

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2024

OR

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

Commission file number: 001-38850

Bally's

Bally's Corporation

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

20-0904604

(I.R.S. Employer Identification No.)

100 Westminster Street Providence, RI

(Address of principal executive offices)

02903

(Zip Code)

(401) 475-8474

(Registrant's telephone number, including area code)

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

| <u>Title of each class</u> | <u>Trading Symbol</u> | <u>Name of each exchange on which registered</u> |
|--------------------------------|-----------------------|--|
| Common stock, \$0.01 par value | BALY | 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 | <input type="checkbox"/> | Accelerated filer | <input checked="" type="checkbox"/> |
| Non-accelerated filer | <input type="checkbox"/> | Smaller reporting company | <input type="checkbox"/> |
| | | Emerging growth company | <input type="checkbox"/> |

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 Exchange Act). Yes No

As of April 26, 2024, the number of shares of the registrant's \$0.01 par value common stock outstanding was 40,484,950.

For additional information regarding the Company's shares outstanding, refer to Note 16 "Stockholders' Equity."

BALLY'S CORPORATION

TABLE OF CONTENTS

Page No.

PART I - FINANCIAL INFORMATION

| | | |
|---|--|-----------|
| <u>ITEM 1.</u> | <u>Financial Statements</u> | <u>3</u> |
| | <u>Condensed Consolidated Balance Sheets (unaudited)</u> | <u>3</u> |
| | <u>Condensed Consolidated Statements of Operations (unaudited)</u> | <u>4</u> |
| | <u>Condensed Consolidated Statements of Comprehensive Income (Loss) (unaudited)</u> | <u>5</u> |
| | <u>Condensed Consolidated Statements of Stockholders' Equity (unaudited)</u> | <u>6</u> |
| | <u>Condensed Consolidated Statements of Cash Flows (unaudited)</u> | <u>7</u> |
| | <u>Notes to Condensed Consolidated Financial Statements (unaudited)</u> | <u>9</u> |
| <u>ITEM 2.</u> | <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | <u>40</u> |
| <u>ITEM 3.</u> | <u>Quantitative and Qualitative Disclosures About Market Risk</u> | <u>52</u> |
| <u>ITEM 4.</u> | <u>Controls and Procedures</u> | <u>53</u> |
| <u>PART II - OTHER INFORMATION</u> | | |
| <u>ITEM 1.</u> | <u>Legal Proceedings</u> | <u>55</u> |
| <u>ITEM 1A.</u> | <u>Risk Factors</u> | <u>55</u> |
| <u>ITEM 5.</u> | <u>Other Information</u> | <u>55</u> |
| <u>ITEM 6.</u> | <u>Exhibits</u> | <u>56</u> |
| | <u>Signatures</u> | <u>57</u> |

PART I. FINANCIAL INFORMATION
ITEM 1. Financial Statements

BALLY'S CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)
(In thousands, except share data)

| | March 31, 2024 | December 31, 2023 |
|---|---------------------------|------------------------------|
| <u>Assets</u> | | |
| Cash and cash equivalents | \$ 169,356 | \$ 163,194 |
| Restricted cash | 141,533 | 152,068 |
| Accounts receivable, net | 66,931 | 70,328 |
| Inventory | 15,719 | 14,629 |
| Tax receivable | 32,491 | 62,215 |
| Prepaid expenses and other current assets | 110,107 | 108,096 |
| Assets held for sale | — | 1,815 |
| Total current assets | 536,137 | 572,345 |
| Property and equipment, net | 1,100,733 | 1,174,888 |
| Right of use assets, net | 1,144,815 | 1,160,288 |
| Goodwill | 1,914,853 | 1,935,803 |
| Intangible assets, net | 1,812,638 | 1,871,428 |
| Deferred tax asset | 13,245 | 36,034 |
| Other assets | 113,575 | 110,317 |
| Total assets | \$ 6,635,996 | \$ 6,861,103 |
| <u>Liabilities and Stockholders' Equity</u> | | |
| Current portion of long-term debt | \$ 19,450 | \$ 19,450 |
| Current portion of lease liabilities | 53,216 | 54,842 |
| Accounts payable | 59,401 | 69,161 |
| Accrued income taxes | 41,150 | 78,301 |
| Accrued and other current liabilities | 702,560 | 651,719 |
| Liabilities related to assets held for sale | — | 1,307 |
| Total current liabilities | 875,777 | 874,780 |
| Long-term debt, net | 3,660,920 | 3,643,185 |
| Long-term portion of financing obligation | 200,000 | 200,000 |
| Long-term portion of lease liabilities | 1,139,685 | 1,148,407 |
| Deferred tax liability | 150,520 | 125,590 |
| Commercial rights liabilities | 62,503 | 113,626 |
| Other long-term liabilities | 96,786 | 119,661 |
| Total liabilities | 6,186,191 | 6,225,249 |
| Commitments and contingencies (Note 17) | | |
| Stockholders' equity: | | |
| Common stock (\$0.01 par value, 200,000,000 shares authorized; 40,483,375 and 39,973,202 shares issued; 40,483,375 and 39,973,202 shares outstanding) | 405 | 400 |
| Preferred stock (\$0.01 par value; 10,000,000 shares authorized; no shares outstanding) | — | — |
| Additional paid-in-capital | 1,402,384 | 1,400,479 |
| Treasury stock, at cost, no shares outstanding as of March 31, 2024 and December 31, 2023 | — | — |
| Accumulated deficit | (729,809) | (555,895) |
| Accumulated other comprehensive loss | (223,603) | (209,558) |
| Total Bally's Corporation stockholders' equity | 449,377 | 635,426 |
| Non-controlling interest | 428 | 428 |
| Total stockholders' equity | 449,805 | 635,854 |
| Total liabilities and stockholders' equity | \$ 6,635,996 | \$ 6,861,103 |

See accompanying notes to condensed consolidated financial statements.

BALLY'S CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)
(In thousands, except per share data)

| | Three Months Ended March 31, | |
|--|-------------------------------------|-------------------|
| | 2024 | 2023 |
| Revenue: | | |
| Gaming | \$ 516,057 | \$ 486,895 |
| Non-gaming | 102,425 | 111,825 |
| Total revenue | 618,482 | 598,720 |
| Operating (income) costs and expenses: | | |
| Gaming | 236,144 | 217,661 |
| Non-gaming | 48,111 | 52,344 |
| General and administrative | 248,436 | 251,608 |
| Gain from sale-leaseback, net | — | (374,186) |
| Depreciation and amortization | 159,746 | 74,561 |
| Total operating costs and expenses | 692,437 | 221,988 |
| (Loss) income from operations | (73,955) | 376,732 |
| Other (expense) income: | | |
| Interest expense, net | (73,131) | (63,264) |
| Other non-operating income, net | 4,554 | 2,610 |
| Total other expense, net | (68,577) | (60,654) |
| (Loss) income before income taxes | (142,532) | 316,078 |
| Provision for income taxes | 31,382 | 137,742 |
| Net (loss) income | \$ (173,914) | \$ 178,336 |
| Basic (loss) earnings per share | \$ (3.61) | \$ 3.28 |
| Weighted average common shares outstanding - basic | 48,119 | 54,420 |
| Diluted (loss) earnings per share | \$ (3.61) | \$ 3.24 |
| Weighted average common shares outstanding - diluted | 48,119 | 55,089 |

See accompanying notes to condensed consolidated financial statements.

BALLY'S CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (unaudited)
(In thousands)

| | Three Months Ended March 31, | |
|---|-------------------------------------|-------------|
| | 2024 | 2023 |
| Net (loss) income | \$ (173,914) | \$ 178,336 |
| Other comprehensive (loss) income: | | |
| Foreign currency translation adjustments | (37,794) | 52,073 |
| Net unrealized derivative gain on cash flow hedges, net of tax | 12,283 | — |
| Net unrealized derivative gain on net investment hedges, net of tax | 11,466 | — |
| Other comprehensive (loss) income | (14,045) | 52,073 |
| Total comprehensive (loss) income | \$ (187,959) | \$ 230,409 |

See accompanying notes to condensed consolidated financial statements.

BALLY'S CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (unaudited)
(In thousands, except share data)

| | Common Stock | | Additional Paid-in Capital | Treasury Stock | Accumulated Deficit | Accumulated Other Comprehensive Loss | Non- controlling Interest | Total Stockholders' Equity |
|---|-----------------------|---------------|----------------------------------|-------------------|------------------------|--|---------------------------------|----------------------------------|
| | Shares Outstanding | Amount | | | | | | |
| Balance as of December 31, 2023 | 39,973,202 | \$ 400 | \$ 1,400,479 | \$ — | \$ (555,895) | \$ (209,558) | \$ 428 | \$ 635,854 |
| Issuance of restricted stock and other stock awards | 423,805 | 4 | (2,778) | — | — | — | — | (2,774) |
| Share-based compensation | — | — | 3,058 | — | — | — | — | 3,058 |
| Settlement of consideration | 86,368 | 1 | (125) | — | — | — | — | (124) |
| Other | — | — | 1,750 | — | — | — | — | 1,750 |
| Other comprehensive loss | — | — | — | — | — | (14,045) | — | (14,045) |
| Net loss | — | — | — | — | (173,914) | — | — | (173,914) |
| Balance as of March 31, 2024 | 40,483,375 | \$ 405 | \$ 1,402,384 | \$ — | \$ (729,809) | \$ (223,603) | \$ 428 | \$ 449,805 |

| | Common Stock | | Additional Paid-in Capital | Treasury Stock | Accumulated Deficit | Accumulated Other Comprehensive Loss | Non- controlling Interest | Total Stockholders' Equity |
|---|-----------------------|---------------|----------------------------------|-------------------|------------------------|--|---------------------------------|----------------------------------|
| | Shares Outstanding | Amount | | | | | | |
| Balance as of December 31, 2022 | 46,670,057 | \$ 466 | \$ 1,636,366 | \$ — | \$ (535,373) | \$ (295,640) | \$ 428 | \$ 806,247 |
| Issuance of restricted stock and other stock awards | 124,050 | 1 | (1,332) | — | — | — | — | (1,331) |
| Share-based compensation | — | — | 6,040 | — | — | — | — | 6,040 |
| Retirement of treasury shares | — | (10) | (35,987) | 19,753 | 16,244 | — | — | — |
| Share repurchases | (1,026,343) | — | — | (19,753) | — | — | — | (19,753) |
| Other comprehensive income | — | — | — | — | — | 52,073 | — | 52,073 |
| Net income | — | — | — | — | 178,336 | — | — | 178,336 |
| Balance as of March 31, 2023 | 45,767,764 | \$ 457 | \$ 1,605,087 | \$ — | \$ (340,793) | \$ (243,567) | \$ 428 | \$ 1,021,612 |

See accompanying notes to condensed consolidated financial statements.

BALLY'S CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

| <i>(in thousands)</i> | Three Months Ended March 31, | |
|--|-------------------------------------|--------------------------|
| | 2024 | 2023 |
| Cash flows from operating activities: | | |
| Net (loss) income | \$ (173,914) | \$ 178,336 |
| Adjustments to reconcile net (loss) income to net cash used in operating activities: | | |
| Depreciation and amortization | 159,746 | 74,561 |
| Non-cash lease expense | 14,222 | 13,972 |
| Share-based compensation | 3,058 | 6,040 |
| Amortization of debt discount and debt issuance costs | 2,877 | 2,766 |
| Gain on sale-leaseback | — | (374,186) |
| Gain on extinguishment of debt | — | (4,044) |
| Deferred income taxes | 26,890 | 58,818 |
| Net gain on assets and liabilities measured at fair value | (3,461) | (310) |
| Gain on equity method investments | (555) | (2,100) |
| Change in value of commercial rights liabilities | — | 267 |
| Change in contingent consideration payable | (1,835) | 1,206 |
| Foreign exchange (gain) loss | (2,816) | 4,308 |
| Other operating activities | 1,877 | (693) |
| Changes in operating assets and liabilities | (33,943) | 24,947 |
| Net cash used in operating activities | <u>(7,854)</u> | <u>(16,112)</u> |
| Cash flows from investing activities: | | |
| Cash paid for acquisitions, net of cash acquired | 208 | (38,243) |
| Proceeds from sale-leaseback | — | 411,000 |
| Capital expenditures | (28,053) | (43,678) |
| Cash paid for capitalized software | (13,583) | (7,143) |
| Acquisition of gaming licenses | (1,211) | (1,900) |
| Other investing activities | (762) | (400) |
| Net cash (used in) provided by investing activities | <u>(43,401)</u> | <u>319,636</u> |
| Cash flows from financing activities: | | |
| Issuance of long-term debt | 135,000 | — |
| Repayments of long-term debt | (119,863) | (152,483) |
| Deferred payables | 42,195 | — |
| Share repurchases | — | (19,753) |
| Other financing activities | (6,005) | (1,332) |
| Net cash provided by (used in) financing activities | <u>51,327</u> | <u>(173,568)</u> |
| Effect of foreign currency on cash and cash equivalents | (4,445) | 2,819 |
| Change in cash and cash equivalents and restricted cash held for sale | — | (1,097) |
| Net change in cash and cash equivalents and restricted cash | <u>(4,373)</u> | <u>131,678</u> |
| Cash and cash equivalents and restricted cash, beginning of period | <u>315,262</u> | <u>265,184</u> |
| Cash and cash equivalents and restricted cash, end of period | <u>\$ 310,889</u> | <u>\$ 396,862</u> |

BALLY'S CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

| <i>(in thousands)</i> | Three Months Ended March 31, | |
|--|-------------------------------------|-------------|
| | 2024 | 2023 |
| <i>Supplemental disclosure of cash flow information:</i> | | |
| Cash paid for interest, net of amounts capitalized | \$ 100,128 | \$ 82,724 |
| Income taxes paid, net of refunds | (10,410) | 6,113 |
| <i>Non-cash investing and financing activities:</i> | | |
| Unpaid property and equipment | \$ 18,854 | \$ 32,095 |
| Bally's Chicago - land development liability | 956 | 142,567 |
| Unpaid internally developed software | 633 | — |
| Investment in GLP Capital, L.P. | — | 14,412 |
| Investment in RI Joint Venture | — | 17,832 |

| | March 31, | December 31, |
|---|-------------------|---------------------|
| Reconciliation of cash and cash equivalents and restricted cash: | 2024 | 2023 |
| Cash and cash equivalents | \$ 169,356 | \$ 163,194 |
| Restricted cash | 141,533 | 152,068 |
| Total cash and cash equivalents and restricted cash | \$ 310,889 | \$ 315,262 |

See accompanying notes to condensed consolidated financial statements.

BALLY'S CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

1. GENERAL INFORMATION

Description of Business

Bally's Corporation (the "Company," or "Bally's") is a global gaming, hospitality and entertainment company with casinos and resorts and online gaming ("iGaming") businesses. The Company owns and manages the following properties within its Casinos & Resorts reportable segment:

| Casinos & Resorts | Location | Type | Built/Acquired |
|---|---------------------------|----------------------------|-----------------------|
| Bally's Twin River Lincoln Casino Resort ("Bally's Twin River") | Lincoln, Rhode Island | Casino and Resort | 2004 |
| Bally's Arapahoe Park | Aurora, Colorado | Racetrack/OTB Site | 2004 |
| Hard Rock Hotel & Casino Biloxi ("Hard Rock Biloxi") ⁽²⁾ | Biloxi, Mississippi | Casino and Resort | 2014 |
| Bally's Tiverton Casino & Hotel ("Bally's Tiverton") ⁽²⁾ | Tiverton, Rhode Island | Casino and Hotel | 2018 |
| Bally's Dover Casino Resort ("Bally's Dover") ⁽²⁾ | Dover, Delaware | Casino, Resort and Raceway | 2019 |
| Bally's Black Hawk ⁽¹⁾⁽²⁾ | Black Hawk, Colorado | Three Casinos | 2020 |
| Bally's Kansas City Casino ("Bally's Kansas City") | Kansas City, Missouri | Casino | 2020 |
| Bally's Vicksburg Casino ("Bally's Vicksburg") | Vicksburg, Mississippi | Casino and Hotel | 2020 |
| Bally's Atlantic City Casino Resort ("Bally's Atlantic City") | Atlantic City, New Jersey | Casino and Resort | 2020 |
| Bally's Shreveport Casino & Hotel ("Bally's Shreveport") | Shreveport, Louisiana | Casino and Hotel | 2020 |
| Bally's Lake Tahoe Casino Resort ("Bally's Lake Tahoe") | Lake Tahoe, Nevada | Casino and Resort | 2021 |
| Bally's Evansville Casino & Hotel ("Bally's Evansville") ⁽²⁾ | Evansville, Indiana | Casino and Hotel | 2021 |
| Bally's Quad Cities Casino & Hotel ("Bally's Quad Cities") ⁽²⁾ | Rock Island, Illinois | Casino and Hotel | 2021 |
| Tropicana Las Vegas Casino and Resort ("Tropicana Las Vegas") ⁽²⁾⁽⁴⁾ | Las Vegas, Nevada | Casino and Resort | 2022 |
| Bally's Chicago Casino ("Bally's Chicago") ⁽³⁾ | Chicago, Illinois | Casino | 2023 |
| Bally's Golf Links at Ferry Point ("Bally's Golf Links") | Bronx, New York | Golf Course | 2023 |

- (1) Includes Bally's Black Hawk North Casino, Bally's Black Hawk West Casino and Bally's Black Hawk East Casino.
(2) Properties leased from Gaming and Leisure Properties, Inc. ("GLPI"). Refer to Note 15 "Leases" for further information.
(3) Temporary casino facility as permanent casino resort is constructed.
(4) This property closed on April 2, 2024 as part of a plan to redevelop the site with a state-of-the-art integrated resort and ballpark.

The Company's International Interactive reportable segment primarily includes the interactive activities in Europe and Asia of Gamesys Group Ltd. ("Gamesys"), an iCasino and online bingo platform provider and operator.

The North America Interactive reportable segment includes a portfolio of sports betting, iGaming, and free-to-play gaming brands, and the North American operations of Gamesys.

Refer to Note 18 "Segment Reporting" for further information.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of the Company, its majority-owned subsidiaries and entities the Company identifies as variable interest entities ("VIEs"), of which the Company is determined to be the primary beneficiary. All intercompany transactions and balances have been eliminated in consolidation. Certain prior year amounts have been reclassified to conform to the current year's presentation. The financial statements of our foreign subsidiaries are translated into US Dollars ("USD") using exchange rates in effect at period-end for assets and liabilities and average exchange rates during each reporting period for results of operations. Adjustments resulting from financial statement translations are reflected as a separate component of accumulated other comprehensive loss. Foreign currency transaction gains and losses are included in net loss.

BALLY'S CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

The accompanying unaudited condensed consolidated financial statements have been prepared pursuant to the rules of the Securities and Exchange Commission (the "SEC") for interim financial information, including the instructions to Form 10-Q and Rule 10-01 of the SEC's Regulation S-X. Accordingly, certain information and note disclosures normally required in complete financial statements prepared in conformity with accounting principles generally accepted in the United States ("GAAP") have been condensed or omitted. In the Company's opinion, these condensed consolidated financial statements include all adjustments necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods presented.

These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

We have made estimates and judgments affecting the amounts reported in our condensed consolidated financial statements and the accompanying notes. The actual results that we experience may differ materially from our estimates.

Equity Method Investments

On January 1, 2023, the Company and International Game Technology PLC ("IGT") contributed certain tangible assets and leases to Rhode Island VLT Company, LLC (the "RI Joint Venture") in exchange for equity interests of the RI Joint Venture. The Company contributed video lottery terminals ("VLTs") and player tracking equipment to the joint venture for a 40% equity interest of the RI Joint Venture. The 40% ownership in the joint venture qualifies for equity method accounting. In addition to this joint venture, the Company also has other investments in unconsolidated subsidiaries, which are accounted for using equity method accounting. The Company records its share of net income or loss within "Other non-operating income, net" in the condensed consolidated statements of operations. For the three months ended March 31, 2024 and 2023, the Company recorded a gain on equity method investments of \$0.6 million and \$2.1 million, respectively.

Variable Interest Entities

The Company evaluates entities for which control is achieved through means other than voting rights to determine if it is the primary beneficiary of a VIE. An entity is a VIE if it has any of the following characteristics (i) has insufficient equity to permit the entity to finance its activities without additional subordinated financial support (ii) equity holders, as a group, lack the characteristics of a controlling financial interest or (iii) the entity is structured with non-substantive voting rights. The primary beneficiary of the VIE is generally the entity that has (a) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and (b) the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. The Company consolidates its investment in a VIE when it determines that it is its primary beneficiary.

In determining whether it is the primary beneficiary of the VIE, the Company considers qualitative and quantitative factors, including, but not limited to: which activities most significantly impact the VIE's economic performance and which party controls such activities and significance of the Company's investment and other means of participation in the VIE's expected profits/losses. Significant judgments related to these determinations include estimates about the current and future fair values and performance of assets held by these VIEs and general market conditions.

Management has analyzed and concluded that Breckenridge Curacao B.V. ("Breckenridge") is a VIE because it does not have sufficient equity investment at risk. The Company has determined that it is the primary beneficiary and consolidates the VIE because (a) although the Company does not control all decisions of Breckenridge, the Company has the power to direct the activities of Breckenridge that most significantly impact its economic performance through various contracts with the entity and (b) the nature of these agreements between Breckenridge and the Company provides the Company with the obligation to absorb losses and the right to receive benefits based on fees that are based upon off-market rates and commensurate to the level of services provided. The Company receives significant benefits in the form of fees that are not at market and commensurate to the level of services provided. As a result, the Company consolidates all of the assets, liabilities and results of operations of Breckenridge and its subsidiaries in the accompanying condensed consolidated financial statements. As of March 31, 2024 and December 31, 2023, Breckenridge had total assets of \$154.9 million and \$161.3 million, respectively, and total liabilities of \$85.5 million and \$87.7 million, respectively. Breckenridge had revenues of \$61.9 million and \$84.0 million for the three months ended March 31, 2024 and 2023, respectively.

The Company may change its original assessment of a VIE upon subsequent events such as the modification of contractual arrangements that affect the characteristics or adequacy of the entity's equity investments at risk and the disposition of all or a portion of an interest held by the primary beneficiary. The Company performs this analysis on an ongoing basis.

BALLY'S CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Cash and Cash Equivalents and Restricted Cash

Cash and cash equivalents includes cash balances and highly liquid investments with an original maturity of three months or less. Restricted cash includes cash collateral in connection with amounts due to the Chicago Tribune (refer to Note 8 "Property and Equipment"), player deposits, payment service provider deposits, and VLT and table games related cash payables to certain states where we operate, which are unavailable for the Company's use.

Accounts Receivable, Net

Accounts receivable, net consists of the following:

| <i>(in thousands)</i> | March 31, 2024 | December 31, 2023 |
|---|---------------------------|------------------------------|
| Amounts due from Rhode Island and Delaware ⁽¹⁾ | \$ 14,791 | \$ 13,028 |
| Gaming receivables | 25,427 | 26,127 |
| Non-gaming receivables | 33,131 | 37,221 |
| Accounts receivable | 73,349 | 76,376 |
| Less: Allowance for credit losses | (6,418) | (6,048) |
| Accounts receivable, net | <u>\$ 66,931</u> | <u>\$ 70,328</u> |

(1) Represents the Company's share of VLT and table games revenue for Bally's Twin River and Bally's Tiverton due from the State of Rhode Island and for Bally's Dover from the State of Delaware.

Deferred Payables

In order to execute on its strategy of improving working capital efficiency, the Company will, from time to time, participate in trade finance or deferred payable initiatives, including programs that may securitize or accelerate liquidity realized from receivables, or alternatively extend trade terms with certain suppliers or vendors. In certain cases, where the Company is not able to extend payment terms directly with suppliers or vendors, the Company will consider deferred payable solutions that simulate such trade term extensions. These solutions generally involve entering into exchange agreements with intermediary institutions who will make payment to the supplier or vendor within the original terms on behalf of the Company, in exchange for a new bill with terms that conforms to the Company's payment policy of net 90 days. The Company will then pay the new bill to the intermediary institutions, inclusive of any embedded premium, which the Company records as Interest expense, net, within three months or less. Amounts outstanding under these deferred payable arrangements were \$41.9 million as of March 31, 2024 and are included in Accrued and other current liabilities on the condensed consolidated balance sheets. For the three months ended March 31, 2024, the Company incurred \$0.8 million of interest expense under these arrangements. There was no interest expense incurred under these arrangements for the three months ended March 31, 2023.

Gaming Expenses

Gaming expenses include, among other things, payroll costs and expenses associated with the operation of VLTs, slots and table games, including gaming taxes payable to jurisdictions in which the Company operates outside of Rhode Island and Delaware, and marketing costs directly associated with the Company's iGaming products and services. These marketing expenses are included within Gaming expenses in the condensed consolidated statements of operations and were \$46.2 million and \$45.9 million for the three months ended March 31, 2024 and 2023, respectively. Gaming expenses also include racing expenses comprised of payroll costs, off track betting ("OTB") commissions and other expenses associated with the operation of live racing and simulcasting.

Advertising Expense

The Company expenses advertising costs as incurred. For the three months ended March 31, 2024 and 2023, advertising expense was \$5.6 million and \$5.4 million, respectively. Advertising costs are included in "General and administrative" on the condensed consolidated statements of operations.

BALLY'S CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Share-Based Compensation

The Company recognized total share-based compensation expense of \$3.1 million and \$6.0 million for the three months ended March 31, 2024 and 2023, respectively. The total income tax benefit for share-based compensation arrangements was \$0.8 million and \$1.6 million for the three months ended March 31, 2024 and 2023, respectively.

Strategic Partnership - Sinclair Broadcast Group

In 2020, the Company and Sinclair Broadcast Group, Inc. ("Sinclair") entered into a Framework Agreement (the "Framework Agreement"), which provides for a long-term strategic relationship between Sinclair and the Company. Under the Framework Agreement, the Company issued warrants and options and agreed to share tax benefits and received naming, integration and other rights, including access to Sinclair's Tennis Channel, Stadium Sports Network and STIRR streaming service. Under a Commercial Agreement (the "Commercial Agreement") contemplated by the Framework Agreement, the Company paid annual fees to Diamond Sports Group ("Diamond"), a Sinclair subsidiary, for naming rights over Diamond's regional sports networks ("RSNs") and other consideration.

The Company accounted for this relationship as an asset acquisition in accordance with the "Acquisition of Assets Rather Than a Business" subsections of ASC 805-50, *Business Combinations—Related Issues*, using a cost accumulation model. The total intangible asset ("Commercial rights intangible asset") represents the present value of the naming rights fees and other consideration, including the fair value of the warrants and options, and an estimate of the tax-sharing payments, each explained below. The Commercial rights intangible asset, net of accumulated amortization, was \$218.2 million and \$225.9 million as of March 31, 2024 and December 31, 2023, respectively. Amortization was \$7.8 million and \$7.7 million for the three months ended March 31, 2024 and 2023, respectively. Refer to Note 9 "Goodwill and Intangible Assets" for further information.

The present value of the naming rights fees was recorded as part of intangible assets, with a corresponding liability, which will be accreted through interest expense. As of December 31, 2023, the total value of the liability was \$57.7 million, with \$8.0 million recorded within "Accrued and other current liabilities" related to the short-term portion of the liability, and \$49.7 million related to the long-term portion of the liability reflected as "Commercial rights liability" in the condensed consolidated balance sheets. Accretion expense reported in "Interest expense, net" in our condensed consolidated statements of operations was \$1.1 million for the three months ended March 31, 2023. In the first quarter of 2024, the Company's obligation to pay Diamond for the naming rights terminated upon the bankruptcy court's approval of certain settlement terms, which the court approved on March 1, 2024. Refer to Note 17 "Commitments and Contingencies" for further information.

Under the Framework Agreement, the Company issued to Sinclair (i) an immediately exercisable warrant to purchase up to 4,915,726 shares of the Company at an exercise price of \$0.01 per share ("the Penny Warrants"), (ii) a warrant to purchase up to a maximum of 3,279,337 additional shares of the Company at a price of \$0.01 per share subject to the achievement of various performance metrics (the "Performance Warrants"), and (iii) an option to purchase up to 1,639,669 additional shares in four tranches with purchase prices ranging from \$30.00 to \$45.00 per share, exercisable over a seven-year period beginning on the fourth anniversary of the November 18, 2020 closing (the "Options"). The exercise and purchase prices and the number of shares issuable upon exercise of the warrants and options are subject to customary anti-dilution adjustments.

The Penny Warrants and Options are equity classified instruments under ASC 815. The fair value of the Penny Warrants approximates the fair value of the underlying shares and was \$150.4 million on November 18, 2020 at issuance, and was recorded to "Additional paid-in-capital" in the condensed consolidated balance sheets, with an offset to the Commercial rights intangible asset.

The Performance Warrants are accounted for as a derivative liability because the underlying performance metrics represent an adjustment to the settlement amount that is not indexed to the Company's own stock and thus equity classification is precluded under ASC 815. Refer to Note 11 "Fair Value Measurements" for further information.

Under the Framework Agreement, the Company agreed to share 60% of the tax benefits it realizes from the Penny Warrants, Options, Performance Warrants and other related payments. Changes in the estimate of the tax benefit to be realized and tax rates in effect at the time, among other changes, are treated as an adjustment to the intangible asset. The liability for these obligations was \$17.7 million and \$19.1 million as of March 31, 2024 and December 31, 2023, respectively, and is reflected in Commercial rights liabilities within our condensed consolidated balance sheets.

BALLY'S CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Provision for Income Taxes

During the three months ended March 31, 2024 and 2023, the Company recorded a provision for income tax of \$31.4 million, at an effective year to date tax rate of (22.0)% and a provision for income tax of \$137.7 million, at an effective year to date tax rate of 43.6%, respectively. The 2024 year to date effective tax rate differed from the US federal statutory tax rate of 21%, creating a provision for income tax on the Company's Loss before income taxes, largely due to an increase in the valuation allowance, coupled with a tax liability for foreign discrete items. The 2023 year to date effective tax rate was higher than the US federal statutory tax rate of 21%, largely due to an increase in the valuation allowance and a tax liability for a discrete item related to the deferred gain on sale leaseback transactions in Mississippi and Rhode Island.

3. CONSOLIDATED FINANCIAL INFORMATION

General and Administrative Expense

Amounts included in General and administrative for the three months ended March 31, 2024 and 2023 were as follows:

| <i>(in thousands)</i> | Three Months Ended March 31, | |
|---|---|-------------|
| | 2024 | 2023 |
| Advertising, general and administrative | \$ 224,971 | \$ 221,005 |
| Acquisition and integration | 4,852 | 13,781 |
| Restructuring | 18,613 | 16,822 |
| Total general and administrative | \$ 248,436 | \$ 251,608 |

Other Non-Operating Income, Net

Amounts included in Other non-operating income, net for the three months ended March 31, 2024 and 2023 were as follows:

| <i>(in thousands)</i> | Three Months Ended March 31, | |
|--|---|-------------|
| | 2024 | 2023 |
| Change in value of commercial rights liabilities | \$ — | \$ (267) |
| Net gain on equity method investments | 555 | 2,100 |
| Gain on extinguishment of debt | — | 4,044 |
| Foreign exchange gain (loss) | 2,816 | (4,308) |
| Other, net | 1,183 | 1,041 |
| Total other non-operating income, net | \$ 4,554 | \$ 2,610 |

4. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Standards to Be Implemented

In October 2023, the FASB issued ASU No. 2023-06, *Disclosure Improvements - Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative*. The amendments in this update align the requirements in the ASC to the SEC's regulations. The effective date for each amended topic in the ASC is the date on which the SEC's removal of the related disclosure requirement from Regulation S-X or Regulation S-K becomes effective. If by June 30, 2027, the SEC has not removed the related disclosure from its regulations, the amendments will be removed from the Codification and not become effective. Early adoption is prohibited. The Company is currently in the process of evaluating the impact of this amendment on its condensed consolidated financial statements and related disclosures.

BALLY'S CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

In November 2023, the FASB issued ASU No. 2023-07, *Segment Reporting (Topic 280) - Improvements to Reportable Segment Disclosures*. The amendments in this update enhance the disclosures required for significant segment expenses on an annual and interim basis. The guidance will apply retrospectively and is effective for annual reporting periods in fiscal years beginning after December 15, 2023, and interim reporting periods in fiscal years beginning after December 31, 2024. The Company is currently in the process of evaluating the impact of this amendment on its condensed consolidated financial statements and related disclosures.

In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes (Topic 740) - Improvements to Income Tax Disclosures*. The amendments in this update enhance the transparency and decision usefulness of income tax disclosures. This update will be effective for annual periods beginning after December 15, 2024, with early adoption permitted. The Company is currently in the process of evaluating the impact of this amendment on its condensed consolidated financial statements and related disclosures.

In March 2024, the FASB issued ASU 2024-02, *Codification Improvements - Amendments to Remove References to the Concepts Statements*. This amendment to the Codification removes references to various Concepts Statements. This update will be effective for public business entities for fiscal years beginning after December 15, 2024, with early adoption permitted if adopted as of the beginning of the fiscal year that includes that interim period. The Company is currently in the process of evaluating the impact of this amendment on its condensed consolidated financial statements and related disclosures.

5. REVENUE RECOGNITION

The Company recognizes revenue in accordance with ASC 606, *Revenue from Contracts with Customers*, which requires companies to recognize revenue in a way that depicts the transfer of promised goods or services. In addition, the standard requires more detailed disclosures to enable readers of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Company generates revenue from four principal sources: (1) gaming (which includes retail gaming, online gaming, sports betting and racing), (2) hotel, (3) food and beverage and (4) retail, entertainment and other.

The Company determines revenue recognition through the following steps:

- Identify the contract, or contracts, with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to performance obligations in the contract; and
- Recognize revenue when or as the Company satisfies performance obligations by transferring the promised goods or services.

The amount of revenue recognized by the Company is measured at the transaction price or the amount of consideration that the Company expects to receive through satisfaction of the identified performance obligations.

Retail gaming, online gaming and sports betting revenue, each as described below, contain two performance obligations. Retail gaming transactions have an obligation to honor the outcome of a wager and to pay out an amount equal to the stated odds, including the return of the initial wager, if the customer receives a winning hand. These elements of honoring the outcome of the hand of play and generating a payout are considered one performance obligation. Online gaming and sports betting represent a single performance obligation for the Company to operate contests or games and award prizes or payouts to users based on results of the arrangement. Revenue is recognized at the conclusion of each contest, wager or wagering game hand. Incentives can be used across online gaming products. The Company allocates a portion of the transaction price to certain customer incentives that create material future customer rights and are a separate performance obligation. In addition, in the event of a multi-stage contest, the Company will allocate transaction price ratably from contest start to the contest's final stage. Racing revenue is earned through advance deposit wagering which consists of patrons wagering through an advance deposit account. Each wagering contract contains a single performance obligation.

The transaction price for a gaming wagering contract is the difference between gaming wins and losses, not the total amount wagered. The transaction price for racing operations, inclusive of live racing events conducted at the Company's racing facilities, is the commission received from the pari-mutuel pool less contractual fees and obligations primarily consisting of purse funding requirements, simulcasting fees, tote fees and certain pari-mutuel taxes that are directly related to the racing operations. The transaction price for hotel, food, beverage, retail, entertainment and other is the net amount collected from the customer for such goods and services. Hotel, food, beverage, retail, entertainment and other services have been determined to be separate, stand-alone performance obligations and revenue is recognized as the good or service is transferred at the point in time of the transaction.

BALLY'S CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

The following contains a description of each of the Company's revenue streams:

Gaming Revenue

Retail Gaming

The Company recognizes retail gaming revenue as the net win from gaming activities, which is the difference between gaming inflows and outflows, not the total amount wagered. Progressive jackpots are estimated and recognized as revenue at the time the obligation to pay the jackpot is established. Gaming revenues are recognized net of certain cash and free play incentives.

Gaming services contracts have two performance obligations for those customers earning incentives under the Company's player loyalty programs and a single performance obligation for customers who do not participate in the programs. The Company applies a practical expedient to account for its gaming contracts on a portfolio basis as such wagers have similar characteristics and the Company reasonably expects the impact on the consolidated financial statements of applying the revenue recognition guidance to the portfolio would not differ materially from the application of an individual wagering contract. For purposes of allocating the transaction price in a wagering contract between the wagering performance obligation and the obligation associated with incentives earned under loyalty programs, the Company allocates an amount to the loyalty program contract liability based on the stand-alone selling price of the incentive earned for a hotel room stay, food and beverage or other amenity. The performance obligation related to loyalty program incentives are deferred and recognized as revenue upon redemption by the customer. The amount associated with gaming wagers is recognized at the point the wager occurs, as it is settled immediately.

Gaming revenue includes the share of VLT revenue for Bally's Twin River and Bally's Tiverton, in each case, as determined by each property's respective master VLT contracts with the State of Rhode Island. Bally's Twin River is entitled to a 28.85% share of VLT revenue on the initial 3,002 units and a 26.00% share on VLT revenue generated from units in excess of 3,002 units. Bally's Tiverton is entitled to receive a percentage of VLT revenue that is equivalent to the percentage received by Bally's Twin River. From July 1, 2021 through December 31, 2022, Bally's Twin River and Bally's Tiverton were entitled to an additional 7.00% share of revenue, as the Technology Provider, on VLTs owned by the Company. Beginning on January 1, 2023, the Company contributed all of its VLT assets to the RI Joint Venture and the RI Joint Venture, as the sole Technology Provider, is now entitled to that additional 7.00% of VLT revenue.

Gaming revenue also includes Bally's Twin River's and Bally's Tiverton's share of table games revenue. Bally's Twin River and Bally's Tiverton each were entitled to an 83.5% share of table games revenue generated as of March 31, 2024 and 2023. Revenue is recognized when the wager is settled, which is when the customer has received the benefits of the Company's gaming services and the Company has a present right to payment. The Company records revenue from its Rhode Island operations on a net basis which is the percentage share of VLT and table games revenue received as the Company acts as an agent in operating the gaming services on behalf of the State of Rhode Island.

Gaming revenue also includes Bally's Dover's share of revenue as determined under the Delaware State Lottery Code from the date of its acquisition. Bally's Dover is authorized to conduct video lottery, sports wagering, table game and internet gaming operations as one of three "Licensed Agents" under the Delaware State Lottery Code. Licensing, administration and control of gaming operations in Delaware is under the Delaware State Lottery Office and Delaware's Department of Safety and Homeland Security, Division of Gaming Enforcement. As of March 31, 2024 and 2023, Bally's Dover was entitled to an approximate 42% share of VLT revenue and 80% share of table games revenue. Revenue is recognized when the wager is complete, which is when the customer has received the benefits of the Company's gaming services and the Company has a present right to payment. The Company records revenue from its Delaware operations on a net basis, which is the percentage share of VLT and table games revenue received, as the Company acts as an agent in operating the gaming services on behalf of the State of Delaware.

Gaming revenue includes casino revenue of the Company's other properties which is the aggregate net difference between gaming wins and losses, with deferred revenue recognized for prepaid deposits by customers prior to play, for chips outstanding and "ticket-in, ticket-out" coupons in the customers' possession, and for accruals related to the anticipated payout of progressive jackpots. Progressive slot machines, which contain base jackpots that increase at a progressive rate based on the number of credits played, are charged to revenue as the amount of the progressive jackpots increase.

BALLY'S CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Online Gaming

The Company's online gaming operations, similar to land-based casinos, generates revenue from player wagers net of payouts and incentives awarded to players.

The revenue is earned from operating online bingo and casino websites, which consists of the difference between total amounts wagered by players less winnings payable to players, bonuses allocated and jackpot contributions. Online gaming revenue is recognized at the point in time when the player completes a gaming session and payout occurs. There is no significant degree of uncertainty involved in quantifying the amount of gaming revenue earned, including bonuses, jackpot contributions and loyalty points. Bonuses, jackpot contributions and loyalty points are measured at fair value at each reporting date.

Sports Betting

Sports betting involves a player wagering money on an outcome or series of outcomes. If a player wins the wager, the Company pays the player a pre-determined amount known as fixed odds. Sports betting revenue is generated through built-in theoretical margins in each sports wagering opportunity offered to players. Revenue is recognized as total wagers net of payouts made and incentives awarded to players.

The Company has entered into several multi-year agreements with third-party operators for online sports betting and iGaming market access in several jurisdictions from which the Company has received or expects to receive one-time, up front market access fees in cash or equity securities (specific to one operator agreement) and certain other fees in cash generally based on a percentage of the gross gaming revenue generated by the operator, with certain annual minimum guarantees due to the Company. The one-time market access fees received have been recorded as deferred revenue and will be recognized as gaming revenue ratably over the respective contract terms, beginning with the commencement of operations of each respective agreement. The Company recognized commissions in certain states from online sports betting and iGaming which are included in gaming revenue for the three months ended March 31, 2024 and 2023. Deferred revenue associated with third-party operators for online sports betting and iGaming market access was \$3.6 million and \$3.7 million as of March 31, 2024 and December 31, 2023, respectively, and is included in "Accrued and other current liabilities" and "Other long-term liabilities" in the condensed consolidated balance sheets.

Racing

Racing revenue includes several of our casinos and resorts' share of wagering from live racing and the import of simulcast signals. Racing revenue is recognized upon completion of the wager based upon an established take-out percentage. The Company functions as an agent to the pari-mutuel pool. Therefore, fees and obligations related to the Company's share of purse funding, simulcasting fees, tote fees, pari-mutuel taxes, and other fees directly related to the Company's racing operations are reported on a net basis and included as a reduction to racing revenue.

Non-gaming Revenue

Non-gaming revenue consists of hotel, food, beverage, retail, entertainment and other revenue. Hotel revenue is recognized when the customer obtains control through occupancy of the room over their stay at the hotel. Advance deposits for hotel rooms are recorded as liabilities until revenue recognition criteria are met. Food, beverage and retail revenues are recognized at the time the goods are sold from Company-operated outlets. The estimated standalone selling price of hotel rooms is determined based on observable prices. The standalone selling price of food, beverage, retail, entertainment and other goods and services are determined based upon the actual retail prices charged to customers for those items. Other revenue includes cancellation fees for hotel and meeting space services, which are recognized upon cancellation by the customer, and golf revenues from the Company's operations of Bally's Golf Links, which are recognized at the time of sale. Additionally, other revenue includes market access and business-to-business service revenue generated by the International Interactive and North America Interactive reportable segments, which is recognized at the time the goods are sold or the service is provided, and are included in Non-gaming revenue within our condensed consolidated statements of operations.

BALLY'S CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

The estimated retail value related to goods and services provided to guests without charge or upon redemption under the Company's player loyalty programs included in departmental revenues, and therefore reducing gaming revenues, are as follows for the three months ended March 31, 2024 and 2023:

| <i>(in thousands)</i> | Three Months Ended March 31, | |
|---------------------------------|---|------------------|
| | 2024 | 2023 |
| Hotel | \$ 20,479 | \$ 22,435 |
| Food and beverage | 20,213 | 19,474 |
| Retail, entertainment and other | 2,428 | 2,591 |
| | \$ 43,120 | \$ 44,500 |

Sales tax and other taxes collected on behalf of governmental authorities are accounted for on a net basis and are not included in revenue or operating expenses.

The following tables provide a disaggregation of revenue by segment (in thousands):

| Three Months Ended March 31, 2024 | Casinos & Resorts | International Interactive | North America Interactive | Total |
|--|------------------------------|--------------------------------------|--------------------------------------|-------------------|
| Gaming | \$ 250,418 | \$ 231,267 | \$ 34,372 | \$ 516,057 |
| Non-gaming: | | | | |
| Hotel | 41,090 | — | — | 41,090 |
| Food and beverage | 34,952 | — | — | 34,952 |
| Retail, entertainment and other | 15,869 | 3,416 | 7,098 | 26,383 |
| Total non-gaming revenue | 91,911 | 3,416 | 7,098 | 102,425 |
| Total revenue | \$ 342,329 | \$ 234,683 | \$ 41,470 | \$ 618,482 |
| Three Months Ended March 31, 2023 | | | | |
| Gaming | \$ 233,107 | \$ 237,181 | \$ 16,607 | \$ 486,895 |
| Non-gaming: | | | | |
| Hotel | 47,332 | — | — | 47,332 |
| Food and beverage | 33,608 | — | — | 33,608 |
| Retail, entertainment and other | 14,739 | 8,391 | 7,755 | 30,885 |
| Total non-gaming revenue | 95,679 | 8,391 | 7,755 | 111,825 |
| Total revenue | \$ 328,786 | \$ 245,572 | \$ 24,362 | \$ 598,720 |

Contract Assets and Contract Related Liabilities

The Company's receivables related to contracts with customers are primarily comprised of marker balances and other amounts due from gaming activities, amounts due for hotel stays and amounts due from tracks and OTB locations. The Company's receivables related to contracts with customers were \$35.5 million and \$38.5 million as of March 31, 2024 and December 31, 2023, respectively.

The Company has the following liabilities related to contracts with customers: liabilities for loyalty programs, advance deposits made for goods and services yet to be provided and unpaid wagers. All of the contract liabilities are short-term in nature and are included in "Accrued and other current liabilities" in the condensed consolidated balance sheets.

Loyalty program incentives earned by customers are typically redeemed within one year from when they are earned and expire if a customer's account is inactive for more than 12 months; therefore, the majority of these incentives outstanding at the end of a period will either be redeemed or expire within the next 12 months.

BALLY'S CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Advance deposits are typically for future banquet events, hotel room reservations and interactive player deposits. The banquet and hotel reservation deposits are usually received weeks or months in advance of the event or hotel stay. The Company holds restricted cash for interactive player deposits and records a corresponding withdrawal liability.

Unpaid wagers include the Company's outstanding chip liability and unpaid slot, pari-mutuel and sports betting tickets.

Liabilities related to contracts with customers as of March 31, 2024 and December 31, 2023 were as follows:

| <i>(in thousands)</i> | March 31, 2024 | December 31, 2023 |
|----------------------------------|-------------------|----------------------|
| Loyalty programs | \$ 15,349 | \$ 16,803 |
| Advanced deposits from customers | 28,141 | 29,052 |
| Unpaid wagers | 18,619 | 20,481 |
| Total | <u>\$ 62,109</u> | <u>\$ 66,336</u> |

The Company recognized \$7.6 million and \$5.9 million of revenue related to loyalty program redemptions for the three months ended March 31, 2024 and 2023, respectively.

6. BUSINESS COMBINATIONS

Casinos & Resorts Acquisitions

Bally's Golf Links - On September 12, 2023, the Company completed the acquisition of Trump Golf Links at Ferry Point, subsequently renamed Bally's Golf Links at Ferry Point, which includes the assignment of a license agreement to operate an 18-hole links-style golf course located in the Bronx, New York.

The total purchase consideration included cash paid, net of cash acquired and net working capital adjustments, which amounted to \$55.0 million. This acquisition continues the Company's strategic objective of developing a diversified portfolio within its Casinos & Resorts segment.

Total purchase consideration also included contingent consideration valued at \$58.6 million, the fair value at acquisition date, under GAAP, of expected cash payments totaling up to \$125 million to the seller, based upon future events, which are uncertain. The contingent consideration was recorded at fair value, using discounted cash flow analyses, and will be remeasured quarterly, with fair value adjustments recognized in earnings, until the contingencies are resolved. The settlement of the contingent consideration liabilities will be due to the seller in the event the license agreement is extended or if the Company is successful in its bid for a casino license.

The following table summarizes the consideration paid and the fair values of the assets acquired and liabilities assumed in connection with the Casinos & Resorts acquisition as of March 31, 2024:

| <i>(in thousands)</i> | Bally's Golf Links | |
|---------------------------------------|---------------------------|----------------------------------|
| | | <i>Preliminary⁽²⁾</i> |
| Total current assets | \$ | 1,108 |
| Property and equipment, net | | 505 |
| Intangible assets, net ⁽¹⁾ | | 6,500 |
| Other assets | | 2,000 |
| Goodwill | | 103,824 |
| Total current liabilities | | <u>(345)</u> |
| Total purchase price | <u>\$</u> | <u>113,592</u> |

(1) Bally's Golf Links' intangible assets include a concessionaire license of \$6.5 million, which is being amortized over its estimated useful life of approximately 12 years.

(2) The Company recorded adjustments to the preliminary purchase price allocation during the three months ended March 31, 2024 which decreased Goodwill and the total purchase price by \$0.2 million.

BALLY'S CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Goodwill recognized is deductible for local tax purposes and has been assigned as of the acquisition date to the Company's Casinos & Resorts reportable segment, which includes the reporting unit expected to benefit from the synergies of the acquisitions. Qualitative factors that contribute to the recognition of goodwill include expected synergies from integrating the business into the Company's casino portfolio and future development of its omni-channel strategy.

The Company incurred \$0.2 million of acquisition costs related to the above Casinos & Resorts acquisition during the three months ended March 31, 2024. There were no acquisition costs related to the above Casinos & Resorts acquisition during the three months ended March 31, 2023. These costs are included within "General and administrative" of the condensed consolidated statements of operations.

International Interactive Acquisition

Casino Secret - On January 5, 2023, the Company completed the acquisition of BACA Limited ("Casino Secret"), a European based online casino that offers slots, tables and live dealer games to Asian markets for total consideration of \$50.4 million. Cash paid by the Company, net of \$8.3 million cash acquired, was \$38.7 million, excluding transaction costs.

The following table summarizes the consideration paid and the fair values of the assets acquired and liabilities assumed in connection with the International Interactive acquisition:

| <i>(in thousands)</i> | Casino Secret | |
|---------------------------------------|----------------------------|---------|
| | <i>Final⁽²⁾</i> | |
| Total current assets | \$ | 8,862 |
| Property and equipment, net | | 50 |
| Intangible assets, net ⁽¹⁾ | | 29,471 |
| Goodwill | | 18,422 |
| Total current liabilities | | (6,371) |
| Total purchase price | \$ | 50,434 |

(1) Casino Secret intangible assets include player relationships and trade names of \$26.0 million and \$3.5 million, respectively, which are both being amortized on a straight-line basis over their estimated useful lives of approximately 7 years.

(2) The Company did not record adjustments to the preliminary purchase price allocation during the three months ended March 31, 2024.

Total goodwill recorded in connection with the above acquisition was \$18.4 million, and is not deductible for local tax purposes. Qualitative factors that contribute to the recognition of goodwill include certain intangible assets that are not recognized as separate identifiable intangible assets apart from goodwill, which consist primarily of benefits from acquiring a talented technology workforce and management team experienced in the online gaming industry, and securing buyer-specific synergies expected to contribute to the Company's omni-channel strategy which are expected to increase revenue and profits within the Company's International Interactive reportable segment. The goodwill of the acquisition has been assigned, as of the acquisition date, to the Company's International Interactive reportable segment.

The Company incurred \$1.2 million of acquisition costs related to the above International Interactive acquisition during the three months ended March 31, 2023. There were no acquisition costs related to the International Interactive acquisition during the three months ended March 31, 2024. These costs are included within "General and administrative" of the condensed consolidated statements of operations.

BALLY'S CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

7. PREPAID EXPENSES AND OTHER CURRENT ASSETS

As of March 31, 2024 and December 31, 2023, prepaid expenses and other current assets was comprised of the following:

| <i>(in thousands)</i> | March 31, 2024 | December 31, 2023 |
|---|---------------------------|------------------------------|
| Services and license agreements | \$ 40,975 | \$ 32,466 |
| Short term derivative assets | 11,031 | 9,530 |
| Due from payment service providers | 10,606 | 12,662 |
| Prepaid marketing | 14,519 | 8,685 |
| Prepaid insurance | 7,497 | 12,181 |
| Gaming taxes and licenses | 6,535 | 9,309 |
| Sales tax | 6,204 | 7,565 |
| Purse funds | 483 | 6,404 |
| Other | 12,257 | 9,294 |
| Total prepaid expenses and other current assets | <u>\$ 110,107</u> | <u>\$ 108,096</u> |

8. PROPERTY AND EQUIPMENT

As of March 31, 2024 and December 31, 2023, property and equipment was comprised of the following:

| <i>(in thousands)</i> | March 31, 2024 | December 31, 2023 |
|-------------------------------------|---------------------------|------------------------------|
| Land | \$ 238,997 | \$ 238,997 |
| Land improvements | 163,215 | 162,211 |
| Building and improvements | 676,431 | 673,071 |
| Equipment | 270,634 | 264,398 |
| Furniture and fixtures | 69,171 | 68,746 |
| Construction in process | 86,537 | 73,810 |
| Total property, plant and equipment | <u>1,504,985</u> | <u>1,481,233</u> |
| Less: Accumulated depreciation | <u>(404,252)</u> | <u>(306,345)</u> |
| Property and equipment, net | <u>\$ 1,100,733</u> | <u>\$ 1,174,888</u> |

Depreciation expense relating to property and equipment was \$99.5 million for the three months ended March 31, 2024, and \$18.7 million for the three months ended March 31, 2023. Depreciation expense during the three months ended March 31, 2024 included \$80.1 million of accelerated depreciation related to the closure of the Tropicana Las Vegas property. Refer to Note 13 "Restructuring Expense" for further information. During the three months ended March 31, 2024 and March 31, 2023, the Company recorded capitalized interest of \$1.8 million and \$2.9 million, respectively.

Bally's Chicago

A wholly-owned indirect subsidiary of the Company, Bally's Chicago Operating Company, LLC entered into a Lease Termination and Short Term License Agreement with Chicago Tribune Company, LLC ("Tribune"), effective March 31, 2023, which, among other things, provides that the Company will have possession of 777 West Chicago Avenue, Chicago, Illinois 60610 on or before July 5, 2024, subject to \$150 million in payments by the Company to Tribune payable in full upon Tribune vacating the site on or prior to July 5, 2024 (the "Payment"). \$10 million of the Payment was paid upon execution of the Lease Termination and Short Term License Agreement and \$90 million of the Payment was paid during the third quarter of 2023. The balance Payment amount of \$50 million is secured by cash-collateralized letters of credit, issued by Citizens Bank. Cash collaterals are reported as restricted cash as of March 31, 2024.

BALLY'S CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

The Company recorded the present value of the remaining payments of \$48.7 million within “Accrued and other current liabilities” with an offsetting increase to “Property and equipment, net” within the condensed consolidated balance sheets as of March 31, 2024.

9. GOODWILL AND INTANGIBLE ASSETS

The change in carrying value of goodwill by reportable segment for the three months ended March 31, 2024 is as follows (in thousands):

| | Casinos & Resorts | International Interactive | North America Interactive | Total |
|--|----------------------------------|--------------------------------------|--------------------------------------|---------------------|
| Goodwill as of December 31, 2023 ⁽¹⁾ | \$ 313,493 | \$ 1,586,590 | \$ 35,720 | \$ 1,935,803 |
| Effect of foreign exchange | — | (20,647) | (95) | (20,742) |
| Purchase accounting adjustments on prior year business acquisition | (208) | — | — | (208) |
| Goodwill as of March 31, 2024 ⁽¹⁾ | <u>\$ 313,285</u> | <u>\$ 1,565,943</u> | <u>\$ 35,625</u> | <u>\$ 1,914,853</u> |

(1) Amounts are shown net of accumulated goodwill impairment charges of \$5.4 million and \$140.4 million for Casinos & Resorts and North America Interactive, respectively.

The change in intangible assets, net for the three months ended March 31, 2024 is as follows (in thousands):

| | |
|--|---------------------|
| Intangible assets, net as of December 31, 2023 | \$ 1,871,428 |
| Effect of foreign exchange | (13,582) |
| Internally developed software | 12,325 |
| Other intangibles acquired | 2,727 |
| Less: Accumulated amortization | (60,260) |
| Intangible assets, net as of March 31, 2024 | <u>\$ 1,812,638</u> |

BALLY'S CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

The Company's identifiable intangible assets consist of the following:

| <i>(in thousands, except years)</i> | March 31, 2024 | | |
|---|------------------------------|---------------------------------|---------------------|
| | Gross Carrying Amount | Accumulated Amortization | Net |
| Amortizable intangible assets: | | | |
| Commercial rights - Sinclair ⁽¹⁾ | \$ 315,847 | \$ (97,692) | \$ 218,155 |
| Trade names | 37,375 | (19,480) | 17,895 |
| Hard Rock license | 8,000 | (2,364) | 5,636 |
| Customer relationships | 960,366 | (345,407) | 614,959 |
| Developed technology | 264,206 | (94,359) | 169,847 |
| Internally developed software | 72,752 | (15,397) | 57,355 |
| Gaming licenses | 46,316 | (14,152) | 32,164 |
| Other | 11,491 | (4,131) | 7,360 |
| Total amortizable intangible assets | 1,716,353 | (592,982) | 1,123,371 |
| Intangible assets not subject to amortization: | | | |
| Gaming licenses | 586,971 | — | 586,971 |
| Trade names | 99,781 | — | 99,781 |
| Other | 2,515 | — | 2,515 |
| Total unamortizable intangible assets | 689,267 | — | 689,267 |
| Total intangible assets, net | \$ 2,405,620 | \$ (592,982) | \$ 1,812,638 |

(1) Commercial rights intangible asset in connection with the Framework Agreement. Refer to Note 2 "Summary of Significant Accounting Policies" for further information.

| <i>(in thousands, except years)</i> | December 31, 2023 | | |
|---|------------------------------|---------------------------------|---------------------|
| | Gross Carrying Amount | Accumulated Amortization | Net |
| Amortizable intangible assets: | | | |
| Commercial rights - Sinclair ⁽²⁾ | \$ 315,847 | \$ (89,901) | \$ 225,946 |
| Trade names | 37,042 | (18,125) | 18,917 |
| Hard Rock license | 8,000 | (2,303) | 5,697 |
| Customer relationships | 974,286 | (314,053) | 660,233 |
| Developed technology | 267,927 | (86,119) | 181,808 |
| Internally developed software | 61,687 | (13,091) | 48,596 |
| Gaming licenses | 45,008 | (11,964) | 33,044 |
| Other | 11,505 | (3,621) | 7,884 |
| Total amortizable intangible assets | 1,721,302 | (539,177) | 1,182,125 |
| Intangible assets not subject to amortization: | | | |
| Gaming licenses | 586,971 | — | 586,971 |
| Trade names | 100,544 | — | 100,544 |
| Other | 1,788 | — | 1,788 |
| Total unamortizable intangible assets | 689,303 | — | 689,303 |
| Total intangible assets, net | \$ 2,410,605 | \$ (539,177) | \$ 1,871,428 |

(2) See note (1) above.

BALLY'S CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Amortization of intangible assets was approximately \$60.3 million and \$55.9 million for the three months ended March 31, 2024 and 2023, respectively.

The following table reflects the remaining amortization expense associated with the finite-lived intangible assets as of March 31, 2024:

(in thousands)

| | | |
|----------------|----|------------------|
| Remaining 2024 | \$ | 173,834 |
| 2025 | | 229,551 |
| 2026 | | 227,776 |
| 2027 | | 226,743 |
| 2028 | | 170,953 |
| Thereafter | | 94,514 |
| Total | \$ | <u>1,123,371</u> |

10. DERIVATIVE INSTRUMENTS

The Company utilizes derivative instruments in order to mitigate interest rate and currency exchange rate risk in accordance with its financial risk and liability management policy.

In 2023, the Company entered into a series of interest rate contracts and cross currency swap derivative transactions with multiple bank counterparties in order to synthetically convert a notional aggregate amount of \$500.0 million of the Company's USD denominated variable rate Term Loan Facility, as disclosed in Note 14 "Long-Term Debt," into fixed rate debt over five years and \$200 million of the Term Loan Facility, to an equivalent GBP denominated floating rate instrument over three years. These contracts mature in October, 2028 and 2026, respectively.

Derivative Instruments Designated as Hedging Instruments

Net Investment Hedges

Cross Currency Swaps - The Company is exposed to fluctuations in foreign exchange rates on investments it holds in its European foreign entities. The Company uses fixed and fixed-cross-currency swaps to hedge its exposure to changes in the foreign exchange rate on its foreign investment in Europe and their exposure to changes in the EUR-GBP exchange rate. Currency forward agreements involve fixing the USD-EUR exchange rate for delivery of a specified amount of foreign currency on a specified date. The currency forward agreements are typically cash settled in USD for their fair value at or close to their settlement date. Cross-currency swaps involve the receipt of functional-currency-fixed-rate amounts from a counterparty in exchange for the Company making foreign-currency-fixed-rate payments over the life of the agreement. These derivative arrangements qualify as net investment hedges under ASC 815, with the gain or loss resulting from changes in the spot value of the derivative reported in other comprehensive income (loss). Amounts are reclassified out of other comprehensive income (loss) into earnings when the hedged net investment is either sold or substantially liquidated. Additionally, the accrual of foreign currency and USD denominated coupons will be recognized in "Interest expense, net" in the condensed consolidated statements of operations. Refer to Note 11 "Fair Value Measurements" and Note 16 "Stockholders' Equity" for further information.

BALLY'S CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

The following tables summarize the Company's net investment hedges as of March 31, 2024 and December 31, 2023 (in thousands):

| Net Investment Hedges | Notional Sold | | Notional Purchased | |
|------------------------------|----------------------|---------|---------------------------|---------|
| Cross currency swaps | € | 461,595 | £ | 387,531 |
| Cross currency swaps | £ | 546,759 | \$ | 700,000 |

Cash Flow Hedges

Interest Rate Contracts - The Company's objectives in using interest rate derivatives are to hedge its exposure to variability in cash flows on a portion of its floating-rate debt, to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish these objectives, the Company primarily uses interest rate swaps and collars as part of its financial risk and liability management policy. The Company's interest rate swaps and collars are designated as cash flow hedges under ASC 815. The changes in the fair value of these instruments are recorded as a component of accumulated other comprehensive income (loss) and reclassified into "Interest expense, net" in the condensed consolidated statements of operations in the same period in which the hedged interest payments associated with the Company's borrowings are recorded. Refer to Note 11 "Fair Value Measurements" and Note 16 "Stockholders' Equity" for further information.

The following table summarizes the Company's cash flow hedges as of March 31, 2024 and December 31, 2023 (in thousands):

| Cash Flow Hedges | Notional Amount | Index | Cap | Floor⁽¹⁾ |
|-----------------------------------|------------------------|--------------|------------|----------------------------|
| Interest rate contracts - swaps | \$ 500,000 | US - SOFR | \$— | \$— |
| Interest rate contracts - collars | \$ 500,000 | US - SOFR | 4.25% | 3.22% |

(1) Weighted average rate.

BALLY'S CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

11. FAIR VALUE MEASUREMENTS

The following tables summarize the Company's assets and liabilities measured at fair value on a recurring basis. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement:

| <i>(in thousands)</i> | Balance Sheet Location | March 31, 2024 | | |
|--|---|-----------------------|------------------|-------------------|
| | | Level 1 | Level 2 | Level 3 |
| Assets: | | | | |
| Cash and cash equivalents | Cash and cash equivalents | \$ 169,356 | \$ — | \$ — |
| Restricted cash | Restricted cash | 141,533 | — | — |
| Convertible loans | Other assets | — | — | 4,082 |
| Investments in equity securities | Other assets | 3,391 | — | — |
| Investment in GLPI partnership | Other assets | — | 13,206 | — |
| <u>Derivative assets designated as hedging instruments:</u> | | | | |
| Interest rate contracts | Prepaid expenses and other current assets | — | 6,612 | — |
| Interest rate contracts | Other assets | — | 408 | — |
| Cross currency swaps | Prepaid expenses and other current assets | — | 4,419 | — |
| Cross currency swaps | Other assets | — | 6,929 | — |
| Total derivative assets at fair value | | — | 18,368 | — |
| Total assets | | <u>\$ 314,280</u> | <u>\$ 31,574</u> | <u>\$ 4,082</u> |
| Liabilities: | | | | |
| Contingent consideration | Other long-term liabilities | \$ — | \$ — | \$ 56,745 |
| <u>Derivative liabilities not designated as hedging instruments:</u> | | | | |
| Sinclair Performance Warrants | Commercial rights liabilities | — | — | 44,703 |
| <u>Derivative liabilities designated as hedging instruments:</u> | | | | |
| Interest rate contracts | Other long-term liabilities | — | 5,616 | — |
| Cross currency swaps | Accrued and other current liabilities | — | 1,000 | — |
| Cross currency swaps | Other long-term liabilities | — | 24,874 | — |
| Total derivative liabilities at fair value | | — | 31,490 | 44,703 |
| Total liabilities | | <u>\$ —</u> | <u>\$ 31,490</u> | <u>\$ 101,448</u> |

BALLY'S CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

| <i>(in thousands)</i> | Balance Sheet Location | December 31, 2023 | | |
|--|---|--------------------------|----------------|----------------|
| | | Level 1 | Level 2 | Level 3 |
| Assets: | | | | |
| Cash and cash equivalents | Cash and cash equivalents | \$ 163,194 | \$ — | \$ — |
| Restricted cash | Restricted cash | 152,068 | — | — |
| Convertible loans | Other assets | — | — | 4,115 |
| Investments in equity securities | Other assets | 3,409 | — | — |
| Investment in GLPI partnership | Other assets | — | 14,146 | — |
| Derivative assets designated as hedging instruments: | | | | |
| Interest rate contracts | Prepaid expenses and other current assets | — | 5,356 | — |
| Cross currency swaps | Prepaid expenses and other current assets | — | 4,174 | — |
| Cross currency swaps | Other assets | — | 6,477 | — |
| Total derivative assets at fair value | | — | 16,007 | — |
| Total assets | | \$ 318,671 | \$ 30,153 | \$ 4,115 |
| Liabilities: | | | | |
| Contingent consideration | Other long-term liabilities | \$ — | \$ — | \$ 58,580 |
| Derivatives not designated as hedging instruments | | | | |
| Sinclair Performance Warrants | Commercial rights liabilities | — | — | 44,703 |
| Derivative liabilities designated as hedging instruments: | | | | |
| Interest rate contracts | Other long-term liabilities | — | 21,492 | — |
| Cross currency swaps | Accrued and other current liabilities | — | 1,225 | — |
| Cross currency swaps | Other long-term liabilities | — | 29,376 | — |
| Total derivative liabilities at fair value | | — | 52,093 | 44,703 |
| Total liabilities | | \$ — | \$ 52,093 | \$ 103,283 |

The following tables summarize the changes in fair value of the Company's Level 3 assets and liabilities:

| <i>(in thousands)</i> | Sinclair Performance Warrants | Contingent Consideration | Convertible Loans |
|-----------------------------------|--|-------------------------------------|--------------------------|
| Beginning as of December 31, 2023 | \$ 44,703 | \$ 58,580 | \$ 4,115 |
| Change in fair value | — | (1,835) | (33) |
| Ending as of March 31, 2024 | \$ 44,703 | \$ 56,745 | \$ 4,082 |

| <i>(in thousands)</i> | Sinclair Performance Warrants | Contingent Consideration | Convertible Loans |
|--|--|-------------------------------------|--------------------------|
| Beginning as of December 31, 2022 | \$ 36,987 | \$ 8,220 | \$ 10,212 |
| Additions in the period (acquisition fair value) | — | — | 500 |
| Change in fair value | 267 | 1,241 | 126 |
| Ending as of March 31, 2023 | \$ 37,254 | \$ 9,461 | \$ 10,838 |

BALLY'S CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

The gains (losses) recognized in the condensed consolidated statements of operations for derivative instruments during the three months ended March 31, 2024 and 2023 are as follows:

| <i>(in thousands)</i> | Condensed Consolidated Statements of Operations Location | Three Months Ended March 31, | |
|--|---|---------------------------------|----------|
| | | 2024 | 2023 |
| <u>Derivatives not designated as hedging instruments</u> | | | |
| Sinclair Performance Warrants | Other non-operating income, net | \$ — | \$ (267) |
| <u>Derivatives designated as hedging instruments</u> | | | |
| Interest rate contracts | Interest expense, net | \$ (2,886) | \$ — |
| Cross currency swaps | Interest expense, net | (1,211) | — |

Interest Rate Contracts and Cross Currency Swaps

The fair values of interest rate contracts and cross currency swap assets and liabilities are classified within Level 2 of the fair value hierarchy as the valuation inputs are based on estimates using currency spot and forward rates and standard pricing models that consider the value of future cash flows as of the balance sheet date, discounted to a present value using discount factors that match both the time to maturity and currency of the underlying instruments. These standard pricing models utilize inputs that are derived from or corroborated by observable market data such as interest rate yield curves as well as currency spot and forward rates. Changes in the fair value of these contracts are reported as a component of other comprehensive income (loss).

Sinclair Performance Warrants

Sinclair Performance Warrants are accounted for as a derivative instrument classified as a liability within Level 3 of the hierarchy as the warrants are not traded in active markets and are subject to certain assumptions and estimates made by management related to the probability of meeting performance milestones. These assumptions and the probability of meeting performance targets may have a significant impact on the value of the warrant. The Performance Warrants are valued using an option pricing model, considering the Company's estimated probabilities of achieving the performance milestones for each tranche. Inputs to this valuation approach include volatility between 40% and 67%, risk free rates between 3.84% and 4.79%, the Company's common stock price for each period and expected terms between 1.5 and 6.3 years. The fair value is recorded within "Commercial rights liabilities" of the condensed consolidated balance sheets.

Contingent Consideration

Contingent consideration related to acquisitions is recorded at fair value as a liability on the acquisition date and subsequently remeasured at each reporting date, based on significant inputs not observable in the market, which represents a Level 3 measurement within the fair value hierarchy. The remeasurements are based primarily on the expected probability of achievement of the contingency targets which are subject to management's estimates. These changes in fair value are recognized within "Other, non-operating expenses, net" of the condensed consolidated statements of operations.

In connection with the acquisitions of SportCaller and Monkey Knife Fight ("MKF") in the first quarter of 2021, the Company recorded contingent consideration of \$58.7 million. During the second quarter of 2023, the Company, in satisfaction of contingencies related to the respective acquisition agreements, settled the remaining contingent consideration of \$9.3 million, comprised of 386,926 immediately exercisable penny warrants, 103,656 shares of Bally's Corporation common stock and a de minimis payment in cash.

In connection with the acquisition of Bally's Golf Links on September 12, 2023, the Company recorded contingent consideration, which was valued at \$56.7 million as of March 31, 2024. Refer to Note 6 "Business Combinations" for further information.

BALLY'S CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Convertible Loans

The Company has certain agreements with vendors to provide a portfolio of games to its customers. Pursuant to these agreements, the Company has issued loans to its vendors and has an option to convert the loans to shares of the vendors' equity, exercisable within a specified time period. The Company recorded instruments within "Other assets" at their fair value. The fair value of the loans to vendors have share values based on unobservable inputs and are classified within Level 3 of the hierarchy, with changes to fair value included within "Other non-operating expenses, net" of the condensed consolidated statements of operations.

Investments in Equity Securities

The Company has a long term investment in an unconsolidated entity which it accounts for under the equity method of accounting. The Company has elected the fair value option allowed by ASC 825, *Financial Instruments*, with respect to this investment. Under the fair value option, the investment is remeasured at fair value at each reporting period through earnings. The Company measures fair value using quoted prices in active markets that are classified within Level 1 of the hierarchy, with changes to fair value included within "Other non-operating expenses, net" of the condensed consolidated statements of operations.

Investment in GLPI Partnership

The Company holds a limited partnership interest in GLP Capital, L.P., the operating partnership of GLPI. The investment is reported at fair value based on Level 2 inputs, with changes to fair value included within "Other non-operating expenses, net" of the condensed consolidated statements of operations.

Long-Term Debt

The fair value of the Company's Term Loan Facility and senior notes are estimated based on quoted prices in active markets and are classified as Level 1 measurements. The fair value of the Revolving Credit Facility approximates its carrying amount as it is revolving, variable rate debt, and is also classified as a Level 1 measurement. In the table below, the carrying amounts of the Company's long-term debt is net of debt issuance costs and debt discounts. Refer to Note 14 "Long-Term Debt" for further information.

| <i>(in thousands)</i> | March 31, 2024 | | December 31, 2023 | |
|------------------------------|------------------------|-------------------|--------------------------|-------------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Term Loan Facility | \$ 1,868,169 | \$ 1,869,226 | \$ 1,871,330 | \$ 1,888,100 |
| 5.625% Senior Notes due 2029 | 736,953 | 577,500 | 736,447 | 596,250 |
| 5.875% Senior Notes due 2031 | 720,248 | 542,063 | 719,858 | 570,544 |

BALLY'S CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

12. ACCRUED AND OTHER CURRENT LIABILITIES

As of March 31, 2024 and December 31, 2023, accrued and other current liabilities consisted of the following:

| <i>(in thousands)</i> | March 31, 2024 | December 31, 2023 |
|--|---------------------------|------------------------------|
| Gaming liabilities | \$ 169,139 | \$ 177,557 |
| Diamond Sports Group non-cash liability ⁽¹⁾ | 202,572 | 144,883 |
| Compensation | 89,702 | 83,112 |
| Bally's Chicago - land development liability | 48,695 | 47,739 |
| Interest payable | 44,238 | 66,587 |
| Other | 148,214 | 131,841 |
| Total accrued and other current liabilities | \$ 702,560 | \$ 651,719 |

(1) Refer to Note 17 "Commitments and Contingencies" for further information.

13. RESTRUCTURING EXPENSE

On January 18, 2023, the Company announced a restructuring plan of the Interactive business intended to reduce operating costs and continue the Company's commitment to achieving profitable operations in its North America Interactive segment which included a reduction of the Company's then current Interactive workforce by up to 15 percent. In furtherance of and as an expansion of the January 2023 restructuring plan, on October 20, 2023, the Company announced further restructuring initiatives targeted at reshaping the technology utilized by its Interactive segments.

On January 29, 2024, the Company announced that it will cease its operations at the Tropicana Las Vegas on April 2, 2024 in order to redevelop the site with a state-of-the-art integrated resort and ballpark. As a result of the closure, the Company incurred restructuring charges representing employee related severance costs and accelerated depreciation of certain property and equipment.

The components of restructuring charges by segment for the three months ended March 31, 2024 are summarized as follows:

| <i>(in thousands)</i> | Casinos & Resorts | International Interactive | North America Interactive | Other | Total |
|--|----------------------------------|--------------------------------------|--------------------------------------|---------------|------------------|
| Severance and employee related benefits ⁽¹⁾ | \$ 19,655 | \$ 52 | \$ (1,479) | \$ 385 | \$ 18,613 |
| Accelerated depreciation expense ⁽²⁾ | 80,117 | — | — | — | 80,117 |
| Total restructuring charges | \$ 99,772 | \$ 52 | \$ (1,479) | \$ 385 | \$ 98,730 |

(1) Included within "General and administrative" of the condensed consolidated statements of operations.

(2) Included within "Depreciation and amortization" of the condensed consolidated statements of operations.

The components of restructuring charges by segment for the three months ended March 31, 2023 are summarized as follows:

| <i>(in thousands)</i> | International Interactive | North America Interactive | Other | Total |
|--|--------------------------------------|--------------------------------------|--------------|--------------|
| Severance and employee related benefits ⁽¹⁾ | \$ 9,332 | \$ 5,858 | \$ 1,632 | \$ 16,822 |

(1) Included within "General and administrative" of the condensed consolidated statements of operations.

BALLY'S CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

The changes in the Company's restructuring related liabilities for the three months ended March 31, 2024 and 2023 is as follows:

(in thousands)

| | | |
|---------------------------------|----|---------------|
| Balance as of December 31, 2023 | \$ | 5,291 |
| Charges | | 18,613 |
| Payments | | (2,356) |
| Effect of foreign exchange | | (850) |
| Balance as of March 31, 2024 | \$ | <u>20,698</u> |

The restructuring liability as of March 31, 2024 and December 31, 2023 is included within "Accrued and other current liabilities" on the condensed consolidated balance sheets.

14. LONG-TERM DEBT

As of March 31, 2024 and December 31, 2023, long-term debt consisted of the following:

(in thousands)

| | March 31, 2024 | December 31, 2023 |
|--|---------------------|----------------------|
| Term Loan Facility ⁽¹⁾ | \$ 1,901,238 | \$ 1,906,100 |
| Revolving Credit Facility | 355,000 | 335,000 |
| 5.625% Senior Notes due 2029 | 750,000 | 750,000 |
| 5.875% Senior Notes due 2031 | 735,000 | 735,000 |
| Less: Unamortized original issue discount | (22,775) | (23,756) |
| Less: Unamortized deferred financing fees | (38,093) | (39,709) |
| Long-term debt, including current portion | <u>3,680,370</u> | <u>3,662,635</u> |
| Less: Current portion of Term Loan and Revolving Credit Facility | (19,450) | (19,450) |
| Long-term debt, net of discount and deferred financing fees, excluding current portion | <u>\$ 3,660,920</u> | <u>\$ 3,643,185</u> |

(1) The Company has a series of interest rate and cross currency swap derivatives to synthetically convert \$500.0 million notional of the Company's USD denominated variable rate Term Loan Facility into fixed rate debt through its maturity in 2028. Refer to Note 10 "Derivative Instruments" for further information.

Senior Notes

On August 20, 2021, two unrestricted subsidiaries (together, the "Escrow Issuers") of the Company issued \$750.0 million aggregate principal amount of 5.625% senior notes due 2029 (the "2029 Notes") and \$750.0 million aggregate principal amount of 5.875% Senior Notes due 2031 (the "2031 Notes" and, together with the 2029 Notes, the "Senior Notes"). The Senior Notes were issued pursuant to an indenture, dated as of August 20, 2021, among the Escrow Issuers and U.S. Bank National Association, as trustee. Certain of the net proceeds from the Senior Notes offering were placed in escrow accounts for use in connection with the Gamesys acquisition. On October 1, 2021, upon the closing of the Gamesys acquisition, the Company assumed the issuer obligation under the Senior Notes. The Senior Notes are guaranteed, jointly and severally, by each of the Company's restricted subsidiaries that guarantees the Company's obligations under its Credit Agreement (as defined below).

The 2029 Notes mature on September 1, 2029 and the 2031 Notes mature on September 1, 2031. Interest is payable on the Senior Notes in cash semi-annually on March 1 and September 1 of each year, beginning on March 1, 2022.

The Company may redeem some or all of the Senior Notes at any time prior to September 1, 2024, in the case of the 2029 Notes, and September 1, 2026, in the case of the 2031 Notes, at prices equal to 100% of the principal amount of the Senior Notes to be redeemed plus certain "make-whole" premiums, plus accrued and unpaid interest. In addition, prior to September 1, 2024, the Company may redeem up to 40% of the original principal amount of each series of the Senior Notes with proceeds of certain equity offerings at a redemption price equal to 105.625% of the principal amount, in the case of the 2029 Notes, and 105.875%, in the case of the 2031 Notes, plus accrued and unpaid interest. The Company may redeem some or all of the Senior Notes at any time on or after September 1, 2024, in the case of the 2029 Notes, and September 1, 2026, in the case of the 2031 Notes, at certain redemption prices set forth in the indenture plus accrued and unpaid interest.

BALLY'S CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

During the three months ended March 31, 2023, the Company repurchased and retired \$15.0 million of the 2031 Notes at a weighted average price of 70.80% of the principal. In connection with the repurchase of these 2031 Notes, the Company recorded a gain on extinguishment of debt of \$4.0 million recorded within "Other non-operating income, net" in the condensed consolidated statements of operations.

The indenture contains covenants that limit the ability of the Company and its restricted subsidiaries to, among other things, (1) incur additional indebtedness, (2) pay dividends on or make distributions in respect of capital stock or make certain other restricted payments or investments, (3) enter into certain transactions with affiliates, (4) sell or otherwise dispose of assets, (5) create or incur liens and (6) merge, consolidate or sell all or substantially all of the Company's assets. These covenants are subject to exceptions and qualifications set forth in the indenture.

Credit Facility

On October 1, 2021, the Company and certain of its subsidiaries entered into a credit agreement (the "Credit Agreement") with Deutsche Bank AG New York Branch, as administrative agent and collateral agent, and the other lenders party thereto, providing for senior secured financing of up to \$2.565 billion, consisting of a senior secured term loan facility in an aggregate principal amount of \$1.945 billion (the "Term Loan Facility"), which will mature in 2028, and a senior secured revolving credit facility in an aggregate principal amount of \$620.0 million (the "Revolving Credit Facility"), which will mature in 2026.

The credit facilities allow the Company to increase the size of the Term Loan Facility or request one or more incremental term loan facilities or increase commitments under the Revolving Credit Facility or add one or more incremental revolving facilities in an aggregate amount not to exceed the greater of \$650 million and 100% of the Company's consolidated EBITDA for the most recent four-quarter period plus or minus certain amounts as specified in the Credit Agreement, including an unlimited amount subject to compliance with a consolidated total secured net leverage ratio as set out in the Credit Agreement.

The credit facilities are guaranteed by the Company's restricted subsidiaries, subject to certain exceptions, and secured by a first-priority lien on substantially all of the Company's and each of the guarantors' assets, subject to certain exceptions.

As of June 30, 2023, with the discontinuation of the LIBOR reference rate, borrowings under the credit facilities bear interest at a rate equal to, at the Company's option, either (1) the term Secured Overnight Financing Rate ("SOFR"), adjusted for certain additional costs and subject to a floor of 0.50% in the case of term loans and 0.00% in the case of revolving loans or (2) a base rate determined by reference to the greatest of (a) the federal funds rate plus 0.50%, (b) the prime rate, (c) the one-month SOFR rate plus 1.00%, (d) solely in the case of term loans, 1.50% and (e) solely in the case of revolving loans, 1.00%, in each case of clauses (1) and (2), plus an applicable margin. In addition, on a quarterly basis, the Company is required to pay each lender under the Revolving Credit Facility a 0.50% or 0.375% commitment fee in respect of commitments under the Revolving Credit Facility, with the applicable commitment fee determined based on the Company's total net leverage ratio.

The credit facilities contain covenants that limit the ability of the Company and its restricted subsidiaries to, among other things, incur additional indebtedness, pay dividends or make certain other restricted payments, sell assets, make certain investments and grant liens. These covenants are subject to exceptions and qualifications set forth in the Credit Agreement. The Revolving Credit Facility contains a financial covenant regarding a maximum first lien net leverage ratio that applies when borrowings under the Revolving Credit Facility exceed 30% of the total revolving commitment. As of March 31, 2024, the Company was in compliance with all such covenants.

In an effort to mitigate the interest rate risk associated with the Company's variable rate credit facilities, the Company entered into a series of interest rate and cross currency swap derivative transactions during the second half of 2023. Refer to Note 10 "Derivative Instruments" for further information.

BALLY'S CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

15. LEASES

Operating Leases

The Company is committed under various operating lease agreements for real estate and property used in operations. Certain leases include various renewal options which are included in the lease term when the Company has determined it is reasonably certain of exercising the options. Certain of these leases include percentage rent payments based on property revenues and/or rent escalation provisions determined by increases in the consumer price index ("CPI"). These percentage rent and escalation provisions are treated as variable lease payments and recognized as lease expense in the period in which the obligation for those payments are incurred. Discount rates used to determine the present value of the lease payments are based on the Company's incremental borrowing rate commensurate with the term of the lease.

The Company had total operating lease liabilities of \$1.19 billion and \$1.20 billion as of March 31, 2024 and December 31, 2023, respectively, and right of use assets of \$1.14 billion and \$1.16 billion as of March 31, 2024 and December 31, 2023, respectively, which were included in the condensed consolidated balance sheets.

GLPI Leases

As of March 31, 2024, the Company's Bally's Evansville, Bally's Dover, Bally's Quad Cities, Bally's Black Hawk, Bally's Tiverton and Hard Rock Biloxi properties are leased under the terms of a master lease agreement (the "Master Lease") with GLPI. All GLPI leases are accounted for as operating leases within the provisions of ASC 842, *Leases* ("ASC 842"), over the lease term or until a re-assessment event occurs. The Master Lease has an initial term of 15 years and includes four, five-year options to renew and requires combined minimum annual payments of \$100.5 million, subject to minimum 1% annual escalation or greater escalation dependent on CPI. The renewal options are not reasonably certain of exercise as of March 31, 2024.

On January 3, 2023, the Company completed a transaction with GLP Capital, L.P., the operating partnership of GLPI, related to the land and real estate assets of Bally's Tiverton and Hard Rock Biloxi for total consideration of \$625.4 million. The transaction was structured as a tax-free capital contribution and a substantial portion of the proceeds was used to reduce the Company's debt. These properties were added to the Master Lease, increasing minimum annual payments by \$48.5 million. During the three months ended March 31, 2023, the Company recorded a gain of \$374.2 million representing the difference in the transaction price and the derecognition of assets. This gain is reflected as "Gain from sale-leaseback, net" in the condensed consolidated statements of operations.

In addition to the properties under the Master Lease explained above, the Company also entered into a lease with GLPI for the land associated with Tropicana Las Vegas. This lease has an initial term of 50 years (with a maximum term of 99 years with renewal options) at annual rent of \$10.5 million, subject to minimum 1% annual escalation or greater escalation dependent on CPI. The renewal options are not reasonably certain of exercise as of March 31, 2024.

Components of lease expense, included within "General and administrative" in the condensed consolidated statements of operations, for operating leases during the three months ended March 31, 2024 and 2023 are as follows:

| <i>(in thousands)</i> | Three Months Ended March 31, | |
|--------------------------|---|------------------|
| | 2024 | 2023 |
| Operating leases: | | |
| Operating lease cost | \$ 37,331 | \$ 36,819 |
| Variable lease cost | 2,786 | 2,470 |
| Operating lease expense | 40,117 | 39,289 |
| Short-term lease expense | 5,345 | 2,326 |
| Total lease expense | <u>\$ 45,462</u> | <u>\$ 41,615</u> |

BALLY'S CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Supplemental cash flow and other information related to operating leases for the three months ended March 31, 2024 and 2023 are as follows:

| <i>(in thousands)</i> | Three Months Ended March 31, | |
|--|---|-------------|
| | 2024 | 2023 |
| Cash paid for amounts included in the lease liability - operating cash flows from operating leases | \$ 31,549 | \$ 31,777 |
| Right of use assets obtained in exchange for operating lease liabilities | \$ — | \$ 396,565 |

| | March 31, 2024 | December 31, 2023 |
|---------------------------------------|-----------------------|--------------------------|
| Weighted average remaining lease term | 17.5 years | 17.6 years |
| Weighted average discount rate | 7.5 % | 7.5 % |

As of March 31, 2024, future minimum lease payments under noncancelable operating leases are as follows:

| <i>(in thousands)</i> | March 31, 2024 |
|------------------------------|-----------------------|
| Remaining 2024 | \$ 105,806 |
| 2025 | 142,729 |
| 2026 | 142,029 |
| 2027 | 136,813 |
| 2028 | 139,087 |
| Thereafter | 1,610,537 |
| Total lease payments | 2,277,001 |
| Less: present value discount | (1,084,100) |
| Lease obligations | \$ 1,192,901 |

Future minimum lease payments disclosed in the table above include \$87.7 million related to extension options that are reasonably certain of being exercised.

Financing Obligation

Bally's Chicago Operating Company, LLC., an indirect wholly-owned subsidiary of the Company, entered into a ground lease for the land on which Bally's Chicago will be built, which is accounted for as a financing obligation in accordance with ASC 470, *Debt*, as the transaction did not qualify as a sale under ASC 842. The lease commenced November 18, 2022 and has a 99-year term followed by ten separate 20-year renewals at the Company's option.

The Company recorded land within "Property and equipment, net" of \$200.0 million with a corresponding liability within "Long-term portion of financing obligation" of \$200.0 million on its condensed consolidated balance sheets as of March 31, 2024 and December 31, 2023. All lease payments are recorded as interest expense and there is no reduction to the financing obligation over the lease term. Bally's Chicago made cash payments, and recorded corresponding interest expense of \$4.6 million and \$4.3 million during the three months ended March 31, 2024 and 2023, respectively.

Lessor

The Company leases its hotel rooms to patrons and records the corresponding lessor revenue in "Non-gaming revenue" within our condensed consolidated statements of operations. The Company had lessor revenues related to the rental of hotel rooms of \$41.1 million and \$47.3 million for the three months ended March 31, 2024 and 2023, respectively. Hotel leasing arrangements vary in duration, but are short-term in nature.

BALLY'S CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

16. STOCKHOLDERS' EQUITY

Capital Return Program

The Company has a Board of Directors approved capital return program under which the Company may expend a total of up to \$700 million for share repurchases and payment of dividends. Future share repurchases may be effected in various ways, which could include open-market or private repurchase transactions, accelerated stock repurchase programs, tender offers or other transactions. The amount, timing and terms of any return of capital transaction will be determined based on prevailing market conditions and other factors. There is no fixed time period to complete share repurchases. As of March 31, 2024 and December 31, 2023, \$95.5 million was available for use under the capital return program.

There was no share repurchase activity during the three months ended March 31, 2024. Total share repurchase activity during the three months ended 2023 was as follows:

| <i>(in thousands, except share and per share data)</i> | Three Months Ended March 31, 2023 | |
|--|--|-----------|
| Number of common shares repurchased | | 1,026,343 |
| Total cost | \$ | 19,753 |
| Average cost per share, including commissions | \$ | 19.25 |

All shares repurchased during the three months ended March 31, 2023 were transferred to treasury stock and all 1,026,343 shares were retired during that same quarter. The shares were returned to the status of authorized but unissued shares. As of March 31, 2024, there were no shares remaining in treasury.

There were no cash dividends paid during the three months ended March 31, 2024 and 2023.

Common Stock Offering

On April 20, 2021, the Company issued a total of 12,650,000 shares of Bally's common stock in an underwritten public offering at a price to the public of \$55.00 per share. Net proceeds from the offering were approximately \$671.4 million, after deducting underwriting discounts, but before expenses.

On April 20, 2021, the Company issued to affiliates of Sinclair a warrant to purchase 909,090 common shares for an aggregate purchase price of \$50.0 million, or \$55.00 per share. The net proceeds were used to finance a portion of the purchase price of the Gamesys acquisition. The exercise price of the warrant is nominal and its exercise is subject to, among other conditions, requisite gaming authority approvals. Sinclair agreed not to acquire more than 4.9% of Bally's outstanding common shares without such approvals. In addition, in accordance with the agreements that Bally's and Sinclair entered into in November 2020, Sinclair exchanged 2,086,908 common shares for substantially identical warrants.

Preferred Stock

The Company has authorized the issuance of up to 10 million shares of \$0.01 par value preferred stock. As of March 31, 2024 and December 31, 2023, no shares of preferred stock have been issued.

BALLY'S CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Shares Outstanding

As of March 31, 2024, the Company had 40,483,375 common shares issued and outstanding. The Company issued warrants, options and other contingent consideration in acquisitions and strategic partnerships that are expected to result in the issuance of common shares in future periods resulting from the exercise of warrants and options or the achievement of certain performance targets. These incremental shares are summarized below:

| | |
|---|------------|
| Sinclair Penny Warrants (Note 2) | 7,911,724 |
| Sinclair Performance Warrants (Note 2) | 3,279,337 |
| Sinclair Options ⁽¹⁾ (Note 2) | 1,639,669 |
| MKF penny warrants (Note 11) | 44,128 |
| Telescope contingent shares (Note 11) | 8,626 |
| Outstanding awards under Equity Incentive Plans | 1,621,053 |
| | 14,504,537 |

(1) Consists of four equal tranches to purchase shares with exercise prices ranging from \$30.00 to \$45.00 per share, exercisable over a seven-year period beginning on the fourth anniversary of the November 18, 2020 closing of the Framework Agreement.

Accumulated Other Comprehensive Income (Loss)

The following tables reflect the changes in accumulated other comprehensive loss by component for the three months ended March 31, 2024 and 2023, respectively:

| <i>(in thousands)</i> | Foreign Currency Translation Adjustment | Benefit Plans | Cash Flow Hedges⁽¹⁾ | Net Investment Hedges | Total |
|--|--|----------------------|---|----------------------------------|--------------|
| Accumulated other comprehensive income (loss) at December 31, 2023 | \$ (177,203) | \$ 886 | \$ (11,246) | \$ (21,995) | \$ (209,558) |
| Other comprehensive income (loss) before reclassifications | (37,794) | — | 20,426 | 6,526 | (10,842) |
| Reclassifications from accumulated other comprehensive income (loss) to earnings | — | — | (2,886) | (1,211) | (4,097) |
| Tax effect | — | — | (5,257) | 6,151 | 894 |
| Accumulated other comprehensive income (loss) at March 31, 2024 | \$ (214,997) | \$ 886 | \$ 1,037 | \$ (10,529) | \$ (223,603) |

(1) As of March 31, 2024, approximately \$7.3 million of existing gains and losses are estimated to be reclassified into earnings within the next 12 months.

| <i>(in thousands)</i> | Foreign Currency Translation Adjustment | Benefit Plans | Total |
|--|--|----------------------|--------------|
| Accumulated other comprehensive income (loss) at December 31, 2022 | \$ (295,984) | \$ 344 | \$ (295,640) |
| Other comprehensive income | 52,073 | — | 52,073 |
| Accumulated other comprehensive income (loss) at March 31, 2023 | \$ (243,911) | \$ 344 | \$ (243,567) |

BALLY'S CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

17. COMMITMENTS AND CONTINGENCIES

Litigation

Diamond commenced reorganization proceedings under Chapter 11 of the Bankruptcy Code in March 2023. In July 2023, Diamond commenced litigation against Sinclair, Bally's and others as part of its bankruptcy proceedings, challenging a series of transactions between Sinclair and Diamond. One of the 19 counts in the complaint includes Bally's as a defendant, alleging that the Commercial Agreement with Sinclair involved fraudulent transfers and unlawful distributions. In the first quarter of 2024, Diamond agreed to settle these claims against all defendants, including Bally's. Under the settlement terms, Diamond would receive payments from Sinclair and would reject the Commercial Agreement. Bally's would continue to have naming rights on Diamond's RSNs through the 2024 major league baseball season at no cost to either party (unless Diamond agrees with a new counterparty that will pay for such naming rights). Bally's, in turn, would receive a release of all claims Diamond may have against it. Bally's obligation to pay Diamond for the naming rights terminated upon the bankruptcy court's approval of the settlement terms, which the court approved on March 1, 2024, and the Company derecognized the rights fees liability against the non-cash liability established at December 31, 2023. Bally's has recorded a \$202.6 million non-cash liability to reflect the effect of the termination of naming rights on its remaining commercial rights intangible asset originally recorded at the time that the arrangement was agreed, which is expected to occur in 2024.

The Company is a party to other various legal and administrative proceedings which have arisen in the ordinary course of its business. Estimated losses are accrued for these proceedings when the loss is probable and can be estimated. The current liability for the estimated losses associated with these proceedings is not material to the Company's consolidated financial condition and those estimated losses are not expected to have a material impact on results of operations. Although the Company maintains what it believes is adequate insurance coverage to mitigate the risk of loss pertaining to covered matters, legal and administrative proceedings can be costly, time-consuming and unpredictable.

Although no assurance can be given, the Company does not believe that the final outcome of these matters, including costs to defend itself in such matters, will have a material adverse effect on the company's consolidated financial statements. Further, no assurance can be given that the amount or scope of existing insurance coverage will be sufficient to cover losses arising from such matters.

Capital Expenditure Commitments

Bally's Atlantic City - As part of the regulatory approval process with the State of New Jersey, the Company committed to spend \$100 million in capital expenditures over a five year period to invest in and improve the property. The commitment calls for expenditures of no less than \$85 million in aggregate by 2023. The remaining \$15 million of committed capital must be spent over 2024 and 2025. From 2021 through 2025, no less than \$35 million must be invested in the hotel and no less than \$65 million must be invested in non-hotel projects. As of March 31, 2024, approximately \$5.5 million of the commitment to invest in non-hotel projects remains.

Bally's Twin River - Pursuant to the terms of the Regulatory Agreement in Rhode Island, the Company is committed to invest \$100 million in its Rhode Island properties over the term of the master contract through June 30, 2043, including an expansion and the addition of new amenities at Bally's Twin River. As of March 31, 2024, approximately \$57.4 million of the commitment remains.

Bally's Chicago - Pursuant to the Host Community Agreement with the City of Chicago, the Company's indirect subsidiary is required to spend at least \$1.34 billion on the design, construction and outfitting of the temporary casino and the permanent resort and casino. The actual cost of the development may exceed this minimum capital investment requirement. In addition, land acquisition costs and financing costs, among other types of costs, are not counted toward meeting this requirement.

City of Chicago Guaranty

In connection with the Host Community Agreement, entered into by Bally's Chicago Operating Company, LLC (the "Developer"), a wholly-owned indirect subsidiary of the Company, the Company provided the City of Chicago with a performance guaranty whereby the Company agreed to have and maintain available financial resources in an amount reasonably sufficient to allow the Developer to complete its obligations under the host community agreement. In addition, upon notice from the City of Chicago that the Developer has failed to perform various obligations under the host community agreement, the Company has agreed to indemnify the City of Chicago against any and all liability, claim or reasonable and documented expense the City of Chicago may suffer or incur by reason of any nonperformance of any of the Developer's obligations.

BALLY'S CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Bally's Chicago Casino Fees

Under the Illinois Gambling Act, the Company must pay various gaming license fees to the Illinois Gaming Board in connection with the Company's casino operations. These fees include: (i) a \$250,000 land based gaming fee to operate the casino on land prior to commencing operations, (ii) a \$250,000 license fee prior to receiving an owners license and gambling operations commence, (iii) gaming position fees equal to the minimum initial fee of \$30,000 per gaming position to be paid within 30 days of issuance of an owners license or Temporary Operating Permit ("TOP"), (iv) a \$15 million reconciliation fee upon issuance of a TOP or an owners license, whichever is earlier, and (v) a reconciliation fee payment three years after the date operations commenced (in a temporary or permanent facility) in an amount equal to 75% of the adjusted gross receipt ("AGR") for the most lucrative 12-month period of operations, minus the amount equal to the initial payment per gaming position paid. On September 9, 2023, operations commenced at the Company's Bally's Chicago temporary casino, which triggered \$135.3 million in such required gaming license fees to be paid to the Illinois Gaming Board, satisfying the Company's commitment to pay fees (i), (ii), (iii) and (iv).

Sponsorship Commitments

As of March 31, 2024, the Company has entered into multiple sponsorship agreements with various professional sports leagues and teams. These agreements commit a total of \$146.2 million through 2037 and grant the Company rights to use official league marks for branding and promotions, among other benefits.

Interactive Technology Commitments

The Company has certain multi-year agreements with its various market access and content providers, as well as its online sports betting platform partners, that require the Company to pay variable fees based on revenue, with minimum annual guarantees. As of March 31, 2024, the cumulative minimum obligation committed in these agreements is approximately \$46.1 million through 2029.

18. SEGMENT REPORTING

The Company has three operating and reportable segments: Casinos & Resorts, International Interactive and North America Interactive. The "Other" category includes interest expense for the Company and certain unallocated corporate operating expenses and other adjustments, including eliminations of transactions among segments to reconcile to the Company's consolidated results including, among other expenses, share-based compensation, acquisition and other transaction costs and certain non-recurring charges.

The Company's three reportable segments as of March 31, 2024 are:

Casinos & Resorts - Includes the Company's 16 casino and resort properties, one horse racetrack and one golf course.

International Interactive - Gamesys' European and Asian operations.

North America Interactive - A portfolio of sports betting, iGaming, and free-to-play gaming brands, and the North American operations of Gamesys.

As of March 31, 2024, the Company's operations were predominately in the US, Europe and Asia with a less substantive footprint in other countries worldwide. For geographical reporting purposes, revenue generated outside of the US has been aggregated into the International Interactive reporting segment, and consists primarily of revenue from the UK and Japan. Revenue generated from the UK and Japan represented approximately 26% and 10% of total revenue, respectively, for the three months ended March 31, 2024, and approximately 24% and 12%, respectively for the three months ended March 31, 2023. The Company does not have any revenues from any individual customers that exceed 10% of total reported revenues.

Beginning in the third quarter of 2023, the Company updated its measure of segment performance to Adjusted EBITDAR (defined below) from Adjusted EBITDA. The prior year results presented below were reclassified to conform to the new segment presentation. Management believes segment Adjusted EBITDAR is representative of its ongoing business operations including its ability to service debt and to fund capital expenditures, acquisitions and operations, in addition to it being a commonly used measure of performance in the gaming industry and used by industry analysts to evaluate operations and operating performance.

BALLY'S CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

The following table sets forth revenue and Adjusted EBITDAR for the Company's three reportable segments and reconciles Adjusted EBITDAR on a consolidated basis to net (loss) income. The Other category is included in the following tables in order to reconcile the segment information to the Company's condensed consolidated financial statements.

| <i>(in thousands)</i> | Three Months Ended March 31, | |
|---|---|-------------|
| | 2024 | 2023 |
| Revenue | | |
| Casinos & Resorts | \$ 342,329 | \$ 328,786 |
| International Interactive | 234,683 | 245,572 |
| North America Interactive | 41,470 | 24,362 |
| Total | \$ 618,482 | \$ 598,720 |
| Adjusted EBITDAR⁽¹⁾ | | |
| Casinos & Resorts | \$ 89,418 | \$ 105,123 |
| International Interactive | 83,532 | 80,301 |
| North America Interactive | (10,158) | (10,563) |
| Other | (14,677) | (17,268) |
| Total | 148,115 | 157,593 |
| Operating income (costs) and (expense): | | |
| Rent expense associated with triple net operating leases ⁽²⁾ | (31,647) | (31,238) |
| Depreciation and amortization | (159,746) | (74,561) |
| Transaction costs | (6,794) | (22,018) |
| Restructuring | (18,613) | (16,822) |
| Share-based compensation | (3,058) | (6,040) |
| Gain on sale-leaseback | — | 374,186 |
| Other | (2,212) | (4,368) |
| (Loss) income from operations | (73,955) | 376,732 |
| Other (expense) income | | |
| Interest expense, net of interest income | (73,131) | (63,264) |
| Other | 4,554 | 2,610 |
| Total other expense, net | (68,577) | (60,654) |
| (Loss) income before income taxes | (142,532) | 316,078 |
| Provision for income taxes | (31,382) | (137,742) |
| Net (loss) income | \$ (173,914) | \$ 178,336 |

(1) Adjusted EBITDAR is defined as earnings, or loss, for the Company before interest expense, net of interest income, provision (benefit) for income taxes, depreciation and amortization, non-operating (income) expense, acquisition, integration and restructuring expense, share-based compensation, and certain other gains or losses as well as, when presented for our reporting segments, an adjustment related to the allocation of corporate cost among segments, plus rent expense associated with triple net operating leases. Adjusted EBITDAR should not be construed as an alternative to GAAP net income, its most directly comparable GAAP measure, nor is it directly comparable to similarly titled measures presented by other companies.

(2) Consists primarily of the operating lease components contained within certain triple net leases with GLPI. Refer to Note 15 "Leases" for further information.

BALLY'S CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

| <i>(in thousands)</i> | Three Months Ended March 31, | |
|-----------------------------|-------------------------------------|-------------|
| | 2024 | 2023 |
| Capital Expenditures | | |
| Casinos & Resorts | \$ 9,879 | \$ 25,225 |
| International Interactive | 246 | 781 |
| North America Interactive | 260 | 526 |
| Other ⁽¹⁾ | 17,668 | 17,146 |
| Total | \$ 28,053 | \$ 43,678 |

(1) Includes \$17.5 million related to our future Bally's Chicago permanent facility.

Total assets are not regularly reviewed for each operating segment when assessing segment performance or allocating resources and accordingly, are not presented.

19. EARNINGS (LOSS) PER SHARE

Diluted earnings per share includes the determinants of basic earnings per share and, in addition, reflects the dilutive effect of the common stock deliverable for stock options, using the treasury stock method, and for RSUs, RSAs and PSUs for which future service is required as a condition to the delivery of the underlying common stock.

| <i>(in thousands, except per share data)</i> | Three Months Ended March 31, | |
|---|---|-------------|
| | 2024 | 2023 |
| Net (loss) income applicable to common stockholders | \$ (173,914) | \$ 178,336 |
| Weighted average common shares outstanding, basic | 48,119 | 54,420 |
| Weighted average effect of dilutive securities | — | 669 |
| Weighted average common shares outstanding, diluted | 48,119 | 55,089 |
| Basic earnings per share | \$ (3.61) | \$ 3.28 |
| Diluted earnings per share | \$ (3.61) | \$ 3.24 |

There were 5,157,927 and 5,094,394 share-based awards that were considered anti-dilutive for the three months ended March 31, 2024 and 2023, respectively.

On November 18, 2020, the Company issued Penny Warrants, Performance Warrants and Options which participate in dividends with the Company's common stock subject to certain contingencies. In the period in which the contingencies are met, those instruments are participating securities to which income will be allocated using the two-class method. The Performance Warrants and Options do not participate in net losses. The Penny Warrants were considered exercisable for little to no consideration and are therefore included in basic shares outstanding at their issuance date. For the three months ended March 31, 2024 and 2023, the shares underlying the Performance Warrants were anti-dilutive as certain contingencies were not met. Refer to Note 2 "Summary of Significant Accounting Policies" for further information regarding the Framework Agreement.

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

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of the securities laws. Forward-looking statements are statements as to matters that are not historical facts, and include statements about our plans, objectives, expectations and intentions.

Forward-looking statements are not guarantees and are subject to risks and uncertainties. Forward-looking statements are based on our current expectations and assumptions. Although we believe that our expectations and assumptions are reasonable at this time, they should not be regarded as representations that our expectations will be achieved. Actual results may vary materially. Forward-looking statements speak only as of the time of this report and we do not undertake to update or revise them as more information becomes available, except as required by law.

Important factors beyond those that apply to most businesses, some of which are beyond our control, that could cause actual results to differ materially from our expectations and assumptions include, without limitation:

- unexpected costs, difficulties integrating and other events impacting our completed acquisitions and our ability to realize anticipated benefits;
- risks associated with our rapid growth, including those affecting customer and employee retention, integration and controls;
- risks associated with the impact of the digitalization of gaming on our casino operations, our expansion into sports betting and iGaming and the highly competitive and rapidly changing aspects of our businesses generally;
- the very substantial regulatory restrictions applicable to us, including costs of compliance;
- restrictions and limitations in agreements to which we are subject, including our debt; and
- other risks identified in Part I. Item 1A. "Risk Factors" of Bally's Annual Report on Form 10-K for the fiscal year ended December 31, 2023 as filed with the SEC on March 15, 2024 and other filings with the SEC.

The foregoing list of important factors is not exclusive and does not include matters like changes in general economic conditions that affect substantially all gaming businesses.

You should not place undue reliance on our forward-looking statements.

Overview

We are a global gaming, hospitality and entertainment company with a portfolio of casinos and resorts and online gaming businesses. We provide our customers with physical and interactive entertainment and gaming experiences, including traditional casino offerings, iGaming, online bingo, sportsbook and free-to-play (“F2P”) games.

As of March 31, 2024, we own and manage 16 land-based casinos in 10 states across the United States (“US”), one golf course in New York, and one horse racetrack in Colorado operating under the Bally’s brand. Our land-based casino operations include approximately 15,300 slot machines, 600 table games and 5,300 hotel rooms, along with various restaurants, entertainment venues and other amenities. In 2021, we acquired London-based Gamesys Group Ltd. (“Gamesys”) to expand our geographical and product footprints to include an iGaming business with well-known brands providing iCasino and online bingo experiences to our global online customer base with concentrations in Europe and Asia and a growing presence in North America. Our revenues are primarily generated by these gaming and entertainment offerings. Our proprietary software and technology stack is designed to allow us to provide consumers with differentiated offerings and exclusive content.

Our Strategy and Business Developments

We seek to continue to grow our business by actively pursuing the acquisition and development of new gaming opportunities and reinvesting in our existing operations. We believe that interactive gaming represents a significant strategic opportunity for the future growth of Bally’s and we will continue to actively focus resources in markets that we believe will regulate iGaming. We seek to increase revenues at our casinos and resorts through enhancing the guest experience by providing popular games, restaurants, hotel accommodations, entertainment and other amenities in attractive surroundings with high-quality guest service. We believe that our recent acquisitions have expanded and diversified us from financial and market exposure perspectives, while continuing to mitigate our susceptibility to regional economic downturns, idiosyncratic regulatory changes and increases in regional competition.

We continue to make progress on the integration of our acquired assets and deploying capital on our strategic growth projects. These steps have positioned us as a prominent, full-service, vertically integrated iGaming company, with physical casinos and online gaming solutions united under a single, leading brand.

Operating Structure

Our business is organized into three reportable segments: (i) Casinos & Resorts, (ii) International Interactive, and (iii) North America Interactive.

Casinos & Resorts - includes our 16 land-based casino properties, one horse racetrack and one golf course:

| Property Name | Location |
|---|---------------------------|
| Bally's Atlantic City Casino Resort ("Bally's Atlantic City") | Atlantic City, New Jersey |
| Bally's Black Hawk ⁽¹⁾⁽²⁾ | Black Hawk, Colorado |
| Bally's Chicago Casino ("Bally's Chicago") ⁽³⁾ | Chicago, Illinois |
| Bally's Dover Casino Resort ("Bally's Dover") ⁽²⁾ | Dover, Delaware |
| Bally's Evansville Casino & Hotel ("Bally's Evansville") ⁽²⁾ | Evansville, Indiana |
| Bally's Kansas City Casino ("Bally's Kansas City") | Kansas City, Missouri |
| Bally's Lake Tahoe Casino Resort ("Bally's Lake Tahoe") | Lake Tahoe, Nevada |
| Bally's Quad Cities Casino & Hotel ("Bally's Quad Cities") ⁽²⁾ | Rock Island, Illinois |
| Bally's Shreveport Casino & Hotel ("Bally's Shreveport") | Shreveport, Louisiana |
| Bally's Tiverton Casino & Hotel ("Bally's Tiverton") ⁽²⁾ | Tiverton, Rhode Island |
| Bally's Twin River Lincoln Casino Resort ("Bally's Twin River") | Lincoln, Rhode Island |
| Bally's Vicksburg Casino ("Bally's Vicksburg") | Vicksburg, Mississippi |
| Hard Rock Hotel & Casino Biloxi ("Hard Rock Biloxi") ⁽²⁾ | Biloxi, Mississippi |
| Tropicana Las Vegas Casino and Resort ("Tropicana Las Vegas") ⁽²⁾⁽⁴⁾ | Las Vegas, Nevada |
| Bally's Arapahoe Park | Aurora, Colorado |
| Bally's Golf Links at Ferry Point ("Bally's Golf Links") | Bronx, New York |

(1) Consists of three casino properties: Bally's Black Hawk North Casino, Bally's Black Hawk West Casino and Bally's Black Hawk East Casino.

(2) Properties leased from Gaming and Leisure Properties, Inc. ("GLPI"). Refer to Note 15 "Leases" for further information.

(3) Temporary casino facility while permanent casino resort is constructed.

(4) This property closed on April 2, 2024 as part of a plan to redevelop the site with a state-of-the-art integrated resort and ballpark.

International Interactive - includes Gamesys, primarily a business-to-consumer ("B2C") iCasino operator.

North America Interactive - includes the following North America businesses:

- Bally's Interactive, primarily a B2C online iGaming and online sportsbook operator; and
- Consumer facing service and marketing engines, including SportCaller, a business-to-business ("B2B") and F2P game provider for sports betting companies; Live at the Bike, an online subscription streaming service featuring livestream and on-demand poker videos and podcasts; an investment in the Association of Volleyball Professionals ("AVP"), a professional beach volleyball organization and host of the longest-running domestic beach volleyball tour; and an investment in Watch Stadium, a content distribution channel focused on sporting events.

The North America Interactive reportable segment also includes the North American operations of Gamesys.

Refer to Note 18 "Segment Reporting" to our condensed consolidated financial statements for additional information on our segment reporting structure.

Rhode Island Regulatory Agreement

We are party to an Amended and Restated Regulatory Agreement (the "Regulatory Agreement"), with the Rhode Island Department of Business Regulation ("DBR") and the State Lottery Division of the Rhode Island Department of Revenue ("DoL"). The Regulatory Agreement contains financial and other covenants that, among other things, (i) restrict the acquisition of stock and other financial interests in us, (ii) relate to the licensing and composition of members of our management and Board of Directors (the "Board"), (iii) prohibit certain competitive activities and related-party transactions and (iv) restrict our ability to declare or make restricted payments (including dividends), incur additional indebtedness or take certain other actions, if our leverage ratio exceeds 5.50 to 1.00 (in general being gross debt divided by Adjusted EBITDA, each as defined in the Regulatory Agreement).

The Regulatory Agreement also provides affirmative obligations, including setting a minimum number of employees that we must employ in Rhode Island and providing the DBR and DoL with periodic information updates about us. Among other things, the Regulatory Agreement prohibits us and our subsidiaries from owning, operating, managing or providing gaming specific goods and services to any properties in Rhode Island (other than Bally's Twin River and Bally's Tiverton), Massachusetts, Connecticut or New Hampshire. A failure to comply with the Regulatory Agreement could subject us to injunctive or monetary relief, payments to the Rhode Island regulatory agencies and ultimately the revocation or suspension of our licenses to operate in Rhode Island.

In addition, our master contracts with Rhode Island extended through June 30, 2043, and allow for consolidation of promotional points between Bally's Twin River and Bally's Tiverton, obligate Bally's Twin River to build a 50,000 square foot expansion, obligate Bally's to lease at least 20,000 square feet of commercial space in Providence, and commit us to invest \$100 million in Rhode Island over the term, including an expansion and the addition of new amenities at Bally's Twin River. As a licensed Technology Provider since July 1, 2021, Bally's Twin River is entitled to an additional share of net terminal income on Video Lottery Terminals ("VLTs") which they owned or leased. June 2021 legislation in Rhode Island also authorized a joint venture between Bally's and IGT Global Solutions Corporation ("IGT") to become a licensed technology provider and supply the State of Rhode Island with all VLTs at both Bally's Twin River and Bally's Tiverton for a 20.5-year period starting January 1, 2023. The joint venture was organized as the Rhode Island VLT Company, LLC, with IGT owning 60% of the membership interests and Bally's or its affiliates owning 40% of the membership interests ("RI Joint Venture"). On December 30, 2022, Bally's Twin River and Bally's Tiverton purchased additional machines directly from IGT to effectively own 40% of the machines. On January 1, 2023, Bally's Twin River and Bally's Tiverton contributed all of their machines to the RI Joint Venture in return for an aggregate 40% membership interest, and IGT contributed all of their machines at Bally's Twin River and Bally's Tiverton to the RI Joint Venture in return for a 60% membership interest.

Macroeconomic and Other Factors

Our business is subject to risks caused by global economic challenges, including those caused by public health crises such as the COVID-19 pandemic, the impact of global and regional conflicts, rising inflation, rising interest rates and supply-chain disruptions, that can cause economic uncertainty and volatility. These challenges can negatively impact discretionary consumer spending and could result in a reduction in visitors to our properties, including those that stay in our hotels, or discretionary spending by our customers on entertainment and leisure activities. In addition, inflation generally affects our business by increasing our cost of labor. In periods of sustained inflation, it may be difficult to effectively control such increases to our costs and retain key personnel.

Key Performance Indicators

The key performance indicator used in managing our business is consolidated Adjusted EBITDA and segment Adjusted EBITDAR which are non-GAAP measures. Adjusted EBITDA is defined as earnings, or loss, for the Company, or where noted its reporting segments, before, in each case, interest expense, net of interest income, provision (benefit) for income taxes, depreciation and amortization, non-operating (income) expense, acquisition and other transaction related costs, share-based compensation and certain other gains or losses as well as, when presented for our reporting segments, an adjustment related to the allocation of corporate cost among segments. Segment Adjusted EBITDAR is Adjusted EBITDA (as defined above) for the Company's reportable segments, plus rent expense associated with triple net operating leases with GLPI for the real estate assets used in the operation of the Bally's casinos and the assumption of the lease for real estate and land underlying the operations of the Bally's Lake Tahoe property.

We use consolidated Adjusted EBITDA and segment Adjusted EBITDAR to analyze the performance of our business and they are used as determining factors for performance-based compensation for members of our management team. We use consolidated Adjusted EBITDA and segment Adjusted EBITDAR when evaluating operating performance because we believe that the inclusion or exclusion of certain recurring and non-recurring items is necessary to provide a more fulsome understanding of our core operating results and as a means to evaluate period-to-period performance. Also, we present consolidated Adjusted EBITDA and segment Adjusted EBITDAR because they are used by some investors and creditors as indicators of the strength and performance of ongoing business operations, including our ability to service debt, and to fund capital expenditures, acquisitions and operations. These calculations are commonly used as a basis for investors, analysts and credit rating agencies to evaluate and compare operating performance and value companies within our industry. Consolidated Adjusted EBITDA and segment Adjusted EBITDAR information is presented because management believes that they are commonly used measures of performance in the gaming industry and that they are considered by many to be key indicators of our operating results.

Consolidated Adjusted EBITDAR is used outside of our financial statements solely as a valuation metric. Consolidated Adjusted EBITDAR is defined as consolidated Adjusted EBITDA plus rent expense associated with triple net operating leases. Consolidated Adjusted EBITDAR is an additional metric used by analysts in valuing gaming companies subject to triple net leases since it eliminates the effects of variability in leasing methods and capital structures. This metric is included as supplemental disclosure because (i) we believe Consolidated Adjusted EBITDAR is used by gaming operator analysts and investors to determine the equity value of gaming operators and (ii) financial analysts refer to Consolidated Adjusted EBITDAR when valuing our business. We believe Consolidated Adjusted EBITDAR is useful for equity valuation purposes because (i) its calculation isolates the effects of financing real estate, and (ii) using a multiple of Consolidated Adjusted EBITDAR to calculate enterprise value allows for an adjustment to the balance sheet to recognize estimated liabilities arising from operating leases related to real estate.

Consolidated Adjusted EBITDA and segment Adjusted EBITDAR should not be construed as alternatives to net income, the most directly comparable GAAP measure, as indicators of our performance. In addition, consolidated Adjusted EBITDA and segment Adjusted EBITDAR as used by us may not be defined in the same manner as other companies in our industry, and, as a result, may not be comparable to similarly titled non-GAAP financial measures of other companies. Consolidated Adjusted EBITDAR should not be viewed as a measure of overall operating performance or considered in isolation or as an alternative to net income, because it excludes the rent expense associated with our triple net operating leases with GLPI and the lease for real estate and land underlying the operations of the Bally's Lake Tahoe property.

First Quarter 2024 Results

The following table presents, for the periods indicated, certain revenue and income items:

| <i>(in millions)</i> | Three Months Ended March 31, | |
|-------------------------------|------------------------------|----------|
| | 2024 | 2023 |
| Total revenue | \$ 618.5 | \$ 598.7 |
| (Loss) income from operations | (74.0) | 376.7 |
| Net (loss) income | (173.9) | 178.3 |

The following table presents, for the periods indicated, certain income and expense items expressed as a percentage of total revenue:

| | Three Months Ended March 31, | |
|------------------------------------|---------------------------------|---------|
| | 2024 | 2023 |
| Total revenue | 100.0 % | 100.0 % |
| Gaming and non-gaming expenses | 46.0 % | 45.1 % |
| General and administrative | 40.2 % | 42.0 % |
| Gain from sale-leaseback, net | — % | (62.5)% |
| Depreciation and amortization | 25.8 % | 12.5 % |
| Total operating costs and expenses | 112.0 % | 37.1 % |
| (Loss) income from operations | (12.0)% | 62.9 % |
| Other income (expense): | | |
| Interest expense, net | (11.8)% | (10.6)% |
| Other non-operating income, net | 0.7 % | 0.4 % |
| Total other expense, net | (11.1)% | (10.1)% |
| (Loss) income before income taxes | (23.0)% | 52.8 % |
| Provision for income taxes | 5.1 % | 23.0 % |
| Net (loss) income | (28.1)% | 29.8 % |

Note: Amounts in table may not subtotal due to rounding.

Segment Performance

The following table sets forth certain financial information associated with results of operations for the three months ended March 31, 2024 and 2023.

| <i>(in thousands, except percentages)</i> | Three Months Ended March 31, | | | |
|---|-------------------------------------|-------------|------------------|-----------------|
| | 2024 | 2023 | \$ Change | % Change |
| Revenue: | | | | |
| Gaming | | | | |
| Casinos & Resorts | \$ 250,418 | \$ 233,107 | \$ 17,311 | 7.4 % |
| International Interactive | 231,267 | 237,181 | (5,914) | (2.5)% |
| North America Interactive | 34,372 | 16,607 | 17,765 | 107.0 % |
| Total Gaming revenue | 516,057 | 486,895 | 29,162 | 6.0 % |
| Non-gaming | | | | |
| Casinos & Resorts | 91,911 | 95,679 | (3,768) | (3.9)% |
| International Interactive | 3,416 | 8,391 | (4,975) | (59.3)% |
| North America Interactive | 7,098 | 7,755 | (657) | (8.5)% |
| Total Non-gaming revenue | 102,425 | 111,825 | (9,400) | (8.4)% |
| Total revenue | \$ 618,482 | \$ 598,720 | \$ 19,762 | 3.3 % |
| Operating costs and expenses: | | | | |
| Gaming | | | | |
| Casinos & Resorts | \$ 95,203 | \$ 82,423 | \$ 12,780 | 15.5 % |
| International Interactive | 105,811 | 117,929 | (12,118) | (10.3)% |
| North America Interactive | 35,130 | 17,309 | 17,821 | 103.0 % |
| Total Gaming expenses | 236,144 | 217,661 | 18,483 | 8.5 % |
| Non-gaming | | | | |
| Casinos & Resorts | 46,110 | 45,279 | 831 | 1.8 % |
| International Interactive | 1,127 | 4,860 | (3,733) | (76.8)% |
| North America Interactive | 874 | 2,205 | (1,331) | (60.4)% |
| Total Non-gaming expenses | 48,111 | 52,344 | (4,233) | (8.1)% |
| General and administrative | | | | |
| Casinos & Resorts | 164,819 | 128,117 | 36,702 | 28.6 % |
| International Interactive | 43,067 | 57,927 | (14,860) | (25.7)% |
| North America Interactive | 14,389 | 24,930 | (10,541) | (42.3)% |
| Other | 26,161 | 40,634 | (14,473) | (35.6)% |
| Total General and administrative | \$ 248,436 | \$ 251,608 | \$ (3,172) | (1.3)% |
| Margins: | | | | |
| Gaming expenses as a percentage of Gaming revenue | 46 % | 45 % | | 1 % |
| Non-gaming expenses as a percentage of Non-gaming revenue | 47 % | 47 % | | — % |
| General and administrative as a percentage of Total revenue | 40 % | 42 % | | (2)% |

Three Months Ended March 31, 2024 Compared to Three Months Ended March 31, 2023

Total Revenue

Total revenue for the three months ended March 31, 2024 and 2022 consisted of the following (in thousands):

| | Three Months Ended March 31, | | | |
|---------------------------------|------------------------------|------------|-----------|----------|
| | 2024 | 2023 | \$ Change | % Change |
| Gaming | \$ 516,057 | \$ 486,895 | \$ 29,162 | 6.0 % |
| Hotel | 41,090 | 47,332 | (6,242) | (13.2)% |
| Food and beverage | 34,952 | 33,608 | 1,344 | 4.0 % |
| Retail, entertainment and other | 26,383 | 30,885 | (4,502) | (14.6)% |
| Total revenue | \$ 618,482 | \$ 598,720 | \$ 19,762 | 3.3 % |

Total revenue for the three months ended March 31, 2024 increased 3.3% to \$618.5 million, from \$598.7 million in the same period last year. We saw total revenue increase in our Casinos & Resorts and North America Interactive reporting segments, mainly due to the inclusion of our Bally's Chicago temporary casino property in the current year, and the continued growth in our North American iGaming and sportsbook presence with expanded operating jurisdictions in the current year.

Gaming and Non-gaming Expenses

Gaming and non-gaming expenses for the three months ended March 31, 2024 increased \$14.3 million, from \$270.0 million in 2023. The increased gaming expense from the prior year was primarily attributable to the expenses related to the launch of our mobile iGaming and Bally Bet sportsbook apps across several North American jurisdictions. Additionally, the inclusion of expenses from our recently opened Bally's Chicago temporary casino property contributed to the increase in both gaming and non-gaming expenses compared to prior year.

General and Administrative

General and administrative expense for the three months ended March 31, 2024 decreased \$3.2 million from \$251.6 million in the same period last year, primarily due to the decrease in acquisition and integration costs from prior year, partially offset by increased severance and employee related benefit costs in connection with restructuring at our Tropicana Las Vegas property, which closed April 2, 2024.

Depreciation and Amortization

Depreciation and amortization for the three months ended March 31, 2024 was \$159.7 million, an increase of \$85.2 million compared to the same period last year. This increase was largely driven by our Tropicana Las Vegas property where we recorded accelerated depreciation on assets as a result of the recent closure of the property on April 2, 2024.

(Loss) Income From Operations

Loss from operations was \$74.0 million for the three months ended March 31, 2024 compared to income from operations of \$376.7 million in the same period last year. The change year-over-year was driven by depreciation at our Tropicana Las Vegas property in the current year, as noted above, combined with the gain on sale-leaseback recorded during the first quarter of 2023 related to our Hard Rock Biloxi and Bally's Tiverton properties.

Other Income (Expense)

Total other expense increased \$7.9 million to \$68.6 million for the first quarter of 2024 from \$60.7 million in the same period last year. The increase in other expense was primarily attributable to an increase in interest expense due to higher interest rates of our borrowings year-over-year, partially offset by increased interest income recognized on our derivative instruments and increased foreign currency gains.

Provision for Income Taxes

Provision for income taxes for the three months ended March 31, 2024 was \$31.4 million compared to \$137.7 million in the prior year. The effective tax rate for the first quarter of 2024 was (22.0)% compared to 43.6% in the prior year. The 2024 year to date effective tax rate differed from the US federal statutory tax rate of 21%, creating a provision for income tax on the Company's Loss before income taxes, largely due to an increase in the valuation allowance, coupled with a tax liability for foreign discrete items.

On December 15, 2022, the European Union ("EU") Member States formally adopted the EU's Pillar Two Directive, which generally provides for a minimum effective tax rate of 15%, as established by the Organization for Economic Co-operation and Development Pillar Two Framework that was supported by over 130 countries worldwide. The EU effective dates are January 1, 2024 and January 1, 2025, for different aspects of the directive. A significant number of other countries are also implementing similar legislation. The estimated impact of this directive is immaterial to the Company's consolidated financial statements in the current year.

Net Loss and Earnings Per Share

Net loss for the three months ended March 31, 2024 was \$173.9 million, or \$(3.61) per diluted share, compared to net income of \$178.3 million, or \$3.24 per diluted share, for the three months ended March 31, 2023.

Adjusted EBITDA and Adjusted EBITDAR by Segment

Consolidated Adjusted EBITDA was \$116.5 million for the three months ended March 31, 2024, a decrease of \$9.9 million, or 7.8%, from \$126.4 million in the same period last year.

Adjusted EBITDAR for the Casinos & Resorts segment for the three months ended March 31, 2024 decreased \$15.7 million to \$89.4 million compared to the same prior year period. This decrease was primarily attributable to winter weather impacts across multiple properties.

Adjusted EBITDAR for the International Interactive segment for the three months ended March 31, 2024 increased \$3.2 million to \$83.5 million compared to the same prior year period, mainly due to stronger performance in the United Kingdom year-over-year.

Adjusted EBITDAR loss for the North America Interactive segment for the three months ended March 31, 2024 was \$(10.2) million compared to an adjusted EBITDAR loss of \$(10.6) million for the three months ended March 31, 2023, respectively. The decrease in adjusted EBITDAR losses are largely driven by stronger performance in iGaming and sportsbook in the current year.

The following table presents segment Adjusted EBITDAR, which is our reportable segment GAAP measure and our primary measure for profit or loss for our reportable segments, and consolidated Adjusted EBITDA. The following table reconciles consolidated Adjusted EBITDA, which is a non-GAAP measure, to net income (loss), as derived from our financial statements (in thousands):

| <i>(in thousands)</i> | Three Months Ended March 31, | |
|---|---|-------------------|
| | 2024 | 2023 |
| Adjusted EBITDAR | | |
| Casinos & Resorts | \$ 89,418 | \$ 105,123 |
| International Interactive | 83,532 | 80,301 |
| North America Interactive | (10,158) | (10,563) |
| Other | (14,677) | (17,268) |
| Total | 148,115 | 157,593 |
| Rent expense associated with triple net operating leases ⁽¹⁾ | (31,647) | (31,238) |
| Adjusted EBITDA | 116,468 | 126,355 |
| Interest expense, net of interest income | (73,131) | (63,264) |
| Provision for income taxes | (31,382) | (137,742) |
| Depreciation and amortization | (159,746) | (74,561) |
| Non-operating (income) expense ⁽²⁾ | (997) | 3,857 |
| Foreign exchange (gain)/loss | 2,816 | (4,308) |
| Transaction costs ⁽³⁾ | (6,794) | (22,018) |
| Restructuring charges ⁽⁴⁾ | (18,613) | (16,822) |
| Share-based compensation | (3,058) | (6,040) |
| Gain on sale-leaseback | — | 374,186 |
| Planned business divestiture ⁽⁵⁾ | — | (1,864) |
| Other ⁽⁶⁾ | 523 | 557 |
| Net (loss) income | \$ (173,914) | \$ 178,336 |

(1) Consists of the operating lease components contained within our triple net master lease with GLPI for the real estate assets used in the operation of Bally's Evansville, Bally's Dover, Bally's Quad Cities, Bally's Black Hawk, Hard Rock Biloxi and Bally's Tiverton, the individual triple net lease with GLPI for the land underlying the operations of Tropicana Las Vegas, and the triple net lease assumed in connection with the acquisition of Bally's Lake Tahoe for real estate and land underlying the operations of the Bally's Lake Tahoe facility.

(2) Non-operating (income) expense includes: (i) change in value of commercial rights liabilities, (ii) gain on extinguishment of debt, (iii) non-operating items of equity method investments including our share of net income or loss on an investment and depreciation expense related to our Rhode Island joint venture, and (iv) other (income) expense, net.

(3) Includes acquisition, integration and other transaction related costs, financing costs incurred in connection with the prior year sale lease-back transaction, and costs incurred to address the Standard General takeover bid.

(4) Restructuring charges representing severance and employee related benefits related to the announced Interactive business restructuring initiatives and the closure of our Tropicana Las Vegas property on April 2, 2024.

(5) Losses related to a North America Interactive business that Bally's was marketing as held-for-sale in 2023.

(6) Other includes the following items: (i) non-routine legal expenses and settlement charges for matters outside the normal course of business, (ii) storm related insurance and business interruption recoveries, and (iii) other individually de minimis expenses.

Critical Accounting Estimates

There were no material changes in critical accounting estimates during the period covered by this Quarterly Report on Form 10-Q. Refer to Item 7 of the Company's Annual Report on Form 10-K for the year ended December 31, 2023 for a complete list of our Critical Accounting Estimates.

Recent Accounting Pronouncements

Refer to Note 4 "Recently Issued Accounting Pronouncements" in Part I, Item 1 of this Quarterly Report on Form 10-Q for a description of recent accounting pronouncements that affect us.

Liquidity and Capital Resources

Overview

We are a holding company. Our ability to fund our obligations depends on existing cash on hand, cash flow from our subsidiaries and our ability to raise capital. Our primary sources of liquidity and capital resources have been cash on hand, cash flow from operations, borrowings under our Revolving Credit Facility (as defined herein) and proceeds from the issuance of debt and equity securities. We assess liquidity in terms of the ability to generate cash or obtain financing in order to fund operating, investing and debt service requirements. Our primary ongoing cash requirements include the funding of operations, capital expenditures, acquisitions and other investments in line with our business strategy and debt repayment obligations and interest payments. Our strategy has been to maintain moderate leverage and substantial capital resources in order to take advantage of opportunities, to invest in our businesses and acquire properties at what we believe to be attractive valuations. As such, we have continued to invest in our land-based casino business and build on our interactive/iGaming gaming business. We believe that existing cash balances, operating cash flows and availability under our Revolving Credit Facility, as explained below, will be sufficient to meet funding needs for operating, capital expenditure and debt service purposes.

Cash Flows Summary

| <i>(in thousands)</i> | Three Months Ended March 31, | |
|---|------------------------------|-------------|
| | 2024 | 2023 |
| Net cash used in operating activities | \$ (7,854) | \$ (16,112) |
| Net cash (used in) provided by investing activities | (43,401) | 319,636 |
| Net cash provided by (used in) financing activities | 51,327 | (173,568) |
| Effect of foreign currency on cash and cash equivalents | (4,445) | 2,819 |
| Change in cash and cash equivalents and restricted cash held for sale | — | (1,097) |
| Net change in cash and cash equivalents and restricted cash | (4,373) | 131,678 |
| Cash and cash equivalents and restricted cash, beginning of period | 315,262 | 265,184 |
| Cash and cash equivalents and restricted cash, end of period | \$ 310,889 | \$ 396,862 |

Operating Activities

Net cash used in operating activities for the three months ended March 31, 2024 was \$7.9 million, compared to \$16.1 million for the three months ended March 31, 2023. The decrease in cash used in operating activities was primarily driven by the \$374.2 million gain on sale-leaseback in the first quarter of 2023 coupled with the accelerated depreciation of our Tropicana Las Vegas assets in the current year, offset by decreased deferred income taxes, changes in working capital and our net income position in the prior year compared to a net loss position in 2024.

Investing Activities

Net cash used in investing activities for the three months ended March 31, 2024 was \$43.4 million, a decrease of \$363.0 million compared to net cash provided by investing activities of \$319.6 million for the three months ended March 31, 2023. This change was primarily driven by the proceeds from sale-leaseback transactions in the prior year and a decrease in cash paid for acquisitions and capital expenditures year-over-year.

Financing Activities

Net cash provided by financing activities for the three months ended March 31, 2024 was \$51.3 million compared to net cash used in financing activities of \$173.6 million for the three months ended March 31, 2023. This increase was mainly attributable to an increase in long term debt borrowings offset by lower payments made year-over-year and a decrease in stock repurchases.

Capital Return Program

As of March 31, 2024, there was \$95.5 million available for use under the capital return program, subject to limitations in our regulatory and debt agreements. Future share repurchases may be effected in various ways, which could include open-market or private repurchase transactions, accelerated stock repurchase programs, tender offers or other transactions. The amount, timing and terms of any return of capital transaction will be determined based on prevailing market conditions and other factors. There is no fixed time period to complete share repurchases.

We did not pay cash dividends during the three months ended March 31, 2024 or 2023, nor do we currently intend to pay any dividends on our common stock in the foreseeable future. Any future determinations relating to our dividend policies will be made at the discretion of our Board and will depend on conditions then existing, including our financial condition, results of operations, contractual restrictions, capital and regulatory requirements and other factors our Board may deem relevant.

Debt and Lease Obligations

Senior Notes

On August 20, 2021, we issued \$750.0 million aggregate principal amount of 5.625% senior notes due 2029 and \$750.0 million aggregate principal amount of 5.875% Senior Notes due 2031 (together, the “Senior Notes”).

The indenture governing the Senior Notes contains covenants that limit the ability of the Company and its restricted subsidiaries to, among other things, (i) incur additional indebtedness, (ii) pay dividends on or make distributions in respect of capital stock or make certain other restricted payments or investments, (iii) enter into certain transactions with affiliates, (iv) sell or otherwise dispose of assets, (v) create or incur liens and (vi) merge, consolidate or sell all or substantially all of the Company’s assets. These covenants are subject to exceptions and qualifications set forth in the indenture.

Credit Facility

On October 1, 2021, we entered into the Credit Agreement providing for a senior secured term loan facility in an aggregate principal amount of \$1.945 billion (the “Term Loan Facility”), which will mature in 2028, and a senior secured revolving credit facility in an aggregate principal amount of \$620.0 million (the “Revolving Credit Facility”), which will mature in 2026.

The credit facilities allow us to increase the size of the Term Loan Facility or request one or more incremental term loan facilities or increase commitments under the Revolving Credit Facility or add one or more incremental revolving facilities in an aggregate amount not to exceed the greater of \$650 million and 100% of the Company’s consolidated EBITDA for the most recent four-quarter period plus or minus certain amounts as specified in the Credit Agreement, including an unlimited amount subject to compliance with a consolidated total secured net leverage ratio.

The credit facilities contain covenants that limit the ability of the Company and its restricted subsidiaries to, among other things, incur additional indebtedness, pay dividends or make certain other restricted payments, sell assets, make certain investments, and grant liens. These covenants are subject to exceptions and qualifications set forth in the Credit Agreement. The Revolving Credit Facility also includes certain financial covenants the Company is required to maintain throughout the term of the credit facility. These financial covenants include a provision where, in the event borrowings under the Revolving Credit Facility exceed 30% of the total revolving commitment, the Company is required to maintain a first lien secured indebtedness to Adjusted EBITDA ratio of 5.00 to 1.00. As of March 31, 2024, the Company was in compliance with all applicable covenants.

During 2023, the Company entered into certain currency swaps to synthetically convert \$500 million of its Term Loan Facility to an equivalent fixed-rate Euro-denominated instrument, due October 2028, with a weighted average fixed interest rate of approximately 6.69% per annum. The Company also entered into additional currency swaps to synthetically convert \$200 million, notional, of its floating rate Term Loan Facility, to an equivalent GBP-denominated floating rate instrument, due October 2026. Additionally, as part of the Company’s risk management program to manage its overall interest rate exposure, the Company entered into a notional aggregate amount of \$500 million interest rate collar arrangements maturing in 2028 where the Company’s SOFR floating rate interest under its Term Loan Facility is capped at 4.25%, with a weighted average SOFR floor rate of 3.22%, pursuant to the interest rate collar arrangements.

Refer to Note 10 “Derivative Instruments” and Note 14 “Long-Term Debt” in Part I, Item 1 of this Quarterly Report on Form 10-Q for further information.

Operating Leases

The Company is committed under various operating lease agreements for real estate and property used in operations. Minimum rent payable under operating leases was \$2.28 billion as of March 31, 2024, of which \$105.8 million is due within the current year. Refer to Note 15 “Leases” in Part I, Item 1 of this Quarterly Report on Form 10-Q for further information.

GLPI Leases

As of March 31, 2024, the Company’s Bally’s Evansville, Bally’s Dover, Bally’s Quad Cities, Bally’s Black Hawk, Bally’s Tiverton and Hard Rock Biloxi properties were leased under the terms of a master lease agreement (the “Master Lease”) with GLPI. The Master Lease has an initial term of 15 years and includes four, five-year options to renew and requires combined minimum annual payments of \$100.5 million, subject to a minimum 1% annual escalation or greater escalation dependent on CPI.

During 2023, the Company’s Bally’s Tiverton and Hard Rock Biloxi properties were added to the master lease on January 3, 2023, as a result of a transaction with GLP Capital, L.P., the operating partnership of GLPI, related to the land and real estate assets for a total consideration of \$625.4 million. The transaction was structured as a tax-free capital contribution and a substantial portion of the proceeds were used to reduce the Company’s debt. These properties increased the minimum annual payments under the Master Lease by \$48.5 million.

In addition to the properties under the Master Lease, the Company leases the non-land assets of Tropicana Las Vegas, which the Company acquired during the fourth quarter of 2022, from GLPI. This lease has an initial term of 50 years (with a maximum term of 99 years with renewal options) at annual rent of \$10.5 million, subject to minimum 1% annual escalation or greater escalation dependent on CPI.

Financing Obligation

Bally’s Chicago Operating Company, LLC, an indirect wholly-owned subsidiary of the Company, leases the land on which Bally’s Chicago will be built. The lease commenced November 18, 2022 and has a 99-year term followed by ten separate 20-year renewals at the Company’s option. The Company recorded this lease with a corresponding long-term financing obligation of \$200.0 million as of March 31, 2024 and December 31, 2023.

Capital Expenditures

Capital expenditures are accounted for as either project, maintenance or capitalized software expenditures. Project capital expenditures are for fixed asset additions that expand an existing facility or create a new facility. Maintenance capital expenditures are expenditures to replace existing fixed assets with a useful life greater than one year that are obsolete, worn out or no longer cost effective to repair, along with spending on other small projects that do not fit into the project category. Capitalized software expenditures relate to the creation, production and preparation of software for use in our online gaming operations.

For the three months ended March 31, 2024, capital expenditures were \$28.1 million compared to \$43.7 million in the same period last year. During the three months ended March 31, 2024, we continued our spending on our planned projects and maintenance at our casino properties, the most significant being our future Bally’s Chicago permanent facility.

Bally’s Twin River - In connection with our partnership with IGT, we have committed to invest \$100 million in Bally’s Twin River over the term of our master contract, ending in 2043, with Rhode Island to expand the property and add additional amenities along with other capital improvements. As a major component of this, we have constructed and opened a 14,000 square foot Korean-style spa, and a 40,000 square foot casino expansion, both of which opened in the first half of 2023. Approximately \$57.4 million of the committed investment remains as of March 31, 2024.

Bally’s Atlantic City - Construction on our Bally’s Atlantic City property commenced in 2021. We are committed to invest approximately \$100 million over five years to refurbish and upgrade Bally’s Atlantic City’s facilities and expand its amenities, including renovated hotel rooms and suites, outdoor beer hall and lobby bar. As of March 31, 2024, approximately \$5.5 million of the commitment to invest in non-hotel projects remains.

Centre County, PA - On December 31, 2020, we signed a framework agreement with entities affiliated with an established developer to design, develop, construct and manage a Category 4 licensed casino in Centre County, Pennsylvania. Subject to receipt of regulatory approvals, which remain pending, it will house up to 750 slot machines and 30 table games. The casino will also provide, subject to receipt of separate licenses and certificates, retail sports betting, online sports betting and online gaming. We estimate the total cost of the project, including construction, licensing and iGaming/sports betting operations, to be approximately \$120 million. If completed, we will acquire a majority equity interest in the partnership, including 100% of the economic interests of all retail sports betting, online sports betting and iGaming activities associated with the project.

Bally's Chicago - On June 9, 2022, a wholly-owned indirect subsidiary of the Company, Bally's Chicago Operating Company, LLC (the "Developer"), signed a host community agreement with the City of Chicago to develop a destination casino resort, to be named Bally's Chicago, in downtown Chicago, Illinois that will include approximately 3,400 slot machines, 170 table games, 10 food and beverage venues, 500 hotel rooms, a 65,000 square foot entertainment and event center, 20,000 square feet of exhibition space, 3,300 parking spaces and an outdoor green space. The project also provides the Company with the exclusive right to operate a temporary casino for up to three years while the permanent casino resort is constructed. The temporary casino commenced operations on September 9, 2023 at the Medinah Temple and includes approximately 800 gaming positions and 3 food and beverage venues. The Company currently estimates the permanent casino construction to be completed by the end of 2026. In 2024, we estimate spending of approximately \$100 to 200 million primarily dedicated to demolition and site preparation.

In connection with the entry into the host community agreement with the City of Chicago, the Company will be required to pay annual fixed host community impact fees of \$4.0 million. Additionally, in connection with the host community agreement, the Company provided the City of Chicago with a performance guaranty whereby the Company agreed to have and maintain available financial resources in an amount reasonably sufficient to allow the Developer to complete its obligations under the host community agreement. In addition, upon notice from the City of Chicago that the Developer has failed to perform various obligations under the host community agreement, the Company has indemnified the City of Chicago against any and all liability, claim or reasonable and documented expense the City of Chicago may suffer or incur by reason of any nonperformance of any of the Developer's obligations.

In furtherance of these obligations, the host community agreement requires us to spend at least \$1.34 billion on the design, construction and outfitting of our temporary casino and our permanent resort and casino. The actual cost of the development may exceed this minimum capital investment requirement. In addition, land acquisition costs and financing costs, among other types of costs, do not count towards satisfying such minimum expenditure.

Other Contractual Obligations

Sponsorship Commitments - The Company has entered into several sponsorship agreements with various professional sports leagues and teams, allowing the Company use of official league marks for branding and promotions, among other rights. As of March 31, 2024, obligations related to these agreements were \$146.2 million, with contracts extending through 2037.

Interactive Technology Partnerships - The Company has certain multi-year agreements with its various market access and content providers, as well as its online sports betting platform partners, that require the Company to pay variable fees based on revenue, with minimum annual guarantees. As of March 31, 2024, the cumulative minimum obligation committed in these agreements is approximately \$46.1 million, extending through 2029.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates and foreign currency exchange rates. We are exposed to changes in interest rates primarily from variable rate long-term debt arrangements and foreign currency risk attributable to our operations outside of the US. Inflation generally affects us by increasing our cost of labor. Bally's does not believe that inflation had a material effect on our business, financial condition or results of operations during the three months ended March 31, 2024 and 2023.

Interest Rate Risk

As of March 31, 2024, interest on borrowings under our credit facility was subject to fluctuation based on changes in short-term interest rates. On March 31, 2024, we had \$2.26 billion of variable rate debt outstanding under our Term Loan and Revolving Credit Facilities and \$1.49 billion of unsecured senior notes. Based upon a sensitivity analysis of our debt levels on March 31, 2024, a hypothetical increase of 1% in the effective interest rate would cause an increase in interest expense of approximately \$22.6 million over the next twelve months while a decrease of 1% in the effective interest rate, not to exceed the interest rate floor, would cause a decrease in interest expense of approximately \$22.6 million over the same period.

We evaluate our exposure to market risk by monitoring interest rates in the marketplace and we have utilized derivative financial instruments to help manage this risk. As part of the Company's risk management and hedging program, the Company utilizes interest rate swaps and collars used to hedge and offset, respectively, the variable interest rates on the credit facility as described in Note 10, "Derivative Instruments" to our condensed consolidated financial statements presented in Part I, Item 1 of this Quarterly Report on Form 10-Q.

We have not historically utilized derivative financial instruments for trading purposes. We do not believe that fluctuations in interest rates had a material effect on our business, financial condition or results of operations during the three months ended March 31, 2024 and 2023.

Foreign Currency Risk

We are exposed to fluctuations in currency exchange rates as a result of our net investments and operations in countries other than the US. A vast majority of our revenues are from the UK market and are conducted in British Pound Sterling ("GBP") and are therefore susceptible to any movements in exchange rates between the GBP and US Dollar. Foreign currency transaction gains for the three months ended March 31, 2024 were \$2.8 million, while foreign currency transaction losses for the three months ended March 31, 2023 were \$4.3 million. Movements in currency exchange rates could impact the translation of assets and liabilities of these foreign operations which are translated at the exchange rate in effect on the balance sheet date. We have utilized operational hedges or forward currency exchange rate contracts, as well as derivative financial instruments, such as cross currency swaps, to manage the impact of currency exchange rate fluctuations on earnings and cash flows.

ITEM 4. CONTROLS AND PROCEDURES

Management's Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer (principal executive officer) and chief financial officer (principal financial officer), conducted an evaluation of the effectiveness of our disclosure controls and procedures for the reporting period ended March 31, 2024 as such terms is defined in Rule 13a-15(f) under the Exchange Act. Based on that evaluation, our chief executive officer and chief financial officer concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were not effective due to material weaknesses in the Company's internal control over financial reporting as previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

Ongoing Remediation of Previously Identified Material Weaknesses

The Company's management is in the process of designing and implementing effective measures to improve our internal controls over financial reporting and remediate the material weaknesses. These remediation actions are ongoing and include:

- Realigning resources and, where applicable, hiring qualified staff or using third-party subject matter experts with the appropriate level of experience and training to segregate key functions within our financial processes in order to support the review of significant and complex accounting matters, including appropriately analyzing, recording and disclosing accounting matters timely and accurately, specifically around assumptions used in certain estimates.
- Educating control owners within our International Interactive reportable segment of the appropriate design elements of journal entry controls and enhancing our monitoring control to ensure that these control activities are performed and that journal entries have a separate preparer and independent reviewer.
- Strengthening controls over account reconciliations and account analyses within our International Interactive reportable segment to support financial reporting requirements. Specifically, controls will address the timeliness of the review and the quality of information used in the review to ensure completeness and accuracy.

- Implementing a new enterprise resource planning (“ERP”) system, which we believe will enhance the flow of financial information, improve data management and control and provide timely information to our management team will enable us to remediate segregation of duties over journal entries. As the implementation of the new ERP system progresses, we may change our processes and procedures which, in turn, could result in further changes to our internal control over financial reporting. As such changes occur, we will evaluate quarterly whether such changes materially affect our internal control over financial reporting.

While we believe our remediation efforts above will improve the effectiveness of our internal control over financial reporting, we cannot assure that the measures will be sufficient to remediate the material weaknesses we have identified or will prevent potential future material weaknesses. The material weaknesses cannot be considered remediated until applicable controls have operated for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. Accordingly, we will continue to monitor and evaluate the effectiveness of our internal control over financial reporting.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting that occurred during the first quarter of 2024 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS

We are party to various legal proceedings that have arisen in the normal course of our business. Such proceedings can be costly, time consuming and unpredictable and, therefore, no assurance can be given that the final outcome of such proceedings will not materially impact our consolidated financial condition or results of operations. While we maintain insurance coverage that we believe is adequate to mitigate the risks of such proceedings, no assurance can be given that the amount or scope of existing insurance coverage will be sufficient to cover losses arising from such matters. Estimated losses are accrued for these proceedings when the loss is probable and can be estimated. The current liability for the estimated losses associated with these proceedings is not material to our consolidated financial condition and those estimated losses are not expected to have a material impact on our results of operations.

ITEM 1A. RISK FACTORS

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

ITEM 5. OTHER INFORMATION

During the three months ended March 31, 2024, none of our officers or directors adopted or terminated any contract, instruction or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement," as defined in Item 408(a) of Regulation S-K.

ITEM 6. EXHIBITS

EXHIBIT INDEX

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|--|
| 10.1 | <u>Amended and Restated Regulatory Agreement, dated March 1, 2024, by and among the Rhode Island Department of Business Regulation, the State Lottery Division of the Rhode Island Department of Revenue, Bally's Corporation, Bally's Management Group, LLC, UTGR, LLC, Twin River-Tiverton, LLC, and Bally's RI iCasino, LLC (incorporated by reference to Exhibit 10.48 to the Company's Annual Report on Form 10-K (File No. 001-38850) filed on March 15, 2024)</u> |
| 31.1* | <u>Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u> |
| 31.2* | <u>Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u> |
| 32.1* | <u>Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u> |
| 32.2* | <u>Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u> |
| 101.INS | XBRL Instance Document - the instance document does not appear in the interactive data file because XBRL tags are embedded within the inline XBRL document |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document |
| 104 | The cover page from Bally's Corporation's Quarterly report on Form 10-Q for the quarter ended March 31, 2024, formatted in inline XBRL contained in Exhibit 101 |

* Filed herewith.

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, on May 3, 2024.

BALLY'S CORPORATION

By: /s/ MARCUS GLOVER

Marcus Glover
Chief Financial Officer
(Principal Financial and Accounting Officer)

/s/ ROBESON M. REEVES

Robeson M. Reeves
Chief Executive Officer
(Principal Executive Officer)

BALLY'S CORPORATION

CERTIFICATION

I, Robeson M. Reeves, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Bally's Corporation;
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 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 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: May 3, 2024

By: /s/ ROBESON M. REEVES

Robeson M. Reeves
Chief Executive Officer
(Principal Executive Officer)

BALLY'S CORPORATION

CERTIFICATION

I, Marcus Glover, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Bally's Corporation;
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 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 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: May 3, 2024

By: /s/ MARCUS GLOVER

Marcus Glover
Chief Financial Officer
(Principal Financial Officer)

BALLY'S CORPORATION

CERTIFICATION

In connection with the Quarterly Report of Bally's Corporation (the "Company") on Form 10-Q for the quarterly period ended March 31, 2024 as filed with the Securities and Exchange Commission (the "Report"), I, Robeson M. Reeves, Chief Executive Officer of the Company, hereby certify as of the date hereof, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

Date: May 3, 2024

By: /s/ ROBESON M. REEVES

Robeson M. Reeves
Chief Executive Officer
(Principal Executive Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and will not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, except to the extent that the Company specifically incorporates it by reference.

BALLY'S CORPORATION

CERTIFICATION

In connection with the Quarterly Report of Bally's Corporation (the "Company") on Form 10-Q for the quarterly period ended March 31, 2024 as filed with the Securities and Exchange Commission (the "Report"), I, Marcus Glover, Chief Financial Officer of the Company, hereby certify as of the date hereof, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

Date: May 3, 2024

By: /s/ MARCUS GLOVER

Marcus Glover
Chief Financial Officer
(Principal Financial Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and will not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, except to the extent that the Company specifically incorporates it by reference.