information of the Registrant for the years ended December 31, 2023, 2022, and 2021 on page 74 and Schedule II - Valuation and Qualifying Accounts for the years ended December 31, 2023, 2022, and 2021 on page 78.

**(b). Exhibits**

<b>Exhibit Number</b>	<b>Exhibit Description</b>
3.1	<a href="#"><u>Certificate of Amended and Restated Articles of Incorporation of PlayAGS, Inc., effective January 29, 2018, (incorporated by reference to Exhibit 3.1 to PlayAGS, Inc.'s Annual Report on Form 10-K filed on March 5, 2019).</u></a>
3.2	<a href="#"><u>Amended and Restated Bylaws of PlayAGS, Inc., adopted January 29, 2018, (incorporated by reference to Exhibit 3.2 to PlayAGS, Inc.'s Annual Report on Form 10-K filed on March 5, 2019).</u></a>
4.6	<a href="#"><u>Description of Capital Stock, (incorporated by reference to Exhibit 4.6 to PlayAGS, Inc.'s Annual Report on Form 10-K filed on March 4, 2020).</u></a>
10.1	<a href="#"><u>2014 Managerial Incentive Plan, (incorporated by reference to Exhibit 10.1 to PlayAGS, Inc.'s Annual Report on Form 10-K filed on March 31, 2015).</u></a>
10.2	<a href="#"><u>AP Gaming Holdco, Inc. 2014 Long-Term Incentive Plan, (incorporated by reference to Exhibit 10.2 to PlayAGS, Inc.'s Current Report on Form 8-K filed on May 5, 2014)</u></a>
10.3	<a href="#"><u>Form of Option Agreement, (incorporated by reference to Exhibit 10.3 to PlayAGS, Inc.'s Current Report on Form 8-K filed on May 5, 2014).</u></a>
10.4	<a href="#"><u>Form of Subscription Agreement, (incorporated by reference to Exhibit 10.4 to PlayAGS, Inc.'s Current Report on Form 8-K filed on May 5, 2014).</u></a>
10.5	<a href="#"><u>PlayAGS, Inc. Omnibus Incentive Plan, (incorporated by reference to Exhibit 10.9 to PlayAGS, Inc.'s Amended Registration Statement on Form S-1/A filed on January 16, 2018).</u></a>
10.6	<a href="#"><u>PlayAGS, INC. Omnibus Incentive Plan, Director Stock Award Agreement, (incorporated by reference to Exhibit 10.3 to PlayAGS, Inc.'s Quarterly Report on Form 10-Q filed on November 8, 2018).</u></a>
10.7	<a href="#"><u>PlayAGS, INC. Omnibus Incentive Plan, Non-Qualified Option Award Agreement, (incorporated by reference to Exhibit 10.4 to PlayAGS, Inc.'s Quarterly Report on Form 10-Q filed on November 8, 2018).</u></a>
10.8	<a href="#"><u>PlayAGS, INC. Omnibus Incentive Plan, Restricted Stock Unit Award Agreement, (incorporated by reference to Exhibit 10.5 to PlayAGS, Inc.'s Quarterly Report on Form 10-Q filed on November 8, 2018).</u></a>
10.9	<a href="#"><u>Nonqualified Stock Option Agreement, dated April 28, 2014, by and between AP Gaming Holdco, Inc. and David Lopez, (incorporated by reference to Exhibit 10.6 to PlayAGS, Inc.'s Current Report on Form 8-K filed on May 5, 2014).</u></a>
10.10	<a href="#"><u>Restricted Stock Agreement, dated April 28, 2014, by and between AP Gaming Holdco, Inc. and David Lopez, (incorporated by reference to Exhibit 10.7 to PlayAGS, Inc.'s Current Report on Form 8-K filed on May 5, 2014).</u></a>
10.11	<a href="#"><u>Nonqualified Stock Option Agreement, dated March 11, 2015, by and between AP Gaming Holdco, Inc. and Kimo Akiona, (incorporated by reference to Exhibit 10.21 to PlayAGS, Inc.'s Annual Report on Form 10-K filed on March 10, 2017).</u></a>

10.12	<a href="#"><u>Collateral Agreement among AP Gaming, LLC, each Subsidiary Party and Jefferies Finance, LLC, dated as of June 6, 2017, (incorporated by reference to Exhibit 10.4 to PlayAGS, Inc.'s Registration Statement on Form S-1 filed on December 19, 2017).</u></a>
*10.13	<a href="#"><u>Amendment to that certain First Lien Credit Agreement.</u></a>
10.14	<a href="#"><u>Holdings Guarantee and Pledge Agreement, by and among AP Gaming Holdings, LLC and Jefferies Finance LLC, dated as of June 6, 2017, (incorporated by reference to Exhibit 10.5 to PlayAGS, Inc.'s Registration Statement on Form S-1 filed on December 19, 2017).</u></a>
10.15	<a href="#"><u>Subsidiary Guarantee between AP Gaming II, Inc., AP Gaming Acquisition, LLC, AGS Capital, LLC, AGS LLC, AGS Partners, LLC, AGS Illinois, LLP, AP Gaming NV, LLC and Jefferies Finance, LLC dated as of June 6, 2017, (incorporated by reference to Exhibit 10.6 to PlayAGS, Inc.'s Registration Statement on Form S-1 filed on December 19, 2017).</u></a>
10.16	<a href="#"><u>First Amendment to PlayAGS, Inc. Omnibus Plan, (incorporated by reference to Exhibit 10.3 to PlayAGS, Inc.'s Quarterly Report on Form 10-Q filed on August 5, 2020).</u></a>
10.17	<a href="#"><u>PlayAGS, Inc. Omnibus Incentive Plan, Performance-Based Restricted Stock Unit Award Agreement (form), (incorporated by reference to Exhibit 10.1 to PlayAGS, Inc.'s Current Report on Form 8-K filed on September 18, 2020).</u></a>
10.18	<a href="#"><u>Incremental Assumption and Amendment Agreement, dated as of February 15, 2022, by and among AP Gaming Holdings, LLC, AP Gaming I, LLC, each subsidiary loan party listed on the signature pages thereof, Jefferies Finance LLC and the lenders party thereto, (incorporated by reference to Exhibit 10.1 to PlayAGS, Inc.'s Current Report on Form 8-K filed on February 15, 2022).</u></a>
10.19	<a href="#"><u>Amended and Restated Employment Agreement dated March 6, 2023 by and between AGS, LLC and David Lopez, (incorporated by reference to Exhibit 10.19 to PlayAGS Inc.'s Annual Report on Form 10-K filed on March 9, 2023).</u></a>
10.20	<a href="#"><u>Amended and Restated Employment Agreement dated March 6, 2023 by and between AGS, LLC and Kimo Akiona, (incorporated by reference to Exhibit 10.20 to PlayAGS Inc.'s Annual Report on Form 10-K filed on March 9, 2023).</u></a>
10.21	<a href="#"><u>Transition and Separation Agreement dated March 7, 2023 by and between AGS, LLC and Vic Gallo, (incorporated by reference to Exhibit 10.21 to PlayAGS Inc.'s Annual Report on Form 10-K filed on March 9, 2023).</u></a>
10.22	<a href="#"><u>Amendment to Performance-Based Restricted Stock Unit Award Agreement dated March 6, 2023 by and between PlayAGS, Inc. and David Lopez, (incorporated by reference to Exhibit 10.22 to PlayAGS Inc.'s Annual Report on Form 10-K filed on March 9, 2023).</u></a>
10.23	<a href="#"><u>Amendment to Performance-Based Restricted Stock Unit Award Agreement dated March 6, 2023 by and between PlayAGS, Inc. and Kimo Akiona, (incorporated by reference to Exhibit 10.23 to PlayAGS Inc.'s Annual Report on Form 10-K filed on March 9, 2023).</u></a>
*10.24	<a href="#"><u>Employment Agreement dated January 29, 2023 by and between AGS, LLC and Rob Ziems.</u></a>
*21.1	<a href="#"><u>Subsidiaries of PlayAGS, Inc.</u></a>
*23.1	<a href="#"><u>Consent of PricewaterhouseCoopers LLP, independent registered public accounting firm.</u></a>
*31.1	<a href="#"><u>Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
*31.2	<a href="#"><u>Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
*32	<a href="#"><u>Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
*97	<a href="#"><u>Incentive Compensation Recoupment Policy, effective October 2, 2023.</u></a>
101.IN	Inline XBRL Instance Document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

\* Filed herewith.

**ITEM 15 (a) 1. Financial Statements****Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Stockholders of PlayAGS, Inc.

***Opinions on the Financial Statements and Internal Control over Financial Reporting***

We have audited the accompanying consolidated balance sheets of PlayAGS, Inc. and its subsidiaries (the "Company") as of December 31, 2023 and 2022, and the related consolidated statements of operations and comprehensive income (loss), of changes in stockholders' equity and of cash flows for each of the three years in the period ended December 31, 2023, including the related notes and financial statement schedules listed in the index appearing under Item 15(a)(2) (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

***Basis for Opinions***

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

***Definition and Limitations of Internal Control over Financial Reporting***

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

***Critical Audit Matters***

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

***Revenue Recognition – Electronic Gaming Machines ("EGM") and Table Products Revenues***

As described in Note 1 to the consolidated financial statements, the Company's total revenues for the year ended December 31, 2023 were \$356.5 million, of which the majority relates to the EGM and Table Products segments. EGM and Table Products revenues consists of gaming operations revenue and equipment sales. Gaming operations revenue is earned by providing customers with gaming machines, gaming machine content licenses, table products, back-office equipment and linked progressive systems under participation agreements. The participation arrangements convey the right to use the equipment (i.e., gaming machines and related integral software) for a stated period of time, which typically ranges from one to three years upon which the contract continues on a month-to-month basis thereafter. Equipment sales are generated from the sale of gaming machines, table products and licensing rights to the integral game content software that is installed in the related equipment, parts, and other ancillary equipment. The recognition of revenue from the sale of gaming devices occurs as the customer obtains control of the product and all other revenue recognition criteria have been satisfied.

The principal consideration for our determination that performing procedures relating to EGM and Table Products revenues is a critical audit matter is a high degree of auditor effort in performing procedures related to the Company's revenue recognition.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the revenue recognition process, including controls over the recording of EGM and Table Products revenues. These procedures also included, among others (i) testing the completeness, accuracy, and occurrence of revenue recognized for a sample of revenue transactions by obtaining and inspecting source documents, such as contracts, purchase orders, invoices, proof of shipment, customer reporting and subsequent cash receipts; (ii) testing the timing of revenue recognition for a sample of

revenue transactions near period end by obtaining and inspecting source documents, such as invoices and proof of shipment; and (iii) confirming a sample of outstanding customer invoice balances as of December 31, 2023 and, for confirmations not returned, obtaining and inspecting source documents, such as invoices, proof of shipment, customer reporting and subsequent cash receipts.

/s/ PricewaterhouseCoopers LLP  
Las Vegas, Nevada  
March 6, 2024

We have served as the Company's auditor since 2016.



**PLAYAGS, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(amounts in thousands, except share and per share data)

	December 31,	
	2023	2022
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 50,936	\$ 37,891
Restricted cash	244	20
Accounts receivable, net of allowance of credit losses \$ 1,251 and \$1,974, respectively	68,499	59,909
Inventories	36,081	35,394
Prepaid expenses	5,473	4,020
Deposits and other	4,145	8,930
<b>Total current assets</b>	<b>165,378</b>	<b>146,164</b>
Property and equipment, net	78,768	82,361
Goodwill	290,486	287,680
Intangible assets, net	123,436	142,109
Deferred tax asset	7,680	7,893
Operating lease assets, net	9,862	11,198
Other assets	4,728	7,346
<b>Total assets</b>	<b>\$ 680,338</b>	<b>\$ 684,751</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 5,406	\$ 15,244
Accrued liabilities	35,926	37,262
Current maturities of long-term debt	6,253	6,060
<b>Total current liabilities</b>	<b>47,585</b>	<b>58,566</b>
Long-term debt	547,499	550,081
Deferred tax liability, non-current	2,326	2,048
Operating lease liabilities, long-term	8,636	10,413
Other long-term liabilities	6,625	14,282
<b>Total liabilities</b>	<b>612,671</b>	<b>635,390</b>
<b>Commitments and contingencies (Note 12)</b>		
<b>Stockholders' equity</b>		
Preferred stock at \$0.01 par value; 50,000,000 shares authorized, no shares issued and outstanding	—	—
Common stock at \$0.01 par value; 450,000,000 shares authorized at December 31, 2023 and 2022; 38,947,674 and 37,789,131 shares issued and outstanding at December 31, 2023 and 2022, respectively	389	378
Additional paid-in capital	417,689	406,436
Accumulated deficit	( 353,044)	( 353,125)
Accumulated other comprehensive income (loss)	2,633	( 4,328)
<b>Total stockholders' equity</b>	<b>67,667</b>	<b>49,361</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 680,338</b>	<b>\$ 684,751</b>

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

**PLAYAGS, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)**  
(amounts in thousands, except per share data)

	Year ended December 31,		
	2023	2022	2021
<b>Revenues</b>			
Gaming operations	\$ 240,237	\$ 223,802	\$ 205,627
Equipment sales	116,299	85,634	54,069
<b>Total revenues</b>	<u>356,536</u>	<u>309,436</u>	<u>259,696</u>
<b>Operating expenses</b>			
Cost of gaming operations (1)	50,278	42,200	38,945
Cost of equipment sales (1)	54,849	44,472	24,262
Selling, general and administrative	73,248	67,728	63,749
Research and development	42,385	39,628	36,308
Write-downs and other charges	1,434	1,923	2,791
Depreciation and amortization	76,949	75,516	73,938
<b>Total operating expenses</b>	<u>299,143</u>	<u>271,467</u>	<u>239,993</u>
<b>Income from operations</b>	<u>57,393</u>	<u>37,969</u>	<u>19,703</u>
<b>Other expense (income)</b>			
Interest expense	57,426	40,608	44,352
Interest income	( 1,855)	( 1,059)	( 1,064)
Loss on extinguishment and modification of debt	—	8,549	—
Other expense	109	131	1,185
<b>Income (loss) before income taxes</b>	<u>1,713</u>	<u>( 10,260)</u>	<u>( 24,770)</u>
Income tax (expense) benefit	( 1,285)	2,225	2,198
<b>Net income (loss)</b>	<u>428</u>	<u>( 8,035)</u>	<u>( 22,572)</u>
Foreign currency translation adjustment	6,961	1,742	( 984)
<b>Total comprehensive income (loss)</b>	<u>\$ 7,389</u>	<u>\$ ( 6,293)</u>	<u>\$ ( 23,556)</u>
<b>Basic and diluted income (loss) per common share:</b>			
Basic	\$ 0.01	\$ ( 0.22)	\$ ( 0.62)
Diluted	\$ 0.01	\$ ( 0.22)	\$ ( 0.62)
<b>Weighted average common shares outstanding:</b>			
Basic	38,167	37,275	36,688
Diluted	38,190	37,275	36,688

(1) exclusive of depreciation and amortization

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

**PLAYAGS, INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
(in thousands, except share data)

	Shares (#)	Common Stock (\$)	Additional Paid-in Capital (\$)	Accumulated Deficit (\$)	Accumulated Other Comprehensive Loss (\$)	Total Stockholders' Equity (\$)
<b>Balance at January 1, 2021</b>	<u>36,494,002</u>	<u>364</u>	<u>379,917</u>	<u>( 321,412)</u>	<u>( 5,086)</u>	<u>53,783</u>
Net loss	-	-	-	( 22,572)	-	( 22,572)
Foreign currency translation adjustment	-	-	-	-	( 984)	( 984)
Stock-based compensation expense	-	-	12,250	-	-	12,250
Vesting of restricted stock	574,954	6	( 6)	-	-	-
Repurchase of common stock	( 125,186)	( 1)	-	( 905)	-	( 906)
<b>Balance at December 31, 2021</b>	<u>36,943,770</u>	<u>369</u>	<u>392,161</u>	<u>( 344,889)</u>	<u>( 6,070)</u>	<u>41,571</u>
Net loss	-	-	-	( 8,035)	-	( 8,035)
Foreign currency translation adjustment	-	-	-	-	1,742	1,742
Stock-based compensation expense	-	-	11,893	-	-	11,893
Modification of liability awards to equity	-	-	2,391	-	-	2,391
Vesting of restricted stock	876,265	9	( 9)	-	-	-
Repurchase of common stock	( 30,904)	-	-	( 201)	-	( 201)
<b>Balance at December 31, 2022</b>	<u>37,789,131</u>	<u>378</u>	<u>406,436</u>	<u>( 353,125)</u>	<u>( 4,328)</u>	<u>49,361</u>
Net income	-	-	-	428	-	428
Foreign currency translation adjustment	-	-	-	-	6,961	6,961
Stock-based compensation expense	-	-	11,264	-	-	11,264
Vesting of restricted stock	1,162,567	11	( 11)	-	-	-
Repurchase of common stock	( 4,024)	-	-	( 347)	-	( 347)
<b>Balance at December 31, 2023</b>	<u>38,947,674</u>	<u>389</u>	<u>417,689</u>	<u>( 353,044)</u>	<u>2,633</u>	<u>67,667</u>

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

**PLAYAGS, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (in thousands)**

	Year ended December 31,		
	2023	2022	2021
<b>Cash flows from operating activities</b>			
Net income (loss)	\$ 428	\$ ( 8,035)	\$ ( 22,572)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	76,949	75,516	73,938
Accretion of contract rights under development agreements and placement fees	6,273	6,345	6,516
Amortization of deferred loan costs and discount	2,574	2,803	4,677
Write-off of deferred loan cost and discount	-	1,586	-
Cash paid for debt prepayment penalties to prior debt holders	-	848	-
Stock-based compensation expense	11,264	11,893	14,643
Provision for bad debts	642	465	235
Loss on disposition of long-lived assets	596	427	590
Impairment of assets	838	30	2,257
Fair value adjustment of contingent consideration	-	1,466	( 56)
Benefit (expense) from deferred income tax	1,598	( 829)	( 175)
Changes in assets and liabilities related to operations:			
Accounts receivable	( 7,694)	( 10,534)	( 8,133)
Inventories	4,295	( 6,252)	1,577
Prepaid expenses	( 1,436)	450	( 1,332)
Deposits and other	5,206	( 436)	( 3,516)
Other assets, non-current	1,600	806	3,789
Accounts payable and accrued liabilities	( 16,934)	1,160	5,894
<b>Net cash provided by operating activities</b>	<b>86,199</b>	<b>77,709</b>	<b>78,332</b>
<b>Cash flows from investing activities</b>			
Proceeds from payments on customer notes receivable	3,081	1,867	1,362
Business acquisitions, net of cash acquired	-	( 4,750)	-
Purchase of intangible assets	( 183)	-	-
Software development and other expenditures	( 23,377)	( 21,127)	( 15,432)
Proceeds from disposition of assets	22	33	35
Purchases of property and equipment	( 38,361)	( 48,111)	( 36,102)
<b>Net cash (used in) investing activities</b>	<b>( 58,818)</b>	<b>( 72,088)</b>	<b>( 50,137)</b>
<b>Cash flows from financing activities</b>			
Repayment of prior first lien credit facilities	-	( 521,215)	( 5,387)
Repayment of first lien credit facilities	( 5,750)	( 4,313)	-
Repayment of incremental term loans	-	( 93,575)	( 950)
Payment of financed placement fee obligations	( 5,735)	( 5,253)	( 4,959)
Proceeds from term loans	-	569,250	-
Payment of deferred loan costs	-	( 4,838)	( 848)
Payment of debt prepayment penalties to prior debt holders	-	( 848)	-
Payment of previous acquisition obligation	( 310)	( 514)	( 534)
Payments on finance leases and other obligations	( 2,038)	( 1,213)	( 1,321)
Repurchase of stock	( 347)	( 201)	( 906)
<b>Net cash (used in) financing activities</b>	<b>( 14,180)</b>	<b>( 62,720)</b>	<b>( 14,905)</b>
Effect of exchange rates on cash, cash equivalents and restricted cash	68	13	( 2)
<b>Net increase (decrease) in cash, cash equivalents and restricted cash</b>	<b>13,269</b>	<b>( 57,086)</b>	<b>13,288</b>
<b>Cash, cash equivalents and restricted cash, beginning of period</b>	<b>37,911</b>	<b>94,997</b>	<b>81,709</b>
<b>Cash, cash equivalents and restricted cash, end of period</b>	<b>\$ 51,180</b>	<b>\$ 37,911</b>	<b>\$ 94,997</b>
<b>Supplemental cash flow information:</b>			
Cash paid during the period for interest	\$ 54,120	\$ 37,208	\$ 39,268
Cash paid during the period for taxes	\$ 1,802	\$ 814	\$ 544
<b>Non-cash investing and financing activities:</b>			
Leased assets obtained in exchange for new finance lease liabilities	\$ 1,658	\$ 476	\$ 317
Leased assets obtained in exchange for new operating lease liabilities	\$ 882	\$ 956	\$ 4,686
Property and equipment obtained in exchange for new other long-term liability	\$ 2,489	\$ —	\$ —

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

**PLAYAGS, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1. DESCRIPTION OF THE BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

PlayAGS, Inc. (the "Company," "PlayAGS," "we," "us," or "our") is a leading designer and supplier of gaming products and services for the gaming industry. We operate in legalized gaming markets across the globe and provide state-of-the-art, value-add products in *three* distinct segments: Electronic Gaming Machines ("EGM"), which includes server-based systems and back-office systems that are used by Class II Native American and Mexico gaming jurisdictions and Class III Native American, commercial and charitable jurisdictions; Table Products ("Table Products"), which includes live felt table games, side-bets and progressives as well as card shufflers including our newly introduced card shuffler, "Pax S"; and Interactive Games ("Interactive"), which provides game content and access to our remote gaming server to real money gaming ("RMG") online casino operators as well as social casino games available for desktop and mobile devices. Each segment's activities include the design, development, acquisition, manufacturing, marketing, distribution, installation and servicing of a distinct product line.

***Electronic Gaming Machines***

Our EGM segment offers a library of proprietary video slot titles developed for the global marketplace, and EGM cabinets which include our premium lease-only cabinets of *Spectra UR43 Premium*, *Orion Starwall*, *Orion Curve Premium* and *Big Red* ("Colossal Diamonds") as well as cabinets available for sale or lease notably the *Spectra UR43*, *Spectra UR49C*, *Orion Portrait*, *Orion Slant*, *Orion Curve*, *Orion Upright*, and *ICON* cabinets. In addition to providing complete EGM units, we offer conversion kits that allow existing game titles to be converted to other game titles offered within that operating platform.

***Table Products***

Our Table Products include both internally developed and acquired proprietary table products, side-bets, progressives, and table technology related to blackjack, poker, baccarat, craps and roulette. We have acquired a number of popular proprietary brands, including In Bet Gaming ("In Bet"), *Buster Blackjack*, *Double Draw Poker* and *Criss Cross Poker* that are based on traditional well-known public domain games such as blackjack and poker; however, these proprietary games provide intriguing betting options that offer more excitement and greater volatility to the player, ultimately enhancing our casino customers' profitability. In addition, we offer a single deck card shuffler for poker tables, *Dex S*, as well as our new second shuffler, the *Pax S* single-deck shuffler.

***Interactive***

We specialize in providing a Business-to-Business ("B2B") game aggregation platform catering to the rapidly growing online real-money gaming ("RMG") sector. Our remote gaming server empowers us to deliver an extensive library of games developed by our internal game development studios. Our catalog encompasses various game types, including slots, table games, and progressive technology. Our RMG solutions resonate with a diverse and widespread player base, positioning us as a trusted partner for operators seeking to thrive in the competitive global gaming landscape.

AGS also offers Business-to-Consumer ("B2C") free-to-play social casino apps that players across the globe can enjoy anytime online or on their mobile devices. Our most popular app, Lucky Play Casino, offers mobile players all the thrills of Vegas casinos. Players can choose from dozens of AGS player-favorite slot games and other casino classics like video poker, blackjack, and bingo. Our apps also feature in-app tournaments, rumbles, VIP bonuses, and unique interactive challenges.

***Principles of Consolidation***

The accompanying consolidated financial statements include the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

***Use of Estimates***

The preparation of financial statements in conformity with GAAP requires the Company to make decisions based upon estimates, assumptions, and factors considered relevant to the circumstances. Such decisions include the selection of applicable accounting principles and the use of judgment in their application, the results of which impact reported amounts and disclosures. Changes in future economic conditions or other business circumstances may affect the outcomes of the estimates and assumptions. Accordingly, actual results could differ materially from those anticipated.

**PLAYAGS, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**Revenue Recognition**

Leasing of equipment in both our EGM and Table Products segments is accounted for under lease accounting guidance in ASC 842, "Leases" (ASC 842) and is recorded in gaming operations revenue. Our remaining revenue streams are accounted for under ASC 606 "Revenue from contracts with customers" (ASC 606) including equipment sales in our EGM and, to a lesser extent, in our Table Products segments. Revenue earned in our Interactive segment is recorded in gaming operations revenue.

The following table disaggregates our revenues by type within each of our segments (amounts in thousands):

	Year ended December 31,		
	2023	2022	2021
<b>EGM</b>			
Gaming operations	\$ 213,079	\$ 199,274	\$ 184,050
Equipment sales	113,974	85,057	53,759
<b>Total</b>	<u>\$ 327,053</u>	<u>\$ 284,331</u>	<u>\$ 237,809</u>
<b>Table Products</b>			
Gaming operations	\$ 15,381	\$ 14,343	\$ 11,569
Equipment sales	2,325	577	310
<b>Total</b>	<u>\$ 17,706</u>	<u>\$ 14,920</u>	<u>\$ 11,879</u>
<b>Interactive</b>			
Gaming operations (1)	\$ 11,777	\$ 10,185	\$ 10,008
<b>Total</b>	<u>\$ 11,777</u>	<u>\$ 10,185</u>	<u>\$ 10,008</u>
<b>Total Revenue</b>	<u>\$ 356,536</u>	<u>\$ 309,436</u>	<u>\$ 259,696</u>

(1) The Interactive gaming operations revenue includes both Social and Real Money Gaming revenue streams that were previously disclosed separately.

**Gaming Operations**

Gaming operations revenue is earned by providing customers with gaming machines, gaming machine content licenses, table products, back-office equipment and linked progressive systems, which are collectively referred to as gaming equipment, under participation arrangements. The participation arrangements convey the right to use the equipment (i.e., gaming machines and related integral software) for a stated period of time, which typically ranges from one to three years upon which the contract continues on a month-to-month basis thereafter. In some instances, the Company will enter arrangements for longer periods of time; however, many of these arrangements include the ability of the customer to cancel the contract and return the games to the Company, a provision which renders the contracts effectively month-to-month contracts. The Company will also enter into lease contracts with a revenue sharing arrangement whereby the lease payments due from the customer are variable. Our participation arrangements are accounted for as operating leases primarily due to these factors. In some instances, we will offer a free trial period during which *no* revenue is recognized. If during or at the conclusion of the trial period the customer chooses to enter into a lease for the gaming equipment, we commence revenue recognition according to the terms of the agreement.

Under participation arrangements, the Company retains ownership of the gaming equipment installed at the customer facilities and receives either a percentage of the win per day generated by the gaming equipment or a fixed daily fee. Thus, in our consolidated financial statements the Company records revenue monthly related to these arrangements and the gaming equipment is recorded in property and equipment, net on our balance sheet and depreciated over the expected life of the gaming equipment.

The majority of the Company's leases require the Company to provide maintenance throughout the entire term of the lease. In some cases, a performance guarantee exists that, if *not* met, provides the customer with the right to return the gaming machines to the Company. This performance guarantee is considered a cancellation clause, a provision which renders the contracts effectively month-to-month contracts. Accordingly, the Company accounts for these contracts in a similar manner with its other operating leases as described above.

Gaming operations revenue is also earned from the licensing and maintenance of gaming equipment content and licensing of table product content. It is earned and recognized primarily on a daily and monthly fixed rate, respectively. Our *B2C* social casino products earn revenue from the sale of virtual coins or chips, which is recorded when the purchased coins or chips are used by the customer. *B2C* social casino revenue is presented gross of the platform fees. *B2B* social casino products earn revenue primarily based on a percentage of the monthly revenue generated by the white label casino apps that we build and operate for our customers. RMG revenue is earned primarily based on a percentage of the revenue produced by the games on our platform as well as monthly platform fees and initial integration fees. RMG revenue is presented net of payments to game and content suppliers.

**Equipment Sales**

Revenues from contracts with customers are recognized and recorded when the following criteria are met:

- We have a contract that has been approved by both the customer and the Company. Our contracts specify the products being sold and payment terms and are recognized when it is probable that we will collect substantially all of the contracted amount; and
- Control has been transferred and services have been rendered in accordance with the contract terms.

**PLAYAGS, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

Equipment sales are generated from the sale of gaming machines, table products and licensing rights to the integral game content software that is installed in the related equipment, parts, and other ancillary equipment. Also included within the deliverables are delivery, installation and training, all of which occur within a few days of arriving at the customer location. Equipment sales do *not* include maintenance beyond a standard warranty period. The recognition of revenue from the sale of gaming devices occurs as the customer obtains control of the product and all other revenue recognition criteria have been satisfied. Our contracts include a fixed transaction price. Amounts are due from customers within 30 to 90 days of the invoice date and to a lesser extent we offer extended payment terms of 12 to 24 months with payments due monthly during the extended payment period.

The Company enters into revenue arrangements that *may* consist of multiple performance obligations, which are typically multiple distinct products that *may* be shipped to the customer at different times. For example, sales arrangements *may* include the sale of gaming machines and table products to be delivered upon the consummation of the contract and additional game content conversion kits that will be delivered at a later date when requested by the customer to replace the game content on the customer's existing gaming machines. Products are identified as separate performance obligations if they are distinct, which occurs if the customer can benefit from the product on its own and is separately identifiable from other promises in the contract.

Revenue is allocated to the separate performance obligations based on relative standalone selling prices determined at contract inception. Standalone selling prices are primarily determined by prices that we charge for the products when they are sold separately. When a product is *not* sold separately, we determine the standalone selling price with reference to our standard pricing policies and practices. We elected to exclude from the measurement of the transaction price, sales taxes and all other items of a similar nature, and also elected to account for shipping and handling activities as a fulfillment of our promise to transfer the goods. Accordingly, shipping and handling costs are included in cost of sales.

**Cash and Cash Equivalents**

Cash and cash equivalents consist primarily of deposits held at major banks and other marketable securities with original maturities of 90 days or less.

**Restricted Cash**

Restricted cash amounts represent funds held in escrow as collateral for the Company's surety bonds for various gaming authorities.

**Receivables, Allowance for Credit Losses**

Management estimates the allowance for expected credit losses balance using relevant available information from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in the current environmental economic conditions and reasonable and supportable forecast. The allowance for expected credit losses on financial instruments is measured on a collective (pool) basis when similar risk characteristics exist. The financial instruments that do *not* share risk characteristics, such as receivables related to development agreements, are evaluated on an individual basis. Expected credit losses are estimated over the contractual term of the related financial instruments, adjusted for expected prepayments when appropriate, based on a historical model that includes periodic write-offs, recoveries, and adjustments to the reserve. Historically, the identified portfolio segments have shared low collectability risk with immaterial write-off amounts. The Company made an accounting policy election *not* to present the accrued interest receivable balance on a separate statement of financial position line item. Accrued interest receivable is reported within the respective receivables line items on the consolidated balance sheet.

The following provides financial information concerning the change in our allowance for credit losses (in thousands):

	Allowance for Credit Losses, Year ended December 31,		
	2023	2022	2021
<b>Beginning Balance</b>	\$ 1,974	\$ 1,993	\$ 2,077
Charge-offs	( 1,365)	( 484)	( 319)
Provision	642	465	235
<b>Ending Balance</b>	<u>\$ 1,251</u>	<u>\$ 1,974</u>	<u>\$ 1,993</u>

**PLAYAGS, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

***Inventories***

Inventories consist primarily of parts and supplies that are used to repair and maintain machinery and equipment as well as EGMs in production and finished goods held for sale. Inventories are stated at net realizable value. Cost of inventories is determined using the first-in, first-out ("FIFO") method for all components of inventory. The Company regularly reviews inventory quantities and updates estimates for the net realizable value of inventories. This process includes examining the carrying values of parts and ancillary equipment in comparison to the current fair market values for such equipment (less costs to sell or dispose). Some of the factors involved in this analysis include the overall levels of the inventories, the current and projected sales levels for such products, the projected markets for such products and the costs required to sell the products, including refurbishment costs. Changes in the assumptions or estimates could materially affect the inventory carrying value. As of December 31, 2023 and December 31, 2022, the value of raw material inventory was \$ 31.3 million and \$ 31.0 million, respectively. As of December 31, 2023 and December 31, 2022, the value of finished goods inventory was \$ 4.8 million and \$ 4.4 million, respectively. There was no work in process material as of December 31, 2023 and December 31, 2022.

***Property and Equipment***

The cost of gaming equipment, consisting of fixed-base player terminals, file servers and other support equipment as well as other property and equipment, is depreciated over their estimated useful lives, using the straight-line method for financial reporting. The Company capitalizes costs incurred for the refurbishment of used gaming equipment that is typically incurred to refurbish a machine in order to return it to its customer location. The refurbishments extend the life of the gaming equipment beyond the original useful life. Repairs and maintenance costs are expensed as incurred. The Company routinely evaluates the estimated lives used to depreciate assets. The estimated useful lives are as follows:

Gaming equipment (in years)	1 to 5
Other property and equipment (in years)	3 to 5

Financed leased cars and leasehold improvements are amortized / depreciated over the life of the contract.

The Company reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. The Company groups long-lived assets for impairment analysis at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities, which is typically at the individual gaming machine level or at the cabinet product line level. Impairment testing is performed and losses are estimated when indicators of impairment are present and the estimated undiscounted cash flows are not sufficient to recover the assets' carrying amount.

When the estimated undiscounted cash flows are not sufficient to recover the asset's carrying amount, an impairment loss is measured to the extent the fair value of the asset is less than its carrying amount.

The Company measures recoverability of assets to be held and used by comparing the carrying amount of an asset to future cash flows expected to be generated by the asset. The Company's policy is to impair, when necessary, excess or obsolete gaming machines on hand that it does not expect to be used. Impairment is based upon several factors, including estimated forecast of gaming machine demand for placement into casinos. While the Company believes that the estimates and assumptions used in evaluating the carrying amount of these assets are reasonable, different assumptions could affect either the carrying amount or the estimated useful lives of the assets, which could have a significant impact on the results of operations and financial condition.

***Intangible Assets***

The Company reviews its identifiable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment losses are recognized for identifiable intangibles, other than goodwill, when indicators of impairment are present and the estimated undiscounted cash flows are not sufficient to recover the assets' carrying amount.

When the estimated undiscounted cash flows are not sufficient to recover the intangible asset's carrying amount, an impairment loss is measured to the extent the fair value of the asset is less than its carrying amount.

Certain trade names have an indefinite useful life and the Company tests these trade names for possible impairment at least annually, on October 1, or whenever events or changes in circumstances indicate that the carrying value may be impaired. We perform a qualitative assessment to determine if it is more likely than not that the fair value of the asset is less than its carrying amount. If we believe, as a result of our qualitative assessment, that it is more likely than not that the fair value of the asset is less than its carrying amount, the quantitative impairment test is required.

***Costs of Capitalized Computer Software***

Capitalized software development costs represent the Company's internal costs to develop gaming titles to utilize on the Company's gaming machines. Such costs are stated at cost and amortized over the estimated economic lives of the software. Software development costs are capitalized once technological feasibility has been established and are amortized when the software is available for general release. The gaming software we develop reaches technological feasibility when a working model of the gaming software is available. Any subsequent software maintenance costs, such as bug fixes and subsequent testing, are expensed as incurred. Discontinued software development costs are written off when the determination to discontinue is made. Software development costs are amortized over the expected life of the title or group of titles, if applicable, to amortization expense within the consolidated statements of operations.

On a quarterly basis, or more frequently if circumstances warrant, the Company compares the net book value of its capitalized software development costs to the net realizable value on a title or group of title basis. The net realizable value is determined based upon certain assumptions, including the expected future revenues and net cash flows of the gaming titles or group of gaming titles utilizing that software, if applicable.



**PLAYAGS, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**Goodwill**

The excess of the purchase price of an acquired business over the estimated fair value of the assets acquired and the liabilities assumed is recorded as goodwill. The Company tests for possible impairment of goodwill at least annually, on October 1, or when circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. The Company has the option to begin with a qualitative assessment, commonly referred to as "Step 0", to determine whether it is more likely than not that the reporting unit's fair value of goodwill is less than its carrying value. This qualitative assessment may include, but is not limited to, reviewing factors such as the general economic environment, industry and market conditions, changes in key assumptions used since the most recently performed valuation and overall financial performance of the reporting units. If the Company determines that it is more likely than not that a reporting unit's fair value is less than its carrying value, the Company performs a quantitative goodwill impairment analysis, and depending upon the results of that measurement, the recorded goodwill may be written down and charged to income from operations when the carrying amount of the reporting unit exceeds the fair value of the reporting unit.

**Acquisition Accounting**

The Company applies the provisions of ASC 805, "*Business Combinations*" (ASC 805), in accounting for business acquisitions. It requires us to recognize separately from goodwill the fair value of assets acquired and liabilities assumed on the acquisition date. Goodwill as of the acquisition date is measured as the excess of consideration transferred over the net of the acquisition date fair values of the assets acquired and the liabilities assumed. Significant estimates and assumptions are required to value assets acquired and liabilities assumed at the acquisition date as well as contingent consideration, where applicable. These estimates are inherently uncertain and subject to refinement and typically include the calculation of an appropriate discount rate and projection of the cash flows associated with each acquired asset. As a result, during the measurement period, which may be up to one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the fair value of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the consolidated statements of operations.

**Fair Value of Financial Instruments**

The Company applies the provisions of ASC 820, "*Fair Value Measurements*" to its financial assets and liabilities. Fair value is defined as a market-based measurement intended to estimate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. ASC 820 also established a fair value hierarchy, which requires an entity to maximize the use of observable inputs when measuring fair value. These inputs are categorized as follows:

- Level 1 - quoted prices in an active market for identical assets or liabilities;
- Level 2 - quoted prices in an active market for similar assets or liabilities, inputs other than quoted prices that are observable for similar assets or liabilities, inputs derived principally from or corroborated by observable market data by correlation or other means; and
- Level 3 - valuation methodology with unobservable inputs that are significant to the fair value measurement.

The carrying values of the Company's cash and cash equivalents, restricted cash, receivables and accounts payable approximate fair value because of the short term maturities of these instruments. The fair value of our long-term debt is based on the quoted market prices for similar instruments (Level 2 inputs). The following table presents the estimated fair value of our long-term debt as of December 31, 2023 and 2022:

	December 31, 2023		December 31, 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term Debt	\$ 566,754	\$ 567,658	\$ 571,375	\$ 539,987

**Accounting for Income Taxes**

We conduct business globally and are subject to income taxes in U.S. federal, state, local, and foreign jurisdictions. Determination of the appropriate amount and classification of income taxes depends on several factors, including estimates of the timing and probability of realization of deferred income taxes, reserves for uncertain income tax positions and income tax payment timing.

We account for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date. Taxes on income of our foreign subsidiaries are provided at the tax rates applicable to the tax jurisdictions in which they are located. Future tax benefits are recognized to the extent that realization of those benefits is considered more likely than not and a valuation allowance is established for deferred tax assets which do not meet this threshold.

The recoverability of certain deferred tax assets is based in part on estimates of future income and the timing of temporary differences, and the failure to fully realize such deferred tax assets could result in a higher tax provision in future periods.

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**PLAYAGS, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

Our policy is to account for global intangible low-taxed income as a period cost if and when incurred.

We apply the accounting guidance to our uncertain tax positions and under the guidance, we may recognize a tax benefit from an uncertain position only if it is more likely than not that the position will be sustained upon examination by taxing authorities based on the technical merits of the issue. The amount recognized in the financial statements is the largest benefit that we believe has greater than a 50% likelihood of being realized upon settlement.

We are required to make significant judgments when evaluating our uncertain tax positions and the related tax benefits. We believe our assumptions are reasonable; however, there is no guarantee that the final outcome of the related matters will not differ from the amounts reflected in our income tax provisions and accruals. We adjust our liability for uncertain tax positions based on changes in facts and circumstances such as the closing of a tax audit or changes in estimates. Our income tax provision may be impacted to the extent that the final outcome of these tax positions is different than the amounts recorded.

***Contingencies***

The Company assesses its exposures to loss contingencies including claims and legal proceedings and accrues a liability if a potential loss is considered probable and the amount can be estimated. Significant judgment is required in both the determination of probability and the determination as to whether an exposure is reasonably estimable. Because of uncertainties related to these matters, if the actual loss from a contingency differs from management's estimate, there could be a material impact on the results of operations or financial position. Operating expenses, including legal fees, associated with contingencies are expensed when incurred.

***Concentrations of Credit Risk***

Financial instruments, which potentially subject the Company to concentration of credit risk, consist primarily of cash and cash equivalents and accounts receivable, net. Cash equivalents are investment-grade, short-term debt instruments consisting of treasury bills which are maintained with high credit quality financial institutions under repurchase agreements. Cash and cash equivalents are in excess of Federal Deposit Insurance Corporation ("FDIC") insurance limits. As of December 31, 2023 and 2022, the Company did not have cash equivalents.

Revenue from gaming operations is concentrated in the Class II gaming and casino industry, primarily located in Oklahoma. For the years ended December 31, 2023 and December 31, 2022, no customer derived more than 10% of our total revenue. For the year ended December 31, 2021, approximately 12 % of our total revenues were derived from one customer. For the years ended December 31, 2023, 2022 and 2021 approximately 6 %, 6 % and 5 % of our total revenues were derived in Mexico, respectively.

As of December 31, 2023 and December 31, 2022, no single customer represented more than 10% of our total accounts receivables balance. As of December 31, 2023, we had \$ 4.4 million of net accounts receivable in Mexico.

***Foreign Currency Translation***

The financial statements of the Company's foreign subsidiaries are translated into U.S. dollars at the period end rate of exchange for asset and liability accounts and the weighted average rate of exchange for income statement accounts. The effects of these translations are recorded as a component of accumulated other total comprehensive income (loss) in stockholders' equity.

***Advertising Costs***

Advertising costs are expensed as incurred. Advertising costs for the years ended December 31, 2023, 2022 and 2021 were \$ 0.1 million, \$ 0.1 million and \$ 0.3 million, respectively.

***Research and Development***

Research and development costs related primarily to software product development costs and is expensed as incurred until technological feasibility has been established. Employee related costs associated with product development are included in research and development.

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## PLAYAGS, INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## Recently Issued Accounting Pronouncements

In March 2022, the FASB issued ASU No. 2022-02, *Financial Instruments - Credit Losses (Topic 326)*. ASU No. 2022-02 eliminates the accounting guidance for troubled debt restructurings by creditors in ASC 310-40 and requires disclosure of current-period gross write-offs by year of origination for financing receivables and net investments in leases. ASU No. 2022-02 is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years with earlier adoption permitted. We adopted the amendment in the first quarter of 2023, which did not have a significant effect on our consolidated financial statements.

We have not adopted any other new accounting pronouncements in the current period and there has not been any other recently issued accounting guidance that will have a significant effect on our consolidated financial statements.

## Recently Issued Accounting Pronouncements Not Yet Adopted

In March 2023, the FASB issued ASU No. 2023-01, *Leases (Topic 842): Common Control Arrangements*. Upon the implementation of Topic 841, the FASB Board has prioritized monitoring and assisting stakeholders by responding to technical accounting inquiries and proactively seeking feedback on issues that arose from such topic. The amendments within 2023-01 is a response to private company stakeholders' concerns regarding the application of Topic 842 to related party arrangements between entities under common control. This update aims to improve current GAAP through clarification of accounting for leasehold improvements associated with common control leases. Further, the amendments within this update targets to provide investors, lenders, creditors, and other allocators of capital with financial information that better reflects the economics of transpiring transactions. The amendments in this update are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted for both interim and annual financial statements that have not been made available for issuance. The Company is currently evaluating the provisions of the amendments and the impact on its future common control arrangements, however, we do not anticipate the impact to be material.

In October 2023, the FASB issued ASU No. 2023-06, *Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative*. ASU No. 2023-06 modifies disclosure requirements which consists of clarifications and technical corrections. The amendments in this update applies to all reporting entities, which aims to allow users to more easily compare entities subject to the SEC's existing disclosures with those entities that were not previously subjected to the SEC's requirements. Furthermore, these amendments aim to align codification requirements with the SEC's regulations. The effective date for each amendment within ASU No. 2023-06 is dependent on the date in which the SEC removes related disclosures from Regulation S-X or Regulation S-K. Early adoption is permitted. If by June 30, 2027, the SEC has not removed the related disclosures from Regulation S-X or Regulation S-K, the pending amendments will not become effective for any entity. The Company is currently evaluating the provisions of the amendments and the impact on its future disclosures, however, we do not anticipate the impact to be material.

In November 2023, the FASB issued ASU No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. Investors, lenders, creditors and other allocators of capital have observed the critical importance of segment information and its significance in assessing an entity's overall performance and potential future cash flows. The amendments within ASU No. 2023-07 aims to improve reportable segment disclosure requirements by enhancing disclosures regarding significant segment expenses. These amendments are applicable to all public entities who are required to report segment information in accordance with Topic 280, Segment Reporting. The amendments in this update are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company is currently evaluating the provisions of the amendments and the impact on its segment reports, however, we do not anticipate the impact to be material.

In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. The amendments within No. 2023-09 addresses the requests of investors, lenders, creditors, and other allocators of capital for more transparency regarding income tax information primarily related to the rate reconciliation and income taxes paid information. Further amendments within this update also aim to improve the effectiveness of income tax disclosures. The amendments in this update apply to all entities that are subject to Topic 740, Income Taxes. For public business entities, the amendments in this update are effective for annual periods beginning after December 15, 2024. The Company is currently evaluating the provisions of the amendments and the impact on its income tax disclosures, however, we do not anticipate the impact to be material.

## NOTE 2. PROPERTY AND EQUIPMENT

Property and equipment, net consist of the following (in thousands):

	December 31, 2023	December 31, 2022
Gaming equipment	\$ 259,396	\$ 232,244
Other property and equipment	25,056	22,922
Less: Accumulated depreciation	( 205,684)	( 172,805)
<b>Total property and equipment, net</b>	<b>\$ 78,768</b>	<b>\$ 82,361</b>

Gaming equipment and other property and equipment are depreciated over the respective useful lives of the assets ranging from one to five years. Depreciation expense was \$ 41.6 million, \$ 39.4 million and \$ 37.9 million for the years ended December 31, 2023, 2022 and 2021, respectively.

## NOTE 3. GOODWILL AND INTANGIBLES

Changes in the carrying amount of goodwill are as follows (in thousands):

	Carrying Amount			
	EGM	Table Products	Interactive(1)	Total
<b>Balance at December 31, 2021</b>	\$ 277,725	\$ 7,821	\$ -	\$ 285,546
Foreign currency adjustments	904	-	-	904
Acquisition	-	1,230	-	1,230
<b>Balance at December 31, 2022</b>	\$ 278,629	\$ 9,051	\$ -	\$ 287,680
Foreign currency adjustments	2,806	-	-	2,806
<b>Balance at December 31, 2023</b>	<b>\$ 281,435</b>	<b>\$ 9,051</b>	<b>\$ -</b>	<b>\$ 290,486</b>

(1) As of December 31, 2023, accumulated goodwill impairment charges for the Interactive segment taken prior to the fiscal year 2023 were \$ 8.4 million.

The Company tests for possible impairment of indefinite lived intangible assets at least annually, on October 1. The Company performed a qualitative assessment as of October 1, 2023 and October 1, 2022 on the EGM and Table Products reporting units and determined that it was not more likely than

not that the fair value of the EGM and Table Products reporting units were less than their carrying amounts as of the assessment date. In this assessment, we relied on several qualitative factors such as industry and macroeconomic conditions, as well as current projected cash flows and the fiscal year's 2020 quantitative analysis, that concluded the excess fair value over carrying value for the EGM and Table Products reporting units were \$ 113.4 million and \$ 8.9 million, respectively. There is no balance of goodwill in the Company's other reporting unit.

## PLAYAGS, INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Intangible assets consist of the following (in thousands):

		December 31, 2023			December 31, 2022		
	Useful Life (years)	Gross Value	Accumulated Amortization	Net Carrying Value	Gross Value	Accumulated Amortization	Net Carrying Value
Indefinite-lived trade names	Indefinite	\$ 12,126	-	\$ 12,126	\$ 12,126	-	\$ 12,126
Trade and brand names	5 - 7	14,990	( 14,779)	211	14,990	( 14,722)	268
Customer relationships	5 - 12	222,690	( 183,508)	39,182	219,146	( 167,629)	51,517
Contract rights under development and placement fees	1 - 7	42,762	( 30,118)	12,644	42,395	( 23,844)	18,551
Gaming software and technology platforms	1 - 7	220,843	( 167,869)	52,974	198,666	( 147,437)	51,229
Intellectual property	10 - 12	21,845	( 15,546)	6,299	21,845	( 13,427)	8,418
Total intangible assets		<u>\$ 535,256</u>	<u>\$ ( 411,820)</u>	<u>\$ 123,436</u>	<u>\$ 509,168</u>	<u>\$ ( 367,059)</u>	<u>\$ 142,109</u>

Intangible assets are amortized over their respective estimated useful lives ranging from one to twelve years. Amortization expense related to intangible assets was \$ 35.3 million, \$ 36.1 million and \$ 36.0 million for the years ended December 31, 2023, 2022 and 2021, respectively.

The Company enters into development agreements and placement fee agreements with certain customers to secure floor space under lease agreements for its gaming machines. Amounts paid in connection with the development agreements are repaid to the Company in accordance with the terms of the agreement, whereas placements fees are not reimbursed. For development agreements in the form of a loan, interest income is recognized on the repayment of the notes based on the stated rate or, if not stated explicitly in the development agreement, on an imputed interest rate. If the stated interest rate is deemed to be other than a market rate or zero, a discount is recorded on the note receivable as a result of the difference between the stated and market rate and a corresponding intangible asset is recorded. The intangible asset is recognized in the financial statements as a contract right under development agreement and amortized as a reduction in revenue over the term of the agreement. Placement fees can be in the form of cash paid upfront or free lease periods and are accreted over the life of the contract and the expense is recorded as a reduction of revenue. We recorded a reduction of gaming operations revenue from the accretion of contract rights under development agreements and placement fees of \$ 6.3 million, \$ 6.3 million and \$ 6.5 million for the years ended December 31, 2023, 2022 and 2021, respectively.

In March 2019, we entered into a placement fee agreement with a customer for certain of its locations and capitalized approximately \$ 33.1 million additional placement fees, in addition to \$ 2.1 million of unamortized fees related to superseded contracts. The liability was recorded at present value and cash payments totaling \$ 40.1 million will be paid over a term of 83 months. In 2019, we entered into a development agreement with a customer in which we provided a \$ 9.2 million note receivable to be repaid over four years and as of December 31, 2023, the balance has been repaid in full.

The estimated amortization expense of definite-lived intangible assets as well as the accretion of contract rights under development and placement fees, for each of the next five years and thereafter is as follows (in thousands):

For the years ended December 31,	Amortization Expense	Placement Fee Accretion
2024	\$ 38,075	\$ 6,063
2025	29,804	5,843
2026	19,539	729
2027	6,444	9
2028	3,672	—
Thereafter	1,132	—
<b>Total</b>	<u>\$ 98,666</u>	<u>\$ 12,644</u>

**PLAYAGS, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**NOTE 4. ACCRUED LIABILITIES**

Accrued liabilities consist of the following (in thousands):

	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
Salary and payroll tax accrual	\$ 12,697	\$ 13,255
Taxes payable	3,337	2,903
Current portion of operating lease liability	2,595	2,287
License fee obligation	482	1,000
Placement fees payable	6,314	6,314
Deferred revenue	2,429	1,002
Accrued other	8,072	10,501
<b>Total accrued liabilities</b>	<b>\$ 35,926</b>	<b>\$ 37,262</b>

**NOTE 5. LONG-TERM DEBT**

Long-term debt consists of the following (in thousands):

	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
First Lien Credit Facilities:		
Term loans, interest at SOFR, subject to a 0.75% floor plus 4.0% (9.5% at December 31, 2023), net of unamortized discount and deferred loan costs of \$13.0 million at December 31, 2023	\$ 551,935	\$ 555,453
Finance Leases	1,817	688
Total debt	553,752	556,141
Less: Current portion	( 6,253)	( 6,060)
Long-term debt	<b>\$ 547,499</b>	<b>\$ 550,081</b>

*First Lien Credit Facilities*

On *February 15, 2022*, AP Gaming I, LLC (the "Borrower"), a Delaware limited liability company and wholly owned indirect subsidiary of PlayAGS, Inc. (the "Company") and AP Gaming Holdings, LLC, a Delaware limited liability company and wholly owned indirect subsidiary of the Company ("Holdings") entered into the Amended Credit Agreement with certain of the Borrower's subsidiaries, the lenders party thereto and Jefferies Finance LLC, as administrative agent (the "Amended Credit Agreement"). The Amended Credit Agreement amends and restates the existing credit agreement, among the Borrower, Holdings, the lenders party thereto from time to time, the Administrative Agent and the other parties named therein.

The Borrower is a direct subsidiary of AP Gaming Holdings, LLC, which is a direct subsidiary of AP Gaming, Inc., which is a direct subsidiary of PlayAGS, Inc. These entities between the Borrower and PlayAGS, Inc. are holding companies with *no* other operations, cash flows, material assets or liabilities other than the equity interests in the Borrower.

The Amended Credit Agreement provides (i) a senior secured *first* lien term loan in an aggregate principal amount of \$ 575.0 million (the "New Term Loan Facility"), the proceeds of which, together with cash on hand of the Borrower and its subsidiaries, were used by the Borrower to repay all amounts outstanding under the existing term loan facilities to pay related fees and expenses, and (ii) a \$ 40.0 million senior secured *first* lien revolving facility, with a \$ 7.5 million letter of credit subfacility and a \$ 5.0 million swingline subfacility (the "New Revolving Credit Facility").

Borrowings under the Amended Credit Agreement bear interest at a per annum rate equal to, at the Borrower's election, either (a) an adjusted term Secured Overnight Financing Rate ("SOFR") for the interest period in effect, subject to a floor of (i) in the case of term loan borrowings, 0.75% and (ii) in the case of revolver borrowings, 0.00 % or (b) a base rate determined by the highest of (i) the prime rate in effect, (ii) the federal funds effective rate plus 0.50 % and (iii) an adjusted term SOFR with an interest period of *one* month plus 1.00 %, in each case plus an applicable margin of 4.00 % for adjusted term SOFR loans and 3.00 % for base rate loans.

The New Term Loan Facility will mature on *February 15, 2029* and, commencing with the quarter ending *June 30, 2022*, will amortize in quarterly installments equal to 0.25 % of the original aggregate principal amount of the term loans, with the balance due at maturity. The commitments under the New Revolving Credit Facility will terminate on *February 15, 2027*.

The Borrower *may* voluntarily repay outstanding loans under the Amended Credit Agreement at any time, without prepayment premium or penalty, except in connection with a repricing event in respect of the New Term Loan Facility, subject to customary breakage costs with respect to adjusted term SOFR loans.

The Amended Credit Agreement includes customary mandatory prepayment events, affirmative covenants, negative covenants and events of default. In addition, the New Revolving Credit Facility requires the Borrower to comply on a quarterly basis, with a maximum net *first* lien senior secured leverage ratio of 6.70 to 1.00 if the aggregate amount of funded loans and issued letters of credit (excluding up to \$ 5.0 million of undrawn letters of credit under the New Revolving Credit Facility and letters of credit that are cash collateralized) under the New Revolving Credit Facility on such date exceeds 35 % of the then-outstanding commitments under the New Revolving Credit Facility.

An additional \$ 17.6 million in loan costs including original issue discount, lender fees, *third*-party costs, and make-whole premium were incurred related to the Amended Credit Agreement. Given the composition of the lender group, the transaction was accounted for as a debt modification for existing lenders. As a result of the amendment, approximately \$ 8.5 million in costs were expensed and included in the loss on extinguishment and modification of debt, and the remaining costs were capitalized and will be amortized over the term of the agreement.

As of *December 31, 2023*, there were *no* required financial covenants for our debt instruments.



**PLAYAGS, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

*Finance Leases*

The Company has entered into leases for vehicles and equipment that are accounted for as finance leases.

*Scheduled Maturities of Long-Term Debt*

Aggregate contractual future principal payments (excluding the effects of repayments for excess cash flow) of long-term debt for the years following December 31, 2023, are as follows (in thousands):

<b>For the year ending December 31,</b>		
2024	\$	6,253
2025		6,212
2026		6,211
2027		6,140
2028		5,750
Thereafter		536,188
<b>Total scheduled maturities</b>		<u>566,754</u>
Unamortized debt discount and debt issuance costs		<u>( 13,002)</u>
<b>Total debt</b>		<u><u>\$ 553,752</u></u>

**PLAYAGS, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**NOTE 6. STOCKHOLDERS' EQUITY**

Our amended and restated articles of incorporation provide that our authorized capital stock will consist of 450,000,000 shares of common stock, par value \$ 0.01 per share, and 50,000,000 shares of preferred stock, par value \$ 0.01 per share. As of December 31, 2023, we have 38,947,674 shares of common stock and zero shares of preferred stock outstanding.

***Common Stock***

***Voting Rights***

The holders of our common stock are entitled to *one* vote per share on all matters submitted for action by the stockholders, and do *not* have cumulative voting rights with respect to the election of our directors.

***Dividend and Distribution Rights***

All shares of our common stock are entitled to share equally in any dividends and distributions our board of directors *may* declare from legally available sources, subject to the terms of any outstanding preferred stock.

***Share Repurchase Program***

During 2019, the board of directors approved a share repurchase program that will permit the Company to repurchase up to \$ 50.0 million of the Company's shares of common stock. During the quarter ended *June 30, 2023*, the board approved extending this share buyback program to *August 11, 2025*. As of December 31, 2023, \$ 46.7 million of the \$ 50.0 million authorized by the board of directors is still available for repurchasing of the Company's shares of common stock.

**NOTE 7. WRITE-DOWNS AND OTHER CHARGES**

The Consolidated Statements of Operations and Comprehensive Income (Loss) include various transactions, such as loss on disposal or impairment of long-lived assets and fair value adjustments to contingent consideration that have been classified as write-downs and other charges.

During the year ended December 31, 2023, the Company recognized the Company recognized \$ 1.4 million in write-downs and other charges primarily related to the full impairment of intangible assets and the disposal of long-lived assets (the Company used level 3 fair value inputs based on projected cash flows).

During the year ended December 31, 2022, the Company recognized \$ 1.9 million in write-downs and charges primarily related to a fair value adjustment to contingent consideration (the Company used level 3 fair value inputs based on projected cash flows).

During the year ended December 31, 2021 the Company recognized \$ 2.8 million in write-downs and charges, \$ 1.4 million of which is primarily related to the full impairment of long-lived assets related to a discontinued product line (the Company used level 3 fair value inputs based on projected cash flows), \$ 0.8 million of which is primarily related to the full impairment of internally developed gaming titles, as it was determined by management that the gaming titles would no longer be used (the Company used level 3 fair value inputs based on projected cash flows), and \$ 0.6 million of which is primarily related to the disposal of long-lived assets.

**PLAYAGS, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**NOTE 8. BASIC AND DILUTED INCOME (LOSS) PER SHARE**

The Company computes net income (loss) per share in accordance with accounting guidance that requires presentation of both basic and diluted earnings per share ("EPS") on the face of the Consolidated Statements of Operations and Comprehensive Income (Loss). Basic EPS is computed by dividing net income for the period by the weighted average number of shares outstanding during the period. Basic EPS includes common stock weighted for average number of shares issued during the period. Diluted EPS is computed by dividing net income for the period by the weighted average number of common shares outstanding during the period, increased by potentially dilutive common shares that were outstanding during the period. Diluted EPS excludes all potential dilutive shares if their effect is anti-dilutive. Potentially dilutive common shares include stock options and restricted stock (Note 10. "Stock-Based Compensation").

The following table summarizes our basic and diluted income (loss) per share (in thousands):

	<b>Year Ended December 31, 2023</b>
Numerator:	
Net income	\$ 428
Net income attributable to participating securities	37
Net income attributable to common stock	\$ 391
Denominator:	
Weighted average of common shares outstanding, basic	38,167
Potential dilutive effect of stock options	23
Weighted average of common shares outstanding, diluted	38,190

Excluded from the calculation of diluted EPS for the *twelve* months ended *December, 2023* were 1,170,509 restricted shares, subject to performance vesting conditions that have *not* been met yet. Participating securities of 3,595,380 were allocated income in the calculation of EPS for the *twelve* months ended *December, 2023*.

There were no potentially dilutive securities for the years ended *December 31, 2022 and 2021* because the Company reported a net loss in each year.

**NOTE 9. BENEFIT PLANS**

The Company has established a 401(k) defined contribution plan (the "401(k) Plan") for its employees. The 401(k) Plan allows employees to contribute a portion of their earnings, and the Company may match a percentage of the contributions on a discretionary basis. The expense associated with the 401(k) Plan for the years ended December 31, 2023, 2022 and 2021 was \$ 2.1 million, \$ 1.8 million and \$ 1.5 million, respectively.

On April 28, 2014, the board of directors of the Company approved the 2014 Long-Term Incentive Plan ("LTIP"). Under the LTIP, the Company is authorized to grant nonqualified stock options, rights to purchase shares of common stock, restricted stock, restricted stock units and other awards to be settled in, or based upon, shares of common stock to persons who are directors and employees of and consultants to the Company or any of its subsidiaries on the date of the grant. The LTIP will terminate ten years after approval by the board. Subject to adjustments in connection with certain changes in capitalization, the maximum number of shares of common stock that may be delivered pursuant to awards under the LTIP is 2,253,735. As of December 31, 2023, 423,268 shares remain available for issuance; however, these will not be issued and awards granted by the Company in the future are expected to be from the Omnibus Incentive Plan only.

On January 16, 2018, our board adopted and our stockholders approved the 2018 Omnibus Incentive Plan (the "Omnibus Incentive Plan") pursuant to which equity-based and cash incentives may be granted to participating employees, directors and consultants. On May 8, 2020, the board of directors of the Company approved an amendment to the 2018 Plan to increase the number of shares of Common Stock authorized for issuance thereunder from 1,607,389 shares to 4,607,389 shares, an increase of 3,000,000 shares (the "2020 Plan Amendment"), which was approved by the stockholders on July 1, 2020 at the 2020 Annual Meeting of Stockholders.

On April 28, 2022, the board of directors of the Company approved an amendment to the 2018 Plan, as amended by the 2020 Plan Amendment, to increase the number of shares of Common Stock authorized for issuance thereunder from 4,607,389 shares to 9,607,389 shares, an increase of 5,000,000 shares (the "2022 Plan Amendment"), which was approved by the stockholders on July 1, 2022 at the 2022 Annual Meeting of Stockholders. As a result of the 2022 Plan Amendment, awards that were previously accounted for as liability awards were reclassified to equity as they are expected to be settled with equity. Prior to the 2022 Plan Amendment, there were insufficient shares available to settle the liability awards with equity. As of December 31, 2023, we had 4,195,198 shares available for issuance.

**NOTE 10. STOCK-BASED COMPENSATION**

The Company has granted equity or equity-based awards to eligible participants under its incentive plans. The awards include options to purchase the Company's common stock, restricted stock units and phantom stock units. These awards include time-based vesting awards as well as awards that include a combination of service and market conditions, as further described below. For the year ended December 31, 2023, the Company recognized \$ 4.0 million in stock compensation expense associated with restricted stock units, and \$ 7.2 million with phantom stock units.

We recognize stock-based compensation on a straight-line basis over the total requisite service period for the entire award for the time-based restricted stock units; for the awards with market conditions, we recognize the expense over the service period derived from the related valuation; for the time-based phantom stock units, we concurrently recognize compensation cost over the requisite service period for each separately-vesting tranche using the graded vesting method. As of December 31, 2023, there was no unrecognized compensation expense associated with stock options, \$ 2.5 million was associated with restricted stock units, and \$ 9.1 million with phantom stock units. The unrecognized compensation expense associated with restricted stock units and phantom stock units is expected to be recognized over a 2.4 and 2.1 year weighted average period, respectively.

**PLAYAGS, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

*Stock Options*

The Company calculates the grant date fair value of stock options that vest over a service period using the Black Scholes model. For stock options and other stock awards that contain a market condition related to the return on investment that the Company's stockholders achieve or obtaining a certain stock price, the awards are valued using a lattice-based valuation model. The assumptions used in these calculations are the expected dividend yield, expected volatility, risk-free interest rate and expected term (in years). Expected volatilities are based on implied volatilities from comparable companies. The risk-free rate is based on the U.S. Treasury yield curve for a term equivalent to the estimated time to liquidity. There were no options granted during the years ended December 31, 2023 and December 31, 2022.

Stock option awards represent options to purchase common stock and are granted pursuant to the Company's incentive plans, and include options that the Company primarily classifies as Tranche A or time based, Tranche B and Tranche C.

Tranche A or time-based options are eligible to vest in equal installments of 20 % or 25 % on each of the first five or four anniversaries of the date of the grant, subject to continued employment with the Company or its subsidiaries. In the event of a termination of employment without cause or as a result of death or disability, any such time-based options which would have vested on the next applicable vesting date shall become vested, and the remaining unvested time-based options shall be forfeited. In addition, upon a Change in Control (as defined in the incentive plans), subject to continued employment through the date of the Change in Control, all outstanding unvested time-based options shall immediately vest. An IPO does *not* qualify as a Change in Control as it relates to the vesting of stock options.

All other option awards are eligible to vest upon the satisfaction of certain performance conditions (collectively, "Performance Options"). These performance conditions included the achievement of investor returns or common stock trading prices. These performance conditions were achieved in October of 2018 for all Performance Options that have been granted and there are currently 493,104 Performance Options exercisable and outstanding.

A summary of the changes in stock options outstanding during the year ended December 31, 2023, is as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contract Term (years)	Aggregate Intrinsic Value (in thousands)
<b>Options outstanding as of December 31, 2022</b>	1,162,088	\$ 9.05	2.4	\$ -
Granted	-	-	-	-
Exercised	-	-	-	-
Canceled or forfeited	3,886	\$ 10.15	-	-
<b>Options outstanding as of December 31, 2023</b>	<u>1,158,202</u>	\$ 9.04	1.4	\$ 1,071
<b>Exercisable as of December 31, 2023</b>	<u>1,158,202</u>	\$ 9.04	1.4	\$ 1,071

*Restricted Stock Units*

Restricted stock units are typically eligible to vest in equal installments of 25 % on each of the first four anniversaries of the date of the grant, subject to continued employment with the Company or its subsidiaries. In the event of a termination of employment without cause upon or within 12 months following a change in control or as a result of death or disability, any such unvested time-based awards shall become vested.

Certain restricted stock units are eligible to vest upon the satisfaction of certain performance conditions. Vesting occurs on the first day that the average price per share of our common stock for a specified number of consecutive trading days exceeds certain stock prices, subject to continued employment with the Company or its subsidiaries. The performance-based restricted stock units will be forfeited if the performance target is *not* achieved within four years of the grant date.

A summary of the changes in restricted stock shares outstanding during the year ended December 31, 2023 is as follows:

	Shares Outstanding	Grant Date Fair Value (per share)
<b>Outstanding as of December 31, 2022</b>	1,669,424	\$ 7.24
Granted	150,194	\$ 6.73
Vested	399,069	\$ 7.53
Canceled or forfeited	17,095	\$ 5.72
<b>Outstanding as of December 31, 2023</b>	<u>1,403,454</u>	<u>\$ 9.88</u> <sup>(1)</sup>

(1) During the quarter ended March 31, 2023, the Company amended certain performance-based restricted stock units granted to the CEO and CFO on April 30, 2021. The amendment provides eligibility for vesting based on both service and performance conditions. The incremental fair value attributable to the modified awards was \$ 3.9 million, of which 50% will be recognized over the four year service period and 50% over the performance vesting tranche, *not* to exceed *one* year. The incremental fair value from the modification of restricted stock units is reflected in the Grant Date Fair Value per share.

#### Phantom Stock Units

Phantom stock units are typically eligible to vest in equal installments of 25 % on each of the first four anniversaries of the date of the grant, subject to continued employment with the Company or its subsidiaries. In the event of a termination of employment without cause upon or within 12 months following a change in control or as a result of death or disability, any such unvested units shall become vested. The phantom stock units outstanding at December 31, 2023 may be settled in cash or stock at the Company's discretion. The phantom stock units that the Company intends to settle in cash are accounted for as liability awards and are re-measured at fair value each reporting period until they become vested with compensation expense being recognized over the requisite service period. The liability associated with such awards is included in "Accrued Liabilities" within the Consolidated Balance Sheets. All other stock-based awards are classified as equity.

Certain phantom stock units are eligible to vest upon the satisfaction of certain performance conditions. Vesting occurs on the first day that the average price per share of our common stock for a specified number of trading days exceeds certain stock prices, subject to continued employment with the Company or its subsidiaries.

A summary of the changes in phantom stock outstanding during the year ended December 31, 2023 is as follows:

	Shares Outstanding	Grant Date Fair Value (per share)
<b>Phantom Stock Outstanding as of December 31, 2022</b>	2,619,608	\$ 5.98
Granted	1,625,791	\$ 6.16
Vested	810,527	\$ 5.73
Canceled or forfeited	118,810	\$ 5.77
<b>Phantom Stock Outstanding as of December 31, 2023</b>	<u>3,316,062</u>	<u>\$ 6.13</u>

#### NOTE 11. INCOME TAXES

The components of loss before provision for income taxes are as follows (in thousands):

	Year ended December 31,		
	2023	2022	2021
Domestic	\$ (3,417)	\$ (12,820)	\$ (21,235)
Foreign	5,130	2,560	(3,535)
<b>Income (loss) before provision for income taxes</b>	<u>\$ 1,713</u>	<u>\$ (10,260)</u>	<u>\$ (24,770)</u>

The income tax (benefit) expense is as follows (in thousands):

	Year ended December 31,		
	2023	2022	2021
Current:			
Federal	\$ —	\$ —	\$ —
State	902	569	139
Foreign	(1,133)	(1,957)	(1,966)
<b>Total current income tax benefit</b>	<u>(231)</u>	<u>(1,388)</u>	<u>(1,827)</u>
Deferred:			
Federal	243	(482)	342
State	35	(123)	57
Foreign	1,238	(232)	(770)
<b>Total deferred income expense (benefit)</b>	<u>1,516</u>	<u>(837)</u>	<u>(371)</u>
<b>Income tax expense (benefit)</b>	<u>\$ 1,285</u>	<u>\$ (2,225)</u>	<u>\$ (2,198)</u>

**PLAYAGS, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

The reconciliation of income tax at the federal statutory rate to the actual effective income tax rate (benefit) is as follows:

	Year ended December 31,		
	2023	2022	2021
Federal statutory rate	21.0%	( 21.0)%	( 21.0)%
Foreign rate differential	24.1%	1.5%	( 0.1)%
State income taxes, net of federal benefit	24.5%	6.9%	( 3.5)%
U.S. tax on foreign income, net of foreign tax credits	( 33.0)%	29.2%	0.6%
Tax indemnification charges	—%	—%	1.0%
Stock compensation	( 24.5)%	4.0%	1.4%
Other differences	35.5%	5.4%	0.1%
Withholding tax	43.2%	4.3%	1.2%
Rate changes	—%	( 3.0)%	( 6.4)%
Research tax credits	( 199.0)%	( 15.5)%	( 5.8)%
Uncertain tax positions	( 85.8)%	( 16.5)%	( 5.8)%
Valuation allowance	269.0%	( 17.0)%	29.4%
<b>Effective tax rate</b>	<b>75.0%</b>	<b>( 21.7)%</b>	<b>( 8.9)%</b>

The components of the net deferred tax assets (liability) consist of the following (in thousands):

	December 31,	
	2023	2022
<b>Deferred tax assets:</b>		
Accrued expenses	\$ 2,805	\$ 2,934
Stock compensation	6,711	5,590
Foreign tax credits	6,566	7,660
Net operating loss carryforwards	17,179	32,982
Research and experimentation	27,604	14,568
Debt	30,338	26,057
Other	2,266	2,580
<b>Total deferred tax assets</b>	<b>93,469</b>	<b>92,371</b>
Valuation allowance	( 64,895)	( 60,114)
<b>Deferred tax assets, net of valuation allowance</b>	<b>\$ 28,574</b>	<b>\$ 32,257</b>
<b>Deferred tax liabilities:</b>		
Prepaid expenses and other	\$ ( 1,055)	\$ ( 714)
Intangible assets, net	( 15,567)	( 14,180)
Property and equipment, net	( 6,598)	( 11,520)
<b>Deferred tax liabilities</b>	<b>( 23,220)</b>	<b>( 26,414)</b>
<b>Net deferred tax assets</b>	<b>\$ 5,354</b>	<b>\$ 5,843</b>

Management assesses the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing deferred tax assets. A significant piece of objective negative evidence evaluated was the cumulative loss incurred over the three-year period ended December 31, 2023, in certain tax jurisdictions. Such objective evidence limits the ability to consider other subjective evidence, such as our projections for future growth. On the basis of this evaluation, as of December 31, 2023, a valuation allowance of \$ 64.9 million has been recorded on U.S. and certain foreign deferred tax assets to recognize only the portion of the deferred tax asset that is more likely than not to be realized. The amount of the deferred tax asset considered realizable, however, could be adjusted if estimates of future taxable income during the carryforward period are reduced or increased or if objective negative evidence in the form of cumulative losses is no longer present and additional weight is given to subjective evidence such as our projections for growth.

As of December 31, 2023, the Company had \$ 6.6 million of foreign tax credits which, if unused, will expire in years 2024 through 2033. In addition, the Company has \$ 11.0 million of research and development credits which begin to expire in 2029. The foreign tax credits and research and development credits carryforwards are not expected to be realizable in future periods and have a related valuation allowance.

The Company has net operating loss ("NOL") carryforwards for U.S. federal purposes of \$ 56.6 million, in foreign jurisdictions of \$ 13.0 million and various U.S. states of \$ 65.1 million. Certain U.S. federal NOL carryforwards begin to expire in 2037 and the remaining can be carried forward indefinitely, the U.S. state NOL carryforwards begin to expire in 2024, and certain foreign NOL carryforwards begin to expire in 2031 and the remaining can be carried forward indefinitely. We believe that it is more likely than not that the benefit from certain federal, state and foreign NOL carryforwards will not be realized. In recognition of this risk, we have provided a valuation allowance on the deferred tax assets related to these NOL carryforwards.

**PLAYAGS, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

Utilization of the net operating loss carryforwards and credits may be subject to an annual limitation due to the ownership change limitations provided by the Internal Revenue Code of 1986, as amended (the "Code"), and similar state provisions. Any annual limitation may result in the expiration of net operating losses and credits before utilization.

The Company has uncertain tax positions with respect to prior tax filings. The uncertain tax positions, if asserted by taxing authorities, would result in utilization of the Company's tax credits. These credits, presented as deferred tax assets, are reflected net of these unrecognized tax benefits.

The Company had the following activity for unrecognized tax benefits in 2023 and 2022 (amounts in thousands):

	December 31, 2023	December 31, 2022
<b>Balance-beginning of year</b>	\$ 5,752	\$ 6,519
Increases based on tax positions of the current year	743	480
Decreases due to lapse of statute	( 1,018)	( 1,287)
Increases based on tax positions of the prior years	277	—
Currency translation adjustments	—	40
<b>Balance-end of year</b>	<u>\$ 5,754</u>	<u>\$ 5,752</u>

The Company applies a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Company recognizes the impact of a tax position in the financial statements when the position is more likely than not of being sustained on audit based on the technical merits of the position.

The total amount of unrecognized tax benefits as of December 31, 2023, was \$ 5.8 million. Of this amount, \$ 0.2 million if recognized, would be included in our Consolidated Statements of Operations and Comprehensive Loss and have an impact on our effective tax rate. The Company anticipates a reduction of its liability for unrecognized tax benefits of up to \$ 0.4 million before December 31, 2024, primarily related to lapse of statute and curative measures, of which \$0.2M would impact our Consolidated Statements of Operations and Comprehensive Loss.

The Company accrues interest and penalties for unrecognized tax benefits in income tax expense. Related to the unrecognized tax benefits noted above, the Company reduced penalties and interest by \$ 0.9 million during 2023. This reduction, primarily related to lapse of statute and tax authority settlements, was recognized as an income tax benefit in our Consolidated Statements of Operations and Comprehensive Loss. As of December 31, 2023, the Company has a liability of \$ 0.2 million for penalties and interest related to unrecognized tax benefits.

The Company is subject to taxation and potential examination in the U.S. and various state and foreign jurisdictions. We are subject to examinations in the U.S. for the 2017 to 2023 tax years and, generally, we remain subject to examination for all periods in various state jurisdiction due to the Company's NOLs. We are subject to examination in Mexico for the 2018 to 2023 tax years and remain subject to possible examination in various other jurisdictions that are not expected to result in material tax adjustments.

**NOTE 12. COMMITMENTS AND CONTINGENCIES**

The Company is subject to federal, state and Native American laws and regulations that affect both its general commercial relationships with its customers, as well as the products and services provided to them. Periodically, the Company reviews the status of each significant matter and assesses the potential financial exposure. If the potential loss from any claim or legal proceeding is considered probable and the amount can be estimated, the Company accrues a liability for the estimated loss. If a potential loss from any claim or legal proceeding is considered reasonably possible, the Company discloses an estimate of the possible loss or range of possible loss, or a statement that such an estimate cannot be made. Significant judgment is required in both the determination of probability and the determination as to whether an exposure is reasonably estimable. Because of uncertainties related to these matters, accruals are based only on the best information available at the time. As additional information becomes available, the Company reassesses the potential liability related to their pending claims and litigation and may revise their estimates. Such revisions in the estimates of the potential liabilities could have a material impact on the results of operations and financial condition.

**PLAYAGS, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

During the *three* months ended *September 30, 2019*, the Company received a demand letter from a customer and recorded a \$ 1.6 million loss reserve, for which insurance coverage has been triggered. In accordance with GAAP, the offsetting insurance recovery was recognized when it was realized in the year ended December 31, 2023. The related liability and matter has been paid and as of December 31, 2023, this matter has been settled.

On *June 25*, and *July 31, 2020*, putative class action lawsuits were filed in the United States District Court for the District of Nevada (the "Court"), by *two* separate plaintiffs against the Company and certain of its officers, individually and on behalf of all persons who purchased or otherwise acquired Company securities between *August 2, 2018* and *August 7, 2019*. The complaints alleged that the defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), by making false and misleading statements concerning the Company's forward-looking financial outlook and accounting for goodwill and intangible assets in its iGaming reporting unit, resulting in injury to the purported class members when the value of the Company's common stock declined following its release of its Second Quarter 2019 results on *August 7, 2019*.

On *August 4, 2020*, a *third* plaintiff ("OPPRS") filed a putative class action lawsuit in the same court asserting similar claims to those alleged in the *first two* class action complaints, based on substantially the same conduct, on behalf of a slightly larger class (stretching back to *May 3, 2018*). Specifically, OPPRS claimed that the Company, certain of its officers, and certain entities that allegedly beneficially held over 50% of the Company's common stock at the beginning of the class period, violated Sections 10(b) and 20(a) of the Exchange Act by allegedly making false and misleading statements concerning the Company's forward-looking financial outlook and accounting for goodwill and intangible assets in its iGaming reporting unit, and the adequacy of its internal controls over financial reporting, resulting in injury to the purported class when the Company's common stock price declined following the release of its Second Quarter 2019 results. In addition, based on substantially similar alleged false or misleading statements, OPPRS asserted claims under Sections 11, 12(a)(2), and 15 of the Securities Act of 1933, as amended (the "Securities Act"), on behalf of all persons who purchased Company common stock pursuant and/or traceable to the Company's *August 2018* and *March 2019* secondary public offerings. These secondary-offering claims were brought against the same defendants identified above, plus certain of the Company's directors and the underwriters.

On *October 28, 2020*, the Court consolidated these *three* related putative class actions into *In re PlayAGS, Inc. Securities Litigation* and appointed OPPRS as lead plaintiff. On *January 11, 2021*, the lead plaintiff filed an Amended Complaint in the consolidated action against the same set of defendants, again asserting claims (i) under Sections 10(b) and 20(a) of the Exchange Act, with an even larger putative class period ( *May 3, 2018* through *March 4, 2020*), and (ii) under Sections 11, 12(a)(2) and 15 of the Securities Act on behalf of the same putative class as in OPPRS's previous complaint. The Amended Complaint alleges that statements the defendants made about, among other things, the Company's growth, financial performance, and forward-looking financial outlook were materially false or misleading because the Company omitted to state that, according to plaintiffs, its market strength was declining, its growth strategies were unsustainable, and it was experiencing challenges in the Oklahoma market. Plaintiffs claim that the purported class was injured when the common stock price declined after the alleged "truth" was revealed following release of the Company's financial reports on *August 7, 2019*, *November 7, 2019*, and *March 4, 2020*. Plaintiffs also assert that the Company violated Regulation S-K Items 303 and 105 by failing to disclose these same alleged negative trends and significant risks in the registration materials for the Company's secondary offerings. Unlike the previous complaints, the Amended Complaint does *not* allege false or misleading statements concerning the Company's accounting for the iGaming reporting unit or the adequacy of the Company's internal controls over financial reporting.

On *February 23, 2021*, the Court granted the lead plaintiff's unopposed motion to file a Second Amended Complaint. The Second Amended Complaint was filed on *March 25, 2021* and asserts substantially the same claims as the Amended Complaint but extends the beginning of the putative class period back to *January 26, 2018*. On *May 24, 2021*, the defendants filed motions to dismiss the Second Amended Complaint, and on *December 2, 2022*, the court granted in part and denied in part those motions. It dismissed each of the *five* claims in the *second* amended complaint—including all claims under the Securities Act—but the court carved out from the dismissal a "scheme liability" claim under Section 10(b), brought only against the Company, David Lopez, and Kimo Akiona, which the court felt was insufficiently briefed. The lead plaintiff was granted leave to file a further amended complaint but chose *not* to, and instead seeks to move forward on the sole remaining scheme liability claim.

On *January 17, 2023*, the Company, Mr. Lopez, and Mr. Akiona filed an answer to the remaining claim, along with a motion to temporarily stay discovery and a motion for judgment on the pleadings, arguing that the legal findings contained in the court's *December 2, 2022* decision require dismissal of the scheme liability claim as well and termination of the action. Those motions were fully briefed as of *March 22, 2023*. On *March 23, 2023*, the Court decided the motion to temporarily stay discovery in favor of the defendants, holding that all discovery is stayed pending resolution of the motion for judgment on the pleadings. On February 13, 2024, the Court granted the motion for judgment on the pleadings and dismissed the securities class action in full with prejudice. Plaintiffs may choose to appeal this dismissal. The defendants believe all claims in the action are without merit, and will continue to defend vigorously against them, but there can be *no* assurances as to the outcome.

On *March 18, 2022*, a shareholder derivative lawsuit was filed in the United States District Court for the District of Nevada by putative stockholder, Manjan Chowdhury, allegedly on behalf of the Company, that piggy-backs on the consolidated securities class action referenced above and currently pending before the same Court. The derivative complaint names David Lopez, Kimo Akiona, and members of the Board as defendants, and generally alleges that they breached their fiduciary duties by causing or failing to prevent the same allegedly false and misleading statements asserted in the securities class action. The derivative complaint also alleges claims for contribution against Mr. Lopez and Mr. Akiona under Sections 10(b) and 21D of the Exchange Act. On *June 9, 2022*, the court stayed the derivative action, pursuant to a stipulation between the parties, pending resolution of the motion to dismiss the consolidated securities class action. On *January 27, 2023*, at the request of the parties, the court ordered that the derivative action remain stayed pending resolution of the motion for judgment on the pleadings in the securities class action. The Company and the individual defendants believe the claims in the shareholder derivative action are without merit and intend to defend vigorously against them, but there can be *no* assurances as to the outcome.

At this time, we are unable to estimate the probability or the amount of liability, if any, related to the securities class action or the shareholder derivative matter.



In *January 2021*, we obtained the results of an audit conducted by the Alabama Department of Revenue ("ADOR"), in which the ADOR assessed \$ 3.3 million including interest in unpaid state and local rental taxes on participation revenues and licensing fees that we received from the leasing of EGMs to a Native American tribe in the state of Alabama in the period from *May 2016* through *August 2019*. ADOR claims that such revenues constitute a lease rental payment and are deemed taxable in nature even in situations involving Native American tribe lessees.

We believe that we were *not* required to collect and remit Alabama state and local lease/rental tax on our leases of EGMs in the state as those leases are on federally designated Indian reservation land and because federal Indian trading laws and Indian gaming laws, as well as the U.S. Constitution, preempt application of the rental tax to these transactions with the Native American tribe. We have disputed ADOR's audit findings in accordance with applicable state and local tax procedures and ADOR rules. Our dispute is currently in the discovery phase at the Alabama Tax Tribunal, which is the independent tax court for the state of Alabama. A merits trial for this dispute has been rescheduled to *August 2024*.

We have *not* accrued the \$ 3.3 million assessed by ADOR, as we do *not* believe that it is probable that a liability has occurred. However, if we do *not* prevail in the dispute with ADOR, we *may* be required to accrue this amount as well as applicable interest. It is also possible that ADOR *may* similarly audit the participation revenues and licensing fees that we received from the leasing of EGMs to a Native American tribe in the state of Alabama subsequent to *August 2019*. While we cannot reasonably calculate the amount that ADOR would assess for the revenues from such subsequent periods due to the types of revenues and rates that apply, based solely on the amount assessed for the period from *May 2016* through *August 2019*, we estimate that ADOR's assessment for taxable lease rental payments for subsequent periods through *December 31, 2023* would *not* exceed \$ 2.8 million, excluding interest. There is *no* assurance that ADOR will assess our revenues from subsequent periods or that such assessment will *not* materially differ from our estimate.

In *May 2023*, we obtained the initial results of an audit conducted by Servicio de Administracion Tributaria ("SAT") regarding the compliance of our EGMs imported into Mexico with the requirements of the North American Free Trade Agreement ("NAFTA"). SAT has concluded that EGMs we imported during certain periods do *not* comply with their documentation standards to demonstrate compliance with NAFTA and that therefore certain taxes were omitted when the machines were imported.

In *December 2023*, we entered into discussions with SAT and the Mexican tax payer advocate, Procuraduría de la Defensa del Contribuyente ("PRODECON"), to reach an agreement with SAT regarding its final assessment which we expected to receive during these discussions. The discussions concluded in *January 2024* with no resolution of the matter and with no fixed amount of the potential assessment. In February 2024, SAT made an assessment of the omitted taxes together with interest, fines, and surcharges of approximately \$ 9.9 million. We believe that the EGMs qualify under NAFTA and that the documentation we have provided to SAT has been sufficient to demonstrate this qualification. We also believe that SAT has *not* conducted its audit in compliance with Mexican law and regulations. Therefore, we have filed nullity petitions before the Federal Tax Court in Mexico to invalidate SAT's resolutions in this matter.

We have *not* accrued any amount related to this matter, as we cannot accurately estimate the potential loss within the range of up to \$ 9.9 million, including the possibility of the full reduction of the assessment based on our petitions.

### NOTE 13. OPERATING SEGMENTS

We report our business segment results by segment in accordance with the "management approach." The management approach designates the internal reporting used by our chief operating decision maker ("CODM"), who is our Chief Executive Officer (the "CEO"), for making decisions and assessing performance of our reportable segments.

See Note 1. "Description of the Business and Summary of Significant Accounting Policies" for a detailed discussion of our three segments. Each segment's activities include the design, development, acquisition, manufacturing, marketing, distribution, installation and servicing of its product lines. We evaluate the performance of our operating segments based on revenues and segment Adjusted EBITDA, which is defined in the paragraph below.

Segment revenues include leasing, licensing, or selling of products within each reportable segment. Segment Adjusted EBITDA includes the revenues and operating expenses from each segment adjusted for:

- Write-downs and other include items related to loss on disposal or impairment of long-lived assets and fair value adjustments to contingent consideration;
- Depreciation, amortization;
- Loss on extinguishment and modification of debt primarily relates to the refinancing of long-term debt, in which deferred loan costs and discounts related to old senior secured credit facilities were written-off;
- Other adjustments, which are primarily composed of:
  - Costs and inventory and receivable valuation charges associated with the COVID-19 pandemic, professional fees incurred for projects, costs incurred related to public offerings, contract cancellation fees and other transaction costs deemed to be non-operating in nature;
  - Acquisition and integration-related costs related to the purchase of businesses and to integrate operations and obtain costs synergies;
  - Restructuring and severance costs, which primarily relate to costs incurred through the restructuring of the Company's operations from time to time and other employee severance costs recognized in the periods presented;
  - Legal and litigation related costs, which consist of payments to law firms and settlements for matters that are outside the normal course of business;
- Other non-cash charges are costs related to non-cash charges and losses on the disposition of assets, non-cash charges on capitalized installation and delivery, which primarily includes the costs to acquire contracts that are expensed over the estimated life of each contract and non-cash charges related to accretion of contract rights under development agreements; and
- Non-cash stock-based compensation includes non-cash compensation expense related to grants of options, restricted stock, and other equity awards.

Revenues in each segment are attributable to third parties and segment operating expenses are directly associated with the product lines included in each segment such as research and development, product approval costs, product-related litigation expenses, sales commissions and other directly-allocable sales expenses. Cost of gaming operations and cost of equipment sales primarily include the cost of products sold, service, manufacturing overhead, shipping and installation.

Segment Adjusted EBITDA excludes other income and expense, income taxes and certain expenses that are managed outside of the operating segments.

**PLAYAGS, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

The following provides financial information concerning our reportable segments for the years ended December 31, 2023, 2022, and 2021 (amounts in thousands):

	2023	2022	2021
<b>Revenues by segment</b>			
EGM	\$ 327,053	\$ 284,331	\$ 237,809
Table Products	17,706	14,920	11,879
Interactive	11,777	10,185	10,008
<b>Total Revenues</b>	<b>356,536</b>	<b>309,436</b>	<b>259,696</b>
<b>Adjusted EBITDA by segment</b>			
EGM	146,287	127,502	112,817
Table Products	9,792	8,781	6,438
Interactive	2,888	2,360	3,332
<b>Subtotal</b>	<b>158,967</b>	<b>138,643</b>	<b>122,587</b>
Write-downs and other:			
Loss on disposal of long lived assets	596	427	590
Impairment of long lived assets	838	30	2,257
Fair value adjustments to contingent consideration and other items	—	1,466	( 56)
Depreciation and amortization	76,949	75,516	73,938
Interest expense, net of interest income and other	55,680	39,680	44,473
Loss on extinguishment and modification of debt	-	8,549	-
Other adjustments	2,084	2,225	3,119
Other non-cash charges	9,843	9,117	8,393
Non-cash stock compensation	11,264	11,893	14,643
<b>Income (loss) before income taxes</b>	<b>\$ 1,713</b>	<b>\$ ( 10,260)</b>	<b>\$ ( 24,770)</b>

The CODM does not receive a report with a measure of total assets or capital expenditures for each reportable segment as this information is not used for the evaluation of segment performance. The CODM assesses the performance of each segment based on Adjusted EBITDA and not based on assets or capital expenditures due to the fact that two of the Company's reportable segments, Table Products and Interactive, are not capital intensive. Any capital expenditure information is provided to the CODM on a consolidated basis. Therefore, the Company has not provided asset and capital expenditure information by reportable segment.

The following provides financial information concerning our operations by geographic area for the years ended December 31, 2023, 2022, and 2021 (amounts in thousands):

	Year ended December 31,		
	2023	2022	2021
<b>Revenue:</b>			
United States	\$ 317,549	\$ 272,473	\$ 237,396
Other	38,987	36,963	22,300
<b>Total Revenue</b>	<b>\$ 356,536</b>	<b>\$ 309,436</b>	<b>\$ 259,696</b>
	Year ended December 31,		
	2023	2022	2021
<b>Long-lived assets:</b>			
United States	\$ 71,227	\$ 79,137	\$ 72,904
Other	12,269	10,570	9,406
<b>Total long-lived assets</b>	<b>\$ 83,496</b>	<b>\$ 89,707</b>	<b>\$ 82,310</b>

**PLAYAGS, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**NOTE 14. LEASES**

*Operating Leases*

We lease office space, warehouses and office equipment which we classify as operating leases. Operating leases with an initial term of 12 months or less and leases that include an option to terminate without material penalty are not recorded on the balance sheet. Most leases recorded on the balance sheet have an option to renew and do not have an option to terminate without a material penalty. We recognize lease expense for operating leases on a straight-line basis over the term of the lease. The exercise of the renewal options is at our sole discretion. For all our existing leases, we are not reasonably certain we will exercise the renewal option. The depreciable life of assets and leasehold improvements are limited by the expected lease term. Our operating lease agreements do not contain any residual value guarantees or restrictive covenants. As most of our operating leases contracts do not provide an implicit rate, we use the interest rate applicable under the Amended and Restated Credit Agreement based on the information available at commencement date in determining the present value of lease payments which is consistent with our borrowing rate.

*Finance Leases*

We lease vehicles which we account for as finance leases using the effective interest method. Our finance lease agreements do not contain material restrictive covenants or material residual value guarantees. We use the rate implicit in the lease at the lease commencement date in determining the present value of lease payments for finance leases.

For the years ended December 31, 2023 and 2022, we did not have any lease agreements with variable lease costs and short-term lease costs, excluding expenses relating to leases with a lease term of one month or less that were immaterial.

The following table discloses the operating and finance assets and liability balances recorded under ASC 842 as of December 31, 2023 and as of December 31, 2022:

		As of December 31, 2023	As of December 31, 2022
<b>Leases (in thousands)</b>	<b>Classification</b>		
<b>Assets</b>			
Operating leases	Operating lease assets(1)	\$ 9,862	\$ 11,198
Finance leases	Property and equipment, net(2)	1,861	597
<b>Total leased assets, net</b>		<u>\$ 11,723</u>	<u>\$ 11,795</u>
<b>Liabilities</b>			
<i>Current:</i>			
Operating leases	Accrued liabilities	\$ 2,595	\$ 2,287
Finance leases	Current maturities of long-term debt	541	322
<i>Non-current:</i>			
Operating leases	Operating lease liabilities, long-term	8,636	10,413
Finance leases	Long-term debt	1,276	366
<b>Total lease liability</b>		<u>\$ 13,048</u>	<u>\$ 13,388</u>

(1) Operating lease assets are recorded net of accumulated amortization of \$ 7.6 million and \$ 5.4 million as of December 31, 2023 and 2022, respectively

(2) Finance lease assets are recorded net of accumulated amortization of \$ 0.6 million and \$ 0.7 million as of December 31, 2023 and 2022, respectively.

The table below discloses the costs for operating and finance leases for the years ended December 31, 2023, 2022, and 2021:

		Year Ended December 31, 2023	2022	2021
<b>Operating lease costs (in thousands)</b>	<b>Classification</b>			
Operating lease cost - office building	Selling, general and administrative	\$ 2,421	\$ 2,411	\$ 2,108
Operating lease cost - warehouses	Cost of gaming operations (3)	546	546	546
<b>Total Operating Lease cost:</b>		<u>\$ 2,967</u>	<u>\$ 2,957</u>	<u>\$ 2,654</u>
<b>Finance lease cost</b>				
Depreciation of leased assets	Depreciation and amortization	\$ 465	\$ 435	\$ 744
Interest on lease liabilities	Interest expense	29	18	29
<b>Total Finance Lease cost:</b>		<u>494</u>	<u>453</u>	<u>773</u>
<b>Total Lease Cost</b>		<u>\$ 3,461</u>	<u>\$ 3,410</u>	<u>\$ 3,427</u>

(3) Subject to capitalization.

**PLAYAGS, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

The table below sets forth the maturity of the operating and financing leases liabilities for five years and thereafter under ASC 842:

	Operating Leases	Financing Leases	Total
<b>Maturity of lease liabilities (in thousands)</b>			
2024	\$ 3,158	\$ 541	\$ 3,699
2025	3,187	488	3,675
2026	3,275	476	3,751
2027	2,509	395	2,904
2028	428	-	428
Thereafter	-	-	-
<b>Total lease payments</b>	<b>\$ 12,557</b>	<b>\$ 1,900</b>	<b>\$ 14,457</b>
<b>Less: interest</b>	<b>1,326</b>	<b>83</b>	<b>1,409</b>
<b>Present value of lease liabilities</b>	<b>\$ 11,231</b>	<b>\$ 1,817</b>	<b>\$ 13,048</b>

The following table sets forth the weighted average of the lease terms and discount rates for operating and finance leases as of December 31, 2023 and 2022.

	As of December 31, 2023	As of December 31, 2022
<b>Lease term and discount rate</b>		
<i>Operating</i>		
Weighted average remaining lease term (years)	3.9	4.9
Weighted average discount rate	5.6%	5.4%
<i>Finance Leases</i>		
Weighted average remaining lease term (years)	3.1	2.0
Weighted average discount rate	2.4%	2.4%

*Other Information*

The table below discloses cash paid for the amounts included in the measurement of lease liabilities for the years ended December 31, 2023, 2022, and 2021:

	Year Ended December 31,		
	2023	2022	2021
<b>Cash paid for amounts included in the measurement of lease liabilities (in thousands)</b>			
Operating cash flows from operating leases	\$ 3,103	\$ 2,954	\$ 2,747
Operating cash flows from finance leases	\$ 29	\$ 18	\$ 29
Financing cash flows from finance leases	\$ 405	\$ 422	\$ 604

**NOTE 15. SUBSEQUENT EVENTS**

The following events and transactions occurred subsequent to December 31, 2023:

On February 5, 2024, the Company announced that it has successfully completed a repricing of its First Lien Credit Agreement. In conjunction with the repricing transaction, the Company elected to repay \$ 15 million of its total debt outstanding. For a detailed discussion regarding long-term debt, see Note 5. "Long-Term Debt". The repricing (i) removed the credit spread adjustment with respect to term loan borrowings in Term SOFR (as defined in the Amended Credit Agreement) and (ii) reduced the Applicable Margin (as defined in the Amended Credit Agreement) on the Borrower's existing term loan to 3.75 % for Term SOFR borrowings and 2.75 % for ABR (as defined in the Amended Credit Agreement) borrowings.

**NOTE 16. ACQUISITIONS**

On January 3, 2022, the Company acquired certain intangible assets related to the purchase of table game-related intellectual property and an installed base of table games under the Lucky Lucky trade name from Aces Up Gaming. The acquisition was accounted for as an acquisition of business and the assets acquired were measured based on our estimates of their fair values at the acquisition date. We attribute the goodwill recognized to our ability to commercialize the products over our distribution and sales network, opportunities for synergies, and other strategic benefits. The consideration of \$ 4.8 million was allocated primarily to tax deductible goodwill for \$ 1.2 million and intangible assets of \$ 3.5 million, primarily attributable to intellectual property, and which will be amortized over a weighted average period of approximately 9.1 years.

PLAYAGS, INC.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

ITEM 15(a)(2). FINANCIAL STATEMENT SCHEDULES

SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF THE REGISTRANT  
PLAYAGS, INC.  
(PARENT COMPANY ONLY)

CONDENSED BALANCE SHEETS  
(in thousands, except share data)

	December 31,	
	2023	2022
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 6,553	\$ 4,171
Intercompany Receivables	9	8
Prepaid expenses	29	44
<b>Total current assets</b>	<u>6,591</u>	<u>4,223</u>
Investment in subsidiaries	68,480	50,262
<b>Total assets</b>	<u>\$ 75,071</u>	<u>\$ 54,485</u>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current liabilities</b>		
Intercompany payables	\$ 7,404	\$ 5,124
<b>Total current liabilities</b>	<u>7,404</u>	<u>5,124</u>
<b>Total liabilities</b>	<u>7,404</u>	<u>5,124</u>
<b>Stockholders' equity:</b>		
Common stock	389	378
Additional paid-in capital	417,689	406,436
Retained earnings	( 353,044)	( 353,125)
Accumulated other comprehensive loss	2,633	( 4,328)
<b>Total stockholders' equity</b>	<u>67,667</u>	<u>49,361</u>
<b>Total liabilities and stockholders' equity</b>	<u>\$ 75,071</u>	<u>\$ 54,485</u>

PLAYAGS, INC.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

PLAYAGS, INC.  
(PARENT COMPANY ONLY)

CONDENSED STATEMENTS OF OPERATIONS  
(in thousands)

	Year ended December 31,		
	2023	2022	2021
<b>Revenue</b>			
Intercompany revenue	\$ -	\$ -	\$ -
<b>Total Revenue</b>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Operating expenses</b>			
Selling, general and administrative	15	18	( 15)
<b>Total operating expenses</b>	<u>15</u>	<u>18</u>	<u>( 15)</u>
<b>Loss from operations</b>	<u>( 15)</u>	<u>( 18)</u>	<u>15</u>
<b>Other expense (income)</b>			
Equity in net income (loss) of subsidiaries	340	( 8,017)	( 22,587)
Interest income	102	—	—
Other income (expense)	1	—	—
<b>Income (loss) before income taxes</b>	<u>428</u>	<u>( 8,035)</u>	<u>( 22,572)</u>
Income tax (expense) benefit	-	-	-
<b>Net income (loss)</b>	<u>428</u>	<u>( 8,035)</u>	<u>( 22,572)</u>
Foreign currency translation adjustment	6,961	1,742	( 984)
<b>Total comprehensive income (loss)</b>	<u>\$ 7,389</u>	<u>\$ ( 6,293)</u>	<u>\$ ( 23,556)</u>

PLAYAGS, INC.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

PLAYAGS, INC.  
(PARENT COMPANY ONLY)

CONDENSED STATEMENTS OF CASH FLOWS  
(in thousands, except per share data)

	Year ended December 31,		
	2023	2022	2021
<b>Cash flows from operating activities</b>			
Net income (loss)	\$ 428	\$ ( 8,035)	\$ ( 22,572)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:			
Equity income from subsidiaries	( 340)	8,017	22,587
Changes in assets and liabilities that relate to operations:			
Prepaid expenses (benefit)	15	( 12)	—
Intercompany payable/receivable	2,279	1,262	2,447
Deposits and other assets LT	—	8	( 5)
<b>Net cash provided by (used in) operating activities</b>	<b>2,382</b>	<b>1,240</b>	<b>2,457</b>
<b>Cash flows from investing activities</b>			
Distributions received from subsidiaries	347	201	906
<b>Net cash provided by (used in) investing activities</b>	<b>347</b>	<b>201</b>	<b>906</b>
<b>Cash flows from financing activities</b>			
Repurchase of shares	( 347)	( 201)	( 906)
<b>Net cash (used in) provided by financing activities</b>	<b>( 347)</b>	<b>( 201)</b>	<b>( 906)</b>
<b>Increase in cash and cash equivalents</b>	<b>2,382</b>	<b>1,240</b>	<b>2,457</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>4,171</b>	<b>2,931</b>	<b>474</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 6,553</b>	<b>\$ 4,171</b>	<b>\$ 2,931</b>

**PLAYAGS, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**PLAYAGS, INC.**  
**(PARENT COMPANY ONLY)**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - BASIS OF PRESENTATION**

The stand-alone parent company financial statements of PlayAGS, Inc., (the "Parent Company") should be read in conjunction with the Company's consolidated financial statements and the accompanying notes thereto. For purposes of these condensed financial statements, the Parent Company's wholly owned and majority owned subsidiaries are recorded based upon its proportionate share of the subsidiaries' net assets (similar to presenting them on the equity method).

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted since this information is included in the Company's consolidated financial statements included elsewhere in this Form 10-K.

**NOTE 2 - COMMITMENTS AND CONTINGENCIES**

The Parent Company is a holding company and, as a result, its ability to pay dividends is dependent on its subsidiaries' ability to obtain funds and its subsidiaries' ability to provide funds to it. Restrictions are imposed by its subsidiaries' debt instruments, which significantly restrict certain key subsidiaries holding a majority of its assets from making dividends or distributions to the Parent Company. These restrictions are subject to certain exceptions for affiliated overhead expenses as defined in the agreements governing the debt instruments, unless certain financial and non-financial criteria have been satisfied.

**NOTE 3 - CASH FLOW STATEMENT SUPPLEMENTAL DISCLOSURES**

The Parent Company charged \$ 11.3 million and \$ 11.9 million of stock-based compensation to additional paid-in capital during the years ended December 31, 2023 and 2022, respectively, the expense for which was contributed to the Parent Company's subsidiaries that employ the employee recipients of the share-based awards.



**SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS**

	Balance at the Beginning of Period	Charged to Tax Expense/(Benefit)	Purchase Accounting Adjustments	Impact of Foreign Currency Exchange Rate	Balance at the End of Period
<b>Tax-related valuation allowance</b>					
Year ended December 31, 2023	\$ 60,114	\$ 4,610	\$ -	\$ 171	\$ 64,895
Year ended December 31, 2022	\$ 62,233	\$ ( 1,740)	\$ -	\$ ( 379)	\$ 60,114
Year ended December 31, 2021	\$ 55,006	\$ 7,270	\$ -	\$ ( 43)	\$ 62,233

**ITEM 16. FORM 10-K SUMMARY.**

None.

## SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

### PLAYAGS, INC.

Date: March 6, 2024

By: /s/ KIMO AKIONA

Name: Kimo Akiona  
Chief Financial Officer, Chief Accounting Officer and  
Treasurer,

Title: *(Principal Financial and Accounting Officer)*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ DAVID LOPEZ</u> David Lopez	<i>Chief Executive Officer, President and Director (Principal Executive Officer)</i>	March 6, 2024
<u>/s/ KIMO AKIONA</u> Kimo Akiona	<i>Chief Financial Officer, Chief Accounting Officer and Treasurer (Principal Financial and Accounting Officer)</i>	March 6, 2024
<u>/s/ YVETTE E. LANDAU</u> Yvette E. Landau	<i>Director</i>	March 6, 2024
<u>/s/ ADAM CHIBIB</u> Adam Chibib	<i>Director</i>	March 6, 2024
<u>/s/ GEOFF FREEMAN</u> Geoff Freeman	<i>Director</i>	March 6, 2024
<u>/s/ ANNA MASSION</u> Anna Massion	<i>Director</i>	March 6, 2024
<u>/s/ DAVID FARAH</u> David Farahi	<i>Director</i>	March 6, 2024

## AMENDMENT AGREEMENT NO. 7

This AMENDMENT AGREEMENT NO. 7 (this "Agreement"), dated as of February 5, 2024, is made by and among AP Gaming Holdings, LLC, a Delaware limited liability company ("Holdings"), AP Gaming I, LLC, a Delaware limited liability company (the "Borrower"), each "Subsidiary Loan Party" listed on the signature pages hereto (each, a "Subsidiary Loan Party" and, collectively, jointly and severally, the "Subsidiary Loan Parties") and Jefferies Finance LLC, as Administrative Agent under the Existing Credit Agreement (as defined below) (the "Administrative Agent"), at the direction and on behalf of the Lenders described in Section 3(a)(i) hereof and in its capacity as the Fronting Lender (as defined below). Capitalized terms which are used in this Agreement without definition and which are defined in the Existing Credit Agreement shall have the same meanings herein as in the Existing Credit Agreement.

## PRELIMINARY STATEMENTS:

(1) Holdings, the Borrower, the Lenders party thereto from time to time and the Administrative Agent are party to that certain First Lien Credit Agreement, dated as of June 6, 2017 (as amended on December 6, 2017, as amended and restated on February 7, 2018, as amended and restated as of October 5, 2018, as amended as of August 30, 2019, as amended and restated on May 1, 2020, as amended as of August 4, 2021, as amended and restated as of February 15, 2022 and as further amended, restated, supplemented, waived or otherwise modified from time to time prior to the date hereof, the "Existing Credit Agreement").

(2) The Borrower has requested that the Term B Lenders consent to an amendment to the Existing Credit Agreement to, among other things, reduce the Applicable Margin with respect to the Term B Loans and the Term B Lenders that execute a Lender Consent (as defined below) are willing to amend the Existing Credit Agreement on the terms and conditions set forth herein (such Term B Lenders, the "Consenting Term B Lenders").

(3) The Administrative Agent, Holdings and the Borrower desire to memorialize the terms of this Agreement by amending, in accordance with Section 9.08(b) of the Existing Credit Agreement, the Existing Credit Agreement as set forth below, such amendment to become effective on the 2024 Effective Date (as defined below).

(4) Jefferies Finance LLC and Trust Securities, Inc. have agreed to act as joint lead arrangers and bookrunners in connection with the amendments set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual agreements herein contained and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, and subject to the conditions set forth herein, the parties hereto hereby agree as follows:

Section 1. Amendments. Effective on and as of the 2024 Effective Date, subject to the satisfaction of the conditions precedent set forth in Section 3 hereof, the Existing Credit Agreement is hereby amended as follows:

- (a) The following defined terms shall be amended to delete the stricken text (indicated textually in the same manner as the following example:) and to add the double-underlined text (indicated textually in the same manner as the following example: double-underlined text) as set forth below:

""Adjusted Term SOFR Rate" shall mean, (I) with respect to any Term B Loan for any Interest Period, Term SOFR for such Interest Period and (II) with respect to any Revolving Facility Loan for (a) an Interest Period of one month, an interest rate per annum equal to (i) Term SOFR for such Interest Period, plus (ii) 0.10%, (b) an Interest Period of three months, an interest rate per annum equal to (i) Term SOFR for such Interest Period, plus (ii) 0.15%, and (c) an Interest Period of six months, an interest rate per annum equal to (i) Term SOFR for such Interest Period, plus (ii) 0.25%; provided that in the case of each of the foregoing clauses (I) and (II), if the Adjusted Term SOFR Rate as so determined would be less than the Floor, such rate shall be deemed to be equal to the Floor for the purposes of this Agreement.

"Applicable Margin" shall mean for any day (i) with respect to any Term B Loan, 3.75% per annum in the case of any SOFR Loan and 2.75% per annum in the case of any ABR Loan; (ii) with respect to any Initial Revolving Loan, 4.00% per annum in the case of any SOFR Loan or any CDOR Rate Loan and 3.00% per annum in the case of any ABR Loan; and (iii) with respect to any Other Term Loan or Other Revolving Loan, the "Applicable Margin" set forth in the Incremental Assumption Agreement relating thereto."

- (b) The following new defined terms shall be added in the appropriate alphabetical order:

"2024 Amendment Agreement" shall mean that certain Amendment Agreement No. 7, dated as of February 5, 2024, by and among Holdings, the Borrower, the Subsidiary Loan Parties party thereto and the Administrative Agent.

"2024 Effective Date" shall have the meaning assigned to the term "2024 Effective Date" in the 2024 Amendment Agreement.

- (c) Section 2.12(d) of the Existing Credit Agreement shall be amended to delete the stricken text (indicated textually in the same manner as the following example:) and to add the double-underlined text (indicated textually in the same manner as the following example: double-underlined text) as set forth below:

"(d) In the event that, on or prior to the date that is six months after the 2024 Effective Date, the Borrower shall (x) make a prepayment of the Term B Loans pursuant to Section 2.11(a) with the proceeds of, or conversion of the Term B Loans into, any new or replacement tranche of long-term secured term loans that are broadly syndicated to banks and other institutional investors in financings similar to the Term B Loans and have an All-in Yield that is less than the All-in Yield of such Term B Loans (other than, for the avoidance of doubt, with respect to securitizations) or (y) effect any amendment to this Agreement which reduces the All-in Yield of the Term B Loans (other than, in the case of each of clauses (x) and (y), in connection with a Qualified IPO, a Change in Control, a material disposition or series of related dispositions, a material acquisition (including a material Permitted Business Acquisition) or series of related acquisitions or any transaction that would, if consummated, constitute any of the foregoing (as determined by the Borrower in good faith)), the Borrower shall pay to the Administrative Agent, for the ratable account of each of the applicable Lenders, (A) in the case of clause (x), a prepayment premium of 1.00% of the aggregate principal amount of the Term B Loans so prepaid or converted and (B) in the case of clause (y), a fee equal to 1.00% of the aggregate principal amount of the applicable Term B Loans for which the All-in Yield has been reduced pursuant to such amendment. Such amounts shall be due and payable on the date of such prepayment or the effective date of such amendment, as the case may be."

Section 2. Representations of the Loan Parties. Each Loan Party hereby represents and warrants to the other parties hereto as of the 2024 Effective Date that:

- (a) this Agreement has been duly authorized, executed and delivered by such Loan Party and constitutes a legal, valid and binding obligation of such Loan Party enforceable against such Loan Party in accordance with its terms, subject to (i) the effects of bankruptcy, insolvency, moratorium, reorganization, fraudulent conveyance or other similar laws affecting creditors' rights generally, (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and (iii) implied covenants of good faith and fair dealing;

- (b) the representations and warranties of the Borrower and each other Loan Party contained in the Existing Credit Agreement and the other Loan Documents are true and correct in all material respects on and as of the 2024 Effective Date with the same effect as though made on the 2024 Effective Date, except to the extent such representations and warranties expressly relate to an earlier date (in which case such representations and warranties shall be true and correct in all material respects as of such earlier date);
- (c) after giving effect to this Agreement, the execution and delivery by each Loan Party of this Agreement and the performance by each Loan Party of this Agreement and the Amended Credit Agreement (i) have been duly authorized by all corporate, stockholder, partnership or limited liability company action required to be obtained by such Loan Party and (ii) will not (x) violate (A) any provision of law, statute, rule or regulation applicable to such Loan Party, (B) the certificate or articles of incorporation or other constitutive documents (including any partnership, limited liability company or operating agreements) or by-laws of such Loan Party, (C) any applicable order of any court or any rule, regulation or order of any Governmental Authority applicable to such Loan Party or (D) any provision of any indenture, certificate of designation for preferred stock, agreement or other instrument to which such Loan Party is a party or by which any of them or any of their property is or may be bound, (y) be in conflict with, result in a breach of or constitute (alone or with due notice or lapse of time or both) a default under, give rise to a right of or result in any cancellation or acceleration of any right or obligation (including any payment) under any such indenture, certificate of designation for preferred stock, agreement or other instrument, where any such conflict, violation, breach or default referred to in clause (x) or (y) of this clause (c), would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, or (z) result in the creation or imposition of any Lien upon or with respect to (1) any property or assets now owned or hereafter acquired by such Loan Party, other than the Liens created by the Loan Documents and Permitted Liens, or (2) any Equity Interests of the Borrower now owned or hereafter acquired by Holdings, other than Liens created by the Loan Documents or Liens not prohibited by Section 6.02 of the Amended Credit Agreement; and
- (d) at the time of and immediately after giving effect to this Agreement, no Default or Event of Default has occurred or is continuing.

Section 3. Conditions to Amendments. The effectiveness of the amendments to the Existing Credit Agreement set forth in Section 1 is subject to the satisfaction (or waiver by the Consenting Term B Lenders) of the following conditions (the date of such satisfaction or waiver, the "2024 Effective Date"):

- (a) The Administrative Agent (or its counsel) shall have received (i) an executed written consent in the form attached hereto as Exhibit A (the "Lender Consent") approving the amendments and consents set forth herein and authorizing the Administrative Agent to enter into this Agreement from the Term B Lenders constituting the Majority Lenders in respect of the Term B Facility and (ii) from each of Holdings, the Borrower and the Subsidiary Loan Parties, either (x) a counterpart of this Agreement signed on behalf of such party or (y) written evidence reasonably satisfactory to the Administrative Agent (which may include delivery of a signed signature page of this Agreement by facsimile or other means of electronic transmission (e.g., "pdf")) that such party has signed a counterpart of this Agreement.
- (b) The Administrative Agent shall have received a certificate of the Secretary or Assistant Secretary or similar officer of each Loan Party dated the 2024 Effective Date:
  - (i) either (x) attaching a copy of the certificate or articles of incorporation, certificate of limited partnership, certificate of formation or other equivalent constituent and governing documents, including all amendments thereto, of such Loan Party, certified as of a recent date by the Secretary of State (or other similar official) of the jurisdiction of its organization (to the extent such concept or a similar concept exists under the laws of such jurisdiction and such certificates are available on a timely basis from such jurisdiction) or (y) with respect to any Loan Party other than the Borrower or Holdings, certifying there have been no changes to the certificate or articles of incorporation, certificate of limited partnership, certificate of formation or other equivalent constituent and governing documents of such Loan Party since February 15, 2022 (the "Prior Amendment Closing Date"),
  - (ii) attaching a certificate as to the good standing (to the extent such concept or a similar concept exists under the laws of such jurisdiction and such certificates are available on a timely basis from such jurisdiction) of such Loan Party as of a recent date from such Secretary of State (or other similar official),
  - (iii) either (x) certifying that attached thereto is a true and complete copy of the by-laws (or partnership agreement, limited liability company agreement or other equivalent constituent and governing documents) of such Loan Party as in effect on the 2024 Effective Date and at all times since a date prior to the date of the resolutions described in clause (iv) below or (y) with respect to any Loan Party other than the Borrower or Holdings, certifying that there have been no changes to the by-laws (or partnership agreement, limited liability company agreement or other equivalent constituent and governing documents) of such Loan Party since the Prior Amendment Closing Date,
  - (iv) certifying that attached thereto is a true and complete copy of resolutions duly adopted by the Board of Directors (or equivalent governing body) of such Loan Party (or its managing general partner or managing member) authorizing the execution, delivery and performance of the Loan Documents executed in connection with this Agreement to which such Loan Party is a party, and that such resolutions have not been modified, rescinded or amended and are in full force and effect on the 2024 Effective Date,
  - (v) either (x) certifying as to the incumbency and specimen signature of each officer executing any Loan Document executed in connection with this Agreement on behalf of such Loan Party or (y) with respect to any Loan Party other than Borrower or Holdings, certifying that there have been no changes to the incumbency of such Loan Party since the Prior Amendment Closing Date, and
  - (vi) certifying as to the absence of any pending proceeding for the dissolution or liquidation of such Loan Party or, to the knowledge of such person, threatening the existence of such Loan Party.
- (c) The Borrower shall have delivered to the Administrative Agent a certificate from a Responsible Officer of the Borrower dated as of the 2024 Effective Date to the effect set forth in Sections 2(b) and 2(d) hereof.
- (d) The Administrative Agent shall have received all fees payable thereto, on or prior to the 2024 Effective Date and reimbursement or payment of all reasonable and documented out-of-pocket expenses (including reasonable fees, charges and disbursements of Cahill Gordon & Reindel LLP) required to be reimbursed or paid by the Loan Parties hereunder or under any Loan Document on or prior to the 2024 Effective Date.
- (e) The Administrative Agent shall have received all documentation and other information required by Section 3.25(a) of the Existing Credit Agreement, to the extent such information has been reasonably requested not less than five (5) Business Days prior to the 2024 Effective Date; provided that, with respect to any Lender that has requested information of the type described in clause (ii) of Section 3.25(a) of the Existing Credit Agreement, this condition shall be deemed satisfied as it relates to such request by such Lender upon the execution and delivery of such Lender's Lender Consent.
- (f) The Borrower shall have paid in full, or substantially concurrently with the satisfaction of the other conditions precedent set forth in this Section 3 shall pay in full, all accrued and unpaid interest in respect of Term B Loans outstanding immediately prior to the 2024 Effective Date (the "Existing Term B Loans").

Section 4. Consents; Replacement of Non-Consenting Lenders.

- (a) Each of the Consenting Term B Lenders, by execution of a Lender Consent, consents to this Agreement and agrees that, as of the 2024 Effective Date, its Existing Term B Loans shall constitute "Term B Loans" under (and as defined in) the Amended Credit Agreement for purposes of the Amended Credit Agreement and the other Loan Documents.

- (b) Concurrently with the effectiveness of this Agreement, the Borrower shall be deemed to have exercised its rights under Section 2.19(c) of the Existing Credit Agreement to require each Term B Lender to assign any portion of its Existing Term B Loans as to which it has not approved this Agreement as of such time to the Administrative Agent (any such Existing Term B Loan, a "Non-Consenting Term B Loan"; and the Administrative Agent, in its capacity as assignee of the Non-Consenting Term B Loans, the "Fronting Lender"). By its execution of this Agreement, the Fronting Lender (i) agrees to (x) accept such assignments on the 2024 Effective Date (immediately prior to the effectiveness of the amendments set forth in Section 1 of this Agreement) in accordance with Section 2.19(c) of the Existing Credit Agreement and (y) purchase the Non-Consenting Term B Loans by paying to any Lender holding a Non-Consenting Term B Loan a price equal to the principal amount thereof plus accrued and unpaid interest thereon, (ii) approves this Agreement in its capacity as the assignee of any such Non-Consenting Term B Loan and (iii) agrees that, as of the 2024 Effective Date, the Non-Consenting Term B Loans held by the Fronting Lender shall become "Term B Loans" under (and as defined in) the Amended Credit Agreement for purposes of the Amended Credit Agreement and the other Loan Documents.

Section 5. Consent and Affirmation of the Loan Parties. Each of the Loan Parties, in its capacity as a guarantor under the Subsidiary Guarantee Agreement or Holdings Guarantee and Pledge Agreement, as applicable, and a pledgor under the other Security Documents to which it is a party, hereby (i) consents to the execution, delivery and performance of this Agreement and agrees that each of the Subsidiary Guarantee Agreement and the other Security Documents to which it is a party is, and shall continue to be, in full force and effect and is hereby in all respects ratified and confirmed on the 2024 Effective Date, except that, on and after the 2024 Effective Date, each reference to "Credit Agreement", "First Lien Credit Agreement", "thereunder", "thereof" or words of like import shall, unless the context otherwise requires, mean and be a reference to the Existing Credit Agreement as amended by this Agreement (the "Amended Credit Agreement") and (ii) confirms that the Security Documents to which each of the Loan Parties is a party and all of the Liens on Collateral described therein do, and shall continue to, secure the payment of all of the Obligations.

Section 6. Reference to and Effect on the Loan Documents.

- (a) On and after the 2024 Effective Date, each reference in the Amended Credit Agreement to "hereunder", "hereof", "Agreement", "this Agreement" or words of like import and each reference in the other Loan Documents to "Credit Agreement", "First Lien Credit Agreement", "thereunder", "thereof" or words of like import shall, unless the context otherwise requires, mean and be a reference to the Amended Credit Agreement. From and after the 2024 Effective Date, this Agreement shall be a Loan Document under the Existing Credit Agreement and the Amended Credit Agreement.
- (b) The Security Documents and each other Loan Document, as specifically amended by this Agreement, are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed, and the respective guarantees, pledges, grants of security interests and other agreements, as applicable, under each of the Security Documents, notwithstanding the consummation of the transactions contemplated hereby, shall continue to be in full force and effect and shall accrue to the benefit of the Secured Parties under the Existing Credit Agreement and the Amended Credit Agreement. Without limiting the generality of the foregoing, the Security Documents and all of the Collateral described therein do and shall continue to secure the payment of all Obligations of the Loan Parties under the Loan Documents, in each case, as amended by this Agreement.
- (c) The execution, delivery and effectiveness of this Agreement shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Lender or the Administrative Agent under any of the Loan Documents, nor constitute a waiver of any provision of any of the Loan Documents.
- (d) The Administrative Agent, the Borrower and the Consenting Term B Lenders hereby waive any requirements set forth in Section 9.04 of the Credit Agreement with respect to the assignments set forth in Section 4(b) of this Agreement.
- (e) For the avoidance of doubt, each Consenting Term B Lender waives any break funding payment that it would otherwise be entitled to receive pursuant to Section 2.16 of the Existing Credit Agreement as a result of this Agreement and the transactions contemplated hereby.

Section 7. Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by .pdf or other electronic form shall be effective as delivery of a manually executed original counterpart of this Agreement. The words "execution," "execute", "signed," "signature," and words of like import in or related to any document to be signed in connection with this Agreement and the transactions contemplated hereby shall be deemed to include electronic signatures, the electronic matching of assignment terms and contract formations on electronic platforms approved by the Administrative Agent, or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act; provided that notwithstanding anything contained herein to the contrary the Administrative Agent is under no obligation to agree to accept electronic signatures in any form or in any format unless expressly agreed to by the Administrative Agent pursuant to procedures approved by it. Without limiting the generality of the foregoing, the Borrower and each other Loan Party hereby (i) agrees that, for all purposes, electronic images of this Agreement or any other Loan Documents (in each case, including with respect to any signature pages thereto) shall have the same legal effect, validity and enforceability as any paper original, and (ii) waives any argument, defense or right to contest the validity or enforceability of the Loan Documents based solely on the lack of paper original copies of any Loan Documents, including with respect to any signature pages thereto.

Section 8. Amendments; Headings; Severability. This Agreement may not be amended nor may any provision hereof be waived except pursuant to a writing signed by Holdings, the Borrower and the Administrative Agent acting at the direction of the Consenting Term B Lenders. The Section headings used herein are for convenience of reference only, are not part of this Agreement and are not to affect the construction of, or to be taken into consideration in interpreting this Agreement. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof, and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction. The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions, the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

Section 9. Governing Law; Etc.

- (a) THIS AGREEMENT AND ANY CLAIMS, CONTROVERSY, DISPUTE OR CAUSES OF ACTION (WHETHER IN CONTRACT OR TORT OR OTHERWISE) BASED UPON, ARISING OUT OF OR RELATING TO THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO ANY PRINCIPLE OF CONFLICTS OF LAW THAT COULD REQUIRE THE APPLICATION OF ANY OTHER LAW.
- (b) EACH PARTY HERETO HEREBY AGREES AS SET FORTH IN SECTIONS 9.11 AND 9.15 OF THE EXISTING CREDIT AGREEMENT AS IF SUCH SECTIONS WERE SET FORTH IN FULL HEREIN.

Section 10. No Novation. This Agreement shall not extinguish the obligations for the payment of money outstanding under the Existing Credit Agreement or discharge or release the Lien or priority of any Security Document or any other security therefor. Nothing herein contained shall be construed as a substitution or novation of the obligations outstanding under the Existing Credit Agreement or instruments securing the same, which shall remain in full force and effect, except to any extent modified hereby or by instruments executed concurrently herewith and except to the extent repaid as provided herein. This Agreement shall not constitute a novation of the Credit Agreement or any other Loan Document. Nothing implied in this Agreement or in any other document contemplated hereby shall be construed as a release or other discharge of any of the Loan Parties under any Loan Document from any of its obligations and liabilities as a borrower, guarantor or pledgor under any of the Loan Documents.

Section 11. Notices. All notices hereunder shall be given in accordance with the provisions of Section 9.01 of the Amended Credit Agreement.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

HOLDINGS:

AP GAMING HOLDINGS, LLC, a Delaware limited liability company

By: /s/ David Lopez

Name: David Lopez

Title: Authorized Signatory

BORROWER:

AP GAMING I, LLC, a Delaware limited liability company

By: /s/ David Lopez

Name: David Lopez

Title: Authorized Signatory

SUBSIDIARY LOAN PARTIES:

AP GAMING II, INC., a Delaware corporation

AP GAMING ACQUISITION, LLC, a Delaware limited liability company

AGS CAPITAL, LLC, a Delaware limited liability company

AGS LLC, a Delaware limited liability company

AGS CJ CORPORATION, a Delaware Corporation

AGS CJ HOLDINGS CORPORATION, a Delaware corporation

CADILLAC JACK, INC., a Georgia corporation

By: /s/ David Lopez

Name: David Lopez

Title: Authorized Signatory

AGS CAPITAL, LLC, a Delaware limited liability company

By: /s/ David Lopez

Name: David Lopez

Title: Authorized Signatory

JEFFERIES FINANCE LLC, as Administrative Agent and as Fronting Lender

By: /s/ Peter Cucchiara

Name: Peter Cucchiara

Title: Managing Director

## ROB ZIEMS EMPLOYMENT AGREEMENT

This Employment Agreement (this "Agreement"), dated as of January 29, 2023, and effective as of February 1, 2023 (the "Effective Date"), is made and entered into by and between AGS, LLC, a Delaware limited liability company (the "Company"), and Rob Ziems (the "Executive").

### RECITALS

- A. The Company wishes to employ the Executive and the Executive wishes to serve for the Company as its Chief Legal Officer ("CLO") pursuant to this employment agreement (the "Employment Agreement"). In the role of CLO, the Executive will primarily manage the legal operations of the Company, including but not limited to, budgetary and operational oversight of the legal and compliance departments of the Company; as well, and at the discretion and oversight of the CEO in consultation with the Executive, the Executive may be called upon to provide oversight to other segments/departments of the Company, such as Interactive and LATAM.
- B. The parties have agreed that the Executive's employment with the Company shall commence on or about February 1, 2023 and the Executive has agreed to assist the current General Counsel & Secretary to transition from the Company and the current General Counsel & Secretary has agreed to provide guidance to the Executive during his transition period. The General Counsel title will be relinquished by the current General Counsel in favor of the CLO title. The Secretary title being an official officer title in the Company will transfer at the discretion of the Board by no later than July 30, 2023.
- C. In connection with the foregoing, the Executive and the Company desire to enter into a mutually satisfactory arrangement concerning, among other things, the terms of the Executive's service with the Company, the terms of the Executive's service during a transition period, and other matters related thereto.

### AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and of the respective covenants and agreements set forth below, the parties hereto agree as follows:

#### Section 1. Term, Duties, Compensation, & Termination.

- (a) Term. The term of the Executive's employment under this Agreement shall commence as of the Effective Date and shall continue until the Expiration Date (as defined below), unless terminated earlier in accordance with Section 1(f) below. The period of time from the Effective Date through the Termination Date (as defined below) is herein referred to as the "Term."
- (b) Duties. During the Term, the executive will report to the CEO, and the Executive agrees to provide services relating to the Company's legal operations (which shall include collaboration with the management team of the Company and its affiliates), the smooth transition of the General Counsel's current duties and responsibilities and such other matters as reasonably requested by the CEO. During the Term, the Executive may be appointed to serve as a director or other roles of any board of the Company's subsidiaries and affiliates (or any committees thereof), subject to approval by the Chief Executive Officer of the Company and/or the Board as needed.
- (c) Principal Place of Employment. During the Term, the Executive will work at the Company's Las Vegas headquarters offices.
- (d) Base Salary; Annual Bonus; and Employee Benefits. During the Term, the Executive shall receive a base salary at a rate determined by the Chief Executive Officer and the Board of Directors of PlayAGS, Inc. (the "Board"); provided, that such base salary shall in no event be less than \$370,000 per annum. On each anniversary date of the Effective Date, Employee's Base Annual Salary shall be increased by not less than the cost of living increase announced by the Social Security Administration for the year prior to the subject year Base Salary increase as published at <http://www.ssa.gov/cola>, but in no event less than 3%. In addition, the Executive shall remain eligible to receive an annual performance-based bonus under the Company's annual incentive plan during the Term, with an annual target bonus opportunity consistent with other executives at the SVP level of no less than 75% of his base salary, to the extent that any such bonus is earned, and such bonus shall be payable at the same time that bonuses are paid to similarly situated active employees. During the Term, the Executive shall be entitled to participate in the Company's benefit plans and programs (including life, disability, medical, dental, 401(k) and vacation) that are in effect for its employees from time to time, subject to the terms and conditions of such plans. Executive will be provided a signing bonus in the amount of \$150,000 due within 30 days of execution of this Agreement, however, if Executive voluntarily terminates his employment with the Company (other than for Good Reason) within 36 months of the Effective Date, then Executive agrees that he will repay this signing bonus to the Company on a pro-rata basis. Executive will also be entitled to reimbursement of routine ordinary lawyer expenses, including but not limited to: bar dues, Continuing Legal Education (or CLE) to maintain his standing as required as a lawyer.
- (e) Equity. During the Term, the Executive shall be eligible to participate in the Company's annual equity award grant cycle and receive equity awards pursuant to the PlayAGS, Inc. Omnibus Incentive Plan (the "Equity Plan"), subject to approval by the Board (which shall not be unreasonably withheld).
- (f) Termination Date. The Executive shall serve at the leisure of the CEO and the Executive's employment is at-will. The Executive hereby acknowledges and agrees that, unless otherwise agreed to by and between the Executive and the Company, the Executive's separation from service from the Company and from any other position he holds as an officer, director, committee member, or other service provider of the Company and its subsidiaries will become effective as of the close of business on the Expiration Date as that date may be derived below in this Agreement; provided, that such separation from service may occur earlier upon the Executive's death, a termination due to his Disability (as defined below), the Executive's voluntary resignation (with or without Good Reason, as defined below), a termination by the Company without Cause (as defined below) or a termination by the Company for Cause (in any case, an "Early Termination," and the earlier of the Expiration Date and an Early Termination, the "Termination Date").
- (g) Status with the Company Post-Termination. The Executive shall not represent himself after the Termination Date as being an employee, officer, director, agent, or representative of the Company or any of its subsidiaries for any purpose. The Termination Date shall be the termination date of the Executive's employment for purposes of any compensation or benefits described in this Section 1, and participation in and coverage under all benefit plans and programs sponsored by or through the Company, except as otherwise provided in Section 2 hereunder.

#### Section 2. Payments and Benefits Upon Termination of Employment; Change in Control.

- (a) Accrued Benefits. Notwithstanding anything herein to the contrary, the Executive shall receive, as soon as reasonably practicable following the Termination Date (i) his accrued but unpaid base salary through and including the Termination Date and (ii) all other payments or benefits to which the Executive shall be entitled under the terms of any applicable Company compensation or benefit plan, program or arrangements or applicable law (collectively, the "Accrued Benefits").
- (b) Severance Benefits. Upon the earlier of (i) the Expiration Date, (ii) the Executive's earlier termination of employment by the Company without Cause, or (iii) the Executive's earlier resignation for Good Reason, subject in each case to (x) the Executive's execution of a general release of claims in a form and manner satisfactory to the Company (which must be signed by the Executive and become irrevocable on or prior to the 60th day following the Termination Date) (the "Release Requirement"), and (y) the Executive's compliance with the post-termination obligations and restrictive covenants as described in Section 3 below, the Company shall provide the Executive with the following benefits (the "Severance Benefits"):
  -



- (i) a cash payment equal to two (2) times the sum of (A) the Executive's Base Salary and (B) annual target bonus, payable in accordance with the Company's customary payroll practices during the period beginning on the Executive's termination of employment and ending on the earlier to occur of (A) the twenty-four (24) month anniversary of the Executive's termination of employment and (B) the first date that the Executive violates any of the restrictive covenants contained herein (the "Severance Period");
  - (ii) continued coverage during the Severance Period (or until the Executive becomes eligible for comparable coverage under the medical health plans of a successor employer, if earlier) for the Executive and any eligible dependents under the Company's health and welfare plans in which the Executive and any such dependents participated in immediately prior to the date of the Executive's termination of employment, to the extent permitted thereunder and subject to any active-employee cost-sharing or similar provisions in effect for the Executive thereunder as of immediately prior to the date of the Executive's termination of employment; provided that such coverage shall not be provided in the event the Company would be subject to any excise tax under Section 4980D of the Code or other penalty or liability pursuant to the provisions of the Patient Protection and Affordable Care Act of 2010 (as amended from time to time), and in lieu of providing the coverage described above, the Company shall instead pay to the Executive a fully taxable monthly cash payment in an amount such that, after payment by the Executive of all taxes on such payment, the Executive retains an amount equal to the applicable premiums for such month, with such monthly payment being made on the last day of each month for the remainder of the Severance Period. For the avoidance of doubt, the Executive's health benefit coverage from the Company during the Severance Period shall run concurrent with the health continuation coverage period mandated by Section 4980B of Internal Revenue Code of 1986, as amended (the "Code");
  - (iii) acceleration and vesting of 100% of the Executive's then-outstanding and unvested equity awards; and
  - (iv) pro-rated annual bonus for the year in which the Executive is terminated, based on actual performance results and payable at the same time that the Company pays all similarly situated active employees their annual bonuses.
- (c) Change in Control. Upon a Change in Control, the Executive shall be entitled to acceleration and vesting of 100% of the Executive's then-outstanding and unvested equity awards, subject to the Executive's continued employment through the date of such Change in Control. For purposes of this Section 2, "Change in Control" shall have the meaning set forth in the Equity Plan.
- (d) Cause. "Cause" shall mean the Executive's termination of employment based upon any one of the following, as determined in good faith by the Company or the Board: (i) illegal fraudulent conduct, (ii) conviction of or plea of "guilty" or "no contest" to any crime constituting a felony or other crime involving dishonesty, breach of trust, moral turpitude or physical harm to any person, (iii) a determination by the Company or the Board that the Executive's involvement with the Company would have a negative impact on the Company's ability to receive or retain any licenses, (iv) being found unsuitable for, or having been denied, a gaming license, or having such license revoked by a gaming regulatory authority in any jurisdiction in which the Company or any of its subsidiaries or affiliates conducts operations, (v) willful or material misrepresentation to the Company or to members of the Board relating to the business, assets or operations of the Company, (vi) refusal to take any action that is consistent with the Executive's obligations and responsibilities hereunder as reasonably directed by the Company or the Board, if such refusal is not cured within five days of written notice from the Company or the Board, or (vii) material breach of any agreement with the Company and its affiliates, which material breach has not been cured within 30 days written notice from the Company or the Board.
- (e) Good Reason. "Good Reason" shall mean a material diminution of the Executive's duties, title, reporting structure, or base salary and/or other compensation as provided herein; provided that, the Executive may not terminate employment for Good Reason unless the Executive provides written notice to the Company within 90 days after the Executive's first having knowledge of the Good Reason event, and the Company has not cured such event within 30 days of receiving such notice.
- (f) Disability. "Disability" shall mean the absence of the Executive from the Executive's duties with the Company on a full-time basis for 90 business days within a one-year period as a result of incapacity due to physical or mental illness that is determined to be permanent by a physician selected by the Company or its insurers who is also reasonably acceptable to the Executive or the Executive's legal representative.
- (g) No Further Payments or Benefits. The Executive hereby acknowledges and agrees that the payments provided pursuant to this Agreement are in full discharge of any and all liabilities and obligations of the Company to the Executive, monetarily or with respect to employee benefits or otherwise, including, but not limited to, any and all obligations arising under any written or oral agreement, policy, plan, or procedure of the Company, or any actual or purported understanding or arrangement between the Executive and the Company (or anyone purporting to act on the Company's behalf).
- (h) Executive's Breach of Post-Employment Obligations. If the Executive breaches any of his continuing obligations as described in Section 3 below, the Severance Period shall terminate, and all subsequently scheduled payments shall cease.
- (i) Early Termination. Notwithstanding anything herein to the contrary, in the event of an Early Termination by the Company for Cause or by the Executive without Good Reason, the Executive shall not be entitled to any further payments or benefits from the Company, including, without limitation, any future payments of base salary and the Severance Benefits, other than the Accrued Benefits.

Section 3. Continuing Obligations. The Executive hereby acknowledges and agrees to abide by the restrictive covenants set forth in Annex A hereto and all of the covenants and other provisions set forth in any other agreement between the Executive and the Company that by their terms survive the termination of the Executive's employment (the "Continuing Obligations").

#### Section 4. Section 409A.

- (a) For purposes of this Agreement, "Section 409A" means Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and the Treasury Regulations promulgated thereunder (and such other Treasury or Internal Revenue Service guidance) as in effect from time to time. The parties intend that any amounts payable hereunder that could constitute "deferred compensation" within the meaning of Section 409A will be compliant with Section 409A or exempt from Section 409A.
- (b) Notwithstanding anything in this Agreement to the contrary, the following special rule shall apply, if and to the extent required by Section 409A, in the event that (i) the Executive is deemed to be a "specified employee" within the meaning of Section 409A(a)(2)(B) (i) (as determined in accordance with the methodology established by the Company as in effect on the date of the Executive's "separation from service" (within the meaning of Treasury Regulations Section 1.409A-1(h)), (ii) amounts or benefits under this Agreement or any other program, plan or arrangement of the Company or a controlled group affiliate thereof are due or payable on account of separation from service, and (iii) the Executive is employed by a public company or a controlled group affiliate thereof: no payments hereunder that are "deferred compensation" subject to Section 409A shall be made to the Executive prior to the date that is six (6) months after the date of the Executive's separation from service or, if earlier, ten (10) days following the Executive's date of death; following any applicable six (6)-month delay, all such delayed payments, plus interest based on the applicable rate as of the date payment would have been made but for the Section 409A delay, will be paid in a single lump sum on the earliest permissible payment date.

- (c) Any payment or benefit due or payable on account of the Executive's separation from service that represents a "deferral of compensation" within the meaning of Section 409A shall commence to be paid or provided to the Executive sixty-one (61) days following the Executive's separation from service; provided that the Executive executes, if required by Section 2, the release described therein, within sixty (60) days following his "separation from service." Each payment made under this Agreement (including each separate installment payment in the case of a series of installment payments) shall be deemed to be a separate payment for purposes of Section 409A. Amounts payable under this Agreement shall be deemed not to be a "deferral of compensation" subject to Section 409A to the extent provided in the exceptions in Treasury Regulations §§ 1.409A-1(b)(4) ("short-term deferrals") and (b)(9) ("separation pay plans," including the exception under subparagraph (iii)) and other applicable provisions of Section 409A, and shall be paid under any such exception to the maximum extent permitted. For purposes of this Agreement, with respect to payments of any amounts that are considered to be "deferred compensation" subject to Section 409A, references to "termination of employment," "termination," or words and phrases of similar import, shall be deemed to refer to the Executive's "separation from service" as defined in Section 409A, and shall be interpreted and applied in a manner that is consistent with the requirements of Section 409A. In no event may the Executive, directly or indirectly, designate the calendar year of any payment under this Agreement.
- (d) Notwithstanding anything to the contrary in this Agreement, any payment or benefit under this Agreement or otherwise that is eligible for exemption from Section 409A pursuant to Treasury Regulation § 1.409A-1(b)(9)(v)(A) or (C) (relating to certain reimbursements and in-kind benefits) shall be paid or provided to the Executive only to the extent that the expenses are not incurred, or the benefits are not provided, beyond the last day of the second calendar year following the calendar year in which the Executive's "separation from service" occurs; and provided further that such expenses are reimbursed no later than the last day of the third calendar year following the calendar year in which the Executive's "separation from service" occurs. To the extent any indemnification payment, expense reimbursement, or the provision of any in-kind benefit is determined to be subject to Section 409A (and not exempt pursuant to the prior sentence or otherwise), the amount of any such indemnification payment or expenses eligible for reimbursement, or the provision of any in-kind benefit, in one (1) calendar year shall not affect the indemnification payment or provision of in-kind benefits or expenses eligible for reimbursement in any other calendar year (except for any lifetime or other aggregate limitation applicable to medical expenses), and in no event shall any indemnification payment or expenses be reimbursed after the last day of the calendar year following the calendar year in which the Executive incurred such indemnification payment or expenses, and in no event shall any right to indemnification payment or reimbursement or the provision of any in-kind benefit be subject to liquidation or exchange for another benefit.

#### Section 5. Section 280G.

- (a) If there is a change of ownership or effective control or change in the ownership of a substantial portion of the assets of the Company (within the meaning of Section 280G of the Code) (a "280G CIC") and any payment or benefit (including payments and benefits pursuant to this Agreement) that the Executive would receive from the Company or otherwise ("Transaction Payment") would (i) constitute a "parachute payment" within the meaning of Section 280G of the Code and (ii) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the "Excise Tax"), then the Company shall cause to be determined, before any amounts of the Transaction Payment are paid to the Executive, which of the following two alternative forms of payment would result in the Executive's receipt, on an after-tax basis, of the greater amount of the Transaction Payment notwithstanding that all or some portion of the Transaction Payment may be subject to the Excise Tax: (A) payment in full of the entire amount of the Transaction Payment (a "Full Payment"), or (B) payment of only a part of the Transaction Payment so that the Executive receives the largest payment possible without the imposition of the Excise Tax (a "Reduced Payment"), and the Executive shall be entitled to payment of whichever amount that shall result in a greater after-tax amount for the Executive. For purposes of determining whether to make a Full Payment or a Reduced Payment, the Company shall cause to be taken into account all applicable federal, state and local income and employment taxes and the Excise Tax (all computed at the highest applicable marginal rate, net of the maximum reduction in federal income taxes which could be obtained from a deduction of such state and local taxes). If a Reduced Payment is made, the reduction in payments and/or benefits will occur in the following order: (1) first, reduction of cash payments, in reverse order of scheduled payment date (or if necessary, to zero), (2) then, reduction of non-cash and non-equity benefits provided to the Executive, on a pro rata basis (or if necessary, to zero) and (3) then, cancellation of the acceleration of vesting of equity award compensation in the reverse order of the date of grant of the Executive's equity awards.
- (b) Unless the Executive and the Company otherwise agree in writing, any determination required under this section shall be made in writing by the Company's independent public accountants (the "Accountants"), whose determination shall be conclusive and binding upon the Executive and the Company for all purposes. For purposes of making such determination, the Accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code.

#### Section 6. Withholding; Taxes.

The Company shall be entitled to withhold from any amounts payable under this Agreement any federal, state, local, and foreign withholding and other taxes and charges that the Company is required to withhold. The Company shall be entitled to rely on an opinion of counsel if any questions as to the amount or requirement of withholding shall arise.

#### Section 7. Assignment and Successors.

The Company may assign its rights and obligations under this Agreement to any entity, including any successor to all or substantially all the assets of the Company, by merger or otherwise, and may assign or encumber this Agreement and its rights hereunder as security for indebtedness of the Company and its affiliates. The Executive may not assign his rights or obligations under this Agreement to any individual or entity. This Agreement shall be binding upon and inure to the benefit of the Company and the Executive and their respective successors, assigns, personnel, legal representatives, executors, administrators, heirs, distributees, devisees, and legatees, as applicable. In the event of the Executive's death following a termination of his employment, all unpaid amounts otherwise due to the Executive shall be paid to his estate.

#### Section 8. Enforcement.

If any provision of this Agreement is held to be illegal, invalid, or unenforceable under present or future laws effective during the Term of this Agreement, such provision shall be fully severable, this Agreement shall be construed and enforced as if such illegal, invalid, or unenforceable provision were never a part of this Agreement, and the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid, or unenforceable provision or by its severance from this Agreement. Furthermore, in lieu of such illegal, invalid, or unenforceable provision, there shall be added automatically as part of this Agreement a provision as similar in terms to such illegal, invalid, or unenforceable provision as may be possible and be legal, valid, and enforceable.

#### Section 9. Construction.

This Agreement shall be deemed drafted equally by both of the parties hereto. Its language shall be construed as a whole and according to its fair meaning. Any presumption or principle that the language is to be construed against any party shall not apply. The headings in this Agreement are only for convenience and are not intended to affect construction or interpretation. Any references to paragraphs, subparagraphs, sections, or subsections are to those parts of this Agreement, unless the context clearly indicates to the contrary. Also, unless the context clearly indicates to the contrary, (a) the plural includes the singular, and the singular includes the plural; (b) "and" and "or" are each used both conjunctively and disjunctively; (c) "any," "all," "each," or "every" means "any and all," and "each and every"; (d) "includes" and "including" are each "without limitation"; and (e) "herein," "hereof," "hereunder," and other similar compounds of the word "here" refer to the entire Agreement and not to any particular paragraph, subparagraph, section, or subsection.

#### i. 10. Notices.

All notices or other communications required or permitted to be given hereunder shall be in writing and shall be delivered by hand or sent by email or sent, postage prepaid, by registered, certified or express mail or overnight courier service and shall be deemed given when so delivered by hand or (unless notice of non-receipt is received by the sender) email, or if mailed, three days after mailing (one business day in the case of overnight mail or overnight courier service) to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

(a) If to the Company:

AGS, LLC  
6775 Edmond St, Suite 300  
Las Vegas, NV 89118  
Facsimile: (702) 722-6705  
Attention: CEO & HR

(b) If to the Executive, at his most recent address on the payroll records of the Company.

Section 11. Entire Agreement.

This Agreement constitutes the entire understanding and agreement between the Executive and the Company regarding the termination of the Executive's employment. This Agreement supersedes all prior negotiations, discussions, correspondence, communications, understandings, and agreements between the Executive and the Company relating to the subject matter of this Agreement, including the Employment Agreement.

Section 12. Amendments; Waivers.

This Agreement may not be modified, amended, or terminated except by an instrument in writing signed by the Executive and a duly authorized officer of Company (other than the Executive) that expressly identifies the amended provision of this Agreement. By an instrument in writing similarly executed and similarly identifying the waived compliance, the Executive or a duly authorized officer of the Company may waive compliance by the other party or parties with any provision of this Agreement that such other party was or is obligated to comply with or perform; provided, however, that such waiver shall not operate as a waiver of, or estoppel with respect to, any other or subsequent failure to comply or perform. No failure to exercise and no delay in exercising any right, remedy, or power hereunder shall preclude any other or further exercise of any other right, remedy, or power provided herein or by law or in equity.

Section 13. Governing Law.

This Agreement will be governed by and construed in accordance with the laws of the State of Nevada, without giving effect to the choice of law principles thereof to the extent that the application of the laws of another jurisdiction would be required thereby.

Section 14. Arbitration.

The parties agree to resolve any disputes through arbitration in Las Vegas, Nevada. This Section is governed by the Federal Arbitration Act, 9 U.S.C. § 1, et seq., and applies to any dispute brought by either party arising out of or related to the Executive's employment including termination of the employment. This Section is intended to apply to the resolution of disputes that otherwise would be resolved in a court of law. The following claims are excluded from coverage by this Section: (1) claims for breach of Section 3 and Annex A, including any of its subparts, seeking specific performance of or injunctive relief; (2) claims that, as a matter of law, may not be subject to mandatory arbitration; and (3) claims that may be adjudicated in small claims court.

Section 15. Counterparts.

The Agreement may be executed by the parties hereto as separate counterparts and such counterparts shall be deemed to be one and the same instrument. Each party hereto confirms that any facsimile copy or .pdf of such party's executed counterpart of the Agreement (or its signature page thereof) shall be deemed to be an executed original thereof.

\* \* \*

[Signatures to appear on following page]

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IN WITNESS WHEREOF, the parties have executed this Agreement as of the date set forth below.  
AGS, LLC

By: /s/ David Lopez  
David Lopez  
Its: CEO

EXECUTIVE

By: /s/Rob Ziems  
Rob Ziems  
Dated: 01/29/2023

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**Annex A**  
**Restrictive Covenants**

- Section 1. Confidentiality; Work Product. The term "Confidential Information" as used in this Agreement means all information disclosed, before or after the execution of this Agreement, by Company to the Executive, as well as any information to which the Executive has access or that is learned, generated or created by the Executive, whether alone or jointly with others. Confidential Information includes, but is not limited to: (i) source code and programming information, including proprietary wireless and portable computer technology software; (ii) licensing and purchasing agreements; (iii) client lists and other client data, supplier lists, pricing information and fee schedules; (iv) employment, management and consulting agreements and other organization information; (v) trade secrets and other proprietary business and management methods; (vi) competitive analysis and strategies; (vii) all other technical, marketing, operational, economic, business, management, or financial knowledge, information or data of any nature whatsoever relating to the business of Company, which has been or may hereafter be learned, generated, created, or otherwise obtained by the Executive, alone or jointly with others, whether in written, electronic, oral, or any other form; and (viii) any extracts therefrom. Confidential Information shall not include: (i) information that at the time of disclosure is publicly available, or information which later becomes publicly available through no act or omission of the Executive; (ii) information that the Executive independently developed without the use of Company's Confidential Information; or (iii) information disclosed to the Executive by a third party not in violation of any obligations of confidentiality to the Company. The Executive agrees to only use Confidential Information for the purpose of performing his duties for the Company within the course and scope of employment and will make no use or disclosure of the Confidential Information, in whole or in part, for any other purpose. The Executive agrees to keep confidential all Confidential Information and to preserve the confidential and proprietary nature of the Confidential Information at all times. In the event that the Executive is requested or required by subpoena or court order to disclose any Confidential Information, it is agreed that the Executive will provide immediate notice of such request to Company and will use reasonable efforts to resist disclosure, until an appropriate protective order may be sought, or a waiver of compliance with the provisions of this Agreement granted. Upon the termination of the Executive's employment with Company for any reason, the Executive shall return all Confidential Information and Company property in his possession including, without limitation, all originals, copies, translations, notes, or any other form of said material, without retaining any copy of duplicates thereof, and promptly to delete or destroy any and all written, printed, electronic or other material or information derived from the Confidential Information.
- Section 2. Work For Hire. The Executive understands and agrees that, to the extent permitted by law, all work, papers, reports, documentation, drawings, images, product ideas, service ideas, photographs, negatives, tapes and masters thereof, computer programs including their source code and object code, prototypes and other materials created for the benefit of the Company (collectively, "Work Product"), including without limitation, any and all such Work Product generated and maintained on any form of electronic media, that the Executive generates, either alone or jointly with others, during employment with Company will be considered a "work made for hire," and ownership of any and all copyrights in any all such Work Product will belong to the Company. In the event that any portion of the Work Product should be deemed not to be a "work made for hire" for any reason, the Executive hereby assigns, conveys, transfers and grants, and agrees to assign, convey, transfer and grant to Company all of the Executive's right, title, and interest in and to the Work Product and any copyright therein, and agrees to cooperate with Company in the execution of appropriate instruments assigning and evidencing such ownership rights. The Executive hereby waives any claim or right under "droit moral" or moral rights to object to Company's copyright in or use of the Work Product. Any Work Product not generally known to the public shall be deemed Confidential Information and shall be subject to the use and disclosure restrictions herein.
- Section 3. Inventions. The Executive hereby assigns and agrees to assign to the Company all of the Executive's right, title, and interest in and to any discoveries, inventions and improvements created for the benefit of the Company (each an "Invention," and collectively, "Inventions"), whether patentable or not, that the Executive makes, conceives or suggests, either alone or jointly with others, while employed by Company. Any Invention that was made, conceived or suggested by the Executive, either solely or jointly with others, within one (1) year following termination of employment with Company and that pertains to any Confidential Information or business activity of Company will be irrebuttably presumed to have been made, conceived or suggested in the course of the Executive's employment and with the use of the time, materials or facilities of Company. Any Invention not generally known to the public shall be deemed Confidential Information and shall be subject to the use and disclosure restriction herein.
- Section 4. Non-Competition. While employed by the Company and for the Restricted Period, the Executive shall not (a) provide services that are the same as or similar in function or purpose to the services the Executive provided to the Company during the Covered Period; or (b) provide such other services that are otherwise likely or probable to result in the use or disclosure of Confidential Information; to a business whose products and services include products and services offered by the Company during the Covered Period (a "Competitive Business") within any jurisdiction or marketing area in which the Company or any of its subsidiaries is doing business or has invested and established goodwill in demonstrating an intent to do business during the Covered Period. The Executive's ownership of securities of 2% or less of any publicly traded class of securities of a public company shall not violate this Section. The "Restricted Period" shall be the eighteen-month period following the date of the Executive's termination of employment with Company. The "Covered Period" means the six (6) month period of time immediately preceding the termination of the Executive's employment with Company. Nothing in this Agreement shall be interpreted to restrict the right of the Executive to practice law after termination of the employment relationship. Executive and the CEO may meet and confer with regard to any other outside activities that the Executive wishes to participate in (such as Board or Committee activities for other companies or charities) and the CEO will have the final say in any such other activities.
- Section 5. Non-Solicitation. During the Restricted Period, the Executive shall not, directly or indirectly, (i) solicit for employment any individual who is then an employee of the Company or its subsidiaries or who was an employee of the Company or its subsidiaries within the Covered Period (a "Covered Employee"), or (ii) contract for, hire or employ any Covered Employee earning at least \$100,000 in annualized base compensation as of the Covered Employee's most recent date of employment with the Company. During the Restricted Period, the Executive shall also not take any action that could reasonably be expected to have the effect of encouraging or inducing any employee, representative, officer or director of the Company or any of its subsidiaries to cease their relationship with the Company or any of its subsidiaries for any reason. In addition, during the Restricted Period, the Executive shall not, with respect to providing services to a Competitive Business, solicit for business of, any person or entity who is or was a customer of the Company or potential customer with whom the Company had initiated contact, during the Covered Period.
- Section 6. Nondisparagement. At all times during the Executive's employment and thereafter, the Executive shall refrain from all conduct, verbal or otherwise, that disparages or damages the reputation, goodwill, or standing in the community of the Company or any of its affiliates.
- Section 7. Remedies. The parties agree that this Annex A, including its subparts (the "Covenants"), has been specifically negotiated by sophisticated parties. The Executive acknowledges and agrees that the Covenants are reasonable in light of all of the circumstances, are sufficiently limited to protect the legitimate interests of the Company and its affiliates, impose no undue hardship on the Executive, and are not injurious to the public, and further acknowledges and agrees that the Executive's breach of the Covenants will cause the Company irreparable harm, which cannot be adequately compensated by money damages, and that if the Company elects to prevent the Executive from breaching such provisions by obtaining an injunction against the Executive, there is a reasonable probability of the Company's eventual success on the merits. Accordingly, the Executive consents and agrees that if the Executive commits any such breach or threatens to commit any breach, the Company shall be entitled to temporary and permanent injunctive relief from a court of competent jurisdiction, without posting any bond or other security and without the necessity of proof of actual damages, in addition to, and not in lieu of, such other remedies as may be available to the Company for such breach, including the recovery of money damages. In the event that the Covenants shall be determined by any court of competent jurisdiction to be unenforceable by reason of their extending for too great a period of time, over too great a geographical area, or by reason of being too extensive or vague in any other respect, they shall be interpreted to extend only over the maximum period of time for which they may be enforceable and/or over the maximum geographical areas as to which they may be enforceable and/or to the maximum extent in all other respects as to which they may be enforceable, all as determined by such court in such action.

Section 8. Acknowledgments. The Executive acknowledges and agrees that nothing in this Agreement shall prohibit the Executive from reporting possible violations of federal or state law or regulation to or otherwise cooperating with or providing information requested by any governmental agency or entity, including, but not limited to, the Department of Justice, the Securities and Exchange Commission, the U.S. Equal Employment Opportunity Commission, the Congress, and any agency Inspector General, or making other disclosures that are protected under the whistleblower provisions of federal or state law or regulation. The Executive does not need the prior authorization of the Company to make any such reports or disclosures and the Executive is not required to notify the Company that the Executive has made such reports or disclosures. Notwithstanding anything to the contrary contained herein, the Executive will not be held criminally or civilly liable under any federal or state trade secret law for any disclosure of Confidential Information that is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. If the Executive files a lawsuit for retaliation by the Company for reporting a suspected violation of law, the Executive may disclose the Company's Confidential Information to the Executive's attorney and use the Confidential Information in the court proceeding if the Executive (A) files any document containing the trade secret under seal; and (B) does not disclose the Confidential Information, except pursuant to court order.

Section 9. Survival. This Annex A and all of its subparts shall survive the Executive's termination of employment for any reason.

*[Remainder of page intentionally left blank]*

**SUBSIDIARIES OF PLAYAGS, INC.**  
As of December 31, 2023

<b>Name</b>	<b>Jurisdiction of Incorporation</b>
PlayAGS, Inc.	Nevada
AP Gaming, Inc.	Delaware
AP Gaming Holdings, LLC	Delaware
AP Gaming I, LLC	Delaware
AP Gaming II, Inc.	Delaware
AP Gaming Acquisition, LLC	Delaware
AGS Capital, LLC	Delaware
PLAYAGS BRASIL LTDA	Brazil
AGS LLC	Delaware
AGS CJ Corporation	Delaware
AGS CJ Holdings Corporation	Delaware
Cadillac Jack, Inc.	Georgia
PLAYAGS Mexico, S. De R.L. De C.V.	Mexico
Platform 9 Corporation	Delaware
Integrity Gaming LLC	Oklahoma
PLAYAGS AUSTRALIA PTY	Australia
AGSi LLC	Nevada
AGS Interactive US, INC.	California
GAMINGO (ISRAEL), LTD.	Israel
AGSi Holdings LLC	Nevada
Gameiom Technologies Limited	Isle of Man
AGSi Malta Limited	Malta
Gameiom Technologies (Gibraltar) Limited	Gibraltar

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-257677) and Form S-8 (Nos. 333-222740, 333-249929 and 333-266224) of PlayAGS, Inc. of our report dated March 6, 2024 relating to the financial statements, financial statement schedules and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP  
Las Vegas, Nevada  
March 6, 2024



**Certification of Principal Executive Officer  
of Periodic Report Pursuant to Rule 13a-14(a) and Rule 15d-14(a)**

I, David Lopez, certify that:

1. I have reviewed this Annual Report on Form 10-K of PlayAGS, 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: March 6, 2024

/s/ DAVID LOPEZ

David Lopez

Chief Executive Officer, President and Director (Principal Executive Officer)

**Certification of Principal Financial Officer  
of Periodic Report Pursuant to Rule 13a-14(a) and Rule 15d-14(a)**

I, Kimo Akiona, certify that:

1. I have reviewed this Annual Report on Form 10-K of PlayAGS, 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: March 6, 2024

/s/ KIMO AKIONA

Kimo Akiona

Chief Financial Officer, Chief Accounting

Officer and Treasurer

(Principal Financial and Accounting Officer)

**Certification of Principal Executive Officer and Principal Financial Officer  
Pursuant to 18 U.S.C. Section 1350**

In connection with this Annual Report on Form 10-K of PlayAGS, Inc. (the "Company") for the year ended December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), David Lopez, as Chief Executive Officer of the Company, and Kimo Akiona, 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 his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, 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.

Date: March 6, 2024

/s/ DAVID LOPEZ

David Lopez  
*Chief Executive Officer, President and Director*  
*(Principal Executive Officer)*

Date: March 6, 2024

/s/ KIMO AKIONA

Kimo Akiona  
*Chief Financial Officer, Chief Accounting*  
*Officer and Treasurer*  
*(Principal Financial and Accounting Officer)*

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 PlayAGS, Inc. and will be retained by PlayAGS, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

**PLAYAGS, INC.  
CLAWBACK POLICY**

PlayAGS, Inc. (the "Company") has adopted this Policy in accordance with New York Stock Exchange listing requirements.

**A. Application of Policy**

This Policy applies in the event of any accounting restatement ("Restatement") due to the Company's material non-compliance with financial reporting requirements under applicable federal securities laws, in accordance with Rule 10D-1 of the Securities Exchange Act of 1934 ("Rule 10D"). This Policy shall apply to Incentive-Based Compensation (as defined below) received on or after October 2, 2023 (the "Effective Date").

**B. Executive Officers Subject to the Policy**

The executives of the Company who serve or served as an "executive officer" (as defined under Rule 10D) of the Company (the "Executive Officers") are covered by this Policy. This includes the Company's current or former principal executive officer, president, principal financial officer and/or chief accounting officer, and/or any vice-president (or higher) in charge of a principal revenue-generating business unit. The list of Executive Officers as of the Effective Date is set forth on Appendix A, which may be updated from time to time. All of these Executive Officers (as well as any former Company employee who while employed by the Company would have fit within the definition of Executive Officer) are subject to this Policy, even if an Executive Officer had no responsibility for the financial statement errors which required restatement. The Company's Board of Directors (the "Board") determines who shall be an Executive Officer for purposes of this Policy on annual basis.

**C. Compensation Subject to and Clawback Period of the Policy**

This Policy covers all incentive-based compensation (including any cash or equity compensation) that is granted, earned or vested based wholly or in part upon the attainment of any "financial reporting measure" ("Incentive-Based Compensation"). This Policy applies to any Incentive-Based Compensation "received" by an Executive Officer during the period (the "Clawback Period") consisting of any of the three completed fiscal years immediately preceding:

- the date that the Company's Board (or Audit Committee) concludes, or reasonably should have concluded, that the Company is required to prepare a Restatement, or
- the date that a court, regulator, or other legally authorized body directs the Company to prepare a Restatement.

Financial reporting measures are those that are determined and presented in accordance with the accounting principles used in preparing the Company's financial statements and any measures derived wholly or in part from such financial information (including non-GAAP measures, stock price and total shareholder return). For purposes of this Policy, Incentive-Based Compensation is deemed "received" in the fiscal period during which the applicable financial reporting measure (as specified in the terms of the award) is attained (the "Performance Period"), even if the payment or grant occurs after the end of that fiscal period. For the avoidance of doubt, the Clawback Period with respect to an Executive Officer applies to Incentive-Based Compensation received by the Executive Officer (a) after beginning services as an Executive Officer (including compensation derived from an award authorized before the individual is newly hired as an Executive Officer, e.g. inducement grants) and (b) if that person served as an Executive Officer at any time during the Performance Period for such Incentive-Based Compensation.

For the avoidance of doubt, Incentive-Based Compensation does not include (i) base annual salary, (ii) compensation which is awarded based solely on service to the Company (e.g. a time-vested award, including time-vesting stock options or restricted share units), or (iii) compensation which is awarded based solely on subjective standards, strategic measures (e.g. completion of a merger) or operational measures (e.g. attainment of a certain market share).

**D. Amount Required to be Repaid Pursuant to this Policy**

The amount of Incentive-Based Compensation that must be repaid by the Executive Officer (subject to the few limitations discussed below) is the amount of Incentive-Based Compensation received by the Executive Officer that exceeds the amount of Incentive-Based Compensation that otherwise would have been received had it been determined based on the Restatement (the "Recoverable Amount"). Applying this definition, after a Restatement, the Company will recalculate the applicable financial reporting measure and the Recoverable Amount in accordance with SEC and New York Stock Exchange rules. The Company will determine whether, based on that financial reporting measure as calculated relying on the original financial statements, the Executive Officer received a greater amount of Incentive-Based Compensation than would have been received applying the recalculated financial measure. Where Incentive-Based Compensation is based only in part on the achievement of a financial reporting measure performance goal, the Company will determine the portion of the original Incentive-Based Compensation based on or derived from the financial reporting measure which was restated and will recalculate the affected portion based on the financial reporting measure as restated to determine the difference between the greater amount based on the original financial statements and the lesser amount that would have been received based on the Restatement. The Recoverable Amounts will be calculated on a pre-tax basis to ensure that the Company recovers the full amount of Incentive-Based Compensation that was erroneously awarded. Documentation of the Company's calculation of the Recoverable Amount shall be maintained, and may be provided to the New York Stock Exchange as required by the New York Stock Exchange rules.

In no event shall the Company be required to award Executive Officers an additional payment if the restated or accurate financial results would have resulted in a higher incentive compensation payment.

If equity compensation is recoverable due to being granted to the Executive Officer, or becoming vested (when the applicable financial reporting measure as calculated relying on the original financial statements was the reason the equity compensation was granted or vested), in each case in the Clawback Period, the Company will recover the excess portion of the equity award that would not have been granted or vested based on the Restatement, as follows:

- if the equity award is still outstanding, the Executive Officer will forfeit the excess portion of the award;
- if the equity award has been exercised or settled into shares (the "Underlying Shares"), and the Executive Officer still holds the Underlying Shares, the Company will recover the number of Underlying Shares relating to the excess portion of the award (less any exercise price paid for the Underlying Shares); and
- if the Underlying Shares have been sold by the Executive Officer, the Company will recover the proceeds received by the Executive Officer from the sale of the Underlying Shares relating to the excess portion of the award (less any exercise price paid for the Underlying Shares).

The Board (or its applicable committee) will take such action as it deems appropriate, in its sole and absolute discretion, reasonably promptly to recover the Recoverable Amount, unless a majority of the independent members of the Board (or, if composed of independent directors, the Compensation Committee) determines that it would be impracticable to recover such amount because (1) the Company has made a reasonable and documented attempt to recover the Recoverable Amount and has determined that the direct costs of enforcing recovery would exceed the Recoverable Amount or (2) recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder. To the extent the Recoverable Amount represents an award which has previously been deferred, such deferred compensation award shall be forfeited. Without otherwise limiting the Company's authority to recover the Recoverable Amount hereunder, the Company shall have the authority to unilaterally forfeit an Executive Officer's deferred

compensation, subject to compliance with Section 409A of the Internal Revenue Code.

#### E. Additional Clawback Required by Section 304 of the Sarbanes-Oxley Act of 2002

In addition to the provisions described above, if the Company is required to prepare an accounting restatement due to the material noncompliance of the Company, as a result of misconduct, with any financial reporting requirement under the securities laws, then, in accordance with Section 304 of the Sarbanes-Oxley Act of 2002, the Chief Executive Officer and Chief Financial Officer (at the time the financial document embodying such financial reporting requirement was originally issued) shall reimburse the Company for:

- any bonus or other incentive-based or equity-based compensation received from the Company during the 12-month period following the first public issuance or filing with the Commission (whichever first occurs) of such financial document; and
- any profits realized from the sale of securities of the Company during that 12-month period.

#### F. Crediting of Recovery Amounts

To the extent that Sections A, B, C and D of this Policy (the "Rule 10D-1 Clawback Requirements") would provide for recovery of Incentive-Based Compensation recoverable by the Company pursuant to Section 304 of the Sarbanes-Oxley Act, in accordance with Section E of this Policy (the "Sarbanes-Oxley Clawback Requirements"), and/or any other recovery obligations (including pursuant to employment agreements, or plan awards), the amount such Executive Officer has already reimbursed the Company shall be credited to the required recovery under the Rule 10D-1 Clawback Requirements. Recovery pursuant to the Rule 10D-1 Clawback Requirements does not preclude recovery under the Sarbanes-Oxley Clawback Requirements, to the extent any applicable amounts have not been reimbursed to the Company.

#### G. General Provisions

This Policy may be amended by the Board or its applicable committee from time to time. Changes to this Policy will be communicated to all persons to whom this Policy applies.

Notwithstanding anything to the contrary in any agreement or policy, the Company will not indemnify or provide insurance to cover any repayment of Incentive-Based Compensation in accordance with this Policy.

The provisions of this Policy apply to the fullest extent of the law; provided however, to the extent that any provisions of this Policy are found to be unenforceable or invalid under any applicable law, such provision will be applied to the maximum extent permitted, and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to any limitations required under applicable law.

This Policy is in addition to (and not in lieu of) any right of repayment, forfeiture or right of offset against any Executive Officer that is required pursuant to any other statutory repayment requirement (regardless of whether implemented at any time prior to or following the adoption of this Policy). Nothing in this Policy in any way detracts from or limits any obligation that those subject to it have in law or pursuant to a management, employment, consulting, equity award or other plan or agreement with the Company or any of its subsidiaries.

All determinations and decisions made by the Board (or any committee thereof) pursuant to the provisions of this Policy shall be final, conclusive and binding on the Company, its subsidiaries and the persons to whom this Policy applies. Executive Officers (as defined above) are required to acknowledge annually that they have read this Policy and understand this Policy shall be binding and enforceable against them, their beneficiaries, heirs, executors, administrators or other legal representatives. If you have questions about the interpretation of this Policy, please contact the Company's Chief Legal Officer.

#### APPENDIX A

David Lopez, CEO and President  
Kimo Akiona, CFO and Treasurer  
Rob Ziems, CLO and Secretary  
Mark Dedeaux, SVP and GM Slots  
Adam Whitehurst, SVP of Slot Revenue  
John Hemberger, SVP and GM, Tables  
Drew Pawlak, VP and GM Latin America  
Zoe Ebling, VP of Interactive