

Light & Wonder (NASDAQ: LNW): Long

May 11th, 2025

Lucky Spin: Betting on a Successful Business Transformation (*Upside 86%*)

Joe Ferguson

(USD in \$, except for per share data)

Share Price (5/11/25)	\$81.49
FD Shares Outstanding	87
Market Capitalization	\$7,109
Less: Cash	134
Plus: Debt	3,936
Enterprise Value	\$10,911

52 Week Range	75.45 - 115.00
% of 52-Week High	70.9%

Avg Daily Value Traded (Last 30 Days)	\$100,115,346
as a % of Market Cap	1.4%

Short Interest	4.06%
Days to Cover	3.1 Days



	Actual FYE Dec 31st			Projected Fiscal Years Ending Dec 31st				
	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E
Revenue	\$2,512	\$2,902	\$3,188	\$3,456	\$3,808	\$4,039	\$4,294	\$4,564
y / y growth		15.5%	9.9%	8.4%	10.2%	6.1%	6.3%	6.3%
EBITDA	\$913	\$1,118	\$1,244	\$1,388	\$1,591	\$1,756	\$1,859	\$1,968
Margin	36.3%	38.5%	39.0%	40.2%	41.8%	43.5%	43.3%	43.1%
y / y growth		22.5%	11.3%	11.6%	14.6%	10.4%	5.9%	5.9%
Net Income	\$3,675	\$163	\$336	\$467	\$599	\$727	\$819	\$929
y / y growth		(95.6%)	106.1%	39.0%	28.3%	21.4%	12.6%	13.4%
EPS - IMF	\$38.7	\$1.8	\$3.7	\$5.36	\$6.89	\$8.36	\$9.41	\$10.66
y / y growth		(95.5%)	110.7%	45.2%	28.4%	21.3%	12.6%	13.3%
Consensus EPS				\$5.50	\$6.63	\$8.22		
Variance to Consensus				(2.5%)	3.9%	1.7%		
FCF / Share	(\$64.82)	(\$4.44)	(\$2.31)	(\$0.42)	\$8.84	\$8.91	\$11.47	\$12.99
y / y growth		(93.1%)	(48.0%)	(81.6%)	(2,185.9%)	0.8%	28.7%	13.3%
FCF % of NI	(167.6%)	(253.4%)	(62.5%)	(7.9%)	128.4%	106.6%	121.9%	121.9%
EV / EBITDA	12.0x	9.8x	8.8x	7.9x	6.9x	6.2x	5.9x	5.5x
P / E - IMF - Base Case	2.1x	46.5x	22.1x	15.2x	11.8x	9.8x	8.7x	7.6x
P / E Consensus				14.8x	12.3x	9.9x		
FCF Yield	(79.5%)	(5.4%)	(2.8%)	(0.5%)	10.8%	10.9%	14.1%	15.9%

Investment Thesis

LNW is a long with a FY27 price target of \$151.93, representing an 86% upside and an IRR of 23%. Bears perceive LNW as inferior to Aristocrat (ALL), ascribing it a steep valuation discount to ALL. However, at today's valuation of 7.3x NTM EV/EBITDA, the market significantly underestimates LNW's underlying business transformation. Specifically: **(I)** LNW is currently trading at a historic valuation discount to Aristocrat despite meaningful operational changes, significant management turnover from ALL itself, improved capital allocation discipline, and a sharply reduced leverage profile; **(II)** LNW holds a robust competitive moat supported by its comprehensive IP portfolio, scale advantages, significant regulatory barriers, and increasing customer mindshare, positioning it to take share from smaller competitors and potentially challenge ALL's dominant market position; **(III)** The market has overestimated the financial and operational impact of the Dragon Train litigation, which poses minimal near-term and long-term risk given LNW's rich R&D pipeline; **(IV)** LNW's resilience in stress is likely misunderstood. The company's contemporary business, primarily composed of highly resilient slot segments acquired post-2008, suggests a materially better resilience profile than historically perceived; **(V)** Finally, LNW's online and social gaming segments represent underappreciated value, driven by improving core user growth, margin expansion potential due to court rulings, and minimal cannibalization between land-based and online gaming revenues.

Business Description

Founded in 1984, Light & Wonder (LNW) is a leading global provider of gaming solutions, offering electronic gaming machines (EGMs) – primarily slot machines, digital iGaming, and social casino products. After strategically divesting non-core lottery and sports betting segments, the company has refocused its business to concentrate on its core gaming verticals, closely aligning its operations to industry leader Aristocrat (ASX: ALL). LNW generates the majority of its revenue through its land-based gaming segment, offering both leased gaming machines – generating revenue through daily fees or a percentage of wagers – and direct sales to casino operators.

Complementing its traditional land-based gaming operations, LNW operates SciPlay, a leader in the social casino and casual mobile gaming markets. SciPlay not only provides the strategic advantage of testing new game concepts digitally before their deployment in physical gaming machines, thereby reducing commercial risk and enhancing consumer engagement, but also introduces new players in a free-to-play context to its pay-to-play slot-based titles.

Additionally, LNW operates in the rapidly growing digital real-money gaming (iGaming) sector. As regulatory trends in North America increasingly unlock incremental TAM, LNW leverages its existing land-based titles to capture growth in this emerging market.



Variant View

Bears believe the valuation dislocation between LNW and Aristocrat is justified due to perceived significant differences in growth prospects and competitive dynamics. Specifically, bears likely view the extensive leadership transition at LNW as superficial, and they are extrapolating negative trends in LNW's social gaming business, and assume that the overall businesses' cyclicity will resemble its historical financial performance during past economic downturns. Moreover, investors discount LNW's \$1.4 billion FY25 EBITDA target set during FY22, arguing these targets have become overly optimistic given subsequent developments including heightened recession concerns, tariff implications, and litigation initiated by Aristocrat (ALL). These factors collectively lead the market to underestimate the true extent of LNW's successful business transformation and improvements in fundamentals.

Key Thesis Points

#1 LNW is trading near its steepest discount to Aristocrat (ALL), despite an ongoing business transformation significantly narrowing the gap.

Light & Wonder's (LNW) complicated history continues to obscure its true value. Historically burdened by former owner Ron Perelman – who, according to a VAR contact (a former LNW supply chain executive), oversaw the business primarily to enrich himself – the company reached peak distress with ND/EBITDA reaching as high as 23x in FY20, prompting genuine concerns about whether LNW would file for bankruptcy.

Since then, an extensive business transformation has taken place driven by a new management team that was strategically recruited directly from Aristocrat (ALL), the market leader in slot machine manufacturing. Those listening to expert network calls will hear this transformation downplayed – “a lot of people moved from ALL to LNW and then back,” or “rotating around the top-three players is pretty common.” However, this management transition was unique in its breadth and depth. Per LinkedIn data and VAR conversations, LNW hired extensively from Aristocrat's top leadership, paying out non-competes — not just in the C-suite and Board (7 of 11 named executives and 4 of 10 board members, including CEO Matt Wilson), but two additional management layers down, including critical roles in Sales, Finance, Operations, Product Management, and Game Design. LinkedIn shows LNW has over 100 former ALL employees, while ALL has less than 15 former LNW employees. (See Figure 1.1).

According to the former head of sourcing at LNW, who worked closely with this new management, this hiring significantly altered the company's internal culture, making it more open, and receptive to new ideas. Additionally, a former head of game design said the new management team brought in a real product management culture that did not exist before.

Notably, this is the very team that propelled Aristocrat to its number-one market position, demonstrated by a 226% total shareholder return and market share gains of +723 basis points in premium US install base and +560 basis points in US shipments during their tenure (See Figure 1.2). According to a VAR contact, CEO Matt Wilson is “gunning to put LNW in the number one position. That is absolutely his intention.”

Additionally, capital allocation under new management has improved significantly. Management de-levered the business to 3x ND/EBITDA. At the same time, in FY24, management authorized a share buyback program of up to \$1Bn. They also strategically divested non-core assets, including lottery and sports betting businesses in FY22, sharpening their focus on slot-related products. With its three business segments, including Gaming, iGaming, and Social Gaming, LNW business structure now matches that of ALL. Notably, its ROIC has increased from ~6% in FY22 to 15% in FY24. Despite these operational and strategic changes, LNW trades near the steepest historical discount relative to ALL. – at 7.3x EV/EBITDA, LNW trades at 53% discount to ALL, which is 1.75 standard deviations

below the historical average (See Figure 1.3).

#2 LNW's IP portfolio, complementary products and services, and installed base form a durable competitive moat, positioning it not only to outperform smaller rivals but also potentially challenge Aristocrat's market position.

Despite a potential market perception that LNW lacks a moat, as indicated by Morningstar's no economic moat rating of LNW, substantial evidence suggests otherwise. Industry trends strongly indicate the existence of oligopolistic dynamics forming with LNW at the center of them, a hallmark of moaty businesses. Specifically, the top three slot machine manufacturers – Aristocrat, IGT, and LNW – have notably increased their collective share of the US gaming install base from 69% in 2018 to 78% in 2024, and their share of US gaming outright shipments has expanded from 65% to 81% during the same period. This clearly demonstrates ongoing industry consolidation and suggests strengthening competitive advantages among the top players. (See Figure 2.1.)

Several factors underpin LNW's durable competitive moat. First is its scale advantage, evidenced by a substantial R&D spend, averaging about 9% of revenue, enabling a robust pipeline delivering over 100 new game titles annually. These investments and the two-year average development cycle required to bring new products to market establish significant barriers against smaller competitors. Further, stringent regulatory and licensing requirements create significant barriers to entry. Each new game not only requires regulatory approval, but rigorous certification from industry-leading testing companies like BMM Testlabs and Gaming Laboratories International, which maintains strong, longstanding relationships with major manufacturers such as LNW. Per a VAR contact at BMM, these relationships enhance regulatory approval efficiencies for large players. Lastly, its scale advantage is evidenced by its product offering. Most of LNW's contracts are multi-faceted, including gaming machines and systems (e.g., casino management systems, or player management systems), which are not offered by smaller players.

LNW also benefits significantly from substantial customer mindshare, driven by offering popular and recognizable titles consistently across land-based casinos, iGaming platforms, and free-to-play social gaming apps. This extensive cross-platform presence not only builds brand loyalty but also provides a critical secondary benefit – access to valuable player data that supports data-driven game design and targeted innovation. According to my VAR contact, current head of game development at IGT, this crossover provides user data that significantly enhances game development capabilities, further amplifying LNW's competitive advantage.

Moreover, LNW's market position is supported by measurable win-win relationships with its casino operator customers, who pay modest daily lease fee (\$45-\$75 per unit) for premium leased products that typically yield 1.5 to 3 times the house daily average revenue (often around \$300-\$400 per machine). These highly attractive economics strengthen long-term customer retention and deepen the installed base advantage.

In fact, there is reason to believe that the moat of LNW's business is increasing. A VAR contact specifically noted that the introduction of Eilers & Krejciek performance tracking (data started being published in June 2021) has made casino operators increasingly reliant on clear, transparent performance metrics. Operators can directly see how well LNW's games perform, making game selection straightforward and solidifying LNW's competitive position. Further, from this data, there are clear signposts that LNW's transformation is working. Historical Eilers rankings, which one can find by digging around social media, reveal significant progress in the rankings: In 2023, LNW had six new games in the top 25 premium leased (none in the top 10); by 2024, seven new games including one in the top 10; and by April 2025, ten new games including the number one spot.

Finally, recent earnings highlight LNW's strong shipment performance, further reflecting competitive momentum. LNW secured the number-one shipment share in both North America and Australia consistently throughout 2024, beating all smaller players but also notably Aristocrat in both of its key markets.

In summary, the consolidation of market share among the top three manufacturers, LNW's extensive scale advantages, stringent regulatory environment, increasing customer mindshare, and demonstrated success in premium leased product performance collectively form a substantial moat and give reason to believe that LNW will not only take share from smaller players but also credibly challenge Aristocrat's leading market leadership.

#3 Market concerns over LNW's Dragon Train litigation are overblown given de minimis financial exposure, limited impact to R&D pipeline, and LNW's demonstrated game development success outside of Dragon Train and Jewels of the Dragon.

The litigation between Light & Wonder (LNW) and Aristocrat Technologies revolves primarily around Aristocrat's allegations of trade

secret misappropriation related to the Dragon Train and Jewels of the Dragon slot games. Initiated by Aristocrat in early 2024, the lawsuits allege significant intellectual property infringements, leading to a court injunction that required LNW to cease commercialization of Dragon Train units installed across North America.

The aggressive litigation by Aristocrat appears heavily motivated by a need to protect their flagship game, Dragon Link – the most successful slot title in Aristocrat's history. According to a VAR contact, however, Dragon Link was developed by a third-party game developer, and Aristocrat has struggled to replicate this performance with follow-up titles, notably Phoenix Link, which has significantly underperformed expectations. This context suggests Aristocrat's aggressive legal actions might reflect internal challenges in maintaining competitive innovation rather than systemic issues within LNW.

That being said, concerns have intensified around this litigation due to Dragon Train's prominent role in LNW's gaming operations growth during FY24. In fact, 100% of FY24's net install base growth from 1Q24 to 3Q24 was attributed to Dragon Train, causing fear that its removal could jeopardize LNW's ability to achieve similar growth in FY25 and its \$1.4BN EBITDA target (**See Figure 3.1**).

However, there are several reasons to believe that this issue is immaterial and transitory. First, CFO Oliver Chow explicitly stated during the business update call in April 2025 that the financial impact would be immaterial – only low-to-mid single-digit millions in lost revenue, negligible relative to total company revenues, which is north of \$3Bn. Second, Dragon Train and Jewels of the Dragon constitute a small fraction of LNW's extensive pipeline of roughly 130 new games developed annually. The CEO notes that roughly 5 employees are focused on this issue, while the remaining 6,995 employees are focused on the future.

It's also important to note that customers rapidly accepted alternative LNW titles post-injunction, replacing 95% in 30 days, highlighting robust demand for LNW's broader game catalog and minimal customer disruption. Additionally, LNW retains essential industry-leading game development talent, including Michael Mastropietro, Ted Hase, and Qin You, ensuring continued innovation and product excellence. Two VAR contacts, including a competitor, noted that Qin You, in particular, is a legend in the industry, and it is meaningful that LNW has her. Furthermore, an extensive independent third-party audit conclusively found no contagion or evidence of similar intellectual property infringements across LNW's other game titles, underscoring isolated issues and robust governance.

In summary, Aristocrat's aggressive litigation strategy and the notable commercial underperformance of Phoenix Link (their intended successor to Dragon Link, as evidenced by recent Eilers & Krejci data and industry sources) suggest deeper challenges within Aristocrat's competitive position. In contrast, LNW's ability to manage swiftly through this litigation, coupled with a robust and diverse pipeline of new successful games, positions it well to overcome this temporary disruption and achieve its ambitious financial and operational targets.

#4 The market likely excessively discounts LNW due to misunderstood cyclicalities during periods of stress, reflecting its lengthy financial history as a public company but limited track record in its current form.

As recession fears are intensifying, many investors are likely to speculate on how LNW could perform during an economic downturn. While historical financials for LNW are available dating back to the Global Financial Crisis (GFC), relying solely on these figures, as many might, would be misleading.

During the 2008 period, LNW was predominantly a lottery-driven business, with only about 20% of its revenues coming from slots. To better gauge LNW's resilience, one should consider the performance of the key businesses it later acquired, specifically WMS Industries (acquired in 2013) and Bally Technologies (acquired in 2014). In comparison to LNW's legacy lottery business, these two businesses were far more resilient. From 2007 through 2011, WMS Industries experienced ~20% revenue growth, and Bally Technologies experienced a 16% revenue decline, peak to trough. This performance contrasts sharply with the 21% revenue decline of legacy LNW during the same period. (**See Figure 4.1**).

This historical resilience of slot machine businesses, even during challenging economic conditions, is primarily driven by consistent consumer demand from retirees. Social Security and other transfer payments remain robust during recessions, and retirees, constituting a significant percentage of slot machine patrons (American Gaming Association notes that ~70% of US Slot Revenues come from individuals aged 55+), typically maintain steady casino visitation. In fact, as noted by an AARP Bulletin report by John Rosengreen, "older adults are an especially desirable demographic for the gaming industry because they fill the floors during off-peak hours... the 'third of the month club' provides complimentary shuttles from senior centers and retirement housing complexes on the day they receive Social Security Checks". It's worth noting that the Administration for Community Living projects that the number of Americans

over 65 is expected to increase from now till 2060, increasing from 57.8M in 2022 to 78.3M in 2040, and 88.8M in 2060.

Further, today, LNW's position is likely stronger than its acquired entities during the GFC. The proportion of LNW's revenue that is recurring has significantly increased, now exceeding 70%, compared to just over 40% recurring revenue recorded by Bally Technologies during the GFC.

Moreover, LNW's business may not just prove resilient in times of stress – it may demonstrate characteristics of anti-fragility, improving over a period of stress. According to a VAR contact, economic stress prompts casino operators to critically reassess their slot machine floors, shifting their floor space allocation towards proven high-performance games. Experience during COVID demonstrates this point – as noted in an expert network call, floorspace allocation to premium slot machines increased from roughly 7% pre-pandemic to about 11% post-pandemic. Given LNW's strong position in Eilers & Krejcik rankings, the company is particularly well-positioned to benefit from a strategic reassessment by operators during economic stress.

#5 LNW's online and social gaming segments are likely being overlooked by the market but represent hidden value due to strong growth and attractive economics.

Given LNW's current valuation, the market likely ascribes little value to LNW's online and social gaming segments. Investors are likely focusing on SciPlay's declining Daily Active Users (DAU), and the potential for iGaming to cannibalize the Gaming business.

Starting with social gaming, market concerns largely stem from a consistent two-year decline in LNW's key KPI – Daily Active Users ("DAU") – which fell from ~2.3M in FY22 to ~2.1M in FY24. Further, aggregated title-level data shows similar, significant downward trends (**See Figure 5.1**). However, deeper analysis shows that the aggregate DAU trend masks a more optimistic story. SciPlay's game portfolio is comprised of core slot/casino-based games alongside non-core offerings (e.g., casual and RPG games). Analysis of MScience data, segmented by these two cohorts, demonstrates that the decline is predominantly attributed to non-core games, which represented 70% of active users at the end of 2021 but now constitute only about 7%. Conversely, core games have exhibited consistent growth, expanding at a 6% CAGR during the same period. Core games now represent approximately 93% of total active users. As the core-game growth starts to dominate the segment's DAU trends, it's likely this segment will become appreciated. (**See Figure 5.2**)

Additionally, the social gaming segment stands to benefit from a favorable court ruling from the Epic Games litigation against Apple in 1Q25. Specifically, this ruling restricts Apple from forcing all transactions within apps on iOS devices to go through the app store, incurring a 30% commission. Now, LNW's SciPlay can increase its Direct-to-Consumer (DTC) mix further, enabling significant margin expansion. LNW has already made substantial progress despite Apple's anti-competitive practices, increasing its DTC revenue share from 0% to over 13% in just a few quarters. Given that Playtika, the segment leader, generates approximately 27% of revenue from DTC, LNW has substantial runway to enhance margins further. With incremental EBITDA margins over 60% in this segment compared to historical EBITDA margins around 33%, this shift represents a substantial future profitability opportunity for LNW.

Turning to iGaming, market skepticism centers on potential cannibalization of land-based slot revenues. There is concern that LNW might be exchanging a highly defensible business model (land-based slots) for a potentially less secure one (iGaming). However, empirical data suggests that the increase in iGaming GGR is not cannibalizing Slot Based GGR. Pennsylvania, the only state to publicly disclose detailed slot-related Gross Gaming Revenue (GGR) data for both land-based and iGaming channels, serves as a good case study. Contrary to market fears, Pennsylvania's data clearly demonstrate that land-based slot revenue has remained stable, unaffected by iGaming's growth. Meanwhile, iGaming slots have driven impressive total slot market expansion, achieving approximately a 20% CAGR across iGaming and land-based Slot Gaming. This indicates minimal cannibalization and supports the argument that iGaming expands the total addressable market rather than displacing existing revenues. (**See Figure 5.3**). It's important to note that while Slot GGR is not increasing in PA, US Slot GGR is increasing. From the latest Commercial Gaming Revenue tracker from the American Gaming Association, CY23 saw record Slot GGR, increasing to \$35Bn, up 4% YoY.

The resilience of land-based gaming in the face of iGaming growth can be explained by fundamental differences in customer demographics and user experiences. Typically, land-based slot customers are aged between 50-55, whereas online slot players skew younger, between 40-45. Interestingly, iGaming can reduce the "barriers to try" slot machines, helping to attract new, younger demographics and expanding the overall market.

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Key Signposts

- LNW takes further spots on the Eilers leaderboards (top premium lead video reel slots, and top core low denominator video reel slots), including increased number of casinos and slots, and improving performance vs house.
- Daily Active Users in SciPlay segment inflect positive.
- LNW reiterates FY2025 EBITDA guidance of \$1.4Bn at investor and 2Q25 earnings.

Metrics to Monitor

- Eilers metrics: Share of titles on top premium and top core low denominator video reel slots, number of casinos, number of slots, index vs house.
- # of shipments, and shipment Share.
- Install base, and install base share
- SciPlay Daily Active Users.
- iGaming legalization by state.

Pre-mortem

- Macroeconomic environment weakens, or trade tensions escalate, and this gives LNW the ability to lower or remove guidance while attempting to save their credibility.
- Share in install base and # of shipments reverse upward trends in FY25.

Key Signposts to Opposing Thesis

- Falling install base share.
- Falling from Eilers leaderboards.
- Daily Active Users continue to decline in SciPlay.

VAR Contact Log

- Head of Games, Digital Gaming Products – IGT, former Global Creative Director for L&W.
- Vice President of Strategic Accounts, BMM Testlabs.
- Former Senior Director, Global Procurement – L&W.

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Valuation

Exhibit 1: Multiple-based Valuation and EPV

P/E Based Valuation

	Bear	Base	Bull
2028E EPS - JMF	\$4.11	\$9.41	\$10.37
Normalized Forward Multiple	14.0x	16.0x	18.0x
2025E Value/Share	\$57.49	\$150.55	\$186.59
Upside to Current Price	(29.4%)	84.7%	129.0%
IRR	(11.0%)	22.7%	31.8%
Upside/Downside Ratio		(2.9x)	(4.4x)

EBITDA Based Valuation

	Bear	Base	Bull
2028E EBITDA - JMF	\$1,548.5	\$1,859.21	\$1,967.1
Normalized Forward Multiple	5.0x	8.0x	9.0x
TEV	\$7,742	\$14,874	\$17,704
Less: Debt	(4,201)	(4,201)	(4,201)
Plus: Cash	1,919	2,683	2,903
Equity Value	\$5,460	\$13,355	\$16,406
Shares	87	87	87
Value/Share	\$62.68	\$153.32	\$188.34
Downside to Current Price	(23.1%)	88.1%	131.1%
IRR	(8.4%)	23.5%	32.2%
Upside/Downside Ratio		(3.8x)	(5.7x)

EPV	Value	Note
Revenue	3,188	Prior to the management transformation, the business was run for enrichment and maintaining market position. Since new management entered and geared the business for growth, marketing and R&D expenses increased. The
Operating Margin (EBIT)	21%	
Op. Income	676	
Intangible Adjustments	153.85	
Marketing Growth Exp	74	
R&D Growth Exp	79	Depreciation exceeds estimated maintenance CapEx. Maintenance CapEx based on portion of replacement units as percent of total unit deliveries. \$79M of legal expenses incurred in FY24, driven by unprecedented litigation from top competitor.
Other		
Other Adjustments	170	
Excess Amortization	-	
Over / under depreciation	91	
Non-recurring items	79	Growth equity represents 12% of the current market cap. Given the company's growth prospects, ROIC above WACC, this growth seems cheap.
Total Adjustments	324	
Adjusted Op. Income	1,000	
Tax Rate	20.2%	
Adjusted NOPAT	798	
WACC	8%	
EPV Op. Business	9,926	
(+) Cash	196	
(-) Debt	3,870	
EPV Equity	6,252	
Current MC	7,109	
Growth Equity	857	

Exhibit 2: DCF Valuation

Presentation last saved: Just now
Terminal Multiple (TEV/NOPAT)
Discount Rate
Tax Rate

10.0x
8.0%
20.0%

DCF Analysis

Years	1	2	3	4	5
	2025E	2026E	2027E	2028E	2029E
EBITDA	\$1,411	\$1,591	\$1,756	\$1,859	\$1,968
Less: D&A	(498)	(520)	(520)	(520)	(520)
EBIT	\$913	\$1,071	\$1,236	\$1,339	\$1,448
Less: Taxes	(183)	(214)	(247)	(268)	(290)
NOPAT	\$731	\$857	\$989	\$1,071	\$1,159
(+) D&A	498	520	520	520	520
(-) CapEx	(301)	(320)	(320)	(320)	(320)
(-) Change in NWC	(23)	(31)	(156)	(28)	(29)
Unlevered FCF	\$905	\$1,026	\$1,033	\$1,244	\$1,330
Terminal Value (TEV/NOPAT)					19,683
Unlevered FCF + Terminal Value	\$905	\$1,026	\$1,033	\$1,244	\$21,012
Discount Factor	0.9x	0.9x	0.8x	0.7x	0.7x
Discounted Value	\$838	\$880	\$820	\$914	\$14,301

VALUE/SHARE SENSITIVITY

			Terminal Multiple		
			9.0x	10.0x	11.0x
TEV	\$17,753				
Less: Debt	(3,870)				
Plus: Cash	196				
Total Equity Value	\$14,079				
Shares	87				
Value/Share	\$161.82				
		Discount Rate			
		8.0%	\$146.43	\$161.82	\$177.22
		10.0%	\$131.58	\$145.63	\$159.67
		12.0%	\$118.21	\$131.04	\$143.88

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Exhibit 3: Key Driver Cases

Key Driver Cases

	Projected Fiscal Years Ending Dec 31				
	2025E	2026E	2027E	2028E	
Gaming Sales Growth					Commentary -In the base case, growth in gaming segment is primarily driven by US installed base market share gains (300 bps) over 4 years, and maintaining market share in shipped units at 26%. Persistent SciPlay growth is driven by 4% growth in daily active users and 2% growth in pricing. Gross margins improve as ASP on shipments, pricing on install base, and mix shift from third-party to DTC revenue in SciPlay increases. - Bull case incorporates an incremental 100 bps of market share gains in the install base and maintains shipment share. SciPlay outperforms, driven by faster 2% faster DAU growth. - Bear case incorporates no share gains, and a decline in shipments over the next year. SciPlay is unable to revert declines in daily active user.
Bull Case	6.5%	8.0%	6.3%	6.9%	
Base Case	6.4%	7.6%	5.4%	5.9%	
Bear Case	(8.2%)	1.7%	4.9%	16.7%	
SciPlay Sales Growth					
Bull Case	7.6%	9.7%	8.2%	5.2%	
Base Case	4.2%	8.0%	6.2%	6.3%	
Bear Case	4.2%	-1.4%	1.8%	2.1%	
iGaming Sales Growth					
Bull Case	10.0%	12.0%	10.0%	9.0%	
Base Case	8.5%	10.0%	7.0%	7.0%	
Bear Case	4.8%	5.0%	6.0%	6.0%	
Gross Margin					
Bull Case	71.9%	72.0%	73.5%	73.5%	Note that in terms of multiple expansion, the model assumes modest multiple expansion, from 7.3x NTM EV/EBITDA to 8x in the base case. This is below historical average and well below where its closest peer, ALL is trading, at 15.4x.
Base Case	71.4%	71.5%	73.0%	73.0%	
Bear Case	70.7%	70.0%	70.0%	70.0%	
EBITDA Margin					
Bull Case	41.1%	42.7%	44.4%	44.2%	To arrive at the target price, the avg of the P/E and EV/EBITDA valuation price targets are averaged.
Base Case	40.2%	41.8%	43.5%	43.3%	
Bear Case	39.7%	40.8%	41.0%	40.7%	
<hr/>					
EPS					
Bull	\$5.76	\$7.47	\$9.18	\$10.37	
Base	\$5.36	\$6.89	\$8.36	\$9.41	
Bear	\$4.11	\$4.59	\$5.20	\$6.65	

Exhibit 4: Comp Table – ALL and LNW

Company	Mkt Cap (\$MM)	Forward P/E	Forward EV/EBITDA	EBIT Margin	Net Income Margin	ROA (LTM)	ROE (LTM)
Aristocrat (ALL)	26872.76	23.4x	15.4x	29%	21.1%	13.8%	22.8%
Light & Wonder (LNW)	7108.86	13.8x	7.3x	24%	10.5%	6.1%	46.0%
Difference	-19763.9	(9.6)	(8.1)	(0.0)	(0.1)	(0.1)	0.2x

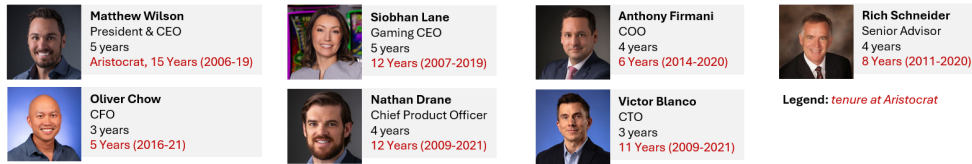
Company	Rev CAGR		EPS CAGR		ND / EBITDA
	Historical - YoY	3Yr Forward	Historical - YoY	3Yr Forward	
Aristocrat (ALL)	4.5%	2.6%	19.7%	9.9%	0.6x
Light & Wonder (LNW)	9.9%	7.1%	110.3%	31.0%	3.2x
Difference	0.1x	0.0x	0.9x	0.2x	2.6x

Appendix 1: Visuals Pertaining to Key Thesis Points

Thesis Point #1 - LNW is trading near its steepest discount to Aristocrat (ALL), despite an ongoing business transformation significantly narrowing the gap.

Figure 1.1 - Aristocrat Management @ LNW Today

Named Executives (7 of 11 from Aristocrat)



Board Members (4 of 10 from Aristocrat, including Matt)



Supporting Evidence from VAR and LinkedIn

- VAR**
- "We hired c-suite level executives and two reporting layers down from the c-suite from Aristocrat" – Former Head of Sourcing, LNW
- LinkedIn**
- LinkedIn shows over 100 former Aristocrat employees at Light & Wonder, and only 13 former Light & Wonder employees at Aristocrat
 - Below c-suite employees span the organization - Director of R&D, VP of Games Design, Regional Sales Director

Figure 1.2 - LNW's Current Management Team's Performance @ Aristocrat

LNW Total Shareholder Returns (FY15-20)



Market Share Increases (FY15-20)

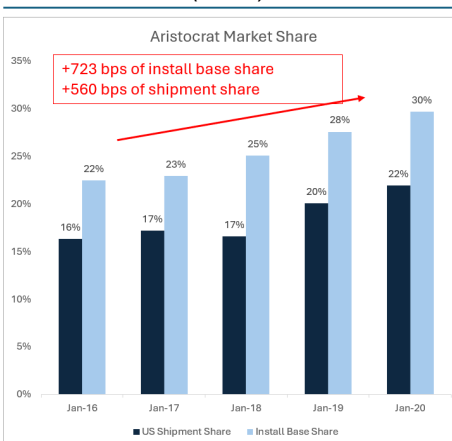
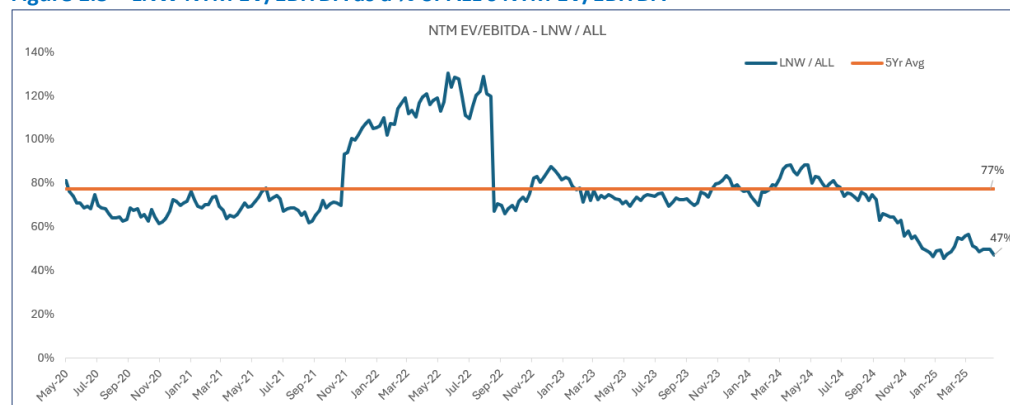


Figure 1.3 - LNW NTM EV/EBITDA as a % of ALL's NTM EV/EBITDA



Thesis Point #2 - LNW's IP portfolio, complementary products and services, and installed base form a durable competitive moat, positioning it not only to outperform smaller rivals but also potentially challenge Aristocrat's position.

Figure 2.1 - Historical US Market Share by Install Base and Shipments

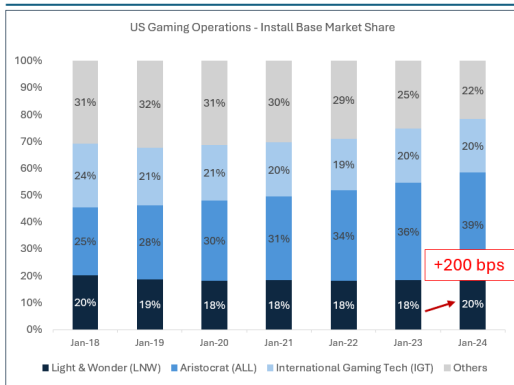
Light & Wonder (NASDAQ: LNW): Long

May 11th, 2025

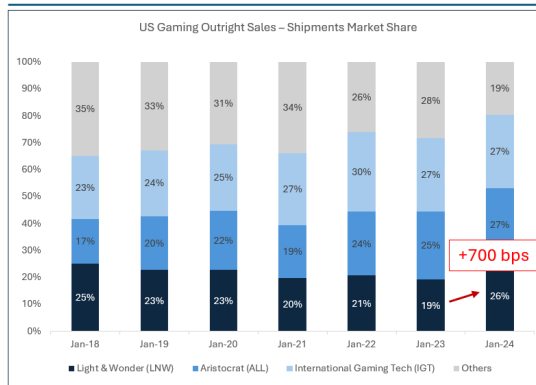
Lucky Spin: Betting on a Successful Business Transformation (*Upside 86%*)

Joe Ferguson

US Install Base Market Share



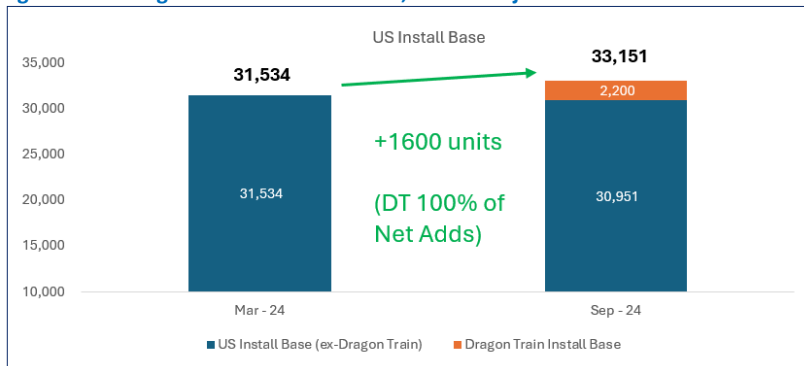
US Gaming Shipments Market Share



Market consolidation shows no signs of abating, and LNW's share gain story is just in its early stages

Thesis #3 Market concerns over LNW's Dragon Train litigation are overblown given de minimis financial exposure, limited impact to R&D pipeline, and LNW's game dev success outside of Dragon Train and Jewels of the Dragon.

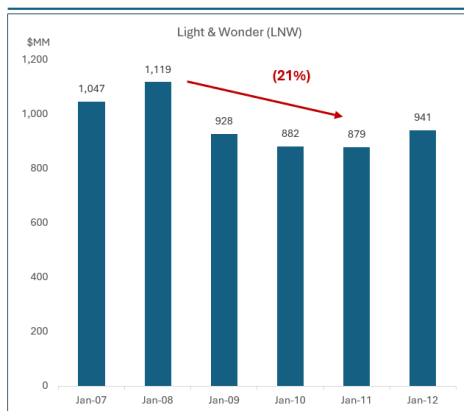
Figure 3.1 – Dragon Train US Install Base, Prior to Injunction



Thesis #4 The market likely excessively discounts LNW due to misunderstood cyclicality during periods of stress, reflecting its lengthy financial history as a public company but limited track record in its current form.

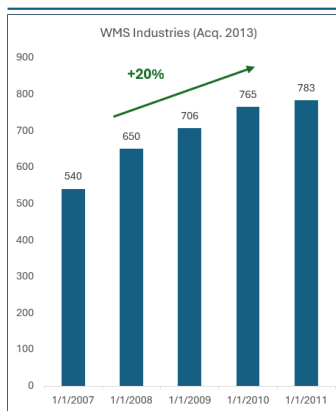
Figure 4.1 – LNW Performance and Acquisition Performance During GFC

Historical LNW GFC Performance

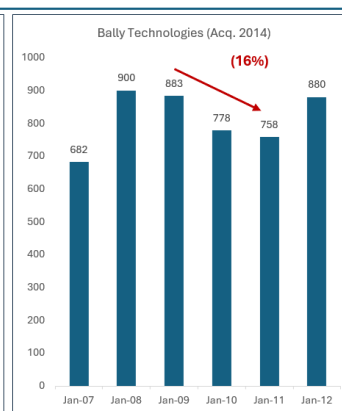


LNW's Revenue was 80% Lottery and 20% Other in GFC

LNW's Slot Machine Businesses GFC Performance



Premium Slot Business – High Recurring Revenue, similar to today's LNW Slot Business



Comprehensive Slot Business – Similar to today's LNW Slot business, but only 41% recurring revenue

Thesis #5 LNW's online and social gaming segments are likely being overlooked by the market but represent hidden value due to strong growth and attractive economics.

Figure 5.1 – DAU Trends @ SciPlay – All Titles and Non-Core Titles

Light & Wonder (NASDAQ: LNW): Long

May 11th, 2025

Lucky Spin: Betting on a Successful Business Transformation (*Upside 86%*)

Joe Ferguson

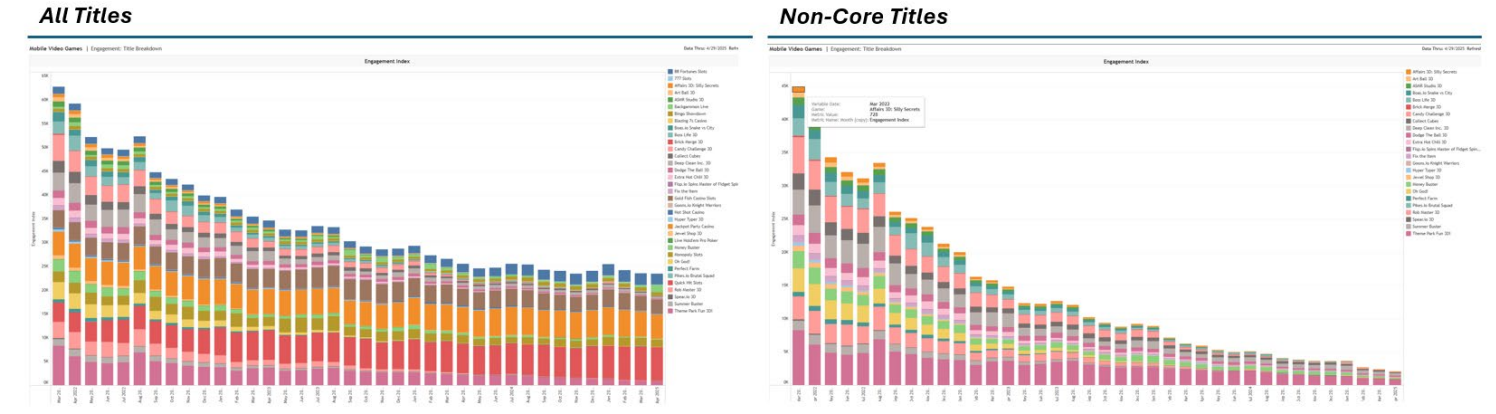


Figure 5.2 – DAU Trends @ SciPlay – Core Titles

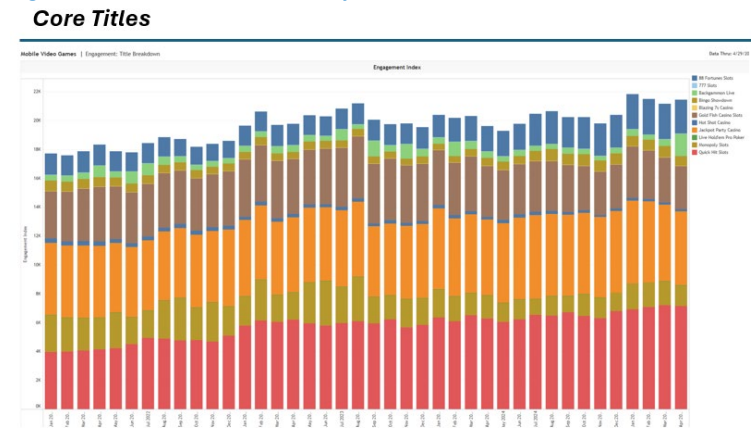


Figure 5.3 – PA Case Study

