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Accel Entertainment, Inc.

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Earnings Call

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Call Participants

EXECUTIVES

Andrew Harry Rubenstein
Co-Founder, President, CEO & Director

Mark T. Phelan
President of U.S. Gaming

Mathew Ellis
Chief Financial Officer

Unknown Executive

ANALYSTS

Chad C. Beynon
Macquarie Research

Gregory Thomas Gibas
*Northland Capital Markets,
Research Division*

Steven Donald Pizzella
*Deutsche Bank AG, Research
Division*

Presentation

Operator

Good afternoon, and thank you for attending today's Accel Entertainment Q1 2025 Earnings Call. [Operator Instructions]

I'll now hand the call over to Scott Levin, Chief Legal Officer, to begin. You may proceed.

Unknown Executive

Welcome to Accel Entertainment's First Quarter 2025 Earnings Call. Participating on the call today are Andy Rubenstein, Accel's Chief Executive Officer; Matt Ellis, Accel's Chief Financial Officer; and Mark Phelan, Accel's President of U.S. Gaming.

Please refer to our website for the press release and supplemental information that will be discussed on this call. Today's call is being recorded and will be available on our website under Events and Presentations within the Investor Relations section of our website.

Some of the comments in today's call may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to risks and uncertainties. Actual results may differ materially from those discussed today, and the company undertakes no obligation to update these statements unless required by law.

For a more detailed discussion of these and other risk factors, investors should review the Forward-Looking Statements section of the earnings press release available on our website as well as other risk factor disclosures in our filings with the SEC.

Any projected financial information presented in this call is for illustrative purposes only and should not be relied upon as being predictive of future results. The inclusion of any financial forecast information in this call should not be regarded as a representation by any person that the results reflected in such forecasts will be achieved.

During the call, we may discuss certain non-GAAP financial measures. For reconciliations of the non-GAAP measures as well as other information regarding these measures, please refer to our earnings release and other materials in the Investor Relations section of our website.

I will now turn the call over to Andy.

Andrew Harry Rubenstein

Co-Founder, President, CEO & Director

Thank you, Scott, and good afternoon, everyone. Thank you for joining today's call.

I'm pleased to report we had another record-setting quarter with total revenue of \$344 million, which is our highest quarterly revenue since going public. We also had strong adjusted EBITDA of \$50 million. Both revenue and adjusted EBITDA grew 7% year-over-year, demonstrating again the strength of our local distributed gaming model operated in 10 states and 4 time zones.

During the first quarter, we continue to see stable revenue growth in our largest markets of Illinois and Montana with 4% and 8% Q1 year-over-year revenue growth, respectively. We see this trend continuing into Q2. Nebraska and Georgia continue to generate strong double-digit revenue growth, albeit from a smaller base, while Nevada experienced a small revenue decline in the first quarter as we work through the loss of a key customer due to an ownership change.

We have now completed the integration of our recently acquired operations in Louisiana and are looking forward to the revenue growth opportunities that this acquisition should generate. As a reminder, in late 2024, we took control over can Toucan Gaming, which will continue to be led by its founder, Stan Guidroz, who has over 22 years of local market industry experience.

Operationally, the acquisition further expands Accel's Southeastern exposure, adding 96 locations and 614 terminals as of the end of the first quarter. As the combined entity continues to roll out operations, bringing together previously separate businesses, including legacy truck stops and organically developed distributed gaming routes, we expect to drive further synergies and performance improvements over time.

Finally, we are proud to announce that Fairmount Park Casino opened on April 18, being the first Racino in Illinois' history. Mark will provide more details on Fairmount, and we look forward to it being another growth driver for Accel.

Across our national footprint, we continue to refine our customer acquisition and retention efforts to drive profitable sales growth. Distributed gaming is a dynamic and competitive market, and Accel is differentiated by its scale and innovation, which will enable us to continue to grow and prosper.

In addition, we continue to review our markets and operations to find areas of improvement. As a result, we identified additional efficiencies and opportunities for growth that will contribute to expanding free cash flow. We'd like to remind analysts, investors and potential investors that our business, providing safe, convenient and fun local gaming entertainment is fundamentally straightforward and delivers compelling returns on invested capital.

Unlike larger gaming operators with capital tied up in large immobile projects, our model spreads capital across thousands of retail locations in multiple states and regions. This decentralized approach gives us the diversification and flexibility to reallocate capital efficiently based on local demand trends.

Over the past 4 years, we've expanded beyond our home market of Illinois into new gaming jurisdictions through our distributed gaming model. We've made significant investments to integrate key operating platforms, procurement, logistics, finance and reporting and have worked closely with our local leaders to ensure all of Accel is aligned in delivering a superior gaming experience for our local players.

Today, I'm confident in our ability to scale our proprietary products and services across our national footprint, delivering unmatched value to our retail location partners. I also believe our growing scale will continue to drive operational efficiencies, enhance financial performance and deliver enhanced free cash flow growth.

With that, I'm going to turn it over to Mark to provide an update on Fairmount.

Mark T. Phelan
President of U.S. Gaming

Thanks, Andy.

From day 1 of the Fairmount acquisition, we had a clear goal to complete the construction of Phase 1 of the Fairmount Racino project at or below budget. This project included the construction of our Phase 1 casino, the addition of high-quality food and beverage amenities, improvements to the track infrastructure and the recruitment, licensing and training of a premier customer service team, all well ahead of Fairmount Park's biggest racing event of the year, Derby Day, which coincided with the Kentucky Derby this past weekend.

Thanks to the relentless commitment of both our on-site team and shared services team, Fairmount Park Casino & Racing successfully opened its casino on April 18, approximately 4.5 months after the acquisition was completed and just 2 weeks ahead of Derby Day and all slightly under our Phase 1 construction budget. The racing season at Fairmount started on April 22.

Despite minimal marketing ahead of the opening, our team has done an outstanding job generating interest in both the casino and the broader improvements at Fairmount Park. Now open for just over 2 weeks, we are encouraged by the early results. This past Saturday, May 3, 2025, we hosted Derby Day at the track. Despite the inclement weather forcing us to cancel races, we still had a fantastic turnout that drove very strong play at the casino.

As marketing efforts ramp up and our full-service freestanding restaurant Long Shots comes online, we are increasingly confident in the casino's appeal as the most engaging and freshest slot floor in the

Greater St. Louis area as well as in Fairmount Park's growing reputation as a premier regional destination for racing and entertainment.

Before Matt walks us through the numbers, I'd like to quickly turn it back to Andy.

Andrew Harry Rubenstein
Co-Founder, President, CEO & Director

Thanks.

As you probably saw, we issued a press release last week announcing Matt's departure as CFO, effective May 9. I want to express my gratitude to Matt for his leadership and partnership to Accel these last 6 years. Matt has played a pivotal role in shaping our company's growth initiatives, financial strength and company culture. We wish Matt the very best in his future endeavors.

While Matt's departure represents a leadership change, we are pleased that Mark will be stepping into the role of acting CFO. With Mark's experience in finance and financial markets and deep operational insight as President of U.S. Gaming, we expect a stable and seamless transition while we conduct a search to fill the position on a permanent basis.

With that, we'll turn it over to Matt.

Mathew Ellis
Chief Financial Officer

Thanks, Andy, and good afternoon, everyone.

I'd like to thank Andy, our management team, Board of Directors, stakeholders, partners, customers and the entire team at Accel for all their support over the last 6 years. I am proud that I'm leaving Accel in a strong and stable position, supported by a resilient business model that gives me great confidence in its continued success for years to come.

For the first quarter, we had total revenue of \$324 million, a year-over-year increase of 7.3% and adjusted EBITDA of \$50 million, a year-over-year increase of 7.1%. As of March 31, we had 27,180 terminals and 4,391 locations, year-over-year increases of 4.4% and 2.9%, respectively.

Revenue per location for the quarter in our core states was as follows: Illinois was \$885 per day, an increase of 2.9% year-over-year. Montana was \$610 per day, an increase of 2.7% year-over-year. Nevada was \$802 per day, a decrease of 5.3% year-over-year. Louisiana was \$972 per day. Nebraska was \$263 per day, an increase of 12.9% year-over-year, and Georgia was \$145 per day, an increase of 59.3% year-over-year.

Our growth in Illinois, Montana, Nebraska and Georgia emphasizes the strength and resilience of both our business model and more importantly, the fact that consumers continue to choose and use our high-quality local and convenient gaming offerings.

Capital expenditures for the first quarter were \$27 million of cash spend. At the end of the first quarter, we had approximately \$309 million of net debt and \$422 million of liquidity, consisting of \$272 million of cash on our balance sheet and \$150 million of availability on our credit facility.

We are reiterating our full year CapEx forecast of \$75 million to \$80 million, comprised of \$39 million to \$41 million in our existing markets, \$5 million to \$7 million in Louisiana and \$31 million to \$32 million for Fairmount. As a reminder, the CapEx for Fairmount includes both Phase 1 and initial construction for Phase 2. After Fairmount and the initial CapEx in Louisiana, we expect company-wide normalized annual CapEx to return to \$40 million to \$45 million, which will be an encouraging boost to free cash flow and returns on capital.

On our capital allocation strategy, we continue to view share repurchases favorably as an effective way to return capital to our shareholders. During the first quarter, we repurchased 1 million shares at an average purchase price of \$10.34 per share for a total of \$10 million. With our strong balance sheet and

low leverage, we are in a unique position where we can invest in and grow our business while returning capital to shareholders.

With that, I'd like to turn it back over to Andy.

Andrew Harry Rubenstein

Co-Founder, President, CEO & Director

Thanks, Matt.

As I mentioned earlier, we are very pleased with our strong first quarter performance and the continued and growing momentum across our businesses. And we are proud that while delivering record Q1 revenue, we also reached our first major milestone at Fairmount with the opening of the casino a few weeks ago.Â

We remain focused on executing our simple but compelling growth model of generating solid organic revenue growth with expanding margins and improved free cash flow. Accel continues to have a strong competitive position as evidenced by our results and healthy balance sheet, which enable us to pursue a multipronged approach to return-focused capital allocation, making us a compelling investment.Â

Local gaming is an attractive growing niche within the broader gaming market with multiple opportunities to generate strong and consistent revenue and EBITDA growth as well as strong free cash flow. We will now take your questions.

Question and Answer

Operator

[Operator Instructions] The first question is from the line of Chad Beynon with Macquarie Research.

Chad C. Beynon

Macquarie Research

Andy, Matt and Mark, congrats on the record Q1. And Matt best of luck with everything going forward. Thanks for all the help.

I wanted to start with the tariff impact. So it's been several weeks since Liberation Day. We've heard from some of the competitors or other players in the space with maybe bigger projects that they have. This is a year where you do actually have a slightly bigger project. So just wondering how you're thinking about this impact near term. I know you just gave guidance for CapEx, but how you're thinking about -- what this could mean? And if this changes at all, how you're thinking about future growth with other opportunities.

Andrew Harry Rubenstein

Co-Founder, President, CEO & Director

Thanks, Chad. This is Andy.

As far as our existing business, most of our CapEx spend for the year the prices have been locked in. So it will have minimal effect on us. We've seen minor effect in parts. As we look forward in terms of the Fairmount construction, I'll let Mark give that answer. But consumer demand continues to be strong. So we haven't seen any tariff impact from that perspective.

Go ahead, Mark.

Mark T. Phelan

President of U.S. Gaming

Chad, so in terms of construction, obviously, steel has gone up a significant amount, and you'd use a bunch of that in the Phase 2 project. But given the sort of volatility of laws and announcements and tariffs, it's really hard to tell. The Phase 1 project was well finished and prices were well set before any of these tariffs hit. So right now, there doesn't seem to be much of an impact.

Chad C. Beynon

Macquarie Research

Okay. Great to hear. And then on the performance, I guess, a 2-parter. We've heard a lot of companies call out weather in the first quarter. Are you able to quantify maybe what this impact may have been for your portfolio? And then more importantly, you said that April trends, I guess, we're through all of April, haven't really changed in terms of the strength with the consumer. Can you just confirm that? And are you seeing any pockets of weakness across the fleet?

Mathew Ellis

Chief Financial Officer

Chad, it's Matt, and thanks for the wishes at the beginning.

We'll take that one part at a time. Weather, all in all, pretty neutral when we look at it quarter-over-quarter, right? There's always a cold week here, a rainy week there. But as Andy talked about, we're well diversified. So weather was a neutral factor in a good positive way.

When it comes to the other piece of your question, April is trending like we expect it to. We are not seeing sort of any sort of change in consumer behavior. It's a busy season for us with tax refund season, but kind

of pleased to report that everything is following our initial forecast for the year despite some of the recent political events.

Operator

The next question is from the line of Steven Pizzella with Deutsche Bank.

Steven Donald Pizzella

Deutsche Bank AG, Research Division

Matt, thanks for all your help over the years and good luck with your future endeavors.

Just looking at Illinois, it looks like locations were down again quarter-over-quarter, location win per day, up year-over-year. Is that still part of the strategy to kind of prune the bottom part of the portfolio?

Andrew Harry Rubenstein

Co-Founder, President, CEO & Director

Thanks, Steve. This is Andy. Yes, we're continuing on that program. And to be honest, it will be a continuous part of our optimization of our business. We are always looking to increase our profitability, look at -- evaluate locations that aren't performing where the margin isn't what we expect and reallocate the assets into better performing situations.

This whole utilization of our equipment is reinforces our efforts to scale to our new markets, improve our return on those investments, and really optimize our overall CapEx expenditures and which ultimately will help our free cash flow. So I think you'll see this program continue market after market as it's a natural evolution of our business.

Steven Donald Pizzella

Deutsche Bank AG, Research Division

And then just wanted to follow up if you could give us any more color on how Louisiana is going, if the same kind of Illinois strategy applies to some of the other Montana, Nevada, Louisiana, Nebraska markets also. If we could get kind of an update there on the strategy.

Mathew Ellis

Chief Financial Officer

Steve, yes, I'll take Louisiana, and I'll let Mark provide some color on Georgia and Nebraska. So Louisiana, it's very early. Obviously, we just closed in the latter part of Q4, it's all trends and early indications are very positive. We were accomplishing a lot of the remodeling, updating optimization that we had planned for. And the results of that today has been very positive and indicating that we should continue down that trend. So we'll keep you abreast as that progresses in the future quarters.

Go ahead, Mark.

Mark T. Phelan

President of U.S. Gaming

Steve, I'll try to kind of give an overview of all the markets. But generally, as Andy pointed out, we spent a fair amount of time and effort in the last 4 years expanding outside Illinois. And I think now you're starting to see the fruits of that process as we've integrated a lot of these markets and been able to share with them sort of common technology in the form of like payments and loyalty and customer service as well as content in the form of electronic gaming machines, some of which are proprietary to Accel through GBG and some of which are third-party made that we purchase and distribute to our different markets.

Illinois continues to be the bedrock of this company and continues to outperform. Nevada, I would point out, had a pretty robust growth. And in part, that's because of differentiated content strategy we have there, where we have games that no one else has and therefore, perform higher.

You could say the same for Nebraska and Georgia as well, Steve, although in those markets, in particular, we've been able to scale Century technology acumen, they've always been really good at technology because their markets are so competitive, because the rent share there is negotiated. So they really had to differentiate themselves. And we've been able to use their products, enhance them, and apply them to these other markets where they're really differentiated, and been able to allow us to grow much higher than sort of the market rate.

Steven Donald Pizzella

Deutsche Bank AG, Research Division

And then just real quick. In the 1Q, was there any impact from Fairmount in the sports book, or any start-up costs we should be aware of?

Mathew Ellis

Chief Financial Officer

Steve, it's Matt. I can take that. Yes, there were start-up costs, right. We started the main hiring, both came in March. So we had that period of, call it, 1 month, 1.5 months, where the labor started hitting us ahead of any revenue. But as Mark discussed and Andy discussed, we're off to a good start in Fairmount. But yes, there were some start-up in Q1.

Operator

[Operator Instructions] The next question is from the line of Greg Gibass with Northland.

Gregory Thomas Gibas

Northland Capital Markets, Research Division

Matt been -- really appreciate the help over the years, and I wish you all the best going forward.

To touch on, I guess, Phase 1 with that being completed at Fairmount, could you maybe give us an update on the timing of Phase 2? And what are the key next steps from a regulatory standpoint?

Mark T. Phelan

President of U.S. Gaming

I'll take that one, Greg. So one of the great things about Fairmount is it provides us a lot of optionality, and that's why we chose sort of the Phase 1 approach. And so now that we have a casino up with improved food and beverage amenities, and this single-site location called Long Shots, which will be forthcoming, we have the potential and the ability to sort of see how it operates and see what kind of demand and supply we have there in terms of our competitors.

And so I would say we'll have a lot more clarity on this once sort of the racing season comes to an end, which is in October, before we really want to sort of say what we're going to do for Phase 2. We're definitely in Phase 2, but we want to learn from the field and take its input and feedback before we kind of give a more formal answer.

Gregory Thomas Gibas

Northland Capital Markets, Research Division

Got it. And if I could follow up on Louisiana. That was a stronger-than-expected performance in Q1. Certainly a step-up from the run rates when you acquired the businesses. I wanted to see if there's any drivers worth calling out there? Is that kind of seasonality? Or do you kind of view this as maybe the run rate being pretty sustainable prior to future growth in the state?

Andrew Harry Rubenstein

Co-Founder, President, CEO & Director

Thanks, Greg. This is Andy. I would say the run rate will continue to improve throughout the year as we are optimizing, remodeling a lot of the truck stops. So I don't know where we're going to land, but I think we're on a real upward trend, and the market -- although it's a mature market, has a lot of legacy

equipment. And as we upgrade and do what we consider as best practices, as well as bring proprietary technology to the market, we will see us outperform what our competitors are doing in that market.

Gregory Thomas Gibas

Northland Capital Markets, Research Division

That's fair, Andy. And I guess a last quick one. I'm pretty sure you touched on CapEx expectations, but I wanted to follow up. I think I missed that piece of the prepared comments. What are the expectations for 2025 versus kind of the normalized levels?

Mathew Ellis

Chief Financial Officer

Greg, it's Matt, and thanks for the wishes at the beginning of the Q&A.

So \$75 million to \$80 million for 2025 split as follows: \$5 million to \$7 million for Louisiana, \$31 million to \$32 million for Fairmount, and that Fairmount includes some Phase 2 initial construction, and then \$39 million to \$41 million for our main market, shall we call it. Now that's for this year. When we get everything done, we expect \$40 million to \$45 million for everything, including Fairmount and Louisiana, plus all the main markets.

Operator

[Operator Instructions] There are no further questions. I'll hand the call back over to Andy Rubenstein for concluding remarks.

Andrew Harry Rubenstein

Co-Founder, President, CEO & Director

Thank you, everyone, for joining us for this Q1 call. We're excited to share with you more growth that we're seeing at Fairmount, as Mark alluded to. And we will be talking to you in July with some good news and continued positive improvement in a lot of our markets. Have a good spring, and we'll talk to you in summer.

Operator

That concludes today's conference call. Thank you for your participation. You may now disconnect your lines.

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