
**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, 2021

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
(State or Other Jurisdiction of
Incorporation or Organization)

98-1350261
(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:

<u>Title of Each Class</u>	<u>Trading Symbols</u>	<u>Name of Each Exchange on Which Registered</u>
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 August 2, 2021, there were 93,842,962 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, 2021

TABLE OF CONTENTS

PART I.	FINANCIAL INFORMATION	1
ITEM 1.	FINANCIAL STATEMENTS	1
	Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) (Unaudited) for the three and six months ended June 30, 2021 and 2020	1
	Condensed Consolidated Balance Sheets at June 30, 2021 (Unaudited) and December 31, 2020	2
	Condensed Consolidated Statements of Stockholders' Equity (Deficit) (Unaudited) for the three and six months ended June 30, 2021 and 2020	3
	Condensed Consolidated Statements of Cash Flows (Unaudited) for the six months ended June 30, 2021 and 2020	4
	Notes to the Condensed Consolidated Financial Statements (Unaudited)	6
ITEM 2.	MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	24
ITEM 3.	QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	38
ITEM 4.	CONTROLS AND PROCEDURES	38
PART II.	OTHER INFORMATION	39
ITEM 1.	LEGAL PROCEEDINGS	39
ITEM 1A.	RISK FACTORS	40
ITEM 2.	UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS	40
ITEM 3.	DEFAULTS UPON SENIOR SECURITIES	40
ITEM 4.	MINE SAFETY DISCLOSURES	40
ITEM 6.	EXHIBITS	41
SIGNATURES		42

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

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

(In thousands, except per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020 (As Restated)	2021	2020 (As Restated)
Revenues:				
Net gaming	\$ 194,434	\$ —	\$ 334,898	\$ 101,575
Amusement	4,279	260	8,328	3,091
ATM fees and other revenue	3,261	119	5,817	2,177
Total net revenues	201,974	379	349,043	106,843
Operating expenses:				
Cost of revenue (exclusive of depreciation and amortization expense shown below)	135,772	530	234,663	71,239
General and administrative	26,113	9,921	50,588	31,896
Depreciation and amortization of property and equipment	6,313	5,071	12,302	9,938
Amortization of route and customer acquisition costs and location contracts acquired	6,162	5,565	12,268	11,130
Other expenses, net	2,687	3,132	4,740	4,336
Total operating expenses	177,047	24,219	314,561	128,539
Operating income (loss)	24,927	(23,840)	34,482	(21,696)
Interest expense, net	3,376	2,489	6,720	6,738
Loss (gain) on change in fair value of contingent earnout shares	3,182	7,174	5,979	(10,232)
Loss (gain) on change in fair value of warrants	—	18,320	—	(14,283)
Income (loss) before income tax expense (benefit)	18,369	(51,823)	21,783	(3,919)
Income tax expense (benefit)	5,924	(5,055)	7,837	(5,194)
Net income (loss)	\$ 12,445	\$ (46,768)	\$ 13,946	\$ 1,275
Net income (loss) per common share:				
Basic	\$ 0.13	\$ (0.60)	\$ 0.15	\$ 0.02
Diluted	0.13	(0.60)	0.15	0.01
Weighted average number of shares outstanding:				
Basic	93,617	78,317	93,452	78,161
Diluted	94,668	78,317	94,382	79,079
Comprehensive income (loss)				
Net income (loss)	12,445	(46,768)	13,946	1,275
Unrealized gain on investment in convertible notes (net of income taxes of \$2,073 and \$2,260, respectively)	5,204	—	5,673	—
Comprehensive income (loss)	\$ 17,649	\$ (46,768)	\$ 19,619	\$ 1,275

See Note 2 for impact of restatement

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

ACCEL ENTERTAINMENT, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except par value and share amounts)

	June 30, 2021	December 31, 2020
	(Unaudited)	(As Restated)
Assets		
Current assets:		
Cash and cash equivalents	\$ 178,508	\$ 134,451
Prepaid expenses	6,087	5,549
Income taxes receivable	—	3,341
Other current assets	11,216	8,643
Total current assets	195,811	151,984
Property and equipment, net	144,688	143,565
Other noncurrent assets:		
Route and customer acquisition costs, net	15,555	15,251
Location contracts acquired, net	158,051	167,734
Goodwill	45,754	45,754
Investment in convertible notes	38,063	30,129
Deferred income tax asset	—	3,824
Other assets	2,926	2,000
Total other noncurrent assets	260,349	264,692
Total assets	\$ 600,848	\$ 560,241
Liabilities and Stockholders' Equity		
Current liabilities:		
Current maturities of debt	\$ 18,250	\$ 18,250
Current portion of route and customer acquisition costs payable	2,030	1,608
Accrued location gaming expense	2,375	—
Accrued state gaming expense	10,677	—
Accounts payable and other accrued expenses	10,702	23,666
Accrued compensation and related expenses	7,328	5,853
Current portion of consideration payable	6,646	3,013
Total current liabilities	58,008	52,390
Long-term liabilities:		
Debt, net of current maturities	326,775	321,891
Route and customer acquisition costs payable, less current portion	3,618	4,064
Consideration payable, less current portion	19,102	20,943
Contingent earnout share liability	39,049	33,069
Warrant liability	13	13
Deferred income tax liability	2,367	—
Total long-term liabilities	390,924	379,980
Stockholders' equity :		
Preferred Stock, par value of \$0.0001; 1,000,000 shares authorized; 0 shares issued and outstanding at June 30, 2021 and December 31, 2020	—	—
Class A-1 Common Stock, par value \$0.0001; 250,000,000 shares authorized; 93,660,753 shares issued and outstanding at June 30, 2021; 93,379,508 shares issued and outstanding at December 31, 2020	9	9
Additional paid-in capital	183,975	179,549
Accumulated other comprehensive income	5,766	93
Accumulated deficit	(37,834)	(51,780)
Total stockholders' equity	151,916	127,871
Total liabilities and stockholders' equity	\$ 600,848	\$ 560,241

See Note 2 for impact of restatement

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

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

(In thousands, except shares)

	Class A-1 Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance, January 1, 2021 [as restated]	93,379,508	\$ 9	\$ 179,549	\$ 93	\$ (51,780)	\$ 127,871
Stock-based compensation	—	—	1,593	—	—	1,593
Unrealized gain on investment in convertible notes	—	—	—	469	—	469
Net income	—	—	—	—	1,501	1,501
Balance, March 31, 2021	93,379,508	9	181,142	562	(50,279)	131,434
Exercise of common stock options	281,245	—	685	—	—	685
Stock-based compensation	—	—	2,148	—	—	2,148
Unrealized gain on investment in convertible notes	—	—	—	5,204	—	5,204
Net income	—	—	—	—	12,445	12,445
Balance, June 30, 2021	93,660,753	\$ 9	\$ 183,975	\$ 5,766	\$ (37,834)	\$ 151,916

(In thousands, except shares)

	Class A-1 Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount			
Balance, January 1, 2020 [as restated]	76,637,470	\$ 8	\$ 8,352	\$ (51,370)	\$ (43,010)
Conversion of Class A-2 Common Stock to Class A-1 Common Stock	1,596,636	—	19,160	—	19,160
Stock-based compensation	—	—	1,060	—	1,060
Net income [as restated]	—	—	—	48,043	48,043
Balance, March 31, 2020 [as restated]	78,234,106	8	28,572	(3,327)	25,253
Exercise of common stock options	148,299	—	359	—	359
Stock-based compensation	—	—	1,327	—	1,327
Net loss [as restated]	—	—	—	(46,768)	(46,768)
Balance, June 30, 2020 [as restated]	78,382,405	\$ 8	\$ 30,258	\$ (50,095)	\$ (19,829)

See Note 2 for impact of restatement

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,	
	2021	2020 (As Restated)
Cash flows from operating activities:		
Net income	\$ 13,946	\$ 1,275
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization of property and equipment	12,302	9,938
Amortization of route and customer acquisition costs and location contracts acquired	12,268	11,130
Amortization of debt issuance costs	1,009	936
Loss (gain) on change in fair value of contingent earnout shares	5,979	(10,232)
Gain on change in fair value of warrants	—	(14,283)
Stock-based compensation	3,741	2,387
Loss on disposal of property and equipment	372	93
Net loss on write-off of route and customer acquisition costs and route and customer acquisition costs payable	162	611
Remeasurement of contingent consideration	1,766	(2,432)
Payments on consideration payable	(293)	(1,548)
Accretion of interest on route and customer acquisition costs payable, contingent consideration, and contingent stock consideration	1,252	1,078
Deferred income taxes	3,930	(5,195)
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	(3,111)	1,105
Income taxes receivable	3,341	—
Route and customer acquisition costs	(1,393)	(585)
Route and customer acquisition costs payable	(154)	(69)
Accounts payable and accrued expenses	(2,509)	(10,927)
Accrued compensation and related expenses	1,475	(392)
Other assets	75	(174)
Net cash provided by (used in) operating activities	54,158	(17,284)
Cash flows from investing activities:		
Purchases of property and equipment	(10,938)	(4,123)
Proceeds from the sale of property and equipment	414	121
Business and asset acquisitions, net of cash acquired	(3,234)	—
Net cash used in investing activities	(13,758)	(4,002)
Cash flows from financing activities:		
Payments on term loan	(6,000)	(6,000)
Proceeds from delayed draw term loans	—	65,000
Payments on delayed draw term loans	(3,125)	(2,313)
Proceeds from line of credit	42,000	49,000
Payments on line of credit	(29,000)	(57,000)
Payments for debt issuance costs	—	(325)
Proceeds from exercise of stock options and warrants	685	359
Payments on consideration payable	(903)	(4,004)
Net cash provided by financing activities	3,657	44,717
Net increase in cash and cash equivalents	44,057	23,431
Cash and cash equivalents:		
Beginning of period	134,451	125,403
End of period	<u>\$ 178,508</u>	<u>\$ 148,834</u>

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

Supplemental disclosures of cash flow information:			
Cash payments for:			
Interest, net of amount of capitalized	\$	6,049	\$ 6,678
Income taxes	\$	651	\$ —
Supplemental schedules of noncash investing and financing activities:			
Purchases of property and equipment in accounts payable and accrued liabilities	\$	2,608	\$ 10,586
Conversion of contingent earnout shares	\$	—	\$ 19,160
Acquisition of businesses and assets:			
Total identifiable net assets acquired	\$	3,334	\$ —
Less consideration payable		(100)	0
Cash purchase price	\$	<u>3,234</u>	<u>\$ —</u>

See Note 2 for impact of restatement

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.'s (and together with its subsidiaries, the "Company") wholly owned subsidiary, Accel Entertainment Gaming LLC, is a terminal operator licensed by the State of Illinois Gaming Board ("IGB") since March 15, 2012. Its terminal operator license allows the Company to install and operate video gaming terminals ("VGTs") in licensed video gaming locations throughout the State of Illinois as approved by individual municipalities. The Company also operates redemption terminals, which also function as automated teller machines ("ATMs") at its licensed video gaming locations, and amusement equipment at certain locations. The Illinois terminal operator license, which is not transferable or assignable, requires compliance with applicable regulations and the license is renewable annually unless sooner cancelled or terminated. In July 2020, the Georgia Lottery Corporation approved one of the Company's consolidated subsidiaries as a licensed operator, or Master Licensee, which allows the Company to install and operate coin operated amusement machines for commercial use by the public for play throughout the State of Georgia. The Company also holds a license from the Pennsylvania Gaming Control Board. The Company is subject to various federal, state and local laws and regulations in addition to gaming regulations.

The Company operates 13,177 and 11,108 video gaming terminals across 2,527 and 2,335 locations in the State of Illinois as of June 30, 2021 and 2020, respectively.

The Company is an emerging growth company ("EGC") under the Jumpstart Our Business Startups Act of 2012 ("JOBS Act") following the consummation of a reverse recapitalization that occurred on November 20, 2019. The Company has elected to use this extended transition period for complying with new or revised accounting standards pursuant to Section 107(b) of the JOBS Act and as a result of this election, its financial statements may not be comparable to companies that comply with public company effective dates. The Company expects to remain an EGC until December 31, 2022.

Impact of COVID-19 on the Condensed Consolidated Financial Statements

In response to the COVID-19 outbreak, the IGB made the decision to shut down all VGTs across the State of Illinois starting at 9:00 p.m. on March 16, 2020 and ultimately extended the shutdown through June 30, 2020. This temporary shutdown of Illinois video gaming impacted all of the gaming days during the three months ended June 30, 2020, and 106 of the 182 gaming days (or 58% of gaming days) during the six months ended June 30, 2020. As a resurgence of COVID-19 occurred in the fall of 2020, the virus spread exponentially in every geographical region (currently 11 regions) in the State of Illinois. In response, the IGB suspended all video gaming operations across the entire state of Illinois starting at 11:01 PM on Thursday November 19, 2020. Video gaming operations resumed in certain regions of the state beginning on January 16, 2021, and fully resumed in all regions on January 23, 2021. Even though video gaming operations resumed across all regions, certain regions still had government-imposed restrictions that, among other things, limited hours of operation and restricted the number of patrons allowed within the licensed establishments. Given the staggered reopening by region in January of 2021, the temporary shutdown impacted, on average, 18 of the 181 gaming days (or 10% of gaming days) during the six months ended June 30, 2021. In light of these events and their effect on the Company's employees and licensed establishment partners, the Company took action to help mitigate the potential effects caused by the temporary cessation of operations. During the initial shutdown in 2020, the Company furloughed a significant portion of its employees and deferred certain payments to major vendors. Additionally, members of the Company's senior management decided to voluntarily forgo their base salaries until the resumption of video gaming operations. Beginning in early June 2020, the Company started reinstating employees from furlough in anticipation of resuming operations on July 1, 2020. During the second shutdown starting in November 2020, the Company furloughed idle staff as appropriate and deferred certain payments to major vendors.

Accel Entertainment, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements — (Continued)

As a result of these developments, the Company's revenues, results of operations and cash flows have been materially affected. The situation is changing and additional impacts from COVID-19 and its variant strains on the business and financial results may arise that the Company is not aware of currently and cannot reasonably anticipate.

While the IGB has announced the resumption of all video gaming activities in all regions effective January 23, 2021, it is possible that it or the State of Illinois may order a shutdown by region (currently 11 regions), or a complete suspension of video gaming in the state, or institute stay-at-home, closure or other similar orders or measures in the future in response to a resurgence of COVID-19, particularly in light of variant strains of the virus, or other events. If this were to occur, the Company could recognize impairment losses which could be material.

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, 2020, as amended (the "Form 10-K"). In preparing our condensed consolidated financial statements, we applied the same significant accounting policies as described in Note 3 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.

Restatements of prior periods: The Company amended the condensed consolidated financial statements for the periods ended June 30, 2020 and for the year ended December 31, 2020 in its previously filed Form 10-K. Please see Note 2 to the consolidated financial statements in the Form 10-K for the facts and circumstance on the restatements.

Adopted accounting pronouncements: In December 2019, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") ASU No. 2019-12, *Simplifying the Accounting for Income Taxes* ("ASU 2019-12"), which simplified the guidance by removing certain exceptions to the general principles and clarifying or amending existing guidance. ASU 2019-12 is effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Company early adopted the new standard in the second quarter of 2020 (effective January 1, 2020) on a prospective basis. The adoption of the new standard did not have a material impact on the Company's condensed consolidated financial statements.

Use of estimates: The preparation of 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, contingencies, and the expected term of share-based compensation awards and stock price volatility when computing share-based compensation expense. Actual results may differ from those estimates.

Accel Entertainment, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements — (Continued)

Segment information: The Company operates as a single operating 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 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.

Recent accounting pronouncements: In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. In July 2018, the FASB also issued ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides an optional transition method allowing the standard to be applied at the adoption date. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. Based on its EGC status, the Company expects the new standard will be effective for the Company's fiscal year beginning after December 15, 2021. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company is assessing impact of the standard on its condensed consolidated financial statements.

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. Investment in Convertible Notes

On July 19, 2019, the Company entered into an agreement to purchase up to \$30.0 million in convertible promissory notes from another terminal operator that bear interest at 3% per annum. The Company has the option of converting the notes to common stock of the terminal operator prior to the maturity date. At closing, the Company purchased a \$5.0 million convertible promissory note which is subordinated to the terminal operator's credit facility and matures six months following the satisfaction of administrative conditions.

On October 11, 2019, the Company purchased an additional \$25.0 million convertible promissory note which is also subordinated to the terminal operator's credit facility and, beginning on July 1, 2020, the balance of this note, if not previously converted, was payable in equal \$1,000,000 monthly installments until all principal was repaid in full.

On July 30, 2020, the Company and the terminal operator entered into the Omnibus Amendment (the "Amendment") to the original agreement to purchase convertible promissory notes from the terminal operator. The Amendment, among other things, extended the maturity date of the \$5.0 million convertible promissory note and the beginning of the payback period for the \$25.0 million convertible promissory note until December 31, 2020.

On March 9, 2021, the Company and the terminal operator entered into the Second Omnibus Amendment (the "Second Amendment") to both of the convertible promissory notes and the agreement to purchase the convertible promissory notes. The Second Amendment, among other things, extends the December 31, 2020 maturity and conversion feature of the \$5.0 million convertible promissory note to December 31, 2021, the maturity and conversion feature of the \$25.0 million convertible promissory note to June 1, 2024 and the beginning of the payback period for the \$25.0 million convertible promissory note from December 31, 2020 to January 1, 2022.

The Company recognized an unrealized gain of \$5.2 million and \$5.7 million, net of taxes, within comprehensive income (loss) for the three and six months ended June 30, 2021, respectively. For more information on how the Company determined the fair value of the convertible promissory notes, see Note 12.

On July 30, 2021, the Company provided notice to the terminal operator that it was exercising its rights under the convertible promissory notes. See Note 19 for additional information.

Accel Entertainment, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements — (Continued)

Note 4. Property and Equipment

Property and equipment consists of the following at June 30, 2021 and December 31, 2020 (in thousands):

	June 30, 2021	December 31, 2020
Gaming terminals and equipment	\$ 207,162	\$ 197,533
Amusement and other equipment	23,858	23,049
Office equipment and furniture	1,610	1,526
Computer equipment and software	13,202	12,793
Leasehold improvements	2,970	1,707
Vehicles	10,811	9,430
Buildings and improvements	10,948	10,845
Land	911	911
Construction in progress	1,514	1,886
Total property and equipment	272,986	259,680
Less accumulated depreciation and amortization	(128,298)	(116,115)
Property and equipment, net	<u>\$ 144,688</u>	<u>\$ 143,565</u>

Depreciation and amortization of property and equipment amounted to \$6.3 million and \$12.3 million for the three and six months ended June 30, 2021, respectively. In comparison, depreciation and amortization of property and equipment amounted to \$5.1 million and \$9.9 million for the three and six months ended June 30, 2020, respectively.

Note 5. Route and Customer Acquisition Costs

The Company enters into contracts with third parties and licensed video gaming locations throughout the State of Illinois that allow the Company to install and operate video gaming terminals. When video gaming operations commence, payments are due monthly or quarterly. Gross payments due, based on the number of live locations, were approximately \$6.4 million as of both June 30, 2021 and December 31, 2020, 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 \$5.6 million and \$5.7 million as of June 30, 2021 and December 31, 2020, respectively, of which approximately \$2.0 million and \$1.6 million is included in current liabilities in the accompanying condensed consolidated balance sheets as of June 30, 2021 and December 31, 2020, respectively. The route and customer acquisition cost asset was comprised of payments made on the contracts of \$17.9 million and \$17.7 million as of June 30, 2021 and December 31, 2020, 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 \$1.6 million and \$1.7 million as of June 30, 2021 and December 31, 2020, respectively.

Route and customer acquisition costs consisted of the following at June 30, 2021 and December 31, 2020 (in thousands):

	June 30, 2021	December 31, 2020
Cost	\$ 28,223	\$ 27,364
Accumulated amortization	(12,668)	(12,113)
Route and customer acquisition costs, net	<u>\$ 15,555</u>	<u>\$ 15,251</u>

Amortization expense of route and customer acquisition costs was \$0.5 million and \$0.9 million for the three and six months ended June 30, 2021, respectively. In comparison, amortization expense of route and customer acquisition costs was \$0.5 million and \$0.9 million for the three and six months ended June 30, 2020, respectively.

Accel Entertainment, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements — (Continued)

Note 6. 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 at June 30, 2021 and December 31, 2020 (in thousands):

	June 30, 2021	December 31, 2020
Cost	\$ 227,670	\$ 226,012
Accumulated amortization	(69,619)	(58,278)
Location contracts acquired, net	<u>\$ 158,051</u>	<u>\$ 167,734</u>

Amortization expense of location contracts acquired was \$5.7 million and \$11.3 million, for the three and six months ended June 30, 2021, respectively. In comparison, amortization expense of route and customer acquisition costs was \$5.1 million and \$10.2 million for the three and six months ended June 30, 2020, respectively.

Note 7. Goodwill

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*. The excess of the purchase price over the tangible and intangible assets acquired and liabilities assumed was recorded as goodwill of \$45.8 million as of June 30, 2021 and December 31, 2020, of which \$35.8 million was deductible for tax purposes as of June 30, 2021.

Note 8. Debt

The Company’s debt as of June 30, 2021 and December 31, 2020, consisted of the following (in thousands):

	June 30, 2021	December 31, 2020
2019 Senior Secured Credit Facility:		
Revolving credit facility	\$ 13,000	\$ —
Term Loan	222,000	228,000
Delayed Draw Term Loan (DDTL)	116,437	119,562
Total debt	<u>351,437</u>	<u>347,562</u>
Less: Debt issuance costs	(6,412)	(7,421)
Total debt, net of debt issuance costs	<u>345,025</u>	<u>340,141</u>
Less: Current maturities	(18,250)	(18,250)
Total debt, net of current maturities	<u>\$ 326,775</u>	<u>\$ 321,891</u>

2019 Senior Secured Credit Facility

On November 13, 2019, the Company entered into a credit agreement (the “Credit Agreement”) as borrower, with the Company and its 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:

- \$100.0 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,
- \$240.0 million initial term loan facility and
- \$125.0 million additional term loan facility.

Accel Entertainment, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements — (Continued)

As a result of the COVID-19 pandemic and the temporary shutdown of its operations by the IGB, the Company borrowed \$65 million on its delayed draw term loan in March 2020 to increase its cash position and help preserve its financial flexibility.

As of June 30, 2021, there remained approximately \$87.0 million of availability under the Credit Agreement.

The obligations under the Credit Agreement are guaranteed by the Company and its wholly-owned domestic subsidiaries (collectively, the “Guarantors”), subject to certain exceptions. The obligations under the Credit Agreement are secured by substantially all of assets of the Guarantors, subject to certain exceptions. Certain future-formed or acquired wholly-owned domestic subsidiaries of the Company will also be required to guarantee the Credit Agreement and grant a security interest in substantially all of their assets, subject to certain exceptions, to secure the obligations under the Credit Agreement.

Borrowings under the Credit Agreement bear interest, at the Company’s option, at a rate per annum equal to either (a) the adjusted LIBOR rate (“LIBOR”) (which cannot be less than 0.5%) for interest periods of 1, 2, 3 or 6 months (or if consented to by (i) each applicable Lender, 12 months or any period shorter than 1 month or (ii) the Agent, a shorter period necessary to ensure that the end of the relevant interest period would coincide with any required amortization payment) plus the applicable LIBOR margin or (b) the alternative base rate (“ABR”) plus the applicable ABR margin. ABR is a fluctuating rate per annum equal to the highest of (i) the Federal Funds Effective Rate plus 1/2 of 1.0%, (ii) the prime rate announced from time to time by Capital One, National Association and (iii) LIBOR for a 1-month interest period on such day plus 1.0%. The Credit Agreement also includes provisions for determining a replacement rate when LIBOR is no longer available. As of June 30, 2021, the weighted-average interest rate was approximately 3.3%.

Interest is payable quarterly in arrears for ABR loans, at the end of the applicable interest period for LIBOR loans (but not less frequently than quarterly) and upon the prepayment or maturity of the underlying loans. The Company is required to pay a commitment fee quarterly in arrears in respect of unused commitments under the revolving credit facility and the additional term loan facility.

The applicable LIBOR and ABR margins and the commitment fee rate are calculated based upon the first lien net leverage ratio of the Company and its restricted subsidiaries on a consolidated basis, as defined in the Credit Agreement. The revolving loans and term loans bear interest at either (a) ABR (150 bps floor) plus a margin of 1.75% or (b) LIBOR (50 bps floor) plus a margin of 2.75% , at the option of the Company.

The additional term loan facility was available for borrowings until November 13, 2020. Each of the revolving loans and the term loans mature on November 13, 2024.

The term loans and, once drawn, the additional term loans will amortize at an annual rate equal to approximately 5.00% per annum. Upon the consummation of certain non-ordinary course asset sales, the Company may be required to apply the net cash proceeds thereof to prepay outstanding term loans and additional term loans. The loans under the Credit Agreement may be prepaid without premium or penalty, subject to customary LIBOR “breakage” costs.

The Credit Agreement contains certain customary affirmative and negative covenants and events of default, and requires the Company and certain of its affiliates obligated under the Credit Agreement to make customary representations and warranties in connection with credit extensions thereunder.

In addition, the Credit Agreement requires the Company to maintain (a) a ratio of consolidated first lien net debt to consolidated EBITDA no greater than 4.50 to 1.00 and (b) a ratio of consolidated EBITDA to consolidated fixed charges no less than 1.20 to 1.00, in each case, tested as of the last day of each full fiscal quarter ending after the Closing Date and determined on the basis of the four most recently ended fiscal quarters of the Company for which financial statements have been delivered pursuant to the Credit Agreement, subject to customary “equity cure” rights.

If an event of default (as such term is defined in the Credit Agreement) occurs, the lenders would be entitled to take various actions, including the acceleration of amounts due under the Credit Agreement, termination of the lenders’ commitments

Accel Entertainment, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements — (Continued)

thereunder, foreclosure on collateral, and all other remedial actions available to a secured creditor. The failure to pay certain amounts owing under the Credit Agreement may result in an increase in the interest rate applicable thereto.

Given the uncertainty of COVID-19 and the resulting potential impact to the gaming industry, as well as to provide additional financial flexibility, the Company and the other parties thereto amended the Credit Agreement on August 4, 2020 to provide a waiver of financial covenant breach for the periods ended September 30, 2020 through March 31, 2021 of the First Lien Net Leverage Ratio and Fixed Charge Coverage Ratio (each as defined under the Credit Agreement). The amendment also raised the floor for the adjusted LIBOR rate to 0.5% and the floor for the base rate to 1.50%. The Company incurred costs of \$0.4 million associated with the amendment of the Credit Agreement, of which \$0.3 million was capitalized and is being amortized over the remaining life of the Credit Agreement. The Company was in compliance with all debt covenants as of June 30, 2021. Given the Company's assumptions about the future impact of COVID-19 and its variant strains on the gaming industry, which could be materially different due to the inherent uncertainties of future restrictions on the industry, the Company expects to remain in compliance with all debt covenants for the next 12 months.

Note 9. Business and Asset Acquisitions2021 Business Acquisitions

On March 2, 2021, the Company announced that it had entered into a securities purchase agreement, to acquire Century Gaming, Inc. ("Century"). Century is Montana's largest gaming operator and a leader in the Nevada gaming market with over 900 licensed establishments and more than 8,500 gaming terminals across both states. Pursuant to the purchase agreement, the Company will acquire all of the outstanding equity interests of Century in a cash and stock transaction valued at \$140 million. The transaction was approved by the board of directors of each of the Company and Century, and is expected to close in the first half of 2022, subject to the satisfaction of customary closing conditions, including regulatory approvals from applicable gaming authorities. The transaction will be funded through a combination of the Company's cash on hand and capacity under its existing credit facility, in addition to the issuance of approximately 450,000 Accel shares.

On May 20, 2021, the Company acquired Island Games, Inc. ("Island"), a southern Georgia amusement operator and Master Licensee in the state of Georgia. The acquisition of Island adds 30 Georgia Coin Operated Amusement Machine ("COAM") Class B locations to the Accel portfolio, including a total of 89 Class B COAM terminals. The total purchase price was approximately \$2.9 million, of which the Company paid \$2.8 million in cash at closing. The remaining \$0.1 million of contingent consideration is to be paid in cash if certain operating metrics are achieved. The acquisition was accounted for as a business combination using the acquisition method of accounting in accordance with ASC Topic 805, *Business Combinations* ("Topic 805"). The purchase price was allocated to the tangible assets and identifiable intangible assets acquired and liabilities assumed based upon their estimated fair values.

2020 Business Acquisitions*American Video Gaming*

On December 30, 2020, the Company acquired American Video Gaming, LLC, a terminal operator licensed by the IGB, and Erickson Amusements, Inc. (collectively referred to as "AVG"). AVG had 267 VGTs in 49 licensed establishments. The Company completed this transaction in order to expand its presence within the State of Illinois.

The acquisition aggregate purchase consideration transferred totaled \$32.0 million, which included i) cash paid at closing of \$30.5 million and ii) contingent purchase consideration with an estimated fair value of \$1.5 million. The contingent consideration potentially represents two installment payments, as follows i.) \$0.9 million if the acquired locations meet certain base performance criteria and ii.) an additional \$1.4 million if the acquired locations meet additional performance criteria. The estimated fair value of the contingent consideration was determined based on the Company's expected probability of future

Accel Entertainment, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements — (Continued)

payment, discounted using AVG's weighted average cost of capital. The fair value of the contingent consideration is included within consideration payable on the condensed consolidated balance sheets.

The acquisition was accounted for as a business combination using the acquisition method of accounting in accordance with Topic 805. The purchase price was allocated to the tangible assets and identifiable intangible assets acquired and liabilities assumed based upon their estimated fair values. The excess of the purchase price over the tangible and intangible assets acquired and liabilities assumed was recorded as goodwill. The Company's purchase price allocation was finalized at the end of 2020 and the AVG acquisition resulted in goodwill of \$11.2 million.

The condensed consolidated statements of operations and comprehensive income (loss) includes \$7.7 million of revenue and \$0.6 million of net income attributable to AVG for the six months ended June 30, 2021.

Tom's Amusements

On July 22, 2020 (the "Closing Date"), the Company acquired Tom's Amusement Company, Inc., ("Tom's Amusements") a southeastern U.S. gaming and amusement operator and Master Licensee in the state of Georgia. The total purchase price was \$3.6 million, of which the Company paid \$2.1 million in cash at closing. The remaining \$1.5 million of contingent consideration payables are to be paid in cash on the 18-month and 24-month anniversaries of the Closing Date. The amount of each payment is \$750,000 multiplied by a performance ratio. In addition, the Georgia Lottery Corporation approved Accel's operating subsidiary, Bulldog Gaming, LLC, as a Master Licensee, which allows the Company to install and operate coin operated amusement machines for commercial use by the public for play throughout the State of Georgia.

The acquisition was accounted for as a business combination using the acquisition method of accounting in accordance with Topic 805. The purchase price of \$3.6 million was allocated to the following assets: i) video game terminals and equipment totaling \$1.6 million; ii) location contracts totaling \$0.8 million; iii) indefinite-lived gaming license intangible asset of \$1.0 million and; iv) cash of \$0.2 million.

The condensed consolidated statements of operations and comprehensive income (loss) include \$2.0 million of revenue and \$1.4 million of net loss attributable to Tom's Amusements for the six months ended June 30, 2021.

2020 Asset Acquisition

On August 6, 2020, pursuant to the terms of an asset purchase agreement, the Company purchased from Illinois Operators, Inc. terminal use agreements and equipment representing the operations of 13 licensed establishments. The Company has accounted for this transaction as an asset acquisition. The purchase consideration of \$4.0 million consisted of: i) cash payment of \$3.7 million paid at closing and; ii) deferred payment of \$0.3 million which was paid 90-days from the closing date. The asset acquisition costs were allocated to the following assets: i) video game terminals and equipment totaling \$0.6 million and; ii) location contracts totaling \$3.4 million.

Pro Forma Results

The following unaudited pro forma consolidated financial information reflects the results of operations of the Company for the three and six months ended June 30, 2020 as if the acquisitions of AVG and Tom's Amusements had occurred as of January 1, 2019, after giving effect to certain purchase accounting adjustments. These amounts are based on available financial information of the acquiree prior to the acquisition date and are not necessarily indicative of what Company's operating results would have been had the acquisition actually taken place as of January 1, 2019. This unaudited pro forma information does not project revenues and net income post acquisition (in thousands).

Accel Entertainment, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements — (Continued)

	Three months ended June 30, 2020	Six months ended June 30, 2020
Revenues	\$ 691	\$ 111,301
Net (loss) income	(47,207)	1,886

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 the consideration payable on the condensed consolidated balance sheets as of June 30, 2021 and December 31, 2020. 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 at June 30, 2021 and December 31, 2020 (in thousands):

	June 30, 2021		December 31, 2020	
	Current	Long-Term	Current	Long-Term
TAV	\$ 490	\$ 2,992	\$ 490	\$ 3,206
Fair Share Gaming	1,408	809	1,096	523
Family Amusement	198	2,564	391	2,609
Skyhigh	711	5,881	601	5,789
G3	469	23	355	100
Grand River	—	6,101	—	5,755
IGS	80	—	80	—
Island	100	—	—	—
Tom's Amusements	741	732	—	1,455
AVG	2,449	—	—	1,506
Total	\$ 6,646	\$ 19,102	\$ 3,013	\$ 20,943

Note 10. 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.

In November of 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 following triggers:

- Tranche I, equal to 1,666,666 shares of Class A-2 Common Stock, will be exchanged for Class A-1 Common Stock if either (i) the EBITDA for the last twelve months ("LTM EBITDA") of the Company (as determined pursuant to the

Accel Entertainment, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements — (Continued)

Restricted Stock Agreement) as of December 31, 2021, March 31, 2022 or June 30, 2022 equals or exceeds \$132 million or (ii) the closing sale price of Class A-1 Common Stock on the New York Stock Exchange ("NYSE") equals or exceeds \$12.00 for at least twenty trading days in any consecutive thirty trading day period;

- Tranche II, 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 of the Company (as determined pursuant to the Restricted Stock Agreement) as of December 31, 2022, March 31, 2023 or June 30, 2023 equals or exceeds \$152 million or (ii) the closing sale price of Class A-1 Common Stock on the 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 of the Company (as determined pursuant to the Restricted Stock Agreement) as of December 31, 2023, March 31, 2024 or June 30, 2024 equals or exceeds \$172 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.

On January 14, 2020, the market condition for the settlement of Tranche I was satisfied. However, no stockholder is permitted to own more than 4.99% of the issued and outstanding Class A-1 Common Stock after the settlement unless obtaining required gaming approvals from the applicable gaming authorities. In connection with the settlement, no gaming approvals were obtained. In addition, no stockholder can receive a fractional share from a conversion. As a result, only 1,666,636 shares of the 1,666,666 shares of Class A-2 Common Stock were converted into Class A-1 Common Stock.

Note 11. Warrant Liability

In November 2019, 7,333,326 warrants to purchase shares of Class A-1 Common Stock were issued with other consideration prior to the reverse recapitalization (the "Private Placement Warrants"). As a part of the reverse recapitalization, 2,444,437 Private Placement Warrants were canceled and reissued under the same terms and conditions to Accel legacy stockholders. Each warrant expires five years from issuance and entitles the holder to purchase one share of Class A-1 Common Stock at an exercise price of \$11.50 per share, subject to adjustments substantially similar to those applicable to the other outstanding warrants, at any time 30 days after the consummation of the reverse recapitalization.

In 2017, 15,000,000 warrants to purchase shares of Class A-1 Common Stock were issued in connection with the formation of TPG Pace Holdings ("Public Warrants"). Each warrant expires five years from issuance and entitles the holder to purchase one share of Class A-1 Common Stock at an exercise price of \$11.50 per share, subject to adjustments substantially similar to those applicable to the other outstanding warrants, at any time 30 days after the consummation of the reverse recapitalization.

On July 14, 2020, the Company announced that it had commenced an exchange offer (the "Offer") to all holders of its outstanding warrants to receive 0.25 shares of Class A-1 Common Stock in exchange for each warrant tendered pursuant to the Offer. The Offer was open until 11:59 p.m., Eastern Standard Time, on August 11, 2020.

On July 16, 2020, the Company consummated the redemption of its Public Warrants. The Company exchanged each Public Warrant for 0.25 shares of the Company's Class A-1 Common Stock and issued 3,784,416 shares of its Class A-1 Common Stock in exchange for the Public Warrants at settlement of the redemption. The exchange was an equitable exchange at fair value and was accounted for as a capital transaction. On July 22, 2020, the Company received written notice from the New York Stock Exchange (the "NYSE") that the NYSE suspended trading in, and had determined to commence proceedings to delist, the Company's Public Warrants to purchase shares of the Company's Class A-1 Common Stock (ticker symbol ACEL.WS) from the NYSE. The delisting was a result of the failure of the Public Warrants to comply with the continued listing standard set forth in Section 802.01D of the NYSE Listed Company Manual which requires the Company to maintain at least 100 public holders of a listed security.

Accel Entertainment, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements — (Continued)

On August 14, 2020, 7,189,990 of the Private Placement Warrants were validly tendered representing approximately 99.93% of the total Private Placement Warrants outstanding. The Company accepted all such warrants and issued an aggregate of 1,797,474 shares of its Class A-1 Common Stock in exchange for the warrants tendered.

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 New York Stock Exchange. 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		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	June 30, 2021			
Assets:				
Investment in convertible notes	\$ 38,063	\$ —	\$ —	\$ 38,063

Accel Entertainment, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements — (Continued)

		Fair Value Measurement at Reporting Date Using			
	December 31, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets:					
Investment in convertible notes	\$ 30,129	\$ —	\$ —	\$ 30,129	

Investment in convertible notes

The Company engaged a third-party firm to assist it in determining the fair value of its investment in convertible notes. The valuation utilized a binomial lattice model in which a convertible instrument is split into two separate components: a cash-only (debt) component and an equity component. The binomial lattice trees are constructed using a methodology that assigns upward and downward movement factors and probabilities based on rates of return, volatility, and time. It allows for the optional conversion features of the convertible promissory notes to be captured by determining whether conversion or continuing to hold is the most economically advantageous to the holder. Upon conversion, future values in the equity component are subject to only the risk-free rate, while the cash-only component associated with continuing to hold the debt instrument is subject to the selected risk-adjusted discount rate. Solving backwards through the trees associated with the equity component and the trees associated with the debt component yields an aggregate discounted value for each. The sum of these values yields the indicated fair value of the convertible promissory notes.

The discount rate is the risk-adjusted discount rate that is implied by the rate that allows the discounted cash flows with all terms and conditions modeled to equal the total cash consideration. As such, after modeling the features of convertible promissory notes as of the issuance date using the lattice model framework outlined above, the Company solved for the discount rate that resulted in a value for the note equal to the total cash consideration. The valuation of the Company's convertible promissory notes is considered to be a Level 3 fair value measurement as the significant inputs are unobservable and require significant judgment or estimation.

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, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Liabilities:						
Contingent consideration	\$	19,504	\$	—	\$	19,504
Contingent earnout shares		39,049		—	39,049	—
Warrants		13		—	13	—
Total	\$	58,566	\$	—	\$	39,062

Accel Entertainment, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements — (Continued)

	December 31, 2020	Fair Value Measurement at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liabilities:				
Contingent consideration	\$ 17,260	\$ —	\$ —	\$ 17,260
Contingent earnout shares	33,069	—	33,069	—
Warrants	13	—	13	—
Total	\$ 50,342	\$ —	\$ 33,082	\$ 17,260

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 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 (loss).

Contingent earnout shares

The Company determined the fair value of the contingent earnout shares based on the market price of the Company's 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 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 (loss).

Warrants

The Company determined the fair value of its Public Warrants based on their closing price (ticker symbol ACEL.WS) on the NYSE and is considered to be a Level 1 fair value measurement. The Company determined the fair value of its Private Placement Warrants by using the fair value of its Public Warrants and a Black-Scholes option-pricing model. The Black-Scholes option-pricing model requires inputs such as the fair value of the Company's A-1 Common Stock, the risk-free interest rate, expected term, expected dividend yield and expected volatility. The Company's valuation of its Private Placement 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 (loss).

Accel Entertainment, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements — (Continued)

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.

On September 28, 2020, the Company completed an underwritten public offering (the "Offering") of 8,000,000 shares of its Class A-1 Common Stock (par value \$0.0001 per share) at a price of \$10.50 per share for a total offering size of \$84.0 million. The Company received net proceeds from the Offering of approximately \$79.2 million (net of underwriting discounts and commissions). The Company incurred offering costs totaling \$5.3 million which have been capitalized to additional paid-in capital. The Offering also granted the underwriters an option to purchase up to 1,200,000 additional shares of Class A-1 Common Stock at the public offering price of \$10.50 less the underwriting discount, exercisable at any time within 30 days of September 23, 2020. In October 2020, the underwriters of the Offering partially exercised their option and purchased an additional 1,133,015 shares at a price of \$10.50 per share, resulting in additional net proceeds to the Company of approximately \$11.2 million (net of underwriting discounts and commissions).

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 granted 0.2 million stock options to eligible officers and employees of the Company during the first quarter of 2021, which shall vest over a period of 4 years. Also in the first quarter of 2021, the Company issued 0.4 million restricted stock units ("RSUs") to the board of directors and certain employees, which shall vest over a period of 4 years for employees and a period of approximately 9 months for board of directors. The estimated grant date fair value of these options and RSUs totaled \$5.6 million.

In the second quarter of 2021, the Company granted approximately 24 thousand stock options and 41 thousand RSUs to eligible officers and employees of the Company, which shall vest over a period of 4 years. The estimated grant date fair value of these options and RSUs totaled \$0.7 million.

Stock-based compensation expense, which pertains to the Company's stock options and RSUs, was \$2.1 million and \$3.7 million for the three and six months ended June 30, 2021. In comparison, stock-based compensation expense was \$1.3 million and \$2.4 million for the three and six months ended June 30, 2020, respectively. Stock-based compensation expense is included within general and administrative expenses in the condensed consolidated statements of operations and other comprehensive income (loss).

Note 15. Income Taxes

The Company recognized income tax expense of \$5.9 million and \$7.8 million for the three and six months ended June 30, 2021, respectively. In comparison, the Company recognized an income tax benefit of \$5.1 million and \$5.2 million for the three and six months ended June 30, 2020, respectively.

The Company calculates its provision for (benefit from) 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

Accel Entertainment, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements — (Continued)

percentage of income before income taxes) was 32.2% and 36.0% for the three and six months ended June 30, 2021, respectively. In comparison, the Company's effective income tax rate was 9.8% and 132.5% for the three and six months ended June 30, 2020, 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 tax rate in 2020 was also impacted by the forecast of a net loss for the year, and the nondeductible gains/losses related to the revaluation of the Company's contingent earnout shares and warrants, which are treated as discrete items and caused variability in the effective income tax rates for the three and six months ended June 30, 2020.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was signed into law and authorized more than \$2 trillion to battle COVID-19 and its economic effects, including immediate cash relief for individual citizens, loan programs for small business, support for hospitals and other medical providers, and various types of economic relief for impacted businesses and industries. The Company was eligible for certain credits of the relief programs under the CARES Act and has recorded a receivable of \$1.1 million on its condensed consolidated balance sheets. The Company will continue to monitor the situation and evaluate any additional future legislation.

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.

Accel has been involved in a series of related litigated matters stemming from claims that Accel 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 VGTs 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 exclusive location agreements with the Company. In late August and early September 2012, each of the Defendant Establishments signed separate location agreements with the Company, purporting to grant it the exclusive right to operate VGTs 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 Illinois Gaming Board ("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 (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 the Company 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 judgements 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 VGTs at each of the

Accel Entertainment, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements — (Continued)

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 VGT 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 Accel'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, have 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 against Jason Rowell and other parties related to Mr. Rowell's breaches of his non-compete agreement with the Company. The Company alleged that Mr. Rowell and a competitor were working together to interfere with the Company's customer relationships. On November 7, 2019, Mr. Rowell filed a lawsuit in the Circuit Court of Cook County against the Company alleging that he had not received certain equity interests in the Company to which he was allegedly entitled under his agreement. The Company has answered the complaint and asserted a counterclaim, and intends to defend itself against the allegations. Mr. Rowell's claims and the Company's claims are both being litigated in this lawsuit, while the original lawsuit remains pending against the other defendants. The Company does not have a present estimate regarding the potential damages, nor does it believe any payment of damages is probable, and, accordingly, has established no reserves relating to these matters.

On July 2, 2019, Illinois Gaming Investors, LLC filed a lawsuit against the Company. The lawsuit alleges that a current employee of the Company violated his non-competition agreement with Illinois Gaming Investors, LLC, and together with the Company, wrongfully solicited prohibited licensed video gaming locations. The lawsuit on its face seeks damages of \$10.0 million. The parties are engaging in discovery. The Company is in the process of defending this lawsuit, and has not accrued any amounts as losses related to this suit are not probable or reasonably estimable.

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 seeks to fine the Company in the amount of \$5 million. The Company filed its initial answer to the IGB's complaint on January 11, 2021 and have begun the administrative hearing process. The Company intends to vigorously defend itself against the allegations in the complaint and denies any allegations of wrongdoing. The Company has not accrued any amounts related to this complaint as losses are not probable or reasonably estimable.

Accel Entertainment, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements — (Continued)

Note 17. Related-Party Transactions

Subsequent to the Company's acquisition of certain assets of Fair Share Gaming, LLC ("Fair Share"), G3 Gaming, LLC ("G3"), Tom's Amusements and AVG, the sellers became employees of the Company. Consideration payable to the Fair Share seller was \$2.2 million and \$1.6 million as of June 30, 2021 and December 31, 2020, respectively. Payments to the Fair Share seller under the acquisition agreement were \$0.3 million and \$0.2 million during the six months ended June 30, 2021 and 2020, respectively. Consideration payable to the G3 sellers was \$0.5 million as of both June 30, 2021 and December 31, 2020. Payments to the G3 sellers under the acquisition agreement were \$2.5 million during the six months ended June 30, 2020. There were no payments to the G3 sellers during the six months ended June 30, 2021. Consideration payable to the Tom's Amusements seller was \$1.5 million as of both June 30, 2021 and December 31, 2020. There were no payments to the Tom's Amusements seller during the six months ended June 30, 2021. Consideration payable to the AVG seller was \$2.4 million and \$1.5 million as of June 30, 2021 and December 31, 2020, respectively. There were no payments to the AVG seller during the six months ended June 30, 2021.

The Company engaged Much Shelist, P.C. ("Much Shelist"), as its legal counsel for general legal and business matters. An attorney at Much Shelist is a related party to management of the Company. Accel paid Much Shelist \$0.1 million for both the six months ended June 30, 2021 and 2020. These payments were included in general and administrative expenses within the condensed consolidated statements of operations and comprehensive income (loss).

The Company completed an underwritten public offering of 8,000,000 shares of its Class A-1 Common Stock, pursuant to the terms of an Underwriting Agreement, dated September 23, 2020, with Goldman Sachs & Co. LLC and J.P. Morgan Securities LLC, as representatives of the several underwriters named therein. The Raine Group, which employs a director of the Company, Gordon Rubenstein, was part of the underwriting group and was paid fees totaling \$0.2 million (5.5% of underwriting fee (4.5% of \$84 million)). These payments were capitalized to additional paid-in-capital on the condensed consolidated statements of stockholders' equity.

Note 18. Earnings Per Share

The components of basic and diluted earnings (loss) 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,	
	2021	2020	2021	2020
	(As Restated)		(As Restated)	
Net income (loss)	\$ 12,445	\$ (46,768)	\$ 13,946	\$ 1,275
Less: Net income applicable to contingently issuable shares	—	—	—	798
Net income (loss) on which diluted earnings (loss) per share is calculated	<u>\$ 12,445</u>	<u>\$ (46,768)</u>	<u>\$ 13,946</u>	<u>\$ 477</u>
Basic weighted average outstanding shares of common stock	93,617	78,317	93,452	78,161
Dilutive effect of stock-based awards for common stock	1,051	—	930	804
Dilutive effect of contingent earnout shares before conversion	—	—	—	114
Diluted weighted average outstanding shares of common stock	<u>94,668</u>	<u>78,317</u>	<u>94,382</u>	<u>79,079</u>
Earnings (loss) per share:				
Basic	\$ 0.13	\$ (0.60)	\$ 0.15	\$ 0.02
Diluted	\$ 0.13	\$ (0.60)	\$ 0.15	\$ 0.01

Accel Entertainment, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements — (Continued)

Anti-dilutive stock-based awards, contingent earnout shares and Warrants excluded from the calculations of diluted EPS were 4,803,239 and 5,078,745 for the three and six months ended June 30, 2021, respectively, and 29,315,249 and 28,137,215 for the three and six months ended June 30, 2020, respectively.

Note 19. Subsequent Events

On July 30, 2021, the Company provided notice to the terminal operator that it was exercising its rights under the \$30.0 million aggregate principal amount of convertible promissory notes to convert the entire fair value and accrued interest of \$39.7 million into common stock of the terminal operator, subject to receipt of customary closing deliverables. See Note 3 for a full description of the convertible promissory notes.

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, but are not limited to, those identified below, and those discussed in the section titled “Risk Factors” included in our Annual Report on Form 10-K for the year ended December 31, 2020, as amended (the “Form 10-K”). 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 Form 10-K.

Company Overview

We believe we are a leading distributed gaming operator in the United States on an Adjusted EBITDA basis, and a preferred partner for local business owners in the Illinois market. Our business consists of the installation, maintenance and operation of video gaming terminals (“VGTs”), redemption devices that disburse winnings and contain automated teller machine (“ATM”) functionality, and other amusement devices in authorized non-casino locations such as restaurants, bars, taverns, convenience stores, liquor stores, truck stops, and grocery stores, which are referred to collectively as “licensed establishments.” We also operate stand-alone ATMs in gaming and non-gaming locations. Accel has been licensed by the Illinois Gaming Board (“IGB”) since 2012 and holds a license from the Pennsylvania Gaming Control Board. In July 2020, the Georgia Lottery Corporation approved one of our consolidated subsidiaries as a Master Licensee, which allows us to install and operate coin operated amusement machines for commercial use by the public for play throughout the State of Georgia. We operate 13,177 video gaming terminals across 2,527 locations in the State of Illinois as of June 30, 2021.

Our gaming-as-a-service platform provides local businesses with a turnkey, capital efficient gaming solution. We own all of our VGT equipment and manage the entire operating process for our licensed establishment partners. We also offer our licensed establishment partners VGT solutions that appeal to players who patronize those businesses. We devote significant resources to licensed establishment partner retention, and seek to provide prompt, personalized player service and support, which we believe is unparalleled among other distributed gaming operators. Dedicated relationship managers assist licensed establishment partners with regulatory applications and compliance onboarding, train licensed establishment partners on how to engage with players and potential players, monitor individual gaming areas for compliance, cleanliness and comfort and recommend potential changes to improve both player gaming experience and overall revenue for each licensed establishment. We also provide weekly gaming revenue payments to our licensed establishment partners and analyze and compare gaming results within individual licensed establishment partners. This information is used to determine an optimal selection of games, layouts and other ideas to generate foot traffic for our licensed establishment partners with the goal of generating increased gaming revenue. Further, our in-house collections and security personnel provide highly secure cash transportation and vault management services. Our best-in-class technicians ensure minimal downtime through proactive service and routine maintenance.

In addition to our VGT business, we also install, operate and service redemption devices that have ATM functionality, stand-alone ATMs and amusement devices, including jukeboxes, dartboards, pool tables, pinball machines and other related entertainment equipment. These operations provide a complementary source of lead generation for our VGT business by offering a “one-stop” source of additional equipment for our licensed establishment partners.

Impact of COVID-19

The COVID-19 outbreak continues to have a significant impact on global markets as a result of supply chain and production disruptions, workforce restrictions, travel restrictions, reduced consumer spending and sentiment, amongst other factors, which are, individually or in the aggregate, negatively affecting the financial performance, liquidity and cash flow projections of many companies in the United States and abroad.

In response to the initial COVID-19 outbreak in early 2020, the IGB made the decision to shut down all VGTs across the State of Illinois starting at 9:00 p.m. on March 16, 2020 and ultimately extended the shutdown through June 30, 2020. As a result, we borrowed \$65 million on our delayed draw term loan in March 2020 to increase our cash position and help preserve our financial flexibility. This temporary shutdown of Illinois video gaming impacted 106 of the 182 gaming days (or 58% of gaming days) during the six months ended June 30, 2020. In light of these events and their effect on our employees and licensed establishment partners, we took action to reduce our monthly cash expenses down to \$2-\$3 million during the shutdown to position us to help mitigate the effects of the temporary cessation of operations by, among other things, furloughing approximately 90% of our employees and deferring certain payments to major vendors. Additionally, members of our senior management decided to voluntarily forgo their base salaries until the resumption of video gaming operations. Beginning in early June, we started reinstating employees from furlough in order to properly resume operations.

As a resurgence of COVID-19 occurred in the fall of 2020, the virus spread exponentially in every geographical region (currently 11 regions) in the State of Illinois. In response, the IGB suspended all video gaming operations across the entire state of Illinois starting at 11:01 PM on Thursday November 19, 2020. Video gaming operations resumed in certain regions of the state beginning on January 16, 2021, and fully resumed in all regions on January 23, 2021. Even though video gaming operations resumed across all regions, certain regions still had government-imposed restrictions that, among other things, limited hours of operation and restricted the number of patrons allowed within the licensed establishments. Given the staggered reopening by region in January of 2021, the temporary shutdown impacted, on average, 18 of the 181 gaming days (or 10% of gaming days) during the six months ended June 30, 2021. During this second shutdown, we furloughed idle staff as appropriate and deferred certain payments to major vendors.

As a result of these developments, our revenues, results of operations and cash flows have been materially affected. The situation is changing and additional impacts from COVID-19 and its variant strains on the business and financial results may arise that we are not aware of currently and cannot reasonably anticipate.

While the IGB has announced the resumption of all video gaming activities, it is possible that it or the State of Illinois may order a shutdown by region (currently 11 regions), or a complete suspension of video gaming in the state, or institute stay-at-home, closure or other similar orders or measures in the future in response to a resurgence of COVID-19, particularly in light of variant strains of the virus, or other events. Under the guidelines provided by the Illinois Department of Health and Governor's office, the IGB has been closely monitoring Illinois' COVID-19 related statistics including the positivity rate, hospital admissions, and hospital bed availability in each region. We will continue to monitor the situation and its potential impact on our operations.

Components of Performance

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 the licensed establishments and is recognized at the time of gaming play.

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

ATM fees and other revenue. ATM fees and other revenue represents fees charged for the withdrawal of funds from Accel's 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) a 34% tax on net video gaming revenue (such tax increased from 33% beginning on July 1, 2020) that is payable to the IGB, (ii) an administrative fee (0.8513% currently) payable to Scientific Games International, the third-party contracted by IGB to maintain the central system to which all VGTs across Illinois are connected, (iii) establishment revenue share, which is defined as 50% of gross gaming revenue after subtracting the tax and

administrative fee, (iv) ATM and amusement commissions payable to locations, (v) ATM and amusement fees, and (vi) licenses and permits required for the operation of VGTs and other equipment.

General and administrative. General and administrative expenses consist of operating expense and general and administrative (“G&A”) 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 licensed establishments and VGTs. G&A expense includes payroll and related expense for account managers, business development managers, marketing, and other corporate personnel. In addition, G&A 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 route and customer acquisition costs and location contracts acquired. Route and customer acquisition costs consist of fees paid at the inception of contracts entered into with third parties and licensed video gaming establishments throughout the State of Illinois which allow Accel to install and operate video 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 Accel’s incremental borrowing rate associated with its long-term debt. Route and customer acquisition costs are amortized on a straight-line basis beginning on the date the location goes live and amortized over the 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 10 years.

Interest expense, net

Interest expense, net consists of interest on Accel’s current and prior credit facilities, amortization of financing fees, and accretion of interest on route and customer acquisition costs payable. Interest on the current credit facility is payable monthly on unpaid balances at the variable per annum LIBOR 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. Interest expense, net also consists of interest income on convertible promissory notes from another terminal operator that bear interest at the greater of 3% per annum or Accel’s borrowing rate on its credit facility.

Income tax expense (benefit)

Income tax expense (benefit) consists mainly of taxes (receivable) 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 Accel's results of operations on a consolidated basis for the three months ended June 30, 2021 and 2020:

(in thousands, except %'s)	Three Months Ended June 30,		Increase / (Decrease)	
	2021	2020	Change (\$)	Change (%)
Revenues:	(As Restated)			
Net gaming	\$ 194,434	\$ —	\$ 194,434	N/A
Amusement	4,279	260	4,019	1,545.8 %
ATM fees and other revenue	3,261	119	3,142	2,640.3 %
Total net revenues	201,974	379	201,595	53,191.3 %
Operating expenses:				
Cost of revenue (exclusive of depreciation and amortization expense shown below)	135,772	530	135,242	25,517.4 %
General and administrative	26,113	9,921	16,192	163.2 %
Depreciation and amortization of property and equipment	6,313	5,071	1,242	24.5 %
Amortization of route and customer acquisition costs and location contracts acquired	6,162	5,565	597	10.7 %
Other expenses, net	2,687	3,132	(445)	(14.2)%
Total operating expenses	177,047	24,219	152,828	631.0 %
Operating income (loss)	24,927	(23,840)	48,767	(204.6)%
Interest expense, net	3,376	2,489	887	35.6 %
Loss on change in fair value of contingent earnout shares	3,182	7,174	(3,992)	(55.6)%
Loss on change in fair value of warrants	—	18,320	(18,320)	(100.0)%
Income (loss) before income tax expense (benefit)	18,369	(51,823)	70,192	(135.4)%
Income tax expense (benefit)	5,924	(5,055)	10,979	(217.2)%
Net income (loss)	\$ 12,445	\$ (46,768)	\$ 59,213	(126.6)%

Revenues

Total revenues for the three months ended June 30, 2021 were \$202.0 million, an increase of \$201.6 million, compared to the prior-year period. This increase was driven by an increase in net gaming revenue of \$194.4 million, an increase in amusement revenue of \$4.0 million, and an increase in ATM fees and other revenue of \$3.1 million. The significant increase in net gaming revenue was attributable to the prior year IGB-mandated shutdown of Illinois video gaming due to the COVID-19 outbreak, which resulted in no gaming days for the three months ended June 30, 2020. Net gaming revenues for the three months ended June 30, 2021 also reflected an increase in gaming terminals and locations, as well as, an increase in location hold-per-day which is driven by higher bet limit software, the addition of a 6th VGT and higher demand.

Cost of revenue

Cost of revenue for the three months ended June 30, 2021 was \$135.8 million, an increase of \$135.2 million, compared to the prior-year period due primarily to the previously mentioned IGB-mandated shutdown of Illinois video gaming in the prior year due to the COVID-19 outbreak. Cost of revenue for the three months ended June 30, 2021 also reflected an increase in the Illinois gaming tax from 33% to 34% on July 1, 2020.

General and administrative

General and administrative expenses for the three months ended June 30, 2021 were \$26.1 million, an increase of \$16.2 million, or 163.2%, compared to the prior-year period. The increase was attributable to a reduction in our prior year monthly expenses during the IGB-mandated shutdown. General and administrative expenses for the three months ended June 30, 2021, also reflected higher non-variable payroll-related costs as we continue to grow our operations and we incurred higher stock-based compensation expenses.

Depreciation and amortization of property and equipment

Depreciation and amortization of property and equipment for the three months ended June 30, 2021 was \$6.3 million, an increase of \$1.2 million, or 24.5%, compared to the prior-year period due to an increased number of licensed establishments and VGTs.

Amortization of route and customer acquisition costs and location contracts acquired

Amortization of route and customer acquisition costs and location contracts acquired for the three months ended June 30, 2021 was \$6.2 million, an increase of \$0.6 million, or 10.7%, compared to the prior-year period. The increase was primarily attributable to our business and asset acquisitions.

Other expenses, net

Other expenses, net for the three months ended June 30, 2021 were \$2.7 million, a decrease of \$0.4 million, or 14.2%, compared to the prior-year period. The decrease was primarily attributable to non-recurring one-time expenses incurred in the prior-year period for costs to provide benefits (e.g. employee portion of health insurance premiums) for furloughed employees during the IGB-mandated shutdown, partially offset by larger fair value adjustments associated with the revaluation of contingent consideration liabilities due to stronger than anticipated performance from the associated business acquisitions.

Interest expense, net

Interest expense, net for the three months ended June 30, 2021 was \$3.4 million, an increase of \$0.9 million, or 35.6%, compared to the prior-year period primarily due to higher interest rates, partially offset by a decrease in average outstanding debt. For the three months ended June 30, 2021, the weighted average interest rate was approximately 3.3% compared to a rate of approximately 2.7% for the prior year period.

Loss (gain) on change in fair value of contingent earnout shares

Loss on the change in fair value of contingent earnout shares for the three months ended June 30, 2021 was \$3.2 million, a decrease of \$4.0 million, or 55.6%, compared to the prior year which had a loss of \$7.2 million. The decrease was primarily due to the change in the market value of our A-1 common stock which is the primary input to the valuation of the contingent earnout shares.

Loss on change in fair value of warrants

Loss on change in fair value of warrants for the three months ended June 30, 2020 was \$18.3 million. In the third quarter of 2020, we redeemed substantially all of the warrants which resulted in no change to the fair value of the remaining warrants for the three months ended June 30, 2021.

Income tax expense (benefit)

Income tax expense for the three months ended June 30, 2021 was \$5.9 million, an increase of \$11.0 million, or 217.2%, compared to the prior-year period, which had an income tax benefit of \$5.1 million. The effective tax rate for the three months ended June 30, 2021 was 32.2% compared to 9.8% 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 lower tax rate for the three months ended June 30, 2020 was due to projected permanent differences and the nondeductible losses related to the revaluation of our contingent earnout shares and warrants, which are considered discrete items.

The following table summarizes Accel's results of operations on a consolidated basis for the six months ended June 30, 2021 and 2020:

(in thousands, except %'s)	Six Months Ended June 30,		Increase / (Decrease)	
	2021	2020	Change (\$)	Change (%)
Revenues:		(As Restated)		
Net gaming	\$ 334,898	\$ 101,575	\$ 233,323	229.7 %
Amusement	8,328	3,091	5,237	169.4 %
ATM fees and other revenue	5,817	2,177	3,640	167.2 %
Total net revenues	349,043	106,843	242,200	226.7 %
Operating expenses:				
Cost of revenue (exclusive of depreciation and amortization expense shown below)	234,663	71,239	163,424	229.4 %
General and administrative	50,588	31,896	18,692	58.6 %
Depreciation and amortization of property and equipment	12,302	9,938	2,364	23.8 %
Amortization of route and customer acquisition costs and location contracts acquired	12,268	11,130	1,138	10.2 %
Other expenses, net	4,740	4,336	404	9.3 %
Total operating expenses	314,561	128,539	186,022	144.7 %
Operating income (loss)	34,482	(21,696)	56,178	(258.9)%
Interest expense, net	6,720	6,738	(18)	(0.3)%
Loss (gain) on change in fair value of contingent earnout shares	5,979	(10,232)	16,211	(158.4)%
Gain on change in fair value of warrants	—	(14,283)	14,283	(100.0)%
Income (loss) before income tax expense (benefit)	21,783	(3,919)	25,702	(655.8)%
Income tax expense (benefit)	7,837	(5,194)	13,031	(250.9)%
Net income	\$ 13,946	\$ 1,275	\$ 12,671	993.8 %

Revenues

Total revenues for the six months ended June 30, 2021 were \$349.0 million, an increase of \$242.2 million, or 226.7%, compared to the prior-year period. This increase was driven by an increase in net gaming revenue of \$233.3 million, or 229.7%, an increase in amusement revenue of \$5.2 million, or 169.4%, and an increase in ATM fees and other revenue of \$3.6 million, or 167.2%. Increase in net gaming revenue was attributable to the IGB-mandated shutdown of Illinois video gaming due to the COVID-19 outbreak, which impacted 106 of the 182 gaming days (or 58% of gaming days) in the first half of 2020. The increase in net gaming revenues for the six months ended June 30, 2021 also reflected an increase in gaming terminals and locations, as well as an increase in location hold-per-day, which was driven by higher bet limit software, the addition of a 6th VGT and higher demand.

Cost of revenue

Cost of revenue for the six months ended June 30, 2021 was \$234.7 million, an increase of \$163.4 million, or 229.4%, compared to the prior-year period due primarily to the previously mentioned IGB-mandated shutdown of Illinois video gaming due to the COVID-19 outbreak and an increase in the Illinois gaming tax from 33% to 34% on July 1, 2020.

General and administrative

General and administrative expenses for the six months ended June 30, 2021 were \$50.6 million, an increase of \$18.7 million, or 58.6%, compared to the prior-year period. The increase was attributable to a reduction in our prior year monthly expenses during the previously mentioned IGB-mandated shutdown. General and administrative expenses for the six months ended June 30, 2021 also reflected higher non-variable payroll-related costs as we continued to grow our operations and we incurred higher stock-based compensation expenses.

Depreciation and amortization of property and equipment

Depreciation and amortization of property and equipment for the six months ended June 30, 2021 was \$12.3 million, an increase of \$2.4 million, or 23.8%, compared to the prior-year period due to an increased number of licensed establishments and VGTs.

Amortization of route and customer acquisition costs and location contracts acquired

Amortization of route and customer acquisition costs and location contracts acquired for the six months ended June 30, 2021 was \$12.3 million, an increase of \$1.1 million, or 10.2%, compared to the prior-year period. The increase was primarily attributable to our business and asset acquisitions.

Other expenses, net

Other expenses, net for the six months ended June 30, 2021 were \$4.7 million, an increase of \$0.4 million, or 9.3%, compared to the prior-year period due to larger fair value adjustments associated with the revaluation of contingent consideration liabilities due to stronger than anticipated performance from the associated business acquisitions, partially offset by lower non-recurring, one-time expenses attributable to non-capitalizable public offering costs incurred in the first quarter of 2020 and costs incurred in the second quarter of 2020 to provide benefits (e.g. employee portion of health insurance premiums) for furloughed employees during the IGB-mandated shutdown.

Interest expense, net

Interest expense, net for the six months ended June 30, 2021 was \$6.7 million, which was essentially flat compared to the prior-year period. The weighted average interest rate was approximately 3.3% for both the six months ended June 30, 2021 and 2020.

Loss (gain) on change in fair value of contingent earnout shares

Loss on the change in fair value of contingent earnout shares for the six months ended June 30, 2021 was \$6.0 million, an increase of \$16.2 million, or 158.4%, compared to the prior-year, which had a gain of \$10.2 million. The increase was primarily due to the change in the market value of our A-1 common stock, which was the primary input to the valuation of the contingent earnout shares.

Gain on change in fair value of warrants

Gain on change in fair value of warrants for the six months ended June 30, 2020 was \$14.3 million. In the third quarter of 2020, we redeemed substantially all of the warrants which resulted in no change to the fair value of the remaining warrants for the six months ended June 30, 2021.

Income tax expense (benefit)

Income tax expense for the six months ended June 30, 2021 was \$7.8 million, an increase of \$13.0 million, or 250.9%, compared to the prior-year period, which had an income tax benefit of \$5.2 million. The effective tax rate for the six months ended June 30, 2021 was 36.0% compared to 132.5% 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 higher tax rate for the six months ended June 30, 2020 was due to projected permanent differences and the nondeductible gains related to the revaluation of our contingent earnout shares and warrants, which are considered discrete items.

Key Business Metrics

Accel uses a variety of 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 GAAP, and therefore should not be viewed as indicators of operational performance. Accel's management uses this information for financial planning, strategic planning and employee compensation decisions. The key indicators include:

- Number of licensed establishments;
- Number of VGTs;
- Average remaining contract term (years); and
- Location hold-per-day.

Number of licensed establishments

The number of licensed establishments is calculated based on data provided by Scientific Games, a contractor of the IGB. Terminal operator portal data is updated at the end of each gaming day and includes licensed establishments that may be temporarily closed but still connected to the central system. Accel utilizes this metric to continually monitor growth from organic openings, purchased licensed establishments, and competitor conversions. Competitor conversions occur when a licensed establishment chooses to change terminal operators.

Number of video game terminals (VGTs)

The number of VGTs in operation is based on Scientific Games terminal operator portal data which is updated at the end of each gaming day and includes VGTs that may be temporarily shut off but still connected to the central system. Accel utilizes this

metric to continually monitor growth from existing licensed establishments, organic openings, purchased licensed establishments, and competitor conversions.

Average remaining contract term

Average remaining contract term is calculated by determining the average expiration date of all outstanding contracts with Accel's current licensed establishment partners, and then subtracting the applicable measurement date. The IGB limited the length of contracts entered into after February 2, 2018 to a maximum of eight years with no automatic renewals.

Location hold-per-day

Location hold-per-day is calculated by dividing the difference between cash deposited in all VGTs at each licensed establishment and tickets issued to players at each licensed establishment by the number of locations in operation each day during the period being measured. Then divide the calculated amount by the number of operating days in such period.

The following table sets forth information with respect to Accel's licensed establishments, number of VGTs, and average remaining contract term as of June 30, respectively:

	As of June 30,		Increase / (Decrease)	
	2021	2020	Change \$	Change %
Licensed establishments	2,527	2,335	192	8.2 %
Video gaming terminals	13,177	11,108	2,069	18.6 %
Average remaining contract term (years)	6.8	6.8	—	— %

The following table sets forth information with respect to Accel's location hold-per-day for the three and six months ended June 30, respectively:

	June 30,		Increase / (Decrease)	
	2021	2020	Change \$	Change %
Location hold-per-day - for the three months ended ⁽¹⁾	\$ 855	\$ —	\$ 855	N/A
Location hold-per-day - for the six months ended ⁽²⁾	\$ 824	\$ 572	\$ 252	44.1 %

(1) There were no gaming days for the three months ended June 30, 2020, due to the IGB mandated COVID-19 shutdown.

(2) Location hold-per-day for the six months ended June 30, 2021 is computed based on 163-eligible days of gaming (excludes 18 non-gaming days due to the IGB mandated COVID-19 shutdown). Location hold-per-day for the six months ended June 30, 2020 is computed based on 76-eligible days of gaming (excludes 106 non-gaming days due to the IGB mandated COVID-19 shutdown)

Non-GAAP Financial Measures

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

Adjusted net (loss) income and Adjusted EBITDA

(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
		(As Restated)		(As Restated)
Net income (loss)	\$ 12,445	\$ (46,768)	\$ 13,946	\$ 1,275
Adjustments:				
Amortization of route and customer acquisition costs and location contracts acquired ⁽¹⁾	6,162	5,565	12,268	11,130
Stock-based compensation ⁽²⁾	2,148	1,327	3,741	2,387
Loss (gain) on change in fair value of contingent earnout shares ⁽³⁾	3,182	7,174	5,979	(10,232)
Loss (gain) on change in fair value of warrants ⁽⁴⁾	—	18,320	—	(14,283)
Other expenses, net ⁽⁵⁾	2,687	3,132	4,740	4,336
Tax effect of adjustments ⁽⁶⁾	(892)	(2,343)	(3,885)	(2,015)
Adjusted net income (loss)	25,732	(13,593)	36,789	(7,402)
Depreciation and amortization of property and equipment	6,313	5,071	12,302	9,938
Interest expense, net	3,376	2,489	6,720	6,738
Emerging markets ⁽⁷⁾	746	—	1,263	—
Income tax expense (benefit)	6,816	(2,712)	11,722	(3,179)
Adjusted EBITDA	\$ 42,983	\$ (8,745)	\$ 68,796	\$ 6,095

- (1) Route and customer acquisition costs consist of upfront cash payments and future cash payments to third-party sales agents to acquire the licensed video gaming establishments that are not connected with a business combination. Accel amortizes the upfront cash payment over the life of the contract, including expected renewals, beginning on the date the location goes live, and recognizes non-cash amortization charges with respect to such items. Future or deferred cash payments, which may occur based on terms of the underlying contract, are generally lower in the aggregate as compared to established practice of providing higher upfront payments, and are also capitalized and amortized over the remaining life of the contract. Future cash payments do not include cash costs associated with renewing customer contracts as Accel does not generally incur significant costs as a result of extension or renewal of an existing contract. Location contracts acquired in a business combination are recorded at fair value as part of the business combination accounting and then amortized as an intangible asset on a straight-line basis over the expected useful life of the contract of 10 years. "Amortization of route and customer acquisition costs and location contracts acquired" aggregates the non-cash amortization charges relating to upfront route and customer acquisition cost payments and location contracts acquired.
- (2) Stock-based compensation consists of options, restricted stock units and warrants.
- (3) Loss (gain) on change in fair value of contingent earnout shares represents a non-cash fair value adjustment at each reporting period end related to the value of these contingent shares. Upon achieving such contingency, shares of Class A-2 Common Stock convert to Class A-1 Common Stock resulting in a non-cash settlement of the obligation.
- (4) Loss (gain) on change in fair value of warrants represents a non-cash fair value adjustment at each reporting period end related to the value of these warrants.
- (5) Other expenses, net consists of (i) non-cash expenses including the remeasurement of contingent consideration liabilities, (ii) non-recurring expenses relating to lobbying efforts and legal expenses in Pennsylvania and lobbying efforts in Missouri, (iii) non-recurring costs associated with COVID-19 and (iv) other non-recurring expenses.
- (6) Calculated by excluding the impact of the non-GAAP adjustments from the current period tax provision calculations.
- (7) Emerging markets consist of the results, on an adjusted EBITDA basis, for non-core jurisdictions where our operations are developing. Markets are no longer considered emerging when Accel has installed or acquired at least 500 gaming terminals in the jurisdiction, or when 24 months have elapsed from the date Accel first installs or acquires gaming terminals in the jurisdiction, whichever occurs first.

Adjusted EBITDA for the three months ended June 30, 2021, was \$43.0 million, an increase of \$51.7 million, when compared to the loss of \$8.7 million in the prior-year period. Adjusted EBITDA for the six months ended June 30, 2021, was \$68.8 million, an increase of \$62.7 million, or 1,028.7%, compared to the prior-year period. The increase in performance for both periods was attributable to an increase in the number of licensed establishments, VGTs, and location hold-per-day, and the absence of the previously mentioned IGB-mandated shutdown of Illinois video gaming due to the COVID-19 outbreak that had a significant impact on our performance in the prior-year periods.

Liquidity and Capital Resources

Accel believes that its cash and cash equivalents, cash flows from operations and borrowing availability under its senior secured credit facility will be sufficient to meet its capital requirements for the next twelve months. Accel's primary short-term cash needs are paying operating expenses, servicing outstanding indebtedness and funding near term acquisitions. As of June 30, 2021, Accel had \$178.5 million in cash and cash equivalents.

In response to the decision by the IGB to shut down all VGTs across the State of Illinois due to the COVID-19 outbreak, we took action in the first quarter of 2020 to reduce our projected monthly cash expenses down to \$2-\$3 million during the shutdown to position us to help mitigate the effects of the temporary cessation of operations. The actions taken include furloughing approximately 90% our employees and deferring certain payments to major vendors. Additionally, members of our management team decided to voluntarily forgo their salaries until the resumption of video gaming operations. We also borrowed \$65 million on our delayed draw term loan in March 2020 to increase our cash position and help preserve our financial flexibility.

2019 Senior Secured Credit Facility

On November 13, 2019, we entered into a credit agreement (the “Credit Agreement”) as borrower, with Accel and 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:

- \$100.0 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,
- \$240.0 million initial term loan facility and
- \$125.0 million additional term loan facility.

As of June 30, 2021, there remained approximately \$87.0 million of availability under the Credit Agreement.

The obligations under the Credit Agreement are guaranteed by Accel and our wholly-owned domestic subsidiaries, subject to certain exceptions (collectively, the “Guarantors”). The obligations under the Credit Agreement are secured by substantially all of assets of the Guarantors, subject to certain exceptions. Certain future-formed or acquired wholly-owned domestic subsidiaries by us will also be required to guarantee the Credit Agreement and grant a security interest in substantially all of our assets (subject to certain exceptions) to secure the obligations under the Credit Agreement.

Borrowings under the Credit Agreement bear interest, at Accel’s option, at a rate per annum equal to either (a) the adjusted LIBOR rate (“LIBOR”) (which cannot be less than 0.5%) for interest periods of 1, 2, 3 or 6 months (or if consented to by (i) each applicable Lender, 12 months or any period shorter than 1 month or (ii) the Agent, a shorter period necessary to ensure that the end of the relevant interest period would coincide with any required amortization payment) plus the applicable LIBOR margin or (b) the alternative base rate (“ABR”) plus the applicable ABR margin. ABR is a fluctuating rate per annum equal to the highest of (i) the Federal Funds Effective Rate plus 1/2 of 1.0%, (ii) the prime rate announced from time to time by Capital One, National Association and (iii) LIBOR for a 1-month Interest Period on such day plus 1.0%. The Credit Agreement also includes provisions for determining a replacement rate when LIBOR is no longer available. As of June 30, 2021, the weighted-average interest rate was approximately 3.3%.

Interest is payable quarterly in arrears for ABR loans, at the end of the applicable interest period for LIBOR loans (but not less frequently than quarterly) and upon the prepayment or maturity of the underlying loans. Accel is required to pay a commitment fee quarterly in arrears in respect of unused commitments under the revolving credit facility and the additional term loan facility.

The applicable LIBOR and ABR margins and the commitment fee rate are calculated based upon the first lien net leverage ratio of Accel and its restricted subsidiaries on a consolidated basis, as defined in the Credit Agreement. The revolving loans and term loans bear interest at either (a) ABR (150 bps floor) plus a margin of 1.75% or (b) LIBOR (50bps floor) plus a margin of 2.75%, at our option.

The additional term loan facility was available for borrowing until November 13, 2020. Each of the revolving loans and the term loans mature on November 13, 2024.

The term loans and, once drawn, the additional term loans will amortize at an annual rate equal to approximately 5.00% per annum. Upon the consummation of certain non-ordinary course asset sales, we may be required to apply the net cash proceeds

thereof to prepay outstanding term loans and additional term loans. The loans under the Credit Agreement may be prepaid without premium or penalty, subject to customary LIBOR “breakage” costs.

The Credit Agreement contains certain customary affirmative and negative covenants and events of default, and requires Accel and certain of its affiliates obligated under the Credit Agreement to make customary representations and warranties in connection with credit extensions thereunder.

In addition, the Credit Agreement requires Accel to maintain (a) a ratio of consolidated first lien net debt to consolidated EBITDA no greater than 4.50 to 1.00 and (b) a ratio of consolidated EBITDA to consolidated fixed charges no less than 1.20 to 1.00, in each case, tested as of the last day of each full fiscal quarter ending after the Closing Date and determined on the basis of the four most recently ended fiscal quarters of Accel for which financial statements have been delivered pursuant to the Credit Agreement, subject to customary “equity cure” rights.

If an event of default (as such term is defined in the Credit Agreement) occurs, the lenders would be entitled to take various actions, including the acceleration of amounts due under the Credit Agreement, termination of the lenders’ commitments thereunder, foreclosure on collateral, and all other remedial actions available to a secured creditor. The failure to pay certain amounts owing under the Credit Agreement may result in an increase in the interest rate applicable thereto.

Given the uncertainty of COVID-19 and the resulting potential impact to the gaming industry, as well as to provide additional financial flexibility, we and the other parties thereto amended the Credit Agreement on August 4, 2020 to provide a waiver of financial covenant breach for the periods ended September 30, 2020 through March 31, 2021 of the First Lien Net Leverage Ratio and Fixed Charge Coverage Ratio (each as defined under the Credit Agreement). The amendment also raised the floor for the adjusted LIBOR rate to 0.5% and the floor for the Base Rate to 1.50%. We were in compliance with all debt covenants as of June 30, 2021. Given our assumptions about the future impact of COVID-19 and its variant strains on the gaming industry, which could be materially different due to the inherent uncertainties of future restrictions on the industry, we expect to meet our cash obligations as well as remain in compliance with the debt covenants in our credit facility for the next 12 months.

Cash Flows

The following table summarizes Accel’s 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,	
	2021	2020
		(As Restated)
Net cash provided by (used in) operating activities	\$ 54,158	\$ (17,284)
Net cash used in investing activities	(13,758)	(4,002)
Net cash provided by financing activities	3,657	44,717

Net cash provided by (used in) operating activities

For the six months ended June 30, 2021, net cash provided by (used in) operating activities was \$54.2 million, an increase of \$71.4 million over the comparable period. In addition to our increase in net income, we had favorable fair value adjustments on our contingent earnout shares and warrants, favorable remeasurements on contingent consideration and experienced an increase in working capital adjustments.

Net cash used in investing activities

For the six months ended June 30, 2021, net cash used in investing activities was \$13.8 million, an increase of \$9.8 million over the comparable period and was primarily attributable to more cash used for the purchases of property and equipment as our

prior year purchases were impacted by the the previously mentioned IGB-mandated shutdown of Illinois video gaming due to the COVID-19 outbreak. The six months ended June 30, 2021 was also impacted by cash payments of \$3.2 million for acquisitions.

Net cash provided by financing activities

For the six months ended June 30, 2021, net cash provided by financing activities was \$3.7 million, a decrease of \$41.1 million over the comparable period. The decrease was primarily due to a decrease in net borrowings on our credit facility and lower payments on consideration payable.

Critical Accounting Policies and Estimates

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

Seasonality

Accel's 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 licensed establishment partners, and higher in cold weather between February and April, when players will typically spend more time indoors at licensed establishment partners. Holidays, vacation seasons, and sporting events may also cause Accel's results to fluctuate.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk represents the risk of loss that may impact Accel's 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

Accel is exposed to interest rate risk in the ordinary course of its business. Accel's borrowings under its senior secured credit facility were \$351.4 million as of June 30, 2021. If the underlying interest rates were to increase by 1.0%, or 100 basis points, the increase in interest expense on Accel's floating rate debt would negatively impact Accel's future earnings and cash flows by approximately \$3.5 million annually, assuming the balance outstanding under Accel's credit facility remained at \$351.4 million. Cash and cash equivalents are held in cash vaults, highly liquid, checking and money market accounts, VGTs, 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, 2021, 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 those material weaknesses previously identified in Item 9A. "Controls and Procedures" of our Form 10-K were still present as of June 30, 2021 (the "Evaluation Date"). Based on those material weaknesses, and the evaluation of our disclosure controls and procedures, our CEO and CFO concluded that our disclosure controls and procedures were not effective as of the Evaluation Date.

Notwithstanding the identified material weaknesses, management believes that the condensed consolidated financial statements included in this Form 10-Q fairly present in all material respects our financial condition, results of operations, and cash flows as of June 30, 2021.

Changes in Internal Control Over Financial Reporting

There were no changes during the quarter ended June 30, 2021 in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting other than the material weaknesses previously identified and disclosed in our Form 10-K.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Lawsuits and claims are filed against Accel from time to time in the ordinary course of business, including related to employee matters, employment agreements 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 are not expected to have a material adverse effect on our financial position or results of operations.

Accel has been involved in a series of related litigated matters stemming from claims that Accel 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 Accel’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, Accel agreed to pay him for each licensed establishment which decided to enter into exclusive location agreements with Accel. In late August and early September 2012, each of the Defendant Establishments signed separate location agreements with Accel, purporting to grant it 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 Accel, Rowell, and other parties in the Circuit Court of Cook County (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, Accel filed a motion to dismiss for lack of subject matter jurisdiction, as further described below. On May 14, 2018, the Circuit Court denied Accel’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 judgements 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 VGTs at each of the Defendant Establishments as a result of the J&J Assigned Agreements. Accel was granted leave to intervene in all of the declaratory judgements. 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 Accel’s appeal, the Illinois Appellate Court, Fifth District (the “District Court”), vacated the circuit courts’ judgements 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 VGT use agreements.

Between May 2017 and September 2017, both Accel 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 Accel’s favor, and J&J has filed a new lawsuit to challenge the IGB’s rulings. Accel does not have a present estimate regarding the

potential damages, if any, that could potentially be awarded in this litigation and, accordingly, have established no reserves relating to such matters. There are also petitions pending with the IGB which could lead to Accel obtaining new locations.

On October 7, 2019, Accel filed a lawsuit in the Circuit Court of Cook County against Jason Rowell and other parties related to Mr. Rowell's breaches of his non-compete agreement with Accel. Accel alleged that Mr. Rowell and a competitor were working together to interfere with Accel's customer relationships. That lawsuit, which seeks equitable relief and legal damages, has not yet been served. On November 7, 2019, Mr. Rowell filed a lawsuit in the Circuit Court of Cook County against Accel alleging that he had not received certain equity interests in Accel to which he was allegedly entitled under his agreement. The parties are engaging in discovery. Accel intends to defend itself against the allegations. Accel does not have a present estimate regarding the potential damages, nor does it believe any payment of damages is probable, and, accordingly, has established no reserves relating to these matters.

On July 2, 2019, Illinois Gaming Investors, LLC filed a lawsuit against Accel. The lawsuit alleges that a current employee violated his non-competition agreement with Illinois Gaming Investors, LLC, and together with Accel, wrongfully solicited prohibited licensed video gaming locations. The lawsuit on its face seeks damages of \$10 million. The parties are engaging in discovery. We are in the process of defending this lawsuit and have not accrued any amounts as losses related to this suit are not probable or reasonably estimable.

On December 18, 2020, we 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 seeks to fine us in the amount of \$5 million. We filed our initial answer to the IGB's complaint on January 11, 2021 and have begun the administrative hearing process. We intend to vigorously defend ourselves against the allegations in the complaint and deny any allegations of wrongdoing. The Company has not accrued any amounts related to this complaint as losses are not probable or reasonably estimable.

ITEM 1A. RISK FACTORS

An investment in our 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 Form 10-K and our condensed consolidated financial statements and related notes contained in this Quarterly Report on Form 10-Q in analyzing an investment in our common stock. If any such risks occur, our business, financial condition, and results of operations would likely suffer, the trading price of our 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.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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)

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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: August 4, 2021

By: /s/ Brian Carroll

Brian Carroll
Chief Financial Officer

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: August 4, 2021

/s/ Andrew Rubenstein

Andrew Rubenstein

Chief Executive Officer (Principal Executive Officer)

Certification of Principal Financial Officer

I, Brian Carroll, 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: August 4, 2021

/s/ Brian Carroll

Brian Carroll

Chief Financial Officer (Principal Financial Officer)

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, 2021 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: August 4, 2021

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.

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, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Brian Carroll, 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/ Brian Carroll

Brian Carroll
Chief Financial Officer (Principal Financial
Officer)

Date: August 4, 2021

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.