

Gaming, Online Gaming & Gaming Technology

Pennsylvania Supreme Court Rules Skill Games are a Slot Machine: PENN Will be the Largest Beneficiary

INDUSTRY OVERVIEW

- Pennsylvania's Supreme Court ruling that skill/grey games constitute illegal gambling devices represents an incremental positive for regional gaming operators with exposure to the state, most notably PENN Entertainment (PENN, MO, \$24 PT), Boyd Gaming (BYD, MP), and Churchill Downs (CHDN, MO, \$149 PT).** Grey-market operators and commercial casinos have spent years in courts deciding whether these untaxed machines, located in bars, restaurants, convenience stores, and truck stops, should be removed or regulated. While the size of the unregulated market remains difficult to quantify, estimates over the years have ranged from 70k units to over 100k units, and we believe these machines compete directly with traditional brick-and-mortar casinos. After years of legal uncertainty, the Supreme Court's decision provides a clearer framework and sets the stage for several potential outcomes, all of which appear positive for companies within our coverage universe.
- Next steps.** Pennsylvania lawmakers have 120 days to determine whether to legalize and tax the machines before removal or law enforcement action can begin. Similar legislation has been proposed in prior years, with tax rates the primary point of contention. Given the split political control of the state legislature, we view legalization within this timeframe as unlikely. Under a scenario in which the machines are removed from the state, we would expect the state's brick-and-mortar casinos, which generated \$3.4 billion in gaming revenue in the TTM, to recapture a portion of displaced demand. Although the size of the grey-market industry and average revenue per machine remain opaque, precedent from Kentucky and Virginia's removal of similar devices, a positive for CHDN's historical horse racing machines at the time, suggests a potential 10-15% uplift in win per unit per day. In our view, PENN stands to benefit the most given its market exposure, and to a lesser extent, Boyd Gaming and Churchill Downs. We also see the potential for a modest tailwind to online gaming operators, including DraftKings (DKNG, MO, \$34 PT), Flutter (FLUT, MO, \$165 PT), Rush Street Interactive (RSI, MO, \$30 PT), and MGM Resorts (MGM, MP), as some slot-oriented customers migrate to digital channels.

Jordan Bender

Jordan.Bender@citizensbank.com
(212) 906-3526

Isabelle Slavin

Isabelle.Slavin@citizensbank.com
(646) 797-5635

Pennsylvania Supreme Court rules skill games are a slot machine: PENN will be the largest beneficiary.

FIGURE 1. Estimated Upside with No Grey Games in PA

	2025 Revenue From PA	10% Revenue Uplift	Incremental EBITDA	Equity Accretion	Upside to the Current Price
PENN	476	523	21	\$0.91	4%
BYD*	155	171	7	\$0.72	1%
CHDN	107	118	5	\$0.48	1%

Source: State Gaming Boards, Company data, FactSet, Citizens JMP Securities, LLC: * Estimated Revenue

- Route operators could benefit under a legalization scenario.** If Pennsylvania ultimately opts to regulate rather than prohibit these machines, we would expect Accel Entertainment (ACEL, MO, \$14 PT) to pursue a more meaningful presence in the state, leveraging its expertise in distributed gaming. In addition, PENN, through Prairie State Gaming, and Boyd, through Lattner Entertainment, could potentially utilize their respective brands to participate in the market. Prior legislative proposals in other states have included restrictions on machine placement, including distance requirements from religious institutions and existing casinos. As a result, legalization would likely reduce the number of machines currently operating in the state. While such an outcome would be less favorable for traditional casino operators than outright removal, it could still provide a modest benefit to EBITDA relative to the status quo.

Facts and Disclosures

Analyst Certification:

The research analyst(s) who prepared this report does/do hereby certify that the views presented in this report are in accordance with my/our personal views on the securities and issuers discussed in this report. As mandated by SEC Regulation AC no part of my/our compensation was, is or will be directly or indirectly related to the specific views or recommendations expressed herein. This certification is made under the obligations set forth in SEC Regulation AC. Any other person or entity may not use it for any other purpose. This certification is made based on my/our analysis on the date of this report's publication. I/We assume no obligation to update this certification to reflect any facts, circumstances, or events that may subsequently come to my/our attention. Signed Jordan Bender and Isabelle Slavin

Disclosures:

Citizens JMP Securities, LLC currently makes a market in the securities of Accel Entertainment, Inc., Boyd Gaming Corporation, Churchill Downs Incorporated, DraftKings Inc., MGM Resorts International, PENN Entertainment, Inc. and Rush Street Interactive, Inc.

Citizens JMP Securities, LLC, has received compensation for investment banking or other services rendered to Boyd Gaming Corporation and MGM Resorts International in the past 12 months.

Citizens JMP Securities, LLC, was manager or co-manager of a public offering of securities for Flutter Entertainment plc, PENN Entertainment, Inc. and Rush Street Interactive, Inc. (FLUT, PENN and RSI) in the past 12 months and received compensation for doing so.

Citizens JMP Securities, LLC. expects to receive OR intends to seek compensation for investment banking services from Accel Entertainment, Inc., Boyd Gaming Corporation, Churchill Downs Incorporated, DraftKings Inc., Flutter Entertainment plc, MGM Resorts International, PENN Entertainment, Inc. and Rush Street Interactive, Inc. in the next three months.

Citizens JMP Securities, LLC, or its affiliates have received compensation from Accel Entertainment, Inc., Boyd Gaming Corporation, DraftKings Inc., Flutter Entertainment plc, MGM Resorts International and PENN Entertainment, Inc. for products or services other than investment banking services in the previous 12 months.

For disclaimer details, please click on link. [Citizens JMP Securities, LLC Disclaimer](#)

For applicable disclosures on companies mentioned in this report, please refer to the Citizens JMP Securities, LLC Facts and Disclosures page in the report link above.

Citizens JMP Securities, LLC Investment Opinion Definitions:

Market Outperform (MO): Citizens JMP Securities, LLC expects the stock price to outperform the Russell 3000® Index over the next 12 months.

Market Perform (MP): Citizens JMP Securities, LLC expects the stock price to perform in line with the Russell 3000® Index over the next 12 months.

Market Underperform (MU): Citizens JMP Securities, LLC expects the stock price to underperform the Russell 3000® Index over the next 12 months.

Research Ratings and Investment Banking Services: (as of June 16, 2026)

Citizens Capital Markets & Advisory Ratings	Regulatory Equivalent	# Co's Under Coverage	% of Total	Regulatory Equivalent	# Co's Under Coverage	% of Total	# Co's Receiving	% of Co's With This Rating
							IB Services in Past 12 Months	
MARKET OUTPERFORM	Buy	337	69.06%	Buy	337	69.06%	79	23.44%
MARKET PERFORM	Hold	145	29.71%	Hold	145	29.71%	21	14.48%
MARKET UNDERPERFORM	Sell	4	0.82%	Sell	4	0.82%	0	0%
COVERAGE IN TRANSITION		1	0.20%		1	0.20%	0	0%
RATING SUSPENDED		0	0.00%		0	0.00%	0	0%
TOTAL:		488	100%		488	100%	100	20.49%

Stock Price Chart of Rating and Target Price Changes:

Note: First annotation denotes initiation of coverage or 3 years, whichever is shorter. If no target price is listed, then the target price is N/A. In accordance with FINRA Rule 2241, the chart(s) below reflect(s) price range and any changes to the rating or price target as of the end of the most recent calendar quarter. The action reflected in this note is not annotated in the stock price chart. Source: Citizens JMP Securities, LLC.

In order to obtain these (6 or more) stock price charts or additional applicable disclosures and information concerning Citizens JMP Securities, LLC recommendations of companies under coverage mentioned in this report, please contact at (877) 263-1333 or click [here](#) to visit our website.

Disclaimer:

Citizens compensates research analysts, like other Citizens employees, based on a number of factors including profitability, which includes revenues from institutional sales, trading, and investment banking departments as well as on the quality of the services and activities performed that are intended to benefit our institutional clients. Citizens research is intended for institutional investors only. These data have been prepared by Citizens for informational purposes only and are based on information available to the public from sources that we believe to be reliable, but we do not guarantee their accuracy or completeness. Any opinions and projections expressed herein reflect our research analyst's judgment at this date and are subject to change without notice. Past performance is not indicative of future results. These data are neither intended nor should they be considered as an offer or solicitation for the purchase or sale of any security or other financial product. Citizens, its affiliates, and their respective partners, directors, officers, and associates may have a long or short position in, may act as a market maker for, or may purchase or sell a position in the companies or securities referred to herein. Citizens and its affiliates may be performing, have performed, or seek to perform investment banking, advisory, commercial banking or other services and may have acted as manager or co-manager for a public offering of securities for any company mentioned herein. The reader should assume that Citizens will solicit business from the company covered in this report. Citizens does not provide individually tailored investment advice. Any opinions and recommendations herein do not take into account individual client circumstances, objectives, or needs and are not intended as recommendations of particular securities, financial instruments or strategies to particular clients. The recipient of this communication must make its own independent decisions regarding any securities or financial instruments mentioned herein. Members of our Sales and Trading Department provide oral and/or written market opinions and trading strategies to our clients that reflect their personal opinions about stocks that are the subject of our research reports. Our research analysts discuss trading strategies with clients that sometimes reflect short-term expectations for the price of the securities that are the subject of research reports. These trading strategies are distinct from the analysts' fundamental rating for the stock, which is based upon the analysts' view compared to other stocks under coverage for the relevant time period.

Jeffrey H. Spurr
 Director of Research
 (415) 835-3903

RESEARCH PROFESSIONALS

FINANCIAL SERVICES

Private Capital

Alternative Asset Managers

Devin Ryan (212) 906-3578
 Nate Saur (212) 209-6936

Commercial Finance (BDCs)

Devin Ryan (212) 906-3578
 Nate Saur (212) 209-6936

Consumer Finance

David M. Scharf (415) 835-8942
 Zachary Oster (212) 906-3507

Investment Banks & Brokers

Devin Ryan (212) 906-3578
 Noah Katz (212) 906-3577
 Neo Eloff (212) 209-6910

Insurance

Matthew J. Carletti (312) 768-1784
 Karol Chmiel, CFA (312) 768-1786
 David Samar (312) 768-1785

Mortgage & Real Estate Finance

Residential Mortgage REITs & Mortgage Operating Companies

Trevor Cranston, CFA (415) 869-4431
 Mikhail Goberman (212) 906-3543

Commercial R.E. Finance

Chris Muller, CFA (212) 906-3559

Financial Technology

Consumer FinTech

Devin Ryan (212) 906-3578
 Noah Katz (212) 906-3577
 Neo Eloff (212) 209-6910
 David Scharf (415) 835-8942
 Zachary Oster (212) 906-3507

Enterprise FinTech

Devin Ryan (212) 906-3578
 Patrick Walravens (415) 835-8943

Digital Assets

Devin Ryan (212) 906-3578

InsurTech

Matthew J. Carletti (312) 768-1784
 Andrew Boone, CFA (415) 835-3902

PaymentTech

David M. Scharf (415) 835-8942
 Andrew Boone, CFA (415) 835-3902
 Constantine Davides (617) 235-8505

DIGITAL INFRASTRUCTURE

Greg Miller (212) 699-2917
 Kassandra Fieber (212) 906-3598

MEDIA & ENTERTAINMENT

Matthew Condon, CFA (617) 235-8502
 Carter Parlette (407) 790-0308

HEALTHCARE

Biotechnology & Biopharma

Reni J. Benjamin, PhD (212) 906-3529
 Patrick Dummer (212) 906-3504
 Jason N. Butler, PhD (212) 906-3505
 Geraldine Ezeko (212) 801-0930
 Silvan Turkan, PhD (212) 906-3546
 Josh Werman (212) 906-3511
 Jonathan Wolleben (312) 768-1788
 Catherine Okoukoni, MD, PhD (646) 797-5637
 Amar Sheth (212) 906-3562

Healthcare Services

Constantine Davides, CFA (617) 235-8505

Medical Devices & Supplies

David Turkaly (212) 906-3563
 Daniel W. Stauder, CFA (212) 906-3535
 George Nicholson (212) 906-3519

REAL ESTATE

Equity REITs/R.E Services/Land Development

Aaron Hecht (415) 835-3963
 Harry Kaplan (415) 835-8903

Equity REITs/Property Services

Mitchell Germain (212) 906-3532
 Christine Chan (646) 797-5636

Homebuilding

James C. McCanless III (615) 474-9325

TECHNOLOGY

Cybersecurity & IT Infrastructure

Rustam Kanga (415) 835-3914
 Trevor Walsh (415) 835-3934
 Ethan Frost (212) 906-3553

Internet

Andrew Boone, CFA (415) 835-3902
 Brianna Diaz (212) 906-3534
 Timothy Juang (415) 835-3912
 Matthew Condon, CFA (617) 235-8502
 Carter Parlette (407) 790-0308

Software

Patrick Walravens (415) 835-8943
 Aaron Kimson, CFA (415) 835-8944
 Austin Cole (415) 835-8930
 Nicholas Lee (415) 869-4453
 Kincaid LaCorte (415) 835-8904

CONSUMER

Gaming, Online Gaming & Gaming Technology

Jordan Bender (212) 906-3526
 Isabelle Slavin (646) 797-5635

INDUSTRIALS

Aerospace & Defense

Trevor Walsh (415) 835-3934

Building Products

James C. McCanless III (615) 474-9325

Conglomerates

Transportation & Logistics

Jeffrey Kauffman (212) 895-4082

ADDITIONAL CONTACTS

James O'Day
 Director of Equities
 (617) 235-8506

Brendan Byrne
 Director of Institutional Sales
 (617) 235-8507

101 California Street, Suite 1700
 San Francisco, CA 94111
[Citizens Capital Markets and Advisory](http://CitizensCapitalMarkets.com)