UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2024

OR

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

For transition period from to

Commission File Number 001-39652

PLAYSTUDIOS, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**88-1802794**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

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

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

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

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

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

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

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

Large accelerated filer	☐	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 7(a)(2)(B) of the Securities Act. ☐

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

As of July 31, 2024, there were 108,203,579 shares of Class A common stock, $0.0001 par value per share, and 16,457,769 shares of Class B common stock, $0.0001 par value per share, outstanding.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

These forward-looking statements are based on our current plans, estimates and projections in light of information currently available to us, and are subject to known and unknown risks, uncertainties and assumptions about us, including those described under the heading "Risk Factors" in this Quarterly Report on Form 10-Q, and in other filings that we make with the Securities and Exchange Commission (the "SEC") from time to time, that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. In addition, the risks described under the heading

“Risk Factors” are not exhaustive. New risk factors emerge from time to time, and it is not possible to predict all such risk factors, nor can we assess the impact of all such risk factors on our business or the extent to which any risk factor or combination of risk factors may cause actual results to differ materially from those contained in any forward-looking statements. Forward-looking statements are also not guarantees of performance. You should not put undue reliance on any forward-looking statements, which speak only as of the date hereof. Except as otherwise required by applicable law, we disclaim any duty to update any forward-looking statements, all of which are expressly qualified by the statements in this section, to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q whether as a result of new information, future events or otherwise.

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

PART I. Financial Information

Item 1. Financial Statements

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

	June 30, 2024	December 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	$ 106,304	$ 132,889
Receivables	29,193	30,465
Prepaid expenses and other current assets	11,502	11,529
Total current assets	146,999	174,883
Property and equipment, net	18,256	17,549
Operating lease right-of-use assets	10,746	9,369
Intangibles assets and internal-use software, net	104,655	110,933
Goodwill	47,133	47,133
Deferred income taxes	2,666	2,764
Other long-term assets	2,992	3,690
Total non-current assets	186,448	191,438
Total assets	$ 333,447	$ 366,321
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	3,745	1,907
Warrant liabilities	433	1,086
Operating lease liabilities, current	3,278	4,236
Accrued and other current liabilities	28,034	38,796
Total current liabilities	35,490	46,025
Minimum guarantee liability	24,000	24,000
Deferred income taxes	1,326	1,198
Operating lease liabilities, non-current	7,865	5,699
Other long-term liabilities	1,203	1,048
Total non-current liabilities	34,394	31,945
Total liabilities	$ 69,884	$ 77,970
Commitments and contingencies (Note 18)		
Stockholders' equity:		
Preferred stock, $0.0001 par value (100,000 shares authorized, no shares issued and outstanding as of June 30, 2024 and December 31, 2023)	—	—
Class A common stock, $0.0001 par value (2,000,000 shares authorized, 126,069 and 122,923 shares issued, and 108,132 and 118,200 shares outstanding as of June 30, 2024 and December 31, 2023, respectively)	11	12
Class B common stock, $0.0001 par value (25,000 shares authorized, 16,457 and 16,457 shares issued and outstanding as of June 30, 2024 and December 31, 2023, respectively).	2	2
Additional paid-in capital	319,682	310,944
Accumulated deficit	(5,815)	(2,637)
Accumulated other comprehensive (loss) income	(1,554)	124
Treasury stock, at cost, 17,937 and 4,723 shares at June 30, 2024 and December 31, 2023, respectively	(48,763)	(20,094)
Total stockholders' equity	263,563	288,351
Total liabilities and stockholders' equity	$ 333,447	$ 366,321

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net revenue	$ 72,590	$ 77,793	$ 150,418	$ 157,916
Operating expenses:				
Cost of revenue (1)	18,068	18,887	37,019	38,414
Selling and marketing	17,064	18,431	35,640	36,497
Research and development	16,743	18,381	34,764	36,136
General and administrative	11,645	11,040	23,424	22,941
Depreciation and amortization	11,654	11,116	23,220	22,149
Restructuring and related	1,379	1,784	2,017	5,832
Total operating costs and expenses	76,553	79,639	156,084	161,969
Loss from operations	(3,963)	(1,846)	(5,666)	(4,053)
Other income (expense), net:				
Change in fair value of warrant liabilities	717	(1,777)	653	(2,835)
Interest income, net	1,374	1,262	2,794	2,157
Other (loss) income, net	(264)	1,044	(370)	1,104
Total other income, net	1,827	529	3,077	426
Loss before income taxes	(2,136)	(1,317)	(2,589)	(3,627)
Income tax (expense) benefit	(475)	558	(589)	298
Net loss	$ (2,611)	$ (759)	$ (3,178)	$ (3,329)
Net loss per share attributable to Class A and Class B common stockholders:				
Basic	$ (0.02)	$ (0.01)	$ (0.02)	$ (0.03)
Diluted	$ (0.02)	$ (0.01)	$ (0.02)	$ (0.03)
Weighted average shares of common stock outstanding:				
Basic	132,475	132,144	134,025	132,137
Diluted	132,475	132,144	134,025	132,137

(1) Amounts exclude depreciation and amortization.

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net loss	$ (2,611)	$ (759)	$ (3,178)	$ (3,329)
Other comprehensive loss:				
Change in foreign currency translation adjustment (1)	(247)	(535)	(688)	(478)
Unrealized loss from derivative financial instruments (1)	(522)	—	(1,021)	—
Reclassification of loss/(gain) from settlement of derivative financial instruments included in net loss(1)	199	—	31	—
Total other comprehensive loss	(570)	(535)	(1,678)	(478)
Comprehensive loss	$ (3,181)	$ (1,294)	$ (4,856)	$ (3,807)

(1) These amounts are presented gross of the effect of income taxes. The corresponding effects of income taxes are immaterial.

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

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

	Class A Common Stock		Class B Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Treasury Stock	Total Stockholders' Equity
	Shares	Amount	Shares	Amount					
Balance as of March 31, 2023	116,447	$ 11	16,457	$ 2	$ 297,662	$ (94)	$ 14,186	$ (10,048)	$ 301,719
Net loss	—	—	—	—	—	—	(759)	—	(759)
Exercise of stock options	1,066	—	—	—	540	—	—	—	540
Restricted stock vesting, net of shares withheld	794	—	—	—	(1,240)	—	—	—	(1,240)
Stock-based compensation	—	—	—	—	5,566	—	—	—	5,566
Repurchase of common stock	(2,303)	—	—	—	—	—	—	(10,046)	(10,046)
Other comprehensive loss	—	—	—	—	—	(535)	—	—	(535)
Balance as of June 30, 2023	116,004	$ 11	16,457	$ 2	$ 302,528	$ (629)	$ 13,427	$ (20,094)	$ 295,245

	Class A Common Stock		Class B Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Treasury Stock	Total Stockholders' Equity
	Shares	Amount	Shares	Amount					
Balance as of December 31, 2022	115,635	$ 11	16,457	$ 2	$ 290,337	$ (151)	$ 16,756	$ (4,642)	$ 302,313
Net loss	—	—	—	—	—	—	(3,329)	—	(3,329)
Exercise of stock options	2,651	—	—	—	2,456	—	—	—	2,456
Restricted stock vesting, net of shares withheld	1,275	—	—	—	(1,240)	—	—	—	(1,240)
Stock-based compensation	—	—	—	—	10,975	—	—	—	10,975
Repurchase of common stock	(3,557)	—	—	—	—	—	—	(15,452)	(15,452)
Other comprehensive loss	—	—	—	—	—	(478)	—	—	(478)
Balance as of June 30, 2023	116,004	$ 11	16,457	$ 2	$ 302,528	$ (629)	$ 13,427	$ (20,094)	$ 295,245

	Class A Common Stock		Class B Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Treasury Stock	Total Stockholders' Equity
	Shares	Amount	Shares	Amount					
Balance as of March 31, 2024	118,705	$ 12	16,457	$ 2	$ 315,526	$ (984)	$ (3,204)	$ (22,930)	$ 288,422
Net loss	—	—	—	—	—	—	(2,611)	—	(2,611)
Exercise of stock options	40	—	—	—	38	—	—	—	38
Restricted stock vesting, net of shares withheld	1,479	—	—	—	(1,183)	—	—	—	(1,183)
Stock-based compensation	—	—	—	—	5,301	—	—	—	5,301
Repurchase of common stock	(12,092)	(1)	—	—	—	—	—	(25,833)	(25,834)
Other comprehensive loss	—	—	—	—	—	(570)	—	—	(570)
Balance as of June 30, 2024	108,132	$ 11	16,457	$ 2	$ 319,682	$ (1,554)	$ (5,815)	$ (48,763)	$ 263,563

	Class A Common Stock		Class B Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Treasury Stock	Total Stockholders' Equity
	Shares	Amount	Shares	Amount					
Balance as of December 31, 2023	118,200	$ 12	16,457	$ 2	$ 310,944	$ 124	$ (2,637)	$ (20,094)	$ 288,351
Net loss	—	—	—	—	—	—	(3,178)	—	(3,178)
Exercise of stock options	117	—	—	—	115	—	—	—	115
Restricted stock vesting, net of shares withheld	3,030	—	—	—	(1,869)	—	—	—	(1,869)
Stock-based compensation	—	—	—	—	10,492	—	—	—	10,492
Repurchase of common stock	(13,215)	(1)	—	—	—	—	—	(28,669)	(28,670)
Other comprehensive loss	—	—	—	—	—	(1,678)	—	—	(1,678)
Balance as of June 30, 2024	108,132	$ 11	16,457	$ 2	$ 319,682	$ (1,554)	$ (5,815)	$ (48,763)	$ 263,563

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

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

	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Cash flows from operating activities:		
Net loss	$ (3,178)	$ (3,329)
Adjustments:		
Depreciation and amortization	23,220	22,149
Amortization of loan costs	77	76
Stock-based compensation expense	9,724	10,047
Change in fair value of warrant liabilities	(653)	2,835
Change in fair value of contingent consideration	—	(950)
Asset impairments	91	935
Deferred income tax expense	246	(3,272)
Other	324	(126)
Changes in operating assets and liabilities		
Receivables	1,161	(4,003)
Prepaid expenses and other current assets	(808)	1,313
Income tax receivable	(1,513)	(1,851)
Accounts payable & accrued liabilities	(9,240)	(1,020)
Other	80	1,077
Net cash provided by operating activities	19,531	23,881
Cash flows from investing activities:		
Purchase of property and equipment	(3,181)	(2,825)
Additions to internal-use software	(9,875)	(11,428)
Other	(4)	65
Net cash used in investing activities	(13,060)	(14,188)
Cash flows from financing activities:		
Proceeds from stock option exercises	115	2,458
Payments for tax withholding of stock-based compensation	(1,868)	(1,240)
Payment of minimum guarantee liabilities	(2,022)	(1,333)
Repurchases of treasury stock	(28,669)	(15,452)
Net cash used in financing activities	(32,444)	(15,567)
Foreign currency translation	(612)	(459)
Net change in cash and cash equivalents	(26,585)	(6,333)
Cash and cash equivalents at beginning of period	132,889	134,000
Cash and cash equivalents at end of period	$ 106,304	$ 127,667
Supplemental cash flow disclosures:		
Interest paid	$ 82	$ 82
Income taxes paid, net of refunds	1,906	1,616
Non-cash investing and financing activities:		
Capitalization of stock-based compensation	$ 768	$ 928
Increase in property and equipment included in accounts payable and other long-term liabilities	359	716
Additions to intangible assets related to licensing agreements	3,815	6,865
Right-of-use assets acquired under operating leases	3,727	—

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited, in thousands, unless otherwise noted)

NOTE 1—BACKGROUND AND BASIS OF PRESENTATION

Organization and Description of Business

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

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

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

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

Basis of Presentation and Consolidation

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

The significant accounting policies referenced in the annual consolidated financial statements of the Company as of December 31, 2023 have been applied consistently in these unaudited interim condensed consolidated financial statements. In the opinion of the Company, the accompanying unaudited financial statements contain all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of its financial position as of June 30, 2024, and its results of operations for the three and six months ended June 30, 2024, and 2023, and cash flows for the six months ended June 30, 2024, and 2023. The Condensed Consolidated Balance Sheet as of December 31, 2023 was derived from the audited annual financial statements but does not contain all of the footnote disclosures from the annual financial statements.

Use of Estimates

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

Emerging Growth Company ("EGC")

At June 30, 2024, the Company qualified as an “emerging growth company,” as defined in Section 2(a) of the Securities Act, as modified by the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”), and the Company has taken and may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act of 2002, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies are required to comply with the new or revised standards. The JOBS Act provides that an emerging growth company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such election to opt out is irrevocable. The Company has opted to take advantage of such extended transition period available to emerging growth companies which means that when a standard is issued or revised and it has different application dates for public or private companies, the Company can adopt the new or revised standard at the time private companies adopt the new or revised standard. The Company did not lose its emerging growth company status through December 31, 2024. As a result, the Company does not expect to adopt any accounting pronouncements currently deferred based on private company standards until a year subsequent to 2024. The Company will continue to retain its emerging growth company status until the earliest of i) the last day of the fiscal year in which its total annual gross revenues are $1.24 billion or more, ii) the last day of the fiscal year following the fifth anniversary of the date of the first sale of common equity securities of the issuer under an effective Securities Act registration statement as an EGC, iii) the date on which it has issued more than $1 billion in non-convertible debt in the previous three years, or iv) the date on which it becomes a large accelerated filer.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For a discussion of our significant accounting policies and estimates, please refer to our 2023 Annual Report on Form 10-K filed on March 12, 2024.

Recently Issued Accounting Pronouncements Not Yet Adopted

In November 2023, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which requires public entities to disclose information about their reportable segments’ significant expenses and other segment items on an interim and annual basis. Public entities with a single reportable segment are required to apply the disclosure requirements in ASU 2023-07, as well as all existing segment disclosures and reconciliation requirements in ASC 280 on an interim and annual basis. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and for interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact of adopting ASU 2023-07.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740). ASU 2023-09 requires that public business entities expand their annual disclosures related to rate reconciliation and income taxes paid, and provide a disaggregated presentation between domestic and foreign income or loss from continuing operations before income tax expense and income tax expense or benefit from continuing operations. This guidance is effective for annual periods beginning after December 15, 2024. The Company is currently evaluating the impact of adopting ASU 2023-09.

NOTE 3—SEGMENT REPORTING

The Company has aggregated its operating segments into the following reportable segments: playGAMES and playAWARDS, which represent our different products and services. A detailed discussion regarding the products and services from which each reportable segment derives its revenue is included in our Annual Report on Form 10-K for the year ended December 31, 2023.

Adjusted EBITDA ("AEBITDA") is the Company’s reportable segment GAAP measure, which management utilizes as the primary profit measure for its reportable segments and underlying operating segments. AEBITDA is a measure defined as net income (loss) before interest, income taxes, depreciation and amortization, restructuring and related costs (consisting primarily of severance and other restructuring related costs), stock-based compensation expense, and other income and expense items (including special infrequent items, foreign currency gains and losses, and other non-cash items).

Expenses include indirect costs that are allocated to operating segments based on a reasonable allocation methodology, which are generally related to sales and marketing activities, general and administrative overhead, and costs associated with administering the playAWARDS myVIP program in the playGAMES applications. Net revenue excludes transactions between the Company's operating segments. Certain expenses incurred by playAWARDS have been allocated to playGAMES at cost. The chief operating decision maker does not evaluate operating segments using asset information.

The following table presents the Company's segment information:

	Three months ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net revenue				
playGAMES	72,588	76,122	150,416	153,745
playAWARDS	2	1,671	2	4,171
Reportable segment net revenue	72,590	77,793	150,418	157,916
AEBITDA				
playGAMES	21,920	21,610	45,371	44,202
playAWARDS	(3,476)	(1,706)	(7,098)	(2,337)
Reportable segment AEBITDA	18,444	19,904	38,273	41,865
Other operating expense				
Corporate and other	4,306	3,630	8,821	7,825
Restructuring expenses	1,379	1,784	2,017	5,832
Other reconciling items	138	26	157	65
Stock-based compensation	4,930	5,194	9,724	10,047
Depreciation and amortization	11,654	11,116	23,220	22,149
	22,407	21,750	43,939	45,918
Non-operating income (expense)				
Change in fair value of warrant liabilities	717	(1,777)	653	(2,835)
Interest income, net	1,374	1,262	2,794	2,157
Other (expense) income, net	(264)	1,044	(370)	1,104
	1,827	529	3,077	426
Loss before income taxes	(2,136)	(1,317)	(2,589)	(3,627)
Income tax (expense) benefit	(475)	558	(589)	298
Net loss	$ (2,611)	$ (759)	$ (3,178)	$ (3,329)

NOTE 4—BUSINESS COMBINATIONS

Pixode Games Acquisition

On July 1, 2024, PLAYSTUDIOS US, LLC, a direct wholly-owned subsidiary of the Company entered into an asset purchase agreement to acquire certain tangible and intangible assets and assumed certain liabilities from Pixode Games Limited ("Pixode"), a mobile casual games publisher. The Company expects this acquisition to further diversify revenues into the casual genre, and with a successful relaunch of the product with the Tetris brand, the acquisition will deepen the Company's portfolio of Tetris products.

The purchase price for the Pixode assets was $3.5 million at closing, and the Company agreed to pay additional consideration, contingent upon the satisfaction of certain product and financial milestones, up to a maximum amount of $113.5 million. As of the date of this report, the Company estimates the fair value of any contingent payments to be approximately $ 2.6 million. The Company is currently in the process of finalizing the accounting for this transaction and the Company expects to complete the preliminary allocation of the purchase consideration to the assets acquired and liabilities assumed by the end of the third quarter of 2024.

NOTE 5—RELATED-PARTY TRANSACTIONS

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

	June 30, 2024	December 31, 2023	Financial Statement Line Item
Marketing Agreement	$ 1,000	$ 1,000	Intangibles, net

The Company's revenues and expenses recognized from related parties were immaterial during the three and six months ended June 30, 2024 and 2023.

MGM Resorts International ("MGM")

MGM is a stockholder and the President of MGM Resorts Operations also serves on the Company's Board of Directors. MGM owned approximately 16.6 million and 16.6 million shares of the Company's outstanding Class A common stock as of June 30, 2024 and December 31, 2023, respectively.

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

Microsoft Corporation ("Microsoft")

On June 7, 2024, and with the approval of the Company's board of directors, the Company repurchased 11.7 million shares of Class A common stock held by Microsoft at a price of $ 2.11 per share. The total amount paid by the Company for the repurchase of such shares was $24.6 million and was funded with available cash. The repurchase of shares from Microsoft was supplemental to the Company's previously announced $ 50.0 million stock repurchase program and did not impact the amount of permitted repurchases thereunder.

NOTE 6—RECEIVABLES

Receivables consist of the following:

	June 30, 2024	December 31, 2023
Trade receivables	$ 28,790	$ 29,952
Other receivables	571	690
Allowance for uncollectible amounts	(168)	(177)
Total receivables, net	$ 29,193	$ 30,465

Trade receivables generally represent amounts due to the Company from social and mobile platform operators, including Apple, Google, Amazon and Facebook. Trade receivables are recorded when the right to consideration becomes unconditional.

Concentration of Credit Risk

The following table summarizes the major receivables of the Company as a percentage of the total receivables, net as of the dates indicated:

	June 30, 2024	December 31, 2023
Apple, Inc.	44.4 %	45.6 %
Google, Inc.	18.2 %	20.8 %

As of June 30, 2024 and December 31, 2023, the Company did not have any additional counterparties that exceeded 10% of the Company's net accounts receivable.

NOTE 7—PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consist of the following:

	June 30, 2024	December 31, 2023
Prepaid expenses	$ 6,138	5,291
Income tax receivable	4,675	3,426
Other current assets	689	2,812
Total prepaid expenses other current assets	$ 11,502	$ 11,529

NOTE 8—FAIR VALUE MEASUREMENT

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

The following tables present the liabilities measured at fair value on a recurring basis, by input level, in the Condensed Consolidated Balance Sheets at June 30, 2024 and December 31, 2023:

	June 30, 2024			
	Level 1	Level 2	Level 3	Total
Financial liabilities:				
Public Warrants	$ 253	—	—	253
Private Warrants	—	180	—	180
Derivative financial instruments	704	—	—	704
Total financial liabilities	$ 957	$ 180	$ —	$ 1,137

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Financial liabilities:				
Public Warrants	$ 635	—	—	635
Private Warrants	—	451	—	451
Total financial liabilities	$ 635	$ 451	$ —	$ 1,086

NOTE 9—PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following:

	June 30, 2024	December 31, 2023
Land and land improvements	$ 1,680	1,680
Building and building improvements	5,850	6,046
Computer equipment	9,250	9,021
Leasehold improvements	10,990	9,811
Purchased software	1,647	2,115
Furniture and fixtures	3,872	4,331
Construction in progress	16	460
Total property and equipment	33,305	33,464
Less: accumulated depreciation	(15,049)	(15,915)
Total property and equipment, net	$ 18,256	$ 17,549

The aggregate depreciation expense for property and equipment, net is reflected in "Depreciation and amortization" in the Condensed Consolidated Statements of Operations. During the three months ended June 30, 2024 and 2023, depreciation expense was $1.3 million and $1.4 million, respectively and during the six months ended June 30, 2024 and

2023, depreciation expense was $2.4 million and $3.0 million, respectively. There were no material impairment charges or material write-offs recorded for the three and six months ended June 30, 2024 and 2023.

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

	June 30, 2024	December 31, 2023
United States	$ 12,378	$ 13,462
Europe, Middle East, and Africa	4,592	2,895
All other countries	1,286	1,192
Total property and equipment, net	$ 18,256	$ 17,549

NOTE 10—INTANGIBLE ASSETS AND INTERNAL-USE SOFTWARE, NET

Intangible Assets

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

	June 30, 2024			December 31, 2023		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizable intangible assets:						
Licenses	$ 75,723	$ (26,340)	$ 49,383	$ 71,908	$ (19,457)	$ 52,451
Acquired technology	15,003	(5,331)	9,672	15,003	(3,831)	11,172
Customer relationships	12,000	(4,200)	7,800	12,000	(3,000)	9,000
Trade names	2,740	(1,503)	1,237	2,740	(1,428)	1,312
Internal-use software	178,875	(143,488)	35,387	168,232	(132,375)	35,857
Other	184	(8)	176	145	(4)	141
	284,525	(180,870)	103,655	270,028	(160,095)	109,933
Nonamortizable intangible assets:						
Marketing Agreement with a related party	1,000	—	1,000	1,000	—	1,000
Total intangible assets	$ 285,525	$ (180,870)	$ 104,655	$ 271,028	$ (160,095)	$ 110,933

During the three months ended June 30, 2024 and 2023, intangible asset and internal-use software amortization was $ 10.4 million and $9.7 million, respectively, and during the six months ended June 30, 2024 and 2023, intangible asset and internal-use software amortization was $20.8 million and $19.2 million, respectively. The aggregate amortization expense for amortizable intangible assets and internal-use software is reflected in “Depreciation and amortization” in the Condensed Consolidated Statements of Operations.

There were no impairment charges for intangible assets or internal-use software for the three and six months ended June 30, 2024 and 2023.

As of June 30, 2024, the estimated annual amortization expense is as follows:

Year Ending December 31,	Projected Amortization Expense
Remaining 2024	$ 20,303
2025	30,085
2026	22,624
2027	14,717
2028	9,208
Thereafter	6,718
Total	$ 103,655

NOTE 11—GOODWILL

Goodwill

The following table provides the changes in the carrying amount of goodwill for the six months ended June 30, 2024 and December 31, 2023:

	Goodwill, Gross	Accumulated Impairment	Goodwill, Net
Balance as of December 31, 2023	47,133	—	47,133
Additions from acquisitions	—	—	—
Measurement period adjustments	—	—	—
Balance as of June 30, 2024	$ 47,133	$ —	$ 47,133

NOTE 12—WARRANT LIABILITIES

Public Warrants and Private Warrants

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

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

At June 30, 2024, there were approximately 5.4 million Public Warrants and 3.8 million Private Warrants outstanding. Refer to Note 8— *Fair Value Measurement* for further information.

NOTE 13—ACCRUED AND OTHER LIABILITIES

Accrued liabilities consist of the following:

	June 30, 2024	December 31, 2023
Accrued payroll and vacation	9,593	10,261
Accrued user acquisition	3,957	5,687
Income taxes payable	1,031	1,295
Minimum guarantee liability	5,411	7,760
Other licensing agreements	—	7,400
Other accruals	8,042	6,393
Total accrued liabilities	$ 28,034	$ 38,796

NOTE 14—LEASES

The Company's operating leases primarily consist of real estate leases such as offices. During the three months ended June 30, 2024 and 2023, operating lease expense was $ 1.2 million and $1.2 million, respectively, and during the six months ended June 30, 2024 and 2023, operating lease expense was $2.3 million and $2.5 million, respectively. The Company does not have any finance leases. Total variable and short-term lease payments were immaterial for all periods presented.

On June 30, 2024, the Company renewed its lease of office space located in Tel Aviv, Israel. The original lease term was set to expire on December 31, 2024. The renewed lease term extends for an additional three years through December 31, 2027. As a result of the lease renewal, the Company recognized an additional right-of-use asset and lease liability of $3.4 million.

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

	June 30, 2024	December 31, 2023
Operating lease right-of-use assets, net	$ 10,746	$ 9,369
Operating lease liabilities, current	3,278	4,236
Operating lease liabilities, noncurrent	7,865	5,699
Operating lease liabilities, total	$ 11,143	$ 9,935
Weighted average remaining lease term, years	3.3	3.1
Weighted average discount rate	5.8 %	4.5 %

Operating lease liability maturities:

Year ending December 31,	Operating Leases
Remaining 2024	$ 1,894
2025	3,769
2026	3,473
2027	2,675
2028	382
Thereafter	—
Total undiscounted cash flows	$ 12,193
Less: imputed interest	$ (1,050)
Lease liabilities, total	$ 11,143

As of June 30, 2024, the Company did not have material additional operating leases that have not yet commenced.

NOTE 15—LONG-TERM DEBT

Credit Agreement

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

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

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

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

On August 16, 2023, the Company, a subsidiary of the Company, the Lenders party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent, entered into an Amendment No. 3 to Credit Agreement (the “Amendment No. 3”), among other things, exclude from the Restricted Payments covenant certain repurchases of Equity Interests of the Company deemed to occur upon the exercise, settlement or vesting of stock options, warrants or other equity-based awards if and to the extent such Equity Interests represent a portion of the exercise price of, or satisfy any tax withholding obligations with respect to, such options, warrants or other equity-based awards.

On June 7, 2024, the Company, a subsidiary of the Company, the Lenders party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent, entered into an Amendment No. 4 to Credit Agreement (the “Amendment No. 4”) to, among other things, (i) modify the definition of “Fixed Charge Coverage Ratio” to exclude from the calculation of Restricted Payments amounts paid for the repurchase, prior to June 30, 2024, of approximately 11.7 million shares of Class A common stock of the Company, and (ii) modify the definition of “Consolidated Fixed Charges” to take into account any tax refunds received in the applicable measurement period.

On July 1, 2024, the Company, a subsidiary of the Company, the Lenders party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent, entered into the Amendment No. 5 to Credit Agreement (the “Amendment No. 5”) to, among other things, exclude from the covenant set forth in Section 6.01 of the Credit Agreement regarding the incurrence of Indebtedness (as defined therein) the contingent consideration obligations payable pursuant to the Pixode acquisition.

The Company capitalized a total of $0.8 million in debt issuance costs related to the Credit Agreement and subsequent amendments. As of June 30, 2024, the Company does not have any balances outstanding under the Credit Agreement.

NOTE 16—REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of Revenue

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Virtual currency (over time)	$ 56,477	$ 61,621	$ 116,724	$ 126,006
Advertising (point in time)	16,006	14,333	33,448	27,418
Other revenue (point in time or over time)	107	1,839	246	4,492
Total net revenue	$ 72,590	$ 77,793	$ 150,418	$ 157,916

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
United States	$ 61,494	$ 66,597	$ 126,858	$ 136,152
All other countries	11,096	11,196	23,560	21,764
Total net revenue	$ 72,590	$ 77,793	$ 150,418	$ 157,916

Contract Balances

Contract assets represent the Company's ability to bill customers for performance obligations completed under a contract. As of June 30, 2024 and December 31, 2023, there were no contract assets recorded in the Company's Condensed Consolidated Balance Sheets. The deferred revenue balance related to the purchase of virtual currency was immaterial as of June 30, 2024 and December 31, 2023. Trade receivables are described in Note 6—*Receivables*.

NOTE 17—INCOME TAXES

The Company recorded an income tax expense of $0.5 million and an income tax benefit of $0.6 million for the three months ended June 30, 2024 and 2023, respectively, and the Company recorded an income tax expense of $ 0.6 million and an income tax benefit of $0.3 million for the six months ended June 30, 2024 and 2023, respectively. Our effective tax rate was (22.2)% for the three months ended June 30, 2024 compared to 42.4% for the three months ended June 30, 2023. Our effective tax rate was (22.8)% for the six months ended June 30, 2024 compared to 8.2% for the six months ended June 30, 2023. The effective rate of (22.2)% differs from the federal statutory rate of 21% primarily due to the valuation allowance recorded against US deferred tax assets, lower foreign tax rates in significant jurisdictions, and discrete tax benefits related to remeasured income taxes payable in Israel at reduced rates.

NOTE 18—COMMITMENTS AND CONTINGENCIES

Minimum Guarantee Liability

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

	June 30, 2024	December 31, 2023
Minimum guarantee liability - current	$ 5,411	$ 7,760
Minimum guarantee liability - noncurrent	24,000	24,000
Total minimum guarantee obligations	$ 29,411	$ 31,760
Weighted-average remaining contractual term (in years)	2.2	2.6

The following are the Company's remaining expected future payments of minimum guarantee obligations as of June 30, 2024:

Year Ending December 31,	Minimum Guarantee Obligations
Remaining 2024	$ 5,411
2025	6,000
2026	6,000
2027	6,000
2028	6,000
Total	$ 29,411

N3TWORK, Inc.

On November 22, 2021, the Company entered into agreements with N3TWORK Inc. and The Tetris Company, LLC pursuant to which the Company acquired the rights to develop and operate Tetris®-branded mobile games for an initial term through August 2024. The Company paid N3TWORK Inc. $13.0 million at closing and agreed to pay up to an additional $ 34.0 million subject to satisfaction of certain conditions (the "Contingent Payments").

As of June 30, 2024, the Company settled and paid $ 7.4 million of $17.0 million and paid $8.0 million of $17.0 million of the Contingent Payments due to certain conditions of the Contingent Payments being satisfied. The Company accrued an additional $1.7 million in "Accrued and other current liabilities" within the Condensed Consolidated Balance Sheets due to other conditions of the Contingent Payments being met. The Company recorded an increase in "Intangible assets and internal-use software, net" within the Condensed Consolidated Balance Sheets related to the partial settlement of Contingent Payments.

The remaining amount of Contingent Payments as of June 30, 2024 was approximately $ 7.3 million.

Pixode

In connection with the Pixode Acquisition, in addition to the $3.5 million paid at closing, and the Company agreed to pay additional consideration, contingent upon the satisfaction of certain product and financial milestones, up to a maximum amount of $113.5 million. The Company is currently in the process of finalizing the accounting for this transaction and the Company expects to complete the preliminary allocation of the purchase consideration to the assets acquired and liabilities assumed by the end of the third quarter of 2024.

Legal Proceedings

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

The Company is a party to a litigation matter brought by TeamSava d.o.o. Beograd, or TeamSava, and other related parties. The plaintiffs filed a Statement of Claim in May 2021 in Tel Aviv District Court in Israel, alleging claims, among other things, that we breached the terms of a commercial contract relating to services provided by TeamSava and related parties in connection with the sourcing and administrative management of personnel in Serbia who provided game development services exclusively for us. The litigation sought damages of 27.3 million New Israeli Shekels (NIS) (or approximately $ 7.4 million based on prevailing exchange rates as of March 31, 2024). On November 30, 2023, we entered into a settlement agreement to resolve and settle all claims brought by the plaintiffs against the Company, its Israeli subsidiary and its employees and former employees, and all claims brought by the Company's affiliates against the plaintiffs. The settlement is contingent upon the confirmation by the respective courts in Israel and Serbia that all related lawsuits have been dismissed. As of June 30, 2024, only one lawsuit in Serbia remained to be dismissed with prejudice. The Company expects to finalize the settlement before September 30, 2024, but cannot make any assurances that it will be completed by the date or that none of the parties withdraw from the settlement.

On April 6, 2022, a class action lawsuit was filed in the United States District Court, Northern District of California, by a purported Company shareholder in connection with alleged federal securities law violations: Christian A. Felipe et. al. v. PLAYSTUDIOS, Inc. (the "Felipe Complaint"). On July 15, 2022, the Felipe Complaint was transferred to the United States District Court for the District of Nevada, Southern Division. On October 4, 2022, the plaintiffs filed an amendment to the Felipe Complaint. The Felipe Complaint names the Company, several current and former board members of the Company, board members and officers of Acies Acquisition Corp., and Andrew Pascal, the Company's Chairman and CEO, as defendants. The Felipe Complaint alleges misrepresentations and omissions regarding the state of the Company's development of the Kingdom Boss game and its financial projections and future prospects in the S-4 Registration Statement filed by Acies that was declared effective on May 25, 2021, the Proxy Statement filed by Acies on May 25, 2021, and other public statements that touted Old PLAYSTUDIOS' and the Company's financial performance and operations, including statements made on earnings calls and the Amended S-1 Registration Statement filed by the Company that was declared effective on July 30, 2021. The Felipe Complaint alleges that the misrepresentations and omissions resulted in stock price drops of 13% on August 12, 2021, and 5% on February 25, 2022, following (i) the Company's release of financial results for the second quarter of 2021, ended on June 30, 2021, and (ii) the filing of the Company's Annual Report on Form 10-K for the year ended December 31, 2021 and issuance of a press release summarizing financial results for the fourth quarter and year ended December 31, 2021, respectively. The Felipe Complaint seeks an award of damages for an unspecified amount. The Company believes that the claims are without merit and the Company intends to vigorously defend against them; however, there can be no assurance that the Company will be successful in the defense of this litigation. The Company is not able to reasonably estimate the probability or amount of loss and therefore has not made any accruals.

On March 8, 2023, Angel Deann Pilati, a purported adult resident citizen of Franklin County, Alabama, filed a civil lawsuit against PLAYSTUDIOS US, LLC in the Circuit Court of Franklin County Alabama, alleging that PLAYSTUDIOS US, LLC makes available online games and applications across multiple platforms that are games of chance and thus illegal gambling under Alabama law and seeking to recover, under Alabama's loss recovery act, all sums paid by Alabama residents to PLAYSTUDIOS US, LLC in its online gambling games during the period beginning one year before the filing of the complaint until the case is resolved. On August 23, 2023, the plaintiff amended the complaint to exclude recovery for Alabama residents who lost $75,000 or more during the statute of limitations period. The plaintiff claims to seek this recovery "to go to the benefit of the families" of players who paid money to play the games. The Company believes the claims are without merit and intends to vigorously defend against them; however, there can be no assurance that the Company will be successful in the defense of this litigation. The Company is not able to reasonably estimate the probability or amount of loss relating to this litigation and therefore has not made any accruals.

On November 13, 2023, Sandra Tucker Duckworth, a purported citizen of Tennessee, filed a civil lawsuit against PLAYSTUDIOS US, LLC in the Circuit Court for the 14th Judicial District of Tennessee alleging that PLAYSTUDIOS US, LLC makes available online games of chance that constitute illegal gambling under Tennessee law and seeking to recover, under Tennessee's loss recovery act, all sums paid by Tennessee residents to PLAYSTUDIOS US, LLC in its online gambling games during the period beginning one year before the filing of the lawsuit until the case is resolved, excluding recovery of money lost by a Tennessee resident who lost $75,000 or more during the statute of limitations period. The plaintiff claims to seek this recovery for the benefit of each individual player's spouse, or if not spouse, child or children, and if not child or children, the next of kin. The Company believes the claims are without merit and intends to vigorously defend against them; however, there can be no assurance that the Company will be successful in the defense of this litigation. The Company is not able to reasonably estimate the probability or amount of loss relating to this litigation and therefore has not made any accruals.

On February 20, 2024, Tyler Kuhk, a purported citizen of Washington, filed a class action lawsuit against PLAYSTUDIOS US, LLC in the Superior Court of the State of Washington for the County of King, alleging that PLAYSTUDIOS US, LLC makes available online games of chance that constitute illegal gambling under Washington law, that PLAYSTUDIOS US, LLC engaged in unfair and deceptive practices by advertising to and soliciting the general public in Washington state to play its unlawful online casino games of chance, and that PLAYSTUDIOS US, LLC was unjustly enriched by this conduct. The plaintiff seeks to recover all sums paid by Washington residents to PLAYSTUDIOS US, LLC in its online gambling games during an unspecified period of time under Washington's "Recovery of money lost gambling" statute, for treble damages under Washington's Consumer Protection Act, and for disgorgement and restitution of any money PLAYSTUDIOS US, LLC has retained through unlawful and/or wrongful conduct alleged in the lawsuit. The Company believes the claims are without merit and intends to vigorously defend against them; however, there can be no assurance that the Company will be successful in the defense of this litigation. The Company is not able to reasonably estimate the probability or amount of loss relating to this litigation and therefore has not made any accruals.

The Company received four demands for arbitration during 2023 claiming that the games operated by PLAYSTUDIOS US, LLC constitute illegal gambling under the laws of various states. As of June 30, 2024, three of the demands for arbitration remained active. These demands generally attempt to recover amounts spent by third parties on the Company's games by relying on state gambling loss recovery statutes and/or by seeking to have the applicable Terms of Service declared invalid. The Company believes that the claims are without merit and the Company intends to vigorously defend against them; however, there can be no assurance that the Company will be successful in the arbitration proceedings. The Company is not able to reasonably estimate the probability or amount of loss and therefore has not made any accruals.

On May 24, 2024, the Company received multiple substantively identical pre-arbitration notices from a single law firm purporting to represent 5,264 players, alleging the games operated by the Company violate state gambling statutes, along with various other claims. The Company believes that the claims are without merit and the Company intends to vigorously defend against them; however, there can be no assurance that the Company will be successful in the defense of these demands. The Company is not able to reasonably estimate the probability or amount of loss and therefore has not made any accruals.

NOTE 19—STOCKHOLDERS' EQUITY

Common Stock

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

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

Accumulated Other Comprehensive Loss

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

	Foreign Currency Derivative Contracts	Currency Translation Adjustment	Total Accumulated Other Comprehensive Income (Loss)
Balance as of December 31, 2023	$ 286	$ (162)	$ 124
Net losses recognized in other comprehensive income before reclassifications	(990)	—	(990)
Foreign currency translation	—	(688)	(688)
Balance as of June 30, 2024	$ (704)	$ (850)	$ (1,554)

	Currency Translation Adjustment	Total Accumulated Other Comprehensive Loss
Balance as of December 31, 2022	$ (151)	$ (151)
Foreign currency translation	(478)	(478)
Balance as of June 30, 2023	$ (629)	$ (629)

Treasury Stock

The following table shows a summary of changes in treasury stock:

	Treasury shares	Treasury stock, at cost
Balance as of December 31, 2023	4,723	$ 20,094
Class A common stock repurchased through the Stock Repurchase Program	1,537	4,030
Class A common stock repurchased outside of the Stock Repurchase Program	11,677	24,639
Balance as of June 30, 2024	17,937	$ 48,763

Stock Repurchase Program

On November 10, 2021, the Company's Board of Directors approved a stock repurchase program authorizing the Company to purchase up to $ 50.0 million of the Company's Class A common stock over a period of 12 months. On November 2, 2022, the Company's Board of Directors extended such period for an additional 12 months from November 10, 2022 to November 10, 2023. On November 1, 2023, the Company's Board of Directors extended the stock repurchase program through November 10, 2024 and increased the remaining amount authorized to $50.0 million. Subject to applicable rules and regulations, the shares may be purchased from time to time in the open market or in privately negotiated transactions. Such purchases will be at times and in amounts as the Company deems appropriate, based on factors such as market conditions, legal requirements and other business considerations.

NOTE 20—STOCK-BASED COMPENSATION

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Selling and marketing	$ 344	$ 195	$ 617	$ 379
General and administrative	2,824	2,654	5,379	5,112
Research and development	1,762	2,345	3,728	4,556
Stock-based compensation expense	$ 4,930	$ 5,194	$ 9,724	$ 10,047
Capitalized stock-based compensation	$ 371	$ 372	$ 768	$ 928

As of June 30, 2024, there was approximately $ 0.1 million, $32.2 million, and $0.1 million in unrecognized stock-based compensation expense related to stock options, restricted stock units, and performance stock units that are expected to be recognized over a weighted-average expected vesting period of 0.3 years, 2.4 years, and 0.7 years, respectively. The Company granted 0.7 million and 4.6 million restricted stock units during the three and six months ended June 30, 2024. The Company granted zero performance stock units during the three months ended June 30, 2024 and 0.3 million performance stock units during the six months ended June 30, 2024.

NOTE 21—NET LOSS PER SHARE

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

	Three Months Ended June 30, 2024		Three Months Ended June 30, 2023	
	Class A	Class B	Class A	Class B
Numerator				
Net loss attributable to common stockholders – basic	$ (2,288)	$ (323)	$ (665)	$ (94)
Potential dilutive effect of derivative instruments	—	—	—	—
Net loss attributable to common stockholders – diluted	$ (2,288)	$ (323)	$ (665)	$ (94)
Denominator				
Weighted average shares of common stock outstanding - basic	116,017	16,458	115,686	16,458
Potential dilutive effect of derivative instruments	—	—	—	—
Weighted average shares of common stock outstanding - diluted	116,017	16,458	115,686	16,458
Net loss attributable to common stockholders per share				
Basic	$ (0.02)	$ (0.02)	$ (0.01)	$ (0.01)
Diluted	$ (0.02)	$ (0.02)	$ (0.01)	$ (0.01)

	Six Months Ended June 30, 2024		Six Months Ended June 30, 2023	
	Class A	Class B	Class A	Class B
Numerator				
Net loss attributable to common stockholders – basic	$ (2,788)	$ (390)	$ (2,915)	$ (414)
Potential dilutive effect of derivative instruments	—	—	—	—
Net loss attributable to common stockholders – diluted	$ (2,788)	$ (390)	$ (2,915)	$ (414)
Denominator				
Weighted average shares of common stock outstanding - basic	117,567	16,458	115,679	16,458
Potential dilutive effect of derivative instruments	—	—	—	—
Weighted average shares of common stock outstanding - diluted	117,567	16,458	115,679	16,458
Net loss attributable to common stockholders per share				
Basic	$ (0.02)	$ (0.02)	$ (0.03)	$ (0.03)
Diluted	$ (0.02)	$ (0.02)	$ (0.03)	$ (0.03)

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Stock options	5,257	6,457	5,257	6,457
Restricted stock units	11,865	13,218	11,865	13,218
Performance stock units	86	—	86	—
Public Warrants	5,382	5,382	5,382	5,382
Private Warrants	3,822	3,822	3,822	3,822
Earnout Shares	15,000	15,000	15,000	15,000
	41,412	43,879	41,412	43,879

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

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

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

Overview

We are a developer and publisher of free-to-play casual games for mobile and social platforms. Over our twelve-year history, we developed a portfolio of free-to-play social casino games that are considered to be among the most innovative and unique in the genre. In 2021 we added our Tetris®-branded mobile game and in late 2022 we acquired Brainium, a developer and publisher of free-to-play casual games. Our games include the award-winning *POP! Slots*, *myVEGAS Slots*, *my KONAMI Slots, MGM Slots Live, myVEGAS Blackjack, myVEGAS Bingo, Tetris®, Tetris Block Puzzle, Solitaire, Spider Solitaire, Jumbline 2, Sudoku,* and *Mahjong.* Our games are based on original content as well as third-party licensed brands and are downloadable and playable for free on multiple social and mobile-based platforms, including the Apple App Store, Google Play Store, Amazon Appstore, and Facebook.

Each of our legacy social casino games and our Tetris®-branded mobile games are powered by our proprietary *playAWARDS* program and incorporates loyalty points that are earned by players as they engage with our games. The rewards are provided by our collection of rewards partners, with the majority of rewards partners providing their rewards at no cost to us, in exchange for product integration, marketing support, and participation in our loyalty program. The program is enabled by our playAWARDS platform which consists of a robust suite of tools that enable our rewards partners to manage their rewards in real time, measure the value of our players' engagement, and gain insight into the effectiveness and value they derive from the program. Through our self-service platform, rewards partners can launch new rewards, make changes to existing rewards, and in real time see how players are engaging with their brands. The platform tools also provide rewards partners the ability to measure the off-line value our players generate as consumers and patrons of their real-world establishments.

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

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

We also generate revenue from in-game advertising. Advertisements can be in the form of an impression, click-throughs, banner ads, or offers, where players are rewarded with virtual currency or loyalty points for watching a short video. While we historically have derived most of our revenue from the sale of in-game virtual currency, we introduced in-game advertising as a limited pilot program and expanded it throughout 2021 and 2022. In addition, our Tetris®-branded mobile game and our Brainium games generate most of their revenue through in-game advertising.

Key Factors Affecting Our Performance

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

- *Third-Party Platform Agreements*—Historically we derived substantially all of our revenue from in-game purchases of virtual currency that are processed by platform providers such as the Apple App Store, Google Store, Amazon Appstore, and on Facebook. The platform providers charge us a transaction fee to process payments from our players for their purchase of in-game virtual currency. These platform fees are generally set at 30% of the in-game purchase. Each platform provider has broad discretion to set its platform fees and to change and interpret its terms of service and other policies with respect to us and other developers in its sole discretion, and those changes may be unfavorable to us.
- *Player Acquisition*—Establishing and maintaining a loyal network of players and paying players is vital for our success. As such, we spend a significant amount on advertising and other forms of player acquisition, such as traditional marketing and advertising, email and push notifications, and cross promoting between our games in order to grow our player base. These expenditures are generally related to new content launches, game enhancements, and ongoing programs to drive new player acquisition and the reactivation of lapsed player engagement. Our player acquisition strategy is centered on a payback period methodology, and we strive to optimize spend between the acquisition of new players and the reactivation of inactive players.
- *Player Monetization*—Our revenue to date has been primarily driven through the sale of virtual currency. Paying players purchase virtual currency in our games because of the perceived value, which is dependent on the relative ease of obtaining equivalent virtual currency by simply playing our game. The perceived value of our virtual currency can be impacted by various actions that we take in our games including offering discounts for virtual currency or giving away virtual currency in promotions. Managing game economies is difficult and relies on our assumptions and judgment. If we fail to manage our virtual economies properly or fail to promptly and successfully respond to any such disruption, our reputation may suffer and our players may be less likely to play our games and to purchase virtual currency from us in the future, which would cause our business, financial condition, and results of operations to suffer.
- *Investment in Game Development*—In order to maintain interest from existing players and add new players and achieve our desired revenue growth, we must continually improve the content, offers, and features in our existing games and the release of new games. As a result, we invest a significant amount of our technological and creative resources to ensure that we support an appropriate cadence of innovative content that our players will find appealing. These expenditures generally occur in advance of the release of new content or the launch of a new game, and the resulting revenue may not exceed the development costs, or the game or feature may be abandoned in its entirety.
- *Investment in our playAWARDS and myVIP programs*— In order to drive player engagement and retention we invest a significant amount of resources to enhance the playAWARDS and myVIP programs. We continually evaluate these programs through an iterative feedback process with our players and rewards partners and update them so that both our players and rewards partners are able to optimize their personalized experience. As a result, we continuously incur expenses to enhance and update these programs. However, the results may not generate revenue and the enhancements may require additional significant modifications or be abandoned in their entirety.
- *Real-World Rewards*—We currently offer real-world rewards relating to, among other things, dining, live entertainment shows, and hotel rooms, and we plan to continue to expand and diversify our rewards loyalty program

in order to maintain and enhance the perceived value offering to our players. Our players' willingness to make in-game purchases is directly impacted by our ability to provide desirable rewards. The real-world rewards we offer to our players are provided at no cost to us by our rewards partners, and there is no obligation for us to pay or otherwise compensate either our rewards partners or players for any player redemptions under our rewards partner agreements.

Key Performance Indicators

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

Key Performance Indicators - playGAMES

Daily Active Users ("DAU")

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

Monthly Active Users ("MAU")

MAU is defined as the number of individuals who played a game in a particular month. As with DAU, an individual who plays two different non-Brainium games in the same month is counted as two MAU while an individual who plays the same non-Brainium game on two different devices is counted as one MAU, and an individual who plays two different Brainium games on the same day is counted as two MAU while an individual who plays the same Brainium game on two different devices is also counted as two MAU. The term "Average MAU" is defined as the average of the MAU, determined as described above, for each calendar month during the period presented. We use MAU and Average MAU as measures of audience engagement to help us understand the size of the active player base engaged with our games on a monthly basis.

Daily Paying Users ("DPU")

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

Daily Payer Conversion

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

Average Daily Revenue Per DAU ("ARPDAU")

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

Key Performance Indicators - playAWARDS

Available Rewards

Available Rewards is defined as the monthly average number of unique rewards available in our applications' rewards stores. A reward appearing in more than one application's reward store is counted only once. A reward is counted only once irrespective of the inventory available through that reward. For example, one reward for a free night in a hotel room with ten rooms available for such free night is counted as one reward. Available Rewards only include real-world partner rewards and exclude PLAYSTUDIOS digital rewards. We use Available Rewards as a measure of the value and potential impact of the program for an interested player. It is assumed that the greater the variety and breadth of rewards offered, the more likely players will be to ascribe value to the program.

Purchases

Purchases is defined as the total number of rewards purchased for the period identified in which a player exchanges loyalty points for a reward. Purchases are net of refunds. Purchases only include purchases of real-world partner rewards and exclude any PLAYSTUDIOS digital rewards. Purchases are redeemed by the player directly with the rewards partner within the specified terms and conditions of the reward. The Company does not receive any compensation or revenue from Purchases. We use Purchases as a measure of audience interest and engagement with our playAWARDS platform.

Retail Value of Purchases

Retail Value of Purchases is defined as the cumulative retail value of all rewards listed as Purchases for the period identified. The retail value of each reward listed as Purchases is the retail value as determined by the partner upon creation of the reward. In the case where the retail value of a reward adjusts depending on time of redemption, the average retail value is used. Retail Value of Purchases only include the retail value of real-world partner rewards and exclude the cost of any PLAYSTUDIOS branded merchandise. We use Retail Value of Purchases to help us understand the real-world value of the rewards that are purchased by our players.

Results of Operations

Comparison of the three and six months ended June 30, 2024 versus the three and six months ended June 30, 2023

The following table summarizes our consolidated results of operations for the three and six months ended June 30, 2024 and 2023 (in thousands, except percentages):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2024	2023	$ Change	% Change	2024	2023	$ Change	% Change
Net revenue	$ 72,590	$ 77,793	$ (5,203)	(6.7)%	$ 150,418	$ 157,916	$ (7,498)	(4.7)%
Operating expenses	76,553	79,639	(3,086)	(3.9)%	156,084	161,969	(5,885)	(3.6)%
Operating loss	(3,963)	(1,846)	(2,117)	114.7 %	(5,666)	(4,053)	(1,613)	39.8 %
Net loss	(2,611)	(759)	(1,852)	244.0 %	(3,178)	(3,329)	151	(4.5)%
Net loss margin	(3.6)%	(1.0)%	(2.6)pp	260.0 %	(2.1)%	(2.1)%	—	— %

pp = percentage points

Net Revenue by Segment

	Three Months Ended June 30,				Six Months Ended June 30,			
	2024	2023	Change	% Change	2024	2023	Change	% Change
Net revenue								
playGAMES	$ 72,588	$ 76,122	$ (3,534)	(4.6)%	$ 150,416	$ 153,745	$ (3,329)	(2.2)%
playAWARDS	2	1,671	(1,669)	(99.9)%	2	4,171	(4,169)	(100.0)%
Net revenue	$ 72,590	$ 77,793	$ (5,203)	(6.7)%	$ 150,418	$ 157,916	$ (7,498)	(4.7)%

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

	Three Months Ended June 30,				Six Months Ended June 30,			
	2024	2023	Change	% Change	2024	2023	Change	% Change
United States	$ 61,494	$ 66,597	$ (5,103)	(7.7)%	$ 126,858	$ 136,152	$ (9,294)	(6.8)%
All other countries	11,096	11,196	(100)	(0.9)%	23,560	21,764	1,796	8.3 %
Net revenue	$ 72,590	$ 77,793	$ (5,203)	(6.7)%	$ 150,418	$ 157,916	$ (7,498)	(4.7)%

playGAMES

The following table shows net revenues and key performance indicators for our playGAMES division (in thousands, except percentages and ARPDAU):

	Three Months Ended June 30,				Six Months Ended June 30,		
	2024	2023	Change	% Change	2024	2023	
Virtual currency	$ 56,477	$ 61,621	$ (5,144)	(8.3) %	$ 116,724	$ 126,006	$
Advertising	16,006	14,333	1,673	11.7 %	33,448	27,418	
Other revenue	105	168	(63)	(37.5) %	244	321	
Net revenue	$ 72,588	$ 76,122	$ (3,534)	(4.6) %	$ 150,416	$ 153,745	$
Average DAU	3,220	3,651	(431)	(11.8) %	3,357	3,608	
Average MAU	13,597	13,878	(281)	(2.0) %	14,174	13,482	
Average DPU	24	26	(2)	(7.7) %	26	27	
Average Daily Payer Conversion	0.8 %	0.7 %	0.1 pp	14.3 %	0.8 %	0.7 %	
ARPDAU (in dollars)	$ 0.25	$ 0.23	$ 0.02	8.7 %	$ 0.25	$ 0.23	$

pp = percentage points

Net revenue decreased $3.5 million, or (4.6)%, to $72.6 million during the three months ended June 30, 2024 compared to $76.1 million during the three months ended June 30, 2023. The decrease was due to a $5.1 million decrease in virtual currency revenue primarily driven by decreases in DPU. The decrease was offset by growth in advertising revenue.

Net revenue decreased $3.3 million, or (2.2)%, to $150.4 million during the six months ended June 30, 2024 compared to $153.7 million during the six months ended June 30, 2023. The decrease was due to a $9.3 million decrease in virtual currency revenue primarily driven by decreases in DPU. The decrease was offset by growth in advertising revenue.

playAWARDS

The following table shows net revenues and key performance indicators for our playAWARDS division (in thousands, except for available rewards):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2024	2023	Change	% Change	2024	2023	Change	% Change
Net revenue	$ 2	$ 1,671	$ (1,669)	(99.9) %	$ 2	$ 4,171	$ (4,169)	(100.0) %
Available Rewards (in units)	561	602	(41)	(6.8) %	541	568	(27)	(4.8) %
Purchases (in units)	520	465	55	11.8 %	1,020	905	115	12.7 %
Retail Value of Purchases	$ 31,405	$ 26,640	$ 4,765	17.9 %	$ 71,997	$ 53,980	$ 18,017	33.4 %

Net revenue decreased by $1.7 million during the three months ended June 30, 2024, due to the non-renewal of a licensing arrangement with a customer. The key performance indicators presented above are used by management to assess the playAWARDS segment's operating performance, however are not indicative revenue metrics.

Net revenue decreased by $4.2 million during the six months ended June 30, 2024, due to the non-renewal of a licensing arrangement with a customer. The key performance indicators presented above are used by management to assess the playAWARDS segment's operating performance, however are not indicative revenue metrics.

Operating Expenses

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

	Three Months Ended June 30,				% of Revenue	
	2024	2023	$ Change	% Change	2024	2023
Operating expenses:						
Cost of revenue	$ 18,068	$ 18,887	$ (819)	(4.3)%	24.9 %	24.3 %
Selling and marketing	17,064	18,431	(1,367)	(7.4)%	23.5 %	23.7 %
Research and development	16,743	18,381	(1,638)	(8.9)%	23.1 %	23.6 %
General and administrative	11,645	11,040	605	5.5 %	16.0 %	14.2 %
Depreciation and amortization	11,654	11,116	538	4.8 %	16.1 %	14.3 %
Restructuring expenses	1,379	1,784	(405)	(22.7)%	1.9 %	2.3 %
Total operating expenses	$ 76,553	$ 79,639	$ (3,086)	(3.9)%	105.5 %	102.4 %

	Six Months Ended June 30,				% of Revenue	
	2024	2023	$ Change	% Change	2024	2023
Operating expenses:						
Cost of revenue	$ 37,019	$ 38,414	$ (1,395)	(3.6)%	24.6 %	24.3 %
Selling and marketing	35,640	36,497	(857)	(2.3)%	23.7 %	23.1 %
Research and development	34,764	36,136	(1,372)	(3.8)%	23.1 %	22.9 %
General and administrative	23,424	22,941	483	2.1 %	15.6 %	14.5 %
Depreciation and amortization	23,220	22,149	1,071	4.8 %	15.4 %	14.0 %
Restructuring expenses	2,017	5,832	(3,815)	(65.4)%	1.3 %	3.7 %
Total operating expenses	$ 156,084	$ 161,969	$ (5,885)	(3.6)%	103.8 %	102.6 %

Cost of Revenue

Cost of revenue decreased by $0.8 million to $18.1 million during the three months ended June 30, 2024 compared to $18.9 million during the three months ended June 30, 2023. The decrease was primarily related to a decrease in virtual currency revenue. As a percentage of revenue, cost of revenue increased from 24.3% for the three months ended June 30, 2023 to 24.9% for the three months ended June 30, 2024.

Cost of revenue decreased by $1.4 million to $37.0 million during the six months ended June 30, 2024 compared to $38.4 million during the six months ended June 30, 2023. The decrease was primarily related to a decrease in virtual currency revenue. As a percentage of revenue, cost of revenue increased from 24.3% for the six months ended June 30, 2023 to 24.6% for the six months ended June 30, 2024.

Selling and Marketing

Selling and marketing expenses decreased by $1.4 million to $17.1 million during the three months ended June 30, 2024 compared to $18.4 million during the three months ended June 30, 2023. The decrease was primarily due to decreases in user acquisition expense of $1.6 million. This was offset by an increase of other selling and marketing expenses of $0.2 million. As a percentage of revenue, selling and marketing expenses decreased from 23.7% for the three months ended June 30, 2023 to 23.5% for the three months ended June 30, 2024.

Selling and marketing expenses decreased by $0.9 million to $35.6 million during the six months ended June 30, 2024 compared to $36.5 million during the six months ended June 30, 2023. The decrease was primarily due to decreases in user acquisition expense of $1.8 million. This was offset by an increases to outside service costs of $0.4 million, IT software of $0.4 million, and other selling and marketing expenses of $0.1 million. As a percentage of revenue, selling and marketing expenses increased from 23.1% for the six months ended June 30, 2023 to 23.7% for the six months ended June 30, 2024.

Research and Development

Research and development expenses decreased by $1.6 million to $16.7 million during the three months ended June 30, 2024 compared to $18.4 million during the three months ended June 30, 2023. The decrease was primarily due to a decrease of stock compensation of $0.6 million, employee costs of $0.4 million, outside services of $0.4 million, and facilities expenses of $0.3 million. This was offset by an increase of $0.1 million of other research and development costs.

Research and development expenses decreased by $1.4 million to $34.8 million during the six months ended June 30, 2024 compared to $36.1 million during the six months ended June 30, 2023. The decrease was primarily due to a decrease of stock compensation of $0.8 million, facilities expenses of $0.5 million, and employee costs of $0.4 million. This was offset by an increase of $0.3 million of other research and development costs.

General and Administrative

General and administrative expenses increased by $0.6 million to $11.6 million during the three months ended June 30, 2024 compared to $11.0 million during the three months ended June 30, 2023. The increase is primarily due to an increase of employee costs of $0.7 million. This was offset by a reduction of $0.1 million of other general and administrative costs.

General and administrative expenses increased by $0.5 million to $23.4 million during the six months ended June 30, 2024 compared to $22.9 million during the six months ended June 30, 2023. The increase is primarily due to an increases to employee costs of $0.6 million and IT applications of $0.5 million. This was offset by a reduction of insurance expense of $0.6 million.

Depreciation and Amortization

Depreciation and amortization expenses increased by $0.5 million to $11.7 million during the three months ended June 30, 2024 compared to $11.1 million during the three months ended June 30, 2023. The increase was primarily due to license renewals.

Depreciation and amortization expenses increased by $1.1 million to $23.2 million during the six months ended June 30, 2024 compared to $22.1 million during the six months ended June 30, 2023. The increase was primarily due to license renewals.

Restructuring Expenses

Restructuring expenses decreased by $0.4 million from the three months ended June 30, 2023 to the three months ended June 30, 2024. The decrease was primarily due to a decrease of $0.9 million for a non-cash impairment charge related to certain investments and a decrease of $0.3 million related to the Tender Offer. This was offset by an increase of $0.5 million related to fees for various merger and acquisition opportunities and an increase of $0.3 million related to other restructuring costs.

Restructuring expenses decreased by $3.8 million from the six months ended June 30, 2023 to the six months ended June 30, 2024. The decrease was primarily due to decreases of $1.8 million related to management restructurings and severance, $1.2 million related to fees for various merger and acquisition opportunities, $0.9 million for a non-cash impairment charge related to certain investments, and a decrease of $0.3 million related to the Tender Offer. This was offset by an increase of $0.1 million related to other restructuring costs.

Other (Loss) Income, Net

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

	Three Months Ended June 30,			
	2024	2023	$ Change	% Change
Change in fair value of warrant liabilities	$ 717	$ (1,777)	$ 2,494	140.3 %
Interest income, net	1,374	1,262	112	(8.9)%
Other (expense) income, net	(264)	1,044	(1,308)	(125.3)%
Total other income, net	$ 1,827	$ 529	$ 1,298	245.4 %

	Six Months Ended June 30,			
	2024	2023	$ Change	% Change
Change in fair value of warrant liabilities	$ 653	$ (2,835)	$ 3,488	123.0 %
Interest income, net	2,794	2,157	637	(29.5)%
Other (expense) income, net	(370)	1,104	(1,474)	(133.5)%
Total other income, net	$ 3,077	$ 426	$ 2,651	622.3 %

The change in fair value of warrant liabilities is related to the warrants discussed in Note 12— *Warrant Liabilities* to our condensed consolidated financial statements herein. Interest income, net is related to interest earned on cash and cash equivalents offset by fees and expenses associated with the Credit Agreement as discussed in Note 15—*Long-Term Debt* to our condensed consolidated financial statements herein. Other income primarily relates to gains or (losses) from equity investments and gains or (losses) from foreign currency transactions with our foreign subsidiaries.

Provision for Income Taxes

Provision for income taxes resulted in a tax expense of $0.5 million for the three months ended June 30, 2024, compared to a tax benefit of $0.6 million for the three months ended June 30, 2023. Our effective tax rate was (22.2)% for the three months ended June 30, 2024 compared to our statutory tax rate of 21%. Our effective tax rate was increased by remeasured income taxes payable in Israel at reduced tax rates, the fair value adjustment to the warrant liability, and research and development credits that we can utilize on our federal and state tax returns. Our effective tax rate was decreased by nondeductible stock compensation, foreign branch income, and other nondeductible expenses including officer compensation.

Provision for income taxes resulted in a tax expense of $0.6 million for the six months ended June 30, 2024, compared to a tax benefit of $0.3 million for the six months ended June 30, 2023. Our effective tax rate was (22.8)% for the six months ended June 30, 2024 compared to our statutory tax rate of 21%. Our effective tax rate was increased by the valuation allowance recorded against our US deferred tax assets, lower foreign tax rates in significant foreign jurisdictions, the fair value adjustment to the warrant liability, and discrete tax benefits related to remeasured income taxes payable in Israel at reduced tax rates. Our effective tax rate was decreased by nondeductible stock compensation, foreign branch income, and other nondeductible expenses including officer compensation.

Comparison of our Segment Results of Operations

The following table presents adjusted earnings before interest, taxes, depreciation, and amortization ("AEBITDA"). AEBITDA is our reportable segment GAAP measure, which we utilize as the primary profit measure for our reportable segments. See Note 3—Segment Reporting in the accompanying condensed consolidated financial statements for additional information. Consolidated AEBITDA is a non-GAAP measure, discussed within “Non-GAAP Measures” below.

Comparison of the three and six months ended June 30, 2024 versus the three and six months ended June 30, 2023

	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Change	% Change
AEBITDA				
playGAMES	$ 21,920	$ 21,610	$ 310	1.4 %
playAWARDS	(3,476)	(1,706)	(1,770)	103.8 %
Corporate and other	(4,306)	(3,630)	(676)	18.6 %
Consolidated AEBITDA	$ 14,138	$ 16,274	$ (2,136)	(13.1)%
Segment AEBITDA Margin:				
playGAMES	30.2 %	28.4 %	1.8 %	6.4 %
playAWARDS	nm	(102.1)%	nm	nm

nm - not meaningful

	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023	Change	% Change
AEBITDA				
playGAMES	$ 45,371	$ 44,202	$ 1,169	2.6 %
playAWARDS	(7,098)	(2,337)	(4,761)	203.7 %
Corporate and other	(8,821)	(7,825)	(996)	12.7 %
Consolidated AEBITDA	$ 29,452	$ 34,040	$ (4,588)	(13.5)%
Segment AEBITDA Margin:				
playGAMES	30.2 %	28.8 %	1.4 %	4.9 %
playAWARDS	nm	(56.0)%	nm	nm

nm - not meaningful

playGAMES

playGAMES AEBITDA was $21.9 million for the three months ended June 30, 2024 compared to $21.6 million for the three months ended June 30, 2023, an increase of $0.3 million. playGAMES AEBITDA margin was 30.2% for the three months ended June 30, 2024 compared to 28.4% for the three months ended June 30, 2023. The current period benefited from an increase in advertising revenue which does not incur platform fees, driving a reduction in cost of sales.

playGAMES AEBITDA was $45.4 million for the six months ended June 30, 2024 compared to $44.2 million for the six months ended June 30, 2023, an increase of $1.2 million. playGAMES AEBITDA margin was 30.2% for the six months ended June 30, 2024 compared to 28.8% for the six months ended June 30, 2023. The current period benefited from an increase in advertising revenue which does not incur platform fees driving a reduction in cost of sales.

playAWARDS

playAWARDS AEBITDA was $(3.5) million for the three months ended June 30, 2024 compared to $(1.7) million for the three months ended June 30, 2023. The decrease in AEBITDA can be attributed to lower net revenue and an increase in employee costs associated with the myVIP program and the further advancement of the playAWARDS platform.

playAWARDS AEBITDA was $(7.1) million for the six months ended June 30, 2024 compared to $(2.3) million for the six months ended June 30, 2023. The decrease in AEBITDA can be attributed to lower net revenue and an increase in employee costs associated with the myVIP program and the further advancement of the playAWARDS platform.

Non-GAAP Measures

Consolidated Adjusted EBITDA and Consolidated AEBITDA Margin

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

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Revenue	$ 72,590	$ 77,793	$ 150,418	$ 157,916
Net loss	$ (2,611)	$ (759)	$ (3,178)	$ (3,329)
Net loss margin	(3.6)%	(1.0)%	(2.1)%	(2.1)%
Adjustments:				
Depreciation & amortization	11,654	11,116	23,220	22,149
Income tax expense	475	(558)	589	(298)
Stock-based compensation expense	4,930	5,193	9,724	10,047
Change in fair value of warrant liability	(717)	1,777	(653)	2,835
Change in fair value of contingent consideration	—	(897)	—	(950)
Restructuring and related[1]	1,378	1,784	2,016	5,832
Other, net[2]	(971)	(1,382)	(2,266)	(2,246)
Consolidated AEBITDA	14,138	16,274	29,452	34,040
Consolidated AEBITDA Margin	19.5 %	20.9 %	19.6 %	21.6 %

(1) Amounts reported during the three and six months ended June 30, 2023 relate to non-cash impairment charges related to certain investments and fees related to evaluating various merger, acquisition and restructuring opportunities. Amounts reported during the three and six months ended June 30, 2024 relate to internal reorganization costs, including severance-related costs, fees related to evaluating various merger and acquisition opportunities, and legal fees and other costs incurred in connection with litigation arising out of the Acies Merger transaction.

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

Liquidity and Capital Resources

As of June 30, 2024, we had cash and cash equivalents of $106.3 million, which consisted of cash on hand and money market mutual funds. Historically, we have funded our operations, including capital expenditures, primarily through cash flow from operating activities. We believe that our existing cash and cash equivalents, the cash generated from operations, and the borrowing capacity under our Credit Agreement as described below will be sufficient to fund our operations and capital expenditures for at least the next twelve (12) months. However, we intend to continue to make significant investments to support our business growth and may require additional funds to respond to business challenges, including the need to develop new games and features or enhance our existing games, improve our operating infrastructure, or acquire complementary businesses, personnel and technologies. Accordingly, we may need to engage in equity or debt financings to secure additional funds or we may decide to do so opportunistically.

Debt

For a description of the Credit Agreement, see Note 15— *Long-Term Debt* in our Condensed Consolidated Financial Statements and *Liquidity and Capital Resources* in our Annual Report on Form 10-K for the year ended December 31, 2023.

As of June 30, 2024, we do not have any outstanding amounts under the Credit Agreement.

Cash Flows

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

	Six Months Ended June 30,	
	2024	2023
Net cash provided by operating activities	$ 19,531	$ 23,881
Net cash used in investing activities	(13,060)	(14,188)
Net cash used in financing activities	(32,444)	(15,567)
Effect of exchange rate on cash and cash equivalents	(612)	(459)
Decrease in cash and cash equivalents	(26,585)	(6,333)

Operating Activities

During the six months ended June 30, 2024, operating activities provided $19.5 million of net cash as compared to $23.9 million during the six months ended June 30, 2023. The decrease in cash provided from operating activities was primarily due to an unfavorable change in operating assets and liabilities due to timing fluctuations in payables being paid.

Investing Activities

During the six months ended June 30, 2024, investing activities used $13.1 million of net cash as compared to $14.2 million during the six months ended June 30, 2023. The change in cash used in investing activities was due to a lower amount of additions to internal-use software during the six months ended June 30, 2024.

Financing Activities

During the six months ended June 30, 2024, financing activities used $32.4 million of net cash as compared to $15.6 million during the six months ended June 30, 2023. The change in cash used in financing activities was due to an additional $13.2 million of share repurchases, $2.3 million of less proceeds received from stock option exercises, $0.7 million in increased minimum guarantee payments made, and $0.6 million of payments for tax withholding of stock-based compensation.

Contractual Obligations, Commitments, and Contingencies

As of June 30, 2024, there had been no material changes to our aggregated indebtedness and other contractual obligations previously reported in our Annual Report on Form 10-K for the year ended December 31, 2023, except for the operating lease liability maturities described in *Note 14—Leases.*

Critical Accounting Policies and Estimates

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

Except as described in Note 2—*Summary Of Significant Accounting Policies* , there have been no material changes to our critical accounting policies and estimates as compared to the critical accounting policies and estimates disclosed in our 2023 Annual Report on Form 10-K, filed with the SEC on March 12, 2024.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

Interest Rate Risk

Our exposures to market risk for changes in interest rates relate primarily to our Credit Agreement. The Credit Agreement and our Revolver are floating rate facilities. Therefore, fluctuations in interest rates will impact the amount of interest expense we incur and have to pay. We did not have any borrowings outstanding under our Credit Agreement at June 30, 2024 and December 31, 2023, respectively

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

Investment Risk

We had cash and cash equivalents totaling $106.3 million and $132.9 million as of June 30, 2024 and December 31, 2023, respectively. Our investment policy and strategy primarily attempt to preserve capital and meet liquidity requirements without significantly increasing risk. Our cash and cash equivalents primarily consist of cash on hand and money market mutual funds. We have not entered into investments for trading or speculative purposes. Changes in rates would primarily impact interest income due to the relatively short-term nature of our investments. A hypothetical 100 basis point change in interest rates would have increased or decreased our interest income for a twelve-month period by an immaterial amount.

Foreign Currency Risk

Our functional currency is the U.S. Dollar and our revenues and expenses are primarily denominated in U.S. Dollars. Our indirect foreign currency transaction exposure results mainly from the sale of our virtual currency to players outside of the U.S. While players outside of the U.S. make purchases in currencies other than the U.S. Dollar, we are paid by platform providers and record revenue in U.S. Dollars pursuant to the terms of the relevant contracts. While we have the ability to change the foreign currency pricing of our virtual currency, sudden and significant changes in the exchange rates of the Canadian and Australian Dollars and Pound Sterling to the U.S. Dollar could have a material impact on our results of operations.

However, a significant portion of our headcount related expenses, consisting principally of salaries and related personnel expenses, as well as leases and certain other operating expenses, are denominated in New Israeli Shekels, or NIS. We also have foreign currency risks related to our operating expenses denominated in currencies other than the U.S. Dollar, including the Hong Kong Dollar, Euro, Mexican Peso, Chilean Peso, Serbian Dinar, Singapore Dollar and Vietnamese Dong. Accordingly, changes in exchange rates in the future may negatively affect our future operating results as expressed in U.S. Dollars.

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

As of June 30, 2024, we held derivative contracts to purchase certain foreign currencies, including the NIS, at future dates. The notional value of amounts hedged was approximately $17.5 million, and all contracts are expected to mature during the upcoming 12 months.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the three months ended June 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we are a party to litigation and subject to claims incident to the ordinary course of business. Although the results of litigation and claims cannot be predicted with certainty, we currently believe that the final outcome of these matters will not have a material adverse effect on our business. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors. For information regarding legal proceedings and other claims in which we are involved, see Note 18—*Commitments and Contingencies*.

Item 1A. Risk Factors

A description of certain factors that may affect our future results and risk factors is set forth in our Annual Report on Form 10-K for the year ended December 31, 2023. There have been no material changes to those factors previously disclosed in our 2023 Annual Report on Form 10-K.

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

The following table provides information about share repurchases made by us of our Class A common stock during the quarter ended June 30, 2024:

Period	Total Number of Shares Purchased[1]	Average Price Paid per Share[2]	Total Number of Shares Purchased as Part of a Publicly Announced Program	Dollar Value of Shares that May Yet be Purchased Under the Program[3] *(In thousands)*
April 1, 2024 - April 30, 2024	433,337	$ 2.85	414,576	$ 46,000
May 1, 2024 - May 31, 2024	476,764	$ 2.38	—	$ 46,000
June 1, 2024 - June 30, 2024	11,677,398	$ 2.11	—	$ 46,000

1. These amounts include shares surrendered to satisfy tax withholding obligations upon the vesting of equity awards under our 2021 Equity Incentive Plan (as amended, the “Plan”). Under the Plan and applicable award agreements, the Company has the discretionary right to collect payment of mandatory tax withholding obligations by deducting from the shares otherwise deliverable to a participant upon vesting and settlement of an award under the Plan a number of shares having a fair market value equal or less than such participant’s tax withholding obligations. All shares so deducted from shares that otherwise would be deliverable to participants under the Plan are considered repurchased pursuant to the terms of the Plan and applicable award agreements and not pursuant to any publicly announced share repurchase program. June amounts include only shares repurchased from Microsoft Corporation. See *Note 5—Related-Party Transactions* of the notes to condensed consolidated financial statements included in Item 1 of this Quarterly Report on Form 10-Q for additional information relating to the share repurchase.
2. Average price paid per share includes shares surrendered to satisfy tax withholding obligations and shares purchased from Microsoft Corporation, and excludes costs associated with the repurchases. Average price paid per share purchased as part of the publicly announced program was $2.86 from April 1, 2024 to April 30, 2024.
3. The repurchases are being executed from time to time, subject to general business and market conditions, through open market purchases or privately negotiated transactions, including through Rule 10b5-1 trading plans, pursuant to a stock repurchase program. On November 10, 2021, the Company’s Board of Directors approved a stock repurchase program authorizing the Company to repurchase, within a 12 month period, up to $50.0 million of the Company’s Class A common stock at such times and in such amounts as the Company’s Board of Directors deems appropriate, based on factors such as market conditions, legal requirements, and other business considerations. The Company publicly announced the approval of such stock repurchase program on November 12, 2021. On November 2, 2022, the Company’s Board of Directors approved an extension of the time period for repurchases under the stock repurchase program for an additional 12 months from November 10, 2022 to November 10, 2023. On November 1, 2023, the Company's Board of Directors extended the stock repurchase program through November 10, 2024 and increased the remaining amount authorized to $50.0 million. The Company publicly announced such extension and increase on November 2, 2023. See *Note 19—Stockholders’ Equity* of the notes to condensed consolidated financial statements included in Item 1 of this Quarterly Report on Form 10-Q for additional information relating to share repurchases.

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not applicable

Item 5. Other Information

During the fiscal quarter ended June 30, 2024, the following officer of the Company adopted, modified, or terminated a “Rule 10b5-1 trading arrangement” (as defined in Item 408 of Regulation S-K of the Exchange Act):

- On June 13, 2024, Scott Peterson, Chief Financial Officer of the Company, adopted a Rule 10b5-1 trading plan providing for the sale of shares of Class A common stock, with the first trade under the plan scheduled to occur on or after September 16, 2024. The trading plan will be effective through March 31, 2025 to sell an aggregate of (i) up to 100,000 shares of Class A common stock, plus (ii) 75% of the shares received (net of tax withholding) upon vesting and settlement of up to 83,333 shares (gross) of Class A common stock underlying certain unvested Performance Stock Units, the vesting of which will be determined based on, and will be contingent upon, the achievement of certain pre-established performance metrics for the fiscal year ending December 31, 2024.

The foregoing Rule 10b5-1 trading arrangement is in accordance with our Statement of Policy Concerning Trading in Company Securities, and any actual sale transactions made pursuant to such trading arrangements will be disclosed publicly in Section 16 filings in accordance with applicable securities laws, rules, and regulations.

No other officers or directors of the Company adopted and/or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement during the fiscal quarter ended June 30, 2024.

Item 6. Exhibits

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

Exhibit Number	Description
3.1	Certificate of Incorporation of PLAYSTUDIOS, Inc. (incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K filed June 25, 2021).
3.2	Bylaws of PLAYSTUDIOS, Inc., effective as of June 21, 2021 (incorporated by reference to Exhibit 3.2 to Current Report on Form 8-K filed June 25, 2021).
3.3	Certificate of Amendment of Certificate of Incorporation of PLAYSTUDIOS, Inc. dated June 5, 2024 (incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K filed June 5, 2024).
10.1	Amendment No. 4 to Credit Agreement among PLAYSTUDIOS, Inc., PLAYSTUDIOS US, LLC, the Lenders party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent, dated June 7, 2024 (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed June 11, 2024).
10.2	Amendment No. 5 to Credit Agreement among PLAYSTUDIOS, Inc., PLAYSTUDIOS US, LLC, the Lenders party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent, dated July 1, 2024 (incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K filed July 8, 2024).
31.1*	Certification of Chief Executive Officer of Periodic Report Pursuant to Rule 13a – 14(a) and Rule 15d – 14(a) under the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer of Periodic Report Pursuant to Rule 13a – 14(a) and Rule 15d – 14(a) under the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS**	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
104	Cover Page Interactive Data File formatted in Inline XBRL and contained in Exhibit 101.

* Filed herewith

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

SIGNATURES

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

PLAYSTUDIOS, Inc.

Date:	August 6, 2024	By:	/s/ Andrew Pascal
		Name:	Andrew Pascal
		Title:	Chairman and Chief Executive Officer
			(Principal Executive Officer)
Date:	August 6, 2024	By:	/s/ Scott Peterson
		Name:	Scott Peterson
		Title:	Chief Financial Officer
			(Principal Financial and Accounting Officer)

Exhibit 31.1

Certification of the Chief Executive Officer

Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a)

as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Andrew Pascal, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of PLAYSTUDIOS, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 6, 2024

/s/ Andrew Pascal

Andrew Pascal

Director, Chief Executive Officer

(Principal Executive Officer)

Exhibit 31.2

Certification of the Chief Financial Officer

Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a)

as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Scott Peterson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of PLAYSTUDIOS, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2024

/s/ Scott Peterson

Scott Peterson
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

Certification of CEO and CFO Pursuant to

18 U.S.C. Section 1350, as Adopted Pursuant to

Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q of PLAYSTUDIOS, Inc. (the "Company") for the quarter ended June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Andrew Pascal, as Chief Executive Officer of the Company, and Scott Peterson, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of their knowledge:

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

/s/ Andrew Pascal

Name:	Andrew Pascal
Title:	Director, Chief Executive Officer
	(Principal Executive Officer)
Date:	August 6, 2024

/s/ Scott Peterson

Name:	Scott Peterson
Title:	Chief Financial Officer
	(Principal Financial and Accounting Officer)
Date:	August 6, 2024

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