

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2023

OR

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

For the transition period from to

Commission file number: 001-11693



LIGHT & WONDER, INC.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of incorporation or organization)

81-0422894

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

6601 Bermuda Road, Las Vegas, Nevada

(Address of principal executive offices)

89119

(Zip Code)

(702) 897-7150

(Registrant's telephone number, including area code)

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

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

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

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

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

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

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

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

Common stock outstanding as of November 3, 2023 was 90,047,398.

LIGHT & WONDER, INC. AND SUBSIDIARIES
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Glossary of Terms

The following terms or acronyms used in this Quarterly Report on Form 10-Q are defined below:



Term or Acronym	Definition
2022 10-K	2022 Annual Report on Form 10-K filed with the SEC on March 1, 2023
2025 Unsecured Notes	8.625% senior unsecured notes due 2025 issued by LNWI
2028 Unsecured Notes	7.000% senior unsecured notes due 2028 issued by LNWI
2029 Unsecured Notes	7.250% senior unsecured notes due 2029 issued by LNWI
2031 Unsecured Notes	7.500% senior unsecured notes due 2031 issued by LNWI
AEBITDA	Adjusted EBITDA, our performance measure of profit or loss for our business segments
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
ASX	Australian Securities Exchange
CDIs	CHESS Depositary Interests, instruments traded on the ASX
CMS	casino-management system
COVID-19	Coronavirus disease first identified in 2019 (declared a pandemic by the World Health Organization on March 11, 2020), the resulting pandemic and the associated impacts on the macroeconomic environment in general and our business environment specifically
D&A	depreciation, amortization and impairments (excluding goodwill)
Divested Businesses or Divestitures	The Lottery Business and Sports Betting Business combined or the sales of these, as appropriate within the context
Exchange Act	Securities Exchange Act of 1934, as amended
KPIs	Key Performance Indicators
L&W	Light & Wonder, Inc.
LBO	licensed betting office
LNWI	Light and Wonder International, Inc., a wholly-owned subsidiary of L&W and successor to Scientific Games International, Inc.
LNWI Credit Agreement	That certain credit agreement, dated as of April 14, 2022, among LNWI, as the borrower, L&W, as a guarantor, the lenders from time to time party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, Collateral Agent and Swingline Lender, BofA Securities, Inc., BNP Paribas Securities Corp., Deutsche Bank Securities Inc., Fifth Third Bank, National Association, Barclays Bank PLC, Citizens Bank, N.A., Goldman Sachs Bank USA, Morgan Stanley Senior Funding, Inc., Royal Bank of Canada, Truist Securities, Inc., Credit Suisse Loan Funding LLC and Macquarie Capital (USA) Inc. as Lead Arrangers and Joint Bookrunners, as amended, restated, amended and restated, supplemented or otherwise modified from time to time
LNWI Revolver	Revolving credit facility with aggregate commitments of \$750 million extended pursuant to the LNWI Credit Agreement
LNWI Term Loan B	Term loan facility, issued pursuant to the LNWI Credit Agreement
Lottery Business	Our prior operating business segment that provided instant and draw-based lottery products, lottery systems and lottery content and services to lottery operators wagering solutions to various gaming entities. This business segment was divested during the second quarter of 2022 and is included in discontinued operations in our financial statements
Note	a note in the Notes to Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q, unless otherwise indicated
Participation	refers to gaming machines provided to customers through service or leasing arrangements in which we earn revenues and are paid based on: (1) a percentage of the amount wagered less payouts; (2) fixed daily-fees; (3) a percentage of the amount wagered; or (4) a combination of (2) and (3)
R&D	research and development
RSU	restricted stock unit
SciPlay	SciPlay Corporation
SciPlay Revolver	\$150 million revolving credit facility agreement entered into by SciPlay Holding Company, LLC, a subsidiary of SciPlay Corporation, that matures in May 2024
SEC	Securities and Exchange Commission
Securities Act	Securities Act of 1933, as amended

Senior Notes or Unsecured Notes	refers to the 2028 Unsecured Notes, 2029 Unsecured Notes and 2031 Unsecured Notes, collectively
SG&A	selling, general and administrative
Shufflers	various models of automatic card shufflers, deck checkers and roulette chip sorters
SOFR	Secured Overnight Financing Rate
Sports Betting Business	Our prior line of business that provided sports betting services which enable customers to operate sports books, including betting markets across both fixed-odds and pari-mutual betting styles, a distribution platform, full gaming process support services and brand and player management. This business was divested during the third quarter of 2022 and is included in discontinued operations in our financial statements
U.S. GAAP	accounting principles generally accepted in the U.S.
U.S. jurisdictions	the 50 states in the U.S. plus the District of Columbia, U.S. Virgin Islands and Puerto Rico
VGT	video gaming terminal
VLT	video lottery terminal

Intellectual Property Rights

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FORWARD-LOOKING STATEMENTS

Throughout this Quarterly Report on Form 10-Q, we make “forward-looking statements” within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements describe future expectations, plans, results or strategies and can often be identified by the use of terminology such as “may,” “will,” “estimate,” “intend,” “plan,” “continue,” “believe,” “expect,” “anticipate,” “target,” “should,” “could,” “potential,” “opportunity,” “goal,” or similar terminology. The forward-looking statements contained in this Quarterly Report on Form 10-Q are generally located in the material set forth under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations” but may be found in other locations as well. These statements are based upon management’s current expectations, assumptions and estimates and are not guarantees of timing, future results or performance. Therefore, you should not rely on any of these forward-looking statements as predictions of future events. Actual results may differ materially from those contemplated in these statements due to a variety of risks and uncertainties and other factors, including, among other things:

- our inability to successfully execute our strategy and rebranding initiative;
- slow growth of new gaming jurisdictions, slow addition of casinos in existing jurisdictions and declines in the replacement cycle of gaming machines;
- risks relating to foreign operations, including anti-corruption laws, fluctuations in currency rates, restrictions on the payment of dividends from earnings, restrictions on the import of products and financial instability;
- difficulty predicting what impact, if any, new tariffs imposed by and other trade actions taken by the U.S. and foreign jurisdictions could have on our business;
- U.S. and international economic and industry conditions, including increases in benchmark interest rates and the effects of inflation;
- public perception of our response to environmental, social and governance issues;
- changes in, or the elimination of, our share repurchase program;
- resulting pricing variations and other impacts of our common stock being listed to trade on more than one stock exchange;
- level of our indebtedness, higher interest rates, availability or adequacy of cash flows and liquidity to satisfy indebtedness, other obligations or future cash needs;
- inability to further reduce or refinance our indebtedness;
- restrictions and covenants in debt agreements, including those that could result in acceleration of the maturity of our indebtedness;
- competition;
- inability to win, retain or renew, or unfavorable revisions of, existing contracts, and the inability to enter into new contracts;
- risks and uncertainties of potential changes in U.K. gaming legislation, including any new or revised licensing and taxation regimes, responsible gambling requirements and/or sanctions on unlicensed providers;
- inability to adapt to, and offer products that keep pace with, evolving technology, including any failure of our investment of significant resources in our R&D efforts;
- the possibility that we may be unable to achieve expected operational, strategic and financial benefits of the SciPlay Merger (as defined below);
- the outcome of any legal proceedings that may be instituted following completion of the SciPlay Merger;
- failure to retain key management and employees of SciPlay;
- unpredictability and severity of catastrophic events, including but not limited to acts of terrorism, war, armed conflicts or hostilities or the COVID-19 pandemic, the impact such events may have on our customers, suppliers, employees, consultants, business partners or operations, as well as management’s response to any of the aforementioned factors;
- changes in demand for our products and services;
- dependence on suppliers and manufacturers;
- SciPlay’s dependence on certain key providers;
- ownership changes and consolidation in the gaming industry;
- fluctuations in our results due to seasonality and other factors;
- security and integrity of our products and systems, including the impact of any security breaches or cyber-attacks;
- protection of our intellectual property, inability to license third-party intellectual property and the intellectual property rights of others;
- reliance on or failures in information technology and other systems;

- litigation and other liabilities relating to our business, including litigation and liabilities relating to our contracts and licenses, our products and systems, our employees (including labor disputes), intellectual property, environmental laws and our strategic relationships;
- reliance on technological blocking systems;
- challenges or disruptions relating to the completion of the domestic migration to our enterprise resource planning system;
- laws and government regulations, both foreign and domestic, including those relating to gaming, data privacy and security, including with respect to the collection, storage, use, transmission and protection of personal information and other consumer data, and environmental laws, and those laws and regulations that affect companies conducting business on the internet, including online gambling;
- legislative interpretation and enforcement, regulatory perception and regulatory risks with respect to gaming, especially internet wagering, social gaming and sports wagering;
- changes in tax laws or tax rulings, or the examination of our tax positions;
- opposition to legalized gaming or the expansion thereof and potential restrictions on internet wagering;
- significant opposition in some jurisdictions to interactive social gaming, including social casino gaming and how such opposition could lead these jurisdictions to adopt legislation or impose a regulatory framework to govern interactive social gaming or social casino gaming specifically, and how this could result in a prohibition on interactive social gaming or social casino gaming altogether, restrict our ability to advertise our games, or substantially increase our costs to comply with these regulations;
- expectations of shift to regulated digital gaming or sports wagering;
- inability to develop successful products and services and capitalize on trends and changes in our industries, including the expansion of internet and other forms of digital gaming;
- the continuing evolution of the scope of data privacy and security regulations, and our belief that the adoption of increasingly restrictive regulations in this area is likely within the U.S. and other jurisdictions;
- incurrence of restructuring costs;
- goodwill impairment charges including changes in estimates or judgments related to our impairment analysis of goodwill or other intangible assets;
- stock price volatility;
- failure to maintain adequate internal control over financial reporting;
- dependence on key executives;
- natural events that disrupt our operations, or those of our customers, suppliers or regulators; and
- expectations of growth in total consumer spending on social casino gaming.

Additional information regarding risks and uncertainties and other factors that could cause actual results to differ materially from those contemplated in forward-looking statements is included from time to time in our filings with the SEC, including under “Risk Factors” in *Part II, Item 1A* of this Quarterly Report on Form 10-Q and *Part I, Item 1A* in our 2022 10-K. Forward-looking statements speak only as of the date they are made and, except for our ongoing obligations under the U.S. federal securities laws, we undertake no and expressly disclaim any obligation to publicly update any forward-looking statements whether as a result of new information, future events or otherwise.

You should also note that this Quarterly Report on Form 10-Q may contain references to industry market data and certain industry forecasts. Industry market data and industry forecasts are obtained from publicly available information and industry publications. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of that information is not guaranteed. Although we believe industry information to be accurate, it is not independently verified by us and we do not make any representation as to the accuracy of that information. In general, we believe there is less publicly available information concerning the international gaming, social and digital gaming industries than the same industries in the U.S.

Due to rounding, certain numbers presented herein may not precisely recalculate.

PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

LIGHT & WONDER, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited, in millions, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenue:				
Services	\$ 503	\$ 453	\$ 1,476	\$ 1,329
Products	228	195	655	501
Total revenue	731	648	2,131	1,830
Operating expenses:				
Cost of services ⁽¹⁾	113	101	331	283
Cost of products ⁽¹⁾	105	92	307	251
Selling, general and administrative	204	181	599	535
Research and development	55	56	168	163
Depreciation, amortization and impairments	90	102	298	317
Restructuring and other	17	27	66	106
Operating income	147	89	362	175
Other (expense) income:				
Interest expense	(78)	(68)	(231)	(254)
Loss on debt financing transactions	(15)	—	(15)	(147)
Gain on remeasurement of debt and other	—	—	—	27
Other income, net	40	3	23	10
Total other expense, net	(53)	(65)	(223)	(364)
Net income (loss) from continuing operations before income taxes	94	24	139	(189)
Income tax expense	(14)	(4)	(27)	(8)
Net income (loss) from continuing operations	80	20	112	(197)
Net income from discontinued operations, net of tax ⁽²⁾	—	315	—	3,855
Net income	80	335	112	3,658
Less: Net income attributable to noncontrolling interest	5	7	16	13
Net income attributable to L&W	\$ 75	\$ 328	\$ 96	\$ 3,645
Per Share - Basic:				
Net income (loss) from continuing operations	\$ 0.83	\$ 0.14	\$ 1.05	\$ (2.20)
Net income from discontinued operations	—	3.33	—	40.43
Net income attributable to L&W	\$ 0.83	\$ 3.47	\$ 1.05	\$ 38.23
Per Share - Diluted:				
Net income (loss) from continuing operations	\$ 0.81	\$ 0.14	\$ 1.03	\$ (2.20)
Net income from discontinued operations	—	3.28	—	40.43
Net income attributable to L&W	\$ 0.81	\$ 3.42	\$ 1.03	\$ 38.23
Weighted average number of shares used in per share calculations:				
Basic shares	91	94	91	95
Diluted shares	92	96	93	95

(1) Excludes depreciation, amortization, and impairments.

(2) The three and nine months ended September 30, 2022 include a pre-tax gain of \$362 million and \$4,930 million, respectively, on the sale of discontinued operations (see Note 2).

See accompanying notes to condensed consolidated financial statements.

LIGHT & WONDER, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited, in millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net income	\$ 80	\$ 335	\$ 112	\$ 3,658
Other comprehensive loss:				
Foreign currency translation loss, net of tax	(71)	(105)	(21)	(183)
Derivative financial instruments unrealized gain, net of tax	5	24	8	29
Other comprehensive loss from continuing operations	(66)	(81)	(13)	(154)
Other comprehensive income from discontinued operations	—	12	—	—
Total comprehensive income	14	266	99	3,504
Less: comprehensive income attributable to noncontrolling interest	5	7	16	13
Comprehensive income attributable to L&W	\$ 9	\$ 259	\$ 83	\$ 3,491

See accompanying notes to condensed consolidated financial statements.

LIGHT & WONDER, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited, in millions, except par value)

	As of	
	September 30, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 891	\$ 914
Restricted cash	50	47
Receivables, net of allowance for credit losses of \$40 and \$38, respectively	477	455
Inventories	183	161
Prepaid expenses, deposits and other current assets	119	117
Total current assets	1,720	1,694
Non-current assets:		
Restricted cash	6	6
Receivables, net of allowance for credit losses of \$1 and \$2, respectively	11	14
Property and equipment, net	229	204
Operating lease right-of-use assets	43	49
Goodwill	2,903	2,919
Intangible assets, net	638	797
Software, net	151	145
Deferred income taxes	112	114
Other assets	74	67
Total assets	\$ 5,887	\$ 6,009
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 22	\$ 24
Accounts payable	162	154
Accrued liabilities	403	380
Income taxes payable	32	64
Total current liabilities	619	622
Deferred income taxes	43	87
Operating lease liabilities	30	37
Other long-term liabilities	194	232
Long-term debt, excluding current portion	3,855	3,870
Total liabilities	4,741	4,848
Commitments and contingencies (Note 16)		
Stockholders' equity:		
Common stock, par value \$0.001 per share, 199 shares authorized; 116 and 115 shares issued, respectively, and 90 and 91 shares outstanding, respectively	1	1
Additional paid-in capital	1,402	1,370
Retained earnings	613	517
Treasury stock, at cost, 26 and 24 shares, respectively	(726)	(580)
Accumulated other comprehensive loss	(331)	(318)
Total L&W stockholders' equity	959	990
Noncontrolling interest	187	171
Total stockholders' equity	1,146	1,161
Total liabilities and stockholders' equity	\$ 5,887	\$ 6,009

See accompanying notes to condensed consolidated financial statements.

LIGHT & WONDER, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in millions)

	Nine Months Ended September 30,	
	2023	2022
Cash flows from operating activities:		
Net income	\$ 112	\$ 3,658
Less: Income from discontinued operations, net of tax	—	(3,855)
Adjustments to reconcile net income (loss) from continuing operations to net cash provided by (used in) operating activities from continuing operations	436	488
Changes in working capital accounts, excluding the effects of acquisitions	(81)	(641)
Changes in deferred income taxes and other	(44)	4
Net cash provided by (used in) operating activities from continuing operations	423	(346)
Net cash provided by operating activities from discontinued operations	—	52
Net cash provided by (used in) operating activities	423	(294)
Cash flows from investing activities:		
Capital expenditures	(182)	(158)
Acquisitions of businesses, net of cash acquired	(4)	(118)
Proceeds from settlement of cross-currency interest rate swaps and other	(1)	52
Net cash used in investing activities from continuing operations	(187)	(224)
Net cash (used in) provided by investing activities from discontinued operations ⁽¹⁾	(3)	6,368
Net cash (used in) provided by investing activities	(190)	6,144
Cash flows from financing activities:		
Borrowings under revolving credit facilities	—	280
Repayments under revolving credit facilities	—	(280)
Proceeds from issuance of senior notes and term loans	550	2,200
Repayment of notes and term loans (including redemption premium)	(562)	(6,984)
Payments on long-term debt	(17)	(103)
Payments of debt issuance and deferred financing costs	(8)	(37)
Payments on license obligations	(26)	(30)
Purchase of L&W common stock	(145)	(203)
Purchase of SciPlay's Class A common stock	(23)	(18)
Net redemptions of common stock under stock-based compensation plans and other	(20)	(35)
Net cash used in financing activities from continuing operations	(251)	(5,210)
Net cash used in financing activities from discontinued operations	—	(3)
Net cash used in financing activities	(251)	(5,213)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(2)	(12)
(Decrease) increase in cash, cash equivalents and restricted cash	(20)	625
Cash, cash equivalents and restricted cash, beginning of period	967	701
Cash, cash equivalents and restricted cash, end of period	947	1,326
Less: Cash, cash equivalents and restricted cash of discontinued operations	—	—
Cash, cash equivalents and restricted cash of continuing operations, end of period	\$ 947	\$ 1,326
Supplemental cash flow information:		
Cash paid for interest	\$ 221	\$ 271
Income taxes paid	119	497
Distributed earnings from equity investments	2	4
Cash paid for contingent consideration included in operating activities	9	—
Supplemental non-cash transactions:		
Non-cash interest expense	\$ 8	\$ 12
Fair value of securities received in sale of discontinued operations	—	46

(1) The nine months ended September 30, 2022 include \$6,409 million in gross cash proceeds from the sale of discontinued operations, net of cash, cash equivalents and restricted cash transferred.

See accompanying notes to condensed consolidated financial statements.

LIGHT & WONDER, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited, amounts in USD, table amounts in millions, except per share amounts)

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

Description of the Business

We are a leading cross-platform global games company with a focus on content and digital markets. Our portfolio of revenue-generating activities primarily includes supplying game content and gaming machines, CMSs and table game products and services to licensed gaming entities; providing social casino and other mobile games, including casual gaming, to retail customers; and providing a comprehensive suite of digital gaming content, distribution platforms, player account management systems, as well as various other iGaming content and services. We report our results of operations in three business segments—Gaming, SciPlay and iGaming—representing our different products and services.

Our common stock is listed on The Nasdaq Stock Market under the ticker symbol “LNW.” Our common stock is also listed as CDIs on the ASX and commenced active trading on May 22, 2023 (AEST) under the ticker symbol “LNW.”

On October 23, 2023, we acquired the remaining approximately 17% equity interest in SciPlay not already owned by us pursuant to a merger (the “SciPlay Merger”) in an all-cash transaction of \$496 million, excluding transaction fees and expenses. As a result of the SciPlay Merger, SciPlay ceased to be publicly traded and became a wholly owned subsidiary of L&W. Upon completion of the SciPlay Merger, the SciPlay Revolver was terminated. There were no borrowings outstanding under the SciPlay Revolver at the time of termination.

We completed the sales of our former Lottery Business and Sports Betting Business during the second and third quarters of 2022, respectively. We have reflected the prior period financial results of these Divested Businesses as discontinued operations in our consolidated statements of operations. Refer to Note 2 for further information. Unless otherwise noted, amounts and disclosures included herein relate to our continuing operations.

Basis of Presentation and Principles of Consolidation

The accompanying condensed consolidated financial statements have been prepared in accordance with U.S. GAAP and include the accounts of L&W, its wholly owned subsidiaries, and those subsidiaries in which we have a controlling financial interest. All intercompany balances and transactions have been eliminated in consolidation.

In the opinion of L&W and its management, we have made all adjustments necessary to present fairly our consolidated financial position, results of operations, comprehensive income and cash flows for the periods presented. Such adjustments are of a normal, recurring nature. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in our 2022 10-K. Interim results of operations are not necessarily indicative of results of operations to be expected for a full year.

Significant Accounting Policies

There have been no changes to our significant accounting policies described within the Notes of our 2022 10-K.

Other Income, net

Other income, net includes gains and losses from foreign currency transactions, interest income, earnings (losses) from equity investments and other items. Other income, net for the three and nine months ended September 30, 2023 primarily consisted of a gain of \$30 million and a loss of \$9 million, respectively, related to foreign currency transactions as well as \$10 million and \$28 million, respectively, in interest income. Foreign currency transaction gains and losses as well as interest income were not material for the three and nine months ended September 30, 2022.

Computation of Basic and Diluted Net Income Attributable to L&W Per Share

Basic and diluted net income attributable to L&W per share are based upon net income attributable to L&W divided by the weighted average number of common shares outstanding during the period. Diluted net income attributable to L&W per share reflects the effect of the assumed exercise of stock options and RSUs only in the periods in which such effect would have been dilutive to net income from continuing operations.

For the three and nine months ended September 30, 2023, we included 1 million and 2 million, respectively, of common stock equivalents in the calculation of diluted net income attributable to L&W per share, and for the three months ended September 30, 2022, we included 2 million of common stock equivalents in the calculation of diluted net income

attributable to L&W per share. Basic and diluted net income attributable to L&W per share were the same for the nine months ended September 30, 2022, as all common stock equivalents would have been anti-dilutive for that period. We excluded 2 million of stock options and 2 million of RSUs outstanding from the calculation of diluted weighted-average common shares outstanding for the nine months ended September 30, 2022.

New Accounting Guidance

There have been no recent accounting pronouncements or changes in accounting pronouncements since those described within the Notes of our 2022 10-K that are expected to have a material impact on our consolidated financial statements.

(2) Discontinued Operations

We completed the Divestitures in 2022 and reflected the prior period financial results of the Divested Businesses as discontinued operations in our consolidated statements of operations. For the sale of our former Lottery Business completed during the second quarter of 2022, we received \$5.7 billion in gross cash proceeds and recorded a pre-tax gain of \$4.6 billion. For the sale of our former Sports Betting Business completed during the third quarter of 2022, we received \$796 million in gross proceeds and recorded a pre-tax gain of \$362 million. The summarized results of our discontinued operations were as follows:

	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2022
Total revenue	\$ 32	\$ 371
Total cost of revenue	9	177
Other operating expenses ⁽¹⁾	31	180
Operating (loss) income	(8)	14
Total other income, net	2	10
Net (loss) income from discontinued operations before income taxes	(6)	24
Gain on sale of discontinued operations before income taxes	362	4,930
Total net income from discontinued operations before income taxes	356	4,954
Income tax expense	(41)	(1,099)
Net income from discontinued operations, net of tax included in the consolidated statement of operations	<u>\$ 315</u>	<u>\$ 3,855</u>

(1) The three and nine months ended September 30, 2022 include stock-based compensation of \$7 million and \$18 million, respectively, and \$7 million and \$85 million, respectively, related to direct transaction closing fees.

(3) Revenue Recognition

The following table disaggregates revenues by type within each of our business segments:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Gaming				
Gaming operations	\$ 166	\$ 161	\$ 493	\$ 479
Gaming machine sales	172	140	503	366
Gaming systems	71	70	197	181
Table products	56	48	161	137
Total	<u>\$ 465</u>	<u>\$ 419</u>	<u>\$ 1,354</u>	<u>\$ 1,163</u>
SciPlay				
Mobile in-app purchases	\$ 173	\$ 149	\$ 509	\$ 426
Web in-app purchases and other ⁽¹⁾	23	22	64	63
Total	<u>\$ 196</u>	<u>\$ 171</u>	<u>\$ 573</u>	<u>\$ 489</u>
iGaming	<u>\$ 70</u>	<u>\$ 58</u>	<u>\$ 204</u>	<u>\$ 178</u>

(1) Other primarily represents advertising revenue, which was not material in the periods presented.

The amount of rental income revenue that is outside the scope of ASC 606 was \$127 million and \$367 million for the three and nine months ended September 30, 2023, respectively, and \$116 million and \$347 million for the three and nine months ended September 30, 2022, respectively.

Contract Liabilities and Other Disclosures

The following table summarizes the activity in our contract liabilities for the reporting period:

	Nine Months Ended September 30, 2023	
Contract liability balance, beginning of period ⁽¹⁾	\$	36
Liabilities recognized during the period		15
Amounts recognized in revenue from beginning balance		(20)
Contract liability balance, end of period ⁽¹⁾	\$	31

(1) Contract liabilities are included within Accrued liabilities and Other long-term liabilities in our consolidated balance sheets.

The timing of revenue recognition, billings and cash collections results in billed receivables, unbilled receivables (contract assets), and customer advances and deposits (contract liabilities) on our consolidated balance sheets. Other than contracts with customers with financing arrangements exceeding 12 months, revenue recognition is generally proximal to conversion to cash. The following table summarizes our balances in these accounts for the periods indicated (other than contract liabilities disclosed above):

	Receivables		Contract Assets⁽¹⁾	
Beginning of period balance	\$	469	\$	24
End of period balance, September 30, 2023		488		20

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

As of September 30, 2023, we did not have material unsatisfied performance obligations for contracts expected to be long-term or contracts for which we recognize revenue at an amount other than for which we have the right to invoice for goods or services delivered or performed.

(4) Business Segments

We report our operations in three business segments—Gaming, SciPlay and iGaming—representing our different products and services. A detailed discussion regarding the products and services from which each reportable business segment derives its revenue is included in Notes 3 and 4 in our 2022 10-K.

In evaluating financial performance, our Chief Operating Decision Maker focuses on AEBITDA as management's primary segment measure of profit or loss, which is described in footnote (2) to the below table. The accounting policies of our

business segments are the same as those described within the Notes in our 2022 10-K. The following tables present our segment information:

Three Months Ended September 30, 2023					
	Gaming	SciPlay	iGaming	Unallocated and Reconciling Items ⁽¹⁾	Total
Total revenue	\$ 465	\$ 196	\$ 70	\$ —	\$ 731
AEBITDA ⁽²⁾	235	61	25	(35)	286
<i>Reconciling items to net income from continuing operations before income taxes:</i>					
D&A	(64)	(6)	(12)	(8)	(90)
Restructuring and other	(1)	(2)	(4)	(10)	(17)
Interest expense				(78)	(78)
Loss on debt financing transactions				(15)	(15)
Other income, net				39	39
Stock-based compensation				(31)	(31)
Net income from continuing operations before income taxes				\$	94

(1) Includes amounts not allocated to the business segments (including corporate costs) and items to reconcile the total business segments AEBITDA to our consolidated net income from continuing operations before income taxes.

(2) AEBITDA is reconciled to net income (loss) from continuing operations before income taxes with the following adjustments: (1) depreciation and amortization expense and impairment charges (including goodwill impairments); (2) restructuring and other, which includes charges or expenses attributable to: (i) employee severance; (ii) management restructuring and related costs; (iii) restructuring and integration; (iv) cost savings initiatives; (v) major litigation; and (vi) acquisition- and disposition-related costs and other unusual items; (3) interest expense; (4) loss on debt financing transactions; (5) change in fair value of investments and remeasurement of debt and other; (6) other (expense) income, net, including foreign currency gains or losses and earnings from equity investments; and (7) stock-based compensation. AEBITDA is presented as our primary segment measure of profit or loss.

Three Months Ended September 30, 2022					
	Gaming	SciPlay	iGaming	Unallocated and Reconciling Items ⁽¹⁾	Total
Total revenue	\$ 419	\$ 171	\$ 58	\$ —	\$ 648
AEBITDA ⁽²⁾	202	43	20	(30)	235
<i>Reconciling items to net income from continuing operations before income taxes:</i>					
D&A	(81)	(6)	(10)	(5)	(102)
Restructuring and other	(1)	(1)	—	(25)	(27)
Interest expense				(68)	(68)
Other income, net				1	1
Stock-based compensation				(15)	(15)
Net income from continuing operations before income taxes				\$	24

(1) Includes amounts not allocated to the business segments (including corporate costs) and items to reconcile the total business segments AEBITDA to our consolidated net income from continuing operations before income taxes.

(2) AEBITDA is described in footnote (2) to the first table in this Note 4.

Nine Months Ended September 30, 2023

	Gaming	SciPlay	iGaming	Unallocated and Reconciling Items⁽¹⁾	Total
Total revenue	\$ 1,354	\$ 573	\$ 204	\$ —	\$ 2,131
AEBITDA ⁽²⁾	673	174	72	(104)	815
<i>Reconciling items to net income from continuing operations before income taxes:</i>					
D&A	(221)	(23)	(36)	(18)	(298)
Restructuring and other	(10)	(5)	(14)	(37)	(66)
Interest expense				(231)	(231)
Loss on debt financing transactions				(15)	(15)
Other income, net				19	19
Stock-based compensation				(85)	(85)
Net income from continuing operations before income taxes					\$ 139

(1) Includes amounts not allocated to the business segments (including corporate costs) and items to reconcile the total business segments AEBITDA to our consolidated net income from continuing operations before income taxes.

(2) AEBITDA is described in footnote (2) to the first table in this Note 4.

Nine Months Ended September 30, 2022

	Gaming	SciPlay	iGaming	Unallocated and Reconciling Items⁽¹⁾	Total
Total revenue	\$ 1,163	\$ 489	\$ 178	\$ —	\$ 1,830
AEBITDA ⁽²⁾	552	128	61	(93)	648
<i>Reconciling items to net loss from continuing operations before income taxes:</i>					
D&A	(246)	(16)	(37)	(18)	(317)
Restructuring and other	(5)	(4)	(15)	(82)	(106)
Interest expense				(254)	(254)
Loss on debt financing transactions				(147)	(147)
Gain on remeasurement of debt and other				27	27
Other income, net				7	7
Stock-based compensation				(47)	(47)
Net loss from continuing operations before income taxes					\$ (189)

(1) Includes amounts not allocated to the business segments (including corporate costs) and items to reconcile the total business segments AEBITDA to our consolidated net loss from continuing operations before income taxes.

(2) AEBITDA is described in footnote (2) to the first table in this Note 4.

(5) Restructuring and Other

Restructuring and other includes charges or expenses attributable to: (i) employee severance; (ii) management restructuring and related costs; (iii) restructuring and integration; (iv) cost savings initiatives; (v) major litigation; and (vi)

acquisition- and disposition-related costs and other unusual items. The following table summarizes pre-tax restructuring and other costs for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Employee severance and related	\$ 2	\$ 5	\$ 15	\$ 7
Strategic review and related ⁽¹⁾	9	14	27	68
Contingent acquisition consideration ⁽²⁾	1	—	10	12
Restructuring, integration and other	5	8	14	19
Total	\$ 17	\$ 27	\$ 66	\$ 106

(1) Includes costs associated with the SciPlay Merger, ASX listing, Divestitures (including ongoing separation activities), rebranding and related activities.

(2) Represents contingent consideration fair value adjustment (see Note 12).

(6) Receivables, Allowance for Credit Losses and Credit Quality of Receivables

Receivables

The following table summarizes the components of current and long-term receivables, net:

	As of	
	September 30, 2023	December 31, 2022
Current:		
Receivables	\$ 517	\$ 493
Allowance for credit losses	(40)	(38)
Current receivables, net	477	455
Long-term:		
Receivables	12	16
Allowance for credit losses	(1)	(2)
Long-term receivables, net	11	14
Total receivables, net	\$ 488	\$ 469

Allowance for Credit Losses

We manage our receivable portfolios using both geography and delinquency as key credit quality indicators. The following summarizes geographical delinquencies of total receivables, net:

	As of			
	September 30, 2023	Balances over 90 days past due	December 31, 2022	Balances over 90 days past due
Receivables:				
U.S. and Canada	\$ 331	\$ 3	\$ 297	\$ 5
International	198	41	212	34
Total receivables	529	44	509	39
Receivables allowance:				
U.S. and Canada	(18)	(5)	(18)	(5)
International	(23)	(13)	(22)	(22)
Total receivables allowance	(41)	(18)	(40)	(27)
Receivables, net	\$ 488	\$ 26	\$ 469	\$ 12

Account balances are charged against the allowances after all internal and external collection efforts have been exhausted and the potential for recovery is considered remote.

The activity in our allowance for receivable credit losses for each of the three and nine months ended September 30, 2023 and 2022 is as follows:

	2023			2022
	Total	U.S. and Canada	International	Total
Beginning allowance for credit losses	\$ (40)	\$ (18)	\$ (22)	\$ (54)
Provision	(1)	(1)	—	(3)
Charge-offs and recoveries	1	—	1	7
Allowance for credit losses as of March 31	\$ (40)	\$ (19)	\$ (21)	\$ (50)
Provision	(4)	—	(4)	(1)
Charge-offs and recoveries	2	1	1	3
Allowance for credit losses as of June 30	\$ (42)	\$ (18)	\$ (24)	\$ (48)
Provision	—	—	—	4
Charge-offs and recoveries	1	—	1	1
Allowance for credit losses as of September 30	\$ (41)	\$ (18)	\$ (23)	\$ (43)

As of September 30, 2023 and December 31, 2022, 5% and 3%, respectively, of our total receivables, net, were past due by over 90 days.

Credit Quality of Receivables

We have certain concentrations of outstanding receivables in international locations that impact our assessment of the credit quality of our receivables. We monitor the macroeconomic and political environment in each of these locations in our assessment of the credit quality of our receivables. The international customers with significant concentrations (generally deemed to be exceeding 10%) of our receivables with terms longer than one year are primarily in the Latin America region (“LATAM”) and are primarily comprised of Mexico, Peru and Argentina. The following table summarizes our LATAM receivables:

	As of September 30, 2023		
	Total	Current	Balances over 90 days past due
Receivables	\$ 56	\$ 38	\$ 18
Allowance for credit losses	(17)	(9)	(8)
Receivables, net	\$ 39	\$ 29	\$ 10

We continuously review receivables and, as information concerning credit quality arises, reassess our expectations of future losses and record an incremental reserve if warranted at that time. Our current allowance for credit losses represents our current expectation of credit losses; however, future expectations could change as international unrest or other macro-economic factors impact the financial stability of our customers.

The fair value of receivables is estimated by discounting expected future cash flows using current interest rates at which similar loans would be made to borrowers with similar credit ratings and remaining maturities. As of September 30, 2023 and December 31, 2022, the fair value of receivables, net, approximated the carrying value due to contractual terms of receivables generally being less than 24 months.

(7) Inventories

Inventories consisted of the following:

	As of	
	September 30, 2023	December 31, 2022
Parts and work-in-process	\$ 120	\$ 124
Finished goods	63	37
Total inventories	\$ 183	\$ 161

Parts and work-in-process include parts for gaming machines and our finished goods inventory primarily consists of gaming machines for sale.

(8) Property and Equipment, net

Property and equipment, net consisted of the following:

	As of	
	September 30, 2023	December 31, 2022
Land	\$ 6	\$ 6
Buildings and leasehold improvements	59	56
Gaming machinery and equipment	725	685
Furniture and fixtures	25	25
Construction in progress	10	9
Other property and equipment	99	88
Less: accumulated depreciation	(695)	(665)
Total property and equipment, net	<u>\$ 229</u>	<u>\$ 204</u>

Depreciation expense is excluded from cost of services, cost of products and other operating expenses and is separately presented within Depreciation, amortization and impairments.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Depreciation expense	\$ 30	\$ 27	\$ 87	\$ 82

(9) Intangible Assets, net and Goodwill*Intangible Assets, net*

The following tables present certain information regarding our intangible assets as of September 30, 2023 and December 31, 2022:

	As of					
	September 30, 2023			December 31, 2022		
	Gross Carrying Value	Accumulated Amortization	Net Balance	Gross Carrying Value	Accumulated Amortization	Net Balance
Amortizable intangible assets:						
Customer relationships	\$ 899	\$ (549)	\$ 350	\$ 902	\$ (503)	\$ 399
Intellectual property	934	(747)	187	948	(714)	234
Licenses	374	(295)	79	371	(273)	98
Brand names	127	(116)	11	129	(108)	21
Trade names	162	(155)	7	162	(122)	40
Patents and other	11	(7)	4	12	(7)	5
Total intangible assets	<u>\$ 2,507</u>	<u>\$ (1,869)</u>	<u>\$ 638</u>	<u>\$ 2,524</u>	<u>\$ (1,727)</u>	<u>\$ 797</u>

The following reflects intangible amortization expense included within Depreciation, amortization and impairments.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Amortization expense ⁽¹⁾	\$ 41	\$ 60	\$ 160	\$ 180

(1) The nine months ended September 30, 2023 include an intangible assets non-cash impairment charge of \$4 million related to SciPlay restructuring of a certain foreign studio.

Goodwill

The table below reconciles the change in the carrying value of goodwill by business segment for the period from December 31, 2022 to September 30, 2023.

	Gaming⁽¹⁾	SciPlay	iGaming	Totals
Balance as of December 31, 2022	\$ 2,373	\$ 213	\$ 333	\$ 2,919
Foreign currency adjustments	(3)	(5)	(8)	(16)
Balance as of September 30, 2023	\$ 2,370	\$ 208	\$ 325	\$ 2,903

(1) Accumulated goodwill impairment charges for the Gaming segment as of September 30, 2023 were \$989 million.

(10) Software, net

Software, net consisted of the following:

	As of	
	September 30, 2023	December 31, 2022
Software	\$ 1,116	\$ 1,064
Accumulated amortization	(965)	(919)
Software, net	\$ 151	\$ 145

The following reflects amortization of software included within D&A:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Amortization expense	\$ 19	\$ 15	\$ 51	\$ 55

(11) Long-term Debt

The following table reflects our outstanding debt (in order of priority and maturity):

	As of					December 31,
	September 30, 2023					2022
	Final Maturity	Rate(s)	Face value	Unamortized debt discount/premium and deferred financing costs, net	Book value	Book value
Senior Secured Credit Facilities:						
SciPlay Revolver ⁽¹⁾	2024	variable	\$ —	\$ —	\$ —	\$ —
LNWI Revolver	2027	variable	—	—	—	—
LNWI Term Loan B	2029	variable	2,173	(27)	2,146	2,159
LNWI Senior Notes:						
2025 Unsecured Notes	2025	8.625%	—	—	—	545
2028 Unsecured Notes	2028	7.000%	700	(6)	694	693
2029 Unsecured Notes	2029	7.250%	500	(5)	495	495
2031 Unsecured Notes	2031	7.500%	550	(8)	542	—
Other	—	—	—	—	—	2
Total long-term debt outstanding			<u>\$ 3,923</u>	<u>\$ (46)</u>	<u>\$ 3,877</u>	<u>\$ 3,894</u>
Less: current portion of long-term debt					(22)	(24)
Long-term debt, excluding current portion					<u>\$ 3,855</u>	<u>\$ 3,870</u>
Fair value of debt ⁽²⁾			\$ 3,895			

(1) On October 23, 2023, upon completion of the SciPlay Merger, the SciPlay Revolver was terminated.

(2) Fair value of our fixed rate and variable interest rate debt is classified within Level 2 in the fair value hierarchy and has been calculated based on the quoted market prices of our securities.

Issuance of 2031 Unsecured Notes and Redemption of 2025 Unsecured Notes

On August 23, 2023, we issued \$550 million in aggregate principal amount of 7.500% senior unsecured notes due 2031 pursuant to an indenture among LNWI, as issuer, the Company, the other guarantors party thereto and Deutsche Bank Trust Company Americas, as trustee. We received net proceeds of \$544 million from the issuance. The 2031 Unsecured Notes bear interest at the rate of 7.500% per annum, which accrues from August 23, 2023, and is payable semiannually in arrears on March 1 and September 1 of each year, beginning on March 1, 2024. We may redeem some or all of the 2031 Unsecured Notes at any time prior to September 1, 2026, at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest, if any, to the date of the redemption plus a “make whole” premium. We may redeem some or all of the 2031 Unsecured Notes at any time on or after September 1, 2026, at the prices specified in the indenture.

The 2031 Unsecured Notes are senior obligations of LNWI, rank equally with all of its existing and future senior debt and rank senior to all of its existing and future debt that is expressly subordinated to the 2031 Unsecured Notes. The 2031 Unsecured Notes are guaranteed on a senior unsecured basis by the Company and all of its wholly owned domestic restricted subsidiaries (other than LNWI and certain immaterial subsidiaries), subject to customary exceptions. The net proceeds of the 2031 Unsecured Notes offering, together with cash on hand, were used to redeem all \$550 million of the 2025 Unsecured Notes and to pay accrued and unpaid interest thereon plus related premiums, fees and expenses.

We were in compliance with the financial covenants under all debt agreements as of September 30, 2023 (for information regarding our financial covenants of all debt agreements, see Note 15 in our 2022 10-K).

Loss on Debt Financing Transactions

The following are components of the loss on debt financing transactions resulting from debt extinguishment and modification accounting for the three and nine months ended September 30, 2023 and 2022, respectively.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Repayment of principal balance at premium	\$ 12	\$ —	\$ 12	\$ 90
Unamortized debt discount and deferred financing costs, net	3	—	3	57
Total loss on debt refinancing transactions	<u>\$ 15</u>	<u>\$ —</u>	<u>\$ 15</u>	<u>\$ 147</u>

For additional information regarding the terms of our credit facilities and Senior Notes, see Note 15 in our 2022 10-K.

(12) Fair Value Measurements

The fair value of our financial assets and liabilities is determined by reference to market data and other valuation techniques as appropriate. We believe the fair value of our financial instruments, which are principally cash and cash equivalents, restricted cash, receivables, other current assets, accounts payable and accrued liabilities, approximates their recorded values. Our assets and liabilities measured at fair value on a recurring basis are described below.

Derivative Financial Instruments

As of September 30, 2023, we held the following derivative instruments that were accounted for pursuant to ASC 815:

Interest Rate Swap Contracts

We use interest rate swap contracts as described below to mitigate gains or losses associated with the change in expected cash flows due to fluctuations in interest rates on our variable rate debt.

In April 2022, we entered into interest rate swap contracts to hedge a portion of our interest expense associated with our new variable rate debt to effectively fix the interest rate that we pay. These interest rate swap contracts were designated as cash flow hedges under ASC 815. We pay interest at a weighted-average fixed rate of 2.8320% and receive interest at a variable rate equal to one-month Chicago Mercantile Exchange Term SOFR. The total notional amount of interest rate swaps was \$700 million as of September 30, 2023. These hedges mature in April 2027. We also previously had interest rate swap contracts that matured in February 2022.

All gains and losses from these hedges were recorded in other comprehensive income (loss) until the future underlying payment transactions occur. Any realized gains or losses resulting from the hedges were recognized (together with the hedged transaction) as interest expense. We estimated the fair value of our interest rate swap contracts by discounting the future cash flows of both the fixed rate and variable rate interest payments based on market yield curves. The inputs used to measure the fair value of our interest rate swap contracts were categorized as Level 2 in the fair value hierarchy as established by ASC 820.

The following table shows the gain and interest expense recognized on our interest rate swap contracts:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Gain recorded in accumulated other comprehensive loss, net of tax	\$ 5	\$ 24	\$ 8	\$ 29
Interest income (expense) recorded related to interest rate swap contracts	4	(2)	11	(8)

We do not expect to reclassify material amounts from accumulated other comprehensive loss to interest expense in the next twelve months.

The following table shows the effect of interest rate swap contracts designated as cash flow hedges on interest expense in the consolidated statements of operations:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Total interest expense which reflects the effects of cash flow hedges	\$ (78)	\$ (68)	\$ (231)	\$ (254)
Hedged item	(5)	(5)	(15)	(12)
Derivative designated as hedging instrument	9	3	26	4

The following table shows the fair value of our hedges:

Balance Sheet Line Item	As of	
	September 30, 2023	December 31, 2022
Interest rate swaps Other assets	\$ 40	\$ 30

Contingent Acquisition Consideration Liabilities

In connection with our acquisitions, we have recorded certain contingent consideration liabilities (including redeemable non-controlling interest), of which the values are primarily based on reaching certain earnings-based metrics. The related liabilities were recorded at fair value on their respective acquisition dates as a part of the consideration transferred and are remeasured each reporting period (other than for redeemable non-controlling interest, which is measured based on its redemption value). The inputs used to measure the fair value of our liabilities are categorized as Level 3 in the fair value hierarchy.

The table below reconciles the change in the contingent acquisition consideration liabilities (including deferred purchase price) for the period from December 31, 2022 to September 30, 2023.

	Total	Included in Accrued Liabilities	Included in Other Long-Term Liabilities
Balance as of December 31, 2022	\$ 79	\$ 34	\$ 45
Payments	(23)		
Fair value adjustments ⁽¹⁾	10		
Other adjustments ⁽²⁾	(3)		
Balance as of September 30, 2023	\$ 63	\$ 44	\$ 19

(1) Amount included in Restructuring and other (see Note 5).

(2) Primarily represents extinguishment of \$3 million in redeemable non-controlling interest liability associated with SciPlay's acquisition of Alictus Yazilim Anonim Şirketi in 2022, as specified financial targets for the first year were not met. The charge was recorded in other income, net in our consolidated statements of operations.

(13) Stockholders' Equity

Changes in Stockholders' Equity (Deficit)

The following tables present certain information regarding our stockholders' equity as of September 30, 2023 and 2022:

	Nine Months Ended September 30, 2023						
	Common Stock	Additional Paid in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total
January 1, 2023	\$ 1	\$ 1,370	\$ 517	\$ (580)	\$ (318)	\$ 171	\$ 1,161
Settlement of liability awards	—	25	—	—	—	—	25
Vesting of RSUs, net of tax withholdings and other	—	(14)	—	—	—	—	(14)
Purchase of treasury stock	—	—	—	(28)	—	—	(28)
Purchase of SciPlay's Class A common stock	—	(8)	—	—	—	—	(8)
Stock-based compensation	—	15	—	—	—	—	15
Net income	—	—	22	—	—	5	27
Other comprehensive income	—	—	—	—	6	—	6
March 31, 2023	\$ 1	\$ 1,388	\$ 539	\$ (608)	\$ (312)	\$ 176	\$ 1,184
Vesting of RSUs, net of tax withholdings and other	—	1	—	—	—	—	1
Purchase of treasury stock	—	—	—	(5)	—	—	(5)
Purchase of SciPlay's Class A common stock	—	(15)	—	—	—	—	(15)
Stock-based compensation	—	13	—	—	—	—	13
Net (loss) income	—	—	(1)	—	—	6	5
Other comprehensive income	—	—	—	—	47	—	47
June 30, 2023	\$ 1	\$ 1,387	\$ 538	\$ (613)	\$ (265)	\$ 182	\$ 1,230
Vesting of RSUs, net of tax withholdings and other	—	3	—	—	—	—	3
Purchase of treasury stock ⁽¹⁾	—	—	—	(113)	—	—	(113)
Stock-based compensation	—	12	—	—	—	—	12
Net income	—	—	75	—	—	5	80
Other comprehensive loss	—	—	—	—	(66)	—	(66)
September 30, 2023	\$ 1	\$ 1,402	\$ 613	\$ (726)	\$ (331)	\$ 187	\$ 1,146

(1) Includes excise taxes of \$1 million for the three and nine months ended September 30, 2023.

Nine Months Ended September 30, 2022							
	Common Stock	Additional Paid in Capital	Retained Earnings (Accumulated Loss)	Treasury Stock	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total
January 1, 2022	\$ 1	\$ 1,337	\$ (3,158)	\$ (175)	\$ (261)	\$ 150	\$ (2,106)
Settlement of liability awards	—	43	—	—	—	—	43
Vesting of RSUs, net of tax withholdings and other	—	(31)	—	—	—	—	(31)
Purchase of treasury stock	—	—	—	(51)	—	—	(51)
Stock-based compensation	—	17	—	—	—	—	17
Net income	—	—	26	—	—	2	28
Other comprehensive loss	—	—	—	—	(37)	—	(37)
March 31, 2022	\$ 1	\$ 1,366	\$ (3,132)	\$ (226)	\$ (298)	\$ 152	\$ (2,137)
Vesting of RSUs, net of tax withholdings and other	—	—	—	—	—	—	—
Purchase of treasury stock	—	—	—	(152)	—	—	(152)
Purchase of SciPlay's Class A common stock	—	(6)	—	—	—	(1)	(7)
Stock-based compensation	—	15	—	—	—	—	15
Net income	—	—	3,291	—	—	4	3,295
Other comprehensive loss ⁽¹⁾	—	—	—	—	(48)	—	(48)
June 30, 2022	\$ 1	\$ 1,375	\$ 159	\$ (378)	\$ (346)	\$ 155	\$ 966
Vesting of RSUs, net of tax withholdings and other	—	(3)	—	—	—	—	(3)
Purchase of SciPlay's Class A common stock	—	(10)	—	—	—	(1)	(11)
Stock-based compensation	—	14	—	—	—	—	14
Net income	—	—	328	—	—	7	335
Other comprehensive loss ⁽¹⁾	—	—	—	—	(69)	—	(69)
September 30, 2022	\$ 1	\$ 1,376	\$ 487	\$ (378)	\$ (415)	\$ 161	\$ 1,232

(1) Includes reclassifications of \$51 million and \$74 million for the three and nine months ended September 30, 2022, respectively, from accumulated other comprehensive loss into income due to the sales of discontinued operations (see Note 2).

Stock-based Compensation

The following reflects total stock-based compensation expense recognized under all programs:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Related to L&W stock options	\$ —	\$ —	\$ —	\$ 1
Related to L&W RSUs	19	12	59	39
Related to SciPlay RSUs	12	3	26	7
Total ⁽¹⁾	\$ 31	\$ 15	\$ 85	\$ 47

(1) Includes \$19 million and \$45 million classified as liability awards for the three and nine months ended September 30, 2023, respectively, and \$6 million and \$16 million for the three and nine months ended September 30, 2022, respectively.

Restricted Stock Units

A summary of the changes in RSUs outstanding under our equity-based compensation plans during the nine months ended September 30, 2023 is presented below:

	Number of Restricted Stock Units	Weighted Average Grant Date Fair Value
Unvested RSUs as of December 31, 2022	1.7	\$ 46.66
Granted	1.1	\$ 57.54
Vested	(1.0)	\$ 44.52
Cancelled	(0.1)	\$ 50.43
Unvested RSUs as of September 30, 2023	1.7	\$ 54.66

The weighted-average grant date fair value of RSUs granted during the nine months ended September 30, 2023 and 2022 was \$57.54 and \$57.26, respectively. The fair value of each RSU grant is based on the market value of our common stock at the time of grant. As of September 30, 2023, we had \$58 million in total unrecognized stock-based compensation expense relating to unvested RSUs that will be amortized over a weighted-average period of approximately two years. The fair value at vesting date of RSUs vested during the nine months ended September 30, 2023 and 2022 was \$58 million and \$72 million, respectively.

Series A Junior Participating Preferred Stock and Rights Agreement

The 2018 Amended and Restated Rights Agreement, as described in Note 17 of our 2022 10-K, expired on June 19, 2023. Immediately prior to its expiration, no shares of Series A Junior Participating Preferred Stock were outstanding and no preferred share purchase rights had been exercised. At the time of the expiration of the agreement, the preferred share purchase rights expired and are no longer outstanding.

Share Repurchase Programs

On March 1, 2022, our Board of Directors approved a share repurchase program under which we are authorized to repurchase, from time to time through February 25, 2025, up to an aggregate amount of \$750 million of our outstanding common stock. During the nine months ended September 30, 2023, we repurchased 2.1 million shares of common stock under the program at an aggregate cost of \$146 million (including excise tax).

On May 9, 2022, SciPlay's Board of Directors approved a share repurchase program under which it is authorized to repurchase, from time to time through May 9, 2024, up to an aggregate amount of \$60 million of its outstanding Class A common stock. On May 3, 2023, SciPlay's Board of Directors approved another share repurchase program under which it is authorized to repurchase, from time to time through May 3, 2024, up to an aggregate amount of \$60 million of its outstanding Class A common stock. During the nine months ended September 30, 2023, SciPlay repurchased 1.4 million shares of Class A common stock under the programs at an aggregate cost of \$23 million. As described in Note 1, on October 23, 2023, we completed the SciPlay Merger, and upon its completion, the SciPlay share repurchase program was terminated.

(14) Income Taxes

We consider new evidence (both positive and negative) at each reporting date that could affect our view of the future realization of deferred tax assets. We evaluate information such as historical financial results, historical taxable income, projected future taxable income, expected timing of the reversals of existing temporary differences and available prudent and feasible tax planning strategies in our analysis. Based on the available evidence, valuation allowances in certain U.S. and non-U.S. jurisdictions remain consistent as of September 30, 2023.

Our income tax expense (including discrete items) was \$14 million and \$27 million for the three and nine months ended September 30, 2023, respectively, and \$4 million and \$8 million for the three and nine months ended September 30, 2022, respectively. In 2023, our effective tax rate differs from the U.S. statutory rate of 21% primarily as a result of certain non-deductible items including foreign exchange losses, offset by tax benefits from internal restructuring transactions in the first quarter of 2023. In all periods, we recorded tax expense relative to pre-tax earnings in jurisdictions without valuation allowances, including our former 17% noncontrolling interest in SciPlay.

(15) Leases

Our total operating lease expense for the three and nine months ended September 30, 2023 was \$6 million and \$17 million, respectively, and \$6 million and \$16 million for the three and nine months ended September 30, 2022, respectively. The total amount of variable and short-term lease payments was immaterial for all periods presented.

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

	As of	
	September 30, 2023	December 31, 2022
Operating lease right-of-use assets	\$ 43	\$ 49
Accrued liabilities	17	17
Operating lease liabilities	30	37
Total operating lease liabilities	\$ 47	\$ 54
Weighted average remaining lease term, units in years	4	4
Weighted average discount rate	5 %	5 %

	Nine Months Ended September 30,	
	2023	2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	\$ 15	\$ 15
Right-of-use assets obtained in exchange for new lease liabilities:		
Operating leases	\$ 3	\$ 17

Lease liability maturities:

	Remainder of 2023	2024	2025	2026	2027	Thereafter	Less Imputed Interest	Total
Operating leases	\$ 5	\$ 17	\$ 13	\$ 9	\$ 5	\$ 4	\$ (6)	\$ 47

As of September 30, 2023, we did not have material additional operating leases that have not yet commenced.

(16) Litigation

We are involved in various legal proceedings, which are described below.

We record an accrual for legal contingencies when it is both probable that a liability has been incurred and the amount or range of the loss can be reasonably estimated (although, as discussed below, there may be an exposure to loss in excess of the accrued liability). We evaluate our accruals for legal contingencies at least quarterly and, as appropriate, establish new accruals or adjust existing accruals to reflect (1) the facts and circumstances known to us at the time, including information regarding negotiations, settlements, rulings and other relevant events and developments, (2) the advice and analyses of counsel and (3) the assumptions and judgment of management. Legal costs associated with our legal proceedings are expensed as incurred. We had accrued liabilities of \$11 million for all of our legal matters that were contingencies as of September 30, 2023 and December 31, 2022.

Substantially all of our legal contingencies are subject to significant uncertainties and, therefore, determining the likelihood of a loss and/or the measurement of any loss involves a series of complex judgments about future events. Consequently, the ultimate outcomes of our legal contingencies could result in losses in excess of amounts we have accrued. We may be unable to estimate a range of possible losses for some matters pending against us or our subsidiaries, even when the amount of damages claimed against us or our subsidiaries is stated because, among other things: (1) the claimed amount may be exaggerated or unsupported; (2) the claim may be based on a novel legal theory or involve a large number of parties; (3) there may be uncertainty as to the likelihood of a class being certified or the ultimate size of the class; (4) there may be uncertainty as to the outcome of pending appeals or motions; (5) the matter may not have progressed sufficiently through discovery or there may be significant factual or legal issues to be resolved or developed; and/or (6) there may be uncertainty as to the enforceability of legal judgments and outcomes in certain jurisdictions. Other matters have progressed sufficiently that we are able to estimate a range of possible loss. For those legal contingencies disclosed herein as well as those related to the previously disclosed settlement agreement entered into in February 2015 with SNAI S.p.a., as to which a loss is reasonably possible, whether in excess of a related accrued liability or where there is no accrued liability, and for which we are able to estimate a

range of possible loss, the current estimated range is up to approximately \$13 million in excess of the accrued liabilities (if any) related to those legal contingencies. This aggregate range represents management's estimate of additional possible loss in excess of the accrued liabilities (if any) with respect to these matters based on currently available information, including any damages claimed by the plaintiffs, and is subject to significant judgment and a variety of assumptions and inherent uncertainties. For example, at the time of making an estimate, management may have only preliminary, incomplete, or inaccurate information about the facts underlying a claim; its assumptions about the future rulings of the court or other tribunal on significant issues, or the behavior and incentives of adverse parties, regulators, indemnitors or co-defendants, may prove to be wrong; and the outcomes it is attempting to predict are often not amenable to the use of statistical or other quantitative analytical tools. In addition, from time to time an outcome may occur that management had not accounted for in its estimate because it had considered that outcome to be remote. Furthermore, as noted above, the aggregate range does not include any matters for which we are not able to estimate a range of possible loss. Accordingly, the estimated aggregate range of possible loss does not represent our maximum loss exposure. Any such losses could have a material adverse impact on our results of operations, cash flows or financial condition. The legal proceedings underlying the estimated range will change from time to time, and actual results may vary significantly from the current estimate.

Colombia Litigation

Our subsidiary, LNWI, owned a minority interest in Wintech de Colombia S.A., or Wintech (now liquidated), which formerly operated the Colombian national lottery under a contract with Empresa Colombiana de Recursos para la Salud, S.A. (together with its successors, "Ecosalud"), an agency of the Colombian government. The contract provided for a penalty against Wintech, LNWI and the other shareholders of Wintech of up to \$5.0 million if certain levels of lottery sales were not achieved. In addition, LNWI delivered to Ecosalud a \$4.0 million surety bond as a further guarantee of performance under the contract. Wintech started the instant lottery in Colombia but, due to difficulties beyond its control, including, among other factors, social and political unrest in Colombia, frequently interrupted telephone service and power outages, and competition from another lottery being operated in a province of Colombia that we believe was in violation of Wintech's exclusive license from Ecosalud, the projected sales level was not met for the year ended June 30, 1993.

In 1993, Ecosalud issued a resolution declaring that the contract was in default. In 1994, Ecosalud issued a liquidation resolution asserting claims for compensation and damages against Wintech, LNWI and other shareholders of Wintech for, among other things, realization of the full amount of the penalty, plus interest, and the amount of the bond. LNWI filed separate actions opposing each resolution with the Tribunal Contencioso of Cundinamarca in Colombia (the "Tribunal"), which upheld both resolutions. LNWI appealed each decision to the Council of State. In May 2012, the Council of State upheld the contract default resolution, which decision was notified to us in August 2012. In October 2013, the Council of State upheld the liquidation resolution, which decision was notified to us in December 2013.

In July 1996, Ecosalud filed a lawsuit against LNWI in the U.S. District Court for the Northern District of Georgia asserting many of the same claims asserted in the Colombia proceedings, including breach of contract, and seeking damages. In March 1997, the District Court dismissed Ecosalud's claims. Ecosalud appealed the decision to the U.S. Court of Appeals for the Eleventh Circuit. The Court of Appeals affirmed the District Court's decision in 1998.

In June 1999, Ecosalud filed a collection proceeding against LNWI to enforce the liquidation resolution and recover the claimed damages. In May 2013, the Tribunal denied LNWI's merit defenses to the collection proceeding and issued an order of payment of approximately 90 billion Colombian pesos, or approximately \$30 million, plus default interest (potentially accrued since 1994 at a 12% statutory interest rate). LNWI filed an appeal to the Council of State, and on December 10, 2020, the Council of State issued a ruling affirming the Tribunal's decision. On December 16, 2020, LNWI filed a motion for clarification of the Council of State's ruling, which was denied on April 15, 2021. On April 22, 2021, LNWI filed a motion for reconsideration relating to that decision, which the Council of State denied on February 21, 2022. On May 24, 2022, the case was transferred from the Council of State to the Tribunal for further proceedings. On August 18, 2022, LNWI filed a constitutional challenge to the Council of State's December 10, 2020 decision with that court, which was denied on October 7, 2022. On December 7, 2022, LNWI filed an appeal with the Council of State from the denial of the constitutional challenge, which was denied on May 24, 2023. On June 28, 2023, the Colombian Constitutional Court received the record of the constitutional appeal for further consideration, and on September 26, 2023, that court selected LNWI's constitutional appeal for further consideration.

LNWI believes it has various defenses, including on the merits, against Ecosalud's claims. Although we believe these claims will not result in a material adverse effect on our consolidated results of operations, cash flows or financial position, it is not feasible to predict the final outcome, and we cannot assure that these claims will not ultimately be resolved adversely to us or result in material liability.

TCS John Huxley Matter

On March 15, 2019, TCS John Huxley America, Inc., TCS John Huxley Europe Ltd., TCS John Huxley Asia Ltd., and Taiwan Fulgent Enterprise Co., Ltd. brought a civil action in the United States District Court for the Northern District of Illinois against L&W, Bally Technologies, Inc. and LNW Gaming, Inc., f/k/a Bally Gaming, Inc. In the complaint, the plaintiffs assert federal antitrust claims arising from the defendants' procurement of particular U.S. and South African patents. The plaintiffs allege that the defendants used those patents to create an allegedly illegal monopoly in the market for automatic card shufflers sold to regulated casinos in the United States. On April 10, 2019, the defendants filed a motion to dismiss the plaintiffs' complaint with prejudice. On April 25, 2019, the district court denied the defendants' motion to dismiss without prejudice pursuant to the court's local rules, after the plaintiffs advised that they intended to file an amended complaint. The plaintiffs filed their amended complaint on May 3, 2019, and on May 22, 2019, the defendants filed a motion to dismiss the plaintiffs' amended complaint with prejudice. On March 20, 2020, the district court denied the defendants' motion to dismiss the plaintiffs' amended complaint, and defendants filed an answer to the plaintiffs' amended complaint on June 19, 2020. On June 3, 2020, the trial court granted the defendants' request to bifurcate proceedings in the case, with discovery to occur first into the statute of limitations and release defenses asserted by the defendants in their motion to dismiss, before proceeding into broader discovery. The trial court set a September 18, 2020, deadline for the parties to complete discovery relating to the statute of limitations and release defenses. On October 28, 2020, the court issued an order extending until January 15, 2021 the deadline for the parties to complete discovery relating to the statute of limitations defense. On February 9, 2021, the defendants filed a motion for summary judgment on their statute of limitations defense, addressing whether plaintiffs had actual knowledge of their claims prior to the start of the limitations period. The district court denied that motion for summary judgment on September 20, 2021. On January 13, 2023, the district court entered an order requiring, among other things, that the plaintiffs make a formal written settlement demand by January 20, 2023, that the defendants respond to that demand in writing by January 27, 2023, and that the parties file a status report by January 31, 2023 confirming that they have complied with the district court's order. On January 31, 2023, the parties filed a joint status report confirming that they have complied with the district court's order to make and respond to a formal written demand. Discovery closed on June 1, 2023. On June 30, 2023, the defendants filed a motion for summary judgment, which is pending. We are unable at this time to estimate a range of reasonably possible losses above the amount we have accrued for this matter due to the complexity of the plaintiffs' claims, and the unpredictability of the outcome of the proceedings in the district court, and on any appeal therefrom.

Tonkawa Tribe Matter

On September 3, 2020, the Tonkawa Tribe of Indians of Oklahoma d/b/a Tonkawa Enterprises filed a putative class action complaint in the United States District Court for the District of Nevada against L&W, Bally Technologies, Inc. and LNW Gaming, Inc., f/k/a Bally Gaming, Inc. On October 5, 2020, the plaintiff filed a first amended complaint to add Cow Creek Band of Umpqua Tribe of Indians and the Umpqua Indian Development Corp., d/b/a Seven Feathers Casino as a plaintiff. On October 26, 2020, the plaintiffs filed a second amended complaint. In the complaint, the plaintiffs assert federal antitrust claims arising from the defendants' procurement of particular U.S. patents. The plaintiffs allege that the defendants used those patents to create an allegedly illegal monopoly in the market for card shufflers sold or leased to regulated casinos in the United States. The plaintiffs seek to represent a putative class of all regulated United States casinos directly leasing or purchasing card shufflers from the defendants on or after April 1, 2009. The complaint seeks unspecified money damages, the award of plaintiff's costs of suit, including reasonable attorneys' fees and expert fees, and the award of pre-judgment and post-judgment interest. On November 19, 2020, the defendants filed a motion to dismiss plaintiffs' second amended complaint or, in the alternative, to compel arbitration of plaintiffs' claims. On November 20, 2020, Plaintiffs filed a motion for partial summary judgment, seeking a finding that defendants are collaterally estopped from re-litigating issues litigated in the 2018 litigation versus Shuffle Tech International Corp., Aces Up Gaming, and Poydras-Talrick Holdings. On August 27, 2021, the Nevada district court entered an order transferring the lawsuit to the United States District Court for the Northern District of Illinois. On May 19, 2022, the Illinois district court granted defendants' motion to compel arbitration of plaintiffs' individual claims; stayed all proceedings in the lawsuit pending resolution of the arbitral process; and accordingly dismissed all pending motions without prejudice as moot. We are currently unable to determine the likelihood of an outcome or estimate a range of reasonably possible losses, if any. We believe that the claims in the lawsuit are without merit, and intend to vigorously defend against them.

Giuliano and Rancho's Club Casino Matter

On September 4, 2020, Alfred T. Giuliano, as liquidation trustee for RIH Acquisition NJ, LLC d/b/a The Atlantic Club Casino Hotel filed a putative class action complaint in the United States District Court for the Northern District of Illinois against L&W, Bally Technologies, Inc. and LNW Gaming, Inc., f/k/a Bally Gaming, Inc. In the complaint, the plaintiffs assert federal antitrust claims arising from the defendants' procurement of particular U.S. patents. The plaintiffs allege that the defendants used those patents to create an allegedly illegal monopoly in the market for automatic card shufflers sold or leased in the United States. The plaintiffs seek to represent a putative class of all persons and entities that directly purchased or leased automatic card shufflers within the United States from the Defendants, or any predecessor, subsidiary, or affiliate thereof, at any

time between April 1, 2009, and the present. The complaint seeks unspecified money damages, which the complaint asks the court to treble, the award of plaintiff's costs of suit, including attorneys' fees, and the award of pre-judgment and post-judgment interest. On September 8, 2020, Rancho's Club Casino, Inc., d/b/a Magnolia House Casino filed a putative class action complaint in the United States District Court for the Northern District of Illinois against L&W, Bally Technologies, Inc. and LNW Gaming, Inc., f/k/a Bally Gaming, Inc. In the complaint, the plaintiff asserts federal antitrust claims arising from the defendants' procurement of particular U.S. patents. The plaintiff alleges that the defendants used those patents to create an allegedly illegal monopoly in the market for automatic card shufflers sold or leased in the United States. The plaintiff seeks to represent a putative class of all persons and entities that directly purchased or leased automatic card shufflers within the United States from the defendants, or any predecessor, subsidiary, or affiliate thereof, at any time between April 1, 2009, and the present. The complaint seeks unspecified money damages, which the complaint asks the court to treble, the award of plaintiff's costs of suit, including attorneys' fees, and the award of pre-judgment and post-judgment interest.

On October 29, 2020, the trial court consolidated the Giuliano and Rancho's Club Casino matters. On October 30, 2020, the plaintiffs in the consolidated action filed a first amended consolidated complaint. On November 9, 2020, the defendants filed a motion to dismiss the plaintiffs' first amended consolidated complaint, and also filed a motion to compel arbitration of plaintiff Alfred T. Giuliano's individual claims. On May 19, 2022, the Illinois district court granted defendants' motion to compel arbitration; stayed all proceedings in the lawsuit pending resolution of the arbitral process; and accordingly dismissed all pending motions without prejudice. On May 31, 2022, defendants filed a motion to lift the stay of the lawsuit for the limited purpose of amending the court's May 19, 2022 order to confirm that plaintiff Alfred T. Giuliano must proceed to arbitration on an individual basis rather than a class-wide basis. On June 10, 2022, plaintiff Alfred T. Giuliano filed a notice of voluntary dismissal without prejudice, and the court therefore denied as moot defendants' motion to lift the stay in an order entered on March 28, 2023. We are currently unable to determine the likelihood of an outcome or estimate a range of reasonably possible losses, if any. We believe that the claims in the consolidated lawsuit are without merit, and intend to vigorously defend against them.

In re Automatic Card Shufflers Litigation Matter

On April 2, 2021, Casino Queen, Inc. and Casino Queen Marquette, Inc. filed a putative class action complaint in the United States District Court for the Northern District of Illinois against L&W, Bally Technologies, Inc. and LNW Gaming, Inc., f/k/a Bally Gaming, Inc. In the complaint, the plaintiffs assert federal antitrust claims arising from the defendants' procurement of particular U.S. patents. The plaintiffs allege that the defendants used those patents to create an allegedly illegal monopoly in the market for automatic card shufflers sold or leased in the United States. The plaintiffs seek to represent a putative class of all persons and entities that directly purchased or leased automatic card shufflers within the United States from the defendants, or any predecessor, subsidiary, or affiliate thereof, at any time between April 1, 2009, and the present. The complaint seeks unspecified money damages, which the complaint asks the court to treble, the award of plaintiffs' costs of suit, including attorneys' fees, and the award of pre-judgment and post-judgment interest. On June 11, 2021, the defendants filed a motion to dismiss plaintiffs' complaint, which the court denied on May 19, 2022. We are currently unable to determine the likelihood of an outcome or estimate a range of reasonably possible losses, if any. We believe that the claims in the lawsuit are without merit, and intend to vigorously defend against them.

Mohawk Gaming Enterprises Matter

On November 9, 2020, Mohawk Gaming Enterprises LLC, d/b/a Akwesasne Mohawk Casino Resort, filed a demand for a putative class arbitration before the American Arbitration Association against L&W, Bally Technologies, Inc. and LNW Gaming, Inc., f/k/a Bally Gaming, Inc. ("Respondents"). In the complaint, the claimant asserts federal antitrust claims arising from the respondents' procurement of particular U.S. patents. The claimant alleges that the respondents used those patents to create an allegedly illegal monopoly in the market for automatic card shufflers sold or leased in the United States. The claimant seeks to represent a putative class of all persons and entities that directly purchased or leased automatic card shufflers within the United States from the respondents, or any predecessor, subsidiary, or affiliate thereof, at any time between April 1, 2009, and the present. The complaint seeks unspecified money damages, which the complaint asks the arbitration panel to treble, and the award of claimant's costs of suit, including attorneys' fees. Respondents filed their answering statement on December 9, 2020. On October 29, 2021, the claimant filed a memorandum in support of class arbitration, which Respondents opposed on December 3, 2021. On February 8, 2022, the Arbitrator issued a clause construction award, finding that the arbitration could proceed on behalf of a class or classes. On February 11, 2022, Respondents filed a petition to vacate the award in the New York Supreme Court. The Court denied Respondents' petition on August 9, 2022, and on August 16, 2022, Respondents appealed to the New York Appellate Division, First Department, which denied Respondents' appeal on June 22, 2023. On April 15, 2022, Respondents filed a motion to dismiss the claimant's complaint, which the Arbitrator denied on July 26, 2022. We are currently unable to determine the likelihood of an outcome or estimate a range of reasonably possible losses, if any. We believe that the claims in the arbitration demand are without merit, and intend to vigorously defend against them.

Boorn Matter

On September 15, 2022, plaintiff Hannelore Boorn filed a putative class action against L&W, SciPlay Corporation, and Appchi Media Ltd. in the Fayette Circuit Court of the Commonwealth of Kentucky. In her complaint, plaintiff seeks to represent a putative class of all persons in Kentucky who, within the past five years, purchased and allegedly lost \$5.00 or more worth of chips, in a 24-hour period, playing SciPlay's online social casino games. The complaint asserts claims for alleged violations of Kentucky's "recovery of gambling losses" statute and for unjust enrichment, and seeks unspecified money damages, the award of reasonable attorneys' fees and costs, pre- and post-judgment interest, and injunctive and/or other declaratory relief. On October 18, 2022, defendants removed the action to the United States District Court for the Eastern District of Kentucky. On October 26, 2022, the plaintiff filed a notice voluntarily dismissing the lawsuit without prejudice. On October 27, 2022, the district court entered an order dismissing the lawsuit. On November 17, 2022, the plaintiff filed an arbitration demand against defendants before the American Arbitration Association, pursuant to which she seeks declaratory judgments that (1) SciPlay's online social casino games constitute gambling under Kentucky law, and (2) SciPlay's terms of service are void under Kentucky law. On January 12, 2023, the respondents filed their answering statement to plaintiff's arbitration demand. We are currently unable to determine the likelihood of an outcome or estimate a range of reasonably possible losses, if any. We believe that the claims in the arbitration demand are without merit, and intend to vigorously defend against them.

Allah Beautiful Matter

On December 19, 2022, claimant Prince Imanifest Allah Beautiful filed an arbitration demand against respondent SciPlay Corporation before the American Arbitration Association. The complaint asserts claims for alleged violations of New Jersey's anti-gambling statutes and seeks unspecified money damages, including recovery of monies allegedly lost by New Jersey players of SciPlay's online social casino games other than the claimant. On March 7, 2023, the respondent filed its answering statement to claimant's arbitration demand. We are currently unable to determine the likelihood of an outcome or estimate a range of reasonably possible losses, if any. We believe that the claims in the arbitration demand are without merit, and intend to vigorously defend against them.

Sprinkle Matter

On December 12, 2022, claimant Matthew Sprinkle filed an arbitration demand against respondent SciPlay Corporation before the American Arbitration Association. The complaint asserts claims for alleged violations of Ohio's anti-gambling statutes and seeks unspecified money damages, including recovery of monies allegedly lost by Ohio players of SciPlay's online social casino games other than the claimant. On March 7, 2023, the respondent filed its answering statement to claimant's arbitration demand. We are currently unable to determine the likelihood of an outcome or estimate a range of reasonably possible losses, if any. We believe that the claims in the arbitration demand are without merit, and intend to vigorously defend against them.

Sornberger Matter

On March 8, 2023, plaintiff Andrea Sornberger filed a complaint against SciPlay Corporation and SciPlay Games, LLC in the Circuit Court of the Franklin County, Alabama. The complaint asserts claims for alleged violations of Alabama anti-gambling statutes and seeks unspecified money damages, including recovery of monies allegedly lost by Alabama players of SciPlay's online social casino games other than the plaintiff, the award of interests and costs, and injunctive and other relief. On April 12, 2023, defendants removed the action to the United States District Court for the Northern District of Alabama. On August 24, 2023, plaintiff voluntarily dismissed her complaint without prejudice, and re-filed it in the Circuit Court of Franklin County, Alabama. On September 27, 2023, defendants removed the re-filed action to the United States District Court for the Northern District of Alabama. We are currently unable to determine the likelihood of an outcome or estimate a range of reasonably possible losses, if any. We believe that the claims in the lawsuit are without merit, and intend to vigorously defend against them.

Roberts Matter

On July 25, 2023, claimant Donovan Roberts filed an arbitration demand against respondent SciPlay Corporation before the American Arbitration Association. The complaint asserts claims for alleged violations of Kentucky's anti-gambling statutes and seeks unspecified money damages, including recovery of monies allegedly lost by Kentucky players of SciPlay's online social casino games other than the claimant. On October 6, 2023, the respondent filed its answering statement to claimant's arbitration demand. We are currently unable to determine the likelihood of an outcome or estimate a range of reasonably possible losses, if any. We believe that the claims in the arbitration demand are without merit, and intend to vigorously defend against them.

Ebersole Matter

On July 25, 2023, claimant Christopher Ebersole filed an arbitration demand against respondent SciPlay Corporation before the American Arbitration Association. The complaint asserts claims for alleged violations of Ohio's anti-gambling statutes and seeks unspecified money damages, including recovery of monies allegedly lost by Ohio players of SciPlay's online social casino games other than the claimant. On October 12, 2023, the respondent filed its answering statement to claimant's arbitration demand. We are currently unable to determine the likelihood of an outcome or estimate a range of reasonably possible losses, if any. We believe that the claims in the arbitration demand are without merit, and intend to vigorously defend against them.

Murnaghan Matter

On July 25, 2023, claimant Hope Murnaghan filed an arbitration demand against respondent SciPlay Corporation before the American Arbitration Association. The complaint asserts claims for alleged violations of Massachusetts' anti-gambling statutes and seeks unspecified money damages, including recovery of monies allegedly lost by Massachusetts players of SciPlay's online social casino games other than the claimant. On October 12, 2023, the respondent filed its answering statement to claimant's arbitration demand. We are currently unable to determine the likelihood of an outcome or estimate a range of reasonably possible losses, if any. We believe that the claims in the arbitration demand are without merit, and intend to vigorously defend against them.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion is intended to enhance the reader's understanding of our operations and current business environment from management's perspective and should be read in conjunction with the description of our business included under *Part I, Item 1* "Condensed Consolidated Financial Statements" and *Part II, Item 1A* "Risk Factors" in this Quarterly Report on Form 10-Q and under *Part I, Item 1* "Business," *Item 1A* "Risk Factors" and *Part II, Item 7* "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our 2022 10-K.

This "Management's Discussion and Analysis of Financial Condition and Results of Operations" ("MD&A") contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and should be read in conjunction with the disclosures and information contained and referenced under "Forward-Looking Statements" and "Risk Factors" included in this Quarterly Report on Form 10-Q and "Risk Factors" included in our 2022 10-K. As used in this MD&A, the terms "we," "us," "our" and the "Company" mean L&W together with its consolidated subsidiaries.

BUSINESS OVERVIEW

We are a leading cross-platform global games company with a focus on content and digital markets. Our portfolio of revenue-generating activities primarily includes supplying game content and gaming machines, CMSs and table game products and services to licensed gaming entities; providing social casino and other mobile games, including casual gaming, to retail customers; and providing a comprehensive suite of digital gaming content, distribution platforms, player account management systems, as well as various other iGaming content and services.

As more fully described in *Part I, Item 1* "Business" in our 2022 10-K, we are executing on our strategy to become a leading cross-platform global games company with a focus on content and digital markets. We report our results of operations in three business segments—Gaming, SciPlay and iGaming—representing our different products and services. See "Business Segments Results" below and Note 4 for additional business segment information.

Our operating results have substantially recovered from the impacts of the COVID-19 pandemic in 2020 and 2021; however, lingering impacts on supply chains in numerous industries have caused shortages of inputs/outputs, which in turn put inflationary pressures on the economy as a whole. Inflationary pressures may have an impact on discretionary income as people allocate more of their disposable income toward higher priced necessity goods and services, which could impact our customers. These circumstances may change in the future and such changes could be material.

In addition to our existing primary Nasdaq listing, our common stock is listed as CDIs on the ASX and commenced active trading on May 22, 2023 (AEST) under the ticker symbol "LNW." We believe this secondary listing is creating substantial benefits for L&W and its shareholders, including enhancing the Company's profile in Australia, one of the leading markets for the L&W's Gaming business, and providing the Company access to new long-term Australian institutional investors that complement our strong existing base of shareholders.

We completed the third quarter of 2023 maintaining strong momentum and delivered a 10th consecutive quarter of consolidated revenue growth and fifth consecutive quarter of double-digit growth year-over-year, continuing advancement on our strategic plan and toward our long-term financial targets. Consolidated revenue growth was driven by double-digit growth across all of our businesses, including a fifth consecutive quarter of record revenues for SciPlay, and iGaming revenue held at a quarterly record level. We have returned \$112 million of capital to shareholders through the repurchase of 1.5 million shares of common stock during the three months ended September 30, 2023, and since the initiation of the share repurchase program, we have returned a total of \$550 million of capital to shareholders by repurchasing 9.1 million shares of common stock, or 73% of total program authorization.

As described in Note 1, on October 23, 2023, we acquired the remaining approximately 17% equity interest in SciPlay not already owned by us pursuant to the SciPlay Merger in an all-cash transaction for \$496 million, excluding transaction fees and expenses. As a result of the SciPlay Merger, SciPlay ceased to be publicly traded and became a wholly owned subsidiary of L&W. We believe that this transaction will enable seamless collaboration with SciPlay that will add further momentum to our already robust cross-platform strategy, provide flexibility for use of SciPlay cash flows for investments across the enterprise, and facilitate long-term margin enhancement opportunities via synergies, all of which are expected to increase long-term shareholder value.

We have a significant portion of SciPlay personnel located in Tel Aviv, Israel. In light of current circumstances in Israel, we are actively monitoring developments and are ready to redirect resources as needed to minimize impact on SciPlay operations. We do not have servers or infrastructure that are located in Israel that host our games. While we have not yet seen an impact on our business from current events, they could negatively affect the performance of the personnel in that area and

have an adverse impact on our business if these events continue and/or escalate. Refer to “Risk Factors” under *Part II, Item 1A* in this Quarterly Report on Form 10-Q for more information.

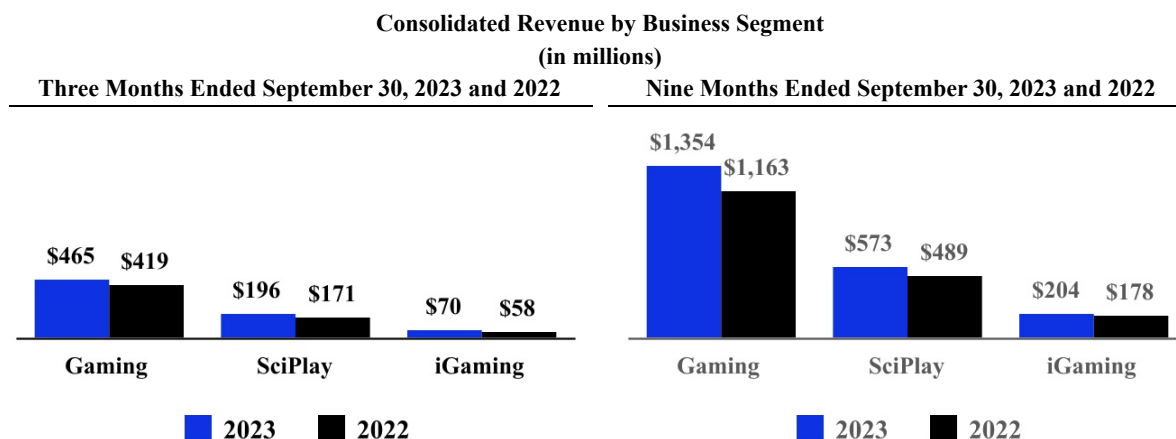
CONSOLIDATED RESULTS

(\$ in millions)	Three Months Ended September 30,		Variance		Nine Months Ended September 30,		Variance	
	2023	2022	2023 vs. 2022		2023	2022	2023 vs. 2022	
Total revenue	\$ 731	\$ 648	\$ 83	13 %	\$ 2,131	\$ 1,830	\$ 301	16 %
Total operating expenses	584	559	25	4 %	1,769	1,655	114	7 %
Operating income	147	89	58	65 %	362	175	187	107 %
Net income (loss) from continuing operations before income taxes	94	24	70	292 %	139	(189)	328	174 %
Net income (loss) from continuing operations	80	20	60	300 %	112	(197)	309	157 %
Net income from discontinued operations, net of tax ⁽¹⁾	—	315	(315)	nm	—	3,855	(3,855)	nm
Net income attributable to L&W	75	328	(253)	nm	96	3,645	(3,549)	nm

nm = not meaningful.

(1) The three months ended September 30, 2022 include a pre-tax gain of \$362 million on the sale of the Sports Betting Business, and the nine months ended September 30, 2022 include a total pre-tax gain of \$4,930 million on the Divestitures (see Note 2).

Revenue



Gaming revenue growth of 11% and 16% for the three and nine months ended September 30, 2023, respectively, was primarily driven by continued momentum in global Gaming machine sales, coupled with stronger performance in our U.S. and Canada premium install base, and increased demand for Table products and Systems.

SciPlay revenue increased 15% and 17% for the three and nine months ended September 30, 2023, respectively. Average revenue per daily active user grew 20% and 22% for the three and nine months ended September 30, 2023, respectively, reaching a new record high of \$0.96 for the three months ended September 30, 2023. Social casino payer engagement and average monthly paying users also increased for both periods.

The increases in iGaming revenue of 21% and 15% for the three and nine months ended September 30, 2023, respectively, were driven by growth both in the U.S. and international markets from the strength of our original content and benefited from \$3 million and \$5 million, respectively, in certain termination fees. In October 2023, we launched our live casino operations in Michigan, reaching a strategic market expansion milestone for our iGaming business.

Operating Expenses

(\$ in millions)	Three Months Ended September 30,		Variance		Nine Months Ended September 30,		Variance	
	2023	2022	2023 vs. 2022		2023	2022	2023 vs. 2022	
Operating expenses:								
Cost of services	\$ 113	\$ 101	\$ 12	12 %	\$ 331	\$ 283	\$ 48	17 %
Cost of products	105	92	13	14 %	307	251	56	22 %
Selling, general and administrative	204	181	23	13 %	599	535	64	12 %
Research and development	55	56	(1)	(2)%	168	163	5	3 %
Depreciation, amortization and impairments	90	102	(12)	(12)%	298	317	(19)	(6)%
Restructuring and other	17	27	(10)	(37)%	66	106	(40)	(38)%
Total operating expenses	<u>\$ 584</u>	<u>\$ 559</u>	<u>\$ 25</u>	4 %	<u>\$ 1,769</u>	<u>\$ 1,655</u>	<u>\$ 114</u>	7 %

Cost of Revenue

Total cost of revenue for the three and nine months ended September 30, 2023 increased as a direct result of higher revenue as described above, driven by \$13 million and \$56 million, respectively, in higher cost of product revenue primarily associated with higher gaming machine sales. In addition, we recognized \$8 million and \$27 million for the three and nine months ended September 30, 2023, respectively, in higher cost of services for our SciPlay business segment correlated with revenue growth.

SG&A

SG&A increased for the three and nine months ended September 30, 2023 as compared to the prior year periods, primarily due to higher stock-based compensation expense of \$17 million and \$38 million, respectively, higher legal expenses of \$3 million and \$12 million, respectively, and higher salaries and benefits of \$2 million and \$5 million, respectively.

R&D

R&D remained relatively flat for the three months ended September 30, 2023, and the slight increase for the nine months ended September 30, 2023 was due to higher salaries and benefits in our SciPlay segment.

D&A

D&A decreased for the three and nine months ended September 30, 2023, primarily due to fully depreciated assets and amortization of intangible assets related to past acquisitions associated with our Gaming and iGaming segments. The decrease in the nine months ended September 30, 2023 was partially offset by an impairment charge of \$5 million related to SciPlay restructuring of a certain foreign studio.

Restructuring and Other

The decrease in restructuring and other for the three and nine months ended September 30, 2023, as compared to the prior year periods, was primarily due to lower professional services, legal and other costs related to the strategic review and related transactions (see Note 5). The three and nine months ended September 30, 2023 included \$3 million in costs associated with the SciPlay Merger, the nine months ended September 30, 2023 included \$7 million in professional services associated with the ASX listing, and the nine months ended September 30, 2023 and 2022 included contingent consideration remeasurement charges of \$10 million and \$12 million, respectively.

Other Factors Affecting Net Income Attributable to L&W

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,		Factors Affecting Net Income Attributable to L&W
	2023	2022	2023	2022	2023 vs. 2022
Interest expense	\$ (78)	\$ (68)	\$ (231)	\$ (254)	The increase in interest expense for the three months ended September 30, 2023 is primarily due to rising interest rates impacting the LNWI Term Loan B. The decrease in interest expense for the nine months ended September 30, 2023 is primarily due to lower outstanding debt resulting from the redemption of certain senior notes and refinancing through the LNWI Credit Agreement completed in the second quarter of 2022.
Loss on debt financing transactions	(15)	—	(15)	(147)	Loss on debt financing transactions included charges of \$12 million in the third quarter of 2023 and \$90 million in the second quarter of 2022 associated with premiums paid to redeem certain senior notes (see Note 11).
Gain on remeasurement of debt and other	—	—	—	27	Gains are attributable to remeasurement of previously held Euro-denominated senior notes and reflect changes in the Euro vs. the U.S. Dollar foreign exchange rates. These notes were redeemed during the second quarter of 2022.
Other income, net	40	3	23	10	The increase in other income was primarily due to the impact of changes in foreign currency exchange rates.

Foreign Currency Exchange (F/X)

Our results are impacted by changes in foreign currency exchange rates used in the translation of foreign functional currencies into USD and the remeasurement of foreign currency transactions or balances. The impact of foreign currency exchange rate fluctuations represents the difference between current rates and prior-period rates applied to current activity. Our exposure to foreign currency volatility on revenue is as follows:

(\$ in millions)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2023		2022		2023		2022	
	Revenue	% Consolidated Revenue	Revenue	% Consolidated Revenue	Revenue	% Consolidated Revenue	Revenue	% Consolidated Revenue
Foreign Currency:								
British Pound Sterling	\$ 41	6 %	\$ 34	5 %	\$ 122	6 %	\$ 118	6 %
Euro	56	8 %	49	8 %	169	8 %	145	8 %
Australian Dollar	54	7 %	35	5 %	151	7 %	72	4 %

BUSINESS SEGMENTS RESULTS *(for the three and nine months ended September 30, 2023 compared to the three and nine months ended September 30, 2022)*

GAMING

Our Gaming business segment designs, develops, manufactures, markets and distributes a comprehensive portfolio of gaming content, products and services. We provide our Gaming portfolio of products and services to commercial casinos, Native American casinos, wide-area gaming operators such as LBOs, arcade and bingo operators in the U.K. and continental Europe, and government agencies and their affiliated operators.

We generate Gaming revenue from both services and products. Our services revenue includes revenue earned from Participation gaming machines, other leased gaming machines (including VLTs and electronic table games), supplied table products and services (including Shufflers), casino management technology solutions and systems, and other services revenues. Our products revenue includes the sale of new and used gaming machines, electronic table games, VLTs and VGTs, casino-management technology solutions and systems, table products, proprietary table game licensing, conversion kits (including game, hardware or operating system conversions) and spare parts.

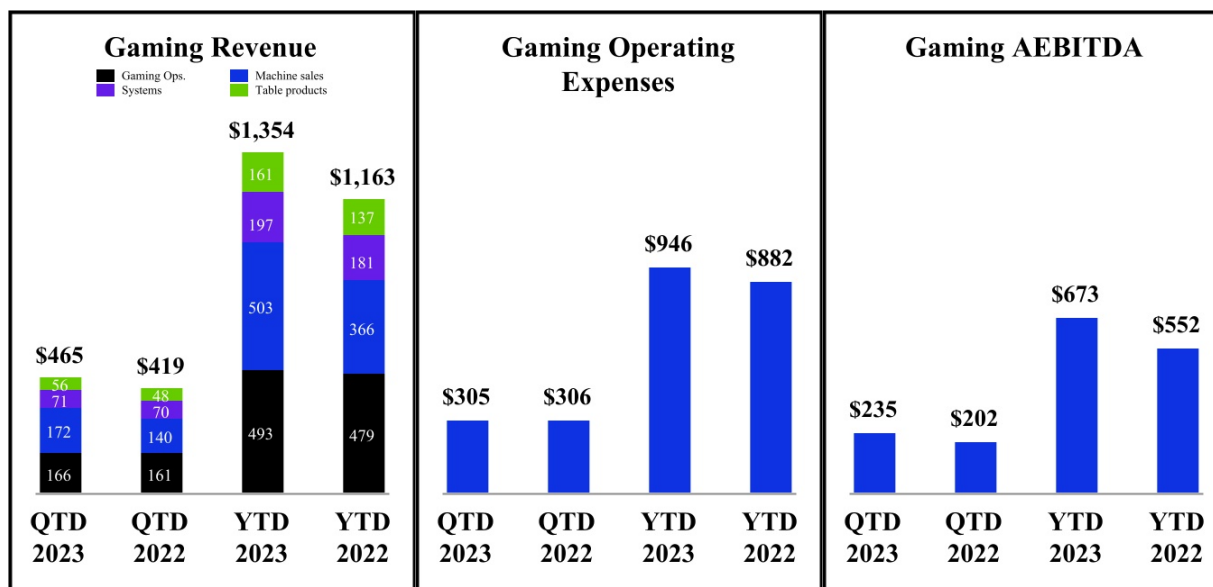
For additional information, refer to the Gaming primary business activities summary included within “Business Segment Results” under *Item 7* of our 2022 10-K.

Current Year Update

We continue to see elevated demand for our Gaming products and services, while Gaming operations and Gaming machine sales have performed above pre-COVID levels. The increase in Gaming revenue for the three and nine months ended September 30, 2023, as compared to the prior year periods, was primarily driven by continued momentum in Gaming machine sales growing 23% and 37%, respectively, coupled with growth in Table products and Systems. Gaming operations also benefited from higher average daily revenue per unit, the continued success of our cabinets and strong game content performance. While demand remains strong, we are actively monitoring any impact of inflationary pressures and macroeconomic uncertainty that may impact our operations. We have experienced and continue to expect some level of supply chain volatility that could impact our ability to meet demand for our products and delay the timing of fulfillment and revenue recognition of orders.

Results of Operations and KPIs

Three and Nine Months Ended September 30, 2023 and 2022



	Three Months Ended September 30,				Nine Months Ended September 30,			
(\$ in millions)	2023	2022	Variance		2023	2022	Variance	
			2023 vs. 2022				2023 vs. 2022	
Revenue:								
Gaming operations	\$ 166	\$ 161	\$ 5	3 %	\$ 493	\$ 479	\$ 14	3 %
Machine sales	172	140	32	23 %	503	366	137	37 %
Systems	71	70	1	1 %	197	181	16	9 %
Table products	56	48	8	17 %	161	137	24	18 %
Total revenue	<u>\$ 465</u>	<u>\$ 419</u>	<u>\$ 46</u>	11 %	<u>\$ 1,354</u>	<u>\$ 1,163</u>	<u>\$ 191</u>	16 %
F/X impact on revenue	\$ 2	\$ (9)	\$ 11	122 %	\$ (4)	\$ (19)	\$ 15	79 %
Gaming KPIs:								
U.S. and Canada units:								
Installed base at period end	31,035	30,536	499	2 %	31,035	30,536	499	2 %
Average daily revenue per unit	\$ 47.57	\$ 45.68	\$ 1.89	4 %	\$ 46.80	\$ 44.99	\$ 1.81	4 %
International units ⁽¹⁾ :								
Installed base at period end	22,442	28,100	(5,658)	(20)%	22,442	28,100	(5,658)	(20)%
Average daily revenue per unit	\$ 14.01	\$ 12.39	\$ 1.62	13 %	\$ 14.87	\$ 13.25	\$ 1.62	12 %
Gaming machine unit sales:								
U.S. and Canada new unit shipments	4,640	4,400	240	5 %	13,717	11,791	1,926	16 %
International new unit shipments	4,045	2,859	1,186	41 %	11,796	7,252	4,544	63 %
Total new unit shipments	8,685	7,259	1,426	20 %	25,513	19,043	6,470	34 %
Average sales price per new unit	\$ 18,104	\$ 17,359	\$ 745	4 %	\$ 18,062	\$ 17,224	\$ 838	5 %

(1) Units exclude those related to game content licensing.

Gaming Operations

Gaming operations revenue for both current year periods demonstrated continued momentum driven by strong game performance of hit franchises and premium games. Average daily revenue per unit for U.S. and Canada increased by \$1.89 and \$1.81 for the three and nine months ended September 30, 2023, respectively, and for International units it increased by \$1.62 and \$1.62, respectively. Gaming operations for U.S. and Canada had a 499-unit increase in installed base, mainly due to growth in our premium games, partially offset by reductions in our public gaming and leased core products. International ending installed base decreased by 5,658 units primarily due to the expected closure of certain LBOs in the U.K. along with the reduction of certain low-yielding units in Greece and Latin America.

Gaming Machine Sales

Gaming machine sales revenue increased as operator capital spending returned to more normalized levels. The increases for the three and nine months ended September 30, 2023, as compared to prior periods, were due to higher sales of replacement units globally of 1,391 and 4,980, respectively, shipments of additional units into international new opening and

expansion markets of 649 and 2,255, respectively, and higher average sales price per new unit mainly due to favorable shifts in product mix. The following table summarizes Gaming machine sales changes:

	Three Months Ended September 30,		Variance		Nine Months Ended September 30,		Variance	
	2023	2022	2023 vs. 2022		2023	2022	2023 vs. 2022	
U.S. and Canada unit shipments:								
Replacement units	4,542	3,688	854	23 %	12,900	10,209	2,691	26 %
Casino opening and expansion units	98	712	(614)	(86)%	817	1,582	(765)	(48)%
Total unit shipments	4,640	4,400	240	5 %	13,717	11,791	1,926	16 %
International unit shipments:								
Replacement units	3,262	2,725	537	20 %	9,371	7,082	2,289	32 %
Casino opening and expansion units	783	134	649	484 %	2,425	170	2,255	1,326 %
Total unit shipments	4,045	2,859	1,186	41 %	11,796	7,252	4,544	63 %

Operating Expenses and AEBITDA

Operating expenses for the three months ended September 30, 2023 decreased by \$1 million, as compared to the corresponding prior year period, primarily due to lower D&A of \$19 million as a result of fully depreciated and amortized assets, partially offset by \$14 million in higher cost of revenue associated with the increase in revenue and \$5 million in higher SG&A costs. Operating expenses for the nine months ended September 30, 2023 increased by \$64 million, as compared to the corresponding prior year period, as a result of \$68 million in higher cost of revenue associated with the increase in revenue as described above and \$23 million in higher SG&A and restructuring and other costs, partially offset by lower D&A of \$27 million.

For the three and nine months ended September 30, 2023 as compared to the prior year periods, AEBITDA increased by \$33 million and \$121 million, respectively, which is primarily related to increased revenue, and AEBITDA as a percentage of revenue (“AEBITDA margin”) increased by 3 percentage points to 51% and 50%, respectively, primarily driven by favorable revenue mix as well as margin enhancement initiatives. AEBITDA also benefited from a change in the incentive compensation mix from cash to equity awards, resulting in a \$4 million and \$8 million benefit, respectively, as well as lower legal expenses.

SCIPLAY

Our SciPlay business segment is a leading developer and publisher of digital games on mobile and web platforms. SciPlay operates primarily in the social gaming market, which is characterized by gameplay online or on mobile devices that is social, competitive and self-directed in pace and session length. SciPlay also operates in the hyper-casual space, which is characterized by simpler core loops and more repetitive gameplay than casual games. SciPlay generates a substantial portion of its revenue from in-app purchases in the form of virtual coins, chips and cards, which players can use to play slot games, table games or bingo games. Players who install SciPlay’s social games typically receive free coins, chips or cards upon the initial launch of the game and additional free coins, chips or cards at specific time intervals. Players may exhaust the coins, chips or cards that they receive for free and may choose to purchase additional coins, chips or cards in order to extend their time of game play. Once obtained, coins, chips and cards (either free or purchased) cannot be redeemed for cash nor exchanged for anything other than game play within SciPlay’s apps. SciPlay generates additional revenue through advertising arrangements in SciPlay’s hyper-casual games. Players who install SciPlay’s hyper-casual games receive free, unlimited gameplay that requires viewing of periodic in-game advertisements.

SciPlay currently offers a variety of social casino games, including *JACKPOT PARTY® Casino*, *GOLD FISH® Casino*, *QUICK HIT® Slots*, *88 FORTUNES® Slots*, *MONOPOLY Slots*, and *HOT SHOT CASINO®*. Our SciPlay business segment continues to pursue its strategy of expanding into the casual games market. Current casual game titles include *BINGO SHOWDOWN®* and *Backgammon Live* as well as other titles in the hyper-casual space, including games such as *CANDY CHALLENGE 3D™*, *BOSS LIFE™* and *DEEP CLEAN INC. 3D™*. During 2023, SciPlay continued development and testing of various new games. SciPlay’s social casino games typically include slots-style game play and occasionally include table games-style game play, while its casual games blend solitaire-style or bingo game play with adventure game features and its hyper-casual games include many simple core loop mechanics. All of SciPlay’s games are offered and played across multiple platforms, including *APPLE*, *GOOGLE*, *FACEBOOK*, *AMAZON*, and *MICROSOFT*. In addition to SciPlay’s internally created game content, SciPlay’s content library includes recognizable game content from Light & Wonder. This content allows players

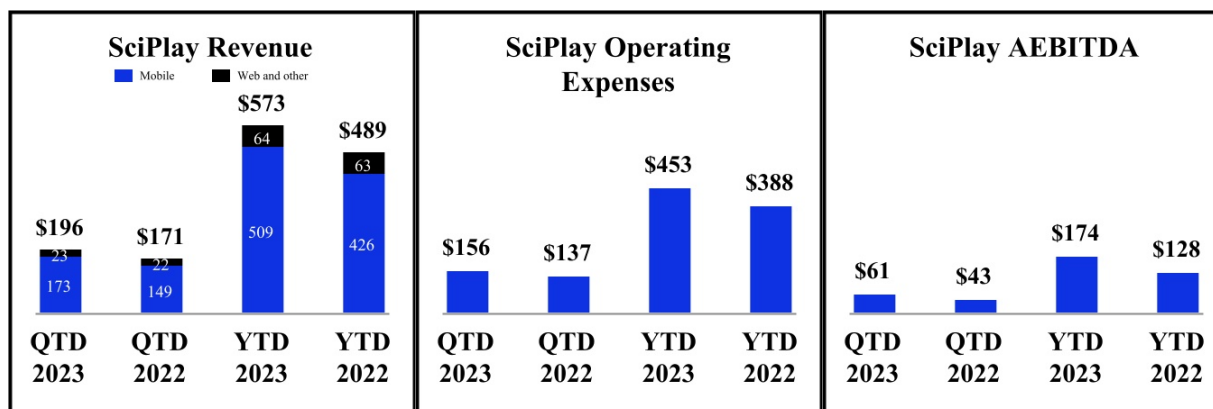
who like playing land-based game content to enjoy some of those same titles in SciPlay's free-to-play games. SciPlay has access to Light & Wonder's library of more than 1,500 iconic casino titles, including titles and content from third-party licensed brands such as *MONOPOLY* and *JAMES BOND™*. We believe that SciPlay's access to this content, coupled with its years of experience developing in-house content, uniquely positions SciPlay to create compelling digital games.

Current Year Update

SciPlay continues to see strong momentum and higher payer engagement in 2023. Revenue growth was primarily attributable to the social casino business, including games such as *Jackpot Party Casino*, *Quick Hit Slots* and *Gold Fish Casino*. SciPlay continues to deploy significant updates across a number of their portfolio games, execute on its strategic game updates and enhanced analytics, and pursue international expansion.

Results of Operations and KPIs

Three and Nine Months Ended September 30, 2023 and 2022



(in millions unless otherwise noted)	Three Months Ended September 30,		Variance		Nine Months Ended September 30,		Variance	
	2023	2022	2023 vs. 2022		2023	2022	2023 vs. 2022	
Revenue:								
Mobile in-app purchases	\$ 173	\$ 149	\$ 24	16 %	\$ 509	\$ 426	\$ 83	19 %
Web in-app purchases and other ⁽¹⁾	23	22	1	5 %	64	63	1	2 %
Total revenue	<u>\$ 196</u>	<u>\$ 171</u>	<u>\$ 25</u>	15 %	<u>\$ 573</u>	<u>\$ 489</u>	<u>\$ 84</u>	17 %
SciPlay KPIs:								
In-App Purchases:								
Mobile Penetration ⁽²⁾	90 %	90 %	—	nm	91 %	90 %	1 pp	nm
Average MAU ⁽³⁾	5.7	5.9	(0.2)	(3)%	5.8	6.0	(0.2)	(3)%
Average DAU ⁽⁴⁾	2.2	2.2	—	— %	2.2	2.3	(0.1)	(4)%
ARPDau ⁽⁵⁾	\$ 0.96	\$ 0.80	\$ 0.16	20 %	\$ 0.93	\$ 0.76	\$ 0.17	22 %
Average MPU ⁽⁶⁾ (in thousands)	602	577	25	4 %	612	566	46	8 %
AMRPPU ⁽⁷⁾	\$ 106.61	\$ 95.45	\$ 11.16	12 %	\$ 102.03	\$ 92.97	\$ 9.06	10 %
Payer Conversion Rate ⁽⁸⁾	10.6 %	9.7 %	0.9 pp	nm	10.5 %	9.4 %	1.1 pp	nm

nm = not meaningful.

pp = percentage points.

(1) Other primarily represents advertising revenue, which was not material in the periods presented.

(2) Mobile penetration is defined as the percentage of business to consumer revenue generated from mobile platforms.

(3) MAU = Monthly Active Users is a count of visitors to SciPlay sites during a month. An individual who plays multiple games or from multiple devices may, in certain circumstances, be counted more than once. However, SciPlay uses third-party data to limit the occurrence of multiple counting.

(4) DAU = Daily Active Users is a count of visitors to SciPlay sites during a day. An individual who plays multiple games or from multiple devices may, in certain circumstances, be counted more than once. However, SciPlay uses third-party data to limit the occurrence of multiple counting.

(5) ARPDau = Average Revenue Per DAU is calculated by dividing revenue for a period by the DAU for the period by the number of days for the period.

(6) MPU = Monthly Paying Users is the number of individual users who made an in-game purchase during a particular month.

(7) AMRPPU = Average Monthly Revenue Per Paying User is calculated by dividing average monthly revenue by average MPUs for the applicable time period.

(8) Payer conversion rate is calculated by dividing average MPU for the period by the average MAU for the same period.

For the three months ended September 30, 2023, revenues increased as social casino payer engagement increased and average monthly revenue per paying user reached a new record high.

For the nine months ended September 30, 2023, revenues increased as social casino payer engagement increased with an increase in average monthly paying users.

The mobile penetration percentage for the three months ended September 30, 2023 was flat, and for the nine months ended September 30, 2023, it increased, primarily reflecting a continued trend of players migrating from web to mobile platforms to play SciPlay's games.

Average MAU for the three and nine months ended September 30, 2023 decreased due to the turnover in users.

ARPDau increased with an increase in payers and higher daily average revenue per player while DAU was flat for the three months ended September 30, 2023.

ARPDau increased as a function of slightly lower average DAU coupled with an increase in payers for the nine months ended September 30, 2023.

For the three and nine months ended September 30, 2023, AMRPPU and average MPU increased as payer conversion improved compared to the prior year period.

Payer conversion rates continue to be at high levels due to consistent payer interaction with the games as a result of SciPlay's focus on introducing new content, features and live events in their games.

Operating Expenses and AEBITDA

The increase in operating expenses for the three and nine months ended September 30, 2023 as compared to the prior year periods primarily correlated with the increase in revenue (as described above) as a result of higher platform fees, higher stock-based compensation of \$10 million and \$19 million, respectively, and higher salaries and benefits related to an increase in headcount of \$3 million and \$11 million, respectively, partially offset by lower marketing spend of \$4 million and \$5 million, respectively. The nine months ended September 30, 2023 also included an impairment charge of \$5 million related to the restructuring of a certain foreign studio.

AEBITDA for the three and nine months ended September 30, 2023 increased as compared to the prior year periods, and AEBITDA margin increased by 6 and 4 percentage points, respectively, primarily due to the increase in revenue (as described above) and reduced marketing spend, partially offset by higher operating costs resulting from increases in salaries and benefits.

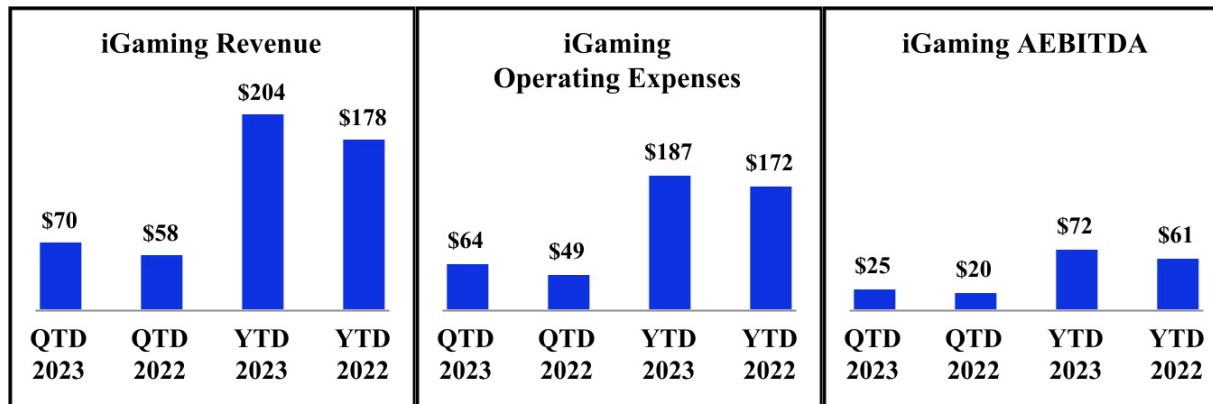
iGAMING

Our iGaming business segment provides a comprehensive suite of digital gaming content, distribution platforms, player account management systems, as well as various other iGaming content and services. The majority of our revenue is derived from casino-style game content, including a wide variety of internally developed and branded games as well as popular third-party provider games. These games are made available to iGaming operators via content aggregation platforms, including Open Gaming System, remote gaming servers and various other platforms. We also provide our Open Platform System, a player account management system which offers a wide range of reporting and administrative functions and tools providing operators full control over all areas of digital gaming operations. Generally, we host the play of our game content which is integrated with the online casino operators' websites.

Current Year Update

We continue to expand our customer base and capitalize on growth in the European and North American markets by leveraging our industry leading platforms, content and solutions, as well as invest in our ability to scale our own original U.S. land-based content offering. Currently we have launched in six U.S. states, and we are positioned to enter others as additional state legislatures authorize online gaming. In October 2023, we launched our live casino operations in Michigan, reaching a strategic market expansion milestone for our iGaming business.

Three and Nine Months Ended September 30, 2023 and 2022



The increases in iGaming revenue of 21% and 15% for the three and nine months ended September 30, 2023, respectively, as compared to the prior year periods, were primarily due to continuing momentum in the U.S. market, which delivered 25% and 30% year-over-year revenue growth, respectively, driven by the strength of our original content and growth in our partner network, as well as growth in international markets. The current year periods also benefited from \$3 million and \$5 million, respectively, in certain license termination fees. Wagers processed through our Open Gaming System for both current year periods increased to \$20 billion and \$61 billion, respectively. Revenue for the three months ended September 30, 2023 was impacted by favorable impact of foreign currency translation of \$2 million, and the nine months ended September 30, 2023 were impacted by unfavorable impact of \$2 million.

AEBITDA for the three and nine months ended September 30, 2023 increased as compared to the prior year periods primarily due to the increase in revenue as described above. AEBITDA margin increased by 2 and 1 percentage points for the three and nine months ended September 30, 2023, respectively.

RECENTLY ISSUED ACCOUNTING GUIDANCE

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

CRITICAL ACCOUNTING ESTIMATES

For a description of our policies regarding our critical accounting estimates, see “Critical Accounting Estimates” in *Item 7* “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in our 2022 10-K.

There have been no significant changes in our critical accounting estimate policies or the application of those policies to our condensed consolidated financial statements from those presented in *Item 7* “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in our 2022 10-K.

LIQUIDITY, CAPITAL RESOURCES AND WORKING CAPITAL

Cash and Available Liquidity

As of September 30, 2023, our principal sources of liquidity, other than cash flows provided by operating activities, were cash and cash equivalents, including SciPlay cash and cash equivalents (for our SciPlay business segment), and amounts available under the LNWI Revolver and SciPlay Revolver (for our SciPlay business segment).

Cash and Available Revolver Capacity

(in millions)	Cash and cash equivalents	Revolver capacity	Revolver capacity drawn or committed to letters of credit	Total
L&W (excluding SciPlay)	\$ 485	\$ 750	\$ (11)	\$ 1,224
SciPlay	406	150	—	556
Total as of September 30, 2023	\$ 891	\$ 900	\$ (11)	\$ 1,780
L&W (excluding SciPlay)	\$ 584	\$ 750	\$ (12)	\$ 1,322
SciPlay	330	150	—	480
Total as of December 31, 2022	\$ 914	\$ 900	\$ (12)	\$ 1,802

Total cash held by our foreign subsidiaries was \$183 million and \$142 million as of September 30, 2023 and December 31, 2022, respectively. We believe that substantially all cash held outside the U.S. is free from legal encumbrances or similar restrictions that would prevent it from being available to meet our global liquidity needs.

Our Gaming operations generally require significant upfront capital expenditures, and we may need to incur additional capital expenditures in order to retain or increase market share and continue our product investments. Other capital requirements for the near term primarily include debt principal and interest payments, purchase obligations, supply contracts, license agreement minimum guaranteed payments and lease obligations. There have been no material changes to our capital requirements disclosed in our 2022 10-K, other than those associated with the issuance of the 2031 Unsecured Notes and redemption of the 2025 Unsecured Notes.

In April 2023, we paid \$32 million in cash taxes associated with the Divestitures. As required under our certain debt agreements, we used a portion of the proceeds received from the Divestitures to reinvest in our business through the SciPlay Merger (see Note 1 for additional details). On October 23, 2023, we paid \$496 million to the holders of SciPlay Class A common stock in connection with the SciPlay Merger. Upon completion of the SciPlay Merger, the SciPlay Revolver was terminated, and any SciPlay cash and cash equivalents became available for use by L&W.

In connection with the termination of the SciPlay Revolver, during the fourth quarter of 2023, L&W intends to designate SciPlay and its wholly owned domestic subsidiaries and certain parent holding companies, which hold substantially all the assets of and operate SciPlay's social gaming business, as "Restricted Subsidiaries" and join certain of these entities as guarantors under the LNWI Credit Agreement and the Unsecured Notes. As a result of such designations, these subsidiaries will be obligated to comply with many of the covenants set forth in those agreements and the assets, liabilities and financial results of those subsidiaries will be included in the calculation of the applicable financial metrics required by those agreements.

Our ability to make payments on and to refinance our indebtedness and other obligations depends on our ability to generate cash in the future. We may, from time to time, repurchase or otherwise repay, retire or refinance our debt, through our subsidiaries or otherwise. In the event we pursue significant acquisitions or other expansion opportunities, or conduct significant repurchases of our outstanding securities, we may need to raise additional capital. If we do not have adequate liquidity to support these activities, we may be unable to obtain financing for these cash needs on favorable terms or at all. For additional information regarding our cash needs and related risks, see "Risk Factors" under *Part I, Item 1A* in our 2022 10-K.

On March 1, 2022, our Board of Directors approved a share repurchase program under which we are authorized to repurchase, from time to time through February 25, 2025, up to an aggregate amount of \$750 million of our outstanding common stock. During the nine months ended September 30, 2023, we repurchased 2.1 million shares of common stock under the program at an aggregate cost of \$146 million (including excise tax).

On May 9, 2022, SciPlay's Board of Directors approved a share repurchase program under which it is authorized to repurchase, from time to time through May 9, 2024, up to an aggregate amount of \$60 million of its outstanding Class A common stock. SciPlay has since completed the initial share repurchase program authorization. On May 3, 2023, SciPlay's Board of Directors approved another share repurchase program under which it is authorized to repurchase, from time to time through May 3, 2024, up to an aggregate amount of \$60 million of its outstanding Class A common stock. No share repurchases have been made under the new program as of September 30, 2023. Upon completion of the SciPlay Merger, the SciPlay share repurchase program was terminated.

Cash Flow Summary

(\$ in millions)	Nine Months Ended September 30,		Variance
	2023	2022	2023 vs. 2022
Net cash provided by (used in) operating activities from:			
Continuing operations	\$ 423	\$ (346)	\$ 769
Discontinued operations	—	52	(52)
Net cash provided by (used in) operating activities	423	(294)	717
Net cash (used in) provided by investing activities from:			
Continuing operations	(187)	(224)	37
Discontinued operations	(3)	6,368	(6,371)
Net cash (used in) provided by investing activities	(190)	6,144	(6,334)
Net cash used in financing activities from:			
Continuing operations	(251)	(5,210)	4,959
Discontinued operations	—	(3)	3
Net cash used in financing activities	(251)	(5,213)	4,962
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(2)	(12)	10
(Decrease) increase in cash, cash equivalents and restricted cash	\$ (20)	\$ 625	\$ (645)

Cash Flows from Operating Activities

(\$ in millions)	Nine Months Ended September 30,		Variance
	2023	2022	2023 vs. 2022
Net income	\$ 112	\$ 3,658	\$ (3,546)
Less: Income from discontinued operations, net of tax	—	(3,855)	3,855
Adjustments to reconcile net income (loss) from continuing operations to net cash provided by (used in) operating activities from continuing operations	436	488	(52)
Changes in working capital accounts, excluding the effects of acquisitions	(81)	(641)	560
Changes in deferred income taxes and other	(44)	4	(48)
Net cash provided by (used in) operating activities from continuing operations	\$ 423	\$ (346)	\$ 769

Net cash provided by operating activities from continuing operations increased primarily due to favorable changes in working capital accounts and a \$209 million increase in earnings (drivers described above).

Changes in working capital accounts for the nine months ended September 30, 2023 as compared to the nine months ended September 30, 2022 primarily benefited from a decrease of \$433 million in cash taxes paid associated with the Divestitures and lower interest payments, partially offset by \$9 million in cash paid for contingent consideration and \$7 million in professional services associated with the ASX listing. The prior year period was also negatively impacted by the timing of disbursements including costs associated with the strategic review, accelerated cash interest payments associated with refinancing debt transactions in April 2022 and \$25 million paid by SciPlay for the Washington State matter settlement as described in Note 20 in our 2022 10-K.

Cash Flows from Investing Activities

Net cash used in investing activities from continuing operations decreased primarily due to SciPlay's acquisition of Alictus Yazilim Anonim Şirketi in the prior year period, partially offset by the settlement of cross-currency interest rate swaps in the prior year period, in which we received \$50 million in cash proceeds, and higher capital expenditures in the current year period. Capital expenditures are composed of investments in systems, equipment and other assets related to contracts, property and equipment, intangible assets and software.

Net cash provided by investing activities from discontinued operations decreased primarily as a result of the receipt of \$6.4 billion in gross cash proceeds from the Divestitures, net of cash, cash equivalents and restricted cash transferred, during the nine months ended September 30, 2022.

Cash Flows from Financing Activities

Net cash used in financing activities decreased primarily due to the refinancing debt transactions in April 2022, in which we repaid \$7.0 billion in senior notes (including redemption premium) and outstanding term loan borrowings and received \$2.2 billion in proceeds from the issuance of the LNWI Term Loan B. This decrease was partially offset by costs related to the debt transactions in August 2023, in which we paid \$20 million in premiums, fees and expenses for the issuance of the 2031 Unsecured Notes and redemption of the 2025 Unsecured Notes. We also purchased less of our outstanding common stock under our share repurchase program during the current year period. During the nine months ended September 30, 2023 and 2022, we purchased \$145 million and \$203 million, respectively, of our common stock.

Credit Agreement and Other Debt

For additional information regarding the LNWI Credit Agreement and other debt, interest rate risk and interest rate hedging instruments, see Notes 15 and 16 and *Item 7A* “Quantitative and Qualitative Disclosures About Market Risk” in our 2022 10-K as well as Notes 11 and 12 and *Item 3* below in this Quarterly Report on Form 10-Q.

Off-Balance Sheet Arrangements

As of September 30, 2023, we did not have any significant off-balance sheet arrangements.

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, foreign exchange rates and commodity prices. The following are our primary exposures to market risks:

Interest Rate Risk

As of September 30, 2023, the face value of long-term debt was \$3.9 billion, including \$2.2 billion of variable-rate obligations. Assuming a constant outstanding balance for our variable-rate long-term debt and excluding the impact of interest rate swap contracts, a hypothetical 1% change in interest rates would result in interest expense changing by approximately \$22 million. All of our interest rate sensitive financial instruments are held for purposes other than trading.

In April 2022, we entered into interest rate swap contracts with \$700 million notional amount to hedge a portion of our interest expense associated with our variable rate debt to effectively fix the interest rate that we will pay. The objective of our interest rate swap contracts, which are designated as cash flow hedges of the future interest payments, is to eliminate the variability of cash flows attributable to the SOFR component of interest expense to be paid on a portion of our variable rate debt. These hedges mature in April 2027.

For additional information regarding our long-term debt and interest rate swap contracts, see Notes 11 and 12, respectively.

Item 4. Controls and Procedures

Under the supervision and with the participation of our management, including the Chief Executive Officer and Interim Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures as required by Exchange Act Rule 3a-15(b) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Interim Chief Financial Officer have concluded that these disclosure controls and procedures are effective as of September 30, 2023.

There were no changes in our internal control over financial reporting during the three months ended September 30, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

For a description of our legal proceedings, see Note 16 in this Quarterly Report on Form 10-Q and Note 20 in our 2022 10-K.

Item 1A. Risk Factors

There have been no material changes in our risk factors from those disclosed under *Item 1A* “Risk Factors” included in our 2022 10-K, except as noted below.

Our secondary listing of the Company’s common stock on the Australian Securities Exchange could lead to price variations and other impacts on holders our common stock.

On May 22, 2023 (AEST), our common stock was listed as CDIs on the ASX and commenced active trading under the ASX code “LNW,” in addition to our existing primary listing on The Nasdaq Stock Market (“Nasdaq”). Dual listing may result in price variations between our securities listed on the different exchanges due to a number of factors, including that our common stock listed on the Nasdaq is traded in U.S. dollars and any CDIs listed on the ASX are traded in Australian Dollars, volatility in the exchange rate of the two currencies and differences between the vacation schedules, trading schedules and time zones of the two exchanges, among other factors. A decrease in the price of our securities in one market may result in a decrease in the price of our securities in the other market. Dual listing also presents us with the opportunity to raise additional funds through the issuance of CDIs, which could cause dilution to existing stockholders.

The SciPlay Merger subjects us to a number of risks and uncertainties, including whether it will yield additional value for our stockholders and adversely impact our business, financial results, results of operations, cash flows or stock price.

On October 23, 2023, we acquired the remaining approximately 17% equity interest in SciPlay not already owned by us pursuant to the SciPlay Merger in an all-cash transaction for \$496 million, excluding transaction fees and expenses. The SciPlay Merger exposes us to a number of risks and uncertainties, including that L&W may be unable to achieve the expected operational, strategic and financial benefits of the SciPlay Merger; difficulties in retaining or motivating key management personnel of SciPlay; and exposure to potential litigation. Any of these factors could disrupt our business and could have a material adverse effect on our business, financial condition, results of operations, cash flows or stock price.

Unfavorable U.S. and international economic conditions, decreased discretionary spending, travel or operational disruptions due to other factors such as inflation, rising benchmark interest rates, terrorist activity or threat thereof, armed conflicts or hostilities, civil unrest, health epidemics, contagious disease outbreaks, or public perception thereof, other economic or political uncertainties, or other events beyond our control have adversely affected and may in the future adversely affect our business, results of operations, cash flows and financial condition.

Unfavorable economic conditions, including recession, inflation, economic slowdown, decreased liquidity in the financial markets, decreased availability of credit, relatively high rates of unemployment and inflation, have had, and may continue to have, a negative effect on our business. Socio-political factors such as terrorist activity or threat thereof, armed conflicts or hostilities, civil unrest or other economic or political uncertainties, or health epidemics, contagious disease outbreaks, or public perception thereof, or other events beyond our control that contribute to consumer unease may also result in decreased discretionary spending or travel by consumers and have a negative effect on our businesses. Such factors out of our control may also have effects beyond discretionary spending or travel, such as disruptions to our operations and productivity, which could also have a negative effect on our businesses. We cannot fully predict the effects that unfavorable social, political and economic conditions, economic uncertainties and public health crises and any resulting decrease in discretionary spending or travel would have on us, as they would be expected to impact our customers, suppliers, employees, consultants and business partners in varied ways. For a description of the impact of the COVID-19 pandemic and other public health crises, see the risk factor captioned “*The effects of the COVID-19 pandemic or similar health epidemics, contagious disease outbreaks and public perception thereof, continue to and, in the future, could impact our operations and, should negative impacts such as significant negative player engagement develop, adversely affect and continue to adversely affect our operations, business, results of operations, cash flows and financial condition*” disclosed under *Item 1A* “Risk Factors” included in our 2022 10-K. In our Gaming business, especially our Participation gaming business, our revenue is largely driven by players’ disposable incomes and level of gaming activity which may be reduced by unfavorable economic conditions. A further or extended decline in disposable income may result in reduced play levels on our Participation gaming machines, causing our results of operations and cash flows from these products to decline. Additionally, higher travel and other costs may adversely affect the number of players visiting our customers’ casinos. Adverse changes in discretionary consumer spending or consumer preferences, resulting in fewer patrons visiting casinos and reduced play levels, could also be driven by factors such as an unstable job market, outbreaks of contagious diseases or public perception thereof or fears of terrorism or other violence.

A decline in play levels has negatively impacted the results of operations, cash flows and financial condition of our casino customers and their ability to purchase or lease our products and services.

Unfavorable economic conditions have also impacted, and could continue to impact, the ability of our Gaming customers to make timely payments to us. These conditions, and the concentration of certain outstanding Gaming segment receivables, may increase our collection risks and materially impact our estimate of receivables allowance for credit losses. We increased our allowance for credit losses by \$56 million for the year ended December 31, 2020. In addition, unfavorable economic conditions have caused, and may cause in the future, some of our Gaming customers to temporarily close gaming venues or ultimately declare bankruptcy, which adversely affects our business. Consistent with other suppliers in the gaming industry, our Gaming business has recently expanded the use of extended payment term financing for gaming machine purchases, and we expect to continue to provide a higher level of extended payment term financing in this business until demand from our customers for such financings abates or our business model changes. These financing arrangements may increase our collection risk, and if customers are not able to pay us, whether as a result of financial difficulties, bankruptcy or otherwise, we may incur provisions for bad debt related to our inability to collect certain receivables. In addition, both extended payment term financing and operating leases result in a delay in our receipt of cash, which reduces our cash balance, liquidity and financial flexibility to respond to changing economic events. Unfavorable economic conditions may also result in volatility in the credit and equity markets. The difficulty or inability of our customers to generate or obtain adequate levels of capital to finance their ongoing operations may reduce their ability to purchase our products and services. Refer to Note 7 in our 2022 10-K for international locations with significant concentrations of our receivables with terms longer than one year.

In our iGaming business based on a Participation model, our revenue is largely driven by disposable incomes and level of player activity. Unfavorable economic conditions have previously reduced and may later reduce the disposable incomes of end users consuming the services, which could negatively impact revenues for the iGaming business. Suppliers to our iGaming business may suffer financial difficulties and may not be able to offer their services and products, which could restrict the provision of our services and negatively impact our revenues. Various gambling regulators have implemented additional responsible and safer gambling measures relating to online casinos, including the implementation of bet limits, spin speeds, deposit limits and bonusing, which could negatively impact our revenues, particularly if additional gambling regulators follow suit or additional measures are introduced.

In our SciPlay business, while we maintain offices in the U.S., we have employees and consultants operating in foreign jurisdictions, including Israel, Turkey and Ukraine. In the foreign jurisdictions in which SciPlay operates, conditions such as political instability, terrorist activity or threat thereof, armed conflicts or hostilities and civil unrest could adversely affect our business and results of operations. For example, political, economic and military conditions in Israel, including acts of terrorism, war or other armed conflicts, such as Hamas' attack against Israel, which has impacted our employees and operations, in Israel, could in the future cause business interruptions or other spillover effects that could materially adversely affect SciPlay's business and results of operations.

There are ongoing concerns regarding the debt burden of certain countries, particularly in Europe and South America, and their ability to meet their future financial obligations, which have resulted in downgrades of the debt ratings for these countries. We currently operate in, and our growth strategy may involve pursuing expansion or business opportunities in certain of these jurisdictions, such as Argentina, Brazil, Greece, Italy, Puerto Rico, Turkey and Ukraine among others. These sovereign debt concerns, whether real or perceived, could result in a recession, prolonged economic slowdown, or otherwise negatively impact the general health and stability of the economies in these countries or more broadly. In more severe cases, this could result in a limitation on the availability or flow of capital, thereby restricting our liquidity and negatively impacting our results of operations, cash flows and financial condition.

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

We repurchased 1.5 million shares under the share repurchase program during the three months ended September 30, 2023.

(in millions, except for price per share)

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased as Part of Publicly Announced Program	Average Price Paid per Share ⁽¹⁾	Total Cost of Repurchase (in millions) ⁽¹⁾	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program (in millions) ⁽¹⁾
7/1/2023 - 7/31/2023	0.3	\$ 69.58	\$ 19	\$ 293
8/1/2023 - 8/31/2023	1.2	\$ 74.82	\$ 93	\$ 200
9/1/2023 - 9/30/2023	—	\$ —	\$ —	\$ 200
Total	1.5	\$ 73.87	\$ 112	\$ 200

(1) Average price paid per share is calculated on a settlement basis and excludes excise tax. As of January 1, 2023, our share repurchases in excess of issuances are subject to a 1% excise tax enacted by the Inflation Reduction Act. Any excise tax incurred is recognized in stockholders' equity as part of the cost basis of the shares acquired. For the three months ended September 30, 2023, excise taxes totaled \$1 million.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Insider Trading Arrangements and Policies

Certain of our officers or directors have made elections to participate in, and are participating in, our 401(k) plan and have made, and may from time to time make, elections to have shares withheld to cover withholding taxes, which may be designed to satisfy the affirmative defense conditions of Rule 10b5-1 under the Exchange Act or may constitute non-Rule 10b5-1 trading arrangements (as defined in Item 408(c) of Regulation S-K). During the three months ended September 30, 2023, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" as such term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

Exhibit Number	Description
2.1*	<u>Agreement and Plan of Merger, dated August 8, 2023, by and among Light & Wonder, Inc., Bern Merger Sub, Inc. and SciPlay Corporation (incorporated by reference to Exhibit 2.1 to Light & Wonder, Inc.'s Current Report on Form 8-K filed on August 8, 2023).</u>
3.1	<u>Restated Articles of Incorporation of Light & Wonder, Inc., filed with the Secretary of State of the State of Nevada on August 5, 2022 (incorporated by reference to Exhibit 3.1(a) to Light & Wonder, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2022).</u>
3.2	<u>Third Amended and Restated Bylaws of Light & Wonder, Inc., effective as of August 3, 2023 (incorporated by reference to Exhibit 3.2 to Light & Wonder, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2023).</u>
4.1	<u>Indenture, dated as of August 23, 2023, among Light and Wonder International, Inc., as issuer, Light & Wonder, Inc., the other guarantors party thereto and Deutsche Bank Trust Company Americas, as trustee, relating to the 7.500% Senior Unsecured Notes due 2031 (incorporated by reference to Exhibit 4.1 to Light & Wonder, Inc.'s Current Report on Form 8-K filed on August 23, 2023).</u>
10.1	<u>Employment Agreement, effective as of August 25, 2023, by and between Light & Wonder, Inc. and Vanja Kalabic.**(†)</u>
31.1	<u>Certification of the Chief Executive Officer of Light & Wonder, Inc. pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.(†)</u>
31.2	<u>Certification of the Interim Chief Financial Officer of Light & Wonder, Inc. pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.(†)</u>
32.1	<u>Certification of the Chief Executive Officer of Light & Wonder, Inc. pursuant to Rule 13a-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.***</u>
32.2	<u>Certification of the Interim Chief Financial Officer of Light & Wonder, Inc. pursuant to Rule 13a-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.***</u>
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Label Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File - the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.

* Schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. Light & Wonder agrees to furnish supplementally to the SEC a copy of any omitted schedule or exhibit upon request, subject to Light & Wonder's right to request confidential treatment of any requested schedule or exhibit.

** Management contracts and compensation plans and arrangements.

*** Furnished herewith.

(†) Filed herewith.

SIGNATURES

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

LIGHT & WONDER, INC.

(Registrant)

By: /s/ Oliver Chow

Name: Oliver Chow

Title: Senior Vice President, Interim Chief Financial Officer, and Principal Financial Officer

Dated: November 9, 2023

Employment Agreement

This Employment Agreement (this “Agreement”) is effective as of August 25, 2023 (“Effective Date”) by and between Light & Wonder, Inc., a Nevada corporation (the “Company”), and Vanja Kalabic (“Executive”).

WHEREAS, the Company and Executive wish to enter into this Agreement setting forth terms and conditions of Executive’s employment.

NOW, THEREFORE, in consideration of the premises and mutual benefits to be derived herefrom and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Company and Executive, the parties agree as follows.

1. **Employment; Term.** The Company hereby agrees to employ Executive, and Executive hereby accepts employment with the Company, in accordance with and subject to the terms and conditions set forth in this Agreement. This term of employment of Executive under this Agreement (the “Term”) shall be the period commencing on August 25, 2023 and continuing for three (3) years thereafter, as may be extended in accordance with this Section 1 and subject to earlier termination in accordance with Section 4. The Term shall be extended automatically without further action by either party by one (1) additional year (added to the end of the Term), and then on each succeeding annual anniversary thereafter, unless either party shall have given written notice to the other party prior to the date which is sixty (60) days prior to the date upon which such extension would otherwise have become effective electing not to further extend the Term, in which case Executive’s employment shall terminate on the date upon which such extension would otherwise have become effective, unless earlier terminated in accordance with Section 4.

2. **Position and Duties.** During the Term, Executive will serve as Senior Vice President and Chief Accounting Officer of the Company and as an officer or director of any subsidiary or affiliate of the Company if elected or appointed to such positions, as applicable, during the Term. In such capacities, Executive shall perform such duties and shall have such responsibilities as are normally associated with such positions, and as otherwise may be assigned to Executive from time to time. Subject to Section 4(e), Executive’s functions, duties and responsibilities are subject to reasonable changes as the Company may in good faith determine from time to time. Executive hereby agrees to accept such employment and to serve the Company and its subsidiaries and affiliates to the best of Executive’s ability in such capacities, devoting all of Executive’s business time to such employment.

3. **Compensation.**

(a) **Base Salary.** During the Term, Executive will receive a base salary of four hundred thousand U.S. dollars (US\$400,000) per annum (pro-rated for any partial year), payable in accordance with the Company’s regular payroll practices and subject to such deductions or amounts to be withheld as required by applicable law and regulations or as may be agreed to by Executive. In the event that the Company, in its sole discretion, from time to time determines to increase Executive’s base salary, such increased amount shall, from and after the effective date of such increase, constitute the “base salary” of Executive for purposes of this Agreement.

(b) *Incentive Compensation.* Executive shall have the opportunity annually to earn incentive compensation (“Incentive Compensation”) during the Term in amounts determined by the Compensation Committee of the Board (the “Compensation Committee”) in its sole discretion in accordance with the applicable incentive compensation plan of the Company as in effect from time to time (the “Incentive Compensation Plan”). Under such Incentive Compensation Plan, Executive shall have the opportunity annually to earn up to 50% of Executive’s base salary as Incentive Compensation at “target opportunity” (“Target Bonus”) on the terms and subject to the conditions of such Incentive Compensation Plan (any such Incentive Compensation to be subject to such deductions or amounts to be withheld as required by applicable law and regulations or as may be agreed to by Executive).

(c) *Eligibility for Annual Equity Awards.* Starting in 2024, Executive shall be eligible to receive an annual grant of stock options, restricted stock units or other equity awards with a grant date fair value equal to approximately 100% of Executive’s base salary, as measured in accordance with the Company’s standard practices of measuring equity value, and in accordance with the applicable plans and programs of the Company for executives of the Company and subject to the Company’s right to at any time amend or terminate any such plan or program, so long as any such change does not adversely affect any accrued or vested interest of Executive under any such plan or program. Equity awards granted pursuant to this Agreement shall be subject to the terms of the Company’s standard form of award agreement under the Incentive Compensation Plan modified to provide that, if Executive remains employed by the Company through the date when he becomes 65 years of age and retires at any time thereafter, any unvested equity held by Executive as of that retirement date shall vest ten days after such retirement, subject to the achievement of any applicable performance criteria; provided that, settlement of any such awards shall be in accordance with Section 4(g).

(d) *Expense Reimbursement.* Subject to Section 3(f), during the Term the Company shall reimburse Executive for all reasonable and necessary travel and other business expenses incurred by Executive in connection with the performance of Executive’s duties under this Agreement, on a timely basis upon timely submission by Executive of vouchers therefor in accordance with the Company’s standard policies and procedures.

(e) *Employee Benefits.* During the Term, Executive shall be entitled to participate, without discrimination or duplication, in any and all medical insurance, group health, disability, life insurance, accidental death and dismemberment insurance, 401(k) or other retirement, deferred compensation, stock ownership and such other plans and programs which are made generally available by the Company to similarly situated executives of the Company in accordance with the terms of such plans and programs and subject to the right of the Company (or its applicable affiliate) to at any time amend or terminate any such plan or program. Executive shall be entitled to paid time off, holidays and any other time off in accordance with the Company’s policies in effect from time to time.

(f) *Taxes and Internal Revenue Code 409A.* Payment of all compensation and benefits to Executive under this Agreement shall be subject to all legally required and customary withholdings. The Company makes no representations or warranties and shall have no responsibility regarding the tax implications of the compensation and benefits to be paid to Executive under this Agreement, including under Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”), and applicable administrative guidance and regulations (“Section 409A”). Section 409A governs plans and arrangements that provide “nonqualified deferred compensation” (as defined under the Code) which may include, among others, nonqualified retirement plans, bonus plans, stock option plans, employment agreements and severance agreements. The Company reserves the right to pay compensation and provide benefits under this Agreement (including under Section 3 and Section 4) in amounts, at times and in a manner that minimizes taxes, interest or penalties as a result of Section 409A. In addition, in the event any benefits or amounts paid to Executive hereunder are deemed to be subject to

Section 409A, Executive consents to the Company adopting such conforming amendments as the Company deems necessary, in its reasonable discretion, to comply with Section 409A (including delaying payment until six (6) months following termination of employment). To the extent any payments of money or other benefits due to Executive hereunder could cause the application of an accelerated or additional tax under Section 409A, such payments or other benefits may be deferred if deferral will make such payment or other benefits compliant under Section 409A, or otherwise such payments or other benefits shall be restructured, to the extent permissible under Section 409A, in a manner determined by the Company that does not cause such an accelerated or additional tax. To the extent any reimbursements or in-kind benefits due to Executive under this Agreement constitute deferred compensation under Section 409A, any such reimbursements or in-kind benefits shall be paid to Executive in a manner consistent with Treas. Reg. Section 1.409A-3(i)(1)(iv). Each payment made under this Agreement shall be designated as a “separate payment” within the meaning of Section 409A.

(g) *Equity Awards Prior to the Effective Date.* Executive received certain equity awards prior to the Effective Date. Those awards will continue to vest according to the terms on which they were granted.

4. Termination of Employment. Executive’s employment may be terminated at any time prior to the end of the Term under the terms described in this Section 4, and the Term shall automatically terminate upon any termination of Executive’s employment. For purposes of clarification, except as provided in Section 5.6, all stock options, restricted stock units and other equity-based awards will be governed by the terms of the plans, grant agreements and programs under which such options, restricted stock units or other awards were granted on any termination of the Term and Executive’s employment with the Company.

(a) *Termination by Executive for Other than Good Reason.* Executive may terminate Executive’s employment hereunder for any reason or no reason upon 60 days’ prior written notice to the Company referring to this Section 4(a); provided, however, that a termination by Executive for “Good Reason” (as defined below) shall not constitute a termination by Executive for other than Good Reason pursuant to this Section 4(a). In the event Executive terminates Executive’s employment for other than Good Reason, Executive shall be entitled only to the following compensation and benefits (the payments set forth in Sections 4(a)(i) – 4(a)(iii), collectively, the “Standard Termination Payments”):

(i) any accrued but unpaid base salary for services rendered by Executive to the date of such termination, payable in accordance with the Company’s regular payroll practices and subject to such deductions or amounts to be withheld as required by applicable law and regulations or as may be agreed to by Executive;

(ii) any vested non-forfeitable amounts owing or accrued at the date of such termination under benefit plans, programs and arrangements set forth or referred to in Section 3(e) in which Executive participated during the Term (which will be paid under the terms and conditions of such plans, programs, and arrangements (and agreements and documents thereunder)) and, excluding, for the avoidance of doubt, any termination for Cause, any vesting to which Executive is entitled due to retirement; and

(iii) reasonable business expenses and disbursements incurred by Executive prior to such termination will be reimbursed in accordance with Section 3(d).

(b) *Termination By Reason of Death.* If Executive dies during the Term, the last beneficiary designated by Executive by written notice to the Company (or, in the absence of such designation, Executive’s estate) shall be entitled only to the Standard Termination Payments, including

any benefits that may be payable under any life insurance benefit of Executive for which the Company pays premiums, in accordance with the terms of any such benefit and subject to the right of the Company (or its applicable affiliate) to at any time amend or terminate any such benefit.

(c) *Termination By Reason of Total Disability.* The Company may terminate Executive's employment in the event of Executive's "Total Disability." For purposes of this Agreement, "Total Disability" shall mean Executive's (1) becoming eligible to receive benefits under any long-term disability insurance program of the Company or (2) failure to perform the duties and responsibilities contemplated under this Agreement for a period of more than 180 days during any consecutive 12-month period due to physical or mental incapacity or impairment. In the event that Executive's employment is terminated by the Company by reason of Total Disability, Executive shall not be entitled to receive any compensation or benefits under this Agreement except for the Standard Termination Payments; provided, however, that the Executive may separately be entitled to disability payments pursuant to a disability plan sponsored or maintained by the Company or any of its affiliates providing benefits to Executive.

(d) *Termination by the Company for Cause.* The Company may terminate the employment of Executive at any time for "Cause." For purposes of this Agreement, "Cause" shall mean: (i) gross neglect by Executive of Executive's duties hereunder; (ii) Executive's indictment for or conviction of a felony, or any non-felony crime or offense involving the property of the Company or any of its subsidiaries or affiliates or evidencing moral turpitude; (iii) willful misconduct by Executive in connection with the performance of Executive's duties hereunder; (iv) intentional breach by Executive of any material provision of this Agreement; (v) material violation by Executive of a material provision of the Company's Code of Business Conduct; (vi) Executive's failure to qualify (or failure to remain qualified) under any suitability or licensing requirements to which Executive may be subject by reason of Executive's position with the Company; (vii) Executive's failure to cooperate with or respond to any regulatory requests for information in connection with such licensing requirements; (viii) Executive's failure to timely file required license applications; (ix) the denial of any license application submitted by Executive; or (x) any other willful or grossly negligent conduct of Executive that would make the continued employment of Executive by the Company materially prejudicial to the best interests of the Company. In the event Executive's employment is terminated for "Cause," Executive shall not be entitled to receive any compensation or benefits under this Agreement except for the Standard Termination Payments.

(e) *Termination by the Company without Cause or by Executive for Good Reason.* The Company may terminate Executive's employment at any time without Cause, for any reason or no reason, and Executive may terminate Executive's employment for "Good Reason." For purposes of this Agreement "Good Reason" shall mean that, without Executive's prior written consent, any of the following shall have occurred: (A) a material adverse change to Executive's positions, titles, offices, or duties, from those set forth in Section 2, except, in such case, in connection with the termination of Executive's employment for Cause or due to Total Disability, death or expiration of the Term; (B) a material decrease in base salary or material decrease in Executive's Incentive Compensation opportunity provided under this Agreement; or (C) any other material failure by the Company to perform any material obligation under, or material breach by the Company of any material provision of, this Agreement; provided, however, that a termination by Executive for Good Reason under any of clauses (A) through (C) of this Section 4(e) shall not be considered effective unless Executive shall have provided the Company with written notice of the specific reasons for such termination within thirty (30) days after Executive has knowledge of the event or circumstance constituting Good Reason and the Company shall have failed to cure the event or condition allegedly constituting Good Reason within thirty (30) days after such notice has been given to the Company and Executive actually terminates his employment within ninety (90) days following the initial occurrence of the event giving rise to Good Reason. In the event that Executive's employment is terminated by the Company without Cause or by Executive for Good Reason

(and not, for the avoidance of doubt, in the event of a termination pursuant to Section 4(a), (b), (c) or (d) or due to or non-renewal of the Term), the Company shall pay or provide the following amounts to Executive:

(i) the Standard Termination Payments;

(ii) an amount equal to the Executive's base salary then in effect, payable in equal installments in accordance with the Company's normal payroll practices over a period of twelve (12) months after such termination, and otherwise in accordance with Section 4(g);

(iii) no later than March 15 following the end of the year in which such termination occurs, in lieu of any Incentive Compensation for the year in which such termination occurs, payment of an amount equal to (A) the Incentive Compensation which would have been payable to Executive had Executive remained in employment with the Company during the entire year in which such termination occurred, multiplied by (B) a fraction the numerator of which is the number of days Executive was employed in the year in which such termination occurs and the denominator of which is the total number of days in the year in which such termination occurs; and

(iv) if Executive timely elects to continue medical coverage under the Company's group health plan in accordance with COBRA, the full monthly premiums for such coverage on a monthly basis until the earlier of: (A) a period of twelve (12) months has elapsed; or (B) Executive is eligible for medical coverage under a plan provided by a new employer.

(f) *Expiration of Term of Agreement.* In the event Executive's employment is terminated by the Company at the end of the Term, the Company shall pay or provide the following amounts to Executive:

(i) the Standard Termination Payments;

(ii) an amount equal to the Executive's base salary then in effect, payable in equal installments in accordance with the Company's normal payroll practices over a period of twelve (12) months after such termination, and otherwise in accordance with Section 4(g);

(iii) no later than March 15 following the end of the year in which such termination occurs, in lieu of any Incentive Compensation for the year in which such termination occurs, payment of an amount equal to (A) the Incentive Compensation which would have been payable to Executive had Executive remained in employment with the Company during the entire year in which such termination occurred, multiplied by (B) a fraction the numerator of which is the number of days Executive was employed in the year in which such termination occurs and the denominator of which is the total number of days in the year in which such termination occurs; and

(iv) if Executive timely elects to continue medical coverage under the Company's group health plan in accordance with COBRA, the full monthly premiums for such coverage on a monthly basis until the earlier of: (A) a period of twelve (12) months has elapsed; or (B) Executive is eligible for medical coverage under a plan provided by a new employer.

(g) *Timing of Certain Payments under Section 4.* For purposes of Section 409A, references herein to the Executive's "termination of employment" shall refer to Executive's separation of services with the Company within the meaning of Treas. Reg. Section 1.409A-1(h). If at the time of Executive's separation of service with the Company other than as a result of Executive's death, (i) Executive is a "specified employee" (as defined in Section 409A(a)(2)(B)(i) of the Code), (ii) one or more of the payments or benefits received or to be received by Executive pursuant to this Agreement would constitute deferred compensation subject to Section 409A, and (iii) the deferral of the commencement of any such payments or benefits otherwise payable hereunder as a result of such separation of service is necessary in order to prevent any accelerated or additional tax under Section 409A, such payments may be made as follows: (i) no payments for a six-month period following the date of Executive's separation of service with the Company; (ii) an amount equal to the aggregate sum that would have been otherwise payable during the initial six-month period paid in a lump sum on the first payroll date following six (6) months following the date of Executive's separation of service with the Company (subject to such deductions or amounts to be withheld as required by applicable law and regulations); and (iii) during the period beginning six (6) months following Executive's separation of service with the Company through the remainder of the applicable period, payment of the remaining amount due in equal installments in accordance with the Company's standard payroll practices (subject to such deductions or amounts to be withheld as required by applicable law and regulations).

(h) *Mitigation.* In the event the Executive's employment is terminated in accordance with Section 4(e) or (f) and Executive is employed by or otherwise engaged to provide services to another person or entity at any time prior to the end of any period of payments to or on behalf of Executive contemplated by this Section 4, (i) Executive shall immediately advise the Company of such employment or engagement and any health insurance benefits to which he is entitled in connection therewith, and (ii) the Company's obligation to make continued health insurance payments to or on behalf of Executive shall be reduced by any health insurance coverage obtained by Executive during the applicable period through such other employment or engagement (without regard to when such coverage is paid).

(i) *Set-Off.* To the fullest extent permitted by law and provided an acceleration of income or the imposition of an additional tax under Section 409A would not result, any amounts otherwise due to Executive hereunder (including any payments pursuant to this Section 4) shall be subject to set-off with respect to any amounts Executive otherwise owes the Company or any subsidiary or affiliate thereof.

(j) *No Other Benefits or Compensation.* Except as may be specifically provided under this Agreement, under any other effective written agreement between Executive and the Company that expressly survives execution of this Agreement, or under the terms of any plan or policy applicable to Executive, Executive shall have no right to receive any other compensation from the Company or any subsidiary or affiliate thereof, or to participate in any other plan, arrangement or benefit provided by the Company or any subsidiary or affiliate thereof, with respect to any future period after such termination or resignation. Executive acknowledges and agrees that Executive is entitled to no compensation or benefits from the Company or any of its subsidiaries or affiliates of any kind or nature whatsoever in respect of periods prior to the date of this Agreement.

(k) *Release of Employment Claims; Compliance with Section 5.* Executive agrees, as a condition to receipt of any termination payments and benefits provided for in this Section 4 (other than the Standard Termination Payments), that Executive will execute a general release agreement, in a form reasonably satisfactory to the Company, releasing any and all claims arising out of Executive's employment and the termination of such employment. The Company shall provide Executive with the proposed form of general release agreement referred to in the immediately preceding sentence no later than seven (7) days following the date of termination. Executive shall thereupon have 21 days or, if

required by the Older Workers Benefit Protection Act, 45 days, to consider such general release agreement and, if he executes such general release agreement, shall have seven (7) days after execution of such general release agreement to revoke such general release agreement. Absent such revocation, such general release agreement shall become binding on Executive. If Executive does not revoke such general release agreement, payments contingent on such general release agreement that constitute deferred compensation under Section 409A (if any) shall be paid on the later of the 60th day after the date of termination or the date such payments are otherwise scheduled to be paid pursuant to this Agreement. The Company's obligation to make any termination payments and benefits provided for in this Section 4 (other than the Standard Termination Payments) shall immediately cease if Executive willfully or materially breaches Section 5.1, 5.2, 5.3, 5.4, or 5.8.

(l) *Section 280G.* If the aggregate of all amounts and benefits due to the Executive under this Agreement or any other plan, program, agreement or arrangement of the Company or any of its affiliates, which, if received by the Executive in full, would constitute "parachute payments," as such term is defined in and under Section 280G of the Code (collectively, "Change in Control Benefits"), reduced by all Federal, state and local taxes applicable thereto, including the excise tax imposed pursuant to Section 4999 of the Code, is less than the amount the Executive would receive, after all such applicable taxes, if the Executive received aggregate Change in Control Benefits equal to an amount which is \$1.00 less than three (3) times the Executive's "base amount," as defined in and determined under Section 280G of the Code, then such Change in Control Benefits shall be reduced or eliminated to the extent necessary so that the Change in Control Benefits received by the Executive will not constitute parachute payments. If a reduction in the Change in Control Benefits is necessary, reduction shall occur in the following order unless the Executive elects in writing a different order, subject to the Company's consent (which shall not be unreasonably withheld or delayed): (i) severance payment based on multiple of base salary and/or Target Bonus; (ii) other cash payments; (iii) any pro-rated bonus paid as severance; (iv) acceleration of vesting of stock options with an exercise price that exceeds the then fair market value of stock subject to the option, provided such options are not permitted to be valued under Treasury Regulations Section 1.280G-1 Q/A – 24(c); (v) any equity awards accelerated or otherwise valued at full value, provided such equity awards are not permitted to be valued under Treasury Regulations Section 1.280G-1 Q/A – 24(c); (vi) acceleration of vesting of stock options with an exercise price that exceeds the then fair market value of stock subject to the option, provided such options are permitted to be valued under Treasury Regulations Section 1.280G-1 Q/A – 24(c); (vii) acceleration of vesting of all other stock options and equity awards; and (viii) within any category, reductions shall be from the last due payment to the first.

It is possible that after the determinations and selections made pursuant to the preceding paragraph that the Executive will receive Change in Control Benefits that are, in the aggregate, either more or less than the amounts contemplated by the preceding paragraph (hereafter referred to as an "Excess Payment" or "Underpayment," respectively). If there is an Excess Payment, the Executive shall promptly repay the Company an amount consistent with this paragraph. If there is an Underpayment, the Company shall pay the Executive an amount consistent with this paragraph.

5. Noncompetition; Non-solicitation; Nondisclosure; etc.

5.1 Noncompetition; Non-solicitation.

(a) Executive acknowledges the highly competitive nature of the Company's business and that access to the Company's confidential records and proprietary information renders Executive special and unique within the Company's industries. In addition to the protection of confidential records and proprietary information covered in Section 5.2, the provisions set forth in this Section 5.1 are necessary in order to protect the goodwill of the Company and the relationships developed by the Company with employees, customers and suppliers. In consideration of the amounts

that may hereafter be paid to Executive pursuant to this Agreement (including Sections 3 and 4), Executive agrees that during the Term (including any extensions thereof) and during the Covered Time, Executive, alone or with others, will not, directly or indirectly, engage (as owner, investor, partner, stockholder, employer, employee, consultant, advisor, director or otherwise) in any Competing Business. For purposes of this Section 5, “Competing Business” shall mean any business or operations: (i)(A) involving the design, development, manufacture, production, sale, lease, license, provision, operation or management (as the case may be) of (1) gaming machines, terminals or devices (including video or reel spinning slot machines, video poker machines, video lottery terminals and fixed odds betting terminals), (2) video gaming (including server-based gaming), sports betting or other wagering or gaming systems, regardless of whether such systems are land-based, internet-based or mobile (including control and monitoring systems, local or wide-area progressive systems and redemption systems); (3) real money gaming or social gaming-related proprietary or licensed content (including themes, entertainment and brands), platforms, websites and loyalty and customer relationship management programs regardless of whether any of the foregoing are land-based, internet-based or mobile-based; (4) social casino games or websites or mobile phone or tablet applications (or similar known, or hereafter existing, technologies) featuring social casino games or any related marketing, distribution, or other services or programs; (5) interactive casino gaming products or services, including interactive casino-game themed games and platforms for websites or mobile phone or tablet applications (or similar known, or hereafter existing, technologies); (6) gaming utility products (including shufflers, card-reading shoes, deck checkers and roulette chip sorters), table games (including live, simulated, online, social gaming, interactive and electronic) and related products and services; (7) slot accounting, casino management, casino marketing, player tracking, bingo or similar gaming- or casino-related systems and related peripheral hardware, software and services; or (8) ancillary products (including equipment, hardware, software, marketing materials, chairs and signage) or services (including field service, maintenance and support) related to any of the foregoing under sub-clauses (1) through (8) above; or (B) in which the Company is then or was within the previous 12 months engaged, or in which the Company, to Executive’s knowledge, contemplates to engage in during the Term or the Covered Time; (ii) in which Executive was engaged or involved (whether in an executive or supervisory capacity or otherwise) on behalf of the Company or with respect to which Executive has obtained proprietary or confidential information; and (iii) which were conducted anywhere in the United States or in any other geographic area in which such business was conducted or contemplated to be conducted by the Company. Notwithstanding anything to the contrary in the foregoing, the holding of up to one percent (1%) of the outstanding equity in a publicly traded entity for passive investment purposes shall not, in and of itself, be construed as engaging in a Competing Business.

(b) In further consideration of the amounts that may hereafter be paid to Executive pursuant to this Agreement (including Sections 3 and 4), Executive agrees that, during the Term (including any extensions thereof) and during the Covered Time, Executive shall not, directly or indirectly: (i) solicit or attempt to induce any of the employees, agents, consultants or representatives of the Company to terminate his, her, or its relationship with the Company; (ii) solicit or attempt to induce any of the employees, agents, consultants or representatives of the Company to become employees, agents, consultants or representatives of any other person or entity; or (iii) solicit or attempt to induce any customer, vendor or distributor of the Company to curtail or cancel any business with the Company; or (iv) hire any person who, to Executive’s actual knowledge, is, or was within 180 days prior to such hiring, an employee of the Company. Sections (i) and (ii) are limited to employees, agents, consultants and representatives with whom Executive had material contact for the purpose of performing Executive’s job duties or about whom Executive obtained confidential information during Executive’s employment. Section (iii) is limited to customers, vendors and distributors with whom Executive had material contact

for the purpose of performing his job duties, or about whom Executive obtained confidential information during his employment.

(c) During the Term (including any extensions thereof) and during the Covered Time, Executive agrees that upon the earlier of Executive's (i) negotiating with any Competitor (as defined below) concerning the possible employment of Executive by the Competitor, (ii) responding to (other than for the purpose of declining) an offer of employment from a Competitor, or (iii) becoming employed by a Competitor, (A) Executive will provide copies of Section 5 of this Agreement to the Competitor, and (B) in the case of any circumstance described in (iii) above occurring during the Covered Time, and in the case of any circumstance described in (i) or (ii) above occurring during the Term or during the Covered Time, Executive will promptly provide notice to the Company of such circumstances. Executive further agrees that the Company may provide notice to a Competitor of Executive's obligations under this Agreement. For purposes of this Agreement, "Competitor" shall mean any person or entity (other than the Company, its subsidiaries or affiliates) that engages, directly or indirectly, in the United States or any other geographic area in any Competing Business.

(d) Executive understands that the restrictions in this Section 5.1 may limit Executive's ability to earn a livelihood in a business similar to the business of the Company but nevertheless agrees and acknowledges that the consideration provided under this Agreement (including Sections 3 and 4) is sufficient to justify such restrictions. In consideration thereof and in light of Executive's education, skills and abilities, Executive agrees that Executive will not assert in any forum that such restrictions prevent Executive from earning a living or otherwise should be held void or unenforceable.

(e) For purposes of this Agreement, "Covered Time" shall mean the period beginning on the date of termination of Executive's employment (the "Date of Termination") and ending twelve (12) months after the Date of Termination.

(f) In the event that a court of competent jurisdiction or arbitrator(s), as the case may be, determine that the provisions of this Section 5.1 are unenforceable for any reason, the parties acknowledge and agree that the court or arbitrator(s) is expressly empowered to reform any provision of this Section so as to make them enforceable as described in Section 10 below.

5.2 Proprietary Information; Inventions.

(a) Executive acknowledges that, during the course of Executive's employment with the Company, Executive necessarily will have (and during any employment by, or affiliation with, the Company prior to the Effective Date has had) access to and make use of proprietary information and confidential records of the Company. Executive covenants that Executive shall not during the Term or at any time thereafter, directly or indirectly, use for Executive's own purpose or for the benefit of any person or entity other than the Company, nor otherwise disclose to any person or entity, any such proprietary information, unless and to the extent such disclosure has been authorized in writing by the Company or is otherwise required by law. The term "proprietary information" means: (i) the software products, programs, applications, and processes utilized by the Company; (ii) the name and/or address of any customer or vendor of the Company or any information concerning the transactions or relations of any customer or vendor of the Company with the Company; (iii) any information concerning any product, technology, or procedure employed by the Company but not generally known to its customers or vendors or competitors, or under development by or being tested by the Company but not at the time offered generally to customers or vendors; (iv) any information relating to the Company's computer software, computer systems, pricing or marketing methods, sales margins, cost of goods, cost of material, capital structure, operating results, borrowing arrangements or business plans; (v) any information identified as

confidential or proprietary in any line of business engaged in by the Company; (vi) any information that, to Executive's actual knowledge, the Company ordinarily maintains as confidential or proprietary; (vii) any business plans, budgets, advertising or marketing plans; (viii) any information contained in any of the Company's written or oral policies and procedures or manuals; (ix) any information belonging to customers, vendors or any other person or entity which the Company, to Executive's actual knowledge, has agreed to hold in confidence; and (x) all written, graphic, electronic data and other material containing any of the foregoing. Executive acknowledges that information that is not novel or copyrighted or patented may nonetheless be proprietary information. The term "proprietary information" shall not include information generally known or available to the public, information that becomes available to Executive on an unrestricted, non-confidential basis from a source other than the Company or any of its directors, officers, employees, agents or other representatives (without breach of any obligation of confidentiality of which Executive has knowledge, after reasonable inquiry, at the time of the relevant disclosure by Executive), or general gaming industry information to the extent not particularly related or proprietary to the Company that was already known to Executive at the time Executive commenced his employment by the Company that is not subject to nondisclosure by virtue of Executive's prior employment or otherwise. Notwithstanding the foregoing and Section 5.3, Executive may disclose or use proprietary information or confidential records solely to the extent (A) such disclosure or use may be required or appropriate in the performance of his duties as a director or employee of the Company, (B) required to do so by a court of law, by any governmental agency having supervisory authority over the business of the Company or by any administrative or legislative body (including a committee thereof) with apparent jurisdiction to order him to divulge, disclose or make accessible such information (provided that in such case Executive shall first give the Company prompt written notice of any such legal requirement, disclose no more information than is so required and cooperate fully with all efforts by the Company to obtain a protective order or similar confidentiality treatment for such information), (C) such information or records becomes generally known to the public without his violation of this Agreement, or (D) disclosed to Executive's spouse, attorney and/or his personal tax and financial advisors to the extent reasonably necessary to advance Executive's tax, financial and other personal planning (each an "Exempt Person"); provided, however, that any disclosure or use of any proprietary information or confidential records by an Exempt Person shall be deemed to be a breach of this Section 5.2 or Section 5.3 by Executive.

(b) Executive agrees that all processes, technologies and inventions (collectively, "Inventions"), including new contributions, improvements, ideas and discoveries, whether patentable or not, conceived, developed, invented or made by Executive during the Term (and during any employment by, or affiliation with, the Company prior to the Term) shall belong to the Company, provided that such Inventions grew out of Executive's work with the Company or any of its subsidiaries or affiliates, are related in any manner to the business (commercial or experimental) of the Company or any of its subsidiaries or affiliates or are conceived or made on the Company's time or with the use of the Company's facilities or materials. Executive shall further:

(c) (i) promptly disclose such Inventions to the Company; (ii) assign to the Company, without additional compensation, all patent and other rights to such Inventions for the United States and foreign countries; (iii) sign all papers necessary to carry out the foregoing; and (iv) give testimony in support of Executive's inventorship. If any Invention is described in a patent application or is disclosed to third parties, directly or indirectly, by Executive within two (2) years after the termination of Executive's employment with the Company, it is to be presumed that the Invention was conceived or made during the Term. Executive agrees that Executive will not assert any rights to any Invention as having been made or acquired by Executive prior to the date of this Agreement, except for Inventions, if any, disclosed in Exhibit A to this Agreement.

5.3 Confidentiality and Surrender of Records. Executive shall not, during the Term

or at any time thereafter (irrespective of the circumstances under which Executive's employment by the Company terminates), except to the extent required by law, directly or indirectly publish, make known or in any fashion disclose any confidential records to, or permit any inspection or copying of confidential records by, any person or entity other than in the course of such person's or entity's employment or retention by the Company, nor shall Executive retain, and will deliver promptly to the Company, any of the same following termination of Executive's employment hereunder for any reason or upon request by the Company. For purposes hereof, "confidential records" means those portions of correspondence, memoranda, files, manuals, books, lists, financial, operating or marketing records, magnetic tape, or electronic or other media or equipment of any kind in Executive's possession or under Executive's control or accessible to Executive which contain any proprietary information. All confidential records shall be and remain the sole property of the Company during the Term and thereafter.

Notwithstanding anything herein to the contrary, nothing in this Agreement shall (i) prohibit Executive from making reports of possible violations of federal law or regulation to any governmental agency or entity in accordance with the provisions of and rules promulgated under Section 21F of the Securities Exchange Act of 1934 or Section 806 of the Sarbanes-Oxley Act of 2002, or of any other whistleblower protection provisions of state or federal law or regulation, or (ii) require notification or prior approval by the Company of any reporting described in clause (i). Executive understands that activities protected by Sections 5.2 and 5.3 may include disclosure of trade secret or confidential information within the limitations permitted by the Defend Trade Secrets Act ("DTSA"). And, in this regard, Executive acknowledges notification that under the DTSA no individual will be held criminally or civilly liable under Federal or State trade secret law for disclosure of a trade secret (as defined in the Economic Espionage Act) that is: (A) made in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney, and made solely for the purpose of reporting or investigating a suspected violation of law; or, (B) made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal so that it is not made public. And, an individual who pursues a lawsuit for retaliation by an employer for reporting a suspected violation of the law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual files any document containing the trade secret under seal, and does not disclose the trade secret, except as permitted by court order.

5.4 Non-disparagement. Executive shall not, during the Term and thereafter, disparage in any material respect the Company, any affiliate of the Company, any of their respective businesses, any of their respective officers, directors or employees, or the reputation of any of the foregoing persons or entities. Notwithstanding the foregoing, nothing in this Agreement shall preclude Executive or any other person from making truthful statements that are required by applicable law, regulation or legal process.

5.5 No Other Obligations. Executive represents that Executive is not precluded or limited in Executive's ability to undertake or perform the duties described herein by any contract, agreement or restrictive covenant. Executive covenants that Executive shall not employ the trade secrets or proprietary information of any other person in connection with Executive's employment by the Company without such person's authorization.

5.6 Forfeiture of Outstanding Equity Awards; "Clawback" Policies. The other provisions of this Agreement notwithstanding, if Executive willfully and materially fails to comply with Section 5.1, 5.2, 5.3, 5.4, or 5.8, all options to purchase common stock, restricted stock units and other equity-based awards granted by the Company or any of its affiliates (whether prior to, contemporaneous with, or subsequent to the date hereof) and held by Executive or a transferee of Executive shall be immediately forfeited and cancelled. Executive acknowledges and agrees that, notwithstanding anything contained in this Agreement or any other agreement, plan or program, any incentive-based compensation

or benefits contemplated under this Agreement (including Incentive Compensation and equity-based awards) shall be subject to recovery by the Company under any compensation recovery or “clawback” policy, generally applicable to senior executives of the Company, that the Company may adopt from time to time, including any policy which the Company may be required to adopt under Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the rules and regulations of the Securities and Exchange Commission thereunder or the requirements of any national securities exchange on which the Company’s common stock may be listed.

5.7 *Enforcement.* Executive acknowledges and agrees that, by virtue of Executive’s position, services and access to and use of confidential records and proprietary information, any violation by Executive of any of the undertakings contained in this Section 5 would cause the Company immediate, substantial and irreparable injury for which it has no adequate remedy at law. Accordingly, Executive agrees and consents to the entry of an injunction or other equitable relief by a court of competent jurisdiction restraining any violation or threatened violation of any undertaking contained in this Section 5. Executive waives posting of any bond otherwise necessary to secure such injunction or other equitable relief. Rights and remedies provided for in this Section 5 are cumulative and shall be in addition to rights and remedies otherwise available to the parties hereunder or under any other agreement or applicable law.

5.8 *Cooperation with Regard to Litigation.* Executive agrees to cooperate reasonably with the Company, during the Term and thereafter (including following Executive’s termination of employment for any reason), by providing information to the Company regarding matters related to his term of employment and by being available to testify on behalf of the Company in any action, suit, or proceeding, whether civil, criminal, administrative, or investigative. In addition, except to the extent that Executive has or intends to assert in good faith an interest or position adverse to or inconsistent with the interest or position of the Company, Executive agrees to cooperate reasonably with the Company, during the Term and thereafter (including following Executive’s termination of employment for any reason), to assist the Company in any such action, suit, or proceeding by providing information and meeting and consulting with the Board or its representatives or counsel, or representatives or counsel to the Company, in each case, as reasonably requested by the Company. The Company agrees to pay (or reimburse, if already paid by Executive) all reasonable travel and communication expenses actually incurred in connection with Executive’s cooperation and assistance.

5.9 *Survival.* The provisions of this Section 5 shall survive the termination of the Term and any termination or expiration of this Agreement.

5.10 *Company.* For purposes of this Section 5, references to the “Company” shall include the Company and each subsidiary and/or affiliate of the Company (and each of their respective joint ventures and equity method investees).

6. Code of Conduct. Executive acknowledges that Executive has read the Company’s Code of Business Conduct and agrees to abide by such Code of Business Conduct, as amended or supplemented from time to time, and other policies applicable to employees and executives of the Company.

7. Indemnification. The Company shall indemnify Executive to the full extent permitted under the Company’s Certificate of Incorporation or By-Laws and pursuant to any other agreements or policies in effect from time to time in connection with any action, suit or proceeding to which Executive may be made a party by reason of Executive being an officer, director or employee of the Company or of any subsidiary or affiliate of the Company.

8. Assignability; Binding Effect. Neither this Agreement nor the rights or obligations hereunder of the parties shall be transferable or assignable by Executive, except in accordance with the

laws of descent and distribution and as specified below. The Company may assign this Agreement and the Company's rights and obligations hereunder to any affiliate of the Company, provided that upon any such assignment the Company shall remain liable for the obligations to Executive hereunder. This Agreement shall be binding upon and inure to the benefit of Executive, Executive's heirs, executors, administrators, and beneficiaries, and shall be binding upon and inure to the benefit of the Company and its successors and assigns.

9. Complete Understanding; Amendment; Waiver. This Agreement constitutes the complete understanding between the parties with respect to the employment of Executive from and after the Effective Date and supersedes all other prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof, and including superseding any entitlements to benefits or payments pursuant to any severance plan, policy, practice or arrangement maintained by the Company or any affiliate thereof as of the date this Agreement is executed by both parties and no statement, representation, warranty or covenant has been made by either party with respect thereto except as expressly set forth herein; provided, however, nothing contained in this Agreement shall limit, impair or supersede any agreement between the Company and Executive relating to grants of stock options, restricted stock units or other equity-based awards granted to Executive prior to the Effective Date, which shall remain in full force and effect in accordance with the terms of such agreements and the plan pursuant to which such awards were granted. Except as contemplated by Section 3(f) 5.1(f) and 10, this Agreement shall not be modified, amended or terminated except by a written instrument signed by each of the parties. Any waiver of any term or provision hereof, or of the application of any such term or provision to any circumstances, shall be in writing signed by the party charged with giving such waiver. Waiver by either party of any breach hereunder by the other party shall not operate as a waiver of any other breach, whether similar to or different from the breach waived. No delay by either party in the exercise of any rights or remedies shall operate as a waiver thereof, and no single or partial exercise by either party of any such right or remedy shall preclude other or further exercise thereof.

10. Severability. If any provision of this Agreement or the application of any such provision to any person or circumstances shall be determined by any court of competent jurisdiction to be invalid or unenforceable to any extent, the remainder of this Agreement, or the application of such provision to such person or circumstances other than those to which it is so determined to be invalid or unenforceable, shall not be affected thereby, and each provision hereof shall be enforced to the fullest extent permitted by law. If any provision of this Agreement, or any part thereof, is held to be invalid or unenforceable because of the scope or duration of or the area covered by such provision, the parties agree that the court making such determination shall reduce the scope, duration and/or area of such provision (and shall substitute appropriate provisions for any such invalid or unenforceable provisions) in order to make such provision enforceable to the fullest extent permitted by law and/or shall delete specific words and phrases, and such modified provision shall then be enforceable and shall be enforced. The parties recognize that if, in any judicial proceeding, a court shall refuse to enforce any of the separate covenants contained in this Agreement, then that invalid or unenforceable covenant contained in this Agreement shall be deemed eliminated from these provisions to the extent necessary to permit the remaining separate covenants to be enforced. In the event that any court determines that the time period or the area, or both, are unreasonable and that any of the covenants is to that extent invalid or unenforceable, the parties agree that such covenants will remain in full force and effect, first, for the greatest time period, and second, in the greatest geographical area that would not render them unenforceable.

11. Survivability. The provisions of this Agreement which by their terms call for performance subsequent to termination of Executive's employment hereunder, or of this Agreement, shall so survive such termination, whether or not such provisions expressly state that they shall so survive.

12. Governing Law; Arbitration.

(a) *Governing Law.* This Agreement shall be governed by and construed in accordance with the laws of the State of Nevada applicable to agreements made and to be wholly performed within that State, without regard to its conflict of laws provisions.

(b) *Arbitration.*

(i) Executive and the Company agree that, except for claims for workers' compensation, unemployment compensation, and any other claim that is non-arbitrable under applicable law, final and binding arbitration shall be the exclusive forum for any dispute or controversy between them, including, without limitation, disputes arising under or in connection with this Agreement, Executive's employment, and/or termination of employment, with the Company; provided, however, that the Company shall be entitled to commence an action in any court of competent jurisdiction for injunctive relief in connection with any alleged actual or threatened violation of any provision of Section 5. Judgment may be entered on the arbitrators' award in any court having jurisdiction. For purposes of entering such judgment or seeking injunctive relief with regard to Section 5, the Company and Executive hereby consent to the jurisdiction of any state or federal court of competent jurisdiction located in Las Vegas, Nevada; provided that damages for any alleged violation of Section 5, as well as any claim, counterclaim or cross-claim brought by Executive or any third-party in response to, or in connection with, any court action commenced by the Company seeking said injunctive relief shall remain exclusively subject to final and binding arbitration as provided for herein. The Company and Executive hereby waive, to the fullest extent permitted by applicable law, any objection which either may now or hereafter have to such jurisdiction, venue and any defense of inconvenient forum. Thus, except for the claims carved out above, this Agreement includes all common-law and statutory claims (whether arising under federal state or local law), including any claim for breach of contract, fraud, fraud in the inducement, unpaid wages, wrongful termination, and gender, age, national origin, sexual orientation, marital status, disability, or any other protected status.

(ii) Any arbitration under this Agreement shall be filed exclusively with, and administered by, the American Arbitration Association in Las Vegas, Nevada before three arbitrators, in accordance with the National Rules for the Resolution of Employment Disputes of the American Arbitration Association in effect at the time of submission to arbitration. The Company and Executive hereby agree that a judgment upon an award rendered by the arbitrators may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. The Company shall pay all costs uniquely attributable to arbitration, including the administrative fees and costs of the arbitrators. Each party shall pay that party's own costs and attorney fees, if any, unless the arbitrators rule otherwise. Executive understands that Executive is giving up no substantive rights, and this Agreement simply governs forum. The arbitrators shall apply the same standards a court would apply to award any damages, attorney fees or costs. Executive shall not be required to pay any fee or cost that Executive would not otherwise be required to pay in a court action, unless so ordered by the arbitrators.

EXECUTIVE INITIALS: /s/ VK

COMPANY INITIALS: /s/ RL

(c) **WAIVER OF JURY TRIAL.** BY SIGNING THIS AGREEMENT, EXECUTIVE AND THE COMPANY ACKNOWLEDGE THAT THE RIGHT TO A COURT TRIAL AND TRIAL BY JURY IS OF VALUE, AND KNOWINGLY AND VOLUNTARILY WAIVE THAT RIGHT FOR ANY DISPUTE SUBJECT TO THE TERMS OF THIS ARBITRATION PROVISION.

13. Titles and Captions. All paragraph titles or captions in this Agreement are for convenience only and in no way define, limit, extend or describe the scope or intent of any provision hereof.

14. Joint Drafting. In recognition of the fact that the parties had an equal opportunity to negotiate the language of, and draft, this Agreement, the parties acknowledge and agree that there is no single drafter of this Agreement and, therefore, the general rule that ambiguities are to be construed against the drafter is, and shall be, inapplicable. If any language in this Agreement is found or claimed to be ambiguous, each party shall have the same opportunity to present evidence as to the actual intent of the parties with respect to any such ambiguous language without any inference or presumption being drawn against any party hereto.

15. Notices. All notices and other communications to be given or to otherwise be made to any party to this Agreement shall be deemed to be sufficient if contained in a written instrument delivered in person or duly sent by certified mail or by a recognized national courier service, postage or charges prepaid, (a) to Light & Wonder, Inc., Attn: Legal Department, 6601 Bermuda Rd., Las Vegas, NV 89119, (b) to Executive, at the last address shown in the Company's records, or (c) to such other replacement address as may be designated in writing by the addressee to the addressor.

16. Licensing Requirements. The Company is subject to the laws, rules and regulations of various governmental bodies that regulate gaming companies. Executive may be required to submit to background, suitability and licensing investigations conducted by multiple gaming regulators. Executive agrees to fully cooperate with both the Company and gaming regulators by furnishing all requested information, including personal information regarding Executive and Executive's family members, and documentation during the regulatory process. Executive agrees to fully cooperate with and conform to all regulatory requests for information in the required timeframe. Compliance with this requirement is a material provision of this Agreement.

17. Interpretation. When a reference is made in this Agreement to a Section, such reference shall be to a Section of this Agreement unless otherwise indicated. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation," unless the context otherwise indicates. When a reference in this Agreement is made to a "party" or "parties," such reference shall be to a party or parties to this Agreement unless otherwise indicated or the context requires otherwise. Unless the context requires otherwise, the terms "hereof," "herein," "hereby," "hereto", "hereunder" and derivative or similar words in this Agreement refer to this entire Agreement. Unless the context requires otherwise, words in this Agreement using the singular or plural number also include the plural or singular number, respectively, and the use of any gender herein shall be deemed to include the other genders. References in this Agreement to "dollars" or "\$" are to U.S. dollars. When a reference is made in this Agreement to a law, statute or legislation, such reference shall be to such law, statute or legislation as it may be amended, modified, extended or re-enacted from time to time (including any successor law, statute or legislation) and shall include any regulations promulgated thereunder from time to time. The headings used herein are for reference only and shall not affect the construction of this Agreement.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, each of the parties has duly executed this Agreement as of the date above written.

LIGHT & WONDER, INC.

By: /s/ Roxane Lukas

EXECUTIVE

/s/ Vanja Kalabic
Vanja Kalabic

Inventions

None

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

I, Matthew R. Wilson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Light & Wonder, 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: November 9, 2023

/s/ Matthew R. Wilson

Matthew R. Wilson

Chief Executive Officer

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

I, Oliver Chow, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Light & Wonder, 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: November 9, 2023

/s/ Oliver Chow

Oliver Chow

Interim Chief Financial Officer (Principal Financial Officer)

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

In connection with the Quarterly Report of Light & Wonder, Inc. (the “Company”) on Form 10-Q for the period ended September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Matthew R. Wilson, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

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

/s/ Matthew R. Wilson

Matthew R. Wilson
Chief Executive Officer
November 9, 2023

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

In connection with the Quarterly Report of Light & Wonder, Inc. (the “Company”) on Form 10-Q for the period ended September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Oliver Chow, Interim Chief Financial Officer (Principal Financial Officer) of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

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

/s/ Oliver Chow

Oliver Chow
Interim Chief Financial Officer (Principal Financial Officer)
November 9, 2023