UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2024

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number 001-38136

Accel Entertainment, Inc.

(Exact Name of Registrant as specified in its charter)

Delaware	**98-1350261**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

140 Tower Drive
Burr Ridge, Illinois 60527
(Address of principal executive offices) (Zip Code)

(630) 972-2235
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbols	Name of each exchange on which registered
Class A-1 Common Stock, par value $.0001 per share	ACEL	The New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

As of July 26, 2024, there were 82,634,762 shares outstanding of the registrant's Class A-1 Common Stock, par value $.0001 per share.

ACCEL ENTERTAINMENT, INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED JUNE 30, 2024

TABLE OF CONTENTS

PART I.	**FINANCIAL INFORMATION**	1
ITEM 1.	FINANCIAL STATEMENTS	1
	Condensed Consolidated Statements of Operations and Comprehensive Income (Unaudited) for the three and six months ended June 30, 2024 and 2023	1
	Condensed Consolidated Balance Sheets (Unaudited) as of June 30, 2024 and December 31, 2023	2
	Condensed Consolidated Statements of Stockholders' Equity (Unaudited) for the three and six months ended June 30, 2024 and 2023	3
	Condensed Consolidated Statements of Cash Flows (Unaudited) for the six months ended June 30, 2024 and 2023	4
	Notes to the Condensed Consolidated Financial Statements (Unaudited)	6
ITEM 2.	MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	22
ITEM 3.	QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	35
ITEM 4.	CONTROLS AND PROCEDURES	35
PART II.	**OTHER INFORMATION**	36
ITEM 1.	LEGAL PROCEEDINGS	36
ITEM 1A.	RISK FACTORS	36
ITEM 2.	UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS	36
ITEM 3.	DEFAULTS UPON SENIOR SECURITIES	37
ITEM 4.	MINE SAFETY DISCLOSURES	37
ITEM 5.	OTHER INFORMATION	37
ITEM 6.	EXHIBITS	37
SIGNATURES		38

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

ACCEL ENTERTAINMENT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(Unaudited)

(In thousands, except per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net revenues:				
Net gaming	$ 293,240	$ 277,551	$ 581,377	$ 556,931
Amusement	5,539	5,630	11,668	12,428
Manufacturing	5,208	4,430	7,417	6,552
ATM fees and other	5,426	5,036	10,768	9,944
Total net revenues	309,413	292,647	611,230	585,855
Operating expenses:				
Cost of revenue (exclusive of depreciation and amortization expense shown below)	213,317	202,306	422,484	405,860
Cost of manufacturing goods sold (exclusive of depreciation and amortization expense shown below)	3,162	2,154	4,321	3,562
General and administrative	46,541	44,220	94,175	87,238
Depreciation and amortization of property and equipment	10,794	9,446	21,228	18,509
Amortization of intangible assets and route and customer acquisition costs	5,589	5,284	11,027	10,526
Other expenses, net	7,327	73	9,753	3,324
Total operating expenses	286,730	263,483	562,988	529,019
Operating income	22,683	29,164	48,242	56,836
Interest expense, net	8,906	8,243	17,566	16,131
(Gain) loss on change in fair value of contingent earnout shares	(4,742)	4,836	(26)	9,438
Income before income tax expense	18,519	16,085	30,702	31,267
Income tax expense	3,933	6,102	8,700	12,102
Net income	$ 14,586	$ 9,983	$ 22,002	$ 19,165
Earnings per common share:				
Basic	$ 0.17	$ 0.12	$ 0.26	$ 0.22
Diluted	0.17	0.11	0.26	0.22
Weighted average number of common shares outstanding:				
Basic	83,911	86,184	84,105	86,529
Diluted	85,054	86,820	85,178	86,971
Comprehensive income				
Net income	$ 14,586	$ 9,983	$ 22,002	$ 19,165
Unrealized (loss) gain on interest rate caplets (net of income taxes of $(403), $789, $2, and $(40) respectively)	(1,077)	2,062	4	(104)
Comprehensive income	$ 13,509	$ 12,045	$ 22,006	$ 19,061

The accompanying notes are an integral part of these condensed consolidated financial statements

ACCEL ENTERTAINMENT, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In thousands, except par value and share amounts)	June 30, 2024	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 254,923	$ 261,611
Accounts receivable, net	15,149	13,467
Prepaid expenses	8,765	6,287
Inventories	7,533	7,681
Interest rate caplets	8,801	8,140
Deposits	15,919	6,555
Other current assets	11,111	8,853
Total current assets	322,201	312,594
Property and equipment, net	276,477	260,813
Noncurrent assets:		
Route and customer acquisition costs, net	23,705	19,188
Location contracts acquired, net	181,350	176,311
Goodwill	101,859	101,554
Other intangible assets, net	19,324	20,542
Interest rate caplets, net of current	3,730	4,871
Other assets	21,702	17,020
Total noncurrent assets	351,670	339,486
Total assets	$ 950,348	$ 912,893
Liabilities and Stockholders' Equity		
Current liabilities:		
Current maturities of debt	$ 28,489	$ 28,483
Current portion of route and customer acquisition costs payable	2,014	1,505
Accrued location gaming expense	9,129	9,350
Accrued state gaming expense	17,177	18,364
Accounts payable and other accrued expenses	34,476	36,012
Accrued compensation and related expenses	11,195	12,648
Current portion of consideration payable	3,275	3,288
Total current liabilities	105,755	109,650
Long-term liabilities:		
Debt, net of current maturities	537,252	514,091
Route and customer acquisition costs payable, less current portion	7,482	4,955
Consideration payable, less current portion	9,794	4,201
Contingent earnout share liability	31,801	31,827
Other long-term liabilities	6,713	7,015
Deferred income tax liability, net	42,463	42,750
Total long-term liabilities	635,505	604,839
Stockholders' equity:		
Preferred Stock, par value of $0.0001; 1,000,000 shares authorized; 0 shares issued and outstanding at June 30, 2024 and December 31, 2023	—	—
Class A-1 Common Stock, par value $0.0001; 250,000,000 shares authorized; 95,352,477 shares issued and 82,958,153 shares outstanding at June 30, 2024; 95,016,960 shares issued and 84,123,385 shares outstanding at December 31, 2023	8	8
Additional paid-in capital	207,199	203,046
Treasury stock, at cost	(127,545)	(112,070)
Accumulated other comprehensive income	7,940	7,936
Accumulated earnings	121,486	99,484
Total stockholders' equity	209,088	198,404
Total liabilities and stockholders' equity	$ 950,348	$ 912,893

The accompanying notes are an integral part of these condensed consolidated financial statements

ACCEL ENTERTAINMENT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

(In thousands, except shares)	Class A-1 Common Stock		Additional Paid-In	Treasury Stock		Accumulated Other Comprehensive	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Shares	Amount	Income	Earnings	Equity
Balance, January 1, 2024	84,123,385	$ 8	$ 203,046	(10,893,575)	$ (112,070)	$ 7,936	$ 99,484	$ 198,404
Repurchase of common stock	(594,817)	—	—	(594,817)	(6,182)	—	—	(6,182)
Stock-based compensation	—	—	2,350	—	—	—	—	2,350
Exercise of stock-based awards, net of shares withheld	249,700	—	(940)	—	—	—	—	(940)
Unrealized gain on interest rate caplets, net of taxes	—	—	—	—	—	1,081	—	1,081
Net income	—	—	—	—	—	—	7,416	7,416
Balance, March 31, 2024	83,778,268	8	204,456	(11,488,392)	(118,252)	9,017	$ 106,900	202,129
Repurchase of common stock	(905,932)	—	—	(905,932)	(9,293)	—	—	(9,293)
Stock-based compensation	—	—	3,235	—	—	—	—	3,235
Exercise of stock-based awards, net of shares withheld	85,817	—	(492)	—	—	—	—	(492)
Unrealized loss on interest rate caplets, net of taxes	—	—	—	—	—	(1,077)	—	(1,077)
Net income	—	—	—	—	—	—	14,586	14,586
Balance, June 30, 2024	82,958,153	$ 8	$ 207,199	(12,394,324)	$ (127,545)	$ 7,940	$ 121,486	$ 209,088

(In thousands, except shares)	Class A-1 Common Stock		Additional Paid-In	Treasury Stock		Accumulated Other Comprehensive	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Shares	Amount	Income	Earnings	Equity
Balance, January 1, 2023	86,674,390	$ 9	$ 194,157	(7,829,661)	$ (81,697)	$ 12,240	$ 53,881	$ 178,590
Repurchase of common stock	(476,718)	—	—	(476,718)	(4,206)	—	—	(4,206)
Stock-based compensation	—	—	1,688	—	—	—	—	1,688
Exercise of stock-based awards, net of shares withheld	247,153	—	(602)	—	—	—	—	(602)
Unrealized loss on interest rate caplets, net of taxes	—	—	—	—	—	(2,166)	—	(2,166)
Net income	—	—	—	—	—	—	9,182	9,182
Balance, March 31, 2023	86,444,825	9	195,243	(8,306,379)	(85,903)	10,074	63,063	182,486
Repurchase of common stock	(887,174)	—	—	(887,174)	(8,230)	—	—	(8,230)
Stock-based compensation	—	—	2,567	—	—	—	—	2,567
Exercise of stock-based awards, net of shares withheld	48,074	—	(120)	—	—	—	—	(120)
Unrealized gain on interest rate caplets, net of taxes	—	—	—	—	—	2,062	—	2,062
Net income	—	—	—	—	—	—	9,983	9,983
Balance, June 30, 2023	85,605,725	$ 9	$ 197,690	(9,193,553)	$ (94,133)	$ 12,136	$ 73,046	$ 188,748

The accompanying notes are an integral part of these condensed consolidated financial statements

ACCEL ENTERTAINMENT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(In thousands)	Six Months Ended June 30,	
	2024	**2023**
Cash flows from operating activities:		
Net income	$ 22,002	$ 19,165
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	21,228	18,509
Amortization of intangible assets and route and customer acquisition costs	11,027	10,526
Amortization of debt issuance costs	904	893
(Gain) loss on change in fair value of contingent earnout shares	(26)	9,438
Stock-based compensation	5,585	4,255
Loss (gain) on disposal of property and equipment	218	(37)
Net loss on write-off of route and customer acquisition costs and route and customer acquisition costs payable	841	483
Remeasurement of contingent consideration	4,552	196
Payments on consideration payable	(1,258)	(1,561)
Accretion of interest on route and customer acquisition costs payable, contingent consideration, and contingent stock consideration	647	771
Deferred income taxes	(289)	6,342
Changes in operating assets and liabilities:		
Prepaid expenses, deposits and other current assets	(3,659)	(405)
Accounts receivable, net	(1,682)	1,453
Inventories	148	(366)
Route and customer acquisition costs	(6,414)	(1,226)
Route and customer acquisition costs payable	2,865	(690)
Accounts payable and accrued expenses	1,337	2,201
Accrued compensation and related expenses	(1,453)	(2,568)
Other assets	1,041	(3,534)
Net cash provided by operating activities	57,614	63,845
Cash flows from investing activities:		
Purchases of property and equipment	(38,147)	(41,637)
Proceeds from the sale of property and equipment	330	1,142
Proceeds from the settlement of convertible notes	—	32,065
Deposits against a portion of the purchase price on a pending business acquisition	(9,043)	(3,700)
Investment in unconsolidated affiliate	(5,000)	—
Business and asset acquisitions, net of cash acquired	(17,464)	(4,115)
Net cash used in investing activities	(69,324)	(16,245)
Cash flows from financing activities:		
Proceeds from debt	47,500	115,000
Payments on debt	(24,750)	(139,250)
Payments for repurchase of common stock	(15,321)	(12,313)
Payments on interest rate caplets	(487)	(481)
Proceeds from exercise of stock-based awards	68	—
Payments on finance leases	(17)	—
Payments on consideration payable	(291)	(354)
Tax withholding on stock-based payments	(1,680)	(881)
Net cash provided by (used in) financing activities	5,022	(38,279)
Net (decrease) increase in cash and cash equivalents	(6,688)	9,321
Cash and cash equivalents:		
Beginning of period	261,611	224,113
End of period	$ 254,923	$ 233,434

ACCEL ENTERTAINMENT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - (Continued)
(Unaudited)

(In thousands)	Six Months Ended June 30,	
	2024	**2023**
Supplemental disclosures of cash flow information:		
Cash payments for:		
Interest, net	$ 15,918	$ 15,035
Income taxes	$ 11,214	$ 6,200
Supplemental schedules of noncash investing and financing activities:		
Purchases of property and equipment in accounts payable and accrued liabilities	$ 10,382	$ 10,346
Deferred premium on interest rate caplets	$ 1,571	$ 2,544
Acquisition of businesses and assets:		
Total identifiable net assets acquired	$ 19,566	$ 4,115
Less consideration payable	(2,102)	—
Cash purchase price	$ 17,464	$ 4,115

The accompanying notes are an integral part of these condensed consolidated financial statements

ACCEL ENTERTAINMENT, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Note 1. Description of Business

Accel Entertainment, Inc. (and together with its subsidiaries, the "Company" or "Accel") is a leading distributed gaming operator in the United States ("U.S."). The Company has operations in Illinois, Montana, Nevada, Nebraska, Georgia, Iowa, and Pennsylvania. The Company is subject to the various gaming regulations in the states in which it operates, as well as various other federal, state and local laws and regulations.

The Company's business primarily consists of the installation, maintenance, operation and servicing of gaming terminals and related equipment, redemption devices that disburse winnings and contain automated teller machine ("ATM") functionality, and amusement devices in authorized non-casino locations such as restaurants, bars, taverns, convenience stores, liquor stores, truck stops, and grocery stores. The Company also operates stand-alone ATMs in gaming and non-gaming locations.

Note 2. Summary of Significant Accounting Policies

Basis of presentation and preparation: The condensed consolidated financial statements and accompanying notes were prepared in conformity with U.S. generally accepted accounting principles ("GAAP") and the rules and regulations of the Securities and Exchange Commission ("SEC"). The condensed consolidated financial statements include the accounts of the Company and of its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. In the opinion of management, the condensed consolidated financial statements include all recurring adjustments and normal accruals necessary for a fair presentation of the Company's financial position, results of operations and cash flows for the dates and periods presented. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the related notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023 (the "Form 10-K"). In preparing our condensed consolidated financial statements, we applied the same significant accounting policies as described in Note 2 to the consolidated financial statements in the Form 10-K. Any significant changes to those accounting policies are discussed below. Interim results are not necessarily indicative of results for a full year.

Use of estimates: The preparation of the condensed consolidated financial statements requires management to make estimates and assumptions that affect (i) the reported amounts of assets and liabilities, (ii) disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and (iii) the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates used by the Company include, among other things, the useful lives for depreciable and amortizable assets, income tax provisions, the evaluation of the future realization of deferred tax assets, projected cash flows in assessing the initial valuation of intangible assets in conjunction with business acquisitions, the selection of useful lives for depreciable and amortizable assets in conjunction with business acquisitions, the valuation of level 3 investments, the valuation of contingent earnout shares and warrants, the valuation of interest rate caplets, contingencies, and the expected term of share-based compensation awards and stock price volatility when computing stock-based compensation expense. Actual results may differ from those estimates.

Segment information: The Company operates as a single reportable segment. The Company's chief operating decision maker ("CODM") is the chief executive officer, who has ultimate responsibility for the operating performance of the Company and the allocation of its resources. The CODM assesses the Company's performance and allocates resources based on consolidated results, and this is the only discrete financial information that is regularly reviewed by the CODM.

Equity method investments: Investments in unconsolidated affiliates, which do not meet the controlling financial interest consolidation criteria of the authoritative accounting guidance for voting interest or variable interest entities, are accounted for under the equity method. The Company will record its share of net income or loss from equity method investments within "Other non-operating income, net" in the condensed consolidated statements of operations and comprehensive income and adjust the carrying value of its investments in unconsolidated affiliates.

On June 17, 2024, the Company invested $5.0 million in HBC Gaming LLC ("HBC"), in exchange for a 5% equity interest in HBC. HBC is a local entertainment company based in Hampton, New Hampshire specializing in providing a variety of gaming services to its customers. The Company's 5% investment qualifies for equity method accounting. The Company recorded its initial investment of $5.0 million within other assets on the condensed consolidated balance sheets, and will recognize its share of HBC's net income or loss utilizing the most recent and available financials after a lag of one quarter. The Company also has obligations to fund additional equity investments in the event certain construction and development milestones are met in an amount up to 10% ownership of HBC, on an undiluted basis, at an additional cost of up to $6.5 million.

Revenue recognition: The Company generates revenues from the following types of services: gaming terminals, amusements, and ATMs. The Company also generates manufacturing revenue from the sales of gaming terminals and associated software. Revenue is disaggregated by type of revenue and is presented on the face of the condensed consolidated statements of operations and comprehensive income.

Total net revenues for the three and six months ended June 30, 2024 and 2023 are further disaggregated by the primary states in which the Company operates.

(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net revenues by state:				
Illinois	$ 227,093	$ 215,947	$ 451,956	$ 435,790
Montana	42,583	39,275	80,724	75,726
Nevada	29,322	29,869	58,531	59,830
Nebraska	6,249	4,488	12,083	8,412
Other	4,166	3,068	7,936	6,097
Total net revenues	$ 309,413	$ 292,647	$ 611,230	$ 585,855

Recent accounting pronouncements*:* On November 27, 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-07, *Segment Reporting (Topic 280)*: *Improvements to Reportable Segment Disclosures,* which requires public entities to disclose information about their reportable segments' significant expenses regularly provided to the CODM. The amendments in this ASU enhance interim disclosure requirements, clarify circumstances in which an entity can disclose multiple segment measures of profit or loss, provide new segment disclosure requirements for entities with a single reportable segment, and contain other disclosure requirements. The ASU is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Entities must adopt the changes to the segment reporting guidance on a retrospective basis. The Company is currently evaluating the potential effect that this ASU will have on its financial statement disclosures.

On December 14, 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. The ASU requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as information on income taxes paid disaggregated by jurisdiction. The new requirements will be effective for annual periods beginning after December 15, 2024, and will be applied on a prospective basis with the option to apply the standard retrospectively. The Company is currently evaluating the potential effect that this ASU will have on its financial statement disclosures.

Other recently issued accounting standards or pronouncements have been excluded because they are either not relevant to the Company, or are not expected to have, or did not have, a material effect on its condensed consolidated financial statements.

Note 3. Inventories

Inventories consist of the following as of June 30, 2024 and December 31, 2023 (in thousands):

	June 30, 2024	December 31, 2023
Raw materials and manufacturing supplies	$ 6,103	$ 5,693
Finished products	1,430	1,988
Total inventories	$ 7,533	$ 7,681

As of June 30, 2024 and December 31, 2023, no inventory valuation allowance was determined to be necessary.

Note 4. Investment in Convertible Notes

On May 31, 2023, the Company and Gold Rush Amusements, Inc. (“Gold Rush”), another terminal operator in Illinois, entered into a settlement agreement which resolved any and all lawsuits and all outstanding obligations under the Company’s investment in Gold Rush’s convertible notes. As part of the settlement, the Company received $32.5 million from Gold Rush in June 2023, which included the repayment of the face value of the convertible notes plus accrued interest as well as a $0.4 million prepayment on future amounts due. In addition, the Company has a receivable from Gold Rush of $1.4 million as of June 30, 2024, which represents the present value of the remaining $1.5 million due from Gold Rush by May 2025, and is presented within other current assets in the condensed consolidated balance sheets. The Company also recorded a gain of $1.7 million in the second quarter of 2023, which is included in other expenses, net on the condensed consolidated statements of operations and comprehensive income for the three and six months ended June 30, 2023.

Note 5. Property and Equipment

Property and equipment consist of the following as of June 30, 2024, and December 31, 2023 (in thousands):

	June 30, 2024	December 31, 2023
Gaming terminals, software and equipment	$ 393,445	$ 361,662
Amusement, ATM and other equipment	28,879	27,182
Office equipment and furniture	3,803	3,385
Computer equipment and software	21,596	20,592
Leasehold improvements	9,752	8,281
Vehicles	20,746	19,862
Buildings and improvements	16,238	14,047
Land	2,998	2,469
Construction in progress	1,196	5,480
Total property and equipment	498,653	462,960
Less accumulated depreciation and amortization	(222,176)	(202,147)
Total property and equipment, net	$ 276,477	$ 260,813

Depreciation and amortization of property and equipment was $10.8 million and $21.2 million for the three and six months ended June 30, 2024, respectively. In comparison, depreciation and amortization of property and equipment was $9.4 million and $18.5 million for the three and six months ended June 30, 2023, respectively.

Note 6. Route and Customer Acquisition Costs

The Company enters into contracts with third parties and its gaming locations to install and operate gaming terminals. Payments are due when gaming operations commence and then on a periodic basis for a specified period of time thereafter. Gross payments due, based on the number of live locations, were approximately $11.4 million and $7.4 million as of June 30, 2024 and December 31, 2023, respectively. Payments are due over varying terms of the individual agreements and are discounted at the Company's incremental borrowing rate associated with its long-term debt at the time the contract is acquired. The net present value of payments due was $9.5 million and $6.5 million as of June 30, 2024 and December 31, 2023, respectively, of which approximately $2.0 million and $1.5 million was included in current liabilities in the accompanying condensed consolidated balance sheets as of June 30, 2024 and December 31, 2023, respectively. The route and customer acquisition cost asset was comprised of upfront payments made on the contracts of $22.1 million and $20.0 million as of June 30, 2024 and December 31, 2023, respectively. The Company has upfront payments of commissions paid to the third parties for the acquisition of the customer contracts that are subject to a clawback provision if the customer cancels the contract prior to completion. The payments subject to a clawback were $1.4 million and $1.0 million as of June 30, 2024 and December 31, 2023, respectively.

Route and customer acquisition costs consisted of the following as of June 30, 2024 and December 31, 2023 (in thousands):

	June 30, 2024	December 31, 2023
Cost	$ 38,927	$ 33,855
Accumulated amortization	(15,222)	(14,667)
Route and customer acquisition costs, net	$ 23,705	$ 19,188

Amortization expense of route and customer acquisition costs was $0.6 million and $1.1 million for the three and six months ended June 30, 2024, respectively. In comparison, amortization expense of route and customer acquisition costs was $0.4 million and $0.8 million for the three and six months ended June 30, 2023, respectively.

Note 7. Location Contracts Acquired

Location contract assets acquired in business acquisitions are recorded at acquisition at fair value based on an income approach. Location contracts acquired consisted of the following as of June 30, 2024 and December 31, 2023 (in thousands):

	June 30, 2024	December 31, 2023
Cost	$ 300,520	$ 286,728
Accumulated amortization	(119,170)	(110,417)
Location contracts acquired, net	$ 181,350	$ 176,311

Amortization expense of location contracts acquired was $4.4 million and $8.7 million for the three and six months ended June 30, 2024, respectively. In comparison, location contracts acquired was $4.2 million and $8.5 million for the three and six months ended June 30, 2023, respectively.

Note 8. Goodwill and Other Intangible Assets

The Company acquired various companies which were accounted for as a business combination using the acquisition method of accounting in accordance with Accounting Standards Codification ("ASC") Topic 805, *Business Combinations* ("Topic 805"). The total excess of the purchase price over the tangible and intangible assets acquired and liabilities assumed was recorded as goodwill of $101.9 million and $101.6 million as of June 30, 2024 and December 31, 2023, respectively, of which $37.4 million was deductible for tax purposes as of June 30, 2024.

On June 26, 2024, the Company acquired BRM Services, Inc. ("Jorgenson's Lounge"), a hospitality location in Helena, Montana, for a total purchase price of $1.1 million. The purchase price primarily included a Montana All-Alcoholic Beverage License.

The following is a roll forward of the Company's goodwill (in thousands):

Goodwill balance as of January 1, 2024	$	101,554
Addition to goodwill for acquisition of Jorgenson's Lounge		305
Goodwill balance as of June 30, 2024	$	101,859

Other intangible assets

Other intangible assets consist of definite-lived trade names, customer relationships, and software applications. The Company determines the fair value of trade name assets acquired in acquisitions using a relief from royalty valuation method which requires assumptions such as projected revenue and a royalty rate. Other intangible assets are amortized over their estimated 7 to 20-year useful lives.

Other intangible assets consist of the following as of June 30, 2024 and December 31, 2023 (in thousands):

		June 30, 2024			December 31, 2023		
	Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer Relationships	7 years	$ 6,800	$ (2,024)	$ 4,776	$ 6,800	$ (1,538)	$ 5,262
Software Applications	8 years	7,800	(2,031)	5,769	7,800	(1,544)	6,256
Trade Names	20 years	9,800	(1,021)	8,779	9,800	(776)	9,024
		$ 24,400	$ (5,076)	$ 19,324	$ 24,400	$ (3,858)	$ 20,542

Amortization expense of other intangible assets was $0.6 million and $1.2 million for both the three and six months ended June 30, 2024, and June 30, 2023, respectively.

Indefinite-lived intangible assets

The Company also has indefinite-lived intangible assets related to operating licenses totaling $4.4 million and $2.8 million as of June 30, 2024 and December 31, 2023, respectively, which are recorded within other assets on the condensed consolidated balance sheets.

Note 9. Debt

The Company's debt as of June 30, 2024 and December 31, 2023, consisted of the following (in thousands):

	June 30, 2024	December 31, 2023
Senior Secured Credit Facility:		
Revolving credit facility	$ 82,500	$ 46,000
Term Loan	301,875	310,625
Delayed Draw Term Loan	183,750	188,750
Total borrowings	568,125	545,375
Add: Remaining premium on interest rate caplets financed as debt	1,571	2,059
Less: Debt issuance costs	(3,955)	(4,860)
Total debt, net of debt issuance costs	565,741	542,574
Less: Current maturities	(28,489)	(28,483)
Total debt, net of current maturities	$ 537,252	$ 514,091

As of June 30, 2024, the weighted-average interest rate on the Company's borrowings was approximately 7.7%.

Interest rate caplets

The Company manages its exposure to some of its interest rate risk through the use of interest rate caplets, which are derivative financial instruments. On January 12, 2022, the Company hedged the variability of the cash flows attributable to changes in the 1-month LIBOR/SOFR interest rates on the first $300 million of the term loan under the Company's existing credit agreement, as amended, by entering into a 4-year series of 48 deferred premium caplets ("caplets")

The Company recognized an unrealized loss, net of taxes, on the change in fair value of the caplets of $1.1 million and an unrealized gain of less than $0.1 million for the three and six months ended June 30, 2024, respectively. In comparison, the Company recognized an unrealized gain of $2.1 million and an unrealized loss of $0.1 million, net of taxes, for the three and six months ended June 30, 2023, respectively. For more information on how the Company determines the fair value of the caplets, see Note 12. The Company also recognized interest income on the caplets of $2.5 million and $5.1 million for the three and six months ended June 30, 2024. In comparison, the Company recognized interest income on the caplets of $2.3 million and $4.2 million for the three and six months ended June 30, 2023, respectively. These amounts are reflected in interest expense, net in the condensed consolidated statements of operations and other comprehensive income.

Note 10. Business Acquisitions

2024 Business Acquisitions

Jorgenson's Lounge

On June 26, 2024, the Company acquired Jorgenson's Lounge, a hospitality location in Helena, Montana. The total purchase price was $1.1 million, which the Company paid in cash at closing. The acquisition was accounted for as a business combination in accordance with Topic 805. The purchase price was allocated to the following assets: i) indefinite-lived intangible assets totaling $0.8 million, and ii) goodwill totaling $0.3 million. The results of operations Jorgenson's Lounge are included in the condensed consolidated financial statements of the Company from the date of acquisition and were not material.

Illinois Gaming Entertainment

On May 1, 2024, the Company acquired certain assets of Illinois Gaming Entertainment LLC ("IGE"), an Illinois-based terminal operator. The Company acquired 16 operational locations, as well as gaming equipment. The acquisition was accounted for as an asset acquisition in accordance with Topic 805. The aggregate purchase consideration transferred totaled $13.5 million, which included i) $11.4 million in cash at closing and ii) contingent purchase consideration with an estimated fair value of $2.1 million. The contingent purchase consideration represents three installments of $0.6 million which are due on the first, second and third anniversary of the acquisition with $0.7 million due on the fourth anniversary of the acquisition. All payments are subject to the acquired locations still being in operation on the respective anniversary dates. The present value of the consideration payable was $2.1 million as of June 30, 2024 and is recorded in consideration payable on the condensed consolidated balance sheets. The aggregate purchase consideration of $13.5 million was allocated to the following assets: i) location contracts totaling $11.6 million, ii) gaming equipment totaling $1.6 million, and iii) redemption equipment totaling $0.3 million. The results of operations for IGE are included in the condensed consolidated financial statements of the Company from the date of acquisition and were not material.

Great Lakes Vending

On February 22, 2024, the Company acquired certain assets of Great Lakes Vending Corporation ("GLV"), an Illinois-based terminal operator. The Company acquired one operational location, as well as gaming and redemption terminal equipment. The acquisition was accounted for as an asset acquisition in accordance with Topic 805. The total purchase price was approximately $1.3 million, which the Company paid in cash at closing. The total purchase price of $1.3 million was allocated to the following assets: i) location contracts totaling $1.2 million and ii) gaming and redemption equipment totaling $0.1 million. The results of operations for GLV are included in the condensed consolidated financial statements of the Company from the date of acquisition and were not material.

Doc & Eddy's

On January 10, 2024, the Company acquired Doc & Eddy's West ("D&E"), a hospitality operation in Montana. The hospitality operation is set to be a Century-vended operation. The acquisition was accounted for as an asset acquisition in accordance with Topic 805. The total purchase price was approximately $2.3 million, which the Company paid in cash at closing, and was allocated to the following assets: i) buildings totaling $1.0 million, ii) indefinite long lived assets totaling $0.9 million and iii) land totaling $0.4 million. The results of operations for D&E are included in the condensed consolidated financial statements of the Company from the date of acquisition and were not material.

Subsequent event - Fairmount Holdings

On July 12, 2024, the Company and Fairmount Holdings, Inc. ("Fairmount") entered into an agreement for the Company to acquire Fairmount, the owner of the FanDuel Sportsbook & Horse Racing in Collinsville, Illinois, for total consideration of approximately $35 million (based on a 20-day trailing weighted average close price), payable to the sellers as 3.45 million shares of the Company's Class A-1 common stock. The closing of the transaction is subject to customary closing conditions and customary approvals from the Illinois Racing Board and the Illinois Gaming Board (the "IGB"). Closing is expected in the fourth quarter of 2024.

Pending Business Acquisition

On April 11, 2023, the Company entered into an agreement to acquire a distributed gaming operator in the state of Louisiana with an option to acquire a second distributed gaming operator in the state of Louisiana. In connection therewith, the Company has paid $15.4 million through the six months ended June 30, 2024, as an advance against a portion of the purchase price and is recorded within deposits on the condensed consolidated balance sheets. Furthermore, on August 10, 2023, the Company loaned

the distributed gaming operator $0.3 million. The Company agreed to pay an additional $2.7 million in July 2024, against the final purchase price.

2023 Business Acquisitions

Illinois Video Slot Management

On December 27, 2023, the Company acquired certain assets of Illinois Video Slot Management Corp. ("IVSM"), an Illinois-based terminal operator. The Company acquired a gaming location, as well as gaming equipment. The acquisition was accounted for as an asset acquisition in accordance with Topic 805. The total purchase price was approximately $1.0 million, of which the Company paid $0.7 million in cash at closing. The remaining $0.3 million of consideration is payable in three installments of $0.1 million which are due on the first, second and third anniversary of the acquisition assuming the location is still in operation. The total purchase price of $1.0 million was allocated to the following assets: i) a location contract totaling $0.9 million and ii) gaming equipment totaling $0.1 million. The results of operations for the IVSM acquisition are included in the condensed consolidated financial statements of the Company from the date of acquisition and were not material.

Illinois Gaming Entertainment

On May 23, 2023, the Company acquired four operational locations from IGE, as well as gaming equipment. The acquisition was accounted for as an asset acquisition in accordance with Topic 805. The total purchase price was approximately $1.5 million, which the Company paid in cash at closing. The total purchase price of $1.5 million was allocated to the following assets: i) location contracts totaling $1.1 million and ii) gaming equipment totaling $0.4 million.

On October 3, 2023, the Company acquired three additional operational locations from IGE, as well as gaming equipment. The acquisition was accounted for as an asset acquisition in accordance with Topic 805. The total purchase price was approximately $2.3 million, which the Company paid in cash at closing. The total purchase price of $2.3 million was allocated to the following assets: i) location contracts totaling $2.0 million and ii) gaming equipment totaling $0.3 million.

The results of operations for all IGE acquisitions are included in the condensed consolidated financial statements of the Company from the date of acquisition and were not material.

Rendezvous

On February 13, 2023, the Company acquired Rendezvous, a hospitality operation in Billings, Montana. The hospitality operation is set to be a Century vended location. The acquisition was accounted for as a business combination using the acquisition method of accounting in accordance with Topic 805. The total purchase price of $2.6 million was paid in cash at closing and was allocated to the following assets: i) indefinite-lived intangible assets totaling $0.8 million; ii) land totaling $0.5 million; iii) buildings totaling $0.4 million; iv) gaming equipment totaling $0.1 million, and v) goodwill totaling $0.8 million. The results of operations for Rendezvous are included in the condensed consolidated financial statements of the Company from the date of acquisition and were not material.

Consideration Payable

The Company has a contingent consideration payable related to certain locations, as defined in each respective acquisition agreement, which are placed into operation during a specified period after the acquisition date. The fair value of contingent consideration is included in consideration payable on the condensed consolidated balance sheets as of June 30, 2024 and December 31, 2023. The contingent consideration accrued is measured at fair value on a recurring basis. The Company presents on its statement of cash flows, payments for consideration payable within 90-days in investing activities, payments after 90-days and up to the acquisition date fair value in financing activities, and payments in excess of the acquisition date fair value in operating activities.

Current and long-term portions of consideration payable consist of the following as of June 30, 2024 and December 31, 2023 (in thousands):

	June 30, 2024		December 31, 2023	
	Current	Long-Term	Current	Long-Term
TAV*	$ 1,013	$ —	$ 2,005	—
Fair Share Gaming*	879	3,821	504	92
Skyhigh*	564	4,251	528	3,941
IVSM	97	174	94	168
IGE	565	1,548	—	—
Tom's Amusements*	57	—	57	—
Island*	100	—	100	—
Total	$ 3,275	$ 9,794	$ 3,288	$ 4,201

* Acquisitions that occurred prior to 2023.

Note 11. Contingent Earnout Share Liability

Pursuant to the terms of the Company's Amended and Restated Certificate of Incorporation, the Company authorized and has available for issuance 10,000,000 shares of Class A-2 common stock. The holders of the Class A-2 common stock do not have voting rights and are not entitled to receive or participate in any dividends or distributions when and if declared from time to time. The Company concluded that the Class A-2 common stock should be reflected as a contingent earnout share liability due to the fact that such shares are not entitled to dividends, voting rights, or a stake in the Company in the case of liquidation. The contingent earnout share liability is recorded at fair value. For more information on how the fair value is determined, see Note 12.

In 2019, 5,000,000 shares of Class A-2 common stock were issued, subject to the conditions set forth in a restricted stock agreement (the "Restricted Stock Agreement"), which sets forth the terms upon which the Class A-2 common stock will be exchanged for an equal number of validly issued, fully paid and non-assessable Class A-1 common stock. The exchange of Class A-2 common stock for Class A-1 common stock will be subject to the terms and conditions set forth in the Restricted Stock Agreement, with such exchanges occurring in three separate tranches upon the satisfaction of the specified triggers, based either on the Company achieving certain last twelve month EBITDA ("LTM EBITDA") thresholds in certain periods or the closing sale price of Class A-1 common stock exceeding certain prices over certain trading periods.

In 2020, the market condition for the settlement of Tranche I was satisfied. As a result, 1,666,636 shares of the 1,666,666 shares of Class A-2 common stock were converted into Class A-1 common stock.

The current thresholds, as approved by a disinterested committee of the Company's board of directors made up of independent directors who do not hold any Class A-2 common stock, for the remaining two Tranches are as follows:

- Tranche II, equal to 1,666,667 shares of Class A-2 common stock, will be exchanged for Class A-1 common stock if the closing sale price of Class A-1 common stock on the New York Stock Exchange ("NYSE") equals or exceeds $14.00 for at least twenty trading days in any consecutive thirty trading day period; and
- Tranche III, equal to 1,666,667 shares of Class A-2 common stock, will be exchanged for Class A-1 common stock if either (i) the LTM EBITDA threshold as of June 30, 2024 is $198.6 million or (ii) the closing sale price of Class A-1 common stock on the NYSE equals or exceeds $16.00 for at least twenty trading days in any consecutive thirty trading day period.

Note 12. Fair Value Measurements

ASC Topic 820, *Fair Value Measurements and Disclosures,* establishes a framework for measuring fair value and the corresponding disclosure requirements around fair value measurements. This topic applies to all financial instruments that are being measured and reported on a fair value basis.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, various methods, including market, income and cost approaches, are used. Based on these approaches, certain assumptions are utilized that the market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. Valuation techniques are utilized that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, it is required to provide information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Valuations for assets and liabilities traded in active exchange markets, such as the NYSE. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

Level 3: Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

Assets measured at fair value

The following tables summarize the Company's assets that are measured at fair value on a recurring basis (in thousands):

		Fair Value Measurement at Reporting Date Using		
	June 30, 2024	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Interest rate caplets	12,531	—	12,531	—

		Fair Value Measurement at Reporting Date Using		
	December 31, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Interest rate caplets	13,011	—	13,011	—

Interest rate caplets

The Company determines the fair value of the interest rate caplets using quotes that are based on models whose inputs are observable LIBOR/SOFR forward interest rate curves. The valuation of the interest rate caplets is considered to be a Level 2 fair value measurement as the significant inputs are observable. Unrealized changes in the fair value of the interest rate caplets are classified within other comprehensive income on the accompanying condensed consolidated statements of operations and comprehensive income. Realized gains on the interest rate caplets are recorded to interest expense, net on the accompanying condensed consolidated statements of operations and comprehensive income and included within cash payments for interest, net on the condensed consolidated statements of cash flow.

Liabilities measured at fair value

The following tables summarizes the Company's liabilities that are measured at fair value on a recurring basis (in thousands):

		Fair Value Measurement at Reporting Date Using		
	June 30, 2024	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liabilities:				
Contingent consideration	$ 11,784	$ —	$ —	$ 11,784
Contingent earnout shares	31,801	—	31,801	—
Warrants	13	—	13	—
Total	$ 43,598	$ —	$ 31,814	$ 11,784

		Fair Value Measurement at Reporting Date Using		
	December 31, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liabilities:				
Contingent consideration	$ 5,484	$ —	$ —	$ 5,484
Contingent earnout shares	31,827	—	31,827	—
Warrants	13	—	13	—
Total	$ 37,324	$ —	$ 31,840	$ 5,484

Contingent Consideration

The Company uses a discounted cash flow analysis to determine the value of contingent consideration upon acquisition and updates this estimate on a recurring basis. The significant assumptions used in the Company's cash flow analysis includes the probability adjusted projected revenues after state taxes, a discount rate as applicable to each acquisition, and the estimated number of locations that "go live" with the Company during the contingent consideration period. The valuation of the Company's contingent consideration is considered to be a Level 3 fair value measurement as the significant inputs are unobservable and require significant judgment or estimation. Changes in the fair value of contingent consideration liabilities are classified within other expenses, net on the accompanying condensed consolidated statements of operations and comprehensive income.

Contingent earnout shares

The Company determined the fair value of the contingent earnout shares based on the market price of the Company's Class A-1 common stock. The liability, by tranche, is then stated at present value based on i) an interest rate derived from the Company's borrowing rate and the applicable risk-free rate and ii) an estimate on when it expects the contingent earnout shares to convert to Class A-1 common stock. The valuation of the Company's contingent consideration is considered to be a Level 2 fair

value measurement. Changes in the fair value of contingent earnout shares are included within loss (gain) on change in fair value of contingent earnout shares on the accompanying condensed consolidated statements of operations and comprehensive income.

Warrants

The Company has 5,144 warrants outstanding as of June 30, 2024, which will expire in November 2024. The liability for the Company's warrants is included in other long-term liabilities on the condensed consolidated balance sheets. The Company determined the fair value of its warrants by using a Black-Scholes option-pricing model. The Black-Scholes option-pricing model requires inputs such as the fair value of the Company's Class A-1 common stock, the risk-free interest rate, expected term, expected dividend yield and expected volatility. The Company's valuation of its warrants is considered to be a Level 2 fair value measurement. Changes in the fair value of the warrants are included within gain on change in fair value of warrants on the accompanying condensed consolidated statements of operations and comprehensive income, if applicable. There was no change in the fair value of the warrants for the three and six months ended June 30, 2024 and 2023.

There were no transfers in or out of Level 3 for the periods presented.

Note 13. Stockholders' Equity

Pursuant to the terms of the Company's Amended and Restated Certificate of Incorporation, the Company authorized and has available for issuance the following shares:

Class A-1 Common Stock

The holders of the Class A-1 common stock are entitled to one vote for each share. The holders of Class A-1 common stock are entitled to receive dividends or other distributions when and if declared from time to time and share equally on a per share basis in such dividends and distributions, subject to such rights of the holders of preferred stock.

Treasury Stock

On November 22, 2021, the Company's Board of Directors approved a share repurchase program of up to $200 million shares of Class A-1 common stock. The timing and actual number of shares repurchased will depend on a variety of factors, including price, general business and market conditions, and alternative investment opportunities. Under the repurchase program, repurchases can be made from time to time using a variety of methods, including open market purchases or privately negotiated transactions, in compliance with the rules of the SEC and other applicable legal requirements. The repurchase program does not obligate the Company to acquire any particular amount of shares, and the repurchase program may be suspended or discontinued at any time at the Company's discretion. As of June 30, 2024, the Company acquired a total of 12,909,946 shares under the plan at a total purchase price of $133.4 million, of which 1,500,749 shares at a total purchase price of $15.3 million were acquired during the six months ended June 30, 2024.

Note 14. Stock-based Compensation

The Company grants various types of stock-based compensation awards. The Company measures its stock-based compensation expense based on the grant date fair value of the award and recognizes the expense over the requisite service period for the respective award.

Under the Accel Entertainment, Inc. Long Term Incentive Plan, the Company issued 319,731 restricted stock units ("RSUs") to the Board of Directors and certain eligible employees during the first quarter of 2024, which will vest over a period of 3 to 4 years for employees and by the end of 2024 for the Board of Directors. The Company also issued 149,381 performance-based restricted stock units ("PSUs") to certain eligible employees during the first quarter of 2024, which will vest after 3 years. The numbers of shares earned upon vesting of the PSUs, if any, is based on the attainment of performance goals over the performance period, subject to continued service, except for employees who are retirement eligible and in certain other limited circumstances. The estimated grant date fair value of these RSUs and PSUs totaled $5.3 million.

The Company issued 403,760 RSUs to certain eligible employees during the second quarter of 2024, which will vest over a period of 1 to 3 years. The estimated grant date fair value of these RSUs totaled $4.0 million.

Stock-based compensation expense, which pertains to the Company's stock options, RSUs and PSUs, was $3.2 million and $5.6 million for the three and six months ended June 30, 2024, respectively. In comparison, stock-based compensation expense was $2.6 million and $4.3 million for the three and six months ended June 30, 2023, respectively. Stock-based compensation expense is included within general and administrative expenses in the condensed consolidated statements of operations and other comprehensive income.

Note 15. Income Taxes

The Company recognized income tax expense of $3.9 million and $8.7 million for the three and six months ended June 30, 2024. In comparison, the Company recognized income tax expense of $6.1 million and $12.1 million for the three and six months ended June 30, 2023, respectively.

The Company calculates its provision for income taxes during interim reporting periods by applying an estimate of the annual effective tax rate to its year-to-date pretax book income or loss. The effective tax rate (income taxes as a percentage of income before income taxes) was 21.2% and 28.3% for the three and six months ended June 30, 2024, compared to 37.9% and 38.7% for the three and six month ended June 30, 2023, respectively. The Company's effective income tax rate can vary from period to period depending on, among other factors, the amount of permanent tax adjustments and discrete items. The change in the fair value of the contingent earnout shares is considered a discrete item for income tax purposes and was the primary driver for the fluctuations in the tax rate year over year.

Note 16. Commitments and Contingencies

Lawsuits and claims are filed against the Company from time to time in the ordinary course of business, including related to employee matters, employment of professionals and non-compete clauses and agreements. Other than settled matters explained as follows, these actions are in various stages, and no judgments or decisions have been rendered. Management, after reviewing matters with legal counsel, believes that the outcome of such matters will not have a material adverse effect on the Company's financial position or results of operations.

The Company has been involved in a series of related litigated matters stemming from claims that it wrongly contracted with 10 different licensed establishments (the "Defendant Establishments") in 2012 in violation of the contractual rights held by J&J Ventures Gaming, LLC ("J&J"), as further described below.

On August 21, 2012, one of the Company's operating subsidiaries entered into certain agreements with Jason Rowell ("Rowell"), a member of Action Gaming LLC ("Action Gaming"), which was an unlicensed terminal operator that had exclusive rights to place and operate gaming terminals within a number of establishments, including the Defendant Establishments. Under agreements with Rowell, the Company agreed to pay him for each licensed establishment which decided to enter into an exclusive location agreement with Accel. In late August and early September 2012, each of the Defendant Establishments signed a separate location agreement with the Company, purporting to grant the Company the exclusive right to operate gaming terminals in those

establishments. Separately, on August 24, 2012, Action Gaming sold and assigned its rights to all its location agreements to J&J, including its exclusive rights with the Defendant Establishments (the "J&J Assigned Agreements"). At the time of the assignment of such rights to J&J, the Defendant Establishments were not yet licensed by the IGB.

Action Gaming, J&J, and other parties, collectively, the Plaintiffs, filed a complaint against the Company, Rowell, and other parties in the Circuit Court of Cook County, Illinois (the "Circuit Court"), on August 31, 2012, as amended on November 1, 2012, December 19, 2012, and October 3, 2013, alleging, among other things, that Accel aided and abetted Rowell in breaches of his fiduciary duties and contractual obligations with Action Gaming and tortiously interfered with Action Gaming's contracts with Rowell and agreements assigned to J&J. The complaint seeks damages and injunctive and equitable relief. On January 24, 2018, the Company filed a motion to dismiss for lack of subject matter jurisdiction, as further described below. On May 14, 2018, the Circuit Court denied the Company's motion to dismiss and granted a stay to the case, pending a ruling from the IGB on the validity of the J&J Assigned Agreements.

From 2013 to 2015, the Plaintiffs filed additional claims, including J&J Ventures Gaming, LLC et al. v. Wild, Inc. ("Wild"), in various circuit courts seeking declaratory judgments with a number of establishments, including each of the Defendant Establishments, requesting declarations that, among other things, J&J held the exclusive right to operate gaming terminals at each of the Defendant Establishments as a result of the J&J Assigned Agreements. The Company was granted leave to intervene in all of the declaratory judgments. The circuit courts found that the J&J Assigned Agreements were valid because each of the underlying location agreements were between an unlicensed establishment and an unlicensed terminal operator, and therefore did not constitute use agreements that were otherwise precluded from assignment under the IGB's regulations. Upon the Company's appeal, the Illinois Appellate Court, Fifth District (the "District Court"), vacated the circuit courts' judgments and dismissed the appeals, holding that the IGB had exclusive jurisdiction over the matter that formed the basis of the parties' claims, and declined to consider the merits of the parties' disputes. On September 22, 2016, and after the IGB intervened, the Supreme Court of Illinois issued a judgment in Wild, affirming the District Court's decision vacating the circuit courts' judgments for lack of subject matter jurisdiction and dismissing the appeals, determining that the IGB has exclusive jurisdiction to decide the validity and enforceability of gaming terminal use agreements.

Between May 2017 and September 2017, both the Company and J&J filed petitions with the IGB seeking adjudication of the rights of the parties and the validity of the use agreements. Those petitions were recently adjudicated by the IGB, largely in the Company's favor, and J&J has filed a new lawsuit to challenge the IGB's rulings. The Company does not have a present estimate regarding the potential damages, if any, that could potentially be awarded in this litigation and, accordingly, has established no reserves relating to such matters. There are also petitions pending with the IGB which could lead to the Company obtaining new locations.

On October 7, 2019, the Company filed a lawsuit in the Circuit Court of Cook County, Illinois against Rowell and other parties related to Rowell's breaches of his non-compete agreement with Accel. The Company alleged that Rowell and a competitor were working together to interfere with the Company's customer relationships. On November 7, 2019, Rowell filed a lawsuit in the Circuit Court of Cook County, Illinois against the Company alleging that he had not received certain equity interests in the Company to which he was allegedly entitled under his agreement. On July 18, 2024, the Company and Rowell entered into a settlement agreement pursuant to which the Company agreed to pay Rowell $0.1 million in exchange for a mutual release of the Company's claims against Rowell and Rowell's claims against the Company. The litigation involving Action Gaming, J&J, and the other parties, as described above, remains pending.

On July 2, 2019, Illinois Gaming Investors, LLC filed a lawsuit against the Company. The lawsuit alleges that a current employee violated his non-competition agreement with Illinois Gaming Investors, LLC, and together with the Company, wrongfully solicited prohibited licensed video gaming locations. The parties settled this dispute in April 2022.

On December 18, 2020, the Company received a disciplinary complaint from the IGB alleging violations of the Video Gaming Act and the IGB's Adopted Rules for Video Gaming. The disciplinary complaint sought to fine the Company in the amount of $5 million. On July 6, 2023, the IGB and the Company entered into a settlement agreement for $1.1 million of which $1.0 million is the fine for the alleged conduct and $0.1 million is for reimbursement of administrative and investigative costs. The amount was paid in the third quarter of 2023. As a result of the settlement agreement, the Company has agreed to review similar initiatives with the IGB before implementing a new program or making any public announcements, require additional annual training of its employees, and provide additional compliance disclosures to the IGB.

On March 9, 2022, the Company filed a lawsuit in the Circuit Court of Cook County, Illinois against Gold Rush relating to the Gold Rush convertible notes. The complaint sought damages for breach of contract and the implied covenant of good faith and fair dealing as well as unjust enrichment. On June 22, 2022, Gold Rush filed a lawsuit in the Circuit Court of Cook County, Illinois against the Company. The lawsuit alleged that the Company tortiously interfered with Gold Rush's business activities and engaged in misconduct with respect to the Gold Rush convertible notes. On April 22, 2022, the Company filed a petition in the Circuit Court of Cook County, Illinois to judicially review the IGB's decision to deny the requested transfer of Gold Rush common stock in respect of the Company's conversion of the convertible notes. Discovery ensued on these lawsuits but both suits were dismissed with prejudice as a result of the previously mentioned settlement between the Company and Gold Rush on the convertible notes. The Company also withdrew its petition to judicially review the IGB's decision. For more information, see Note 4.

On March 25, 2022, Midwest Electronics Gaming LLC ("Midwest") filed an administrative review action against the Illinois Gaming Board, the Company and J&J in the Circuit Court of Cook County, Illinois seeking administrative review of decisions of the IGB ruling in favor of the Company and J&J and against Midwest regarding the validity of certain use agreements covering locations currently serviced by Midwest. No monetary damages are sought against the Company. The Company filed a motion to dismiss Midwest's amended complaint, which was granted in part and denied in part.

In July 2022, an enforcement action was brought against the Company by an Illinois municipality related to an alleged violation of an ordinance requiring the collection of an additional tax, the enforceability of which is currently being contested by the Illinois Gaming Machine Operators Association. Rather than litigate the alleged violation, the Company pled no contest and paid an initial penalty to the municipality in October 2022 and for the remaining months of 2022. The Company continued to negotiate with and voluntarily make the appropriate payments to the municipality during 2023 and 2024.

In February 2023, an Illinois municipality issued an order against the Company for the alleged failure to pay a terminal operator tax ("TO Tax") for the privilege of operating gaming terminals within the municipality. The TO Tax was adopted by the municipality on June 8, 2021, but there was no enforcement of this tax until the Company was issued a notice of hearing in February 2023. In April 2023, the Company, along with numerous other terminal operators, filed a complaint in the Circuit Court of Cook County, Illinois contesting the validity and enforceability of the TO Tax and won a temporary restraining order to stay the order. Currently, the matter remains pending as a result of a motion to consolidate and to finalize the assignment of the judge.

The results for the six months ended June 30, 2024 and June 30, 2023 included a loss of $0.2 million and $1.2 million, respectively, related to these matters and is included within general and administrative expenses in the condensed consolidated statements of operations and other comprehensive income.

Note 17. Earnings Per Share

The components of basic and diluted earnings per share ("EPS") were as follows for the three and six months ended June 30 (in thousands, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net income	$ 14,586	$ 9,983	$ 22,002	$ 19,165
Basic weighted average outstanding shares of common stock	83,911	86,184	84,105	86,529
Dilutive effect of stock-based awards for common stock	1,143	636	1,073	442
Diluted weighted average outstanding shares of common stock	85,054	86,820	85,178	86,971
Earnings per common share:				
Basic	$ 0.17	$ 0.12	$ 0.26	$ 0.22
Diluted	$ 0.17	$ 0.11	$ 0.26	$ 0.22

Anti-dilutive stock-based awards, contingent earnout shares and warrants excluded from the calculations of diluted EPS were 4,340,250 and 4,818,079 as of June 30, 2024 and 2023, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our unaudited condensed consolidated financial statements and the related notes and other financial information included in this Quarterly Report on Form 10-Q. This discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from the forward-looking statements. Factors that could cause or contribute to such differences include those discussed in the section titled "Risk Factors" included in our Annual Report on Form 10-K for the year ended December 31, 2023. This discussion and analysis should also be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations", set forth in our Annual Report on Form 10-K for the year ended December 31, 2023.

Company Overview

We are a leading distributed gaming operator in the United States ("U.S.") and a preferred partner for local business owners in the markets we serve. We offer turnkey, full-service gaming solutions to bars, restaurants, convenience stores, truck stops, and fraternal and veteran establishments across the country. Our focus is providing unmatched customer support, guidance, and expertise so our location partners can grow their businesses with incremental revenue.

We install, maintain, operate and service gaming terminals and related equipment for our location partners as well as redemption devices that have automated teller machine ("ATM") functionality and stand-alone ATMs. We offer amusement devices, including jukeboxes, dartboards, pool tables, and other entertainment related equipment. These operations provide a complementary source of lead generation for our gaming business by offering a "one-stop" source of additional equipment for our location partners. We also design and manufacture gaming terminals and related equipment. We are continuously evaluating additional opportunities that are complementary to our core business, such as our pending acquisition of the FanDuel Sportsbook & Horse Racing in Collinsville, Illinois, as discussed in Note 10 to the condensed consolidated financial statements.

We currently operate as a distributed gaming operator in the following states:

State	Year Operations Started or Year of Acquisition	Branding	Operations
Illinois	2012	Accel Entertainment	• Establishments with a liquor license (Up to 6 gaming terminals) – Bars/restaurants/retail – Gaming cafes – Fraternal organizations – Veterans' organizations • Truck stops (Up to 6 gaming terminals) • Large truck stops (Up to 10 gaming terminals)
Montana	2022	Century Gaming	• Business locations licensed to sell alcoholic beverages for on-premises consumption only, including locations restricted to offering a maximum of 20 gaming terminals
Montana	2022	Grand Vision Gaming	• Designs and manufactures gaming terminals and software that are sold to Montana, South Dakota, West Virginia, and Louisiana • Develops proprietary gaming terminals and related software as well as other ancillary equipment for our distributed gaming routes in Montana, Nevada, Nebraska and Georgia
Montana	2023	Yellowstone Casino and Jorgensen's Lounge	• Retail gaming locations licensed to sell alcoholic beverages and offering a maximum of 20 gaming terminals • Certain locations have attractive food offerings • Currently, we have three parlor locations

State	Year Operations Started or Year of Acquisition	Branding	Operations
Nevada	2022	Century Gaming	• Non-casino locations where gaming is incidental to the primary business being conducted at the location, including: – Grocery/drug/convenience stores – Bars/restaurants/taverns – Liquor stores • Games are generally limited to 15 or fewer gaming terminals with no other forms of gaming activity permitted
Nebraska	2022	Accel Entertainment	• Operate cash devices in retail locations throughout the state • Retail establishments include any business location that is open to the public for the sale of goods other than gaming terminals and that possesses a valid sales tax permit
Georgia	2020	Bulldog Gaming	• Operate gaming terminals which are skill-based coin-operated amusement machines with winnings paid in points that may be redeemed for noncash merchandise, prizes, toys, gift cards, or novelties
Iowa	2021	Accel Entertainment	• Operate amusement concessions, including games of chance and games of skill, which we define as gaming terminals • Bars, taverns, and restaurants with a certain class of liquor license are permitted to operate up to four electrical or mechanical games of chance
Pennsylvania	2023	Accel Entertainment	• Operate gaming terminals at qualified truck stops • We are live with a partner truck stop

Macroeconomic Factors

Ongoing interest rate uncertainty, persistent inflation and actual or perceived instability in the U.S. and global banking systems may increase the risk of an economic recession and volatility in the capital or credit markets in the U.S. and other markets globally. Our location partners may be adversely impacted by changes in overall economic and financial conditions, and certain location partners may cease operations in the event of a recession or inability to access financing. Furthermore, our revenue is largely driven by players' disposable incomes and level of gaming activity, and economic conditions that adversely impact players' ability and desire to spend disposable income at our locations partners may adversely affect our results of operations and cash flows.

To date, we have not observed material impacts in our business or outlook, outside of observed increases in our costs related to higher wages and increased interest expense on our debt. In 2023 and the first half of 2024, we accelerated certain of our capital expenditures related to gaming machines and related components to manage our supply chain.

We intend to continue to monitor macroeconomic conditions closely and may determine to take certain financial or operational actions in response to such conditions to the extent our business begins to be adversely impacted.

Components of Performance

Net revenues

Net gaming. Net gaming revenue represents net cash received from gaming activities, which is the difference between gaming wins and losses. Net gaming revenue includes the amounts earned by our location partners and is recognized at the time of gaming play.

Amusement. Amusement revenue represents amounts collected from amusement devices operated at various location partners and is recognized at the point the amusement device is used.

Manufacturing. Manufacturing revenue represents sales of gaming terminals and related equipment.

ATM fees and other. ATM fees and other primarily represents fees charged for the withdrawal of funds from our redemption devices and stand-alone ATMs and is recognized at the time of the ATM transaction.

Operating expenses

Cost of revenue. Cost of revenue consists of (i) taxes on net gaming revenue that is payable to the appropriate jurisdiction (effective July 1, 2024, the tax on net gaming revenue in the State of Illinois increased from 34% to 35%, which is split equally between us and our locations in Illinois), (ii) licenses, permits and other fees required for the operation of gaming terminals and other equipment, (iii) location revenue share, which is governed by local governing bodies and location contracts, (iv) ATM and amusement commissions payable to locations, and (v) ATM and amusement fees.

Cost of manufacturing goods sold. Cost of manufacturing goods sold consists of costs associated with the sale of gaming terminals and related equipment.

General and administrative. General and administrative expenses consist of operating expense and general and administrative expense. Operating expense includes payroll and related expense for service technicians, route technicians, route security, and preventative maintenance personnel. Operating expense also includes vehicle fuel and maintenance, and non-capitalizable parts expenses. Operating expenses are generally proportionate to the number of locations and gaming terminals. General and administrative expense includes payroll and related expense for account managers, business development managers, marketing, and other corporate personnel. In addition, general and administrative expense also includes marketing, information technology, insurance, rent and professional fees.

Depreciation and amortization of property and equipment. Depreciation is computed using the straight-line method over the estimated useful lives of the individual assets. Leasehold improvements are amortized over the shorter of the useful life or the lease.

Amortization of intangible assets and route and customer acquisition costs. Route and customer acquisition costs consist of fees paid at the inception of contracts entered into with third parties and our gaming locations, which allows us to install and operate gaming terminals. The route and customer acquisition costs and route and customer acquisition costs payable are recorded at the net present value of the future payments using a discount rate equal to our incremental borrowing rate associated with its long-term debt. Route and customer acquisition costs are amortized on a straight-line basis over 18 years, which is the expected estimated life of the contract, including expected renewals.

Location contracts acquired in a business combination are recorded at fair value and then amortized as an intangible asset on a straight-line basis over the expected useful life of 15 years.

Other intangible assets acquired in a business acquisition are recorded at fair value and then amortized as an intangible asset on a straight-line basis over their estimated 7 to 20-year useful lives.

Interest expense, net

Interest expense, net consists of interest on our current credit facilities, amortization of financing fees, accretion of interest on route and customer acquisition costs payable, and interest (income) expense on the interest rate caplets. Interest on the current credit facility is payable monthly on unpaid balances at the variable per annum LIBOR/SOFR rate plus an applicable margin, as defined under the terms of the credit facility, ranging from 1.75% to 2.75% depending on the first lien net leverage ratio.

Income tax expense

Income tax expense consists mainly of taxes payable to federal, state and local authorities. Deferred income taxes are recognized for the tax consequences of temporary differences between the financial statement carrying amounts and the tax basis of the assets and liabilities.

Results of Operations

The following table summarizes our results of operations on a consolidated basis for the three months ended June 30, 2024 and 2023:

(in thousands, except %'s)	Three Months Ended June 30,		Increase / (Decrease)	
	2024	2023	Change ($)	Change (%)
Net revenues:				
Net gaming	$ 293,240	$ 277,551	$ 15,689	5.7 %
Amusement	5,539	5,630	(91)	(1.6)%
Manufacturing	5,208	4,430	778	17.6 %
ATM fees and other	5,426	5,036	390	7.7 %
Total net revenues	309,413	292,647	16,766	5.7 %
Operating expenses:				
Cost of revenue (exclusive of depreciation and amortization expense shown below)	213,317	202,306	11,011	5.4 %
Cost of manufacturing goods sold (exclusive of depreciation and amortization expense shown below)	3,162	2,154	1,008	46.8 %
General and administrative	46,541	44,220	2,321	5.2 %
Depreciation and amortization of property and equipment	10,794	9,446	1,348	14.3 %
Amortization of intangible assets and route and customer acquisition costs	5,589	5,284	305	5.8 %
Other expenses, net	7,327	73	7,254	9,937.0 %
Total operating expenses	286,730	263,483	23,247	8.8 %
Operating income	22,683	29,164	(6,481)	(22.2)%
Interest expense, net	8,906	8,243	663	8.0 %
(Gain) loss on change in fair value of contingent earnout shares	(4,742)	4,836	(9,578)	(198.1)%
Income before income tax expense	18,519	16,085	2,434	15.1 %
Income tax expense	3,933	6,102	(2,169)	(35.5)%
Net income	$ 14,586	$ 9,983	$ 4,603	46.1 %

Net revenues

Total net revenues for the three months ended June 30, 2024 were $309.4 million, an increase of $16.8 million, or 5.7%, compared to the prior-year period. This increase was primarily driven by higher net gaming revenue of $15.7 million, which reflected an increase in gaming locations and terminals. Net revenues by state are presented below (in thousands):

(in thousands)	Three Months Ended June 30,		Increase / (Decrease)	
	2024	2023	Change ($)	Change (%)
Net revenues by state:				
Illinois	$ 227,093	$ 215,947	$ 11,146	5.2 %
Montana	42,583	39,275	3,308	8.4 %
Nevada	29,322	29,869	(547)	(1.8)%
Nebraska	6,249	4,488	1,761	39.2 %
Other	4,166	3,068	1,098	35.8 %
Total net revenues	$ 309,413	$ 292,647	$ 16,766	5.7 %

Cost of revenue

Cost of revenue for the three months ended June 30, 2024 was $213.3 million, an increase of $11.0 million, or 5.4%, compared to the prior-year period, driven by higher net gaming revenue, as described above.

Cost of manufacturing goods sold

Cost of manufacturing goods sold for the three months ended June 30, 2024 was $3.2 million, an increase of $1.0 million, or 46.8%, compared to the prior-year period due to higher costs associated with content licensing fees on software sales.

General and administrative

General and administrative expenses for the three months ended June 30, 2024 were $46.5 million, an increase of $2.3 million, or 5.2%, compared to the prior-year period. The increase was attributable to higher payroll-related costs, as we continue to grow our operations, as well as higher stock-based compensation expense, partially offset by lower legal settlements and parts and repair expense.

Depreciation and amortization of property and equipment

Depreciation and amortization of property and equipment for the three months ended June 30, 2024 was $10.8 million, an increase of $1.3 million, or 14.3%, compared to the prior-year period due to an increased number of gaming terminals.

Amortization of intangible assets and route and customer acquisition costs

Amortization of intangible assets and route and customer acquisition costs for the three months ended June 30, 2024 were $5.6 million, an increase of $0.3 million, or 5.8%, compared to the prior-year period.

Other expenses, net

Other expenses, net for the three months ended June 30, 2024 were $7.3 million, compared to $0.1 million in the prior-year period. The increase was primarily attributable to higher fair value adjustments associated with the revaluation of contingent consideration liabilities and non-recurring expenses, as well as the impact of a $1.7 million gain recognized in the prior-year period on the convertible note settlement as discussed in Note 4 to the condensed consolidated financial statements.

Interest expense, net

Interest expense, net for the three months ended June 30, 2024 was $8.9 million, an increase of $0.7 million, or 8.0%, compared to the prior-year period primarily due to an increase in average outstanding debt and higher interest rates, partially offset by the benefit realized on our interest rate caplets. For the three months ended June 30, 2024, the weighted average interest rate, excluding the impact of our interest rate caplets, was approximately 7.7% compared to a rate of approximately 7.2% for the prior-year period.

(Gain) loss on change in fair value of contingent earnout shares

The change in the fair value of contingent earnout shares for the three months ended June 30, 2024 was a gain of $4.7 million, compared to a loss of $4.8 million the prior-year period. The change was primarily due to the change in the market value of our Class A-1 common stock, which is the primary input to the valuation of the contingent earnout shares.

Income tax expense

Income tax expense for the three months ended June 30, 2024 was $3.9 million, a decrease of $2.2 million, or 35.5%, compared to the prior-year period. The effective tax rate for the three months ended June 30, 2024 was 21.2% compared to 37.9% in the prior-year period. Our effective income tax rate can vary from period to period depending on, among other factors, the amount of permanent tax adjustments and discrete items. The change in the fair value of the contingent earnout shares is considered a discrete item for tax purposes and can be the primary driver for the fluctuations in the tax rate year over year.

The following table summarizes our results of operations on a consolidated basis for the six months ended June 30, 2024 and 2023:

(in thousands, except %'s)	Six Months Ended June 30,		Increase / (Decrease)	
	2024	2023	Change ($)	Change (%)
Net revenues:				
Net gaming	$ 581,377	$ 556,931	$ 24,446	4.4 %
Amusement	11,668	12,428	(760)	(6.1)%
Manufacturing	7,417	6,552	865	13.2 %
ATM fees and other	10,768	9,944	824	8.3 %
Total net revenues	611,230	585,855	25,375	4.3 %
Operating expenses:				
Cost of revenue (exclusive of depreciation and amortization expense shown below)	422,484	405,860	16,624	4.1 %
Cost of manufacturing goods sold (exclusive of depreciation and amortization expense shown below)	4,321	3,562	759	21.3 %
General and administrative	94,175	87,238	6,937	8.0 %
Depreciation and amortization of property and equipment	21,228	18,509	2,719	14.7 %
Amortization of intangible assets and route and customer acquisition costs	11,027	10,526	501	4.8 %
Other expenses, net	9,753	3,324	6,429	193.4 %
Total operating expenses	562,988	529,019	33,969	6.4 %
Operating income	48,242	56,836	(8,594)	(15.1)%
Interest expense, net	17,566	16,131	1,435	8.9 %
(Gain) loss on change in fair value of contingent earnout shares	(26)	9,438	(9,464)	(100.3)%
Income before income tax expense	30,702	31,267	(565)	(1.8)%
Income tax expense	8,700	12,102	(3,402)	(28.1)%
Net income	$ 22,002	$ 19,165	$ 2,837	14.8 %

Net revenues

Total net revenues for the six months ended June 30, 2024 were $611.2 million, an increase of $25.4 million, or 4.3%, compared to the prior-year period. This increase was primarily driven by higher net gaming revenue of $24.4 million, which reflected an increase in gaming locations and terminals. Net revenues by state are presented below (in thousands):

(in thousands)	Six Months Ended June 30,		Increase / (Decrease)	
	2024	2023	Change ($)	Change (%)
Net revenues by state:				
Illinois	$ 451,956	$ 435,790	$ 16,166	3.7 %
Montana	80,724	75,726	4,998	6.6 %
Nevada	58,531	59,830	(1,299)	(2.2)%
Nebraska	12,083	8,412	3,671	43.6 %
Other	7,936	6,097	1,839	30.2 %
Total net revenues	$ 611,230	$ 585,855	$ 25,375	4.3 %

Cost of revenue

Cost of revenue for the six months ended June 30, 2024 was $422.5 million, an increase of $16.6 million, or 4.1%, compared to the prior-year period, driven by higher net gaming revenue, as described above.

Cost of manufacturing goods sold

Cost of manufacturing goods sold for the six months ended June 30, 2024 was $4.3 million, an increase of $0.8 million, or 21.3%, compared to the prior-year period due to higher costs associated with content licensing fees on software sales.

General and administrative

General and administrative expenses for the six months ended June 30, 2024 were $94.2 million, an increase of $6.9 million, or 8.0%, compared to the prior-year period. The increase was attributable to higher payroll-related costs, as we continue to grow our operations, as well as higher stock-based compensation expense, partially offset by lower legal settlements.

Depreciation and amortization of property and equipment

Depreciation and amortization of property and equipment for the six months ended June 30, 2024 was $21.2 million, an increase of $2.7 million, or 14.7%, compared to the prior-year period due to an increased number of gaming terminals.

Amortization of intangible assets and route and customer acquisition costs

Amortization of intangible assets and route and customer acquisition costs for the six months ended June 30, 2024 were $11.0 million, an increase of $0.5 million, or 4.8%, compared to the prior-year period.

Other expenses, net

Other expenses, net for the six months ended June 30, 2024 were $9.8 million, an increase of $6.4 million, or 193.4%, compared to the prior-year period. The increase was primarily attributable to higher fair value adjustments associated with the revaluation of contingent consideration liabilities and non-recurring expenses, as well as the impact of a $1.7 million gain recognized in the prior-year period on the convertible note settlement as discussed in Note 4 to the condensed consolidated financial statements.

Interest expense, net

Interest expense, net for the six months ended June 30, 2024 was $17.6 million, an increase of $1.4 million, or 8.9%, compared to the prior-year period primarily due to an increase in average outstanding debt and higher interest rates, partially offset by the benefit realized on our interest rate caplets. For the six months ended June 30, 2024, the weighted average interest rate, excluding the impact of our interest rate caplets, was approximately 7.7% compared to a rate of approximately 7.0% for the prior-year period.

(Gain) loss on change in fair value of contingent earnout shares

The change in the fair value of contingent earnout shares for the six months ended June 30, 2024 was a gain of less than $0.1 million, compared to a loss of $9.4 million the prior-year period. The change was primarily due to the change in the market value of our Class A-1 common stock, which is the primary input to the valuation of the contingent earnout shares.

Income tax expense

Income tax expense for the six months ended June 30, 2024 was $8.7 million, a decrease of $3.4 million, or 28.1%, compared to the prior-year period. The effective tax rate for the six months ended June 30, 2024 was 28.3% compared to 38.7% in the prior-year period. Our effective income tax rate can vary from period to period depending on, among other factors, the amount of permanent tax adjustments and discrete items. The change in the fair value of the contingent earnout shares is considered a discrete item for tax purposes and can be the primary driver for the fluctuations in the tax rate year over year.

Key Business Metrics

We use statistical data and comparative information commonly used in the gaming industry to monitor the performance of the business, none of which are prepared in accordance with U.S. GAAP, and therefore should not be viewed as indicators of operational performance. Our management uses these key business metrics for financial planning, strategic planning and employee compensation decisions. The key business metrics include:

- Number of locations and;
- Number of gaming terminals
- Location hold-per-day

We also periodically review and revise our key business metrics to reflect changes in our business.

Number of locations

The number of locations is based on a combination of third-party portal data and data from our internal systems. We utilize this metric to continually monitor growth from existing locations, organic openings, purchased locations, and competitor conversions. Competitor conversions occur when a location chooses to change terminal operators.

The following table sets forth information with respect to our primary locations:

	As of June 30,		Increase / (Decrease)	
	2024	**2023**	**Change**	**Change (%)**
Illinois	2,816	2,690	126	4.7 %
Montana	620	610	10	1.6 %
Nevada	359	355	4	1.1 %
Nebraska	239	197	42	21.3 %
Total	4,034	3,852	182	4.7 %

Number of gaming terminals

The number of gaming terminals in operation is based on a combination of third-party portal data and data from our internal systems. We utilize this metric to continually monitor growth from existing locations, organic openings, purchased locations, and competitor conversions.

The following table sets forth information with respect to the number of gaming terminals in our primary locations:

	As of June 30,		Increase / (Decrease)	
	2024	2023	Change	Change (%)
Illinois	15,743	14,767	976	6.6 %
Montana	6,435	6,210	225	3.6 %
Nevada	2,735	2,782	(47)	(1.7)%
Nebraska	844	609	235	38.6 %
Total	25,757	24,368	1,389	5.7 %

Location hold-per-day

Location hold-per-day is calculated by dividing net gaming revenue in the period by the average number of locations. Then divide the calculated amount by the number of operational days. We utilize this metric to compare market and location performance on a normalized basis. The percent change in location hold-per-day is the underlying metric we use to determine the change in same-store sales.

The following table sets forth information with respect to our location hold-per-day in our primary locations for the three and six months ended:

	Three Months Ended June 30,		Increase / (Decrease)	
	2024	2023	Change ($)	Change (%)
Illinois	$ 862	$ 858	$ 4	0.5 %
Montana	612	569	43	7.6 %
Nevada	843	860	(17)	(2.0)%
Nebraska	255	237	18	7.6 %

	Six Months Ended June 30,		Increase / (Decrease)	
	2024	2023	Change ($)	Change (%)
Illinois	$ 861	$ 871	$ (10)	(1.1)%
Montana	601	573	28	4.9 %
Nevada	845	860	(15)	(1.7)%
Nebraska	243	229	14	6.1 %

Non-GAAP Financial Measures

Adjusted EBITDA and Adjusted net income are non-GAAP financial measures, but are key metrics management uses to monitor ongoing core operations. Adjusted EBITDA and Adjusted net income exclude the effects of certain non-cash items or represent certain nonrecurring items that are unrelated to core performance. Management believes these non-GAAP financial measures enhance the understanding of our underlying drivers of profitability, trends in our business, and facilitate company-to-company and period-to-period comparisons. Management also believes that these non-GAAP financial measures are used by investors, analysts and other interested parties as measures of financial performance and to evaluate our ability to fund capital expenditures, service debt obligations and meet working capital requirements.

Adjusted net income is defined as net income plus:

- Amortization of intangible assets and route and customer acquisition costs
- Stock-based compensation expense
- (Gain) loss on change in fair value of contingent earnout shares
- Other expenses, net which consists of (i) non-cash expenses including the remeasurement of contingent consideration liabilities, (ii) non-recurring lobbying and legal expenses related to distributed gaming expansion in current or prospective markets, and (iii) other non-recurring expenses
- Tax effect of adjustments

Adjusted EBITDA is defined as net income plus:

- Amortization of intangible assets and route and customer acquisition costs
- Stock-based compensation expense
- (Gain) loss on change in fair value of contingent earnout shares
- Other expenses, net
- Tax effect of adjustments
- Depreciation and amortization of property and equipment
- Interest expense, net
- Emerging markets which reflects the results, on an Adjusted EBITDA basis, for non-core jurisdictions where our operations are developing
    - Markets are no longer considered emerging when we have installed or acquired at least 500 gaming terminals in the jurisdiction, or when 24 months have elapsed from the date we first install or acquire gaming terminals in the jurisdiction, whichever occurs first
    - We currently view Pennsylvania as an emerging market
    - Prior to January 2024, Iowa was considered an emerging market
    - Prior to April 2023, Nebraska was considered an emerging market
- Income tax expense

Adjusted net income and Adjusted EBITDA

(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net income	$ 14,586	$ 9,983	$ 22,002	$ 19,165
Adjustments:				
Amortization of intangible assets and route and customer acquisition costs	5,589	5,284	11,027	10,526
Stock-based compensation expense	3,235	2,567	5,585	4,255
(Gain) loss on change in fair value of contingent earnout shares	(4,742)	4,836	(26)	9,438
Other expenses, net	7,327	73	9,753	3,324
Tax effect of adjustments	(4,612)	(2,308)	(7,453)	(5,209)
Adjusted net income	21,383	20,435	40,888	41,499
Depreciation and amortization of property and equipment	10,794	9,446	21,228	18,509
Interest expense, net	8,906	8,243	17,566	16,131
Emerging markets	38	78	78	(720)
Income tax expense	8,544	8,410	16,152	17,311
Adjusted EBITDA	$ 49,665	$ 46,612	$ 95,912	$ 92,730

Adjusted EBITDA for the three months ended June 30, 2024, was $49.7 million, an increase of $3.1 million, or 6.5%, compared to the prior-year period. Adjusted EBITDA for the six months ended June 30, 2024, was $95.9 million, an increase of $3.2 million, or 3.4%, compared to the prior-year period. The increase for both periods was attributable to an increase in the number of locations and gaming terminals.

Liquidity and Capital Resources

We believe that our cash and cash equivalents, cash flows from operations and borrowing availability under the Credit Agreement (as defined below) will be sufficient to meet our capital requirements for the next twelve months. Our primary short-term cash needs are paying operating expenses and contingent earnout payments, purchases of property and equipment, servicing outstanding indebtedness, and funding our Board of Directors approved share repurchase program and near term acquisitions. As of June 30, 2024, we had $254.9 million in cash and cash equivalents.

Senior Secured Credit Facility

We have entered into a credit agreement (as amended the "Credit Agreement") as borrower, with our wholly-owned domestic subsidiaries, as guarantors, the banks, financial institutions and other lending institutions from time to time party thereto, as lenders, the other parties from time to time party thereto and Capital One, National Association, as administrative agent (in such capacity, the "Agent"), collateral agent, issuing bank and swingline lender, providing for a:

- $150.0 million revolving credit facility, including a letter of credit facility with a $10.0 million sublimit and a swing line facility with a $10.0 million sublimit,
- a $350.0 million initial term loan facility, and
- a $400.0 million delayed draw term loan facility, which is available for borrowing until October 22, 2024.

The maturity date of the Credit Agreement is October 22, 2026.

As of June 30, 2024, there remained $267 million of availability under the Credit Agreement and the weighted-average interest rate on our borrowings under the Credit Agreement was approximately 7.7%.

We were in compliance with all debt covenants under the Credit Agreement as of June 30, 2024 and expect to remain in compliance for the next 12 months.

Interest rate caplets

We manage our exposure to some of our interest rate risk through the use of interest rate caplets, which are derivative financial instruments. On January 12, 2022, we hedged the variability of the cash flows attributable to the changes in the 1-month LIBOR/SOFR interest rate on the first $300 million of the term loan under the Credit Agreement by entering into a 4-year series of 48 deferred premium caplets ("caplets").

We recognized an unrealized loss, net of taxes, on the change in fair value of the caplets of $1.1 million and an unrealized gain of less than $0.1 million for the three and six months ended June 30, 2024, respectively. In comparison, we recognized an unrealized gain of $2.1 million and an unrealized loss of $0.1 million, net of taxes, for the three and six months ended June 30, 2023, respectively. We also recognized interest income on the caplets of $2.5 million and $5.1 million for the three and six months ended June 30, 2024. In comparison, we recognized interest income on the caplets of $2.3 million and $4.2 million for the three and six months ended June 30, 2023, respectively. These amounts are reflected in interest expense, net in the condensed consolidated statements of operations and other comprehensive income.

Cash Flows

The following table summarizes net cash provided by or used in operating activities, investing activities and financing activities for the periods indicated and should be read in conjunction with our condensed consolidated financial statements and the notes thereto included in this filing:

(in thousands)	Six Months Ended June 30,		Increase / (Decrease)	
	2024	2023	Change ($)	Change (%)
Net cash provided by operating activities	$ 57,614	$ 63,845	$ (6,231)	(9.8)%
Net cash used in investing activities	(69,324)	(16,245)	(53,079)	326.7 %
Net cash provided by (used in) financing activities	5,022	(38,279)	43,301	113.1 %

Net cash provided by operating activities

For the six months ended June 30, 2024, net cash provided by operating activities was $57.6 million, a decrease of $6.2 million compared to the prior-year period due primarily to lower deferred income taxes and lower working capital adjustments, partially offset by higher remeasurements on contingent consideration.

Net cash used in investing activities

For the six months ended June 30, 2024, net cash used in investing activities was $69.3 million, an increase in cash used of $53.1 million compared to the prior-year period. The increase in cash used was primarily attributable to more cash used for business and asset acquisitions, deposits paid against a portion of the purchase price on a pending business acquisition as well as an investment in an equity interest, partially offset by the proceeds from the settlement of the convertible notes in the prior year and lower purchases of property and equipment. We anticipate our capital expenditures will be approximately $55–65 million in 2024.

Net cash provided by (used in) financing activities

For the six months ended June 30, 2024, net cash provided by financing activities was $5.0 million, compared to cash used in financing activities of $38.3 million in the prior-year period. The change reflects an increase in cash due to higher borrowings, partially offset by higher stock repurchases.

Critical Accounting Policies and Estimates

In preparing our condensed consolidated financial statements, we applied the same critical accounting policies as described in our Annual Report on Form 10-K for the year ended December 31, 2023, that affect judgments and estimates of amounts recorded for certain assets, liabilities, revenues, and expenses.

Seasonality

Our results of operations can fluctuate due to seasonal trends and other factors. For example, the gross revenue per machine per day is typically lower in the summer when players will typically spend less time indoors at our locations, and higher in cold weather between February and April, when players will typically spend more time indoors at our locations. Holidays, vacation seasons, and sporting events may also cause our results to fluctuate.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Market risk exposure is primarily the result of fluctuations in interest rates.

Interest rate risk

We are exposed to interest rate risk in the ordinary course of business. Borrowings under our senior secured credit facility were $568.1 million as of June 30, 2024. If the underlying interest rates were to increase by 1.0%, or 100 basis points, the increase in interest expense on our floating rate debt would negatively impact future earnings and cash flows by approximately $2.7 million annually, assuming the balance outstanding under the credit facility remained at $568.1 million. In order to protect against higher interest rates in the future on our credit facility, we hedged the variability of the cash flows attributable to the changes in the 1-month LIBOR/SOFR interest rate on the first $300 million of the term loan by entering into a 4-year series of 48 deferred premium caplets (“caplets”) on January 12, 2022. The caplets mature at the end of each month and are used to protect our exposure as the 1-month LIBOR/SOFR interest rate exceeded 2%.

Cash and cash equivalents are held in cash vaults, highly liquid checking and money market accounts, gaming terminals, redemption terminals, ATMs, and amusement equipment. As a result, these amounts are not materially affected by changes in interest rates.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

In connection with the filing of this Form 10-Q for the quarter ended June 30, 2024, our Chief Executive Officer (“CEO”, serving as our Principal Executive Officer) and our Chief Financial Officer (“CFO”, serving as our Principal Financial Officer) conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (“Exchange Act”)). As a result of this evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of June 30, 2024.

Changes in Internal Control Over Financial Reporting

There were no changes during the quarter ended June 30, 2024, in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Information required by this Item is incorporated by reference to the discussion in Note 16, Commitments and Contingencies, of the condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

ITEM 1A. RISK FACTORS

An investment in our Class A-1 common stock involves a high degree of risk. You should carefully consider the risk factors described under Part I - Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023 and our condensed consolidated financial statements and related notes contained in this Quarterly Report on Form 10-Q in analyzing an investment in our Class A-1 common stock. If any such risks occur, our business, financial condition, and results of operations would likely suffer, the trading price of our Class A-1 common stock would decline, and you could lose all or part of your investment. In addition, the risk factors and uncertainties could cause our actual results to differ materially from those projected in our forward-looking statements, whether made in this report or other documents we file with the SEC, or our annual report to stockholders, future press releases, or orally, whether in presentations, responses to questions, or otherwise. Additional risks and uncertainties not currently known to us or those we currently view to be immaterial may also materially adversely affect our business, financial condition, or results of operations.

There have been no material changes in the risk factors described in Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

On November 22, 2021, our Board of Directors approved a share repurchase program of up to $200 million shares of our Class A-1 common stock. The timing and actual number of shares repurchased will depend on a variety of factors, including price, general business and market conditions, and alternative investment opportunities. Under the repurchase program, repurchases can be made from time to time using a variety of methods, including open market purchases or privately negotiated transactions, in compliance with the rules of the SEC and other applicable legal requirements. The repurchase program does not obligate us to acquire any particular amount of shares, and the repurchase program may be suspended or discontinued at any time at our discretion.

All share repurchases were made under our publicly announced program, and there are no other programs under which we repurchase shares. Repurchases under our program, during applicable restricted trading windows that we periodically establish, are executed under the terms of a pre-set trading plan meeting the requirements of Rule 10b5-1(c) of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

The following table presents a summary of share repurchases made during the second quarter of 2024:

Period	Total number of shares purchased	Average price paid per share	Maximum approximate dollar value of shares that may yet be purchased under the program (in millions)
April 1, 2024 - April 30, 2024	86,777	$11.18	$74.8
May 1, 2024 - May 31, 2024	338,117	$9.97	$71.5
June 1, 2024 - June 30, 2024	481,038	$10.10	$66.6
Total	905,932	$10.16	

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None of our directors or officers (as defined in Rule 16a-1(f) under the Exchange Act) adopted or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement (as defined in Item 408(c) of Regulation S-K) during the quarterly period covered by this report.

ITEM 6. EXHIBITS

Exhibit No.	Exhibit
31.1	Certification of Principal Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a)
31.2	Certification of Principal Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a)
32.1	Section 1350 Certification of Principal Executive Officer
32.2	Section 1350 Certification of Principal Financial Officer
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Inline XBRL File (included in Exhibit 101)

** Indicates management contract or compensation plan or agreement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ACCEL ENTERTAINMENT, INC.

Date: July 30, 2024

By: */s/ Christie Kozlik*

Christie Kozlik
Chief Accounting Officer

Exhibit 31.1

Certification of Principal Executive Officer

I, Andrew Rubenstein, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Accel Entertainment, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 30, 2024

/s/ *Andrew Rubenstein*

Andrew Rubenstein
Chief Executive Officer (Principal Executive Officer)

Exhibit 31.2

Certification of Principal Financial Officer

I, Mathew Ellis, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Accel Entertainment, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 30, 2024

/s/ Mathew Ellis

Mathew Ellis
Chief Financial Officer (Principal Financial Officer)

Exhibit 32.1

Section 1350 Certification of Principal Executive Officer

In connection with the Quarterly Report on Form 10-Q of Accel Entertainment, Inc. (the "Company") for the three months ended June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Andrew Rubenstein, Chief Executive Officer of the Company, certify, to the best of my knowledge and belief, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ *Andrew Rubenstein*

Andrew Rubenstein
Chief Executive Officer (Principal Executive Officer)

Date: July 30, 2024

This certification accompanies the Quarterly Report on Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Accel Entertainment, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Quarterly Report on Form 10-Q), irrespective of any general incorporation language contained in such filing.

Exhibit 32.2

Section 1350 Certification of Principal Financial Officer

In connection with the Quarterly Report on Form 10-Q of Accel Entertainment, Inc. (the "Company") for the three months ended June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mathew Ellis, Chief Financial Officer of the Company, certify, to the best of my knowledge and belief, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Mathew Ellis

Mathew Ellis
Chief Financial Officer (Principal Financial Officer)

Date: July 30, 2024

This certification accompanies the Quarterly Report on Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Accel Entertainment, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Quarterly Report on Form 10-Q), irrespective of any general incorporation language contained in such filing.