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DELTA REPORT

10-Q

ACCEL ENTERTAINMENT, INC.

10-Q - SEPTEMBER 30, 2022 COMPARED TO 10-Q - JUNE 30, 2022

The following comparison report has been automatically generated

TOTAL DELTAS	841
CHANGES	312
DELETIONS	154
ADDITIONS	375

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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, 2022 September 30, 2022

or

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

For the transition period from ______ to _____

Commission File Number 001-38136

Accel Entertainment, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**98-1350261**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

140 Tower Drive
Burr Ridge, Illinois 60527
(Address of Principal Executive Offices) (Zip Code)

(630) 972-2235
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbols	Name of Each Exchange on Which Registered
Class A-1 Common Stock, par value $.0001 per share	ACEL	The New York Stock Exchange

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

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

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

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

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

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

As of August 5, 2022 November 4, 2022, there were 90,126,930 87,467,078 shares outstanding of the registrant's Class A-1 Common Stock, par value $.0001 per share.

QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED JUNE SEPTEMBER 30, 2022

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

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

(In thousands, except per share amounts)	(In thousands, except per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,		(In thousands, except per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
		2022	2021	2022	2021		2022	2021	2022	2021
Revenues:	Revenues:					Revenues:				
Net gaming	Net gaming	$218,423	$194,434	$406,885	$334,898	Net gaming	$255,606	$186,017	$662,491	$520,915
Amusement	Amusement	4,693	4,279	9,683	8,328	Amusement	4,860	4,010	14,543	12,338
Manufacturing	Manufacturing	919	—	919	—	Manufacturing	2,489	—	3,408	—
ATM fees and other	ATM fees and other	3,834	3,261	7,273	5,817	ATM fees and other	4,012	3,324	11,285	9,141
Total net revenues	Total net revenues	227,869	201,974	424,760	349,043	Total net revenues	266,967	193,351	691,727	542,394
Operating expenses:	Operating expenses:					Operating expenses:				
Cost of revenue (exclusive of depreciation and amortization expense shown below)	Cost of revenue (exclusive of depreciation and amortization expense shown below)	154,666	135,772	287,286	234,663	Cost of revenue (exclusive of depreciation and amortization expense shown below)	185,878	129,739	473,164	364,402

Cost of goods sold (exclusive of depreciation and amortization expense shown below)		765	—	765	—					
Cost of manufacturing goods sold (exclusive of depreciation and amortization expense shown below)						Cost of manufacturing goods sold (exclusive of depreciation and amortization expense shown below)	1,656	—	2,421	—
General and administrative	General and administrative	32,719	26,113	63,838	50,588	General and administrative	39,796	28,053	103,634	78,641
Depreciation and amortization of property and equipment	Depreciation and amortization of property and equipment	6,598	6,313	12,439	12,302	Depreciation and amortization of property and equipment	8,136	6,518	20,575	18,820
Amortization of route and customer acquisition costs and location contracts acquired		3,574	6,162	7,122	12,268					
Amortization of intangible assets and route and customer acquisition costs						Amortization of intangible assets and route and customer acquisition costs	5,156	6,221	12,278	18,489
Other expenses, net	Other expenses, net	2,232	2,687	4,788	4,740	Other expenses, net	3,106	4,173	7,894	8,913
Total operating expenses	Total operating expenses	200,554	177,047	376,238	314,561	Total operating expenses	243,728	174,704	619,966	489,265
Operating income	**Operating income**	27,315	24,927	48,522	34,482	**Operating income**	23,239	18,647	71,761	53,129
Interest expense, net	Interest expense, net	3,791	3,376	7,792	6,720	Interest expense, net	6,239	3,016	14,031	9,736
(Gain) loss on change in fair value of contingent earnout shares	(Gain) loss on change in fair value of contingent earnout shares	(5,722)	3,182	(9,139)	5,979	(Gain) loss on change in fair value of contingent earnout shares	(10,358)	888	(19,497)	6,867
Income before income tax expense	**Income before income tax expense**	29,246	18,369	49,869	21,783	**Income before income tax expense**	27,358	14,743	77,227	36,526
Income tax expense	Income tax expense	6,782	5,924	11,617	7,837	Income tax expense	4,914	3,936	16,531	11,773
Net income	**Net income**	$ 22,464	$ 12,445	$ 38,252	$ 13,946	**Net income**	$ 22,444	$ 10,807	$ 60,696	$ 24,753
Net income per common share:	**Net income per common share:**					**Net income per common share:**				
Basic	Basic	$ 0.24	$ 0.13	$ 0.41	$ 0.15	Basic	$ 0.25	$ 0.11	$ 0.66	$ 0.26
Diluted	Diluted	0.24	0.13	0.41	0.15	Diluted	0.25	0.11	0.66	0.26
Weighted average number of shares outstanding:	**Weighted average number of shares outstanding:**					**Weighted average number of shares outstanding:**				
Basic	Basic	92,328	93,617	92,484	93,452	Basic	89,992	94,004	91,299	93,607
Diluted	Diluted	93,001	94,668	93,195	94,382	Diluted	90,528	94,728	91,945	94,469
Comprehensive income	**Comprehensive income**					**Comprehensive income**				
Net income	Net income	$ 22,464	$ 12,445	$ 38,252	$ 13,946	Net income	$ 22,444	$ 10,807	$ 60,696	$ 24,753
Unrealized gain on investment in convertible notes (net of income taxes of $2,073 and $2,260, respectively)		—	5,204	—	5,673					
Unrealized gain on interest rate caplets (net of income taxes of $760 and $2,694, respectively)		1,907	—	6,771	—					
Unrealized (loss) gain on investment in convertible notes (net of income taxes of $(126) and $2,135, respectively)						Unrealized (loss) gain on investment in convertible notes (net of income taxes of $(126) and $2,135, respectively)	—	(315)	—	5,358
Unrealized gain on interest rate caplets (net of income taxes of $2,317 and $5,011, respectively)						Unrealized gain on interest rate caplets (net of income taxes of $2,317 and $5,011, respectively)	5,925	—	12,696	—

Comprehensive income	**Comprehensive income**	$ 24,371	$ 17,649	$ 45,023	$ 19,619	**Comprehensive income**	$ 28,369	$ 10,492	$ 73,392	$ 30,111	

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)	(In thousands, except par value and share amounts)	June 30, 2022	December 31, 2021	(In thousands, except par value and share amounts)	September 30, 2022	December 31, 2021
Assets	**Assets**	**(Unaudited)**		**Assets**	**(Unaudited)**	
Current assets:	Current assets:			Current assets:		
Cash and cash equivalents	Cash and cash equivalents	$ 220,168	$ 198,786	Cash and cash equivalents	$ 212,063	$ 198,786
Accounts receivable, net	Accounts receivable, net	9,214	5,121	Accounts receivable, net	8,854	5,121
Income taxes receivable	Income taxes receivable	1,664	—	Income taxes receivable	1,502	—
Inventories	Inventories	6,137	—	Inventories	6,873	—
Prepaid expenses	Prepaid expenses	8,362	6,998	Prepaid expenses	7,827	6,998
Interest rate caplets	Interest rate caplets	3,522	—	Interest rate caplets	6,893	—
Investment in convertible notes	Investment in convertible notes	32,065	32,065	Investment in convertible notes	32,065	32,065
Other current assets	Other current assets	6,869	5,025	Other current assets	7,630	5,025
Total current assets	**Total current assets**	288,001	247,995	**Total current assets**	283,707	247,995
Property and equipment, net	Property and equipment, net	189,637	152,251	Property and equipment, net	206,767	152,251
Other noncurrent assets:	Other noncurrent assets:			Other noncurrent assets:		
Route and customer acquisition costs, net	Route and customer acquisition costs, net	17,678	15,913	Route and customer acquisition costs, net	17,769	15,913
Location contracts acquired, net	Location contracts acquired, net	184,519	150,672	Location contracts acquired, net	189,382	150,672
Goodwill	Goodwill	99,490	46,199	Goodwill	99,490	46,199
Other intangible assets		24,400	—			
Other intangible assets, net				Other intangible assets, net	23,588	—
Interest rate caplets, net of current	Interest rate caplets, net of current	9,427	—	Interest rate caplets, net of current	14,048	—
Other assets	Other assets	3,427	3,043	Other assets	3,598	3,043
Total other noncurrent assets	**Total other noncurrent assets**	338,941	215,827	**Total other noncurrent assets**	347,875	215,827
Total assets	**Total assets**	$ 816,579	$ 616,073	**Total assets**	$ 838,349	$ 616,073
Liabilities and Stockholders' Equity	**Liabilities and Stockholders' Equity**			**Liabilities and Stockholders' Equity**		
Current liabilities:	Current liabilities:			Current liabilities:		
Current maturities of debt	Current maturities of debt	$ 23,460	$ 17,500	Current maturities of debt	$ 23,463	$ 17,500

Current portion of route and customer acquisition costs payable	Current portion of route and customer acquisition costs payable	2,794	2,079	Current portion of route and customer acquisition costs payable	3,040	2,079
Accrued location gaming expense	Accrued location gaming expense	3,000	3,969	Accrued location gaming expense	5,763	3,969
Accrued state gaming expense	Accrued state gaming expense	13,483	11,441	Accrued state gaming expense	15,736	11,441
Accounts payable and other accrued expenses	Accounts payable and other accrued expenses	22,173	14,616	Accounts payable and other accrued expenses	21,596	14,616
Accrued compensation and related expenses	Accrued compensation and related expenses	9,062	8,886	Accrued compensation and related expenses	10,228	8,886
Current portion of consideration payable	Current portion of consideration payable	12,025	13,344	Current portion of consideration payable	12,854	13,344
Total current liabilities	**Total current liabilities**	85,997	71,835	**Total current liabilities**	92,680	71,835
Long-term liabilities:	Long-term liabilities:			Long-term liabilities:		
Debt, net of current maturities	Debt, net of current maturities	478,635	324,022	Debt, net of current maturities	497,976	324,022
Route and customer acquisition costs payable, less current portion	Route and customer acquisition costs payable, less current portion	4,111	3,953	Route and customer acquisition costs payable, less current portion	4,285	3,953
Consideration payable, less current portion	Consideration payable, less current portion	11,106	12,706	Consideration payable, less current portion	4,377	12,706
Contingent earnout share liability	Contingent earnout share liability	33,692	42,831	Contingent earnout share liability	23,334	42,831
Warrant and other long-term liabilities	Warrant and other long-term liabilities	440	17	Warrant and other long-term liabilities	17	17
Deferred income tax liability	Deferred income tax liability	28,723	2,248	Deferred income tax liability	34,798	2,248
Total long-term liabilities	**Total long-term liabilities**	556,707	385,777	**Total long-term liabilities**	564,787	385,777
Stockholders' equity:	Stockholders' equity:			Stockholders' equity:		
Preferred Stock, par value of $0.0001; 1,000,000 shares authorized; 0 shares issued and outstanding at June 30, 2022 and December 31, 2021		—	—			
Class A-1 Common Stock, par value $0.0001; 250,000,000 shares authorized; 94,359,417 shares issued and 90,759,331 shares outstanding at June 30, 2022; 94,111,868 shares issued and 93,410,563 shares outstanding at December 31, 2021		9	9			
Preferred Stock, par value of $0.0001; 1,000,000 shares authorized; 0 shares issued and outstanding at September 30, 2022 and December 31, 2021				Preferred Stock, par value of $0.0001; 1,000,000 shares authorized; 0 shares issued and outstanding at September 30, 2022 and December 31, 2021	—	—
Class A-1 Common Stock, par value $0.0001; 250,000,000 shares authorized; 94,434,865 shares issued and 88,569,672 shares outstanding at September 30, 2022; 94,111,868 shares issued and 93,410,563 shares outstanding at December 31, 2021				Class A-1 Common Stock, par value $0.0001; 250,000,000 shares authorized; 94,434,865 shares issued and 88,569,672 shares outstanding at September 30, 2022; 94,111,868 shares issued and 93,410,563 shares outstanding at December 31, 2021	9	9
Additional paid-in capital	Additional paid-in capital	191,190	187,656	Additional paid-in capital	192,314	187,656
Treasury stock, at cost	Treasury stock, at cost	(42,126)	(8,983)	Treasury stock, at cost	(64,612)	(8,983)

Accumulated other comprehensive income	Accumulated other comprehensive income	6,771	—	Accumulated other comprehensive income	12,696	—
Accumulated earnings (deficit)	Accumulated earnings (deficit)	18,031	(20,221)	Accumulated earnings (deficit)	40,475	(20,221)
Total stockholders' equity	**Total stockholders' equity**	173,875	158,461	**Total stockholders' equity**	180,882	158,461
Total liabilities and stockholders' equity	**Total liabilities and stockholders' equity**	$ 816,579	$ 616,073	**Total liabilities and stockholders' equity**	$ 838,349	$ 616,073

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

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

(In thousands, except shares)	(In thousands, except shares)	Class A-1 Common Stock		Additional Paid-In	Treasury Stock		Accumulated Other Comprehensive	Accumulated	Total Stockholders'	(In thousands, except shares)	Class A-1 Common Stock		Additional Paid-In	Treasury Stock		Accum Ot Compre
		Shares	Amount	Capital	Shares	Amount	Income	Earnings (Deficit)	Equity		Shares	Amount	Capital	Shares	Amount	Inc
Balance, January 1, 2022	**Balance, January 1, 2022**	93,410,563	$ 9	$ 187,656	(701,305)	$ (8,983)	$ —	$ (20,221)	$ 158,461	**Balance, January 1, 2022**	93,410,563	$ 9	$ 187,656	(701,305)	$ (8,983)	$
Repurchase of common stock	Repurchase of common stock	(1,087,990)	—	—	(1,087,990)	(13,934)	—	—	(13,934)	Repurchase of common stock	(1,087,990)	—	—	(1,087,990)	(13,934)	
Stock-based compensation	Stock-based compensation	—	—	1,605	—	—	—	—	1,605	Stock-based compensation	—	—	1,605	—	—	
Exercise of stock-based awards	Exercise of stock-based awards	161,969	—	38	—	—	—	—	38	Exercise of stock-based awards	161,969	—	38	—	—	
Unrealized gain on interest rate caplets	Unrealized gain on interest rate caplets	—	—	—	—	—	4,864	—	4,864	Unrealized gain on interest rate caplets	—	—	—	—	—	
Net income	Net income	—	—	—	—	—	—	15,788	15,788	Net income	—	—	—	—	—	
Balance, March 31, 2022	**Balance, March 31, 2022**	92,484,542	9	189,299	(1,789,295)	(22,917)	4,864	(4,433)	166,822	**Balance, March 31, 2022**	92,484,542	9	189,299	(1,789,295)	(22,917)	
Repurchase of common stock	Repurchase of common stock	(2,326,413)	—	—	(2,326,413)	(25,498)	—	—	(25,498)	Repurchase of common stock	(2,326,413)	—	—	(2,326,413)	(25,498)	
Reissuance of treasury stock in business combination	Reissuance of treasury stock in business combination	515,622	—	(705)	515,622	6,289	—	—	5,584	Reissuance of treasury stock in business combination	515,622	—	(705)	515,622	6,289	
Stock-based compensation	Stock-based compensation	—	—	2,281	—	—	—	—	2,281	Stock-based compensation	—	—	2,281	—	—	

Exercise of stock-based awards	85,580	—	315	—	—	—	—	315
Unrealized gain on interest rate caplets	—	—	—	—	—	1,907	—	1,907
Net income	—	—	—	—	—	—	22,464	22,464
Balance, June 30, 2022	90,759,331	$ 9	$ 191,190	(3,600,086)	$(42,126)	$ 6,771	$ 18,031	$ 173,875

Exercise of stock-based awards	85,580	—	315	—	—	
Unrealized gain on interest rate caplets	—	—	—	—	—	
Net income	—	—	—	—	—	
Balance, June 30, 2022	90,759,331	9	191,190	(3,600,086)	(42,126)	
Repurchase of common stock	(2,265,107)	—	—	(2,265,107)	(22,486)	
Stock-based compensation	—	—	1,070	—	—	
Exercise of stock-based awards	75,448	—	54	—	—	
Unrealized gain on interest rate caplets	—	—	—	—	—	
Net income	—	—	—	—	—	
Balance, September 30, 2022	88,569,672	$ 9	$ 192,314	(5,865,193)	$(64,612)	$

(In thousands, except shares)	Class A-1 Common Stock		Additional Paid-In	Accumulated Other Comprehensive	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Income	Deficit	Equity
Balance, January 1, 2021	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

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

(In thousands, except shares)	Class A-1 Common Stock		Additional Paid-In	Accumulated Other Comprehensive	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Income	Deficit	Equity
Balance, January 1, 2021	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
Exercise of common stock options	381,588	—	770	—	—	770
Stock based compensation	—	—	966	—	—	966
Unrealized gain on investment in convertible notes	—	—	—	(315)	—	(315)
Net income	—	—	—	—	10,807	10,807
Balance, September 30, 2021	94,042,341	$ 9	$ 185,711	$ 5,451	$ (27,027)	$ 164,144

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)	(In thousands)	**Six Months Ended June 30,**		(In thousands)	**Nine Months Ended September 30,**	
		2022	**2021**		**2022**	**2021**
Cash flows from operating activities:	Cash flows from operating activities:			Cash flows from operating activities:		
Net income	Net income	$ 38,252	$ 13,946	Net income	$ 60,696	$ 24,753
Adjustments to reconcile net income to net cash provided by operating activities:	Adjustments to reconcile net income to net cash provided by operating activities:			Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	Depreciation and amortization of property and equipment	12,439	12,302	Depreciation and amortization of property and equipment	20,575	18,820
Amortization of route and customer acquisition costs and location contracts acquired		7,122	12,268			
Amortization of intangible assets and route and customer acquisition costs				Amortization of intangible assets and route and customer acquisition costs	12,278	18,489
Amortization of debt issuance costs	Amortization of debt issuance costs	1,194	1,009	Amortization of debt issuance costs	1,652	1,514
(Gain) loss on change in fair value of contingent earnout shares	(Gain) loss on change in fair value of contingent earnout shares	(9,139)	5,979	(Gain) loss on change in fair value of contingent earnout shares	(19,497)	6,867
Stock-based compensation	Stock-based compensation	3,886	3,741	Stock-based compensation	4,956	4,707
(Gain) loss on disposal of property and equipment		(629)	372			
(Gain) on disposal of property and equipment				(Gain) on disposal of property and equipment	(706)	(96)

Net loss on write-off of route and customer acquisition costs and route and customer acquisition costs payable	Net loss on write-off of route and customer acquisition costs and route and customer acquisition costs payable	288	162	Net loss on write-off of route and customer acquisition costs and route and customer acquisition costs payable	410	326
Remeasurement of contingent consideration	Remeasurement of contingent consideration	(1,143)	1,766	Remeasurement of contingent consideration	(1,992)	3,679
Payments on consideration payable	Payments on consideration payable	(1,649)	(293)	Payments on consideration payable	(2,282)	(666)
Accretion of interest on route and customer acquisition costs payable, contingent consideration, and contingent stock consideration	Accretion of interest on route and customer acquisition costs payable, contingent consideration, and contingent stock consideration	1,402	1,252	Accretion of interest on route and customer acquisition costs payable, contingent consideration, and contingent stock consideration	1,991	1,904
Deferred income taxes	Deferred income taxes	7,199	3,930	Deferred income taxes	10,958	6,186
Changes in operating assets and liabilities:	Changes in operating assets and liabilities:			Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	Prepaid expenses and other current assets	(756)	146	Prepaid expenses and other current assets	(605)	(3,421)
Accounts receivable, net	Accounts receivable, net	301	(3,257)	Accounts receivable, net	661	—
Inventories	Inventories	294	—	Inventories	(432)	—
Income taxes receivable	Income taxes receivable	(1,475)	3,341	Income taxes receivable	(1,314)	2,618
Route and customer acquisition costs	Route and customer acquisition costs	(2,612)	(1,393)	Route and customer acquisition costs	(3,170)	(2,153)
Route and customer acquisition costs payable	Route and customer acquisition costs payable	750	(154)	Route and customer acquisition costs payable	1,115	(354)
Accounts payable and accrued expenses	Accounts payable and accrued expenses	(12,679)	(2,509)	Accounts payable and accrued expenses	(6,205)	(4,677)
Accrued compensation and related expenses	Accrued compensation and related expenses	(1,450)	1,475	Accrued compensation and related expenses	(284)	1,826
Other assets	Other assets	(384)	75	Other assets	(555)	(60)
Net cash provided by operating activities	**Net cash provided by operating activities**	41,211	54,158	**Net cash provided by operating activities**	78,250	80,262
Cash flows from investing activities:	Cash flows from investing activities:			Cash flows from investing activities:		
Purchases of property and equipment	Purchases of property and equipment	(13,221)	(10,938)	Purchases of property and equipment	(32,978)	(18,767)
Proceeds from the sale of property and equipment	Proceeds from the sale of property and equipment	1,406	414	Proceeds from the sale of property and equipment	1,735	806
Business and asset acquisitions, net of cash acquired	Business and asset acquisitions, net of cash acquired	(125,452)	(3,234)	Business and asset acquisitions, net of cash acquired	(137,628)	(3,259)
Net cash used in investing activities	**Net cash used in investing activities**	(137,267)	(13,758)	**Net cash used in investing activities**	(168,871)	(21,220)
Cash flows from financing activities:	Cash flows from financing activities:			Cash flows from financing activities:		
Payments on term loan	Payments on term loan	(13,125)	(6,000)	Payments on term loan	(17,500)	(9,000)
Proceeds from delayed draw term loans	Proceeds from delayed draw term loans	100,000	—	Proceeds from delayed draw term loans	100,000	—
Payments on delayed draw term loans	Payments on delayed draw term loans	—	(3,125)	Payments on delayed draw term loans	(2,500)	(4,688)
Proceeds from line of credit	Proceeds from line of credit	69,000	42,000	Proceeds from line of credit	99,000	47,000
Payments on line of credit	Payments on line of credit	—	(29,000)	Payments on line of credit	(4,000)	(47,000)
Payments for repurchase of common stock	Payments for repurchase of common stock	(36,931)	—	Payments for repurchase of common stock	(61,917)	—

Payments on interest rate caplets	Payments on interest rate caplets	(394)	—	Payments on interest rate caplets	(633)	—
Proceeds from exercise of stock options and warrants	Proceeds from exercise of stock options and warrants	353	685	Proceeds from exercise of stock options and warrants	407	1,455
Payments on consideration payable	Payments on consideration payable	(1,406)	(903)	Payments on consideration payable	(8,892)	(1,377)
Tax withholding on share-based payments	Tax withholding on share-based payments	(59)	—	Tax withholding on share-based payments	(67)	—
Net cash provided by financing activities		117,438	3,657			
Net cash provided by (used in) financing activities				**Net cash provided by (used in) financing activities**	103,898	(13,610)
Net increase in cash and cash equivalents	**Net increase in cash and cash equivalents**	21,382	44,057	**Net increase in cash and cash equivalents**	13,277	45,432
Cash and cash equivalents:	Cash and cash equivalents:			Cash and cash equivalents:		
Beginning of period	Beginning of period	198,786	134,451	Beginning of period	198,786	134,451
End of period	End of period	$220,168	$178,508	End of period	$212,063	$179,883

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

Supplemental disclosures of cash flow information:	Supplemental disclosures of cash flow information:			Supplemental disclosures of cash flow information:		
Cash payments for:	Cash payments for:			Cash payments for:		
Interest		$ 6,268	$6,049			
Interest, net				Interest, net	$ 11,964	$8,818
Income taxes	Income taxes	$ 6,228	$ 651	Income taxes	$ 7,041	$6,307
Supplemental schedules of noncash investing and financing activities:	Supplemental schedules of noncash investing and financing activities:			Supplemental schedules of noncash investing and financing activities:		
Purchases of property and equipment in accounts payable and accrued liabilities	Purchases of property and equipment in accounts payable and accrued liabilities	$ 8,079	$2,608	Purchases of property and equipment in accounts payable and accrued liabilities	$ 8,128	$4,202
Deferred premium on interest rate caplets	Deferred premium on interest rate caplets	$ 3,504	$ —	Deferred premium on interest rate caplets	$ 3,265	$ —
Fair value of treasury stock issued in business combination	Fair value of treasury stock issued in business combination	$ 5,584	$ —	Fair value of treasury stock issued in business combination	$ 5,584	$ —
Purchase of treasury shares in accounts payable and accrued expense		$ 2,500	$ —			
Acquisition of businesses and assets:	Acquisition of businesses and assets:			Acquisition of businesses and assets:		
Total identifiable net assets acquired	Total identifiable net assets acquired	$164,265	$3,334	Total identifiable net assets acquired	$179,015	$3,364
Less cash acquired	Less cash acquired	(33,229)	—	Less cash acquired	(33,270)	—
Less consideration payable	Less consideration payable	—	(100)	Less consideration payable	(2,533)	(105)
Less fair value of treasury stock issued	Less fair value of treasury stock issued	(5,584)	0	Less fair value of treasury stock issued	(5,584)	—
Cash purchase price	Cash purchase price	$125,452	$3,234	Cash purchase price	$137,628	$3,259

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" or "Accel") is a leading distributed gaming operator in the United States. The Company's wholly owned subsidiary, Accel Entertainment Gaming LLC, is a terminal operator in various jurisdictions in the United States. The Company has been licensed by the State of Illinois Gaming Board ("IGB") since March 15, 2012, to be a terminal operator in the State of Illinois. Its Illinois terminal operator license allows the Company to install and operate gaming terminals in licensed video gaming locations throughout the State of Illinois as approved by individual municipalities. 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. On December 30, 2021, one of the Company's consolidated subsidiaries acquired amusement and automated teller machines ("ATMs") operations in Iowa and registered with the Iowa Department of Inspections and Appeals to conduct such operations in Iowa. On June 1, 2022, the Company acquired Century Gaming, Inc. ("Century"), which is a leading distributed gaming operator in the Montana and Nevada gaming markets. Century is also a manufacturer of gaming terminals in the Montana, Nevada, South Dakota, Louisiana and West Virginia markets. In connection with the acquisition, Accel was granted a two-year terminal operator license by the Nevada Gaming Commission and a manufacturer, distributor and route operator license by the Gambling Control Division of the Montana Department of Justice through June 2023. The Montana license is renewable annually. In June 2022, the Company became a licensed distributor of mechanical amusement devices ("MADs") in Nebraska and commenced operations in this market. The Company also operates redemption terminals, which also function as ATMs at its licensed video gaming locations, and amusement equipment at certain locations.

The Company is also subject to various other federal, state and local laws and regulations in addition to gaming regulations.

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

The ongoing COVID-19 outbreak and its related variants are having a significant impact on global markets as a result of prior and current government-mandated business closures, 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.

A surge of COVID-19 infections occurred in the fall of 2020, as the virus spread 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 181 273 gaming days (or 10% 7% of gaming days) during the six

during the nine months ended June 30, 2021 September 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 by furloughing idle staff as appropriate and deferring certain payments to major vendors.

As a result of these developments, the Company's revenues, results of operations and cash flows were materially affected for the six nine months ended June 30, 2021 September 30, 2021.

While variants of COVID-19 continue to impact infection rates and the healthcare system, it is possible that the regulating bodies or the states in which we operate may order future shutdowns, 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 COVID-19 and its related variants. 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. Certain prior period amounts have been reclassified to conform to the current period presentation. 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, 2021 (the "Form 10-K"). In preparing our condensed consolidated financial statements, we applied the same significant accounting policies as described in Note 2 to the consolidated financial statements in the Form 10-K. Any significant changes to those accounting policies are discussed below. Interim results are not necessarily indicative of results for a full year.

Use of estimates: The preparation of 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 certain intangible and tangible assets in conjunction with business acquisitions, the selection of useful lives for depreciable and amortizable assets in conjunction with business combinations, the valuation of level 3 investments, the valuation of contingent earnout shares and interest rate caplets, contingencies, and the expected term of share- based compensation awards and stock price volatility when computing share-based compensation expense. The contingent consideration in a business combination is measured at its fair value on the acquisition date, recorded as a liability and accreted over its payment term in Accel's condensed consolidated statements of operations and comprehensive income as other expenses, net. Location contract intangibles are generally measured at fair value using an income approach which measures the fair value based on the estimated future cash flows using certain projected financial information such as revenue and costs projections and other assumptions such as estimated attrition rates and discount rates. Acquired tangible personal property such as gaming equipment is generally measured at fair value using a cost approach which measures the fair value based on the cost to reproduce or replace the asset. Goodwill is measured as the excess of the consideration transferred over the fair value of the net identifiable assets acquired and liabilities assumed. Actual results may differ from those estimates.

Accel Entertainment, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements — (Continued)

Change in estimate: During the fourth quarter of 2021, the Company conducted a review of its estimate of depreciable lives for its gaming terminals and equipment. As a result of this review, the Company extended the useful lives of its gaming terminals and equipment from 10 years to 13 years as the equipment is lasting longer than originally estimated. The Company has many gaming terminals and equipment that were purchased when the Company started operations in 2012 that are still being used today.

Accel Entertainment, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements — (Continued)

Also, during the fourth quarter of 2021, the Company conducted a review of its estimate of the amortization periods for its route and customer acquisition costs and its location contracts. As a result of this review, the Company extended the amortization period of its route and customer acquisition costs from 12.4 years to 18 years and its location contracts from 10 years to 15 years. In both cases the extended useful lives reflect the Company's strong relationship with its licensed establishment partners as demonstrated by continued high contract renewal rates.

The impact of these changes in estimate for the three and six nine months ended June 30, 2022 September 30, 2022, was as follows (in thousands):

		Three months ended June 30, 2022	Six months ended June 30, 2022		Three months ended September 30, 2022	Nine months ended September 30, 2022
Decrease to depreciation expense	Decrease to depreciation expense	$ 1,228	$ 2,458	Decrease to depreciation expense	$ 1,228	$ 3,685
Decrease to amortization expense	Decrease to amortization expense	$ 2,726	$ 5,444	Decrease to amortization expense	$ 2,770	$ 8,215
Increase to net income	Increase to net income	$ 2,828	$ 5,651	Increase to net income	$ 2,859	$ 8,511
Increase to net income per share	Increase to net income per share	$ 0.03	$ 0.06	Increase to net income per share	$ 0.03	$ 0.09

Segment information: The Company operates as a single reportable 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 while revenue information by state exists, the Company has determined consolidated information is the only discrete financial information that is regularly reviewed by the CODM.

Accounts Receivable: receivable: Accounts receivable represent amounts due from third-party locations serviced by the Company and amounts due for machines, software and equipment sold by the Company. The carrying amount of receivables is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables from third-party locations and considering a customer's financial condition, credit history and current economic conditions. The Company generally does not charge interest on past due accounts receivable.

Inventories: Inventories consist of gaming machines for sale to third-parties, raw materials, and manufacturing supplies. Inventories are stated at the lower of average cost and net realizable value (generally, estimated selling price). Labor and overhead associated with the assembly of gaming machines for sales to third-parties are capitalized and allocated to inventory.

Derivative instruments: The Company may manage its exposure to certain financial risks through the use of derivative financial instruments ("derivatives"). The Company does not use derivatives for speculative purposes. For a derivative that is designated as a cash flow hedge, changes in the fair value of the derivative are recognized in accumulated other comprehensive income to the extent the derivative is effective at offsetting the changes in the cash flows being hedged until the hedged item affects earnings.

Revenue Recognition: recognition: The Company generates revenues from the following types of services: gaming terminals, amusements, and ATMs. It also generates manufacturing revenue from the sales of gaming terminals and associated software by Grand Vision Gaming, a wholly-owned subsidiary of Century, which is a designer and manufacturer of Class III gaming terminals. Revenue is disaggregated by type of revenue and is presented on the face of the condensed consolidated statements of operations and comprehensive income.

Manufacturing revenue represents the sale of gaming terminals and is recognized at the time the goods are delivered to the customer.

Manufacturing revenue represents the sale of gaming terminals and is recognized at the time the goods are provided to the customer.

Revenue is disaggregated in the following table by the primary states in which the Company operates given the geographic economic factors that affect the revenues in the states.

(in thousands)	(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,		(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
		2022	2021	2022	2021		2022	2021	2022	2021
Net revenues by state:	**Net revenues by state:**					**Net revenues by state:**				
Illinois	Illinois	$ 205,962	$ 200,878	$ 400,821	$ 347,006	Illinois	$ 200,914	$ 192,205	$ 601,735	$ 539,211
Nevada	Nevada	8,920	—	8,920	—	Nevada	28,439	—	37,359	—
Montana	Montana	10,825	—	10,825	—	Montana	33,456	—	44,282	—
Other	Other	2,162	1,096	4,194	2,037	Other	4,158	1,146	8,351	3,183
Total net revenues	Total net revenues	$ 227,869	$ 201,974	$ 424,760	$ 349,043	Total net revenues	$ 266,967	$ 193,351	$ 691,727	$ 542,394

Recent accounting pronouncements*:* In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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 status as an EGC, 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 the impact of the standard on its condensed consolidated financial statements, as well as evaluating the impact on arrangements within potential future acquisitions. acquisitions, including an assessment of whether certain location arrangements represent a lease transaction or contract with a customer. The impact of this determination is not expected to impact the timing or pattern of income recognition, but could impact certain presentation and disclosure.

In October 2021, the FASB issued ASU No. 2021-08, *Business Combinations (Topic 805).* The guidance in this ASU improves the accounting for revenue contracts with customers acquired in a business combination by addressing diversity in practice and inconsistency related to recognition of contract assets and liabilities acquired in a business combination. The provisions of this ASU require that an acquiring entity accounts for the related revenue contracts in accordance with Accounting Standards Codification ("ASC") 606 as if it had originated the contracts. The standard is effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years with early adoption permitted. The Company does not expect the impact of the adoption of this ASU to be material to its financial statements or disclosures.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848).* This ASU provides temporary guidance to ease the potential burden in accounting for reference rate reform primarily resulting from the discontinuation of LIBOR, which began phasing out on December 31, 2021. The amendments in ASU 2020-04 are elective and apply to all entities that have contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued. The new guidance (i) simplifies accounting analyses under current GAAP for contract modifications; (ii) simplifies the assessment of hedge effectiveness and allows hedging relationships affected by reference rate reform to continue; and (iii) allows a one-time election to sell or transfer debt securities classified as held to maturity that reference a rate affected by reference rate reform. An entity may elect to apply the amendments prospectively from March 12, 2020, through December 31, 2022 by accounting topic. The Company currently references LIBOR for certain debt and hedging arrangements. While no material impacts are expected from the transition from LIBOR, the Company will continue to evaluate the provisions of this ASU and the impacts of transitioning to an alternative rate.

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

Note 3. Inventories

Inventories were as follows (in thousands):

		June September 30, 2022
Raw materials and manufacturing supplies	$	4,261 4,990
Finished products		1,876 1,883
Total inventories	$	6,137 6,873

The Company recently completed a fair value purchase price allocation and recorded inventory at fair value (see Note 10). Accordingly at June 30, 2022 At September 30, 2022, no inventory valuation allowance was determined to be necessary.

Note 4. Investment in Convertible Notes

On July 19, 2019, the Company entered into an agreement to purchase up to $30.0 million in convertible notes from Gold Rush Amusements, Inc. ("Gold Rush"), another terminal operator in Illinois, that bore interest at 3% per annum through December 31, 2021. The convertible notes each included an option to convert the notes to common stock of Gold Rush prior to the maturity date upon written notice from the Company. At closing, the Company purchased a $5.0 million convertible promissory note which was subordinated to Gold Rush's credit facility and matured six months following the satisfaction of administrative conditions.

On October 11, 2019, the Company purchased an additional $25.0 million convertible note which was also subordinated to Gold Rush'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 has been repaid in full.

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

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

On July 30, 2021, the Company provided notice to Gold Rush that it was exercising its rights under each of the convertible notes to convert the entire aggregate principal amount and accrued interest into common stock of Gold Rush, subject to approval from the IGB to transfer the common stock to the Company and receipt of other customary closing deliverables.

On December 2, 2021, the Company received notice from the administrator of the IGB that he was denying the requested transfer of Gold Rush common stock to the Company. The Company disagreed with the administrator's ruling and requested that the matter be put before the IGB for a public vote. On January 27, 2022, the IGB affirmed the administrator's denial. Although the Company is pursuing all administrative remedies available to contest the IGB's ruling, this denial has impacted the conversion assumptions previously used in the accounting valuation of the convertible notes.

On March 9, 2022, the Company filed a lawsuit in the Circuit Court of Cook County, Illinois against Gold Rush relating to the Gold Rush convertible notes. The complaint seeks damages for breach of contract and the implied covenant of good faith and fair dealing as well as unjust enrichment. The lawsuit is publicly available. On April 22, 2022, the Company filed a petition in the Circuit Court of Cook County, Illinois to judicially review the IGB's decision to deny the requested transfer of Gold Rush common stock in respect of the Company's conversion of its convertible notes.

On June 22, 2022, Gold Rush filed a lawsuit in the Circuit Court of Cook County, Illinois against the Company. The lawsuit alleges that the Company tortiously interfered with Gold Rush's business activities and engaged in misconduct with respect to the Gold Rush convertible notes. The complaint seeks declaratory judgment and damages related to the allegations. The Company intends to vigorously defend itself against the allegations in the complaint and denies any allegations of wrongdoing.

Based on the IGB denying the Company's request to transfer Gold Rush common stock despite the Company's unilateral conversion rights, the convertible notes continue to be accounted for as available for sale debt securities, at fair value, with gains and losses recorded in other comprehensive income. As of the filing of the financial statements, the Gold Rush convertible notes (which the Company converted under the terms of the convertible notes to shares of common stock of Gold Rush, but the IGB has currently denied the distribution of shares to the Company) are deemed in default for disclosure and presentation purposes, assuming non-conversion of the convertible notes, as no repayment or installment payments have been received. The Company has classified the entire $32.1 million accounting fair value, of the convertible notes as current on the condensed consolidated balance sheets as the Company hopes to resolve this matter within the next year. The Company did not further adjust the valuation of the convertible notes downward as the Company believes, assuming for accounting purposes that the notes have not been converted, the recorded amounts approximate the accounting fair value. If successful, the Company's legal remedies with respect to its rights to receive the Gold Rush common stock or equivalent amounts it is entitled to receive with respect to the convertible notes could be materially in excess of the current accounting fair value. The Company recognized within comprehensive income an unrealized loss of $0.3 million for the three months ended September 30, 2021 and an unrecognized gain of $5.2 million and $5.7 5.4 million, net of income taxes, for the three and six nine months ended June 30, 2021 September 30, 2021, related to the valuation of the convertible notes. For more information on how the Company determined the fair value of the convertible notes, see Note 13.

Note 5. Property and Equipment

Property and equipment consist of the following at June September 30, 2022 and December 31, 2021 (in thousands):

		June 30, 2022	December 31, 2021		September 30, 2022	December 31, 2021
Gaming terminals and equipment	Gaming terminals and equipment	$267,809	$ 225,692	Gaming terminals and equipment	$ 283,727	$ 225,692
Amusement and other equipment	Amusement and other equipment	20,111	18,547	Amusement and other equipment	25,246	18,547
Office equipment and furniture	Office equipment and furniture	2,212	1,731	Office equipment and furniture	2,375	1,731
Computer equipment and software	Computer equipment and software	16,462	14,319	Computer equipment and software	17,450	14,319
Leasehold improvements	Leasehold improvements	6,208	4,127	Leasehold improvements	6,586	4,127
Vehicles	Vehicles	13,283	11,518	Vehicles	15,221	11,518
Buildings and improvements	Buildings and improvements	11,917	10,997	Buildings and improvements	11,945	10,997
Land	Land	1,143	911	Land	1,143	911
Construction in progress	Construction in progress	1,705	3,898	Construction in progress	2,378	3,898
Total property and equipment	Total property and equipment	340,850	291,740	Total property and equipment	366,071	291,740
Less accumulated depreciation and amortization	Less accumulated depreciation and amortization	(151,213)	(139,489)	Less accumulated depreciation and amortization	(159,304)	(139,489)
Property and equipment, net	Property and equipment, net	$189,637	$ 152,251	Property and equipment, net	$ 206,767	$ 152,251

Depreciation and amortization of property and equipment was $6.6 million and $12.4 million for the three and six months ended June 30, 2022. In comparison, depreciation and amortization of property and equipment was $6.3 million and $12.3 million

Accel Entertainment, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements — (Continued)

Depreciation and amortization of property and equipment was $8.1 million and $20.6 million for the three and six nine months ended June 30, 2021September 30, 2022. In comparison, depreciation and amortization of property and equipment was $6.5 million and $18.8 million for the three and nine months ended September 30, 2021. While dDepreciation epreciation expense in 2022 reflected has increased primarily due to acquisitions, a change in estimate partially offsets the increase as the Company extended the useful lives of its gaming terminals and equipment from 10 years to 13 years in the fourth quarter of 2021.

Note 6. 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 $7.7 million $8.1 million and $6.8 million as of June 30, 2022 September 30, 2022 and December 31, 2021, 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 $6.9 million $7.3 million and $6.0 million as of June 30, 2022 September 30, 2022 and December 31, 2021, respectively, of which approximately $2.8 million $3.0 million and $2.1 million is included in current liabilities in the accompanying condensed consolidated balance sheets as of June 30, 2022 September 30, 2022 and December 31, 2021, respectively. The route and customer acquisition cost asset was comprised of payments made on the contracts of $17.7 million $17.9 million and $18.0 million as of June 30, 2022 September 30, 2022 and December 31, 2021, 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 $1.1 million $1.2 million and $1.5 million as of both June 30, 2022 September 30, 2022 and December 31, 2021. 2021, respectively.

Route and customer acquisition costs consisted of the following at June 30, 2022 September 30, 2022 and December 31, 2021 (in thousands):

		June 30, 2022	December 31, 2021		September 30, 2022	December 31, 2021
Cost	Cost	$30,920	$ 28,902	Cost	$ 31,198	$ 28,902
Accumulated amortization	Accumulated amortization	(13,242)	(12,989)	Accumulated amortization	(13,429)	(12,989)
Route and customer acquisition costs, net	Route and customer acquisition costs, net	$17,678	$ 15,913	Route and customer acquisition costs, net	$ 17,769	$ 15,913

Amortization expense of route and customer acquisition costs was $0.3 million and $0.6 million $0.9 million for the three and six nine months ended June September 30, 2022. In comparison, amortization expense of route and customer acquisition costs was $0.5 million and $0.9 million $1.4 million for the three and six nine months ended June 30, 2021 September 30, 2021. Amortization expense of route and customer acquisition costs was lower in 2022 when compared to the prior year as the Company extended the amortization period of its route and customer acquisition costs from 12.4 years to 18 years in the fourth quarter of 2021.

Note 7. Location Contracts Acquired

Location contract assets acquired in business acquisitions are recorded at acquisition at fair value based on an income approach. Location contracts acquired consisted of the following at June 30, 2022 September 30, 2022 and December 31, 2021 (in thousands):

		June 30, 2022	December 31, 2021		September 30, 2022	December 31, 2021
Cost	Cost	$ 269,696	$ 229,287	Cost	$ 278,560	$ 229,287
Accumulated amortization	Accumulated amortization	(85,177)	(78,615)	Accumulated amortization	(89,178)	(78,615)
Location contracts acquired, net	Location contracts acquired, net	$ 184,519	$ 150,672	Location contracts acquired, net	$ 189,382	$ 150,672

Accel Entertainment, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements — (Continued)

Amortization expense of location contracts acquired was $3.3 $4.0 million and $6.6 million $10.6 million for the three and six nine months ended June 30, 2022 September 30, 2022. In comparison, amortization expense of location contracts acquired was $5.7 million and $11.3 million $17.1 million for the three and six nine months ended June 30, 2021 September 30, 2021. Amortization expense of location contracts is lower in 2022 when compared to the prior year as the Company extended the amortization period of its location contracts from 10 years to 15 years in the fourth quarter of 2021. This decrease was partially offset by an increase in location contracts acquired.

Accel Entertainment, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements — (Continued)

Note 8. Goodwill and Other intangible assets

Goodwill

On June 1, 2022, the Company acquired Century, which was accounted for as a business combination using the acquisition method of accounting in accordance with ASC Topic 805, *Business Combinations* ("Topic 805"). The excess of the purchase price over the tangible and intangible assets acquired and liabilities assumed has been recorded as goodwill of $53.3 million. See Note 10 for more information on how the amount of goodwill was calculated.

The Company had total goodwill of $99.5 million as of June 30, 2022 September 30, 2022, of which $53.3 million $42.6 million was deductible for tax purposes.

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

Goodwill balance as of January 1, 2022	$	46,199
Addition to goodwill for acquisition of Century		53,291
Goodwill balance as of June 30, 2022 September 30, 2022	$	99,490

Other intangible assets

Other intangible assets, net of $24.4 $23.6 million as of June 30, 2022 September 30, 2022 consist of definite-lived trade names, customer relationships, and software applications. Other intangible assets are related to the acquisition of Century. See Note 10 for more information on how the amount of other intangible assets was calculated. Other intangible assets are amortized over their estimated 8 7 to 20-year useful lives. Amortization expense of other intangible assets was $0.8 million for the three and nine months ended September 30, 2022.

Note 9. Debt

The Company's debt as of June 30, 2022 September 30, 2022, and December 31, 2021, consisted of the following (in thousands):

		June 30, 2022	December 31, 2021		September 30, 2022	December 31, 2021
Senior Secured Credit Facility:	Senior Secured Credit Facility:			Senior Secured Credit Facility:		
Revolving credit facility	Revolving credit facility	$ 69,000	$ —	Revolving credit facility	$ 95,000	$ —
Term Loan	Term Loan	336,875	350,000	Term Loan	332,500	350,000
Delayed Draw Term Loan (DDTL)	Delayed Draw Term Loan (DDTL)	100,000	—	Delayed Draw Term Loan (DDTL)	97,500	—
Total debt on credit facility	Total debt on credit facility	505,875	350,000	Total debt on credit facility	525,000	350,000
Add: Interest rate caplet liability	Add: Interest rate caplet liability	3,504	—	Add: Interest rate caplet liability	3,265	—
Less: Debt issuance costs	Less: Debt issuance costs	(7,284)	(8,478)	Less: Debt issuance costs	(6,826)	(8,478)
Total debt, net of debt issuance costs	Total debt, net of debt issuance costs	502,095	341,522	Total debt, net of debt issuance costs	521,439	341,522
Less: Current maturities	Less: Current maturities	(23,460)	(17,500)	Less: Current maturities	(23,463)	(17,500)
Total debt, net of current maturities	Total debt, net of current maturities	$478,635	$ 324,022	Total debt, net of current maturities	$ 497,976	$ 324,022

Accel Entertainment, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements — (Continued)

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:

Accel Entertainment, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements — (Continued)

- $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.

The additional term loan facility was available for borrowings until November 13, 2020. Each of the revolving loans and the term loans were scheduled to mature on November 13, 2024. The Company incurred $8.8 million of debt issuance costs, which are being amortized over the life of the Credit Agreement.

Given the uncertainty of COVID-19 and its variants 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 ("Amendment No. 1") 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). Amendment No. 1 also raised the floor for the adjusted LIBOR rate to 0.50% and the floor for the Base Rate to 1.50%. The Company incurred costs of $0.4 million associated with Amendment No.1 of the Credit Agreement, of which $0.3 million was capitalized and is being amortized over the remaining life of the Credit Agreement. The waivers of financial covenant breach were never utilized as the Company remained in compliance with all debt covenants during these periods.

On October 22, 2021, in order to increase the borrowing capacity under the Credit Agreement, the Company and the other parties thereto entered into Amendment No. 2 to the Credit Agreement ("Amendment No. 2"). Amendment No. 2, among other things, provides for

- an increase in the amount of the revolving credit facility from $100.0 million to $150.0 million,
- $350.0 million initial term loan facility, the proceeds of which were applied to refinancing existing indebtedness and
- $400.0 million delayed draw term loan facility.

The additional term loan facility is available for borrowings until October 21, 2023. The maturity date of the Credit Agreement was extended to October 22, 2026. The interest rate and covenants remain unchanged. The Company incurred $4.3 million in debt issuance costs associated with Amendment No. 2, of which $4.2 million was capitalized and is being amortized over the remaining life of the Credit Agreement.

As of June September 30, 2022, there remained approximately $381 $355 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 the 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

Accel Entertainment, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements — (Continued)

provisions for determining a replacement rate when LIBOR is no longer available. As of June September 30, 2022, the weighted-average interest rate was approximately 3.2% 3.7%.

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 up to 1.75% or (b) LIBOR (50 bps floor) plus a margin up to 2.75%, at the option of the Company.

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 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.

The Company was in compliance with all debt covenants as of June September 30, 2022 and expects to remain in compliance for the next 12 months.

Interest rate caplets

The Company manages its exposure to some of its interest rate risk through the use of interest rate caplets, which are derivative financial instruments. On January 12, 2022, the Company hedged the variability of the cash flows attributable to the changes in the 1-month LIBOR interest rate on the first $300 million of the term loan under the Credit Agreement by entering into a 4-year series of 48 deferred premium caplets ("caplets"). The caplets mature at the end of each month and protect the Company if interest rates exceed 2% of 1-month LIBOR. The maturing dates of these caplets coincide with the timing of the Company's interest payments and each caplet is expected to be highly effective at offsetting changes in interest payment cash flows. The aggregate premium for these caplets was $3.9 million, which was the initial fair value of the caplets recorded in the Company's financial statements, and was financed as additional debt. The Company recognized an unrealized gain on the change in fair value of the interest rate caplets of $1.9 $5.9 million and $6.8 12.7 million, net of income taxes, for the three and six nine months ended June September 30, 2022. For more information on how the Company determines the fair value of the caplets, see Note 13. Further, as the 1-month LIBOR interest rate exceeded 2% in the third quarter of 2022, the Company realized a gain on the caplets of $0.2 million for the three and nine months ended September 30, 2022, which is reflected in interest expense, net in the condensed consolidated statements of operations and other comprehensive income.

Accel Entertainment, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements — (Continued)

Note 10. Business and Asset Acquisitions

2022 Business Acquisitions

River City

On September 9, 2022, the Company acquired from River City Amusement Company ("River City") all of its operating assets in Nebraska, Iowa and South Dakota. River City's operations in these states consist of the ownership and operation of MAD and amusement equipment, as well as ATMs in the approximately 120 locations it serves. The total purchase price was approximately $2.8 million, which the Company paid in cash at closing. 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 following assets: i) video game terminals and equipment totaling $0.1 million; ii) amusement and other equipment totaling $0.9 million; iii) location contracts totaling $1.7 million; and iv) cash totaling $0.1 million.

VVS

On August 1, 2022, the Company acquired from VVS, Inc. ("VVS"), a licensed distributor of MADs in Nebraska, substantially all of its MAD and ATM assets. The acquisition of VVS adds approximately 250 locations in the greater Lincoln area. The total purchase price was approximately $12 million, of which the Company paid approximately $9.5 million in cash at closing. The remaining $2.5 million of contingent consideration is to be paid in cash if a net revenue target is achieved as of the first anniversary of the consummation of the transaction. The fair value of the contingent consideration was $2.4 million as of September 30, 2022 and 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 following assets: i) video game terminals and equipment totaling $0.9 million; ii) amusement and other equipment totaling $3.9 million; and iii) location contracts totaling $7.2 million.

Century Gaming

On June 1, 2022, the Company completed its previously announced acquisition of all of the outstanding equity interests of Century pursuant to the terms of a Securities Purchase Agreement (the "Purchase Agreement"), dated March 2, 2021, by and among Century, the shareholders of Century, and the Company. Century is Montana's largest gaming operator and a leader in the Nevada gaming market as well as a manufacturer of gaming terminals.

The acquisition aggregate purchase consideration transferred totaled $164.3 million, which included: i) a cash payment made at closing of $45.5 million to the equity holders of Century; ii) repayment of $113.2 million of Century's indebtedness; and iii) 515,622 shares of the Company's Class A-1 common stock issued to certain members of Century's management with a fair value of $5.6 million on the acquisition date. The cash payments were financed using cash from a draw of approximately $160 million from the Company's revolving credit facility and delayed draw term loan facility under the Credit Agreement.

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 has been preliminarily allocated to the tangible assets and identifiable intangible assets acquired and liabilities assumed based upon their estimated fair values. The areas of the purchase price allocation that are not yet finalized are primarily related to the valuation of location contracts, inventory, property and equipment, and final adjustments to working capital. The excess of the purchase price over the tangible and intangible assets

Accel Entertainment, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements — (Continued)

acquired and liabilities assumed of $53.3 million has been recorded as goodwill. The Century acquisition resulted in recorded goodwill as a result of a higher consideration paid driven by the maturity and quality of Century's operations, industry and workforce. Management integrated Century into its existing business structure, which is comprised of a single reporting unit.

The following table summarizes the fair value of consideration transferred and the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition (in thousands):

Cash paid	$	158,681
Fair value of stock issued		5,584
Total consideration	$	164,265
Cash and cash equivalents	$	33,229
Prepaid expenses		1,563
Accounts receivable		4,394
Inventories		6,441
Income taxes receivable		189
Other current assets		475
Property and equipment		29,302
Location contracts acquired		40,400
Other intangible assets		24,400
Accounts payable and other accrued expenses		(10,766)
Accrued compensation and related expenses		(1,626)
Other long-term liabilities		(446)
Deferred income tax liability		(16,582)
Net assets acquired	$	110,974
Goodwill	$	53,291

The Company incurred $0.3 million in acquisition related costs that are included in other operating expenses within the condensed consolidated statements of operations and comprehensive income for the six nine months ended June September 30, 2022.

The results of operations for Century are included in the condensed consolidated financial statements of the Company from the date of acquisition. Century's acquired assets generated revenues and net income of $21.1 million $81.6 million and $1.0 million $2.1 million for both the three and six nine months ended June September 30, 2022.

2021 Business Acquisitions

Island

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 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.

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Notes to Condensed Consolidated Financial Statements — (Continued)

Rich and Junnie's

On December 30, 2021, the Company entered into an agreement with Rich and Junnie's Coin, Inc., an Iowa corporation, and JBCJ, Inc., also an Iowa corporation (collectively referred to as “Rich and Junnie's”), to acquire all of Rich and Junnie's operating assets in Iowa and Illinois. Rich and Junnie's operations in Iowa and Illinois consist of the ownership and operation of amusement devices and ATMs in certain locations. Total consideration was $4.2 million of which $3.6 million was paid in cash at closing and $0.6 million was recorded in short-term consideration payable on the consolidated balance sheets as of December 31, 2021. The $0.6 million of consideration payable was paid in the first quarter of 2022. 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 following assets: i) video game terminals and equipment totaling $0.3 million; ii) amusement and other equipment totaling $1.3 million; iii) location contracts totaling $1.6 million; iv) cash totaling $0.6 million; and v) goodwill of $0.4 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 nine months ended June 30, 2021 September 30, 2021 as if the acquisitions of Rich and Junnie's and Island had occurred as of January 1, 2020, and as if the acquisition of Century, VVS and River City had occurred as of January 1, 2021, after giving effect to certain purchase accounting adjustments. The following unaudited pro forma consolidated financial information also reflects the results of operations of the Company for the three and six nine months ended June 30, 2022September 30, 2022 as if the acquisitions of VVS and River City had occurred as of January 1, 2021, after giving effect to certain purchase accounting adjustments. Lastly, the following unaudited pro forma consolidated financial information also reflects the results of operations of the Company for the nine months ended September 30, 2022 as if the acquisition of Century had occurred as of January 1, 2021, after giving effect to certain purchase accounting adjustments.These 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 acquisitions actually taken place at their respective dates. This unaudited pro forma information does not project revenues and net income post acquisition (in thousands).

		Three months ended June 30, 2021	Six months ended June 30, 2021	Three months ended June 30, 2022	Six months ended June 30, 2022		Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Revenues	Revenues	$ 272,145	$ 486,867	$ 292,644	$ 533,389	Revenues	$ 268,131	$ 261,002	$ 808,125	$ 758,794
Net income	Net income	15,969	21,577	23,207	38,806	Net income	22,839	12,875	63,470	36,977

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, 2022 September 30, 2022 and December 31, 2021. The contingent consideration accrued is measured at fair value on a recurring basis. The Company presents

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Notes to Condensed Consolidated Financial Statements — (Continued)

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.

Accel Entertainment, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements — (Continued)

Current and long-term portions of consideration payable consist of the following at June 30, 2022 September 30, 2022 and December 31, 2021 (in thousands):

		June 30, 2022 Current	June 30, 2022 Long-Term	December 31, 2021 Current	December 31, 2021 Long-Term		September 30, 2022 Current	September 30, 2022 Long-Term	December 31, 2021 Current	December 31, 2021 Long-Term
TAV	TAV	$ 754	$ 2,372	$ 490	$ 2,858	TAV	$ 889	$ 2,147	$ 490	$ 2,858
Fair Share Gaming	Fair Share Gaming	1,335	232	1,875	508	Fair Share Gaming	1,004	220	1,875	508
Family Amusement	Family Amusement	692	1,987	677	1,944	Family Amusement	700	2,010	677	1,944
Skyhigh	Skyhigh	741	6,515	801	7,396	Skyhigh	6,912	—	801	7,396
G3	G3	413	—	414	—	G3	420	—	414	—
Grand River	Grand River	6,869	—	6,479	—	Grand River	—	—	6,479	—
VVS						VVS	2,401	—	—	—
Tom's Amusements	Tom's Amusements	750	—	1,491	—	Tom's Amusements	57	—	1,491	—
AVG	AVG	371	—	371	—	AVG	371	—	371	—
Rich and Junnie's	Rich and Junnie's	—	—	646	—	Rich and Junnie's	—	—	646	—
Island	Island	100	—	100	—	Island	100	—	100	—
Total	Total	$ 12,025	$ 11,106	$ 13,344	$ 12,706	Total	$ 12,854	$ 4,377	$ 13,344	$ 12,706

Note 11. Contingent Earnout Share Liability

Pursuant to the terms of the Company's Amended and Restated Certificate of Incorporation, the Company authorized and has available for issuance 10,000,000 shares of Class A-2 Common Stock. The holders of the Class A-2 Common Stock do not have voting rights and are not entitled to receive or participate in any dividends or distributions when and if declared from time to time. The Company's Class A-2 common stock is classified as a contingent earnout shares liability due to the fact that the conversion of the Company's Class A-2 common stock would be accelerated on a change of control regardless of the transaction value.

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 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 (which LTM EBITDA threshold has since been increased as described below) 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,

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Notes to Condensed Consolidated Financial Statements — (Continued)

December 31, 2023, March 31, 2024 or June 30, 2024 equals or exceeds $172 million (which LTM EBITDA threshold has since been increased as described below) 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.

The Restricted Stock Agreement provides that LTM EBITDA and the LTM EBITDA thresholds described above will be reasonably adjusted upwards or downwards, as applicable, by the Company's independent directors from time to time to take into account the anticipated effect of any acquisitions or dispositions that are, individually or in the aggregate, in excess of $40.0 million during any applicable measurement period and otherwise materially different from the annual forecast presented to the Company's investors at the closing of the reverse capitalization and consummated by the Company. The Company expects its On November 2, 2022, a disinterested committee of the Company's board of directors made up of independent directors, will consider adjustments who don't hold any Class A-2 Common Stock, approved an increase to the LTM EBITDA and the LTM EBITDA thresholds as a result under the terms of the Century acquisition. Restricted Stock Agreement as follows: (i) in the case of Tranche II, the LTM EBITDA threshold (A) as of December 31, 2022 was increased to $166.0 million, (B) as of March 31, 2023 was increased to $172.1 million, and (C) as of June 30, 2023 was increased to $176.6 million; and (ii) in the case of Tranche III, the LTM EBITDA threshold as of each of December 31, 2023, March 31, 2024 and June 30, 2024 was increased to $197.1 million. If the Company completes additional acquisitions following the filing of this Quarterly Report on Form 10-Q and on or prior to December 31, 2022, the Company expects that the disinterested committee will consider additional adjustments to the LTM EBITDA and the LTM EBITDA thresholds in respect of any such acquisitions.

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 12. 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.

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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. As of June 30, 2022 September 30, 2022, 5,144 warrants remain outstanding.

Note 13. 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					Fair Value Measurement at Reporting Date Using		
		June 30, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		September 30, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:	Assets:					Assets:				
Investment in convertible notes	Investment in convertible notes	$32,065	$ —	$ —	$ 32,065	Investment in convertible notes	$ 32,065	$ —	$ —	$ 32,065

Interest rate caplets	Interest rate caplets	12,949	—	12,949	—	Interest rate caplets	20,941	—	20,941	—
Total	Total	$45,014	$ —	$ 12,949	$ 32,065	Total	$ 53,006	$ —	$ 20,941	$ 32,065

Accel Entertainment, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements — (Continued)

		Fair Value Measurement at Reporting Date Using		
	December 31, 2021	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	$ 32,065	$ —	$ —	$ 32,065

Investment in convertible notes

As described in Note 4, on July 30, 2021, the Company provided notice to Gold Rush that it was exercising its rights to convert the convertible notes into common stock of Gold Rush, subject to approval from the IGB to transfer the common stock to the Company. Accordingly, beginning in the third quarter of 2021, given the pending request for regulatory approval on the transfer of equity interest, the fair value of the convertible notes was estimated using a probability-weighted approach. Assuming regulatory approval was received, the fair value of the convertible notes was estimated on an as-converted basis by multiplying the equity value of Gold Rush by the ownership percentage as calculated pursuant to the terms of the convertible note agreements. In the scenario where regulatory approval was not received, the fair value of the convertible notes was estimated using a discounted cash flow approach assuming the Company would request immediate redemption of the principal and accrued interest and the discount rate was estimated based on comparable public debt rates. This assumption did not consider legal claims the Company may have under the convertible notes to receive the economic value of the conversion shares, even if transfer of the actual ownership interest in Gold Rush to Accel was not approved by the IGB. After the IGB Administrator's denial of the transfer of the equity interest on December 2, 2021, the Company concluded that the fair value of the convertible notes should be calculated as principal plus interest accrued as of December 31, 2021. The Company has considered interest as an input to the accounting fair value for all periods and periodically revaluates its impact, if any, based on developments including the pending lawsuit against Gold Rush. For the avoidance of doubt, this fair value is less than what Accel maintains Gold Rush owes Accel under the convertible notes, but is consistent with ASC Topic 820, *Fair Value Measurement*. This valuation of the Company's investment in convertible notes is considered to be a Level 3 fair value measurement as the significant inputs are unobservable and the Company is pursuing its legal remedies with respect to the amounts owed by Gold Rush.

Interest rate caplets

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

Liabilities measured at fair value

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

		Fair Value Measurement at Reporting Date Using		
	June 30, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liabilities:				
Contingent consideration	$ 17,325	$ —	$ —	$ 17,325
Contingent earnout shares	33,692	—	33,692	—
Warrants	13	—	13	—
Total	$ 51,030	$ —	$ 33,705	$ 17,325

Accel Entertainment, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements — (Continued)

	September 30, 2022	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	$ 11,486	$ —	$ —	$ 11,486
Contingent earnout shares	23,334	—	23,334	—
Warrants	13	—	13	—
Total	$ 34,833	$ —	$ 23,347	$ 11,486

	December 31, 2021	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	$ 19,434	$ —	$ —	$ 19,434
Contingent earnout shares	42,831	—	42,831	—
Warrants	13	—	13	—
Total	$ 62,278	$ —	$ 42,844	$ 19,434

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.

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

Warrants

The Company determined the fair value of its warrants by using a Black-Scholes option-pricing model. The Black-Scholes option-pricing model requires inputs such as the fair value of the Company's A-1 Common Stock, the risk-free interest rate, expected term, expected dividend yield and expected volatility. The Company's valuation of its warrants is considered to be a Level 2 fair value measurement. Changes in the fair value of the warrants are included within gain on change in fair value of warrants on the accompanying condensed consolidated statements of operations and comprehensive income, if applicable. There was no material change in the fair value of the warrants for the three and six nine months ended June 30, 2022 September 30, 2022 and 2021.

Note 14. Stockholders’ Equity

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

Class A-1 Common Stock

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

Treasury Stock

On November 22, 2021, the Company's Board of Directors approved a share repurchase program of up to $200 million of shares of common stock. Class A-1 Common Stock. The timing and actual number of shares repurchased will depend on a variety of factors, including price, general business and market conditions, and alternative investment opportunities. Under the repurchase program, repurchases can be made from time to time using a variety of methods, including open market purchases or privately negotiated transactions, in compliance with the rules of the United States Securities and Exchange Commission SEC and other applicable legal requirements. The repurchase program does not obligate the Company to acquire any particular amount of shares, and the repurchase program may be suspended or discontinued at any time at the Company's discretion. As of June September 30, 2022, the Company purchased a total of 4,115,708 6,380,815 shares under the plan at a total cost of $48.4 million $70.9 million, of which 3,414,403 5,679,510 shares at a cost of $39.4 million $61.9 million were purchased during the six nine months ended June 30, 2022 September 30, 2022.

The Inflation Reduction Act of 2022, enacted on August 16, 2022, among other things, imposes a 1% non-deductible, excise tax on repurchases of stock that are made by U.S. publicly traded corporations on or after January 1, 2023, which may affect the Company's share repurchase program. The application of tax laws and related regulations is subject to legal and factual interpretation, judgment and uncertainty.

Note 15. 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 225,881 stock options to eligible officers and employees of the Company during the first quarter of 2022, which shall vest over a period of 4 years. Also in the first quarter of 2022, the Company issued 411,600 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 $7.0 million.

The Company granted 50,000 stock options to eligible officers and employees of the Company during the second quarter of 2022, which shall vest over a period of 4 years. Also in the second quarter of 2022, the Company issued 90,000 RSUs to certain employees, which shall vest over a period of 4 years. The estimated grant date fair value of these options and RSUs totaled $1.4 million.

The Company issued 6,000 RSUs to certain employees of the Company during the third quarter of 2022, which shall vest over a period of approximately 4 years. The estimated grant date fair value of these RSUs totaled $0.1 million.

Accel Entertainment, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements — (Continued)

Stock-based compensation expense, which pertains to the Company's stock options and RSUs, was $2.3 $1.1 million and $3.9 million $5.0 million for the three and six nine months ended June 30, 2022 September 30, 2022. In comparison, stock-based compensation expense was $2.1 $1.0 million and $3.7 $4.7 million for the three and six nine months ended June 30, 2021 September 30, 2021. Stock-based compensation expense is included within general and administrative expenses in the condensed consolidated statements of operations and other comprehensive income.

Note 16. Income Taxes

The Company recognized income tax expense of $6.8 million $4.9 million and $11.6 million $16.5 million for the three and six nine months ended June 30, 2022 September 30, 2022, respectively. In comparison, the Company recognized income tax expense of $5.9 million $3.9 million and $7.8 million $11.8 million for the three and six nine months ended June 30, 2021 September 30, 2021, respectively.

The Company calculates its provision for income taxes during interim reporting periods by applying an estimate of the annual effective tax rate to its year-to-date pretax book income or loss. The effective tax rate (income taxes as a percentage of income before income taxes) was 23% 18% and 21% for both the three and six nine months ended June 30, 2022. September 30, 2022, respectively. In comparison, the Company's effective tax rate was 32% 27% and 36% 32% for the three and six nine months ended June 30, 2021 September 30, 2021, respectively. The Company's effective income tax rate can vary from period to period depending on, among other factors, the amount of permanent tax adjustments and discrete items. The change in the fair value of the contingent earnout shares does not create tax expense and is the primary driver for the fluctuations in the tax rate year over year.

Accel Entertainment, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements — (Continued)

Note 17. 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 video gaming terminals ("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, Illinois (the "Circuit Court"), on August 31, 2012, as amended on November 1, 2012, December 19, 2012, and October 3, 2013, alleging, among other things, that 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 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, Illinois 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, Illinois against the Company alleging that he had not received certain equity interests in the Company to which he was allegedly entitled under his agreement. 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.

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 parties settled this dispute in April 2022.

On December 18, 2020, the Company received a disciplinary complaint from the IGB alleging violations of the Video Gaming Act and the IGB's Adopted Rules for Video Gaming. The disciplinary complaint 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. On July 22, 2022, both parties filed motions for summary judgement.

On March 9, 2022, the Company filed a lawsuit in the Circuit Court of Cook County, Illinois against Gold Rush relating to the Gold Rush convertible notes. The complaint seeks damages for breach of contract and the implied covenant of good faith and fair dealing as well as unjust enrichment. The lawsuit is publicly available. On June 22, 2022, Gold Rush filed a lawsuit in the Circuit Court of Cook County, Illinois against the Company. The lawsuit alleges that the Company tortiously interfered with Gold Rush's business activities and engaged in misconduct with respect to the Gold Rush convertible notes. The complaint seeks declaratory judgment and damages related to the allegations. The Company intends to vigorously defend itself against the

allegations in the complaint and denies any allegations of wrongdoing. For more information on the Gold Rush convertible notes, see Note 4.

On March 25, 2022, Midwest Electronics Gaming LLC ("Midwest") filed an administrative review action against the IGB, the Company and J&J in the Circuit Court of Cook County, Illinois seeking administrative review of decisions of the IGB ruling in favor of the Company and J&J and against Midwest regarding the validity of certain use agreements covering locations currently serviced by Midwest. No monetary damages are sought against the Company.

On April 22, 2022, we the Company filed a petition in the Circuit Court of Cook County, Illinois to judicially review the IGB's decision to deny the requested transfer of Gold Rush common stock in respect of our its conversion of the convertible notes.

In July 2022, an enforcement action was brought against the Company by an Illinois municipality related to an alleged violation of an ordinance requiring the collection of an additional tax, the enforceability of which is currently being contested by the Illinois Gaming Machine Operators Association. Rather than litigate the alleged violation, the Company pled no contest and paid an initial penalty to the municipality in October 2022. The Company will pay a similar penalty each month for the remaining months of 2022.

Given the status of the legal proceedings discussed above, the Company has determined that a legal liability was probable and recorded a loss of $1.0 $1.2 million for the six nine months ended June 30, 2022 September 30, 2022, of which $1.0 million is included within other expenses, net and $0.2 million is included within general and administrative expenses in the condensed consolidated statement of operations and other comprehensive income. The Company paid legal settlements totaling $1.6 million during the six nine months ended June 30, 2022 September 30, 2022 related to these legal proceedings, which includes $1.0 million of the previously mentioned $1.0 million loss.

Accel Entertainment, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements — (Continued)

Note 18. 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 Amusement Company, Inc., ("Tom's Amusements"), and American Video Gaming, LLC, and Erickson Amusements, Inc. (collectively referred to as "AVG"), the sellers became employees of the Company.

Consideration payable to the Fair Share seller was $1.6 million $1.2 million and $2.4 million as of June 30, 2022 September 30, 2022 and December 31, 2021, respectively. Payments to the Fair Share seller under the acquisition agreement were $1.0 million $1.5 million and $0.3 million $0.7 million during the six nine months ended June 30, 2022 September 30, 2022 and 2021, respectively.

Consideration payable to the G3 sellers was $0.4 million as of June 30, 2022 September 30, 2022 and December 31, 2021. There were no payments to the G3 sellers under the acquisition agreement during the six nine months ended June 30, 2022 September 30, 2022 and 2021.

Consideration payable to the Tom's Amusements seller was $0.8 million $0.1 million and $1.5 million as of June 30, 2022 September 30, 2022 and December 31, 2021, respectively. Payments to the Tom's Amusements seller under the acquisition agreement were $0.8 million $1.4 million during the six nine months ended June 30, 2022 September 30, 2022. There were no payments to the Tom's Amusements seller during the six nine months ended June 30, 2021 September 30, 2021.

Consideration payable to the AVG seller was $0.4 million as of June 30, 2022 September 30, 2022 and December 31, 2021. There were no payments to the AVG seller during the six nine months ended June 30, 2022 September 30, 2022 and 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 $0.2 million and $0.1 million for both the six nine months ended June 30, 2022 September 30, 2022 and 2021. 2021, respectively. These payments were included in general and administrative expenses within the condensed consolidated statements of operations and comprehensive income.

Accel Entertainment, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements — (Continued)

Note 19. Earnings Per Share

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

		Three Months Ended June 30,		Six Months Ended June 30,			Three Months Ended September 30,		Nine Months Ended September 30,	
		2022	2021	2022	2021		2022	2021	2022	2021
Net income	Net income	$22,464	$12,445	$38,252	$13,946	Net income	$22,444	$10,807	$60,696	$24,753
Basic weighted average outstanding shares of common stock	Basic weighted average outstanding shares of common stock	92,328	93,617	92,484	93,452	Basic weighted average outstanding shares of common stock	89,992	94,004	91,299	93,607
Dilutive effect of stock-based awards for common stock	Dilutive effect of stock-based awards for common stock	673	1,051	711	930	Dilutive effect of stock-based awards for common stock	536	724	646	862
Diluted weighted average outstanding shares of common stock	Diluted weighted average outstanding shares of common stock	93,001	94,668	93,195	94,382	Diluted weighted average outstanding shares of common stock	90,528	94,728	91,945	94,469
Earnings per share:	Earnings per share:					Earnings per share:				
Basic	Basic	$ 0.24	$ 0.13	$ 0.41	$ 0.15	Basic	$ 0.25	$ 0.11	$ 0.66	$ 0.26
Diluted	Diluted	$ 0.24	$ 0.13	$ 0.41	$ 0.15	Diluted	$ 0.25	$ 0.11	$ 0.66	$ 0.26

Anti-dilutive stock-based awards, contingent earnout shares and warrants excluded from the calculations of diluted EPS were 5,302,040 5,178,908 and 5,078,745 5,007,024 as of June 30, 2022 September 30, 2022 and 2021, respectively.

Accel Entertainment, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements — (Continued)

Note 20. Subsequent Events

On August 1, 2022, the Company acquired from VVS, Inc. (“VVS”) As described in Note 11, on November 2, 2022, a licensed distributor disinterested committee of MADs in Nebraska, substantially all the Company's board of its MAD directors made up of independent directors, who don't hold any Class A-2 Common Stock, approved an increase to the LTM EBITDA and ATM assets. The acquisition the LTM EBITDA thresholds for the Company's Class A-2 Common Stock under the terms of VVS adds approximately 250 MAD locations the Restricted Stock Agreement as follows: (i) in the greater Lincoln area. The total purchase price was approximately $12 million, case of which Tranche II, the Company paid approximately $9.5 million in cash at closing. The remaining $2.5 million of contingent consideration is to be paid in cash if a net revenue target is achieved LTM EBITDA threshold (A) as of December 31, 2022 was increased to $166.0 million, (B) as of March 31, 2023 was increased to $172.1 million, and (C) as of June 30, 2023 was increased to $176.6 million; and (ii) in the first anniversary case of Tranche III, the consummation LTM EBITDA threshold as of the transaction. each of December 31, 2023, March 31, 2024 and June 30, 2024 was increased to $197.1 million.

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, 2021. This discussion and analysis should also be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, set forth in our Annual Report on Form 10-K for the year ended December 31, 2021.

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 gaming terminals, , 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. We also operate stand-alone ATMs in gaming and non-gaming locations. We have been licensed by the Illinois Gaming Board (“IGB”) since 2012, received approval from the Georgia Lottery Corporation as a Master Licensee in July 2020, and also holds a license from the Pennsylvania Gaming Control Board since November 2020. On December 30, 2021, one of the our consolidated subsidiaries acquired amusement and ATM operations in Iowa and registered with the Iowa Department of Inspections and Appeals to conduct operations in Iowa. On June 1, 2022, we acquired Century Gaming, Inc. (“Century”), which is a leading distributed gaming operator in the Montana and Nevada gaming markets. Century is also a manufacturer of gaming terminals in the Montana, Nevada, South Dakota, Louisiana and West Virginia markets. In connection with the acquisition, Accel was granted a two-year terminal operator license by the Nevada Gaming Commission and a manufacturer, distributor and route operator license by the Gambling

Control Division of the Montana Department of Justice through June 2023. The Montana license is renewable annually. In June 2022, we became a licensed distributor of mechanical amusement devices ("MADs") in Nebraska and commenced operations in this market. We are also subject to various other federal, state and local laws and regulations in addition to gaming regulations.

Our gaming-as-a-service platform provides local businesses with a turnkey, capital efficient gaming solution. We own all of our gaming equipment and manage the entire operating process for our location partners. We also offer our location partners gaming solutions that appeal to players who patronize those businesses. We devote significant resources to location 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 location partners with regulatory applications and compliance onboarding, train location 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 location. We also provide weekly gaming revenue reports to our location partners and analyze and compare gaming results within individual location partners. This information is used to determine an optimal selection of games, layouts and other ideas to generate foot traffic for our location 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. As a result, Accel's voluntary contract renewal rate was approximately 99% for the three-year period ended December 31, 2021.

In addition to our gaming 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 gaming business by offering a "one-stop" source of additional equipment for its location partners. If we are presented with appropriate opportunities, we may acquire other additional businesses, services, resources, or assets, including hospitality operations, that are accretive to our core gaming business.

Impact of COVID-19 and Other Macroeconomic Factors

The COVID-19 outbreak and its related variants are having a significant impact on global markets as a result of government-mandated business closures, 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.

A surge of COVID-19 infections occurred in the fall of 2020, as the virus spread 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 location. Given the staggered reopening by region in January of 2021, the temporary shutdown impacted, on average, 18 of the 181 273 gaming days (or 10% 7% of gaming days) during the six nine months ended June 30, 2021 September 30, 2021. In light of these events and their effect on the Company's employees and location partners, the Company took action to help mitigate the potential effects caused by the temporary cessation of operations by furloughing idle staff as appropriate and deferring certain payments to major vendors.

As a result of these developments, the Company's revenues, results of operations and cash flows were materially affected for the six nine months ended June 30, 2021 September 30, 2021.

While variants of COVID-19 continue to impact infection rates and the healthcare system, it is possible that the regulating bodies or the states in which we operate may order future shutdowns, 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 COVID-19 and its related variants. For example, 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 of the state. As such, there may be additional operational and financial impacts on the business from future resurgences of COVID-19 and its variant strains, which we cannot reasonably anticipate.

In addition, ongoing interest rate increases and persistent inflation may increase the risk of an economic recession and volatility and dislocation in the capital or credit markets in the United States and other markets globally. Our location partners may be adversely impacted by changes in overall economic and financial conditions, and certain location partners may cease operations in the event of a recession or inability to access financing. Furthermore, our revenue is largely driven by players' disposable incomes and level of gaming activity, and economic conditions that adversely impact players' ability and desire to spend disposable income at our locations partners may adversely affect our results of operations and cash flows. To date, we have not observed material impacts in our business or outlook, but there can be no assurance that, in the event of a recession, levels of gaming activity would not be adversely affected. Further, as described in more detail below, we have observed certain increases in our costs, particularly increased fuel costs, and we have accelerated certain of our capital expenditures related to gaming machine components to manage our supply chain. We intend to continue to monitor macroeconomic conditions closely and may determine to take certain financial or operational actions in response to such conditions to the extent our business begins to be adversely impacted.

Century Acquisition

On June 1, 2022, we completed our previously announced acquisition of all of the outstanding equity interests of Century Gaming, Inc., a Montana corporation. The aggregate purchase consideration was $164.3 million, which included: (i) a cash payment made at closing of $45.5 million to the equity holders of Century; (ii) repayment of $113.2 million of Century's indebtedness; and (iii) 515,622 shares of our Class A-1 common stock issued to certain members of Century's management with a fair value of $5.6 million on the acquisition date. The cash payments were financed using cash from a draw of approximately $160 million from our revolving credit facility and delayed draw term loan facility under our senior secured credit facility. Our

financial results for the three and six nine months ended June 30, 2022September 30, 2022 includes the results of Century from the date of acquisition.

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 our location partners and is recognized at the time of gaming play.

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

Manufacturing. Manufacturing revenue represents sales of gaming terminals by Grand Vision Gaming, a wholly-owned subsidiary of Century, which is a designer and manufacturer of Class III gaming terminals.

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) taxes on net video gaming revenue that is payable to the local jurisdiction, (ii) licenses, permits and other fees required for the operation of gaming terminals and other equipment, (iii) location revenue share, which is governed by local governing bodies and location contracts, (iv) ATM and amusement commissions payable to locations, (v) ATM and amusement fees, and (vi) costs associated with the sale of gaming terminals.

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

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

Other intangible assets are amortized over their estimated 7 to 20-year useful lives.

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 the convertible notes from Gold Rush that bore interest at the greater of 3% per annum or Accel's borrowing rate on its credit facility through December 31, 2021, as well as interest expense on the interest rate caplets.

Income tax expense

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

Results of Operations

The following table summarizes Accel's results of operations on a consolidated basis for the three months ended June September 30, 2022 and 2021:

(in thousands, except %'s)	(in thousands, except %'s)	Three Months Ended June 30,		Increase / (Decrease)		(in thousands, except %'s)	Three Months Ended September 30,		Increase / (Decrease)	
		2022	2021	Change ($)	Change (%)		2022	2021	Change ($)	Change (%)
Revenues:	**Revenues:**					**Revenues:**				
Net gaming	Net gaming	$218,423	$194,434	$23,989	12.3 %	Net gaming	$255,606	$186,017	$69,589	37.4 %
Amusement	Amusement	4,693	4,279	414	9.7 %	Amusement	4,860	4,010	850	21.2 %
Manufacturing	Manufacturing	919	—	919	N/A	Manufacturing	2,489	—	2,489	N/A
ATM fees and other revenue	ATM fees and other revenue	3,834	3,261	573	17.6 %	ATM fees and other revenue	4,012	3,324	688	20.7 %
Total net revenues	Total net revenues	227,869	201,974	25,895	12.8 %	Total net revenues	266,967	193,351	73,616	38.1 %
Operating expenses:	**Operating expenses:**					**Operating expenses:**				
Cost of revenue (exclusive of depreciation and amortization expense shown below)	Cost of revenue (exclusive of depreciation and amortization expense shown below)	155,431	135,772	19,659	14.5 %	Cost of revenue (exclusive of depreciation and amortization expense shown below)	187,534	129,739	57,795	44.5 %
General and administrative	General and administrative	32,719	26,113	6,606	25.3 %	General and administrative	39,796	28,053	11,743	41.9 %
Depreciation and amortization of property and equipment	Depreciation and amortization of property and equipment	6,598	6,313	285	4.5 %	Depreciation and amortization of property and equipment	8,136	6,518	1,618	24.8 %
	Amortization of route and customer acquisition costs and location contracts acquired	3,574	6,162	(2,588)	(42.0)%					
Amortization of intangible assets and route and customer acquisition costs						Amortization of intangible assets and route and customer acquisition costs	5,156	6,221	(1,065)	(17.1)%
Other expenses, net	Other expenses, net	2,232	2,687	(455)	(16.9)%	Other expenses, net	3,106	4,173	(1,067)	(25.6)%
Total operating expenses	**Total operating expenses**	200,554	177,047	23,507	13.3 %	**Total operating expenses**	243,728	174,704	69,024	39.5 %
Operating income	**Operating income**	27,315	24,927	2,388	9.6 %	**Operating income**	23,239	18,647	4,592	24.6 %
Interest expense, net	Interest expense, net	3,791	3,376	415	12.3 %	Interest expense, net	6,239	3,016	3,223	106.9 %
(Gain) loss on change in fair value of contingent earnout shares	(Gain) loss on change in fair value of contingent earnout shares	(5,722)	3,182	(8,904)	(279.8)%	(Gain) loss on change in fair value of contingent earnout shares	(10,358)	888	(11,246)	(1,266.4)%
Income before income tax expense	**Income before income tax expense**	29,246	18,369	10,877	59.2 %	**Income before income tax expense**	27,358	14,743	12,615	85.6 %
Income tax expense	Income tax expense	6,782	5,924	858	14.5 %	Income tax expense	4,914	3,936	978	24.8 %
Net income	**Net income**	$ 22,464	$ 12,445	$10,019	80.5 %	**Net income**	$ 22,444	$ 10,807	$11,637	107.7 %

Revenues

Total revenues for the three months ended June 30, 2022 September 30, 2022 were $227.9 million $267.0 million, an increase of $25.9 million $73.6 million, compared to the prior-year period. This increase was driven by an increase in net gaming revenue of $24.0 million $69.6 million, manufacturing revenue of $0.9 million $2.5 million, an increase in amusement revenue of $0.4 million $0.9 million, and an increase in ATM fees and other revenue of $0.6 million $0.7 million. Net gaming revenues for the three months ended June 30, 2022 September 30, 2022 reflected an increase in gaming terminals and locations. locations due primarily to the acquisition of Century. Net revenues by state are presented below (in thousands):

(in thousands)	(in thousands)	Three Months Ended June 30,		(in thousands)	Three Months Ended September 30,	
		2022	2021		2022	2021
Net revenues by state:	**Net revenues by state:**			**Net revenues by state:**		

Illinois	Illinois	$ 205,962	$ 200,878	Illinois	$ 200,914	$ 192,205
Nevada	Nevada	8,920	—	Nevada	28,439	—
Montana	Montana	10,825	—	Montana	33,456	—
Other	Other	2,162	1,096	Other	4,158	1,146
Total net revenues	Total net revenues	$ 227,869	$ 201,974	Total net revenues	$ 266,967	$ 193,351

Cost of revenue

Cost of revenue for the three months ended June 30, 2022 September 30, 2022 was $155.4 million $187.5 million, an increase of $19.7 million $57.8 million, compared to the prior-year period, driven by higher revenue. revenue due primarily to the acquisition of Century.

General and administrative

General and administrative expenses for the three months ended June 30, 2022 September 30, 2022 were $32.7 million $39.8 million, an increase of $6.6 million $11.7 million, or 25.3% 41.9%, compared to the prior-year period. General and administrative expenses for the three months ended June 30, 2022 reflected September 30, 2022 reflect additional operating costs from Century and higher payroll-related costs as we continue to grow our operations as well as higher fleet-related costs, including fuel, expense and professional fees. marketing expenses.

Depreciation and amortization of property and equipment

Depreciation and amortization of property and equipment for the three months ended June 30, 2022 September 30, 2022 was $6.6 million $8.1 million, an increase of $0.3 million $1.6 million, or 4.5% 24.8%, compared to the prior-year period due to an increased number of locations and gaming terminals due primarily to the acquisition of Century, partially offset by us extending the useful lives of our gaming terminals and equipment from 10 years to 13 years.

Amortization of intangible assets and route and customer acquisition costs

Amortization of intangible assets and 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, 2022 September 30, 2022 was $3.6 million $5.2 million, a decrease of $2.6 million $1.1 million, or 42.0% 17.1%, compared to the prior-year period due to us extending the useful lives of our route and customer acquisition costs from 12.4 years to 18 years and location contracts acquired from 10 to 15 years. The impact of these changes in estimate was a decrease in amortization expense of $2.7 $2.8 million for the three months ended June 30, 2022 September 30, 2022. This decrease was partially offset by an increase in location contracts acquired. acquired and amortization expense on other intangible assets acquired with Century.

Other expenses, net

Other expenses, net for the three months ended June 30, 2022 September 30, 2022 were $2.2 million $3.1 million, a decrease of $0.5 million $1.1 million, or 16.9% 25.6%, compared to the prior-year period. The decrease was primarily attributable to lower fair value adjustments associated with the revaluation of contingent consideration liabilities, partially offset by higher non-recurring expenses relating to lobbying efforts and new market development.

Interest expense, net

Interest expense, net for the three months ended June 30, 2022 September 30, 2022 was $3.8 million $6.2 million, an increase of $0.4 million $3.2 million, or 12.3% 106.9%, compared to the prior-year period primarily due to an increase in average outstanding debt and higher interest rates, partially offset by lower the benefit realized on our interest rates. rate caplets. For the three months ended June 30, 2022 September 30, 2022, the weighted average interest rate was approximately 2.9% 4.3% compared to a rate of approximately 3.3% 2.9% for the prior year prior-year period.

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

Gain on the change in fair value of contingent earnout shares for the three months ended June 30, 2022 September 30, 2022 was $5.7 million $10.4 million, an increase of $8.9 million $11.2 million, or 279.8% 1,266.4%, compared to the prior year, which had a loss of $3.2 0.9 million. The increase was primarily due to the change in the market value of our Class A-1 common stock, which is the primary input to the valuation of the contingent earnout shares.

Income tax expense

Income tax expense for the three months ended June 30, 2022 September 30, 2022 was $6.8 million $4.9 million, an increase of $0.9 million $1.0 million, or 14.5% 24.8%, compared to the prior-year period. The effective tax rate for the three months ended June 30, 2022 September 30, 2022 was 23.2% 18.0% compared to 32.2% 26.7% in the prior-year period. Our effective income tax rate can vary from period to period depending on, among other factors, the amount of permanent tax adjustments and discrete items. The change in the fair value of the contingent earnout shares does not create tax expense and is the primary driver for the fluctuations in the tax rate year over year.

The following table summarizes Accel's results of operations on a consolidated basis for the six nine months ended June September 30, 2022 and 2021:

(in thousands, except %'s)	(in thousands, except %'s)	Six Months Ended June 30,	Increase / (Decrease)	(in thousands, except %'s)	Nine Months Ended September 30,	Increase / (Decrease)

		2022	2021	Change ($)	Change (%)		2022	2021	Change ($)	Change (%)
Revenues:	**Revenues:**					**Revenues:**				
Net gaming	Net gaming	$406,885	$334,898	71,987	21.5 %	Net gaming	$662,491	$520,915	$141,576	27.2 %
Amusement	Amusement	9,683	8,328	1,355	16.3 %	Amusement	14,543	12,338	2,205	17.9 %
Manufacturing	Manufacturing	919	—	919	N/A	Manufacturing	3,408	—	3,408	N/A
ATM fees and other revenue	ATM fees and other revenue	7,273	5,817	1,456	25.0 %	ATM fees and other revenue	11,285	9,141	2,144	23.5 %
Total net revenues	Total net revenues	424,760	349,043	75,717	21.7 %	Total net revenues	691,727	542,394	149,333	27.5 %
Operating expenses:	**Operating expenses:**					**Operating expenses:**				
Cost of revenue (exclusive of depreciation and amortization expense shown below)	Cost of revenue (exclusive of depreciation and amortization expense shown below)	288,051	234,663	53,388	22.8 %	Cost of revenue (exclusive of depreciation and amortization expense shown below)	475,585	364,402	111,183	30.5 %
General and administrative	General and administrative	63,838	50,588	13,250	26.2 %	General and administrative	103,634	78,641	24,993	31.8 %
Depreciation and amortization of property and equipment	Depreciation and amortization of property and equipment	12,439	12,302	137	1.1 %	Depreciation and amortization of property and equipment	20,575	18,820	1,755	9.3 %
	Amortization of route and customer acquisition costs and location contracts acquired	7,122	12,268	(5,146)	(41.9)%					
Amortization of intangible assets and route and customer acquisition costs						Amortization of intangible assets and route and customer acquisition costs	12,278	18,489	(6,211)	(33.6)%
Other expenses, net	Other expenses, net	4,788	4,740	48	1.0 %	Other expenses, net	7,894	8,913	(1,019)	(11.4)%
Total operating expenses	**Total operating expenses**	376,238	314,561	61,677	19.6 %	**Total operating expenses**	619,966	489,265	130,701	26.7 %
Operating income	**Operating income**	48,522	34,482	14,040	40.7 %	**Operating income**	71,761	53,129	18,632	35.1 %
Interest expense, net	Interest expense, net	7,792	6,720	1,072	16.0 %	Interest expense, net	14,031	9,736	4,295	44.1 %
(Gain) loss on change in fair value of contingent earnout shares	(Gain) loss on change in fair value of contingent earnout shares	(9,139)	5,979	(15,118)	(252.9)%	(Gain) loss on change in fair value of contingent earnout shares	(19,497)	6,867	(26,364)	(383.9)%
Income before income tax expense	**Income before income tax expense**	49,869	21,783	28,086	128.9 %	**Income before income tax expense**	77,227	36,526	40,701	111.4 %
Income tax expense	Income tax expense	11,617	7,837	3,780	48.2 %	Income tax expense	16,531	11,773	4,758	40.4 %
Net income	**Net income**	$ 38,252	$ 13,946	$24,306	174.3 %	**Net income**	$ 60,696	$ 24,753	$ 35,943	145.2 %

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Revenues

Total revenues for the six nine months ended June 30, 2022 September 30, 2022 were $424.8 million $691.7 million, an increase of $75.7 million $149.3 million, or 21.7% 27.5%, compared to the prior-year period. This increase was driven by an increase in net gaming revenue of $72.0 million $141.6 million, or 21.5% 27.2%, an increase in amusement revenue of $1.4 million $2.2 million, or 16.3% 17.9%, and an increase in ATM fees and other revenue of $1.5 million $2.1 million, or 25.0% 23.5%, and manufacturing revenue of $0.9 million $3.4 million. Increase in net gaming revenue was primarily attributable to the increase in net gaming revenues for the nine months ended September 30, 2022, which reflected an increase in gaming terminals and locations due primarily to the acquisition of Century. Also impacting comparability was the prior year IGB-mandated shutdown of Illinois video gaming due to the ongoing COVID-19 outbreak, which impacted 18 of the 181 273 gaming days (or 10% 7% of gaming days) during the six nine months ended June 30, 2021 September 30, 2021. The increase in net gaming revenues for the six months ended June 30, 2022, also reflected an increase in gaming terminals and locations, as well as an increase in location hold-per-day. Net revenues by state are presented below (in thousands):

		Six Months Ended June 30, 2022	Six Months Ended June 30, 2021		Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Net revenues by state:	**Net revenues by state:**			**Net revenues by state:**		

Illinois	Illinois	$	400,821	$	347,006	Illinois	$	601,735	$	539,211
Nevada	Nevada		8,920		—	Nevada		37,359		—
Montana	Montana		10,825		—	Montana		44,282		—
All other	All other		4,194		2,037	All other		8,351		3,183
Total net revenues	Total net revenues	$	424,760	$	349,043	Total net revenues	$	691,727	$	542,394

Cost of revenue

Cost of revenue for the six nine months ended June 30, 2022 September 30, 2022 was $288.1 million $475.6 million, an increase of $53.4 million $111.2 million, or 22.8% 30.5%, compared to the prior-year period driven by higher revenue due primarily to higher revenues. the acquisition of Century.

General and administrative

General and administrative expenses for the six nine months ended June 30, 2022 September 30, 2022 were $63.8 million $103.6 million, an increase of $13.3 million $25.0 million, or 26.2% 31.8%, 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 nine months ended June 30, 2022 September 30, 2022 also reflected reflect additional operating costs from Century and higher payroll-related costs as we continued continue to grow our operations as well as higher fleet-related costs, including fuel, expense and professional fees. marketing expenses.

Depreciation and amortization of property and equipment

Depreciation and amortization of property and equipment for the six nine months ended June 30, 2022 September 30, 2022 was $12.4 million $20.6 million, an increase of $0.1 million $1.8 million, or 1.1% 9.3%, compared to the prior-year period due to an increased number of locations and gaming terminals due primarily to the acquisition of Century, partially offset by us extending the useful lives of our gaming terminals and equipment from 10 years to 13 years. The impact of this change in estimate was a decrease in depreciation expense of $2.5 million $3.7 million for the six nine months ended June 30, 2022 September 30, 2022.

Amortization of intangible assets and route and customer acquisition costs and location contracts acquired

Amortization of intangible assets and route and customer acquisition costs and location contracts acquired for the six nine months ended June 30, 2022 September 30, 2022 was $7.1 million $12.3 million, a decrease of $5.1 million $6.2 million, or 41.9% 33.6%, compared to the prior-year period due to us extending the useful lives of our route and customer acquisition costs from 12.4 years to 18 years and location contracts acquired from 10 to 15 years. The impact of these changes in estimate was a decrease in amortization expense of $5.4 million $8.2 million for the six nine months ended June 30, 2022 September 30, 2022. This decrease was partially offset by an increase in location contracts acquired. acquired and amortization expense on other intangible assets acquired with Century.

Other expenses, net

Other expenses, net for the six nine months ended June 30, 2022 September 30, 2022 were $4.8 million $7.9 million, and were flat a decrease of $1.0 million, or 11.4%, compared to the prior-year period due to a $1.0 million loss associated with a legal settlement and higher non-recurring expenses relating to lobbying efforts and new market development, offset by lower fair value adjustments associated with the revaluation of contingent consideration liabilities. liabilities, partially offset by higher non-recurring expenses relating to lobbying efforts and new market development.

Interest expense, net

Interest expense, net for the six nine months ended June 30, 2022 September 30, 2022 was $7.8 million $14.0 million, an increase of $1.1 million $4.3 million, or 16.0% 44.1%, compared to the prior-year period primarily due to an increase in average outstanding debt and higher interest rates, partially offset by lower the benefit realized on our interest rates. rate caplets. The weighted average interest rate was approximately 3.2% 3.7% for the six nine months ended June 30, 2022 September 30, 2022 compared to 3.3% 3.2% in the prior-year period.

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

Gain on the change in fair value of contingent earnout shares for the six nine months ended June 30, 2022 September 30, 2022 was $9.1 million $19.5 million, compared to the prior-year period, which had a loss of $6.0 6.9 million. The changes in fair value are primarily due to the change in the market value of our Class A-1 common stock, which was the primary input to the valuation of the contingent earnout shares.

Income tax expense

Income tax expense for the six nine months ended June 30, 2022 September 30, 2022 was $11.6 million $16.5 million, an increase of $3.8 million $4.8 million, or 48.2% 40.4%, compared to the prior-year period. The effective tax rate for the six nine months ended June 30, 2022 September 30, 2022 was 23.3% 21.4% compared to 36.0% 32.2% in the prior year period. Our effective income tax rate can vary from period to period depending on, among other factors, the amount of permanent tax adjustments and discrete items. The change in the fair value of the contingent earnout shares does not create tax expense and is the primary driver for the fluctuations in the tax rate year over year.

Key Business Metrics

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

- Number of locations; locations and;
- Number of gaming terminals

We also periodically review and revise our business metrics to reflect changes in our business. As result of the Century acquisition, our operations have expanded significantly and we have entered into new markets that are subject to different regulatory regimes, competitive dynamics and other regional factors and conditions. As a result, we have determined to no longer report average remaining contract term (years) and location hold-per-day.

Number of locations

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

In January 2022, the IGB began enforcing the 72-hour rule. The 72-hour rule requires terminal operators to disconnect and remove their equipment from a location if there is no activity for 72 hours. In the past, we could leave our equipment if a location was temporarily closed for repairs, remodeling or an ownership change. In addition, if a location went out of business, we could remove our equipment at our convenience. The 72-hour rule accelerated all planned removals for the next several months. As a result, 30 Illinois locations were impacted by the 72-hour rule during the first quarter of 2022. This did not materially impact gaming revenue but reduced our reported number of locations in Illinois.

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

		As of June 30,		Increase / (Decrease)			As of September 30,		Increase / (Decrease)	
		2022	2021	Change $	Change %		2022	2021	Change $	Change %
Illinois	Illinois	2,572	2,527	45	1.8 %	Illinois	2,596	2,549	47	1.8 %
Montana	Montana	585	—	N/A	N/A	Montana	586	—	N/A	N/A
Nevada	Nevada	332	—	N/A	N/A	Nevada	335	—	N/A	N/A
Total locations	Total locations	3,489	2,527			Total locations	3,517	2,549		

Number of gaming terminals

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

As a result of the previously mentioned 72-hour rule, we removed approximately 150 the removal of gaming terminals in Illinois during the first quarter of 2022. The removals did not materially impact gaming revenue but reduced our reported number of gaming terminals.

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

		As of June 30,		Increase / (Decrease)			As of September 30,		Increase / (Decrease)	
		2022	2021	Change $	Change %		2022	2021	Change $	Change %
Illinois	Illinois	13,801	13,177	624	4.7 %	Illinois	14,033	13,384	649	4.8 %
Montana	Montana	5,742	—	N/A	N/A	Montana	5,782	—	N/A	N/A
Nevada	Nevada	2,585	—	N/A	N/A	Nevada	2,614	—	N/A	N/A
Total gaming terminals	Total gaming terminals	22,128	13,177			Total gaming terminals	22,429	13,384		

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 income and Adjusted EBITDA

(in thousands)	(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,		(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
		2022	2021	2022	2021		2022	2021	2022	2021

Net income	Net income	$22,464	$12,445	$38,252	$13,946	Net income	$22,444	$10,807	$ 60,696	$ 24,753
Adjustments:	Adjustments:					Adjustments:				
Amortization of route and customer acquisition costs and location contracts acquired (1)		3,574	6,162	7,122	12,268					
Amortization of intangible assets and route and customer acquisition costs (1)						Amortization of intangible assets and route and customer acquisition costs (1)	5,156	6,221	12,278	18,489
Stock-based compensation (2)	Stock-based compensation (2)	2,281	2,148	3,886	3,741	Stock-based compensation (2)	1,070	966	4,956	4,707
(Gain) loss on change in fair value of contingent earnout shares (3)	(Gain) loss on change in fair value of contingent earnout shares (3)	(5,722)	3,182	(9,139)	5,979	(Gain) loss on change in fair value of contingent earnout shares (3)	(10,358)	888	(19,497)	6,867
Other expenses, net (4)	Other expenses, net (4)	2,232	2,687	4,788	4,740	Other expenses, net (4)	3,106	4,173	7,894	8,913
Tax effect of adjustments (5)	Tax effect of adjustments (5)	(2,313)	(892)	(4,788)	(3,885)	Tax effect of adjustments (5)	(2,486)	(5,738)	(7,274)	(9,623)
Adjusted net income	Adjusted net income	22,516	25,732	40,121	36,789	Adjusted net income	18,932	17,317	59,053	54,106
Depreciation and amortization of property and equipment	Depreciation and amortization of property and equipment	6,598	6,313	12,439	12,302	Depreciation and amortization of property and equipment	8,136	6,518	20,575	18,820
Interest expense, net	Interest expense, net	3,791	3,376	7,792	6,720	Interest expense, net	6,239	3,016	14,031	9,736
Emerging markets (6)	Emerging markets (6)	716	746	1,201	1,263	Emerging markets (6)	418	1,106	1,619	2,369
Income tax expense	Income tax expense	9,095	6,816	16,405	11,722	Income tax expense	7,400	9,674	23,805	21,396
Adjusted EBITDA	Adjusted EBITDA	$42,716	$42,983	$77,958	$68,796	Adjusted EBITDA	$41,125	$37,631	$119,083	$106,427

(1) Amortization of intangible assets and route and customer acquisition costs and location contracts acquired consist of upfront cash payments and future cash payments to third-party sales agents to acquire the location partners that are not connected with a business combination. combination, as well as the amortization of other intangible assets. 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 15 years. "Amortization of intangible assets and route and customer acquisition costs and location contracts acquired" costs" aggregates the non-cash amortization charges relating to upfront route and customer acquisition cost payments and location contracts acquired. acquired, as well as the amortization of other intangible assets.

(2) Stock-based compensation consists of options, restricted stock units and warrants.

(3) (Gain) loss 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) 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.

(5) Calculated by excluding the impact of the non-GAAP adjustments from the current period tax provision calculations.

(6) 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. The Company currently views Nebraska, Iowa and Pennsylvania as its emerging markets. Prior to July 2022, Georgia was considered an emerging market.

Adjusted EBITDA for the three months ended June 30, 2022 September 30, 2022 was $42.7 million $41.1 million, which was essentially flat an increase of $3.5 million, or 9%, compared to the prior-year period. Adjusted EBITDA for the six nine months ended June 30, 2022 September 30, 2022 was $78.0 million $119.1 million, an increase of $9.2 million $12.7 million, or 13.3% 12%, compared to the prior-year period. The increase in performance for both the six three and nine months ended was attributable to an increase in the number of locations and gaming terminals, and location hold-per-day, and due primarily to the acquisition of Century. Also impacting the nine-months-ended comparison was the absence of the previously mentioned IGB-mandated shutdown of Illinois video gaming due to the ongoing COVID-19 outbreak that had a significant impact on our performance in the prior-year period.

Liquidity and Capital Resources

In order to maintain sufficient liquidity, we review our cash flow projections and available funds with our Board of Directors to consider modifying our capital structure and seeking additional sources of liquidity, if needed. The availability of additional liquidity options will depend on the economic and financial environment, our creditworthiness, our historical and projected financial and operating performance, and our continued compliance with financial covenants. As a result of possible future economic, financial and operating declines, possible declines in our creditworthiness and potential non-compliance with financial covenants, we may have less liquidity than anticipated, fewer sources of liquidity than anticipated, less attractive financing terms and less flexibility in determining when and how to use the liquidity that is available.

We believe that our cash and cash equivalents, cash flows from operations and borrowing availability under our senior secured credit facility will be sufficient to meet our capital requirements for the next twelve months. Our primary short-term cash needs are paying operating expenses and contingent earnout payments, servicing outstanding indebtedness, and funding our Board of Directors approved share repurchase program and near term acquisitions. As of June September 30, 2022, Accel had $220.2 million $212.1 million in cash and cash equivalents.

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.

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

Given the uncertainty of COVID-19 and the resulting potential impact to the gaming industry and our future assumptions, 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 0.50% and the floor for the Base Rate to 1.50%. We incurred costs of $0.4 million associated with the amendment of the Credit Agreement, of which $0.3 million was capitalized and will be amortized over the remaining life of the facility. The waivers of financial covenant breach were never utilized as we remained in compliance with all debt covenants during these periods.

On October 22, 2021, in order to increase the borrowing capacity under the Credit Agreement, we and the other parties thereto entered into Amendment No. 2 to the Credit Agreement ("Amendment No. 2"). Amendment No. 2, among other things, provides for:

- an increase in the amount of the revolving credit facility from $100.0 million to $150.0 million,
- a $350.0 million initial term loan facility, the proceeds of which were applied to refinancing existing indebtedness and
- a new $400.0 million delayed draw term loan facility.

The additional term loan facility is available for borrowings until October 21, 2023. The maturity date of the Credit Agreement was extended to October 22, 2026. The interest rate and covenants remain unchanged.

As of June 30, 2022 September 30, 2022, there remained approximately $381 million $355 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, 2022 September 30, 2022, the weighted-average interest rate was approximately 3.2% 3.7%.

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 up to 2.75%, at our option.

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.

We were in compliance with all debt covenants as of June 30, 2022 September 30, 2022. 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.

Interest rate caplets

The Company manages its exposure to some of its interest rate risk through the use of interest rate caplets, which are derivative financial instruments. On January 12, 2022, we hedged the variability of the cash flows attributable to the changes in the 1-month LIBOR interest rate on the first $300 million of the term loan under the Credit Agreement by entering into a 4-year series of 48 deferred premium caplets ("caplets"). The caplets mature at the end of each month and protect the Company if interest rates exceed 2% of 1-month LIBOR. The maturing dates of these caplets coincide with the timing of our interest payments and each caplet is expected to be highly effective at offsetting changes in interest payment cash flows. The aggregate premium for these caplets was $3.9 million, which was the initial fair value of the caplets recorded in our financial statements, and was financed as additional debt. Further, as the 1-month LIBOR interest rate exceeded 2% in the third quarter of 2022, the Company realized a gain on the caplets of $0.2 million for the three and nine months ended September 30, 2022, which is reflected in interest expense, net.

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)	(in thousands)	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021	(in thousands)	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Net cash provided by operating activities	Net cash provided by operating activities	$ 41,211	$ 54,158	Net cash provided by operating activities	$ 78,250	$ 80,262
Net cash used in investing activities	Net cash used in investing activities	(137,267)	(13,758)	Net cash used in investing activities	(168,871)	(21,220)
Net cash provided by financing activities		117,438	3,657			
Net cash provided by (used in) financing activities				Net cash provided by (used in) financing activities	103,898	(13,610)

Net cash provided by operating activities

For the six nine months ended June 30, 2022 September 30, 2022, net cash provided by operating activities was $41.2 million $78.3 million, a decrease of $12.9 million $2.0 million over the comparable period primarily due to higher payments on consideration payable and lower working capital adjustments. adjustments, partially offset by an increase in deferred income taxes.

Net cash used in investing activities

For the six nine months ended June 30, 2022 September 30, 2022, net cash used in investing activities was $137.3 million $168.9 million, an increase of $123.5 million $147.7 million over the comparable period and was primarily attributable to higher business and asset acquisitions and purchases of property and equipment. We anticipate that our capital expenditures will be approximately $38-43 million in 2022.

Net cash provided by (used in) financing activities

For the six nine months ended June 30, 2022 September 30, 2022, net cash provided by financing activities was $117.4 million $103.9 million, an increase of $113.8 million $117.5 million over the comparable period due to an increase in borrowings to finance our business and asset acquisitions, partially offset by repurchases of our Class A-1 common stock of $36.9 million $61.9 million under our share repurchase program.

Critical Accounting Policies and Estimates

In preparing our condensed consolidated financial statements, we applied the same critical accounting policies as described in our Annual Report on Form 10-K for the year ended December 31, 2021 that affect judgments and estimates of amounts recorded for certain assets, liabilities, revenues, and expenses. In connection with the Century acquisition in this current the second quarter we note the following:

Business combinations and goodwill

For acquisitions meeting the definition of a business combination, the acquisition method of accounting is used. The acquisition date is the date on which Accel obtains operating control over the acquired business. The consideration paid is determined on the acquisition date and is the sum of the fair values of the assets acquired by Accel and the liabilities assumed by Accel, including the fair value of any asset or liability resulting from a deferred consideration arrangement. Acquisition-related costs, such as professional fees, are excluded from the consideration transferred and are expensed as incurred. Any contingent consideration is measured at its fair value on the acquisition date, recorded as a liability and accreted over its payment term in Accel's consolidated statements of operations and comprehensive income (loss) as other expenses, net. Location contract intangibles are generally measured at fair value using an income approach which measures the fair value based on the estimated future cash flows using certain projected financial information such as revenue and costs projections and other assumptions such as estimated attrition rates and discount rates. Acquired tangible personal property such as gaming equipment is generally measured at fair value using a cost approach which measures the fair value based on the cost to reproduce or replace the asset. Goodwill is measured as the excess of the consideration transferred over the fair value of the net identifiable assets acquired and liabilities assumed. The relevance of this policy and the described methods and assumptions vary from period to period depending on the volume of applicable acquisitions occurring.

Seasonality

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk represents the risk of loss that may impact 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 $505.9 million $525.0 million as of June 30, 2022 September 30, 2022. 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 $5.1 $2.3 million annually, assuming the balance outstanding under Accel's credit facility remained at $505.9 $525.0 million. In order Our exposure to protect against higher interest rates in the future on its credit facility, is partially mitigated as the Company hedged the variability of the cash flows attributable to the changes in the 1-month LIBOR interest rate on the first $300 million of the term loan by entering into a 4-year series of 48 deferred premium caplets ("caplets") on January 12, 2022. The caplets mature at the end of each month and are used to protect the Company if Company's exposure as the 1-month LIBOR interest rates exceed rate exceeded 2% in the third quarter of 1-month LIBOR. 2022.

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

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

In connection with the filing of this Form 10-Q for the quarter ended June 30, 2022 September 30, 2022, 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 Annual Report on Form 10-K for the year ended December 31, 2021 were still present as of June 30, 2022 September 30, 2022 (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, 2022 September 30, 2022.

Changes in Internal Control Over Financial Reporting

There were no changes during the quarter ended June 30, 2022 September 30, 2022 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 Annual Report on Form 10-K for the year ended December 31, 2021.

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, Illinois (the "Circuit Court"), on August 31, 2012, as amended on November 1, 2012, December 19, 2012, and October 3, 2013, alleging, among other things, that Accel aided and abetted Rowell in breaches of his fiduciary duties and contractual obligations with Action Gaming and tortiously interfered with Action Gaming's contracts with Rowell and agreements assigned to J&J. The complaint seeks damages and injunctive and equitable relief. On January 24, 2018, 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, Illinois 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. On November 7, 2019, Mr. Rowell filed a lawsuit in the Circuit Court of Cook County, Illinois against Accel alleging that he had not received certain equity interests in Accel to which he was allegedly entitled under his agreement. Accel has answered the complaint and asserted a counterclaim, and intends to defend itself against the allegations. Mr. Rowell's claims and Accel's claims are both being litigated in this lawsuit, while the original lawsuit remains pending against the other defendants.

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 parties settled this dispute in April 2022.

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. On July 22, 2022, both parties filed motions for summary judgement.

On March 9, 2022, we filed a lawsuit in the Circuit Court of Cook County, Illinois against Gold Rush relating to the Gold Rush convertible notes. The complaint seeks damages for breach of contract and the implied covenant of good faith and fair dealing as well as unjust enrichment. The lawsuit is publicly available. On June 22, 2022, Gold Rush filed a lawsuit in the Circuit Court of Cook County, Illinois against us. The lawsuit alleges that we tortiously interfered with Gold Rush's business activities and engaged in misconduct with respect to the Gold Rush convertible notes. The complaint seeks declaratory judgment and damages related to the allegations. The Company intends to vigorously defend itself against the allegations in the complaint and denies any allegations of wrongdoing. For more information on the Gold Rush convertible notes, see Note 4 to the accompanying unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

On March 25, 2022, Midwest Electronics Gaming LLC ("Midwest") filed an administrative review action against the Illinois Gaming Board, Accel and J&J in the Circuit Court of Cook County, Illinois seeking administrative review of decisions of the IGB ruling in favor of Accel and J&J and against Midwest regarding the validity of certain use agreements covering locations currently serviced by Midwest. No monetary damages are sought against Accel.

On April 22, 2022, we filed a petition in the Circuit Court of Cook County, Illinois to judicially review the IGB's decision to deny the requested transfer of Gold Rush common stock in respect of our conversion of the convertible notes.

In July 2022, an enforcement action was brought against us by an Illinois municipality related to an alleged violation of an ordinance requiring the collection of an additional tax, the enforceability of which is currently being contested by the Illinois Gaming Machine Operators Association. Rather than litigate the alleged violation, we pled no contest and paid an initial penalty to the municipality in October 2022. We will pay a similar penalty each month for the remaining months of 2022.

Given the status of the legal proceedings discussed above, the Company determined that a legal liability was probable and recorded a loss of $1.0 $1.2 million for the six nine months ended June 30, 2022 September 30, 2022, and of which $1.0 million is included within other expenses, net and $0.2 million is included within general and administrative expenses in the condensed consolidated statements of operations and other comprehensive income. The Company paid legal settlements totaling $1.6 million during the six nine months ended June 30, 2022 September 30, 2022 related to these legal proceedings.

ITEM 1A. RISK FACTORS

Except for as set forth below, there have been no material changes in the risk factors described in Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2021.

Risks Related to Our Business and Industry

Accel's ability to operate in existing markets or expand into new jurisdictions could be adversely affected by difficulties, delays, or failures by Accel or its stakeholders in obtaining or maintaining required licenses or approvals.

Accel operates only in jurisdictions where gaming is legal. The gaming industry is subject to extensive governmental regulation by federal, state, and local governments, which customarily includes some form of licensing or regulatory screening of operators, suppliers, manufacturers and distributors and their applicable affiliates, their major stockholders, officers, directors and key employees. In addition, certain gaming products and technologies must be certified or approved in certain jurisdictions in which Accel operates, and these regulatory requirements vary from jurisdiction to jurisdiction. The scope of the approvals required can be extensive. Regulators review many facets of an applicant or holder of a license, including its financial stability, integrity and business experience. While the regulatory requirements vary by jurisdiction, most require:

- licenses and/or permits;
- documentation of qualifications, including evidence of financial stability;
- other required approvals for companies who design, assemble, supply or distribute gaming equipment and services; and
- individual suitability of officers, directors, major equity holders, lenders, key employees and business partners.

Accel may not be able to obtain or maintain all necessary registrations, licenses, permits or approvals, or could experience delays related to the licensing process which could adversely affect its operations and ability to retain key employees. If Accel fails to obtain a license required in a particular jurisdiction for games and gaming terminals, hardware or software or have such license revoked, it will not be able to expand into, or continue doing business in, such jurisdiction. Any delay, difficulty or failure by Accel to obtain or retain a required license or approval in one jurisdiction could negatively impact the ability to obtain or retain required licenses and approvals in other jurisdictions, or affect eligibility for a license in other jurisdictions, which can negatively affect opportunities for growth. For example, if Accel's license to operate in Illinois is not renewed as a result of a failure to satisfy suitability requirements or otherwise, its ability to obtain or maintain a license in Montana, Nevada, Nebraska, Pennsylvania, Georgia may be harmed. Unexpected changes or concessions required by local, state or federal regulatory authorities could involve significant additional costs and delay. The necessary permits, licenses and approvals may not be obtained within the anticipated time frames, or at all. Additionally, licenses, approvals or findings of suitability may be revoked, suspended or conditioned at any time. If a license, approval or finding of suitability is required by a regulatory authority and Accel fails to seek or does not receive the necessary approval, license or finding of suitability, or if it is granted and subsequently revoked, it could have an adverse effect on Accel's results of operations, cash flows and financial condition.

For example, Accel has received a terminal operator license from the Pennsylvania Gaming Control Board (the "PA Board"). While Accel does not expect that the composition of the PA Board will change prior to the next Pennsylvania gubernatorial election in 2022, there can be no assurances with respect thereto, and any changes in composition to the PA Board could alter existing interpretations or enforcement of the Pennsylvania Gaming Act. In Illinois, Accel was granted its original license to conduct business as a terminal operator by the Illinois Gaming Board (the "IGB") in 2012, and has most recently had its license renewed in June 2020, retroactive to March 2020 for a period of one year. The Company was also granted a manufacturer, distributor and route operator license by the Gambling Control Division of the Montana Department of Justice through June 2023. The Montana license is renewable annually. Additionally, in Nevada, Accel was granted a two-year terminal operator license from the Nevada Gaming Commission (the "NGC") in June 2022. This license will be up for renewal in June 2024. Renewal of each of the Illinois license and the Nevada license is subject to, among other things, continued satisfaction of suitability requirements.

In addition to any licensing requirements, all of Accel's location partners are required to be licensed, and delays in or failure to obtain approvals of these licenses may adversely affect results of operations, cash flows and financial condition. Accel and certain of its affiliates, major stockholders (generally persons and entities beneficially owning a specified percentage (typically 5% or more) of equity securities), directors, officers and key employees are subject to extensive background investigations, personal and financial disclosure obligations and suitability standards in its businesses. Certain jurisdictions may require the same from Accel's lenders or key business partners. The failure of these individuals and business entities to submit to such background checks and provide required disclosure, or delayed review or denial of application resulting from such submissions, could jeopardize Accel's ability to obtain or maintain licensure in such jurisdictions. Any delay, difficulty, or failure by any of Accel's major stockholders, directors, officers, key employees, products or technology, to obtain or retain a required license or approval in one jurisdiction could negatively impact its licensure in other jurisdictions, which can ultimately negatively affect opportunities for growth. In addition, the failure of Accel's officers, directors, key employees or business partners, equity holders, or lenders to obtain or maintain licenses in one or more jurisdictions may require Accel to modify or terminate its relationship with such officers, directors, key employees or business partners, equity holders, or lenders, or forego doing business in such jurisdiction. The licensing procedures and background investigations of the authorities that regulate Accel's businesses may inhibit potential investors from becoming significant stockholders, inhibit existing stockholders from retaining or increasing their ownership, or inhibit existing stockholders from selling their shares to potential investors who are found unsuitable to hold Accel stock by gaming authorities or whose stock ownership may adversely affect Accel's ability to obtain, maintain, renew or qualify for a license, contract, franchise or other regulatory approval from a gaming authority.

Unfavorable economic conditions or decreased discretionary spending due to other factors such as terrorist activity or threat thereof, epidemics, pandemics or other public health issues, civil unrest or other economic or political uncertainties, may adversely affect Accel's business, results of operations, cash flows and financial condition.

Unfavorable economic conditions, including recession, economic slowdown, decreased liquidity in the financial markets, decreased availability of credit, rising interest rates and labor shortages, or inflation or stagflation, could have a negative effect on Accel's business. Unfavorable economic conditions could cause location partners to shut down or ultimately declare bankruptcy, which could adversely affect Accel's business. Unfavorable economic conditions may also result in volatility in the credit and equity markets. For example, the capital and credit markets may be adversely affected by the recent conflict between Russia and Ukraine, and the possibility of a wider European or global conflict, and global sanctions imposed in response thereto. The difficulty or inability of location partners to generate or obtain adequate levels of capital to finance their ongoing operations may cause some to close or ultimately declare bankruptcy. Accel cannot fully predict the effects that unfavorable social, political and economic conditions and economic uncertainties and decreased discretionary spending could have on its business.

Accel's revenue is largely driven by players' disposable incomes and level of gaming activity. Unfavorable economic conditions may reduce the disposable incomes of players at location partners and may result in fewer players visiting location partners, reduced play levels, and lower amounts spent per visit, adversely affecting Accel's results of operations and cash flows. Adverse changes in discretionary consumer spending or consumer preferences, which may result in fewer players visiting location partners and reduced frequency of visits and play levels, could also be driven by an unstable job market, outbreaks (or fear of outbreaks) of contagious diseases, such as the COVID-19 outbreak and its variants, inflation, stagflation, rising interest rates or other factors. Socio-political factors such as terrorist activity or threat thereof, civil unrest or other economic or political uncertainties that contribute to consumer unease may also result in decreased discretionary spending by players and have a negative effect on Accel.

Accel's revenue growth and future success depends on its ability to expand into new markets, which may not occur as anticipated or at all.

Accel's future success and growth depend in large part on the successful addition of new locations as partners (whether through organic growth, conversion from competitors or partner relationships) and on the entry into new markets, including other licensed jurisdictions such as Pennsylvania, where Accel was granted a license as a terminal operator in November 2020 but has not commenced gaming operations as of December 31, 2021 September 30, 2022; Georgia, where Accel acquired Tom's Amusement Company, Inc., a Southeastern U.S. amusement operator and Master Licensee, in July 2020, and Island Games, Inc., a southern Georgia amusement operator in May 2021; Iowa, where Accel recently acquired the amusement and ATM assets of the affiliated companies, Rich and Junnie's Inc. and JBCJ, Inc.; Montana and Nevada, where Accel acquired all of the outstanding equity interests of Century Gaming Inc. ("Century") in June 2022; and Nebraska, where Accel acquired substantially all of the mechanical amusement device and ATM asses assets of VVS, Inc. in August 2022. These markets are newer to Accel and its success depends in part on displacing entrenched competitors who are familiar with these markets and are known to players. In many cases, Accel is attempting to enter into or expand its presence in these newer markets and where the appeal and success of gaming terminals and other forms of entertainment has not yet been proven. In some cases, Accel may need to develop or expand its sales channels and leverage the relationships with its location partners in order to execute this strategy. There can be no assurance that video gaming will have success with new location partners or in new markets, or that it will succeed in capturing a significant or even acceptable market share in any new markets, including Pennsylvania, Georgia, Nebraska and Iowa. In addition, it is possible that Accel will not be able to commence operations in the Pennsylvania market due to regulatory or other concerns. See "Accel "— *Accel is subject to strict government regulations that are constantly evolving and may be amended, repealed, or subject to new interpretations, which may limit existing operations, have an adverse impact on the ability to grow or may expose Accel to fines or other penalties*." If Accel fails to successfully expand into these markets, it may have difficulty growing its business and may lose business to its competitors.

Accel's business is geographically concentrated, which subjects it to greater risks from changes in local or regional conditions.

Accel currently installs gaming terminals and amusement devices in location locations primarily in Illinois. Due to this geographic concentration, Accel's results of operations, cash flows and financial condition are subject to greater risks from changes in local and regional conditions, such as:

- changes in local or regional economic conditions and unemployment rates;
- changes in local and state laws and regulations, including gaming laws and regulations;
- a decline in the number of residents in or near, or visitors to, location partners;
- changes in the local or regional competitive environment; and
- adverse weather conditions and natural disasters (including weather or road conditions that limit access to locations).

Accel largely depends on local markets of each location for players. Local competitive risks and the failure of location partners to attract a sufficient number of guests, players and other visitors in these locations could adversely affect Accel's business. As a result of the geographic concentration of Accel's businesses, it faces a greater risk of a negative impact on its results of operations, cash flows and financial condition in the event that Illinois is more severely impacted by any such adverse condition, as compared to other areas in the United States. Accel is subject to similar concentration risks in Georgia, Iowa, Montana and Nevada, and if Accel is successful in expanding its operations into Pennsylvania, Nebraska or other gaming jurisdictions, it may also face similar concentration risk there.

Accel's failure to successfully integrate its business with Century could materially adversely affect its business, and Accel may not realize the full benefits of the Century Acquisition.

Accel's ability to realize the anticipated benefits of its June 2022 acquisition of Century Gaming, Inc. (the "Century Acquisition"), will depend, to a large extent, on its ability to successfully integrate our business with the business we acquired. Integrating and coordinating the operations and personnel of multiple businesses and managing the expansion in the scope of our operations and financial systems involves complex operational, technological and personnel-related challenges. The potential difficulties, and resulting costs and delays, relating to the integration of our business with Century's business include:

- the difficulty in integrating Century's business and operations in an efficient and effective manner;
- the challenges in achieving strategic objectives and other benefits expected from the Century Acquisition;
- the diversion of management's attention from day-to-day operations;
- additional demands on management related to the increased size and scope of our company following the Century Acquisition;
- the assimilation of employees and the integration of different business cultures;
- challenges in attracting and retaining key personnel;
- the need to integrate information, accounting, finance, sales, billing, payroll and regulatory compliance systems;
- challenges in keeping existing customers and obtaining new customers; and
- challenges in combining sales and marketing activities.

There is no assurance that Accel will successfully or cost-effectively integrate with Century, and the costs of achieving systems integration may substantially exceed Accel's current estimates. Issues that arise during this process may divert management's attention away from Accel's day-to-day operations, and any difficulties encountered in the integration process could cause internal disruption in general, which could adversely impact Accel's relationships with customers, suppliers, employees and other constituencies. Combining Accel and Century's different systems, technology, networks and business practices could be more difficult and time consuming than Accel anticipated, and could result in additional unanticipated expenses. Accel and Century's combined results of operations could also be adversely affected by any issues Accel discovers that were attributable to operations of the Century entities that arose before the acquisition. Moreover, as a non-public company at the time of the acquisition, Century did not have to comply with the requirements of the Sarbanes-Oxley Act of 2002 for internal control over financial reporting and other procedures. Bringing the legacy systems for Century into compliance with those requirements may cause Accel to incur substantial additional expense. In addition, the integration process may cause an interruption of, or loss of momentum in, the activities of the combined business. If management is not able to effectively manage the integration process, or if any significant business activities are interrupted as a result of the integration process, Accel's business could suffer and its results of operations and financial condition may be harmed.

Risks Related to Compliance and Regulatory Matters

Accel is subject to strict government regulations that are constantly evolving and may be amended, repealed, or subject to new interpretations, which may limit existing operations, have an adverse impact on the ability to grow or may expose Accel to fines or other penalties.

Accel is subject to the rules, regulations, and laws applicable to gaming, including, but not limited to, the Illinois Video Gaming Act, the Pennsylvania Gaming Act, the Georgia Lottery for Education Act, the Montana Video Gaming Control Act, and the Nevada Gaming Control Act. These gaming laws and related regulations are administered by the IGB, PA Board, the Georgia Lottery Corporation (the "GLC"), the Montana Department of Justice, Gambling Control Division and the NGC, respectively, which are regulatory boards with broad authority to create and interpret gaming regulations and to regulate gaming activities. These gaming authorities are authorized to:

- adopt additional rules and regulations under the implementing statutes;
- investigate violations of gaming regulations;
- enforce gaming regulations and impose disciplinary sanctions for violations of such laws, including fines, penalties and revocation of gaming licenses;
- review the character and fitness of manufacturers, distributors and operators of gaming services and equipment and make determinations regarding their suitability or qualification for licensure;
- review and approve transactions (such as acquisitions, material commercial transactions, securities offerings and debt transactions); and
- establish and collect related fees and/or taxes.

Although Accel plans to maintain compliance with applicable laws as they evolve and to generally maintain good relations with regulators, there can be no assurance that Accel will do so, and that law enforcement or gaming regulatory authorities will not seek to restrict Accel's business in their jurisdictions or institute enforcement proceedings if Accel is not compliant. For example, Accel is currently involved in an administrative hearing process with the IGB related to certain alleged violations of the Video Gaming Act and related rules. See "Legal Proceedings" for more information. There can be no assurance that any instituted enforcement proceedings will be favorably resolved, or that such proceedings will not have an adverse effect on its ability to retain and renew existing licenses or to obtain new licenses in other jurisdictions. Gaming authorities may levy fines against Accel or seize certain assets if Accel violates gaming regulations. Accel's reputation may also be damaged by any legal or regulatory investigation, regardless of whether Accel is ultimately accused of, or found to have committed, any violation. A negative regulatory finding or ruling in one jurisdiction could have adverse consequences in other jurisdictions, including with gaming regulators.

In addition to regulatory compliance risk, Illinois, Pennsylvania, Georgia, Montana, Nevada or any other states or other jurisdiction in which Accel operates or may operate (including jurisdictions at the county, district, municipal, town or borough level), may amend or repeal gaming enabling legislation or regulations. Changes to gaming enabling legislation or new interpretations of existing gaming laws may hinder or prevent Accel from continuing to operate in the jurisdictions where it currently conducts business, which could increase operating expenses and compliance costs or decrease the profitability of operations. Repeal of gaming enabling legislation could result in losses of capital investments and revenue, limit future growth opportunities and have an adverse effect on Accel's results of operations, cash flows and financial condition. If any jurisdiction in which Accel operates were to repeal gaming enabling legislation, there could be no assurance that Accel could sufficiently increase revenue in other markets to maintain operations or service existing indebtedness. In particular, the enactment of unfavorable legislation or government efforts affecting or directed at gaming terminal manufacturers or gaming operators, such as referendums to increase gaming taxes or requirements to use local distributors, would likely have a negative impact on operations. For example, in June 2019, the Illinois legislature approved a gaming expansion bill that, in addition to providing for an increased number of possible gaming venues, also increases Illinois state tax on gaming revenue. Additionally, membership changes within regulatory agencies could impact operations. The IGB in particular has experienced significant personnel changes since the commencement of Accel's gaming terminal operations in 2012. Changes in the composition of the IGB can impact current rules, regulations, policies, enforcement trends and overall agendas of the IGB.

Risks Related to Our Common Stock

Holders of common stock are subject to certain gaming regulations, and if a holder is found unsuitable by a gaming authority, that holder would not be able to, directly or indirectly, beneficially own common stock.

Holders of common stock are subject to certain gaming regulations. In Illinois, Georgia, Pennsylvania, Nevada and other regulated gaming jurisdictions, gaming laws can require any holder of common stock to be disclosed, file an application, be investigated, and qualify or have his, her or its suitability determined by gaming authorities. Gaming laws in Illinois, Georgia, Pennsylvania, Montana, Nevada and other regulated gaming jurisdictions also require any person who acquires beneficial ownership of more than 5% of voting securities of a gaming company to notify the gaming authorities, and gaming authorities may require such holders to apply for qualification or a finding of suitability, subject to limited exceptions for "institutional investors" that hold a company's voting securities for investment purposes only. If a holder is found unsuitable by a gaming authority, that holder would not be able to, directly or indirectly, beneficially own common stock.

Gaming authorities have very broad discretion in determining whether an applicant should be deemed suitable. For any cause deemed reasonable by the gaming authorities, subject to certain administrative proceeding requirements, gaming regulators in Illinois, Pennsylvania, Montana, Nevada or elsewhere would have the authority to (i) deny any application; (ii) limit, condition,

restrict, revoke, or suspend any license, registration, finding of suitability or approval, including revoking any licenses held by Accel to conduct business in the state or (iii) fine any person licensed, registered, or found suitable or approved. Any person required by a gaming authority to be found suitable, who is found unsuitable by the gaming authority, may not hold, directly or indirectly, the beneficial ownership of any voting security or beneficial or record ownership of any non-voting security or any debt security of any public corporation that is registered with the gaming authority beyond the time prescribed by the gaming authority. A finding of unsuitability by a particular gaming authority in Illinois, Pennsylvania, Montana, Nevada or elsewhere will impact that person's ability to associate or affiliate with gaming licensees in that particular jurisdiction and could impact the person's ability to associate or affiliate with gaming licensees in other jurisdictions.

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

Issuer Purchase Purchases of Equity Securities

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

The Inflation Reduction Act of 2022, enacted on August 16, 2022, among other things, imposes a 1% non-deductible, excise tax on repurchases of stock that are made by U.S. publicly traded corporations on or after January 1, 2023, which may affect our share repurchase program. The application of tax laws and related regulations is subject to legal and factual interpretation, judgment and uncertainty.

The following table provides the shares purchased under the share repurchase program in the second third quarter of 2022:

Period	Total number of shares purchased	Average price paid per share	Cumulative shares purchased as part of publicly announced program	Maximum approximate dollar value of shares that may yet be purchased under the program (in millions)
April 2022	485,194	$12.19	2,274,489	$171.2
May 2022	697,481	$10.64	2,971,970	$163.7

June 2022	1,143,738	$10.63	4,115,708	$151.6
Total	2,326,413			

Period	Total number of shares purchased	Average price paid per share	Cumulative shares purchased as part of publicly announced program	Maximum approximate dollar value of shares that may yet be purchased under the program (in millions)
July 2022	679,329	$11.19	4,795,037	$144.0
August 2022	744,778	$10.06	5,539,815	$136.5
September 2022	841,000	$8.79	6,380,815	$129.1
Total	2,265,107			

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 6. EXHIBITS

Exhibit No.	Exhibit
10.17(A) **	Separation Agreement by and between Accel Entertainment Gaming, LLC and Michael Marino, dated as of August 26, 2022.
31.1	Certification of Principal Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a)
31.2	Certification of Principal Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a)
32.1	Section 1350 Certification of Principal Executive Officer
32.2	Section 1350 Certification of Principal Financial Officer
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Inline XBRL File (included in Exhibit 101)

** Indicates management contract or compensation plan or agreement.

SIGNATURES

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

ACCEL ENTERTAINMENT, INC.

Date: August 9, 2022 November 8, 2022

By: /s/ Mathew Ellis

Mathew Ellis
Chief Financial Officer

53 55

Exhibit 10.17(A)

Accel Entertainment, Inc.

August 26, 2022

Michael Marino
Address: xxxxxxxxxxx e-mail: xxxxxxxxxxxx

Re: Terms of Separation and General Release.

Dear Michael:

This letter confirms the agreement ("***Agreement***") between you and Accel Entertainment, Inc. (the "***Company***") concerning the terms of your separation and offers you the separation compensation we discussed in exchange for a general release of claims and covenant not to sue.

1. Separation Date. August 1, 2022 was your last day of employment with the Company(the "***SeparationDate***"). You hereby acknowledge that you have resigned from all of your positions with the Company as of the Separation Date.
2. Acknowledgment of Payment of Wages. By the next regularly scheduled Company payday following the Separation Date, the Company will provide you with your final pay for all wages, salary, and any similar payments due you from the Company as of the Separation Date. By signing below, you acknowledge that the Company does not owe you any other amounts.
3. Cessation of Benefits: Your coverage under the Company health care plan will terminate on August 30, 2022. Under applicable law, you may be eligible for continuation coverage for health care benefits, as further described in Section 4(b) below. Further information regarding such benefits will be provided to you separately from our health plan administrator.
4. Severance Benefits. In exchange for your agreement to the general release and waiver of claims and covenant not to sue set forth herein, this Agreement becoming effective and irrevocable within 60 days following the Separation Date, and your other promises herein and therein, the Company agrees to provide you with the benefits set forth below. By signing below, you acknowledge that you are receiving the severance benefits described in this Section 4 (the "***Severance Benefits***") in consideration for waiving your rights to claims referred to in this Agreement and that the Severance Benefits satisfy all obligations the Company may have to provide you with separation compensation under the terms of your employment agreement with the Company, dated as of March 8, 2020 (the "***Employment Agreement***"), or otherwise.
   a. *Cash Severance.* The Company shall pay you an aggregate cash payment of $ 707,620.73,which is equal to the sum of the base salary and annual bonus payments you received from the Company during the 12-month period ending on the Separation Date, payable in equal installments during the 12-month period following the Separation Date in accordance with the Company's normal payroll policies subject to applicable withholdings, starting with the first payroll period immediately following the date this Agreement becomes effective and non-revocable (so long as this Agreement becomes effective and non-revocable on before the 60th day following the Separation Date), with

   the first payment to include those payments that would have occurred earlier but for such delay.

   b. *COBRA.* Provided that you are then eligible for and timely elect continued coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("***COBRA***"), the Company shall directly pay or reimburse you for the monthly COBRA premiums to continue your coverage (including coverage for eligible dependents, if applicable) through the period starting on the Separation Date and ending on the earliest to occur of (a) the 12-month anniversary of the Separation Date, and (b) the date you become eligible for substantially comparable group health insurance coverage under another employer's plans (the "***COBRA Premium Period***"). In the event you become covered under another employer's group health plan or otherwise cease to be eligible for COBRA during the COBRA Premium Period, you must immediately notify the Company of such event. Notwithstanding the foregoing, the Company may elect at any time that, in lieu of paying or reimbursing such premiums, the Company will instead pay you a fully taxable cash payment equal to the applicable COBRA premiums for any calendar month, subject to applicable tax withholding, which payments you may, but are not obligated to, use toward the cost of COBRA premiums.

5. General Release and Waiver of Claims.

   a. The payments and promises set forth in this Agreement are in full satisfaction of all accrued salary, vacation pay, bonus and commission pay, profit□sharing, stock, stock options or other ownership interest in the Company, contractual severance, termination benefits or other compensation to which you may be entitled by virtue of your employment with the Company or your separation from the Company, including pursuant to the Employment Agreement. To the fullest extent permitted by law, you hereby release and waive any other claims you may have against the Company and its owners, agents, officers, shareholders, employees, directors, attorneys, subscribers, subsidiaries, affiliates, successors and assigns (collectively "***Releasees***"), whether known or not known, including, without limitation, claims under any employment laws, including, but not limited to, claims of unlawful discharge, breach of contract, breach of the covenant of good faith and fair dealing, fraud, violation of public policy, defamation, physical injury, emotional distress, claims for additional compensation or benefits arising out of your employment or your separation of employment, claims under Title VII of the 1964 Civil Rights Act, as amended, and any other Federal, state, or other laws and/or regulations relating to employment or employment discrimination, including, without limitation, claims of sexual harassment or other unlawful harassment, claims based on age or under the Age Discrimination in Employment Act or Older Workers Benefit Protection Act, and/or claims based on disability or under the Americans with Disabilities Act.

   b. You hereby acknowledge that you are aware of the principle that a general release does not extend to claims that the releasor does not know or suspect to exist in his or her favor at the time of executing the release, which, if known by him or her, must have materially

affected his or her settlement with the releasee. With knowledge of this principle, you hereby agree to expressly waive any rights you may have to that effect.

   c. You and the Company do not intend to release claims that you may not release as a matter of law, including but not limited to claims for indemnity, or any claims for enforcement of this Agreement. To the fullest extent permitted by law, any dispute regarding the scope of this general release shall be determined by an arbitrator under the procedures set forth in the arbitration clause in the Agreement.

6. Covenant Not to Sue.

   a. To the fullest extent permitted by law, at no time subsequent to the execution of this Agreement will you pursue, or cause or knowingly permit the prosecution, in any state, federal or foreign court, or before any local, state, federal or foreign administrative agency, or any other tribunal, of any charge, claim or action of any kind, nature and character whatsoever, known or unknown, which you may now have, have ever had, or may in the future have against Releasees, which is based in whole or in part on any matter released by this Agreement.

   b. Nothing in this paragraph shall prohibit or impair you or the Company from complying with all applicable laws, nor shall this Agreement be construed to obligate either party to commit (or aid or abet in the commission of) any unlawful act.

7. Protected Rights. You understand that nothing in this Agreement limits your ability to file a charge or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission or any other federal, state or local government agency or commission ("***Government Agencies***"). You further understand that this Agreement does not limit your ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company. The Agreement does not limit your right to receive an award for information provided to any Government Agencies.

8. Return of Company Property. You hereby warrant to the Company that you will return to the Company all property or data of the Company of any type whatsoever that has been in your possession or control on or prior to the Separation Date.

9. Proprietary Information. You hereby acknowledge that as a result of your employment with the Company you have had access to the Company's Proprietary Information (as defined in the Employment Agreement), that you will hold all Proprietary Information in strictest confidence and that you will not make use of such Proprietary Information on behalf of anyone. You further confirm that you have delivered to the Company all documents and data of any nature containing or pertaining to such Proprietary Information and that you have not taken with you any such documents or data or any reproduction thereof.

10. Equity. All of your Company stock options and restricted stock units that were not vested as of the Separation Date were cancelled for no consideration on the Separation Date. All of your

vested Company stock options will remain exercisable for a period following the Separation Date as provided by the terms of the Company's Long Term Incentive Plan and the applicable stock option award agreement.

11. Non-Disparagement. You agree not to disparage the Company or the Company's current and former officers, directors, members, employees, parents, subsidiaries, affiliates and agents, in any manner likely to be harmful to them or their business or personal reputations. The Company agrees not to disparage you in any manner likely to be harmful to you or your personal reputation; *provided* that the Company's obligations under this Section 11 shall extend only to the Company's current officers and directors and only for so long as they are officers and directors of the Company. This prohibition shall not prevent you or the Company from responding accurately and fully to any question, inquiry or request for information when required by legal process.

12. Arbitration. Except for any claim for injunctive relief arising out of a breach of a party's obligations to protect the other's proprietary information, the parties agree to arbitrate, in Cook County, Illinois through JAMS in accordance with the Employment Agreement, any and all disputes or claims arising out of or related to the validity, enforceability, interpretation, performance or breach of this Agreement, whether arising in tort, contract, statutory violation or otherwise, or involving the construction or application or any of the terms, provisions, or conditions of this Agreement. Any arbitration may be initiated by a written demand to the other party. The arbitrator's decision shall be final, binding, and conclusive. The parties further agree that this Agreement is intended to be strictly construed to provide for arbitration as the sole and exclusive means for resolution of all disputes hereunder to the fullest extent permitted by law. The parties expressly waive any entitlement to have such controversies decided by a court or a jury.

13. Attorneys' Fees. If any action is brought to enforce the terms of this Agreement, the prevailing party will be entitled to recover its reasonable attorneys' fees, costs and expenses from the other party, in addition to any other relief to which the prevailing party may be entitled.

14. Confidentiality. The contents, terms and conditions of this Agreement must be kept confidential by you and may not be disclosed except to your immediate family, accountant or attorneys or pursuant to subpoena or court order. You agree that if you are asked for information concerning this Agreement, you will state only that you and the Company reached an amicable resolution of any disputes concerning your separation from the Company. Any breach of this confidentiality provision shall be deemed a material breach of this Agreement.

15. No Admission of Liability. This Agreement is not and shall not be construed or contended by you to be an admission or evidence of any wrongdoing or liability on the part of Releasees, their representatives, heirs, executors, attorneys, agents, partners, officers, shareholders, directors, employees, subsidiaries, affiliates, divisions, successors or assigns. This Agreement shall be afforded the maximum protection allowable under the Federal Rules of Evidence 408 and/or any other state or federal provisions of similar effect.

16. Complete and Voluntary Agreement. This Agreement constitutes the entire agreement between you and Releasees with respect to the subject matter hereof and supersedes all prior negotiations

and agreements, whether written or oral, relating to such subject matter, including the Employment Agreement and you acknowledge that you are not entitled to any payments or benefits under the Employment Agreement. However, you acknowledge that the provisions of the Employment Agreement that by their terms are intended to survive any termination or expiration of the Employment Agreement shall so survive, including without limitation Section 6.2 (*Conflict of Interests; Non-Competition*), Section 6.3 (*Non-Solicitation*), Section 6.4 (*Confidential and Proprietary Information*), Section 6.5 (*Work Product*), and Section 6.6 (*Cooperation*). You acknowledge that neither Releasees nor their agents or attorneys have made any promise, representation or warranty whatsoever, either express or implied, written or oral, which is not contained in this Agreement for the purpose of inducing you to execute this Agreement, and you acknowledge that you have executed this Agreement in reliance only upon such promises, representations and warranties as are contained herein, and that you are executing this Agreement voluntarily, free of any duress or coercion.

17. Severability. The provisions of this Agreement are severable, and if any part of this Agreement is found to be invalid or unenforceable, the other parts shall remain fully valid and enforceable. Specifically, should a court, arbitrator, or government agency conclude that a particular claim may

not be released as a matter of law, it is the intention of the parties that the general release, the waiver of unknown claims and the covenant not to sue above shall otherwise remain effective to release any and all other claims.

18. Modification; Counterparts; Facsimile/PDF Signatures. It is expressly agreed that this Agreement may not be altered, amended, modified, or otherwise changed in any respect except by another written agreement that specifically refers to this Agreement, executed by authorized representatives of each of the parties to this Agreement. This Agreement may be executed in any number of counterparts, each of which shall constitute an original and all of which together shall constitute one and the same instrument. Execution of a facsimile or PDF copy shall have the same force and effect as execution of an original and a copy of a signature will be admissible in any legal proceeding as if an original.

19. Review of Separation Agreement; Expiration of Offer. By signing below, you affirm that you were advised to consult with an attorney prior to signing this Agreement. You also understand you may revoke this Agreement within seven (7) days of signing this Agreement and that the Severance Benefits to be provided to you pursuant to Section 4 will be provided only after the expiration of that seven (7) day revocation period, and will not be provided to you if you do not execute and deliver this Agreement or if such seven (7) day revocation period does not expire on or prior to the 60th day following the Separation Date.

20. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Illinois.

[Remainder of Page Intentionally Left Blank]

If you agree to abide by the terms outlined in this Agreement, please sign and return it to me. I wish you the best in your future endeavors.

Sincerely,

ACCEL ENTERTAINMENT, INC.

By: */s/ Andrew Rubenstein*
Andrew H. Rubenstein
President and Chief Executive Officer

READ, UNDERSTOOD AND AGREED

/s/ Michael Marino Date: 8/31/22
Michael Marino

Exhibit 31.1

Certification of Principal Executive Officer

I, Andrew Rubenstein, certify that:

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

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

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

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

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

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

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2022 November 8, 2022

/s/ *Andrew Rubenstein*

Andrew Rubenstein

Chief Executive Officer (Principal Executive Officer)

Exhibit 31.2

Certification of Principal Financial Officer

I, Mathew Ellis, certify that:

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

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

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

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

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

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

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2022 November 8, 2022

/s/ Mathew Ellis

Mathew Ellis

Chief Financial Officer (Principal Financial Officer)

Exhibit 32.1

Section 1350 Certification of Principal Executive Officer

In connection with the Quarterly Report on Form 10-Q of Accel Entertainment, Inc. (the "Company") for the three months ended June 30, 2022 September 30, 2022 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 9, 2022 November 8, 2022

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

Exhibit 32.2

Section 1350 Certification of Principal Financial Officer

In connection with the Quarterly Report on Form 10-Q of Accel Entertainment, Inc. (the "Company") for the three months ended June 30, 2022 September 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mathew Ellis, Chief Financial Officer of the Company, certify, to the best of my knowledge and belief, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/ Mathew Ellis

Mathew Ellis

Chief Financial Officer (Principal Financial Officer)

Date: August 9, 2022 November 8, 2022

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.

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