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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

Brett Summerer
Chief Financial Officer

Mark T. Phelan
President of US Gaming

Scott D. Levin
Chief Legal Officer & Secretary

ANALYSTS

Gregory Thomas Gibas
*Northland Capital Markets,
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Samir Morris Ghafir
Macquarie Research

Steven Donald Pizzella
*Deutsche Bank AG, Research
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Presentation

Operator

Good afternoon. Thank you for attending the Accel Entertainment Third Quarter 2025 Earnings Call. My name is Cameron, and I'll be your moderator for today. [Operator Instructions] And I would now like to pass the conference over to your host, Scott Levin. You may proceed.

Scott D. Levin

Chief Legal Officer & Secretary

Welcome to Accel Entertainment's Third Quarter 2025 Earnings Call. Participating on the call today are Andy Rubenstein, Accel's Chief Executive Officer; Brett Summerer, 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 those 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 forecast 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 third quarter, Accel delivered another strong and resilient performance. For the quarter, total revenue increased 9.1% year-over-year to \$330 million. Net income was \$13 million and adjusted EBITDA grew 11.5% to \$51 million, reflecting consistent execution and expansion across our markets.

Growth this quarter was supported by higher gaming terminal counts, stable machine performance and improved efficiency in capital deployment. This demonstrates the strength and resilience of our distributed gaming model and our disciplined return-focused approach to growth investments, including Fairmount Park.

In our core markets, Illinois and Montana, we continue to build on our leading positions and leverage our scale to drive efficiencies, optimize our location mix and expand margins. Together, Illinois and Montana represent approximately 82% of our revenue. In Illinois, top line growth continues to be driven by same-store performance and new machine placements.

Our focus on higher-yielding locations and disciplined capital management remains a key driver of consistent results. We are also advancing the rollout of ticket-in, ticket-out functionality, which enhances player convenience and streamlines operations.

In our developing markets, Nebraska, Georgia and Nevada, we continue to build scale and make steady progress in growing profitability. Nebraska and Georgia both delivered strong double-digit revenue growth, driven by location expansion and market share gains. As previously discussed, this compensated for a modest decline in year-over-year revenue for Nevada due to the loss of a key customer in 2024, resulting from a change in ownership.

Across these markets, our capital investments are translating into stronger returns with Nebraska and Georgia delivering the highest quarterly revenue growth within our developing portfolio. Both markets continue to experience significant profitable growth and are tracking toward market expansion through 2026, consistent with our expectations and long-term model. Developing markets currently represent just over 12% of our total revenue.

In our new markets, performance continues to ramp up steadily. In Louisiana, which currently represents about 3% of revenue, results continue to impress and scale, reflecting the successful integration of our Toucan Gaming acquisition. The Louisiana market now includes 670 terminals across nearly 100 locations, and we continue to optimize our routes to drive higher returns for the future. We look forward to developing a strong pipeline of bolt-on acquisitions of truck stops in Louisiana.

At Fairmount Park, we continue to see strong player engagement and revenue growth since opening the casino in April. In these early months of the Park's operations, we've gained valuable insight, which will be helpful in evaluating the timing and scope for our Phase 2 expansion. Early results support our long-term confidence in the property's contribution through the racino, food and beverage offerings and our sports betting partnership with FanDuel.

We are highly encouraged by sequential monthly revenue growth, reflecting the steady ramp-up of customer engagement as we refine the gaming experience and expand brand awareness heading into next year. Across all of our markets, we continue to benefit from the diversification and flexibility of our distributed gaming model. This allows us to allocate capital efficiently and capture growth opportunities across both new and established markets. Our CapEx execution process is rigorous and data-driven, supporting deployment of capital where it is expected to generate the highest incremental return.

During the quarter, we completed a \$900 million senior secured credit facility, consisting of a \$600 million term loan and a \$300 million revolver, each with a 5-year maturity. This refinancing strengthens our balance sheet, enhances liquidity and lowers our cost of capital while extending maturities to 2030. We also repurchased \$6.8 million of our common stock during the quarter, bringing total year-to-date stock repurchases to roughly 2.2 million shares or \$23.7 million.

As we look forward, our growth investments, including software, technology and data analytics upgrades in addition to machine refreshes remain balanced across our core and developing markets as well as our new markets, where early investments are producing solid returns.

As it relates to M&A, we continue to evaluate opportunities within the large and fragmented local gaming market estimated at over \$15 billion nationally. Our approach remains being disciplined and focused on accretive opportunities that strengthen our gaming platform without stretching our balance sheet.

Looking ahead, our priorities remain clear: driving steady growth and efficiency in our core markets, scaling profitability in our developing and new markets and maintaining financial discipline while returning capital to shareholders through opportunistic share repurchases. With strong free cash flow generation, enhanced capital efficiency and scalable opportunities across both existing and emerging markets, we believe Accel is well positioned to deliver steady top line growth and improving returns as we move into 2026.

Our third quarter results demonstrate the strength of our unique business model and our success in generating consistent financial performance and cash flow across a diversified local-focused gaming portfolio. With that, I want to take a moment to thank Mark Phelan for leading our finance team as interim CFO over the past 7 months, all while continuing his role as the President of U.S. Gaming. Mark brought focus and steady leadership through this transition and has played a big part in helping our new CFO, Brett Summerer, as he gets up to speed across all of Accel's operations. Mark will continue to

join our quarterly earnings call as Accel's operational leader, providing valuable insight into our business performance and growth potential from an operations perspective.

I will now hand it over to Mark.

Mark T. Phelan
President of US Gaming

Thanks, Andy. I really appreciate the trust you and the Board placed in me to lead the finance team during this transition. It's been a privilege to work alongside such a strong group as we set the stage for our next phase of growth. I'm also really excited to introduce our new CFO, Brett Summerer. As we mentioned in our September release, Brett brings more than 25 years of experience in senior finance, operations and IT roles at Kraft Heinz, Corning and General Motors. Most recently, as CFO of Verano Holdings, he built a 70-person finance and IT team, led major system implementations and completed over 20 M&A deals in a highly regulated, fast-growing industry.

Please join me in welcoming Brett to Accel.

Brett Summerer
Chief Financial Officer

Thanks, Mark, and good afternoon, everyone. Before reviewing the financial results, I want to say how excited I am to be part of Accel. I joined the company in late September because I see a truly compelling opportunity. Accel's unique local model, consistent execution, strong financial foundation and a clear focus on both near- and long-term growth create an exceptional platform for continued success. I look forward to working with Andy, Mark and the broader Accel team as we continue to enhance operational excellence and deliver value for our shareholders.

Now turning to the results for the quarter. Total revenue was \$330 million, an increase of 9.1% year-over-year, driven by growth in our core markets and incremental contributions from our developing and new markets. Breaking that down by state, Illinois revenue increased 7% year-over-year to \$239 million, supported by stable demand and continued location optimization. The rollout of TITO continues as planned, improving player convenience and reducing cash handling costs across the network.

Montana revenue increased 2.1% to \$40 million with our proprietary gaming content and systems continuing to enhance profitability per location. Nebraska revenue grew 30% to \$9 million, driven by steady adoption and market share gains. Georgia revenue rose 49.3% to \$5 million, reflecting continued growth as we leverage our technology platform and route management expertise. Nevada revenue declined 7.4% to \$26 million due to the loss of a key customer in 2024, resulting from a change in ownership. Louisiana contributed revenue of \$9 million, driven by continued ramp-up and integration of the Toucan Gaming acquisition, which expands our footprint with 670 gaming terminals in nearly 100 locations. And finally, Fairmount Park continued to ramp up operations following its April launch with monthly gaming revenue increasing sequentially through the summer.

Operating income for the quarter was \$25 million, up 16.1% year-over-year, while net income increased to \$13 million. Adjusted EBITDA was \$51 million, up 11.5% year-over-year, driven by top line growth and strong cost discipline. Capital expenditures were approximately \$21 million for the quarter and \$72 million year-to-date. As we've discussed, roughly 40% of our CapEx directly supports growth initiatives, including Fairmount Park and continued investment across our markets. We are affirming our full year 2025 CapEx forecast of \$75 million to \$80 million.

Turning to the balance sheet. We ended the quarter with \$290 million of cash and cash equivalents and net debt of approximately \$305 million. As Andy mentioned, we completed our new \$900 million senior secured credit facility during the quarter. Proceeds were used to repay and terminate all outstanding commitments under our prior credit agreement. The new facility enhances liquidity, extends maturities and reduces our cost of capital, further strengthening our financial position and supporting disciplined growth and shareholder returns. Our balance sheet remains strong with ample liquidity and conservative leverage, providing the flexibility to invest in growth while continuing to return capital to shareholders. I look forward to sharing my plans with you on the next call as we kick off and move into 2026.

With that, I'll turn the call over to the operator. Please open the line for questions.

Question and Answer

Operator

[Operator Instructions]

The first question is from the line of Steve Pizzella with Deutsche Bank.

Steven Donald Pizzella

Deutsche Bank AG, Research Division

Quarter of optimization with locations down and win per day up. How should we think about the Illinois strategy into the 4Q and 2026? And what is the potential upside from the rollout of the ticket in, ticket out from a revenue and cost standpoint?

Andrew Harry Rubenstein

Co-Founder, President, CEO & Director

Steve, this is Andy. Thanks for the question. Can you repeat it again? You got cut off at the beginning, so we didn't hear the very beginning of the question.

Steven Donald Pizzella

Deutsche Bank AG, Research Division

Yes. Just in Illinois, it looks like another quarter of optimization with locations down and win per day up. How should we think about the Illinois strategy going into the 4Q and 2026? And what is the potential upside from the rollout of the ticket in, ticket out from a revenue and cost standpoint?

Andrew Harry Rubenstein

Co-Founder, President, CEO & Director

Okay. Yes. So we will continue to optimize our route in Illinois. And as we sign up locations, on average, they're significantly better than the locations that closed down. So we'll continue to see the machine counts be relatively stable, maybe slight growth, where the average revenue per machine should continue growing. And we're -- that is kind of the strategy that we're pursuing, and I think you'll see that play out through '26.

As far as the effects of TITO, we're still in what we refer to the early stages of the rollout. There's only a, like mid-single-digit utilization of TITO in our overall kind of payment into the machines, and we'll see that continue to grow as we've seen it literally almost every day. So as more and more machines have the -- become TITO-enabled, that should naturally lift that number into the double digits and where we probably will see the number be by the time we report again at the end of February. But that TITO effect probably will take well into the second quarter for it to really be noticeable, whether it's in our overall cash balances or any type of performance enhancement.

Steven Donald Pizzella

Deutsche Bank AG, Research Division

Okay. And then on the balance sheet, you do have a fair amount of cash considering your size and should generate a decent amount each of the next couple of years even with the Fairmount CapEx. How do you think about the uses of the free cash flow moving forward?

Mark T. Phelan

President of US Gaming

Steve, it's Mark Phelan. Just remember, a large amount of the cash is used to load our redemption terminals on our bigger routes like Illinois. That being said, I think we're fairly underlevered relative to our peers. And in terms of M&A, I would say if you group them into 2 buckets that would include like transformational M&A versus bolt-on, transformational, we still see some interesting things, and they become cheaper, but it's still -- we're getting rewarded for our patience, and I think we will continue to be

patient on those. In bolt-on, we actually see a lot of interesting stuff, particularly in our growth markets. And we have been patient on those as well. And I think we've got the capacity now to absorb some new additions.

Brett Summerer
Chief Financial Officer

Yes. And just to add to what Mark said, obviously, when we're sitting on any influx of cash, we're going to look at it and use it in the best way possible. So we look at all opportunities. We have a pretty rigorous process to look at return on investment across share buybacks versus debt payoffs versus M&A, et cetera. So it's going to be case by case. And as things come in, we will evaluate them and decide accordingly.

Operator

The next question comes from the line of Sam Ghafir with Macquarie.

Samir Morris Ghafir
Macquarie Research

I wanted to quickly touch on the M&A environment. Curious if you guys have seen any shift in seller expectations over the last couple of months, just given that public equities for other stocks in the gaming sector have come down a bit. Wondering if there's been any change there?

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

Thanks for the question, Sam. It's Andy. We haven't seen anything significant, but what we are seeing is people's kind of realization that there has been a change. And how that will affect the overall M&A market, we're not sure. It usually has a lag, but people are definitely recognizing that there has been a reduction in the multiples that the companies transact at and that what is basically acceptable in today's environment.

Samir Morris Ghafir
Macquarie Research

Okay. Great. And then as a follow-up, I noticed that Nevada had a nice uptick in locations. Is there anything specific to call out for that region?

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

No. We're still -- we're transitioning some new locations into our portfolio. FuelBros was a group that we have added. I expect that we'll continue to grow that market. We've been outperforming and have won business more frequently than in the past, and I think that trend is likely to continue.

Samir Morris Ghafir
Macquarie Research

Awesome. If I could just sneak one more in. Just wondering as we head into '26, what are some states that potentially could make some headway on route gaming expansion?

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

So I'll take the question in 2 parts. The first part is states that don't have gaming. We are monitoring Pennsylvania pretty closely as we have in the past. We're always looking at Missouri. North Carolina has got closed a few years ago. There's always the potential that, that can reignite and Virginia has definitely considered it again as they've had legislation that got close. So those are the 4 markets that we think have the most probability of having a new VGT market.

What we have seen in the last year or 2 is existing markets expanding with the legislation or introducing enhancements to the existing legislation. We've seen that in Georgia. We've seen it in Louisiana. We've

seen some modifications in Nebraska. All of those kind of changes have made it -- have been relatively favorable for the operator to increase their revenue, to provide better gaming experiences for the player and in turn, benefit the overall Accel performance. And so I think you'll see those 3 markets, in particular, have a lot of benefit in the future, and Accel will continue to perform in those 3 markets.

Operator

The next question comes from the line of Greg Gibas with Northland.

Gregory Thomas Gibas

Northland Capital Markets, Research Division

I wanted to follow up on your commentary around bolt-on M&A. And I guess get a priority of the markets that you're kind of looking at. Is it primarily Louisiana focused? You mentioned potentially new markets. Just wanted to get a sense of maybe priorities for bolt-on M&A?

Mark T. Phelan

President of US Gaming

Greg, it's Mark. The primary market for bolt-ons is Louisiana. The thesis behind investing in that state was the opportunity to do that kind of activity, and we're seeing a really healthy pipeline. So we're excited about that state for the next couple of years in terms of bolt-ons. Besides that, there are -- Illinois is always a good target market just given the amount of operators available for sale at any one point in time. And we're always working on deals in that state. Again, it's price is kind of the key criteria. And as Andy said earlier, people are clearly getting a little more realistic about pricing. So there may be more movement in that going forward. But the #1 priority is really to get our Louisiana investment to the scale that we think it will be in the future.

Gregory Thomas Gibas

Northland Capital Markets, Research Division

Great. Makes sense. And do you have a same-store sales growth number?

Brett Summerer

Chief Financial Officer

We don't disclose that at this -- in the quarter. So we're talking just [indiscernible] numbers.

Gregory Thomas Gibas

Northland Capital Markets, Research Division

Yes -- exactly, yes. Okay. And then I guess I wanted to just see if kind of anything has changed surrounding the opportunity or maybe on the timing of the ongoing ramp of Fairmount Park or just anything changing in terms of your future development plans there?

Mark T. Phelan

President of US Gaming

Yes. Greg, we're still in the development stage. We're -- as Brett said earlier, and you can verify this on the Illinois Gaming Board side, gross gaming revenue adjusted is increasing every month. October was very consistent with that and good growth. So we feel good about it. We're still reviewing several different options for the permanent, and we're working hard on that. Maybe at some point in the next 6 months, we'll have some feedback for you guys on that. But as of now, it's all momentum ahead and trying to just acquire customers and provide a great experience.

Operator

There are currently no questions registered. [Operator Instructions] There are no further questions waiting at this time. I would now like to turn the conference back for any closing remarks.

Andrew Harry Rubenstein

Co-Founder, President, CEO & Director

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Thank you. And in closing, Accel is excited to continue the strong momentum we've carried throughout the year. We remain really confident in our long-term strategy, and we're excited to share some new opportunities ahead when we connect in the new year. I always appreciate all of the partners and shareholders, but most importantly, our employees at Accel for their continued support. And I look forward to sharing with all of you our progress when we report results next year.

Thank you for joining us today, and we look forward to a good holiday season and wish you all well. Thank you.

Operator

That concludes today's call. Thank you for your participation, and enjoy the rest of your day.

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