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# Accel Entertainment, Inc.

NYSE:ACEL

## *Earnings Call*

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# Call Participants

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## EXECUTIVES

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

**Mark T. Phelan**  
*President of US Gaming & Interim CFO*

**Scott D. Levin**  
*Chief Legal Officer & Secretary*

## ANALYSTS

**Chad C. Beynon**  
*Macquarie Research*

**Gregory Thomas Gibas**  
*Northland Capital Markets, Research Division*

**Steven Donald Pizzella**  
*Deutsche Bank AG, Research Division*

# Presentation

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## Operator

Good afternoon, and thank you for attending the Accel Entertainment Second Quarter Earnings Call. My name is Jason, and I will be the moderator today. [Operator Instructions]

I'd now like to pass the conference over to your host, Scott Levin.

## Scott D. Levin

*Chief Legal Officer & Secretary*

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

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. Following management's prepared remarks, we will open the call for a question-and-answer session.

With that, I would now like to introduce Andy. Please go ahead.

## Andrew Harry Rubenstein

*Co-Founder, President, CEO & Director*

Thank you, Scott, and good afternoon, everyone. We appreciate you joining us today.

In the 2025 second quarter, Accel generated record quarterly revenue and adjusted EBITDA of \$336 million and \$53 million, respectively. We continue to build on our leading position in delivering the best gaming experience to the U.S. locals market as we support more than 27,000 legal and regulated gaming terminals at over 4,400 retail partners across 10 states. Across our broader portfolio, we generated growth in the majority of the markets where we operate. Our Q2 growth reflects our disciplined expansion strategy and consistent execution in our core, developing and new markets.

Accel's continued growth will benefit from its strong competitive position and healthy balance sheet as we pursue our multipronged growth strategy. Today's call should leave everyone with the understanding that local gaming is an incredibly attractive, resilient and a growing segment within the broader gaming market. And as a leader in this segment, Accel expects to continue to generate near- and long-term growth in revenue, adjusted EBITDA and free cash flow. We plan to achieve these goals by leveraging our operating expertise, while also remaining focused on often overlooked M&A opportunities, which I will discuss in more detail later on the call.

As the market leader in Illinois, this market remains the foundation of our business, with second quarter revenue up over 8% to a quarterly record \$245 million. This increase was driven by our strategic game enhancements and location optimization initiatives, which resulted in a 6% year-over-year increase and location hold per day to \$910.

Our second largest core market, the Montana distributed gaming route grew revenue by 2.6% and as it continues to scale its content and systems products to support its dominant market share.

Our developing markets, Nebraska and Georgia grew revenue by 26.1% and 53.5%, respectively, while Nevada revenue declined by 7.7%. As Nebraska and Georgia continue to take market share with superior service and products, Nevada's decline reflects the loss of a key customer in 2024 due to a change in ownership.

We remain optimistic about our growth potential in all three markets, where strategic investments are now beginning to contribute to Accel's overall growing adjusted EBITDA.

In our new markets, we are seeing tangible contributions from our Toucan Gaming acquisition in Louisiana. That acquisition further expanded our operations in the Southeast, by adding over 600 terminals across nearly 100 locations. Toucan Gaming generated approximately \$10 million of second quarter revenue, and we expect to realize additional synergies in revenue as well as adjusted EBITDA performance gains. Our performance reinforces our confidence that these benefits will become even more apparent into next year.

In April, Accel's installation of 271 gaming positions completed Phase 1 of its casino at Fairmount Park. Our soft opening just prior to the Kentucky Derby, generated a strong turnout bringing excitement to this historic venue. Fairmount continues to ramp up steadily and we remain confident in this long-term contribution. We expect our player acquisition and retention strategy to expand the player database and drive market share gains.

In addition to our racing and casino business at Fairmount, Accel benefits from our long-term revenue sharing agreement tied to FanDuel's online sports betting operations across the state of Illinois. When taken together, the early operational progress at Fairmount and the FanDuel revenue-sharing arrangement reinforce our confidence that Fairmount Park Casino & Racing will continue to contribute to our adjusted EBITDA growth as we move into 2026.

Looking ahead, our M&A pipeline remains active. We continue to evaluate opportunities across the large and fragmented local gaming market, estimated at over \$15 billion nationally. We remain focused on disciplined, accretive transactions that do not stretch our balance sheet. Most of these assets are below the radar of larger operators, creating attractive opportunities for Accel to expand our footprint while maintaining strong financial discipline.

Our consistently strong financial performance and ongoing progress reflects the inherent resilience of our business model and its ability to generate compelling returns on invested capital. Our decentralized approach, spanning thousands of retail locations provides the diversification and the flexibility to efficiently allocate capital in line with local demand and market dynamics.

With that, I'm going to turn it over to Mark to walk us through the financial results in added detail.

**Mark T. Phelan**

*President of US Gaming & Interim CFO*

Thanks, Andy. For second quarter, total revenue was \$336 million, representing year-over-year growth of 9%. Without the acquisition of Fairmount Park and our Louisiana assets, total revenue was \$317 million, representing year-over-year growth of 2.4%. Adjusted EBITDA for the second quarter was \$53 million, a year-over-year increase of 7% compared to second quarter of 2024. As of June 30, 2025, we operated approximately 27,400 terminals across more than 4,400 locations, representing year-over-year increases of 3.4% and 3.1%, respectively.

As Andy stated earlier, we look at our distributed gaming portfolio across three markets: core, developing, and new. Each of these markets is positioned to grow revenue and earnings at different rates for different reasons. Our core markets, Illinois and Montana are our largest and most seasoned markets, and we expect them to scale their platforms to drive higher margins and free cash flow over time.

Our developing markets in Nebraska, Nevada and Georgia are fast-growing markets where we expect our prior infrastructure investments and scale to generate meaningful increases in revenue and operating margins. We expect that our new markets of Louisiana and Fairmount Park will experience revenue growth while initially generating lower margins as we invest in their operating platforms.

I also wanted to provide more revenue detail on our two core markets, Illinois and Montana. The Illinois distributed gaming market contributed \$236 million of revenue, which grew by \$9 million or 3.9% in second quarter 2025 compared to prior year. Our Montana distributed gaming route experienced positive quarterly revenue growth of 2.6%. While Grand Vision Gaming, Accel's wholly owned slot machine manufacturer, saw a decline in revenue primarily due to timing on software sales as Grand Vision Gaming or GVG updates its operating platform to support product availability in Accel's other markets.

GVG, our billings Montana base slot manufacturer and Century, which runs our distributed gaming route are reported together under Montana consolidated operations. As a result, the year-over-year quarterly revenue shows a decline for Montana on a consolidated basis.

As we mentioned earlier, Nevada experienced a revenue drop from the loss of a key customer due to an ownership change. In spite of that loss, we have done a great job optimizing our operating footprint in Nevada in the second quarter.

I also wanted to address our recent operational wins, which include Illinois increased operating margins by 70 basis points in the second quarter of 2025 as the team scaled our existing infrastructure. Illinois launched ticket in, ticket out, TITO late in July with a phased rollout expected over the next few months and a full implementation date to be determined. We believe TITO has the potential to provide a better player experience, lower field cash needs and potentially lower our operating expenses.

Montana rolled out proprietary gaming content and gaming systems designed to increase average profitability per store. Both Nebraska and Georgia utilized attractive redemption products and gaming infrastructure to profitably increase market share.

Finally, Louisiana legislation passed that allows for an additional video gaming machine per route location as well as additional video gaming machines to truck stops. As a reminder, our route markets are bifurcated between negotiated and legally defined revenue splits with retail and state government partners. Only our Illinois, Georgia and Pennsylvania markets have legally defined revenue splits, which are determined statutorily. The rest of our markets have revenue splits, which are negotiated between locations in Accel. For competitive reasons, we do not disclose the operating margins in these states and their implied gross margins, both of which are driven by revenue splits.

Moving on to capital expenditures. For the second quarter, our CapEx totaled approximately \$26 million. We are reaffirming our full year 2021 CapEx forecast of \$75 million to \$80 million, including approximately \$39 million to \$41 million for our legacy markets, \$5 million to \$7 million for Louisiana and \$31 million to \$32 million for Fairmount Park. CapEx for Fairmount Park covers both Phase 1, which is now complete and our initial investments in Phase 2 planning.

Following the completion of these projects, we expect normalized annual CapEx to return to the \$40 million to \$45 million range. At quarter end, we had approximately \$331 million of net debt and \$392 million of liquidity, consisting of \$265 million of cash and \$127 million of availability under our credit facility.

Lastly, we remain committed to returning capital to our shareholders. During the second quarter, we repurchased 634,000 shares at an average price of \$10.58 per share for a total of \$6.7 million. This brings the total shares repurchased for the 6 months ended June 30, 2025, to 1.6 million shares at a total of \$16.9 million. With a strong balance sheet and low leverage, we believe we are well positioned to continue to grow our business and return capital to shareholders.

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

**Andrew Harry Rubenstein**

*Co-Founder, President, CEO & Director*

Thanks, Mark. As I mentioned earlier, we are pleased with the direction of the business, including our record quarterly revenue and record quarterly adjusted EBITDA. Local gaming remains an attractive, resilient and growing market segment with large untapped potential, which presents Accel with multiple opportunities to continue to generate strong and consistent revenue, adjusted EBITDA and free cash flow growth moving forward.

With that, I now would like to open the call to questions. Operator?

## Question and Answer

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### Operator

[Operator Instructions] Our first question is from Chad Beynon with Macquarie.

### Chad C. Beynon

*Macquarie Research*

I wanted to start with the strong growth that you showed in Illinois, since it's the biggest market, and you're categorizing it as a core market. Can you just talk about what you saw throughout the quarter? We've heard from a number of other gaming companies who have said that the quarter started off certainly differently than it finished given all the volatility in the market, but I was just wondering if you could give a little bit more detail in terms of how the quarter shaped up given some consumer volatility.

### Mark T. Phelan

*President of US Gaming & Interim CFO*

Chad, it's Mark. Thanks for the question. It was actually pretty consistent growth through the quarter. All 3 months generally were kind of consistent with the volume. So we didn't really see much of a peak or valley. It was just generally consistent.

### Chad C. Beynon

*Macquarie Research*

Okay. Great. And then, Andy, just on your comments around M&A. I know you introduced the idea in a larger way, probably about a year ago with the Fairmount acquisition. What size asset portfolio EBITDA should we think about that you and the team will be looking at? Or maybe asked a different way, how much leverage are you willing to put on this business at this point, given your cash and facility availability at this point?

### Andrew Harry Rubenstein

*Co-Founder, President, CEO & Director*

Thanks, Chad. As we look at it, we're always opportunistic on the acquisitions. But I would tell you, consistent with our history, we're not looking to lever up the company in any extreme way. We've always kind of played it relatively conservatively. We have plenty of availability in our credit facility as we're about to refresh that. And obviously, the company generates significant cash flow.

So as we move forward, we're evaluating opportunities to best deploy that cash. And like the recent opportunities that we saw both at Fairmount and in Louisiana, we take advantage of those opportunities. So I would expect that we would be consistent and looking where the opportunities are adjacent or actually involved with the markets that we're in, and we look to continue to grow with those different opportunities.

### Mark T. Phelan

*President of US Gaming & Interim CFO*

Chad, this is Mark, too. I would just point out that the local gaming market, of which we think we're a premier player in generally are smaller assets in that these are unconsolidated sort of less professional operators. And so it tends to lean where the opportunities are smaller and you can take more bite-sized acquisitions.

### Chad C. Beynon

*Macquarie Research*

Okay. And I would presume with some of those, there's opportunities to improve the margins or improve something with the business that you have the business acumen to implement?

### Andrew Harry Rubenstein

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*Co-Founder, President, CEO & Director*

Yes. And I think in general, we have a competitive advantage in the fact that we have scale, we have the ability to implement technology from the Grand Vision operations that we have. We operate systems, reward systems in both Montana, Nevada and in Nebraska, we have the ability to manufacture equipment. So as we look at a market, we can take a more holistic view and we believe that it's allowed us to be much more competitive and much more aggressive as we approach these opportunities.

**Operator**

Next question is from Steve Pizzella with Deutsche Bank.

**Steven Donald Pizzella**

*Deutsche Bank AG, Research Division*

First, you noted TITO in Illinois started in July. What are your expectations for how that can impact earnings moving forward?

**Andrew Harry Rubenstein**

*Co-Founder, President, CEO & Director*

Thanks, Steve, it's Andy. As we look at TITO, it's really, really early in the game. Because over half of the machines have not had TITO kind of implemented. And we're waiting for the IGB as they're rolling it out. So we're really early. We're like literally weeks into it. I think it's our second week.

This quarter, we don't expect anything material, and we'll be able to, by the time we report the third quarter kind of give you a little more indication of what impact it will have on the market. We do think it will help with our -- reduce the cash that we have as people utilize their tickets in multiple machines that aren't continually cashing out. The player experience will be better, and it should mildly reduce the collection costs. So we're watching it closely, and we'll see more to report after this quarter.

**Steven Donald Pizzella**

*Deutsche Bank AG, Research Division*

Okay. And then in Nevada, I think you noted the loss of a key customer. What is the market growing ex the one customer. And have you seen any changes in the market to start the third quarter at all?

**Mark T. Phelan**

*President of US Gaming & Interim CFO*

Yes, Steve, it's Mark. So net of that customer, we actually grew slightly in revenue year-over-year. And in terms of the market there, it's really bifurcated kind of in sort of locations that have licenses and locations that don't and instead pay leases. We're much more aggressive about the former in terms of getting higher margins.

And we saw that from our team there, they performed significantly better in terms of margin even without the one key customer. And so we like that market a lot, actually, and we're growing, and that's why we've kind of included it in our developing markets, even though it's a market that's been around 30-plus years.

**Operator**

Our next question is from Greg Gibas with Northland.

**Gregory Thomas Gibas**

*Northland Capital Markets, Research Division*

Congrats on the record results. I wanted to just ask maybe how performance at the racetrack and casino has performed relative to your initial expectations? And maybe what your updated expectations are for Fairmount this year following Phase 1 completion and launch?

**Mark T. Phelan**

*President of US Gaming & Interim CFO*

Yes, Greg, it's Mark. So we don't -- we're not going to break out operating segments, but we underwrote the Park as sort of a valuable asset for a variety of reasons. And we -- some have to do with casino, racing and then sportsbook and then F&B, food and beverage. And we've seen positive indicators for all four that kind of matched our internal expectations.

So we're pretty excited about the asset. It's still very early days. It's 13th week. But we will -- I think we commented that we think it's going to be a significant contributor in '26, and we still feel pretty confident about that.

**Gregory Thomas Gibas**

*Northland Capital Markets, Research Division*

Great. And I guess to follow up there. When do you expect to have maybe a more material update on Phase 2 timing given that you are spending CapEx this year on Phase 2 planning? And maybe what more specifically is that kind of spending going towards or allocated for?

**Mark T. Phelan**

*President of US Gaming & Interim CFO*

So the second part of the question, Greg, is really just design. And so you have to kind of understand the asset, and we invite all of you to come out and view it some time. But it's 183-acre campus with multiple different buildings. And one of the things you really need to understand in order to be successful in the Phase 2 is how people interact between those buildings. We're still really figuring that out. We've learned a lot in the last 13 weeks, and we think we'll learn a lot more the racing season ends at the end of October.

And so we're kind of like TBD on exactly what we're going to do for Phase 2. We also have to work with the Illinois Gaming Board in order to meet their time line. So there's a lot that goes into it, but we're being -- we're trying to be very thoughtful about it and be extremely good stewards of capital.

**Gregory Thomas Gibas**

*Northland Capital Markets, Research Division*

Got it. I appreciate that. And I guess, lastly, could you just remind us of the timing of that key customer in Nevada, just as we think about year-over-year comps?

**Mark T. Phelan**

*President of US Gaming & Interim CFO*

Yes. It was kind of end of Q3 when they left -- of '24, sorry.

**Operator**

It looks like there are no more questions. I'll pass the call back over to the management team for closing remarks.

**Andrew Harry Rubenstein**

*Co-Founder, President, CEO & Director*

Thank you. At Accel, we're staying focused. We're executing well, and we remain confident in our long-term strategy. I want everybody to enjoy the rest of the summer, and we look forward to sharing our continued progress when we report results again this fall. Thank you for joining us.

**Operator**

That concludes the conference call. Thank you for your participation. Enjoy the rest of your day.

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