

## GAMING INDUSTRY OUTLOOK REMAINS STRONG HEADING INTO 2022

---

Activity in the U.S. gaming industry is expected to continue to improve over the next six months, building on the substantial recovery experienced through the third quarter of 2021, according to results of the inaugural edition of the AGA Gaming Industry Outlook.

The Gaming Industry Outlook 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 comprises two separate indices:

- The Current Conditions Index measures 115.1, reflecting exceptionally strong growth in casino gaming-related economic activity relative to the prior quarter (index values above 100 indicate activity is increasing).
- The Future Conditions Index stands at 102.7, indicating industry activity over the next six months is expected to expand, though not as rapidly as in Q3.

The strong growth outlook reflected in the Future Conditions Index is supported by favorable economic conditions and positive expectations expressed by the Gaming Executive Panel. Almost half (48%) of the 24 panel participants, made up of AGA operator and supplier CEOs and executives, expected business conditions to be better than normal as we head into the new year, as compared to only nine percent who expected worse than normal conditions.

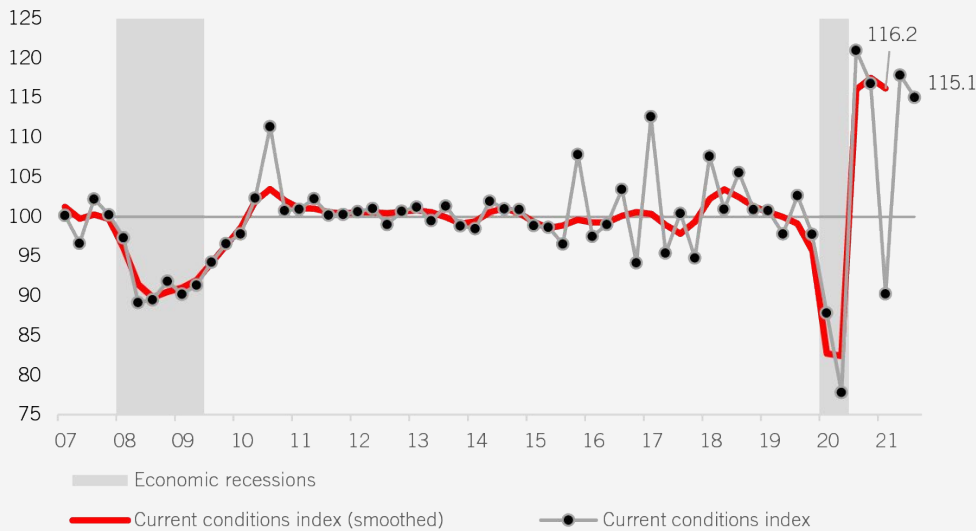
## INDEX HIGHLIGHTS

---

Economic activity in the industry, as measured by gaming revenue, employment, and employee wages and salaries in the Current Conditions Index, expanded at a rapid 15.1 percent annualized pace during Q3 on a seasonally adjusted basis relative to the prior quarter. This was slower growth than in Q2, but still represented one of the fastest periods of growth in the industry over the 20-year index history.

The smoothed version – effectively a three-month weighted average – of the Current Conditions Index (below), which is reported with a two-quarter lag, showing underlying industry growth and is less impacted by short-term fluctuations, stood at 116.2 in Q1 2021.

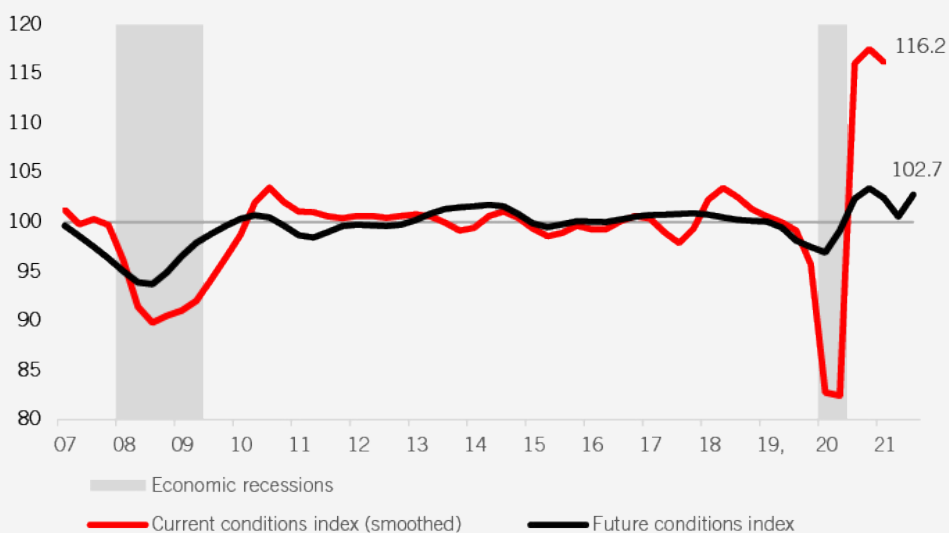
## CURRENT CONDITIONS INDEX



The Future Conditions Index reflects positive growth expectations from the Gaming Executive Panel. In aggregate, across a set of outlook questions, the share of positive responses outweighed negative responses by 44 points, with 54.1 percent expecting an increasing pace of growth over the next six months, compared to just 9.7 percent of executives who expect to see a decrease. The Future Conditions Index is boosted by favorable economic conditions based on current Oxford Economic forecasts, but is restrained by consumer survey results that indicate that the share of households that expect to visit a casino during the next 12 months remains below pre-pandemic levels.

The Future Conditions Index is calculated to provide a leading indicator of changes in industry conditions. The Q3 Future Conditions Index reached 102.7, the strongest value in the estimated history of the index pre-COVID and, while not a forecast, reflects annualized growth of 2.7 percent over the next six months.

## FUTURE CONDITIONS INDEX



## GAMING EXECUTIVE PANEL HIGHLIGHTS

Gaming executives expressed positive sentiment across a range of indicators, with all respondents indicating the current business situation is good (54%) or satisfactory (46%), and almost half indicating future conditions are expected to be better (48%).

More than two-thirds of respondents (71%) cited supply chain issues as a factor limiting operations. Labor force constraints are also impacting operations and several executives noted that recruiting staff, managing workplace safety, and remote work environments were requiring greater than normal levels of management attention.



• • All panel participants assess the present business situation as “good” (54%) or “satisfactory” (46%), and 48% expect future conditions to be “better”

*Gaming executives are broadly positive on current and future business conditions.*



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.”

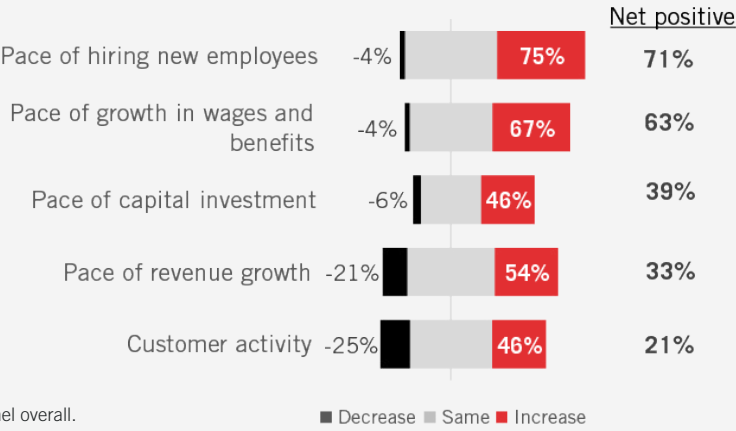


**71% more panel participants expect an increased pace of hiring over the next three to six months than expect a decrease**

*Expect accelerated efforts to hire new employees and faster growth in wages and benefits.*

**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.

■ Decrease ■ Same ■ Increase

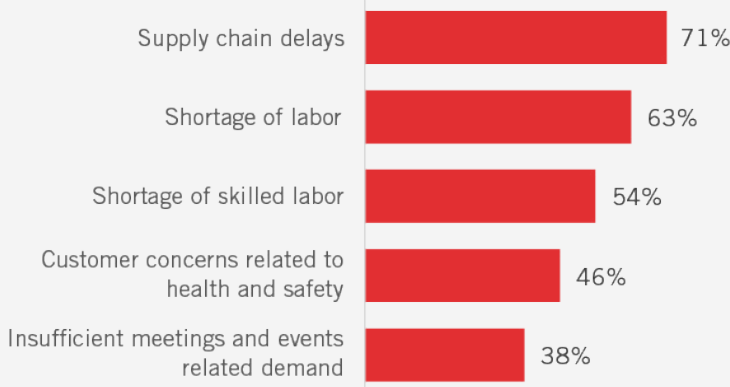


**Supply chain delays and shortage of labor are top factors limiting gaming operations in the U.S.**

*Expect accelerated efforts to hire new employees and faster growth in wages and benefits.*

**Factors Limiting Operations**

Share of respondents



Response base: Gaming executive panel overall.



## BACKGROUND & METHODOLOGY

The Gaming CEO Outlook is prepared on the behalf of the American Gaming Association by Oxford Economics. It provides a timely measure of recent growth and future expectations. The Q3 2021 release is the first release of the index with a planned bi-annual release schedule moving forward. As additional data become available, particularly for the Gaming Executive Panel, the Gaming CEO Outlook will be further refined.

### Current Conditions Index:

- The Current Conditions Index measures activity in the U.S. 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 Q3 2021 for each index component based on available monthly data as of the point 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 values of 103 is consistent a three 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 U.S. 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, measured in a monthly survey conducted by the AGA.
  - 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 values of 103 is consistent with a three 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 U.S. 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 around eight percent this year, representing the strongest growth since the period following World War II.

### Gaming Executive Panel

- The Gaming Executive Panel comprises primarily AGA member CEOs. Respondents were selected to represent the breadth of the casino gaming sector and segmented across three primary categories: casinos operators and owners, gaming equipment suppliers, and iGaming and/or sportsbook operators.
- The Q3 2021 survey was conducted August 16-September 14, 2021. 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.