Accel Entertainment, Inc.

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Earnings Call

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Call Participants

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Presentation

Operator

Hello, everyone. Thank you for joining us, and welcome to Accel Entertainment's Q1 2026 Earnings Call. [Operator Instructions]

I will now hand the conference over to Scott Levin.

Scott D. Levin
Chief Legal Officer & Secretary

Welcome to Accel Entertainment's first quarter 2026 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 and Chief Operating Officer. 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 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 & Chairman

Thank you, Scott, and good afternoon, everyone. Accel Entertainment delivered a strong start to 2026 with the company's highest ever Q1 adjusted EBITDA result. First quarter revenue increased 9% year-over-year to $352 million, marking an all-time quarterly record for the company. Adjusted EBITDA also grew 9% to $54 million, reflecting solid underlying performance across the business. These results reflected the continued strength of our distributed gaming model, ongoing momentum in our developing markets and our team's disciplined execution across each of our businesses. We ended the quarter operating 4,540 locations and 28,353 gaming terminals nationwide, representing year-over-year increases of 3% and 4%, respectively.

Turning to our core markets. Illinois remains the foundation of our business and continue to deliver strong results in the first quarter. Total Illinois revenue, excluding Fairmount Park, increased 6% year-over-year to $242 million. Our distributed gaming operations in the state continue to benefit from strategic location optimization and new machine placements with total average location hold per day increasing 9% year-over-year to $962.

This performance underscores the effectiveness of our ongoing strategy to improve route quality and concentrate investment in higher-yielding placements even as we maintain broadly flat VGT counts in this mature market. Our rollout of ticket-in ticket-out technology in Illinois, or more commonly referred to as TITO, continues to progress well. With all of our terminals now TITO-enabled, we are beginning to realize the benefit of TITO, and we expect that benefit to build through the remainder of 2026 as players become accustomed to the convenience of TITO.

Chicago represents one of the most exciting near-term growth opportunities we have seen in some time. The Illinois Gaming Board is actively processing applications from Chicago establishments as we continue signing up locations while waiting for final regulatory approvals. As the market leader in Illinois with 2,678 locations and 15,413 gaming terminals and an established platform of infrastructure, people and relationships, we believe we are uniquely positioned to move quickly and efficiently when the market opens. We currently anticipate the first Chicago locations could go live in late 2026 or in the first quarter of 2027. We will continue to provide updates as the process unfolds.

Montana delivered steady performance in the first quarter with total average location hold per day increasing 5% year-over-year. In addition, our Grand Vision Gaming subsidiary continues to develop exciting and engaging new content that enhances margins through exclusivity, while supporting our broader business. Across our developing markets, we continue to build momentum. Nebraska delivered outstanding results with revenue increasing 57% year-over-year and total average location hold per day up 57%, supported by new machine placements. We continue to see the benefit of our operating leverage with the business growth and market density.

Georgia also delivered strong growth with revenue up 43% year-over-year and total average location hold per day up 14%. In Nevada, we grew locations 27% and terminals 28% year-over-year, reflecting the significant footprint expansion from the Dynasty Games acquisition and our new route partnership with Rebel Convenience Stores. Mark will discuss Nevada in more detail shortly.

Louisiana continued to grow with revenue up 12% year-over-year and our bolt-on acquisition pipeline remains active and attractive. At Fairmount Park Casino & Racing, we are excited to have launched live dealer table games last month, including Blackjack, Roulette and Novelty Games, marking a significant step in Fairmount's evolution into a full-scale gaming and entertainment destination. Reflecting our continued confidence in the long-term value of Accel shares and our commitment to returning capital to shareholders, we repurchased approximately 1.1 million shares of our common stock for $12 million in the first quarter of 2026.

Our balance sheet remained strong with $274 million in cash and net debt of approximately $306 million, representing net leverage of approximately 1.4x. Our $300 million revolving credit facility remains fully undrawn, providing significant financial flexibility as we continue to evaluate organic growth, tuck-in acquisitions and capital return opportunities.

I want to take a moment to address the broader macroeconomic environment and the resilience of our business model. We are operating in a period of heightened uncertainty brought on by tariffs, inflation and geopolitical instability. I want to be clear about why we believe Accel is well positioned in this environment. Our business is fundamentally hyperlocal. We operate gaming terminals in neighborhood bars, restaurants, convenience stores and truck stops, the kinds of places people visit in their daily lives.

Our customers are local players engaging in local entertainment, and that behavior has proven remarkably resilient across economic cycles. We also believe the current environment may be driving incremental trade-down activity toward local, convenient and affordable entertainment options. This is exactly the kind of experience our location partners provide and which we view as a stabilizing tailwind for our business.

Our cost to serve allows us to flex, which means we have the ability to manage our business efficiently even in periods of softer consumer demand. Tax refund season provided its typical seasonal tailwind as we move through the quarter, and we continue to monitor the broader consumer environment for any signs of impact on player activity. Continuing through the beginning of the second quarter to date, we have not observed any material impact to our business. On the contrary, volumes remain strong, and we believe our distributed, local and community-rooted business model represents one of the most resilient profiles in the gaming space.

Lastly, before I turn the call over to Mark, I want to briefly touch on our leadership transition. As we announced in February, I've stepped into the Chairman role and Mark will assume the Chief Executive Officer role effective August 7 of this year. I'm incredibly proud of what this team has built over the past 17 years, and I have full confidence in Mark and the entire Accel leadership team to continue to grow this business and capitalize on the significant opportunities ahead.

With that, I will turn the call over to Mark to review our operations in more detail.

Mark T. Phelan
COO & President U.S. Gaming

Thank you, Andy. From an operational standpoint, Q1 2026 reflected continued disciplined execution across each of our markets with a focus on route quality, hold per day improvement and targeted growth investment. In Illinois, our team remained focused on improving location mix, redeploying underperforming assets and deploying capital into higher-yielding machine placements. Illinois location count declined modestly year-over-year as we continued our deliberate strategy of optimizing the route rather than growing for the sake of location count. The result of that strategy is clear in our hold per day performance. Illinois location hold per day increased 9% year-over-year to $962 per location, which is a strong result and reflective of the quality improvements we have made across the route over the past several years.

In Chicago, our team has been actively preparing for the market opening. We've been working closely with city leadership to support the development of best practices and efficient regulatory framework. We have begun signing up Chicago locations and are well positioned to mobilize quickly when the Illinois Gaming Board begins issuing approvals.

In Nevada, our focus in Q1 2026 was integration and building out our newly expanded footprint. As a reminder, we completed the acquisition of Dynasty Games in December of 2025, adding 20 locations and approximately 120 gaming terminals across Northern Nevada. We also launched our route partnership with Rebel Convenience Stores in January of 2026, adding 55 locations and over 400 gaming machines across Southern Nevada. That rollout was executed efficiently. Our team has been working to elevate the gaming experience of these Rebel locations with new machines and proprietary content, and we are encouraged by the early increases in play we are seeing. We expect those trends to continue building through the back half of the year. We now operate in Nevada across 450 locations and 3,348 gaming terminals, representing a market we continue to be excited about for the long term.

In Nebraska, the team delivered exceptional results. Revenue was up 57% year-over-year, driven by new machine placements featuring our proprietary content and ongoing investment in the market. As our terminal density increases in Nebraska, we continue to see strong operating leverage. In Georgia, we continue to expand our footprint with locations up 28%, terminals up 35% year-over-year. Hold per day grew 14% year-over-year, reflecting Accel's continued development of this market.

In Louisiana, we continue to execute our bolt-on acquisition strategy. The pipeline of opportunities remains active. Sellers' price expectations have become more favorable, and we believe we remain the buyer of choice in this market given our size and track record of accretive integration. At Fairmount Park, the property continues to evolve. Casino operations remain the primary driver of performance with hold per day continuing steady upward growth. We launched live dealer table games in April of 2026, including Blackjack, Roulette, Ultimate Texas Hold'Em and Baccarat, marking a significant step in Fairmount's evolution into a full-scale gaming and entertainment destination.

Importantly, revenue from these new gaming positions is being reinvested in the racing product. For the 2026 season, we increased total purses by $500,000, which is already attracting larger field sizes and more competitive racing. Our second racing season is now underway, and we are watching customer behavior closely as the season builds. We continue to evaluate the timing and scope of the overall

Fairmount investment as we gain more operating experience in the property. In the meantime, we are pleased with its contributions and prospects for further growth for live table games.

Across all of our markets, our operational approach remains consistent, disciplined capital deployment, service excellence at the location level, data-driven decision-making and strong local relationships. That operating discipline is what underpins our financial performance and supports our ability to generate growing free cash flow over time.

Before I turn it over to Brett, I want to share a broader thought on where we see this business heading. When we think about what Accel is building, we increasingly think of it less as a logistics business and more as a gaming and hospitality business. Logistics business competes on efficiency, scale and cost. The gaming and hospitality business competes on experience, content relationships and differentiation, and it commands meaningfully better economics as a result.

Everything we are doing, including new exclusive content in Nebraska and Georgia, table games launch and increased purchase at Fairmount, the TITO rollout that improves the player experience in Illinois, the quality upgrades at our Rebel locations in Nevada, all of it is oriented around delivering a better, more engaging entertainment experience for our players and a more valuable relationship for our location partners. That is a key driver of our next phase of margin expansion and profitability growth at Accel, and it is what gets me most excited as I prepare to step into the CEO role later this year.

With that, I will turn the call over to Brett to review the financial results in greater detail.

Brett Summerer
Chief Financial Officer

Thank you, Mark, and good afternoon, everyone. I'll begin with our first quarter results and then provide additional detail on cash flow, the balance sheet and capital allocation.

As Andy mentioned, for the first quarter, total revenue increased 9% year-over-year to $352 million, an all-time quarterly record for Accel. Growth was broad-based with strength in Illinois, Nebraska, Georgia, Nevada and Louisiana. Net gaming revenue increased 10% year-over-year to $331 million, which was the primary driver of our top line performance. Operating income for the quarter was $27 million compared to $26 million in the prior year period. Net income was $15 million, essentially flat year-over-year as higher operating income was offset by higher depreciation and amortization associated with our growing asset base and also the timing of our purse expense, as I'll discuss later.

On a per share basis, diluted EPS was $0.17 for both Q1 2026 and 2025. Adjusted EBITDA for the first quarter was $54 million, an increase of 9% compared to the prior year period. Our underlying operating performance was solid and growth was essentially in line with our strong revenue performance. It's important to note that adjusted EBITDA and net income were impacted by the timing of our purse expense accrual in Fairmount Park. This was a $2 million shift in the timing of how our Fairmount Park purse expense accrual is recorded.

In 2025, our first year of racing operations, purse expense was recognized as races were conducted, which concentrated expense in Q2 and Q3. In 2026, we determined it was more appropriate to accrue this expense in line with revenue recognition as revenues were generated throughout the year and contribute to annual purse obligation. As a result, expense is now being recognized early in the year and more evenly across periods. This change impacts the timing of expense recognition by quarter, but does not impact full year results other than the $500,000 strategic increase to the purse that Mark referenced earlier. Excluding this item, adjusted EBITDA and net income would have been approximately $2 million and $1.5 million higher, respectively, to enable easier comparison to prior periods.

Turning to capital expenditures. Total CapEx in the first quarter was $23 million, down from $27 million in the prior year period. We continued to expect full year 2026 CapEx to be in the range of $60 million to $70 million, which compares to approximately $89 million in 2025, which included elevated investment at Fairmount Park. The majority of our 2026 CapEx is maintenance-oriented with growth capital concentrated in our developing markets. It's worth noting that our maintenance capital spending is not like other companies. There is an incremental return on this investment with a reasonable payback.

From a cash flow perspective, operating cash flow for the quarter was $43 million. We used approximately $23 million in investing activities, primarily for CapEx and $42 million in financing activities, reflecting debt repayment, share repurchases and other items. I also want to highlight free cash flow as a metric we intend to discuss more regularly going forward as we believe it best reflects the underlying cash generation strength of our business.

We define free cash flow as net cash provided by operating activities less CapEx, net of PP&E disposals. With CapEx normalizing in 2026 and our developing markets scaling profitably, we expect free cash flow to continue to grow and view this as a key priority. Given our adjusted EBITDA of $54 million and our free cash flow of $20 million, we have a cash conversion of 38%.

Moving to the balance sheet and liquidity. We ended the quarter with $274 million in cash and cash equivalents. Total debt net of debt issuance cost was $581 million, resulting in net debt of approximately $306 million and net leverage of approximately 1.4x on a trailing 12-month adjusted EBITDA basis. Our $300 million revolving credit facility remains fully available. We entered into a new interest rate collar on January 30, 2026, which replaced our prior interest rate capital arrangement. The collar establishes a cap rate of 4% and a floor of 2.92% on our term loan and matures in September of 2029. This instrument is designed to provide continued protection against interest rate volatility while optimizing our cost of capital.

As of March 31, 2026, we repurchased a total of 18.7 million shares under our share repurchase program that began in November of 2021 at a total purchase price of approximately $195.6 million, leaving approximately $151.2 million remaining under the current program authorization. Our Board has historically been thoughtful about the share repurchase program authorization, and we will evaluate next steps in the context of our broader capital allocation priorities.

Our capital allocation framework remains disciplined and return focused. We continue to evaluate each dollar of capital across our organic investment, bolt-on and strategic acquisitions, debt reduction and share repurchases, always with an eye towards generating the highest risk-adjusted return for our shareholders. Looking ahead, our recurring revenue model, disciplined capital deployment and continued operating leverage position us well to convert earnings into free cash flow and fund our growth initiatives while maintaining a strong balance sheet. We remain confident in our ability to continue delivering on our financial commitments in 2026 and beyond.
With that, operator, please open the line for questions.

Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Patrick Keough with Truist Securities.

Patrick Charles Keough
Truist Securities, Inc., Research Division

Sorry, am I echoing?

Brett Summerer
Chief Financial Officer

I don't hear an echo on our side.

Patrick Charles Keough
Truist Securities, Inc., Research Division

Okay, great. Apologies. So early days with TITO obviously in Illinois, but could you give any color on early player adoption metrics and any impact you're seeing on cash handling costs thus far?

Brett Summerer
Chief Financial Officer

Yes, sure. So a couple of different things to kind of just set the table. When we initially thought about TITO and what it can mean for us, we had some internal estimates. And we've talked a little bit about it in the past, potentially up to around that 20% mark. What we're seeing so far in adoption is around 13% and it's not fully tapered off yet. So there's still potentially upside there.

If we think about what it can mean for us, it's -- I wish it was a simple answer. As you can probably appreciate, our overall play is increasing. And because our overall play increases, the amount of cash that's out there on the street is higher for us to go pick up. So that actually drives additional costs, but it has nothing to do with TITO.

On the flip side of that, TITO is helping us reduce that. But it's happening organically. As you probably can appreciate, we do our cash routes and pickups and all of that on a weekly basis. And we have some automation behind it. But ultimately, it comes down to humans and our practices that we have throughout the organization. And so some of that cash as it's getting to certain collection levels, we're picking it up and taking off the street. So it's not like a one-time -- and there's some other factors involved, too. But ultimately, it's not like a one-time cash benefit or cost reduction that we're going to see. It will be something that plays out over time.

And again, I just would caution, we're only getting to this kind of double-digit percentage here in the last few months. So it still has a little bit of time to play out. And if you think about the adoption rate within the business, we only got to 100% fully TITO-enabled a handful of weeks ago as well. So again, more to come on that, but it's just a piece of the overall picture. And I think teasing it out is going to be difficult, but you should overall see a little bit of a benefit in terms of additional cash in our banks as well as our cost structure.

Patrick Charles Keough
Truist Securities, Inc., Research Division

Okay, understood. That's very helpful. And for my follow-up, the JCAR recently approved the Illinois Gaming Control Board's vertical integration rules. From your perspective, could you talk a bit about what this entails and if you see yourself as a beneficiary as these are enforced?

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

Patrick, this is Andy. Although that rule was passed by JCAR, it has recently been contested by some of the operators in circuit court. So we're going to wait to see how that plays out before we draw any conclusions.

Operator

Your next question comes from the line of Steve Pizzella with Deutsche Bank.

Steven Donald Pizzella
Deutsche Bank AG, Research Division

Maybe we can start with some of the recent trends. It looks like from the data we can see out of the IGB, January and February were very strong, then slowed down a little bit, March was still solid. What did you see in terms of April? I know, Andy, you mentioned the potential benefits from a trade-down effect and tax refunds potentially maybe offset by some gas prices. And then I guess just on that latter point, as you think -- as you look at your history, to what extent has your customer base been sensitive to gas prices?

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

Thank you. From our perspective, we really haven't seen any noticeable impact from the gas prices yet. Historically, it hasn't been a major factor, and I'm speaking mostly from the Illinois market, our players actually need to travel less to reach our establishments as opposed to going to a regional casino. So we tend to benefit when the player wants to stay closer to home. So whether it's going to impact their overall budget for entertainment spending, we're unsure, but we do know that they'll be spending less on gas to come play in our establishments. So we may get a benefit where they'll elect to play with us even though they have less dollars in their total budget.

Operator

Your next question comes from the line of Jordan Bender with Citizens.

Jordan Maxwell Bender
Citizens JMP Securities, LLC, Research Division

Maybe to start with the pruning in Illinois, another quarter which you took out a good amount of locations and units. Can you maybe just update us on where we stand there? And then I guess also related to that, are the units or locations that you're going to take out today or going forward, will those have less of an impact versus maybe some of the low-hanging fruit that we saw over the last 2 years?

Mark T. Phelan
COO & President U.S. Gaming

Jordan, it's Mark. Strategy on that pruning is really just opportunistic. When we see opportunities to reduce locations that actually burn our cash, we tend to do it. And I don't think there's particularly low-hanging fruit that's still not there. We're always mindful of that, and we're also mindful of our organic revenue that's coming online. So it's a balance between new revenue and then revenue that's actually costing us.

Jordan Maxwell Bender
Citizens JMP Securities, LLC, Research Division

And just to follow-up -- sorry, I'm getting some echo here. And just to follow-up, the plans for the permanent at Fairmount, you kind of said there's nothing to maybe report today. I think the original expectations were maybe there would be some sort of plan first half of '26. Is there some sort of time frame or plan of when we would might be able to hear more about something definite there?

Mark T. Phelan
COO & President U.S. Gaming

So we're still in the sort of maturation stage of the temporary. We -- as Andy mentioned, we rolled out table games about a month ago, and we just had over 700 people at the Derby Day on Saturday. But it's something we're still contemplating and trying to figure out what the optimal size looks like. So when we do figure it out, we'll obviously let everyone know.

Operator

Your next question comes from the line of Chad Beynon with Macquarie Capital.

Chad C. Beynon
Macquarie Research

I wanted to ask about legislative momentum or just any traction that we saw in the first quarter. I know there was a bill in Virginia that was vetoed by the governor. But wondering if you could talk about all states so far this year where we've seen some progress where there could be changes in '27 or beyond.

Mark T. Phelan
COO & President U.S. Gaming

Chad, it's Mark. Unfortunately, again, this is all us handicapping, but it appears that there's not going to be a lot of legislation that progresses legalization of video gaming terminals or skill games in the United States. You mentioned Virginia, the governor did veto that. There is some life still left in that bill, but its life is slowly eking out as time moves on. So we're not particularly optimistic about any sort of legislative movement in 2026.

Chad C. Beynon
Macquarie Research

Okay. Turning to Nevada opportunities. Great to see the unit growth sequentially and year-over-year as a result of the 2 items that you talked about. When you think about more acquisitions just from -- just a quantitative standpoint, is Nevada still the biggest growth market or are some of these emerging markets just becoming bigger in terms of the absolute impact to the Accel model?

Mark T. Phelan
COO & President U.S. Gaming

Yes. So Nevada actually, those are opportunistic sort of model changes where we're doing space leases instead of revenue shares with participation bars. But in terms of our individual markets, we're optimistic about all of them in terms of acquisitions. We've talked a bit about Louisiana. It's a mature market, but we have a great partner down the state, and we think we can grow that market accretively as well as with significant volume over time. Illinois is always an opportunity to acquire routes at accretive prices. And in most of our other markets, we're always on the lookout. So I'd say all markets are aligned towards growing potentially through acquisitions.

Operator

Your next question comes from the line of David Bain with Texas Capital Securities.

David Bain

I guess just first, based on your observations of the licensing process in Chicago and maybe discussions with city council and your overall distributor experience, how is that process going? Is it kind of at the pace you would expect is a little bit slower? Can you maybe help us with locations maybe blessed before the end of the year and next? Just trying to get an idea as to how we're looking.

Mark T. Phelan
COO & President U.S. Gaming

David, it's Mark. So we feel good about the Illinois Gaming Board processing applications, but the city has yet to promulgate any rules around DGT gaming. And that is sort of a wild card. We would imagine it would be done in the next, call it, quarter, but that's me just handicapping it.

David Bain

Okay. And then assuming that begins to ramp, I guess, my secondary question to that would be, I mean, you mentioned Louisiana valuation rationalizing. And with Chad, you spoke to Illinois still being a good M&A market. I mean, are there valuations moving around perhaps in Illinois, maybe going higher as we get closer to Chicago licensing locations or is that kind of steady as you go? I mean, does it make it more of an exciting market heading into that or what do you think about M&A there?

Mark T. Phelan
COO & President U.S. Gaming

Yes. We're really excited about the market. I would point to our multiple. We're the only public company in this industry. And we're certainly not going to buy anything that's not accretive to us. So you can use that as a benchmark as to what we see in terms of acquisitions and multiples.

Operator

Our next question comes from the line of Max Marsh with CBRE.

Maxwell James Marsh
CBRE Securities, LLC, Research Division

Maybe to approach gas prices from a different angle, I think it's fairly intuitive that your hyper local customer is resilient to gas prices broadly. But is there or could there be a localized impact on the truck stop part of your business, specifically looking at Louisiana with its higher proportion of truck stops through Toucan?

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

So the reality of the truck stop business is it's not truckers, is that it's local people that play at the truck stop because it's a more gaming-focused venue than going into a tavern. And so the people who want to play and have a true gaming experience enjoy playing at the truck stops. Louisiana, that's even more in focus because Louisiana truck stops have up to 60 games, and it's really like a small casino. So because they are -- those establishments of those truck stops are in proximity to where these people live, they tend to thrive in environments where people are watching their entertainment dollars because instead of driving a greater distance to a regional casino, which they have throughout Louisiana, they tend to stay closer to home, either in the tavern market or in this case, the truck stop market. So although they may have reduced disposable income, we get a bigger share of their entertainment wallet.

Mark T. Phelan
COO & President U.S. Gaming

Max, this is Mark. I would just add, as Andy said, truck stops are a bit of a misnomer in terms of who plays there. That's usually local people, not truck drivers. And I would say in Louisiana, they're probably benefiting from the increase in energy prices and natural gas, particularly. So we don't necessarily view that as a vulnerable part of our portfolio.

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

Yes. And as Mark said, yes, the drilling -- offshore drilling industry is a major source of employment in Louisiana. So those individuals probably have more dollars in their pocket than they do in a normal situation.

Maxwell James Marsh
CBRE Securities, LLC, Research Division

Okay, understood. And if we could just touch on EBITDA margins quickly, approaching 16% this quarter when we adjust for Fairmount first expense following a really strong 4Q. Could you take us under the hood on EBITDA margins and how to think about that going forward?

Brett Summerer
Chief Financial Officer

Sure. Obviously, since it's a forward-looking, I can't really talk too much about it. But what I would point you to is the -- 2 things. One, look at the EBITDA margins, obviously, that we've delivered in the past. What you saw last year is that Q4 was a little higher and Q1, 2 and 3 were kind of all in that mid-15s range. So there is some seasonality associated with that, which you can kind of see play out.

The other thing to be thoughtful about or that you can see the specifics on, in our earnings release, we actually have a gross margin table that shares the gross margin within each of our business pieces. And what you can see is in the space of the all other, which we don't disclose the individual components, but the overall movement of the non-regulated markets, you can see that that's increasing. So I think that's the right way to think about where this is going and kind of our performance year-on-year.

Operator

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

Gregory Thomas Gibas
Northland Capital Markets, Research Division

In terms of capital expenditures, how much was allocated for Fairmount this year out of your $60 million to $70 million outlook? And how much is more maintenance?

Brett Summerer
Chief Financial Officer

Sure. Thanks for the question. So we don't usually talk about the forecast and how we break down the different pieces of it. What I will say is year-over-year, our total capital, the primary piece of lower capital year-on-year is because Fairmount construction is not in there, at least not in a big way like it was last year. So the vast majority of about a 20% decline in capital is because we're investing less into the Fairmount because we have most of the hard structure out of the way. So that's the first piece.

The second question you asked is about maintenance versus growth. So I know I try to beat a dead horse here, but no inflection in Fairmount. But if you think about our growth versus maintenance capital, we also have kind of what I would consider to be non-return maintenance capital, which is like most businesses, in our business, we don't have that. The way that I look at it is growth capital is generally stuff that pays back within a year. It's adding a machine to a place that doesn't have a machine.

The maintenance capital is a return on investment. It depends on the market and the machine and a lot of other factors, but call it somewhere between 2 and 3 years payback, which is still a good project to invest in. And again, that's separate and distinct from fixing the walls when somebody backs a truck into a kind of maintenance capital. So most of our capital this year is in the maintenance bucket. So you're going to get that kind of payback, which is in that different time frame like a 2 to 3 year, but it's still a really good investment, still a very high IRR and well in excess of our WACC.

Gregory Thomas Gibas
Northland Capital Markets, Research Division

Okay, great. That's helpful. And as it relates to maybe the tuck-in acquisition strategy, is Louisiana still maybe the top priority relative to other markets? And maybe how does your pipeline of potential opportunities look in that market?

Mark T. Phelan
COO & President U.S. Gaming

So Louisiana is definitely a focus of ours in terms of M&A. That's always been our thesis there. And the pipeline is good there. So we're excited about that state growing. But as I said earlier, there's other states that also have very accretive acquisition candidates that we're always viewing and reviewing.

Operator

We have reached the end of the Q&A session. I will now turn the call back to Andy Rubenstein for closing remarks.

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

Thank you, operator, and thank you to everyone who joined us today. We entered the remainder of the year with a clear set of priorities. We have a strong balance sheet and what we believe is one of the most compelling near-term growth opportunities in our company's history with the pending launch of the Chicago VGT market.

As always, I want to thank our employees whose dedication execution makes these results possible, our location partners who trust us to help grow their businesses and our shareholders for their continued support and confidence in our team. We all look forward to updating you on our progress when we report again the second quarter results in August. Thank you.

Operator
This concludes today's call. Thank you for attending. You may now disconnect.