

**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 March 31, 2022

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 89119**

(Address of principal executive offices)

(Zip Code)

**(702) 897-7150**

(Registrant's telephone number, including area code)

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

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

The registrant has the following number of shares outstanding of each of the registrant's classes of common stock as of May 5, 2022:

Common Stock: 95,665,390

**LIGHT & WONDER, INC. AND SUBSIDIARIES**  
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**THREE MONTHS ENDED MARCH 31, 2022**

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## Glossary of Terms

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



<b>Term or Acronym</b>	<b>Definition</b>
2021 10-K	2021 Annual Report on Form 10-K filed with the SEC on March 1, 2022
2025 Secured Notes	5.000% senior secured notes due 2025 issued by SGI
2026 Secured Euro Notes	3.375% senior secured notes due 2026 issued by SGI
2026 Unsecured Euro Notes	5.500% senior unsecured notes due 2026 issued by SGI
2025 Unsecured Notes	8.625% senior unsecured notes due 2025 issued by SGI
2026 Unsecured Notes	8.250% senior unsecured notes due 2026 issued by SGI
2028 Unsecured Notes	7.000% senior unsecured notes due 2028 issued by SGI
2029 Unsecured Notes	7.250% senior unsecured notes due 2029 issued by SGI
AEBITDA	Adjusted EBITDA, our performance measure of profit or loss for our business segments
April 2022 Refinancing	On April 14, 2022, we completed a series of refinancing transactions, which included (1) entering into a new credit agreement consisting of a (a) \$2,200 million new term loan facility maturing in April 2029 and (b) \$750 million new revolving credit facility maturing in April 2027, along with (2) using the net proceeds from the divestiture of the Lottery Business and net proceeds from borrowings under the new term loan facility to pay off our existing term loan facility and to redeem all of our outstanding 5.000% Senior Secured Notes due 2025, 3.375% Senior Secured Euro Notes due 2026, 5.500% Senior Unsecured Euro Notes due 2026 and 8.250% Senior Unsecured Notes due 2026 and, in each case, to pay accrued and unpaid interest thereon plus any related premiums, fees and expenses (see Note 11 for additional details)
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
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)
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
KPIs	Key Performance Indicators
LBO	licensed betting office
LIBOR	London Interbank Offered Rate
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)
Pending Divestitures	the intended sale of certain international Lottery business subsidiaries (Scientific Games International GmbH, and its two subsidiaries (the "Austria Business")) that are awaiting regulatory approval in Austria, which approval is expected to be received and the transaction to be completed by the end of the second quarter of 2022 and the sale of our Sports Betting business, which is expected to be completed in the third quarter of 2022, both subject to applicable regulatory approvals and in the case of the sale of our Sports Betting business, other customary closing conditions. See Notes 1 and 2 in this form 10-Q and Notes 1 and 2 in our 2021 10-K
R&D	research and development
RMG	real-money gaming
RSU	restricted stock unit
SEC	Securities and Exchange Commission
Secured Notes	refers to the 2025 Secured Notes and 2026 Secured Euro Notes, collectively
Senior Notes	the Secured Notes and the Unsecured Notes
SciPlay	SciPlay Corporation, formerly referred to as our Social business segment
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

SG&A	selling, general and administrative
L&W	Light & Wonder, Inc.
SGI	Scientific Games International, Inc., a wholly-owned subsidiary of L&W
SGI Revolver	Revolving credit facility with aggregate commitments of \$650 million extended pursuant to that certain credit agreement, dated as of October 18, 2013 (and amended, supplemented and modified from time to time), by and among SGI, as the borrower, L&W, as a guarantor, Bank of America, N.A., as administrative agent, and the lenders and other agents party thereto
SGI Term Loan B-5	Term loan facility, issued pursuant to that certain credit agreement, dated as of October 18, 2013 (and amended, supplemented and modified from time to time), by and among SGI, as the borrower, L&W, as a guarantor, Bank of America, N.A., as administrative agent, and the lenders and other agents party thereto
Shufflers	various models of automatic card shufflers, deck checkers and roulette chip sorters
SOFR	Secured Overnight Financing Rate
Unsecured Notes	refers to the 2026 Unsecured Euro Notes, 2026 Unsecured Notes, 2028 Unsecured Notes and 2029 Unsecured Notes, collectively
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:

- the impact of the COVID-19 pandemic and any resulting unfavorable social, political, economic and financial conditions, including the temporary and potentially recurring closure of casinos and lottery operations on a jurisdiction-by-jurisdiction basis;
- risks relating to the Pending Divestitures, including lack of assurance regarding the timing of completion of the pending and proposed transactions and related risks associated with the ongoing operations and activities of the Sports Betting Business, that certain deferred tax assets may not be realized relative to the anticipated tax gain from these divestitures, that the transactions will yield additional value or will not adversely impact our business, financial results, results of operations, cash flows or stock price;
- our inability to successfully execute our new strategy and impending rebranding initiative;
- our inability to further de-lever and position the Company for enhanced growth with certain net proceeds from the completed Lottery business sale and the Pending Divestitures;
- 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, including the potential impact to our business resulting from the continuing uncertainty following the U.K.’s withdrawal from the European Union;
- 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;
- level of our indebtedness, higher interest rates, availability or adequacy of cash flows and liquidity to satisfy indebtedness, other obligations or future cash needs;
- the transition from LIBOR to SOFR, which may adversely affect interest rates;
- inability to 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;
- the impact of U.K. legislation approving the reduction of fixed-odds betting terminals maximum stakes limit on LBO operators, including the related closure of certain LBO shops;
- 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;
- changes in demand for our products and services;
- inability to benefit from, and risks associated with, strategic equity investments and relationships;
- inability to achieve some or all of the anticipated benefits of SciPlay being a standalone public company;
- 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 2021 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 agree or total to the previously reported amounts.

**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 March 31,	
	2022	2021
<b>Revenue:</b>		
Services	\$ 431	\$ 364
Product sales	141	89
Total revenue	572	453
<b>Operating expenses:</b>		
Cost of services <sup>(1)</sup>	90	87
Cost of product sales <sup>(1)</sup>	70	40
Selling, general and administrative	175	159
Research and development	53	45
Depreciation, amortization and impairments	108	97
Restructuring and other	36	21
Operating income	40	4
<b>Other (expense) income:</b>		
Interest expense	(116)	(121)
Gain on remeasurement of debt	7	25
Other income, net	5	7
Total other expense, net	(104)	(89)
Net loss from continuing operations before income taxes	(64)	(85)
Income tax expense	(3)	(3)
Net loss from continuing operations	(67)	(88)
Net income from discontinued operations, net of tax	95	79
Net income (loss)	28	(9)
Less: Net income attributable to noncontrolling interest	2	6
Net income (loss) attributable to L&W	\$ 26	\$ (15)
<b>Per Share - Basic:</b>		
Net loss from continuing operations	\$ (0.72)	\$ (0.98)
Net income from discontinued operations	0.98	0.82
Net income (loss) attributable to L&W	\$ 0.26	\$ (0.16)
<b>Per Share - Diluted:</b>		
Net loss from continuing operations	\$ (0.72)	\$ (0.98)
Net income from discontinued operations	0.98	0.82
Net income (loss) attributable to L&W	\$ 0.26	\$ (0.16)
<b>Weighted average number of shares used in per share calculations:</b>		
Basic shares	97	95
Diluted shares	97	95

(1) Excludes D&A.

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended March 31,	
	2022	2021
Net income (loss)	\$ 28	\$ (9)
Other comprehensive income (loss)		
Foreign currency translation loss, net of tax	(32)	—
Derivative financial instruments unrealized gain, net of tax	3	5
Other comprehensive (loss) income from continuing operations	(29)	5
Other comprehensive (loss) income from discontinued operations	(8)	3
Total comprehensive loss	(9)	(1)
Less: comprehensive income attributable to noncontrolling interest	2	6
Comprehensive loss attributable to L&W	\$ (11)	\$ (7)

See accompanying notes to condensed consolidated financial statements.

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

ASSETS	As of	
	March 31, 2022	December 31, 2021
<b>Current assets:</b>		
Cash and cash equivalents	\$ 496	\$ 585
Restricted cash	48	41
Receivables, net of allowance for credit losses \$48 and \$52, respectively	431	423
Inventories	113	98
Prepaid expenses, deposits and other current assets	110	88
Assets of businesses held for sale	558	497
Total current assets	1,756	1,732
<b>Non-current assets:</b>		
Restricted cash	9	9
Receivables, net of allowance for credit losses \$2 and \$2, respectively	17	17
Property and equipment, net	197	213
Operating lease right-of-use assets	50	51
Goodwill	2,978	2,892
Intangible assets, net	893	946
Software, net	105	117
Deferred income taxes	344	349
Other assets	86	80
Assets of businesses held for sale	1,517	1,477
Total assets	\$ 7,952	\$ 7,883
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
<b>Current liabilities:</b>		
Current portion of long-term debt	\$ 44	\$ 44
Accounts payable	198	204
Accrued liabilities	385	444
Liabilities of businesses held for sale	300	282
Total current liabilities	927	974
Deferred income taxes	42	35
Operating lease liabilities	40	40
Other long-term liabilities	155	170
Long-term debt, excluding current portion	8,789	8,646
Liabilities of businesses held for sale	136	124
Total liabilities	10,089	9,989
Commitments and contingencies (Note 16)		
<b>Stockholders' deficit:</b>		
Common stock, par value \$0.001 per share: 199 shares authorized; 115 and 114 shares issued and 97 shares outstanding, respectively	1	1
Additional paid-in capital	1,366	1,337
Accumulated loss	(3,132)	(3,158)
Treasury stock, at cost, 18 and 17 shares, respectively	(226)	(175)
Accumulated other comprehensive loss	(298)	(261)
Total L&W stockholders' deficit	(2,289)	(2,256)
Noncontrolling interest	152	150
Total stockholders' deficit	(2,137)	(2,106)
Total liabilities and stockholders' deficit	\$ 7,952	\$ 7,883

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended March 31,	
	2022	2021
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ 28	\$ (9)
Less: Income from discontinued operations, net of tax	(95)	(79)
Adjustments to reconcile net loss from continuing operations to net cash (used in) provided by operating activities from continuing operations	121	96
Changes in working capital accounts, excluding the effects of acquisitions	(72)	17
Changes in deferred income taxes and other	4	—
Net cash (used in) provided by operating activities from continuing operations	(14)	25
Net cash provided by operating activities from discontinued operations	108	98
Net cash provided by operating activities	94	123
<b>Cash flows from investing activities:</b>		
Capital expenditures	(43)	(35)
Acquisitions of businesses, net of cash acquired	(108)	—
Other	—	1
Net cash used in investing activities from continuing operations	(151)	(34)
Net cash used in investing activities from discontinued operations	(25)	(27)
Net cash used in investing activities	(176)	(61)
<b>Cash flows from financing activities:</b>		
Borrowings under SGI revolving credit facility	230	—
Repayments under SGI revolving credit facility	(70)	(100)
Payments on long-term debt	(10)	(10)
Payments of debt issuance and deferred financing and offering costs	(1)	—
Payments on license obligations	(19)	(12)
Purchase of treasury stock	(51)	—
Net redemptions of common stock under stock-based compensation plans and other	(25)	(13)
Net cash provided by (used in) financing activities from continuing operations	54	(135)
Net cash used in financing activities from discontinued operations	(2)	(4)
Net cash provided by (used in) financing activities	52	(139)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(1)	(1)
Decrease in cash, cash equivalents and restricted cash	(31)	(78)
Cash, cash equivalents and restricted cash, beginning of period	701	1,143
Cash, cash equivalents and restricted cash, end of period	670	1,065
Less: Cash, cash equivalents and restricted cash of discontinued operations	117	117
Cash, cash equivalents and restricted cash of continuing operations, end of period	\$ 553	\$ 948
<b>Supplemental cash flow information:</b>		
Cash paid for interest	\$ 117	\$ 123
Income taxes paid	9	7
Distributed earnings from equity investments	1	4
<b>Supplemental non-cash transactions:</b>		
Non-cash interest expense	\$ 6	\$ 6

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 game company with a focus on content and digital markets. Our portfolio of revenue-generating activities in our continuing operations 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 to retail customers, including casual gaming; and providing a comprehensive suite of digital RMG, distribution platforms, content, products and services to various gaming entities. Our portfolio of revenue-generating activities in the discontinued operations primarily includes providing instant and draw-based lottery products, lottery systems and lottery content and services to lottery operators along with providing sports wagering solutions to various gaming entities.

We report our results of continuing operations in three business segments—Gaming, SciPlay and iGaming—representing our different products and services. Unless otherwise noted, amounts and disclosures included herein relate to our continuing operations.

Effective April 28, 2022, we changed our name to Light & Wonder, Inc. This change is in part due to the sale of the Lottery Business that will continue to use the Scientific Games name and also to align with our vision of becoming the leading cross-platform global game company.

On September 27, 2021, we entered into a definitive agreement to sell our Sports Betting business to Endeavor Group Holdings, Inc. (“Endeavor”) in a cash and stock transaction. The sale of the Sports Betting Business is expected to be completed in the third quarter of 2022, subject to applicable regulatory approvals and other customary conditions.

On April 4, 2022, we completed the previously announced divestiture of the Lottery Business and received \$5.6 billion in gross cash proceeds. This excludes the Austria Business, for which we are awaiting regulatory approval in Austria, which approval is expected to be received and the transaction to be completed by the end of the second quarter of 2022, which will provide an additional \$104 million of expected gross cash proceeds.

We have reflected the financial results of these businesses as discontinued operations in our consolidated statements of operations and reflected the assets and liabilities of these businesses as held for sale in our consolidated balance sheets, for all periods presented. Refer to Note 2 for further information.

*Basis of Presentation and Principles of Consolidation*

The accompanying condensed consolidated financial statements have been prepared in accordance with U.S. GAAP. The accompanying condensed consolidated financial statements include the accounts of L&W, its wholly owned subsidiaries, and those subsidiaries in which we have a controlling financial interest. Investments in other entities in which we do not have a controlling financial interest but we exert significant influence are accounted for in our consolidated financial statements using the equity method of accounting. 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 loss 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 2021 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 2021 10-K.

*Computation of Basic and Diluted Net Income (Loss) Per Share Attributable to L&W*

Basic and diluted net income (loss) attributable to L&W per share is based upon net income (loss) attributable to L&W divided by the weighted average number of common shares outstanding during the period. Diluted earnings 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.

Basic and diluted net loss attributable to L&W per share were the same for all periods presented as all common stock equivalents would be anti-dilutive. We excluded 2 million of stock options from the diluted weighted-average common shares

outstanding for the three months ended March 31, 2022 and 2021, respectively. We excluded 3 million of RSUs from the calculation of diluted weighted-average common shares outstanding for the three months ended March 31, 2022 and 2021, respectively.

#### SciPlay Acquisition of Alictus Yazilim Anonim Şirketi (“Alictus”)

On March 1, 2022, SciPlay acquired 80% of all issued and outstanding share capital of privately held Alictus, a Turkey-based hyper-casual game studio for approximately \$106 million cash consideration, net of cash acquired. The remaining 20% will be acquired ratably for potential additional consideration payable annually based upon the achievement of specified revenue and earnings targets by Alictus during each of the five years following the acquisition date. Any future payments associated with the acquisition of the remaining 20% will represent a redeemable non-controlling interest, with a minimum payout of \$0 million and a maximum payout of \$200 million. The Alictus acquisition expands SciPlay’s business in the casual gaming market, growing its game pipeline and diversifying its revenue streams as it advances its strategy to be a diversified global game developer.

We accounted for this acquisition using the acquisition method of accounting whereby the total purchase price was allocated to tangible and intangible assets acquired and liabilities assumed based on respective estimated fair values. The estimated fair values of the acquired assets, assumed liabilities and resulting goodwill are subject to adjustment as we finalize our purchase price accounting. The following table summarizes an aggregate disclosure related to the acquisition of Alictus and is based on the preliminary purchase price allocation expected to be finalized by the fourth quarter of 2022:

<b>Total Consideration</b>	<b>Cash paid, net of cash acquired<sup>(1)</sup></b>	<b>Redeemable non-controlling interest<sup>(2)</sup></b>	<b>Allocation of purchase price to Intangible assets, net<sup>(3)</sup></b>	<b>Weighted average useful life of acquired intangible assets</b>	<b>Excess purchase price allocated to Goodwill<sup>(4)</sup></b>
\$ 134	\$ 106	\$ 21	\$ 34	6 Years	\$ 93

(1) Exclusive of \$6 million acquired in short term investments.

(2) The fair value of the redeemable non-controlling interest was determined using a Monte Carlo simulation model with a discount rate ranging between 2% and 3% and primarily based on reaching certain revenue and earnings-based metrics, with a maximum payout of up to \$200 million.

(3) Intangible assets primarily consist of intellectual property consisting of games technology and content and trade name. The fair value of these intangible assets was determined using an income approach method and level 3 inputs in the hierarchy as established by ASC 820. The discount rate used in the valuation analysis was 18%, and the royalty rate used was 1% for the valuation of the “Alictus” trade name and 21% for the valuation of the acquired game content and related technology.

(4) The factors contributing to the recognition of acquisition goodwill are based on game portfolio diversification, expected synergies, assembled workforce and other strategic benefits. None of the resultant goodwill is expected to be deductible for income tax purposes.

The revenue and earning associated with the above acquisition are immaterial to our current and historical consolidated financial statements.

In April 2022, we acquired Playzido, which will expand our iGaming content offering.

#### New Accounting Guidance - Not Yet Adopted

The FASB issued ASU No. 2020-04 and subsequently ASU No. 2021-01, *Reference Rate Reform* (Topic 848) in March 2020 and January 2021, respectively. The new guidance provides optional expedients and exceptions for applying U.S. GAAP to contract modifications and hedging relationships, including derivative instruments impacted by changes in the interest rates used for discounting cash flows for computing variable margin settlements, subject to meeting certain criteria, that reference LIBOR or other reference rates expected to be discontinued by June 2023. The ASUs establish certain contract modification principles that entities can apply in other areas that may be affected by reference rate reform and certain elective hedge accounting expedients and exceptions. The ASUs may be applied prospectively. Based on our preliminary assessment completed to date, we do not expect the adoption of this guidance to have a significant impact on our consolidated financial statements.

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

#### (2) Discontinued Operations

On April 4, 2022, we completed the divestiture of the Lottery Business (excluding the Austria Business as described in Note 1), for which we received \$5.6 billion in gross cash proceeds.

As described in Note 1, we have reflected the Lottery and Sports Betting Businesses as discontinued operations in our consolidated statements of operations and reflected the assets and liabilities of these businesses as held for sale in our consolidated balance sheets, for all periods presented.

The summarized results of our discontinued operations were as follows:

	<b>Three Months Ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
Total revenue	\$ 288	\$ 276
Total cost of revenue <sup>(1)</sup>	150	139
Other operating expenses <sup>(2)</sup>	41	60
Operating income	97	77
Total other income, net	8	2
Net income from discontinued operations before income taxes	105	79
Income tax expense	(10)	—
Net income from discontinued operations, net of tax included in the consolidated statement of operations	\$ 95	\$ 79

(1) Excludes D&A.

(2) Includes D&A of \$— million and \$26 million for the three months ended March 31, 2022 and 2021, respectively, along with stock-based compensation of \$7 million and \$4 million for the three months ended March 31, 2022 and 2021, respectively. Due to the discontinued operations classification of these businesses as of the third quarter of 2021, the D&A for these businesses has ceased.

The following table summarizes the major classes of assets and liabilities of businesses held for sale.

	<b>As of</b>	
	<b>March 31, 2022</b>	<b>December 31, 2021</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 86	\$ 44
Restricted cash	31	22
Receivables, net	194	214
Inventories	113	94
Prepaid expenses deposits and other current assets	134	123
Total current assets of businesses held for sale	558	497
Property and equipment, net	229	217
Intangible assets and software, net	334	304
Goodwill	623	623
Equity investments	249	251
Other assets	82	82
Total non-current assets of businesses held for sale	1,517	1,477
Total assets of businesses held for sale	\$ 2,075	\$ 1,974
<b>LIABILITIES</b>		
Accounts payable	\$ 103	\$ 95
Accrued liabilities and other	197	187
Total current liabilities of businesses held for sale	300	282
Operating lease liabilities	37	34
Other	99	90
Total non-current liabilities of businesses held for sale	136	124
Total liabilities of businesses held for sale	\$ 436	\$ 406

### (3) Revenue Recognition

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

	Three Months Ended March 31,	
	2022	2021
<b>Gaming</b>		
Gaming operations <sup>(1)</sup>	\$ 155	\$ 113
Gaming machine sales	103	55
Gaming systems	51	42
Table products	46	34
Total	<u>\$ 355</u>	<u>\$ 244</u>
<b>SciPlay</b>		
Mobile in-app purchases	\$ 140	\$ 133
Web in-app purchases and other <sup>(2)</sup>	18	18
Total	<u>\$ 158</u>	<u>\$ 151</u>
<b>iGaming</b>	<u>\$ 59</u>	<u>\$ 58</u>

(1) Gaming operations revenue for the three months ended March 31, 2021 benefited from \$6 million U.K. fixed odds betting terminals (“FOBT”) recovery received from certain U.K. customers for value-added tax charged on FOBTs (“FOBT recovery”) related to a 2020 U.K. court ruling associated with overcharging of value-added tax for gaming operators that consequently reduced our net gaming revenues in those affected prior periods related to these customers and arrangements.

(2) Other primarily represents revenue generated from providing advertising platforms with access to our game software platform, which facilitates the placement of advertising inventory, which was not material in the periods presented.

The amount of rental income revenue that is outside the scope of ASC 606 was \$113 million and \$63 million for the three months ended March 31, 2022, and 2021, respectively.

#### Contract Liabilities and Other Disclosures

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

	Three Months Ended March 31, 2022	
Contract liability balance, beginning of period <sup>(1)</sup>	\$	37
Liabilities recognized during the period		5
Amounts recognized in revenue from beginning balance		(5)
Contract liability balance, end of period <sup>(1)</sup>	<u>\$</u>	<u>37</u>

(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 <sup>(1)</sup>	
Beginning of period balance	\$	440	\$	19
End of period balance, March 31, 2022		448		25

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

As of March 31, 2022, 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 2021 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 2021 10-K. The following tables present our segment information:

Three Months Ended March 31, 2022										
	Gaming		SciPlay		iGaming		Unallocated and Reconciling Items <sup>(1)</sup>	Total		
Total revenue	\$	355	\$	158		59	\$	—	\$	572
AEBITDA <sup>(2)</sup>		171		44		21		(34)	\$	202
<i>Reconciling items to Net loss from continuing operations before income taxes:</i>										
D&A		(83)		(5)		(14)		(6)		(108)
Restructuring and other		(3)		(2)		(1)		(30)		(36)
Interest expense								(116)		(116)
Gain on remeasurement of debt								7		7
Other income, net								2		2
Stock-based compensation								(15)		(15)
Net loss from continuing operations before income taxes									\$	(64)

(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 reconciled to net 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 costs and other unusual items; (3) interest expense; (4) loss (gain) on debt financing transactions; (5) change in fair value of investments and remeasurement of debt; (6) other expense (income), net including foreign currency (gains), and losses and earnings (loss) from equity investments; and (7) stock-based compensation. AEBITDA is presented as our primary segment measure of profit or loss.

Three Months Ended March 31, 2021										
	Gaming		SciPlay		iGaming		Unallocated and Reconciling Items <sup>(1)</sup>	Total		
Total revenue	\$	244	\$	151	\$	58	\$	—	\$	453
AEBITDA <sup>(2)</sup>		107		46		21		(32)	\$	142
<i>Reconciling items to Net loss from continuing operations before income taxes:</i>										
D&A		(75)		(3)		(12)		(7)		(97)
Restructuring and other		(3)		—		(1)		(17)		(21)
Interest expense								(121)		(121)
Gain on remeasurement of debt								25		25
Other income, net								6		6
Stock-based compensation								(19)		(19)
Net loss from continuing operations before income taxes									\$	(85)

(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 March 31,	
	2022	2021
Employee severance and related	\$ 1	\$ 1
Strategic review and related <sup>(1)</sup>	30	17
Restructuring, integration and other	5	3
Total	<u>\$ 36</u>	<u>\$ 21</u>

(1) Includes costs associated with the Lottery and Sports Betting divestitures as described in Notes 1 and 2.

#### (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	
	March 31, 2022	December 31, 2021
<b>Current:</b>		
Receivables	\$ 479	\$ 475
Allowance for credit losses	(48)	(52)
Current receivables, net	<u>431</u>	<u>423</u>
<b>Long-term:</b>		
Receivables	19	19
Allowance for credit losses	(2)	(2)
Long-term receivables, net	17	17
Total receivables, net	<u>\$ 448</u>	<u>\$ 440</u>

##### 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			
	March 31, 2022	Balances over 90 days past due	December 31, 2021	Balances over 90 days past due
<b>Receivables:</b>				
U.S. and Canada	\$ 257	\$ 17	\$ 321	\$ 37
International	241	21	173	44
Total receivables	<u>498</u>	<u>38</u>	<u>494</u>	<u>81</u>
<b>Receivables allowance:</b>				
U.S. and Canada	(21)	(4)	(18)	(6)
International	(29)	(19)	(36)	(19)
Total receivables allowance	<u>(50)</u>	<u>(23)</u>	<u>(54)</u>	<u>(25)</u>
Receivables, net	<u>\$ 448</u>	<u>\$ 15</u>	<u>\$ 440</u>	<u>\$ 56</u>

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 months ended March 31, 2022 and 2021 is as follows:

	2022			2021
	Total	U.S. and Canada	International	Total
Beginning allowance for credit losses	\$ (54)	\$ (18)	\$ (36)	\$ (81)
Provision	(3)	(3)	—	1
Charge-offs and recoveries	7	—	7	2
Allowance for credit losses as of March 31	\$ (50)	\$ (21)	\$ (29)	\$ (78)

At March 31, 2022, 3% of our total receivables, net, were past due by over 90 days compared to 13% at December 31, 2021.

#### *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 March 31, 2022		
	Total	Current or Not Yet Due	Balances Over 90 days Past Due
Receivables	\$ 91	\$ 40	\$ 51
Allowance for credit losses	(28)	(14)	(14)
Receivables, net	\$ 63	\$ 26	\$ 37

We continuously review receivables and as information concerning credit quality arise, 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 March 31, 2022 and December 31, 2021, 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	
	March 31, 2022	December 31, 2021
Parts and work-in-process	\$ 88	\$ 70
Finished goods	25	28
Total inventories	\$ 113	\$ 98

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	
	March 31, 2022	December 31, 2021
Land	\$ 6	\$ 6
Buildings and leasehold improvements	56	55
Gaming machinery and equipment	696	712
Furniture and fixtures	21	22
Construction in progress	11	9
Other property and equipment	86	84
Less: accumulated depreciation	(679)	(675)
Total property and equipment, net	\$ 197	\$ 213

Depreciation expense is excluded from Cost of services, Cost of product sales and Other operating expenses and is separately presented within D&A.

	Three Months Ended March 31,	
	2022	2021
Depreciation expense	\$ 28	\$ 31

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

#### *Intangible Assets, net*

The following tables present certain information regarding our intangible assets as of March 31, 2022 and December 31, 2021:

	As of					
	March 31, 2022			December 31, 2021		
	Gross Carrying Value	Accumulated Amortization	Net Balance	Gross Carrying Value	Accumulated Amortization	Net Balance
Amortizable intangible assets:						
Customer relationships	\$ 912	\$ (468)	\$ 444	\$ 911	\$ (445)	\$ 466
Intellectual property	940	(686)	254	914	(670)	244
Licenses	436	(368)	68	472	(380)	92
Brand names	132	(101)	31	132	(97)	35
Trade names	162	(71)	91	158	(54)	104
Patents and other	12	(7)	5	12	(7)	5
Total intangible assets	\$ 2,594	\$ (1,701)	\$ 893	\$ 2,599	\$ (1,653)	\$ 946

The following reflects intangible amortization expense included within D&A:

	Three Months Ended March 31,	
	2022	2021
Amortization expense	\$ 60	\$ 45

The table below reconciles the change in the carrying value of goodwill by business segment for the period from December 31, 2021 to March 31, 2022.

	Gaming <sup>(1)</sup>	SciPlay	iGaming	Totals
Balance as of December 31, 2021	\$ 2,405	\$ 126	\$ 361	\$ 2,892
Acquired goodwill	—	93	—	93
Foreign currency adjustments	(2)	(2)	(3)	(7)
Balance as of March 31, 2022	<u>\$ 2,403</u>	<u>\$ 217</u>	<u>\$ 358</u>	<u>\$ 2,978</u>

(1) Accumulated goodwill impairment charges for the Gaming segment as of March 31, 2022 were \$989 million.

#### (10) Software, net

Software, net consisted of the following:

	As of	
	March 31, 2022	December 31, 2021
Software	\$ 995	\$ 996
Accumulated amortization	(890)	(879)
Software, net	<u>\$ 105</u>	<u>\$ 117</u>

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

	Three Months Ended March 31,	
	2022	2021
Amortization expense	\$ 20	\$ 21

#### (11) Long-Term and Other Debt

##### April 2022 Refinancing

On April 14, 2022, we completed a series of refinancing transactions, which, combined with other principal payments on the SGI Term Loan B-5 and SGI revolver in April 2022, reduced the outstanding face value of our debt by \$4,957 million, from \$8,910 million as of March 31, 2022 to \$3,953 million immediately after the completion of these transactions.

As a part of these transactions, we entered into the new credit agreements, which contains the following debt facilities:

- \$2,200 million new term loan facility maturing in April 2029. The new term loan facility will bear interest at either (i) Adjusted Term SOFR Rate (as defined in the credit agreement) plus 3.00% per annum or (ii) a base rate plus 2.00% per annum. The new term loan facility amortizes in quarterly installments in aggregate amounts of equal to 1.00% of the original principal amount per year; and
- \$750 million revolving credit facility maturing in April 2027. The new revolving credit facility will bear interest at either (i) Adjusted Term SOFR Rate (or an alternative benchmark rate for non-US dollar borrowings) plus 2.00% per annum or (ii) a base rate plus 1.00% per annum, with one 0.25% per annum step-up and one 0.25% per annum step-down based on SGI's first lien net leverage ratio at the end of future fiscal quarters.

With the issuance of the new term loan facility and using the proceeds from the divestitures of the Lottery Business (see Note 1), we retired and redeemed the following outstanding debt and paid accrued and unpaid interest thereon plus related premiums, fees and expenses:

Debt instrument	Interest rate	Maturity	Face value as of March 31, 2022	Paid interest	Premium, other fees and expenses
SGI Term Loan B-5	variable	2024	\$ 4,008	\$ 5	\$ 33
Senior Secured Notes	5.000%	2025	1,250	31	31
Senior Secured Euro Notes	3.375%	2026	361	2	6
Senior Unsecured Euro Notes	5.500%	2026	278	3	8
Senior Unsecured Notes	8.250%	2026	1,100	7	45
Total			<u>\$ 6,997</u>	<u>\$ 48</u>	<u>\$ 123</u>

The new credit facilities are subject to customary affirmative covenants and negative covenants as well as a financial covenant. The financial covenant is solely for the benefit of the new revolving facility, is tested at the end of each fiscal quarter if the outstanding borrowings (excluding up to \$5 million of undrawn letters of credit and any cash collateralized letters of credit) under the new revolving facility exceed 30% of the commitments under the new revolving facility, and requires that the Company not be in excess of a maximum consolidated net first lien leverage ratio of 4.50:1.00.

#### Outstanding Debt and Finance Leases

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

	As of					December 31, 2021
	March 31, 2022					
	Final Maturity	Rate(s)	Face value	Unamortized debt discount/premium and deferred financing costs, net	Book value	Book value
<b>Senior Secured Credit Facilities:</b>						
SGI Revolver	2024	variable	\$ 160	\$ —	\$ 160	\$ —
SGI Term Loan B-5	2024	variable	4,008	(32)	3,976	3,982
SciPlay Revolver	2024	variable	—	—	—	—
<b>SGI Senior Notes:</b>						
2025 Secured Notes <sup>(1)</sup>	2025	5.000%	1,250	(10)	1,240	1,240
2026 Secured Euro Notes <sup>(2)</sup>	2026	3.375%	361	(3)	358	364
2025 Unsecured Notes	2025	8.625%	550	(6)	544	544
2026 Unsecured Euro Notes <sup>(2)</sup>	2026	5.500%	278	(2)	276	280
2026 Unsecured Notes	2026	8.250%	1,100	(10)	1,090	1,090
2028 Unsecured Notes	2028	7.000%	700	(8)	692	692
2029 Unsecured Notes	2029	7.250%	500	(6)	494	494
Other <sup>(3)</sup>	2023	4.089%	3	—	3	4
Total long-term debt outstanding			\$ 8,910	\$ (77)	\$ 8,833	\$ 8,690
Less: current portion of long-term debt					(44)	(44)
Long-term debt, excluding current portion					\$ 8,789	\$ 8,646
Fair value of debt <sup>(4)</sup>			\$ 9,058			

(1) We entered into certain cross-currency interest rate swap agreements to achieve more attractive interest rates by effectively converting \$460 million of the fixed-rate, U.S. Dollar-denominated 2025 Secured Notes, including the semi-annual interest payments through October 2023, to a fixed-rate Euro-denominated debt, with a fixed annual weighted average interest rate of approximately 2.946%. These cross-currency swaps have been designated as a hedge of our net investment in certain subsidiaries.

(2) We designated a portion of our 2026 Secured Euro Notes as a net investment non-derivative hedge of our investments in certain of our international subsidiaries that use the Euro as their functional currency in order to reduce the volatility in our operating results caused by the change in foreign currency exchange rates of the Euro relative to the U.S. Dollar (see Note 12 for additional information). The total change in the face value of the 2026 Secured Euro Notes and 2026 Unsecured Euro Notes due to changes in foreign currency exchange rates since the issuance was a reduction of \$73 million, of which a gain of \$7 million was recognized on remeasurement of debt in the Consolidated Statements of Operations for the three months ended March 31, 2022.

(3) Primarily comprised of certain revenue transactions presented as debt in accordance with ASC 470.

(4) 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.

We were in compliance with the financial covenants under all debt agreements as of March 31, 2022 (for information regarding our financial covenants of all debt agreements, see Note 15 in our 2021 10-K).

For additional information regarding the terms of our credit facilities, Secured Notes and Unsecured Notes, see Note 15 in our 2021 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 March 31, 2022, we held the following derivative instruments that were accounted for pursuant to ASC 815:

##### Interest Rate Swap Contracts

We used 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 February 2018, we entered into interest rate swap contracts to hedge a portion of our interest expense associated with our 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 paid interest at a weighted-average fixed rate of 2.4418% and received interest at a variable rate equal to one-month LIBOR. The total notional amount of interest rate swaps was \$800 million. These hedges matured in February 2022.

In April 2022, we entered into the new 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.

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 (loss) and Interest expense recognized on our interest rate swap contracts:

	<b>Three Months Ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
Gain recorded in accumulated other comprehensive loss, net of tax	\$ 3	\$ 5
Interest expense recorded related to interest rate swap contracts	3	5

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

	<b>Three Months Ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
	<b>Interest expense</b>	
Total interest expense which reflects the effects of cash flow hedges	\$ (116)	\$ (121)
Hedged item	(3)	(5)
Derivative designated as hedging instrument	—	—

##### Cross-Currency Interest Rate Swaps

We entered into certain cross-currency interest rate swap agreements to achieve more beneficial interest rates by effectively converting \$460 million of our fixed-rate U.S. Dollar-denominated 2025 Secured Notes, including the semi-annual interest payments through October 2023, to fixed-rate Euro-denominated debt, with a fixed annual weighted average interest rate of approximately 2.946%. We have designated these cross-currency interest rate swap agreements as a net investment hedge of our investments in certain of our international subsidiaries that use the Euro as their functional currency in order to reduce the volatility in our operating results caused by the changes in foreign currency exchange rates of the Euro relative to the U.S. Dollar.

We use the spot method to measure the effectiveness of our net investment hedge. Under this method, for each reporting period, the change in the fair value of the \$460 million cross-currency interest rate swaps is reported in Foreign currency translation gain (loss) in Accumulated other comprehensive loss. The cross-currency basis spread (along with other

components of the cross-currency swap's fair value excluded from the spot method effectiveness assessment) are amortized and recorded to Interest expense. We evaluate the effectiveness of our net investment hedge at the beginning of each quarter.

In April of 2022 and as a result of the April 2022 Refinancing, we settled our cross-currency interest rate swaps and received approximately \$50 million in cash proceeds.

The following table shows the fair value of our hedges:

Balance Sheet Line Item	As of	
	March 31, 2022	December 31, 2021
Interest rate swaps <sup>(1)</sup>	\$ —	\$ 3
Cross-currency interest rate swaps <sup>(1)(2)</sup>	46	42

(1) The inputs used to measure the fair value of our interest rate swap contracts were categorized as Level 2 in the fair value hierarchy.

(2) A gain of \$4 million for the three months ended March 31, 2022 is reflected in Foreign currency translation gain (loss) in Other comprehensive gain (loss).

#### *Net Investment Non-derivative Hedge — 2026 Secured Euro Notes*

For the first quarter of 2022, we designated \$208 million of our 2026 Secured Euro Notes as a net investment non-derivative hedge of our investments in certain of our international subsidiaries that use the Euro as their functional currency in order to reduce the volatility in our results caused by the changes in foreign currency exchange rates of the Euro relative to the U.S. Dollar.

We use the spot method to measure the effectiveness of our net investment non-derivative hedge. Under this method, for each reporting period, the change in the hedged portion of the carrying value of the 2026 Secured Euro Notes due to remeasurement is reported in Foreign currency translation gain (loss) in Other comprehensive loss, and the remaining remeasurement change is recognized in (Loss) gain on remeasurement of debt in our consolidated statements of operations. We evaluate the effectiveness of our net investment non-derivative hedge at the beginning of each quarter, and the inputs used to measure the fair value of this non-derivative hedge are categorized as Level 2 in the fair value hierarchy.

#### *Contingent Acquisition Consideration Liabilities*

In connection with our acquisitions, we have recorded certain contingent consideration liabilities (including the redeemable non-controlling interest related to Alictus), 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 the redeemable non-controlling interest, which is remeasured 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.

Contingent acquisition consideration liabilities (including deferred purchase price and redeemable non-controlling interest for Alictus) as of March 31, 2022, are \$72 million, of which \$19 million is included in Accrued liabilities with the remainder included in Other long-term liabilities, with the increase primarily related to the Alictus acquisition described in Note 1. Contingent acquisition consideration liabilities as of December 31, 2021, were \$51 million, of which \$3 million was included in Accrued liabilities with the remaining balance included in Other long-term liabilities.

### **(13) Stockholders' Deficit**

#### *Changes in Stockholders' Deficit*

The following tables present certain information regarding our stockholders' deficit as of March 31, 2022 and March 31, 2021:

Three Months Ended March 31, 2022							
	Common Stock	Additional Paid in Capital	Accumulated Loss	Treasury Stock	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total
<b>January 1, 2022</b>	\$ 1	\$ 1,337	\$ (3,158)	\$ (175)	\$ (261)	\$ 150	\$ (2,106)
Settlement of liability awards and other, net	—	43	—	—	—	—	43
Vesting of RSUs, net of tax withholdings	—	(31)	—	—	—	—	(31)
Purchase of treasury stock	—	—	—	(51)	—	—	(51)
Stock-based compensation	—	17	—	—	—	—	17
Net income	—	—	26	—	—	2	28
Other comprehensive loss	—	—	—	—	(37)	—	(37)
<b>March 31, 2022</b>	<u>\$ 1</u>	<u>\$ 1,366</u>	<u>\$ (3,132)</u>	<u>\$ (226)</u>	<u>\$ (298)</u>	<u>\$ 152</u>	<u>\$ (2,137)</u>

Three Months Ended March 31, 2021							
	Common Stock	Additional Paid in Capital	Accumulated Loss	Treasury Stock	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total
<b>January 1, 2021</b>	\$ 1	\$ 1,268	\$ (3,529)	\$ (175)	\$ (218)	\$ 129	\$ (2,524)
Vesting of RSUs, net of tax withholdings and other	—	(13)	—	—	—	—	(13)
Stock-based compensation	—	17	—	—	—	—	17
Net loss	—	—	(15)	—	—	6	(9)
Other comprehensive income	—	—	—	—	8	—	8
<b>March 31, 2021</b>	<u>\$ 1</u>	<u>\$ 1,272</u>	<u>\$ (3,544)</u>	<u>\$ (175)</u>	<u>\$ (210)</u>	<u>\$ 135</u>	<u>\$ (2,521)</u>

#### Stock Based Compensation

The following reflects total stock-based compensation expense recognized under all programs in our continuing operations:

	Three Months Ended March 31,	
	2022	2021
Related to L&W stock options	\$ —	\$ 6
Related to L&W RSUs	12	11
Related to SciPlay RSUs	3	2
Total	<u>\$ 15</u>	<u>\$ 19</u>

#### Restricted Stock Units

A summary of the changes in RSUs outstanding under our equity-based compensation plans during the three months ended March 31, 2022 is presented below:

	Number of Restricted Stock Units	Weighted Average Grant Date Fair Value
Unvested RSUs as of December 31, 2021	2.7	\$ 32.03
Granted	1.4	\$ 58.68
Vested	(1.6)	\$ 38.28
Cancelled	—	\$ 37.07
Unvested RSUs as of March 31, 2022	<u>2.5</u>	<u>\$ 42.64</u>

The weighted-average grant date fair value of RSUs granted during the three months ended March 31, 2022 and 2021 was \$58.68 and \$43.63, respectively. The fair value of each RSU grant is based on the market value of our common stock at the time of grant. At March 31, 2022, we had \$85 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, of which \$9 million related to employees of discontinued operations. The fair value at vesting date of RSUs vested during the three months ended March 31, 2022 and 2021 was \$92.4 million and \$42.5 million, respectively.

#### Share Repurchase Program

As described in Note 17 within our 2021 10-K and in our Current Report on Form 8-K filed with the SEC on March 1, 2022, our Board of Directors approved a share repurchase program under which the Company is authorized to repurchase, from time to time through February 25, 2025, up to an aggregate amount of \$750 million of our outstanding common stock over a three-year period. During the first quarter of 2022, we repurchased 0.9 million shares of common stock under the program at an aggregate cost of \$51 million and an average of \$59.10 per share.

#### (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 March 31, 2022.

Our income tax expense (including discrete items) was \$3 million for both of the three months ended March 31, 2022 and March 31, 2021. In 2022, our effective tax rate differs from the U.S. statutory rate of 21% primarily as a result of not benefiting year to date losses in continuing operations in accordance with the intra-period tax expense/benefit allocation rules as generally prescribed under ASC 740-20. In all periods, we recorded tax expense relative to pre-tax earnings in jurisdictions without valuation allowances, including our 19% noncontrolling interest in SciPlay.

#### (15) Leases

Our total operating lease expense for both of the three months ended March 31, 2022 and March 31, 2021 was \$6 million. 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	
	March 31, 2022	December 31, 2021
Operating lease right-of-use assets <sup>(1)</sup>	\$ 50	\$ 51
Accrued liabilities	16	16
Operating lease liabilities	40	40
Total operating lease liabilities	\$ 56	\$ 56
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases for the three month periods ended March 31, 2022 and 2021, respectively	\$ 6	\$ 5
Weighted average remaining lease term, units in years	5	4
Weighted average discount rate	5 %	5 %

(1) Operating lease right-of-use assets obtained in exchange for lease obligations were immaterial.

Lease liability maturities:

	Remainder of 2022	2023	2024	2025	2026	Thereafter	Less Imputed Interest	Total
Operating leases	\$ 14	\$ 16	\$ 13	\$ 10	\$ 6	\$ 2	\$ (5)	\$ 56

As of March 31, 2022, 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 in Note 20 within our 2021 10-K. There have been no material changes to these matters since the 2021 10-K was filed with the SEC on March 1, 2022, except as 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 \$27 million for all of our legal matters that were contingencies both as of March 31, 2022 and December 31, 2021.

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 in Note 20 in our 2021 10-K and this Note 16 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, SGI, 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, SGI and the other shareholders of Wintech of up to \$5.0 million if certain levels of lottery sales were not achieved. In addition, SGI 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, SGI 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. SGI filed separate actions opposing each resolution with the Tribunal Contencioso of Cundinamarca in Colombia (the "Tribunal"), which upheld both resolutions. SGI 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 SGI 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 SGI to enforce the liquidation resolution and recover the claimed damages. In May 2013, the Tribunal denied SGI's merit defenses to the collection proceeding and issued an order of payment of approximately 90 billion Colombian pesos, or approximately \$30.2 million, plus default interest (potentially accrued since 1994 at a 12% statutory interest rate). SGI 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, SGI filed a motion for clarification of the Council of State's ruling, which was denied on April 15, 2021. On April 22, 2021, SGI filed a motion for reconsideration relating to that decision, which the Council of State denied on February 21, 2022.

SGI 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.

For additional information regarding our pending litigation matters, see Note 20 in our 2021 10-K.

## 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 2021 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 2021 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 game company with a focus on content and digital markets. Our portfolio of revenue-generating activities in our continuing operations 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 to retail customers, including casual gaming; and providing a comprehensive suite of digital RMG, distribution platforms, content, products and services to various gaming entities. Our portfolio of revenue-generating activities in the discontinued operations primarily includes providing instant and draw-based lottery products, lottery systems and lottery content and services to lottery operators along with providing sports wagering solutions to various gaming entities.

As more fully described in Part I, Item 1 “Business” in our 2021 10-K, we are executing on our strategy to become a leading cross-platform global game company with a focus on content and digital markets. We report our results of continuing 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.

### Recent Events

- *Re-branding* - On April 28, 2022 we changed our name to “Light & Wonder, Inc.”
- *April 2022 Refinancing* - On April 14, 2022, we completed a series of refinancing transactions, which, combined with the principal payments on the SGI Term Loan B-5 and SGI Revolver in April, reduced the outstanding face value of our debt by \$4,957 million, from \$8,910 million as of March 31, 2022 to \$3,953 million immediately after the completion of these transactions. This is a major milestone in transforming and deleveraging our balance sheet (see Note 11 for additional information).
- *Lottery Divestiture* - On April 4, 2022, we completed the divestiture of the Lottery Business and received \$5.6 billion in gross cash proceeds. This excludes the Austria Business, for which we are awaiting regulatory approval in Austria, which approval is expected to be received and the transaction to be completed by the end of the second quarter of 2022, which will provide an additional \$104 million of expected gross proceeds.
- *Share Repurchase* - Since the initiation of the program on March 3, 2022 and through May 9, 2022, we returned \$147 million of capital to shareholders through the repurchase of 2.5 million shares of common stock.
- *Acquisitions* - In March 2022, SciPlay acquired Alictus, a Turkey-based hyper-casual game studio that expands the SciPlay business in the casual gaming market for approximately \$106 million cash consideration, net of cash acquired (see Note 1 for additional details). In April 2022, we acquired Playzido, which will expand our iGaming content offering.

### *Impact of COVID-19*

While the COVID-19 pandemic had impacted our operating results during the first quarter of 2021, the operating results substantially recovered during the first quarter of 2022 due to the lifting of COVID-19 restrictions, such as social distancing and mask mandates. We continue to see fluctuations in infection rates and regulations for various regions along with ongoing domestic and international travel restrictions or warnings, social distancing measures, reduced operating capacity and an overall economic and general uncertainty regarding the magnitude and length of time that these disruptions will continue. Additionally, the COVID-19 pandemic has impacted supply chains in numerous industries, causing 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 service, which could impact our customers. These circumstances may change in the future and such changes could be material.

#### Foreign Exchange

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 March 31,			
	2022		2021	
	Revenue	% Consolidated Revenue	Revenue	% Consolidated Revenue
Foreign Currency:				
British Pound Sterling	\$ 42	7 %	\$ 25	6 %
Euro	45	8 %	26	6 %

We also have foreign currency exposure related to cross-currency interest rate swaps and Euro-denominated debt. See Part I, Item 1A in our 2021 10-K, “Consolidated Results — Other Factors Affecting 2021 and 2020 Net Income (Loss) Attributable to L&W Comparability” under Item 7 in our 2021 10-K and Item 3 “Quantitative and Qualitative Disclosures about Market Risk” in this Quarterly Report on Form 10-Q.

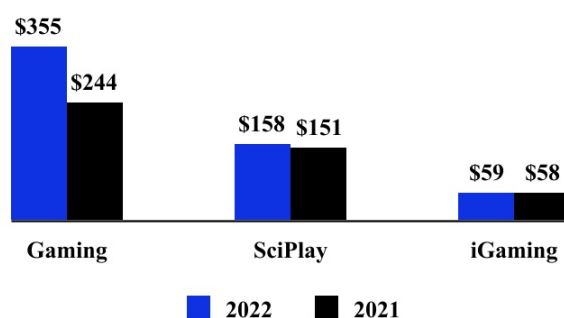
#### CONSOLIDATED RESULTS

(\$ in millions)	Three Months Ended March 31,		Variance	
	2022	2021	2022 vs. 2021	
Total revenue	\$ 572	\$ 453	\$ 119	26 %
Total operating expenses	532	449	83	18 %
Operating income	40	4	36	900 %
Net loss from continuing operations before income taxes	(64)	(85)	21	25 %
Net loss from continuing operations	(67)	(88)	21	24 %
Net income from discontinued operations, net of tax	95	79	16	20 %
Net income (loss) attributable to L&W	\$ 26	\$ (15)	\$ 41	273 %

#### Revenue

#### Consolidated Revenue by Business Segment (in millions)

Three Months Ended March 31, 2022 and 2021



The increase in Gaming revenue was primarily due to the continued rebounding of operations since the adverse impacts of COVID-19 on 2021 comparable results, which was driven by increased demand for our products and services.

Particularly, we are seeing continued growth and strength in gaming operations and gaming machine sales, with gaming operations exceeding 2019 levels.

SciPlay revenue increased as a result of an increase in average monthly paying users due to a higher payer conversion rate during the period, and to a lesser extent, due to an increase in advertising revenue following the Alictus acquisition.

The increase in iGaming revenue of 2% is due to continuing momentum in the U.S. inclusive of revenue related to acquisitions completed in the second half of 2021 and primarily driven by the strength of our original content. The prior year revenue benefited from strong iGaming performance impacted by COVID-19 closures.

#### Operating Expenses

(\$ in millions)	Three Months Ended March 31,		Variance	
	2022	2021	2022 vs. 2021	
<b>Operating expenses:</b>				
Cost of services	\$ 90	\$ 87	\$ 3	3 %
Cost of product sales	70	40	30	75 %
Selling, general and administrative	175	159	16	10 %
Research and development	53	45	8	18 %
Depreciation, amortization and impairments	108	97	11	11 %
Restructuring and other	36	21	15	71 %
Total operating expenses	\$ 532	\$ 449	\$ 83	18 %

#### Cost of Revenue

Total cost of revenue increased as a direct result of higher revenue for all three of our business segments as described above, primarily driven by \$30 million in higher cost of product revenue associated with higher gaming machine sales.

#### SG&A

The increase in SG&A was primarily due to higher salaries and benefits in the Gaming and SciPlay segments as a result of increased employee headcount in order to support operations return to higher activity levels, coupled with higher SciPlay user acquisition costs.

#### R&D

The increase in R&D was primarily due to higher salaries and benefits in the Gaming and SciPlay segments as a result of increased employee headcount in order to support operations returning to higher activity levels, coupled with investments supporting ongoing growth.

#### D&A

The increase in D&A was primarily due to approximately \$16 million related to accelerated amortization of certain of our legacy trade names triggered by corporate wide re-branding (see Note 11 in our 2021 10-K for further details), which was partially offset by fully depreciated assets related to prior acquisitions, net of 2021 acquisitions.

#### Restructuring and Other

The increase in restructuring and other was primarily due to higher professional services, legal and other charges related to the divestitures.

#### Other Factors Affecting Net Income (Loss) Attributable to L&W

(in millions)	Three Months Ended March 31,		Factors Affecting Net Income (Loss) Attributable to L&W	
	2022	2021	2022 vs. 2021	
Gain on remeasurement of debt	\$ 7	\$ 25	Gains are attributable to remeasurement of the 2026 Secured Euro Notes and 2026 Unsecured Euro Notes and reflect changes in the Euro vs. the U.S. Dollar foreign exchange rates between the periods. 67% of our Euro Notes were not treated as a net investment hedge in the first quarter of 2022 compared to 81% in the first quarter of 2021.	

As described above and in Note 11, we completed the April 2022 Refinancing transactions, and as a result we expect that a substantial amount of the fees and premiums associated with the redeemed notes and unamortized debt discounts and deferred financing costs associated with these debt instruments will result in loss on debt financing transaction charges in the second quarter of 2022.

#### Discontinued Operations

The \$12 million or 4% increase in revenue was primarily due to higher international and domestic Lottery instant products revenue, coupled with higher revenue from the Sports Betting Business due to its continued growth and expansion in the U.S. sports-betting market. The increase in revenue coupled with no D&A recorded for assets held for sale in the first quarter of 2022 drove the increase in net income from discontinued operations, net of tax by \$16 million or 20%. Refer to Note 2 for further information on our discontinued operations.

See “Business Segments Results” below for a more detailed explanation of the significant changes in our components of revenue within the individual segment results of operations.

### BUSINESS SEGMENTS RESULTS (for the three months ended March 31, 2022 compared to the three months ended March 31, 2021)

#### 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 product sales. 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 product sales 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.

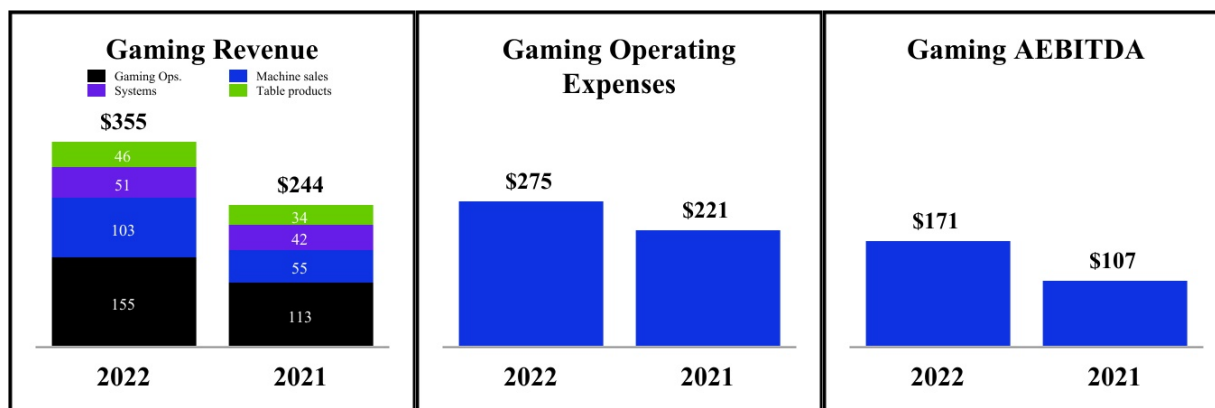
For additional information, refer to the Gaming primary business activities summary included within “Business Segment Results” under Item 7 of our 2021 10-K.

#### Current Year Update

We saw an increase in the demand for our Gaming products and services as the economy continues to rebound from the previously lifted COVID-19 restrictions, causing the return of casino and gaming operations to more normalized pre-COVID levels. Increase in Gaming revenue was driven by Gaming operations, which exceeded 2019 levels due to higher installed base and average daily revenue per unit. We are experiencing some supply chain challenges that could impact our ability to meet demand for our products and delay the timing of fulfillment of these orders and consequently the timing of revenue recognition.

#### Results of Operations and KPIs

#### Three Months Ended March 31, 2022 and 2021



Results of Operations and KPIs

(\$ in millions)	Three Months Ended March 31,		Variance	
	2022	2021	2022 vs. 2021	
<b>Revenue:</b>				
Gaming operations	\$ 155	\$ 113	\$ 42	37 %
Machine sales	103	55	48	87 %
Systems	51	42	9	21 %
Table products	46	34	12	35 %
Total revenue	\$ 355	\$ 244	\$ 111	45 %
F/X impact on revenue	\$ (3)	\$ 2	\$ (5)	(250)%
<b>Gaming KPIs:</b>				
<b>U.S. and Canada units:</b>				
Installed base at period end	30,359	29,809	550	2 %
Average daily revenue per unit	\$ 43.39	\$ 35.45	\$ 7.94	22 %
<b>International units<sup>(1)</sup>:</b>				
Installed base at period end	29,762	31,703	(1,941)	(6)%
Average daily revenue per unit	\$ 13.72	\$ 3.03	\$ 10.69	353 %
<b>Gaming machine unit sales:</b>				
U.S. and Canada new unit shipments	3,382	1,943	1,439	74 %
International new unit shipments	1,914	656	1,258	192 %
Total new unit shipments	5,296	2,599	2,697	104 %
Average sales price per new unit	\$ 17,099	\$ 16,622	\$ 477	3 %

(1) Excludes the impact of game content licensing revenue.

Gaming Operations

Gaming operations revenue increased due to the impacts of COVID-19 disruptions on the prior year period as described in the *Consolidated Results – Revenue* section above, coupled with strong growth, which exceeded 2019 levels as a result of strong product performance and increased market share. Gaming operations had a 550-unit increase in the U.S. and Canada installed base along with increases in average daily revenue per unit of \$7.94 for the U.S. and Canada units and \$10.69 for the International units, as we continue to see rebounding in demand since the COVID-19-induced business disruptions. International ending installed base decreased by 1,941-units primarily due to the closure of certain LBOs in the U.K. along with the reduction of some underperforming units in Latin America and certain low yield operations in Greece.

Gaming Machine Sales

Gaming machine sales revenue increased due to higher sales of replacement units both in U.S and Canada and internationally along with a higher average sales price per new unit. Additionally, the impact of the COVID-19 pandemic on the prior year period as described above, resulted in lower unit shipments in the prior year period. The following table summarizes Gaming machine sales changes:

	Three Months Ended March 31,		Variance	
	2022	2021	2022 vs. 2021	
<b>U.S. and Canada unit shipments:</b>				
Replacement units	3,152	1,623	1,529	94 %
Casino opening and expansion units	230	320	(90)	(28)%
Total unit shipments	3,382	1,943	1,439	74 %
<b>International unit shipments:</b>				
Replacement units	1,914	656	1,258	192 %
Casino opening and expansion units	—	—	—	nm
Total unit shipments	1,914	656	1,258	192 %

nm = not meaningful.

### Operating Expenses and AEBITDA

Operating expenses increased by \$54 million primarily due to (1) \$32 million in higher cost of revenue associated with the increase in revenue as described above, (2) \$8 million in higher D&A primarily driven by accelerated amortization of legacy trade names, which were partially offset by fully depreciated assets related to prior acquisitions, and (3) \$14 million in higher SG&A and R&D costs.

AEBITDA increased as a result of the strong revenue growth as described above. AEBITDA as a percentage of revenue (“AEBITDA margin”) increased by 4 percentage points to 48%, which is primarily related to increased revenues.

### SCIPLAY

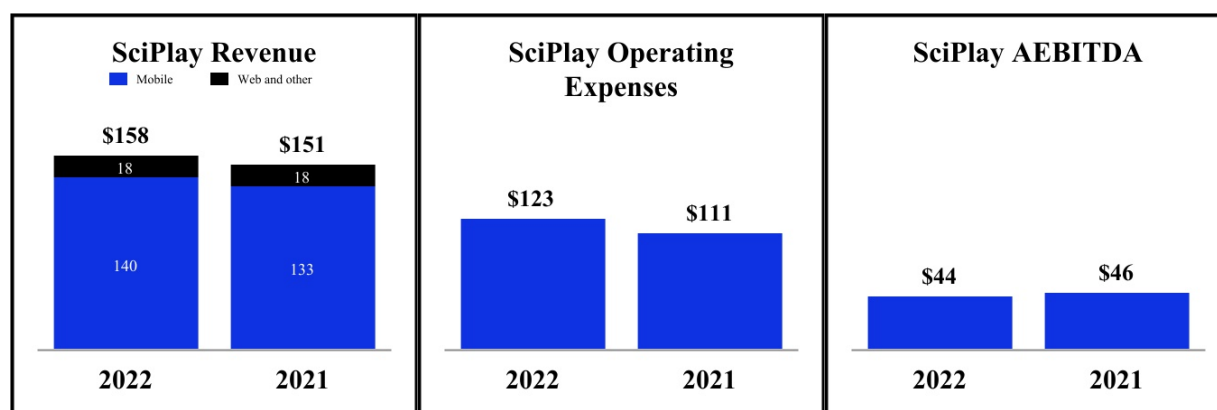
Our SciPlay business segment is a leading developer and publisher of digital games on mobile and web platforms. SciPlay operates in the social gaming market, which is characterized by gameplay online, on mobile phones or on tablets, that are social and competitive, and self-directed in pace and session length; as well as 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 coins, chips and cards, which players can use to play slot games, table games or bingo games. SciPlay also generates additional revenue, in the hyper-casual space, from the receipt of advertising revenue. Players who install SciPlay’s 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. 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®*, *Solitaire Pets™ Adventure*, and *Backgammon Live* as well as many titles in the hyper-casual space through our recent acquisition of Alictus, including games such as *Candy Challenge 3D™*, *Boss Life™* and *Deep Clean*. SciPlay currently plans to launch an additional casual game and a number of hyper-casual games in 2022. 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™*, *THE FLINTSTONES™*, *JAMES BOND™*, and *PLAYBOY™*. 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

On March 1, 2022, SciPlay acquired Alictus, a Turkey-based hyper-casual game studio, which expanded SciPlay’s business in the casual gaming market, grew its game pipeline and diversified its revenue streams as SciPlay advances its strategy to be a diversified global game developer.

## Three Months Ended March 31, 2022 and 2021



## Revenue

(\$ in millions)	Three Months Ended March 31,		Variance	
	2022	2021	2022 vs. 2021	
<b>Revenue:</b>				
Mobile in-app purchases	\$ 140	\$ 133	\$ 7	5 %
Web in-app purchases and other	18	18	—	— %
<b>Total revenue</b>	<b>\$ 158</b>	<b>\$ 151</b>	<b>\$ 7</b>	<b>5 %</b>

## SciPlay KPIs:

## In-App Purchases:

Mobile Penetration <sup>(1)</sup>	90 %	88 %	2 pp	nm
Average MAU <sup>(2)</sup>	6.3	6.7	(0.4)	(6)%
Average DAU <sup>(3)</sup>	2.3	2.5	(0.2)	(8)%
ARPPU <sup>(4)</sup>	\$ 0.74	\$ 0.67	\$ 0.07	10 %
Average MPU <sup>(5)</sup>	0.6	0.5	0.1	20 %
AMRPPU <sup>(6)</sup>	\$ 92.45	\$ 92.80	\$ (0.35)	0 %
Payer Conversion Rate <sup>(7)</sup>	8.9 %	8.1 %	0.8 pp	nm

nm = not meaningful.

pp = percentage points.

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

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

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

(4) ARPPU = 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.

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

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

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

Total revenues increased as a result of an increase in average monthly paying users due to a higher payer conversion rate during the period and to a lesser extent, due to an increase in advertising revenue following the Alictus acquisition.

The increase in mobile penetration percentage primarily reflects a continued trend of players migrating from web to mobile platforms to play SciPlay's games.

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

AMRPPU decreased while MPU increased as payer conversion improved compared to the prior year period.

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

**Operating Expenses and AEBITDA**

The increase in operating expenses is primarily correlated with the increase in revenue (as described above) as a result of higher platform fees, higher user acquisition spend of \$5 million and higher salaries and benefits related to an increase in headcount, coupled with an increase in D&A due to additional amortization associated with intangible assets acquired in conjunction with the Alictus and Koukoi acquisitions.

AEBITDA decreased primarily due to the increase in operating expenses driven by higher user acquisition spend and personnel costs. AEBITDA margin decreased by 2 percentage points primarily due to higher operating expenses as described above.

**iGAMING**

Our iGaming business segment provides a comprehensive suite of digital online gaming content, including digital RMG, distribution platforms, content, products and services. We derive revenue from our content aggregation platforms, including Open Gaming System, remote gaming servers, and various other platforms, which can deliver a wide spectrum of internally developed and branded casino-style games and popular third-party provider casino-style games to gaming operators. We also provide the Open Platform 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 on our centrally located servers that are integrated with the online casino operators’ websites.

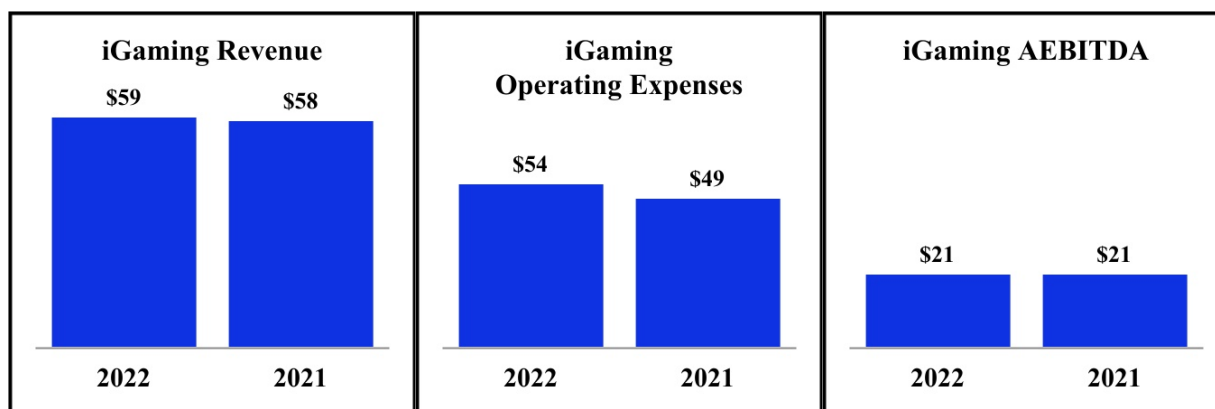
**Current Year Update**

We continue to expand our customer base and capitalize on growth in the U.S. and other emerging markets by leveraging our industry leading platforms, content and solutions. In April in conjunction with Ontario Canada’s launch of online gaming, we achieved our biggest single market launch, going live with 8 operators on day 1.

In April 2022, we acquired Playzido, which will expand our content offering.

**Results of Operations**

**Three Months Ended March 31, 2022 and 2021**



The increase in revenue of 2% is due to continuing momentum in the U.S. inclusive of revenue related to acquisitions completed in the second half of 2021 and primarily driven by the strength of our original content. The prior year revenue benefited from elevated player engagement during COVID-19. AEBITDA remained relatively flat from the prior year period due to investments supporting ongoing growth including our upcoming launch of live dealer in the U.S.

**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 2021 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 2021 10-K.

## LIQUIDITY, CAPITAL RESOURCES AND WORKING CAPITAL

### April 2022 Refinancing

On April 14, 2022, we completed a series of refinancing transactions, which, combined with the principal payments on the SGI Term Loan B-5 and SGI Revolver in April, reduced the outstanding face value of our debt by \$4,957 million, from \$8,910 million as of March 31, 2022 to \$3,953 million immediately after the completion of these transactions (see Note 11 for additional details).

The following table reflects supplemental information presenting our principal debt balances as of March 31, 2022 adjusted for the impact of the April refinancing transactions:

	Final Maturity	Rate(s)	Outstanding Principal Value as of March 31, 2022 (see Note 11)	April 14, 2022 Refinancing Impact	Outstanding Principal Value Adjusted
<b>Senior Secured Credit Facilities:</b>					
SGI Revolver	2024	variable	\$ 160	\$ (160)	\$ —
SGI Term Loan B-5	2024	variable	4,008	(4,008)	—
New Term Loan	2029	variable	—	2,200	2,200
<b>SGI Senior Notes:</b>					
2025 Secured Notes	2025	5.000%	1,250	(1,250)	—
2026 Secured Euro Notes	2026	3.375%	361	(361)	—
2025 Unsecured Notes	2025	8.625%	550	—	550
2026 Unsecured Euro Notes	2026	5.500%	278	(278)	—
2026 Unsecured Notes	2026	8.250%	1,100	(1,100)	—
2028 Unsecured Notes	2028	7.000%	700	—	700
2029 Unsecured Notes	2029	7.250%	500	—	500
Other	2023	4.089%	3	—	3
Total long-term debt outstanding			<u>\$ 8,910</u>	<u>\$ (4,957)</u>	<u>\$ 3,953</u>

### Cash and Available Liquidity

As of March 31, 2022, 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), cash and cash equivalents of businesses held for sale and amounts available under the SciPlay Revolver (for our SciPlay business segment).

### Cash and Available Revolver Capacity

<b>(in millions)</b>	<b>Cash and cash equivalents</b>	<b>Revolver capacity</b>	<b>Revolver capacity drawn or committed to letters of credit</b>	<b>Total</b>
L&W (excluding SciPlay and businesses held for sale)	\$ 204	\$ 650	\$ (172)	\$ 682
SciPlay	292	150	—	442
Businesses held for sale	86	—	—	86
Total as of March 31, 2022	<u>\$ 582</u>	<u>\$ 800</u>	<u>\$ (172)</u>	<u>\$ 1,210</u>
L&W (excluding SciPlay and businesses held for sale)	\$ 221	\$ 650	\$ (12)	\$ 859
SciPlay	364	150	—	514
Businesses held for sale	44	—	—	44
Total as of December 31, 2021	<u>\$ 629</u>	<u>\$ 800</u>	<u>\$ (12)</u>	<u>\$ 1,417</u>

Total cash held by our foreign subsidiaries (including discontinued operations) was \$196 million and \$180 million as of March 31, 2022 and December 31, 2021, 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 units footprint. 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 also, from time to time, repurchase or otherwise retire or refinance our debt, through our subsidiaries or otherwise. In the event we pursue significant acquisitions or other expansion opportunities, 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 2021 10-K.

On May 9, 2022, SciPlay Board of Directors approved a share repurchase program under which SciPlay is authorized to repurchase, from time to time through May 9, 2024, up to an aggregate amount of \$60 million of SciPlay’s outstanding Class A common stock over a two-year period.

#### Cash Flow Summary

<b>(\$ in millions)</b>	<b>Three Months Ended March 31,</b>		<b>Variance</b>
	<b>2022</b>	<b>2021</b>	<b>2022 vs. 2021</b>
<b>Net cash (used in) provided by operating activities from:</b>			
Continuing operations	\$ (14)	\$ 25	\$ (39)
Discontinued operations	108	98	10
Net cash provided by operating activities	<u>94</u>	<u>123</u>	<u>(29)</u>
<b>Net cash used in investing activities from:</b>			
Continuing operations	(151)	(34)	(117)
Discontinued operations	(25)	(27)	2
Net cash used in investing activities	<u>(176)</u>	<u>(61)</u>	<u>(115)</u>
<b>Net cash provided by (used in) financing activities from:</b>			
Continuing operations	54	(135)	189
Discontinued operations	(2)	(4)	2
Net cash provided by (used in) financing activities	<u>52</u>	<u>(139)</u>	<u>191</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(1)	(1)	—
Decrease in cash, cash equivalents and restricted cash	<u>\$ (31)</u>	<u>\$ (78)</u>	<u>\$ 47</u>

#### Cash Flows from Operating Activities

(\$ in millions)	Three Months Ended March 31,		Variance
	2022	2021	2022 vs. 2021
Net income (loss)	\$ 28	\$ (9)	\$ 37
Less: Income from discontinued operations, net of tax	(95)	(79)	(16)
Adjustments to reconcile net loss from continuing operations to net cash (used in) provided by operating activities from continuing operations	121	96	25
Changes in working capital accounts, excluding the effects of acquisitions	(72)	17	(89)
Changes in deferred income taxes and other	4	—	4
Net cash (used in) provided by operating activities from continuing operations	\$ (14)	\$ 25	\$ (39)

Net cash used in operating activities (after adjustments to reconcile net loss from continuing operations to net cash (used in) provided by operating activities from continuing operations and changes in deferred income taxes and other) increased primarily due to a \$50 million increase in earnings (drivers described above), which was offset by an \$89 million unfavorable change in working capital accounts.

Changes in working capital accounts, excluding the effects of acquisitions from continuing operations, for the three months ended March 31, 2022 were primarily driven by the timing of disbursements including costs associated with the strategic transactions, higher incentive compensation payout, and higher inventory purchases in order to limit supply chain impacts and support future sale levels.

Net cash provided by operating activities from discontinued operations increased primarily due to higher earnings and favorable impact of working capital changes.

#### *Cash Flows from Investing Activities*

Net cash used in investing activities from continuing operations increased primarily due to SciPlay acquisition of Alictus during the first quarter of 2022, as described in Note 1, and higher capital expenditures. Capital expenditures are composed of investments in systems, equipment and other assets related to contracts, property and equipment, intangible assets and software.

#### *Cash Flows from Financing Activities*

Net cash provided by financing activities increased primarily due to borrowing of \$230 million under the SGI revolving credit facility, offset by purchases of treasury stock and taxes paid related to net share settlement of equity awards. During the three months ended March 31, 2022, we purchased \$51 million of our common stock.

#### *Credit Agreement and Other Debt*

On April 14, 2022, we completed a series of refinancing transactions, which, combined with the principal payments on the SGI Term Loan B-5 and SGI Revolver in April, reduced the outstanding face value of our debt by \$4,957 million, from \$8,910 million as of March 31, 2022 to \$3,953 million immediately after the completion of these transactions. See Note 11 and April 2022 Refinancing section above for additional information.

For additional information regarding our 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 2021 10-K and Item 3 below and Note 11 in this form 10-Q.

#### *Off-Balance Sheet Arrangements*

As of March 31, 2022, we did not have any significant off-balance sheet arrangements.

#### *Contractual Obligations*

There have been no material changes to our contractual obligations disclosed under Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity, Capital Resources and Working Capital — Contractual Obligations” in our 2021 10-K, other than those related to the acquisition described in Note 1 and the debt pay down and refinancing transactions described in Note 11.

### **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 March 31, 2022, the face value of long-term debt was \$8,910 million, including \$4,168 million of variable-rate obligations. Assuming a constant outstanding balance for our variable-rate long term debt, a hypothetical 1% change in interest rates would decrease/increase interest expense by approximately \$42 million. All of our interest rate sensitive financial instruments are held for other than trading purposes.

We used interest rate swap contracts to mitigate interest rate risk associated with a portion of our variable rate debt instruments. The objective of our interest rate swap contracts, which were designated as cash flow hedges of the future interest payments, was to eliminate the variability of cash flows attributable to the LIBOR component of interest expense to be paid on a portion of our variable rate debt. These hedges matured in February 2022.

In April 2022, we entered into new 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.

### *Cross-Currency Interest Rate Swaps*

During 2018, we entered into certain cross-currency interest rate swap agreements to achieve more attractive interest rates by effectively converting \$460 million of our fixed-rate U.S. Dollar-denominated 2025 Secured Notes, including the semi-annual interest payments through October 2023, to a fixed-rate Euro-denominated debt, with a fixed annual weighted average interest rate of approximately 2.946%. We have designated these cross-currency interest rate swap agreements as a net investment hedge of our investments in certain of our international subsidiaries that use the Euro as their functional currency in order to reduce the volatility in our operating results caused by the changes in foreign currency exchange rates of the Euro with respect to the U.S. Dollar.

As of March 31, 2022, if these cross-currency interest rate swap agreements were ineffective, the fluctuations in the exchange rates between the Euro and the U.S. Dollar would impact the amount of U.S. Dollars that we would require to settle the Euro-denominated debt at maturity of these agreements. A hypothetical 10% change in the U.S. Dollar in comparison to the Euro exchange rate upon inception of the cross-currency interest rate swap would have increased/decreased our obligation to cash settle the exchanged principal portion in U.S. Dollars by approximately \$46 million.

In April of 2022 and as a result of the April 2022 Refinancing, we settled our cross-currency interest rate swaps and received approximately \$50 million in cash proceeds.

### *Net Investment Non-Derivative Hedge - 2026 Secured Euro Notes*

We designated a portion of our 2026 Secured Euro Notes as a net investment non-derivative hedge of our investments in certain of our international subsidiaries that use the Euro as their functional currency in order to reduce the volatility in our operating results caused by the changes in foreign currency exchange rates of the Euro with respect to the U.S. Dollar.

Fluctuations in the exchange rates between the Euro and the U.S. Dollar will impact the amount of U.S. Dollars that we will require to settle the 2026 Secured Euro Notes and 2026 Unsecured Euro Notes at maturity. A hypothetical 10% change in U.S. Dollar in comparison to the Euro as of March 31, 2022, would have increased/decreased our obligation to cash settle the principal portion of the 2026 Secured and Unsecured Euro Notes in U.S. Dollars by approximately \$64 million.

The completion of the pending disposition of the discontinued operations is expected to result in a reduction of net investments in our international subsidiaries available for hedging, which could result in increased volatility in our operating results.

For additional information regarding interest rate swap contracts, cross-currency interest rate swaps and net investment non-derivative hedges, see Note 12.

## **Item 4. Controls and Procedures**

Under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures as required by Exchange Act Rule 3a-15(b) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective as of March 31, 2022.

There were no changes in our internal control over financial reporting during the three months ended March 31, 2022 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 2021 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 2021 10-K.

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

We repurchased 0.9 million shares under the share repurchase program during the three months ended March 31, 2022.

(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	Total Cost of Repurchase	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program
1/1/2022 - 2/28/2022	—	\$ —	\$ —	\$ 750
3/1/2022 - 3/31/2022	0.9	\$ 59.10	\$ 51	\$ 699
Total	0.9	\$ —	\$ 51	\$ 699

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

Not applicable

**Item 5. Other Information**

None.

**Item 6. Exhibits**

<b>Exhibit Number</b>	<b>Description</b>
3.1(a)	<a href="#">Articles of Merger filed with the Secretary of State of the State of Nevada on January 10, 2018 (incorporated by reference to Exhibit 3.3 to Light &amp; Wonder, Inc.'s Current Report on Form 8-K filed on January 10, 2018).</a>
3.1(b)	<a href="#">Certificate of Merger filed with the Secretary of State of the State of Delaware on January 10, 2018 (incorporated by reference to Exhibit 3.4 to Light &amp; Wonder, Inc.'s Current Report on Form 8-K filed on January 10, 2018).</a>
3.1(c)	<a href="#">Amended and Restated Articles of Incorporation of Light &amp; Wonder, Inc., filed with the Secretary of State of the State of Nevada on January 10, 2018 (incorporated by reference to Exhibit 3.1 to Light &amp; Wonder, Inc.'s Current Report on Form 8-K filed on January 10, 2018).</a>
3.1(d)	<a href="#">Certificate of designation of Series A Junior Participating Preferred Stock of Light &amp; Wonder, Inc., filed with the Secretary of State of the State of Nevada on January 10, 2018 (incorporated by reference to Exhibit 3.5 to Light &amp; Wonder, Inc.'s Current Report on Form 8-K filed on January 10, 2018).</a>
3.1(e)	<a href="#">Articles of Merger, filed with Secretary of State of the State of Nevada, effective as of April 28, 2022 (incorporated by reference to Exhibit 3.1 to Light &amp; Wonder, Inc.'s Current Report on Form 8-K filed on April 29, 2022).</a>
3.2	<a href="#">Second Amended and Restated Bylaws of Light &amp; Wonder, Inc., effective as of April 28, 2022 (incorporated by reference to Exhibit 3.2 to Light &amp; Wonder, Inc.'s Current Report on Form 8-K filed on April 29, 2022).</a>
4.1	<a href="#">Supplemental Indenture, dated as of April 27, 2022, by and among Scientific Games International, Inc., as issuer, L&amp;W Merger Sub, Inc. and the other guarantors party thereto and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture, dated as of November 26, 2019, as amended and supplemented, relating to the 7.250% Senior Unsecured Notes due 2029.(†)</a>
4.2	<a href="#">Supplemental Indenture, dated as of April 27, 2022, by and among Scientific Games International, Inc., as issuer, L&amp;W Merger Sub, Inc. and the other guarantors party thereto and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture, dated as of November 26, 2019, as amended and supplemented, relating to the 7.000% Senior Unsecured Notes due 2028.(†)</a>
4.3	<a href="#">Supplemental Indenture, dated as of April 27, 2022, by and among Scientific Games International, Inc., as issuer, L&amp;W Merger Sub, Inc. and the other guarantors party thereto and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture, dated as of July 1, 2020, as amended and supplemented, relating to the 8.625% Senior Unsecured Notes due 2025.(†)</a>
10.1	<a href="#">Senior Executive Divestiture Retention Program Letter, dated as of February 22, 2022, by and between Light &amp; Wonder, Inc. and Patrick J. McHugh.*(†)</a>
10.2	<a href="#">Amendment No. 9, dated as of February 28, 2022, among Scientific Games International, Inc., as the borrower, Light &amp; Wonder, Inc., as a guarantor, the several banks and other financial institutions or entities from time to time party thereto and Bank of America, N.A., as administrative agent, collateral agent, issuing lender and swingline lender, which amended and restated the Credit Agreement, dated as of October 18, 2013 (as amended, supplemented, amended and restated or otherwise modified from time to time, including without limitation, by that certain Amendment No. 1, dated as of October 1, 2014, Amendment No. 2, dated as of February 14, 2017, Amendment No. 3, dated as of August 14, 2017, Amendment No. 4, dated as of February 14, 2018, Amendment No. 5, dated as of November 20, 2019, Amendment No. 6, dated as of May 8, 2020, Amendment No. 7, dated as of October 8, 2020, and Amendment No. 8, dated July 28, 2021).(incorporated by reference to Exhibit 10.1 to Light &amp; Wonder, Inc.'s Current Report on Form 8-K filed on March 1, 2022).</a>
31.1	<a href="#">Certification of the Chief Executive Officer of Light &amp; Wonder, Inc. pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (†)</a>
31.2	<a href="#">Certification of the Chief Financial Officer of Light &amp; Wonder, Inc. pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (†)</a>
32.1	<a href="#">Certification of the Chief Executive Officer of Light &amp; 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.**</a>
32.2	<a href="#">Certification of the Chief Financial Officer of Light &amp; 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.**</a>

101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Label Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File - the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.

(†) Filed herewith.

\*\* Furnished herewith.

\*Management contracts and compensation plans and arrangements.

## SIGNATURES

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

LIGHT & WONDER, INC.

\_\_\_\_\_  
(Registrant)

By: /s/ Constance P. James

Name: Constance P. James

Title: Executive Vice President, Chief Financial Officer, Treasurer, Corporate Secretary,  
and Principal Accounting Officer

Dated: May 10, 2022

SUPPLEMENTAL INDENTURE, dated as of April 27, 2022 (this “Supplemental Indenture”), by and among Scientific Games International, Inc., a Delaware corporation (the “Company”), the Guarantors (as defined in the indenture referred to herein), L&W Merger Sub, Inc., a Delaware corporation (the “Additional Guarantor”), and Deutsche Bank Trust Company Americas, a New York banking corporation, as trustee (the “Trustee”).

WHEREAS, the Company, the original Guarantors and the Trustee executed an Indenture, dated as of November 26, 2019, as amended and supplemented (the “Indenture”), relating to the Company’s 7.250% Senior Unsecured Notes due 2029;

WHEREAS, under certain circumstances, Section 10.17 of the Indenture requires the Company to cause each of the Company’s Restricted Subsidiaries to execute and deliver to the Trustee a supplemental indenture and thereby become a Guarantor bound by the Guarantee of the Securities on the terms set forth in Article Ten of the Indenture;

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture; and

WHEREAS, except as otherwise defined herein in this Supplemental Indenture, capitalized terms used in this Supplemental Indenture have the meanings specified in the Indenture;

NOW, THEREFORE, in consideration of the above premises, each party agrees, for the benefit of the other parties and for the equal and ratable benefit of the Holders of the Securities, as follows:

#### ARTICLE ONE

#### AMENDMENT

Section 1.01. Amendment. The Additional Guarantor hereby agrees to become a Guarantor bound by the Guarantee of the Securities on the terms set forth in Article Ten of the Indenture.

#### ARTICLE TWO

#### MISCELLANEOUS PROVISIONS

Section 2.01. Indenture. Except as amended hereby, the Indenture and the Securities are in all respects ratified and confirmed and all their terms shall remain in full force and effect.

Section 2.02. Trustee’s Disclaimer. The Trustee shall not be responsible for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Company and the Additional Guarantor.

Section 2.03. Governing Law. THIS SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, BUT WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAWS TO THE EXTENT THAT THE APPLICATION OF THE LAW OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

Section 2.04. Counterparts. This Supplemental Indenture may be executed in any number of counterparts, each of which shall be an original, but all of them together shall represent the same agreement.

Section 2.05. Headings. The Article and Section headings in this Supplemental Indenture are for convenience only and shall not affect the construction of this Supplemental Indenture.

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SIGNATURES

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, all as of the date first written above.

**Company:**

SCIENTIFIC GAMES INTERNATIONAL, INC.

By: /s/ James Sottile

\_\_\_\_\_  
Name: James Sottile

Title: Secretary

**Additional Guarantor:**

L&W MERGER SUB, INC.

By: /s/ James Sottile

\_\_\_\_\_  
Name: James Sottile

Title: Secretary

**Existing Guarantors:**

SCIENTIFIC GAMES CORPORATION

By: /s/ James Sottile

\_\_\_\_\_  
Name: James Sottile

Title: Executive Vice President and Chief Legal Officer

*[Signature Page to Supplemental Indenture – 2029 Unsecured Notes]*

SG GAMING, INC.

By: /s/ John Cuddihy

\_\_\_\_\_  
Name: John Cuddihy

Title: Authorized Signatory

NYX DIGITAL GAMING (USA), LLC

By: /s/ Jordan Levin

\_\_\_\_\_  
Name: Jordan Levin

Title: Chief Executive Officer

DON BEST SPORTS CORPORATION

By: /s/ Jordan Levin

\_\_\_\_\_  
Name: Jordan Levin

Title: President, Treasurer and Secretary

SGP HOLDCO

By: /s/ James Sottile

\_\_\_\_\_  
Name: James Sottile

Title: Secretary

*[Signature Page to Supplemental Indenture – 2029 Senior Unsecured Notes]*

**Trustee:**

DEUTSCHE BANK TRUST COMPANY AMERICAS

By: /s/ Chris Niesz

---

Name: Chris Niesz

Title: Authorized Signatory

By: /s/ Sebastian Hidalgo

---

Name: Sebastian Hidalgo

Title: Authorized Signatory

*[Signature Page to Supplemental Indenture – 2029 Senior Unsecured Notes]*

SUPPLEMENTAL INDENTURE, dated as of April 27, 2022 (this “Supplemental Indenture”), by and among Scientific Games International, Inc., a Delaware corporation (the “Company”), the Guarantors (as defined in the indenture referred to herein), L&W Merger Sub, Inc., a Delaware corporation (the “Additional Guarantor”), and Deutsche Bank Trust Company Americas, a New York banking corporation, as trustee (the “Trustee”).

WHEREAS, the Company, the original Guarantors and the Trustee executed an Indenture, dated as of November 26, 2019, as amended and supplemented (the “Indenture”), relating to the Company’s 7.000% Senior Unsecured Notes due 2028;

WHEREAS, under certain circumstances, Section 10.17 of the Indenture requires the Company to cause each of the Company’s Restricted Subsidiaries to execute and deliver to the Trustee a supplemental indenture and thereby become a Guarantor bound by the Guarantee of the Securities on the terms set forth in Article Ten of the Indenture;

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture; and

WHEREAS, except as otherwise defined herein in this Supplemental Indenture, capitalized terms used in this Supplemental Indenture have the meanings specified in the Indenture;

NOW, THEREFORE, in consideration of the above premises, each party agrees, for the benefit of the other parties and for the equal and ratable benefit of the Holders of the Securities, as follows:

#### ARTICLE ONE

#### AMENDMENT

Section 1.01. Amendment. The Additional Guarantor hereby agrees to become a Guarantor bound by the Guarantee of the Securities on the terms set forth in Article Ten of the Indenture.

#### ARTICLE TWO

#### MISCELLANEOUS PROVISIONS

Section 2.01. Indenture. Except as amended hereby, the Indenture and the Securities are in all respects ratified and confirmed and all their terms shall remain in full force and effect.

Section 2.02. Trustee’s Disclaimer. The Trustee shall not be responsible for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Company and the Additional Guarantor.

Section 2.03. Governing Law. THIS SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, BUT WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAWS TO THE EXTENT THAT THE APPLICATION OF THE LAW OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

Section 2.04. Counterparts. This Supplemental Indenture may be executed in any number of counterparts, each of which shall be an original, but all of them together shall represent the same agreement.

Section 2.05. Headings. The Article and Section headings in this Supplemental Indenture are for convenience only and shall not affect the construction of this Supplemental Indenture.

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SIGNATURES

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, all as of the date first written above.

**Company:**

SCIENTIFIC GAMES INTERNATIONAL, INC.

By: /s/ James Sottile

\_\_\_\_\_  
Name: James Sottile

Title: Secretary

**Additional Guarantor:**

L&W MERGER SUB, INC.

By: /s/ James Sottile

\_\_\_\_\_  
Name: James Sottile

Title: Secretary

**Existing Guarantors:**

SCIENTIFIC GAMES CORPORATION

By: /s/ James Sottile

\_\_\_\_\_  
Name: James Sottile

Title: Executive Vice President and Chief Legal Officer

*[Signature Page to Supplemental Indenture – 2028 Notes]*

SG GAMING, INC.

By: /s/ John Cuddihy

---

Name: John Cuddihy

Title: Authorized Signatory

NYX DIGITAL GAMING (USA), LLC

By: /s/ Jordan Levin

---

Name: Jordan Levin

Title: Chief Executive Officer

DON BEST SPORTS CORPORATION

By: /s/ Jordan Levin

---

Name: Jordan Levin

Title: President, Treasurer and Secretary

SGP HOLDCO

By: /s/ James Sottile

---

Name: James Sottile

Title: Secretary

*[Signature Page to Supplemental Indenture – 2028 Notes]*

**Trustee:**

DEUTSCHE BANK TRUST COMPANY AMERICAS

By: /s/ Chris Niesz

---

Name: Chris Niesz

Title: Authorized Signatory

By: /s/ Sebastian Hidalgo

---

Name: Sebastian Hidalgo

Title: Authorized Signatory

*[Signature Page to Supplemental Indenture – 2028 Senior Unsecured Notes]*

SUPPLEMENTAL INDENTURE, dated as of April 27, 2022 (this “Supplemental Indenture”), by and among Scientific Games International, Inc., a Delaware corporation (the “Company”), the Guarantors (as defined in the indenture referred to herein), L&W Merger Sub, Inc., a Delaware corporation (the “Additional Guarantor”), and Deutsche Bank Trust Company Americas, a New York banking corporation, as trustee (the “Trustee”).

WHEREAS, the Company, the original Guarantors and the Trustee executed an Indenture, dated as of July 1, 2020, as amended and supplemented (the “Indenture”), relating to the Company’s 8.625% Senior Unsecured Notes due 2025;

WHEREAS, under certain circumstances, Section 10.17 of the Indenture requires the Company to cause each of the Company’s Restricted Subsidiaries to execute and deliver to the Trustee a supplemental indenture and thereby become a Guarantor bound by the Guarantee of the Securities on the terms set forth in Article Ten of the Indenture;

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture; and

WHEREAS, except as otherwise defined herein in this Supplemental Indenture, capitalized terms used in this Supplemental Indenture have the meanings specified in the Indenture;

NOW, THEREFORE, in consideration of the above premises, each party agrees, for the benefit of the other parties and for the equal and ratable benefit of the Holders of the Securities, as follows:

#### ARTICLE ONE

#### AMENDMENT

Section 1.01. Amendment. The Additional Guarantor hereby agrees to become a Guarantor bound by the Guarantee of the Securities on the terms set forth in Article Ten of the Indenture.

#### ARTICLE TWO

#### MISCELLANEOUS PROVISIONS

Section 2.01. Indenture. Except as amended hereby, the Indenture and the Securities are in all respects ratified and confirmed and all their terms shall remain in full force and effect.

Section 2.02. Trustee’s Disclaimer. The Trustee shall not be responsible for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Company and the Additional Guarantor.

Section 2.03. Governing Law. THIS SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, BUT WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAWS TO THE EXTENT THAT THE APPLICATION OF THE LAW OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

Section 2.04. Counterparts. This Supplemental Indenture may be executed in any number of counterparts, each of which shall be an original, but all of them together shall represent the same agreement.

Section 2.05. Headings. The Article and Section headings in this Supplemental Indenture are for convenience only and shall not affect the construction of this Supplemental Indenture.

(REMAINDER OF PAGE INTENTIONALLY LEFT BLANK)

SIGNATURES

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, all as of the date first written above.

**Company:**

SCIENTIFIC GAMES INTERNATIONAL, INC.

By: /s/ James Sottile

\_\_\_\_\_  
Name: James Sottile

Title: Secretary

**Additional Guarantor:**

L&W MERGER SUB, INC.

By: /s/ James Sottile

\_\_\_\_\_  
Name: James Sottile

Title: Secretary

**Existing Guarantors:**

SCIENTIFIC GAMES CORPORATION

By: /s/ James Sottile

\_\_\_\_\_  
Name: James Sottile

Title: Executive Vice President and Chief Legal Officer

*[Signature Page to Supplemental Indenture – 2025 Unsecured Notes]*

SG GAMING, INC.

By: /s/ John Cuddihy

Name: John Cuddihy

Title: Authorized Signatory

NYX DIGITAL GAMING (USA), LLC

By: /s/ Jordan Levin

Name: Jordan Levin

Title: Chief Executive Officer

DON BEST SPORTS CORPORATION

By: /s/ Jordan Levin

Name: Jordan Levin

Title: President, Treasurer and Secretary

SGP HOLDCO

By: /s/ James Sottile

Name: James Sottile

Title: Secretary

*[Signature Page to Supplemental Indenture – 2025 Senior Unsecured Notes]*

**Trustee:**

DEUTSCHE BANK TRUST COMPANY AMERICAS

By: /s/ Chris Niesz

---

Name: Chris Niesz

Title: Authorized Signatory

By: /s/ Sebastian Hidalgo

---

Name: Sebastian Hidalgo

Title: Authorized Signatory

*[Signature Page to Supplemental Indenture – 2025 Senior Unsecured Notes]*



\*\*SUBJECT TO BOARD APPROVAL\*\*

February 22, 2021

Dear Pat,

On behalf of Scientific Games, I am pleased to inform you that you have been designated as eligible for the Lottery Division SEDRP - Senior Executive Divestiture Retention Program (the "**Retention Program**"), pending approval by the Board of Directors ("**Board**") of a Lottery Sale (defined below). The Retention Program was developed to ensure confidentiality around any potential transactions involving the Lottery Division, retain your employment as a key executive and offer added incentives in alignment with deal valuation.

The Retention Program applies upon a successful close (the "**Closing**") of a transaction to sell the Lottery Division to an unaffiliated third party (the "**Buyer**") at a value of \$4.0B or greater (a "**Lottery Sale**")<sup>1</sup>, and consists of the following for you:

- Agreement by Scientific Games that if you are terminated by the Buyer and its affiliates without "cause" (as determined in Scientific Games' sole discretion) within 12 months following the Closing, Scientific Games will pay you the cash severance provided for under your Employment Agreement or Offer Letter, as applicable, with the current amount as set forth below, reduced by any cash severance compensation you receive, or are entitled to receive, from the Buyer and its affiliates in connection with such termination, with such amount to be paid as soon as practicable, but no later than 60 days, following your termination date:

Annual Salary	Severance Period	Severance Salary Payment	Severance Bonus Payment	Total Payment
\$ 600,000	12 months	\$ 600,000	\$ 150,000	\$ 750,000

<sup>1</sup> In addition, if Scientific Games does not proceed with a Lottery Sale, but does pursue another transaction involving the Lottery Division, such as an initial public offering, we will negotiate with you, subject to Board approval, concerning what bonus payouts, if any, would be made in connection with such a transaction.

ScientificGamesCorporation  
 6601 Bermuda Road, Las Vegas, Nevada 89119  
[www.scientificgames.com](http://www.scientificgames.com)



**\*\*SUBJECT TO BOARD APPROVAL\*\***

Furthermore, to the extent necessary to comply with Section 409A of the US Internal Revenue Code of 1986, as amended ("**Section 409A**"), any amount payable pursuant to the foregoing that constitutes deferred compensation within the meaning of Section 409A will not be paid prior to the earliest date that is permitted in accordance with the schedule set forth in your Employment Agreement or Offer Letter, as applicable.

- Retention bonus payout as a percentage of base salary (which will be calculated based on your base salary at the time of Board approval of a Lottery Sale) with alignment on sale value as outlined in the tables below:
  - Bonus payout amounts will be made up of cash and/or the accelerated vesting of unvested equity, at Scientific Games' discretion, and with the value of any accelerated equity based on the price on the date of acceleration which date shall be determined in Scientific Games' discretion
  - Additional bonus of 50% of base salary for Scientific Games entering into definitive agreements with the Pennsylvania Lottery to renew both the Lottery Systems and Instant Products – Participation SGEF contracts (the "**PA Bonus**")
  - Additional bonus of 50% of base salary if 100% retention of your direct reports is maintained through a date, not to exceed 90 days post-Closing, determined by the Board
  - All bonus payments described above are subject to your continued employment with Scientific Games and/or Buyer, as applicable, through a date, not to exceed 90 days post-Closing, determined by the Board. This condition does not apply if you were willing to continue employment with Scientific Games and/or Buyer through such date but, after the Closing, (i) were terminated without cause or (ii) if an offer of employment from Buyer is required to transfer your employment to Buyer in connection with a Lottery Sale, you were not offered employment with the Buyer on substantially similar or more favorable terms and responsibilities (a "Qualifying Offer") and you have not committed an act that constitutes cause. For the avoidance of doubt, if you reject a Qualifying Offer and Scientific Games terminates your employment without cause, you will not be entitled to any bonus payments.
  - All earned and vested cash amounts to be paid, and equity awards settled (to the extent applicable), as soon as practicable, but no later than 60 days following the date such amounts are earned and vested
  - Amounts outside of threshold, target and stretch payments remain subject to Compensation Committee discretion

ScientificGamesCorporation  
6601 Bermuda Road, Las Vegas, Nevada 89119  
[www.scientificgames.com](http://www.scientificgames.com)



\*\*SUBJECT TO BOARD APPROVAL\*\*

**Retention Bonus**

Annual Salary	Threshold Payment:	Target Payment:	Stretch I Payment:	Stretch II Payment:	Stretch III Payment:
	\$4.00B	\$4.50B	\$5.00B	\$5.50B	\$6.00B+
	500%	700%	900%	1100%	1300%
\$ 600,000	\$ 3,300,000	\$ 4,500,000	\$ 5,700,000	\$ 6,900,000	\$ 8,100,000

*\*BU CEO also eligible for additional \$300,000 bonus if 100% retention is maintained for his direct reports through closing and up to 90 days thereafter, and is included above*

**PA Bonus**

Annual Salary	Bonus @ 50%
\$ 600,000	\$ 300,000

**Total Payment**

Annual Salary	Threshold Payment:	Target Payment:	Stretch I Payment:	Stretch II Payment:	Stretch III Payment:
	\$4.00B	\$4.50B	\$5.00B	\$5.50B	\$6.00B+
\$ 600,000	\$ 3,600,000	\$ 4,800,000	\$ 6,000,000	\$ 7,200,000	\$ 8,400,000

*\*BU CEO also eligible for additional \$300,000 bonus if 100% retention is maintained for his direct reports through closing and up to 90 days thereafter, and is included above*

All of the foregoing payments and benefits are subject to your keeping the terms of this letter and all information regarding a potential Lottery Sale confidential and your execution and non-revocation of a release of claims in favor of Scientific Games and its affiliates.

Except as set forth in this letter, all terms and conditions of your employment with Scientific Games shall remain unchanged, including the terms of your Employment Agreement or Offer Letter, as applicable, which remain in full force and effect in accordance with their terms. Notwithstanding anything in this letter to the contrary, the Retention Program and its terms and conditions remain subject to Board approval of a Lottery Sale, and this letter and the Retention Program will be void and null ab initio if such approval is not received on or prior to January 28<sup>th</sup>, 2022 unless, as of that date, the Company is in active negotiations with one or more potential purchasers in which case the Retention Program shall remain in effect until such active negotiations either result in the Board's approval of a Lottery Sale or are terminated.

If you agree to the above, please sign an acknowledgement copy of this letter and return to me. Thank you,

Eileen Moore  
EVP and Chief Human Resources Officer

Acknowledged this \_\_\_ day of \_\_\_, 2021

\_\_\_\_\_  
Pat McHugh

ScientificGamesCorporation  
6601 Bermuda Road, Las Vegas, Nevada 89119  
[www.scientificgames.com](http://www.scientificgames.com)

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

I, Barry L. Cottle, 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: May 10, 2022

/s/ Barry L. Cottle

Barry L. Cottle

Chief Executive Officer

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

I, Constance P. James, 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: May 10, 2022

/s/ Constance P. James

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Constance P. James  
Chief 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 March 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Barry L. Cottle, 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/ Barry L. Cottle

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Barry L. Cottle  
Chief Executive Officer  
May 10, 2022

**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 March 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Constance P. James, Chief 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/ Constance P. James

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Constance P. James  
Chief Financial Officer

May 10, 2022