

GAMING INDUSTRY OUTLOOK REMAINS POSITIVE IN 2022

Economic activity in the U.S. gaming industry is expected to continue to expand over the next six months, sustaining the broad gains experienced since Q3 2020, according to the AGA CEO Outlook Index presented in partnership with Fitch Ratings. While gaming revenue, a key index component, has posted strong year-over-year increases, it has slowed sequentially from the busier fourth quarter of 2021.

The CEO Outlook Index provides a snapshot of the current and future economic health of the industry based on executive sentiment, casino visitation plans, gaming revenue and other economic indicators. The Outlook includes two separate indices:

- The Current Conditions Index measured 93.5, reflecting a slowing in casino gaming-related economic activity relative to strong growth in the prior quarter (index values above 100 indicate activity is increasing).
- The Future Conditions Index stood at 101.1, indicating annualized industry economic activity over the next six months is expected to expand modestly.

The positive growth outlook reflected in the Future Conditions Index is supported by favorable economic conditions and positive expectations expressed by the Gaming Executive Panel—reflecting the views of 24 AGA member CEO respondents. More than two-fifths of the panel participants (42%) expected business conditions to be better than normal over the next three to six months, as compared to only 13 percent who expected worse than normal conditions.

INDEX HIGHLIGHTS

Economic activity in the industry, as measured by gaming revenue, employment and employee wages and salaries in the Current Conditions Index, slowed in Q1 2022 relative to Q4 2021, with an index reading of 93.5.

The smoothed version—effectively a three-quarter weighted average—of the Current Conditions Index, which is reported with two-quarter lag and is less impacted by short-term fluctuations, stood at 116.5 in Q1 2022. This indicates industry activity has been expanding in recent quarters at an annualized pace of approximately 16.5 percent.

GAMING EXECUTIVE PANEL HIGHLIGHTS

Gaming executives expressed positive sentiment across a range of indicators, with all respondents indicating the current business situation is good (67%) or satisfactory (33%), and more than two-fifths indicating future conditions are expected to be better (42%) than the present. Compared to Q3 2021, more executives see the current situation as good, but optimism for continued improvement in business conditions over the next six months has subsided.

Panel participants overwhelmingly expect a quicker pace of wage and benefit growth over the coming months and, compared to Q3 2021, the net responses indicating an increased pace of hiring have declined.

Supply chain issues remain the top concern for gaming executives as 75 percent of respondents cited it a factor limiting operations, followed by inflation and interest rate concerns (63%), as well as concerns about a shortage of labor (54%). Multiple executives underscored in written comments that securing talent and supply chain issues were requiring greater than normal levels of management attention. Notably, consumer health and safety concerns, as well as concerns over meetings and event demand dropped from the top five limiting factors, reflecting declining direct business impacts from the pandemic.

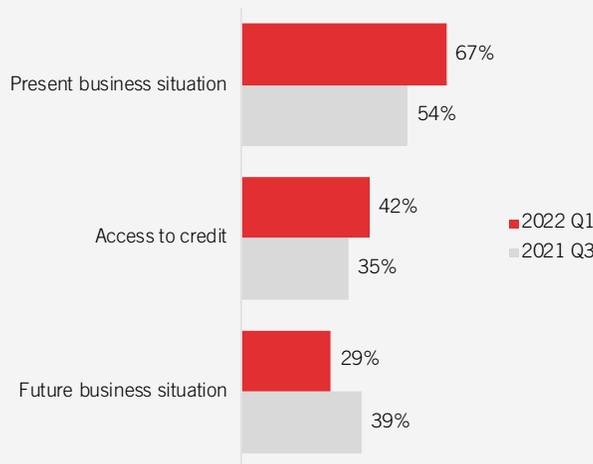
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- • **All panel participants assess the recent business situation to be “good” (67%) or “satisfactory” (33%). More expect future conditions to be “better” (42%) than expect “worse” (13%).**

Gaming executives are quite positive on current business conditions and many expect future conditions to be better.

Business Situation

Net positive calculated as share of respondents that assess present conditions for their company as “good” or future conditions as “expected to be better over the next three to six months” or access to credit as “easy,” minus share assessing each measure as “bad” or “expected to be worse” or access to credit as “tight.”



Response base: Gaming executive panel overall. Net positive calculated as share assessing present conditions for their company as “good” or future conditions as “expected to be better over the next three to six months” or access to credit as “easy,” minus share assessing each measure as “bad” or “expected to be worse” or access to credit as “tight.”

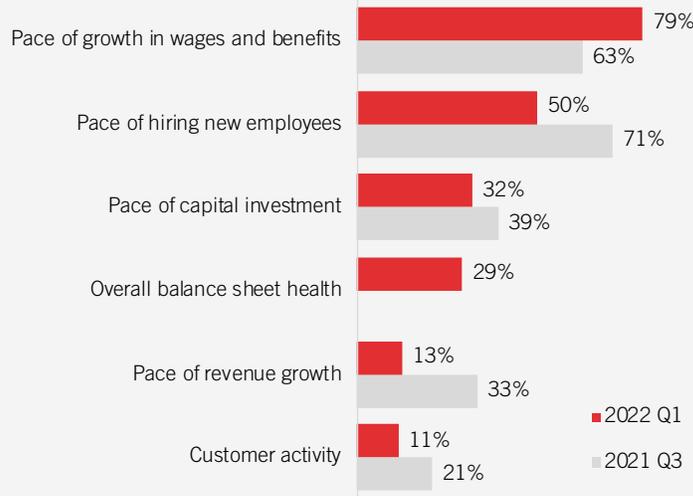
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Many more panel participants (79 percentage points net positive) expect a quicker pace of wage and benefit growth.

Quicker pace of wage and benefit costs coincides with declining pace of new hiring.

Growth Expectations

Net positive calculated as share of respondents that “expect increase” over next three to six months minus share that “expect decrease.”



Response base: Gaming executive panel overall.

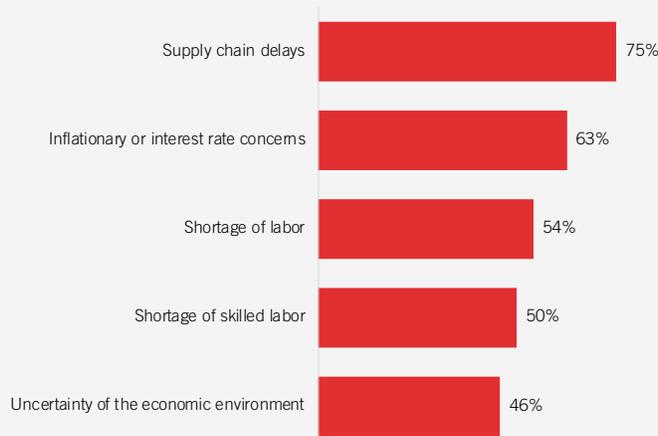
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Supply chain delays (75%), as well as concerns related to inflation or interest rates (63%), are cited as top factors limiting gaming operations in the U.S.

Macroeconomic concerns supplant direct pandemic-related limitations as top factors limiting operations.

Factors Limiting Operations

Share of respondents

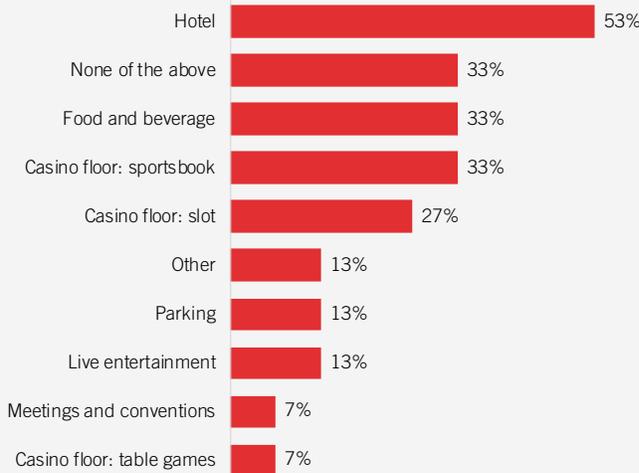


Response base: Gaming executive panel overall.

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- • **Half of respondents (53%) plan to put greater than normal capital investment into hotel facilities in the coming year.**
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Hotel, restaurant and sportsbook facilities are targeted for extra capital investment over the coming year.

Casino Areas Targeted for Extra Capital Investment
Share of respondents



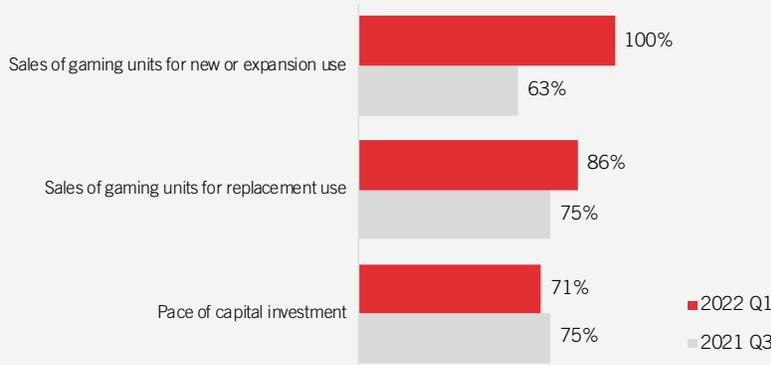
Note: Response base consists of casino operators and owners. Result shows the share of respondents expecting to make greater than normal levels of capital investment in each area over the next six to 12 months.

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- • **All gaming equipment supplier respondents (100%) expect increased sales of gaming units for new or expansion use.**
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Gaming equipment suppliers expect increased sales of gaming units and accelerated capital investment.

Growth Expectations

Net positive calculated as share of respondents that “expect increase” over next 3 to 6 months minus share that “expect decrease.”



Response base: Gaming equipment suppliers.

BACKGROUND & METHODOLOGY

The Gaming CEO Outlook is prepared bi-annually on the behalf of the American Gaming Association by Oxford Economics and presented in partnership with Fitch Ratings. It provides a timely measure of recent industry growth and future expectations.

Current Conditions Index:

- The Current Conditions Index measures activity in the US casino gaming industry during the most recent quarter. It is based on three components: gaming revenue, employment, and wages and salaries. Each component is adjusted to control for seasonal patterns and monetary measures are adjusted for inflation. Data is estimated through the end of Q1 2022 for each component based on available monthly data at the time of index calculation. As additional information becomes available for past quarters, the index will be re-estimated.
- The Current Conditions Index reflect the composite growth of the three components, on an annualized basis. Index values above 100 indicate activity expanded during the quarter, while index values below 100 indicate a contraction. Index values are scaled to be consistent with annualized growth. For example, an index value of 103 is consistent with a 3 percent annualized pace of growth. The index controls for typical seasonal patterns and index values may be directly compared to the pace of change in previous periods.
- When shown graphically, the Current Conditions Index compresses the most extreme values (index values below 80 or above 120). Individual observations are shown for the four most recent quarters. Additional history is shown as a smoothed series, similar to a moving average, to help convey shifts in industry conditions.

Future Conditions Index:

- The Future Conditions Index measures the expected direction of conditions in the US casino gaming industry over the coming six months. It is based on the following three components: economic conditions (measured as Oxford Economics' forecast for growth in personal disposable income, household net worth, and consumer spending on services), consumer intentions to visit a casino in the future, and the aggregate sentiment expressed in the Gaming Executive Panel. The Future Conditions Index is scaled so that index values correspond to the expected growth rate in industry conditions as measured by the Current Conditions Index. For example, an index value of 103 is consistent with a 3 percent annualized pace of expected growth.
- The economic conditions measure is based on Oxford Economics' forecast of growth in real disposable income, household net worth, and consumer spending on services. The components of the index were selected based on the contribution each indicator makes to predicting future movements in the Current Conditions Index. Casino executive sentiment is measured through the aggregate measure of positive responses minus negative responses across a set of survey questions.
- The Future Conditions Index is based in part on Oxford Economics' outlook for the economy:
 - The US economy has cooled down significantly as a result of the rapidly spreading Delta variant, diminishing fiscal stimulus and lingering capital and labor constraints but is unlikely to go into reverse.
 - Employment growth remains solid, compensation is rising, household finances appear healthy, and savings buffers are elevated. Combined, these should help support consumer spending growth of around eight percent this year, representing the strongest growth since the period following World War II.

Gaming Executive Panel

- The Gaming Executive Panel consists of senior level AGA member executives. Respondents were segmented across three primary categories: casinos operators and owners, gaming equipment suppliers, and iGaming and/or sportsbook operators.
- The Q1 2022 survey was conducted between March 21-April 1, 2022. A total of 24 executives responded, including executives at the major international and domestic gaming companies, tribal gaming operators, single-unit casino operators, major gaming equipment suppliers and major iGaming, and/or sports betting operators.

ABOUT FITCH RATINGS

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