

**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 September 30, 2023

or

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

For the transition period from _____ to _____

Commission file number: 0-24206

PENN Entertainment, Inc.

(Exact name of registrant as specified in its charter)

Pennsylvania

(State or other jurisdiction of incorporation or organization)

23-2234473

(I.R.S. employer identification no.)

825 Berkshire Blvd., Suite 200

Wyomissing,

Pennsylvania

19610

(Address of principal executive offices)

(Zip code)

(610) 373-2400

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value per share	PENN	The Nasdaq Stock Market LLC

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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

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

As of October 26, 2023, the number of shares of the registrant's common stock outstanding was 151,758,888 (including 560,342 shares of a subsidiary of registrant which are exchangeable into registrant's common stock).

PENN ENTERTAINMENT, INC. AND SUBSIDIARIES
TABLE OF CONTENTS

	<u>Page</u>
<u>PART I. FINANCIAL INFORMATION</u>	
<u>Item 1. Financial Statements (Unaudited)</u>	<u>1</u>
<u>Consolidated Balance Sheets - September 30, 2023 and December 31, 2022</u>	<u>2</u>
<u>Consolidated Statements of Operations - for the Three and Nine Months Ended September 30, 2023 and 2022</u>	<u>3</u>
<u>Consolidated Statements of Comprehensive Income (Loss) - for the Three and Nine Months Ended September 30, 2023 and 2022</u>	<u>4</u>
<u>Consolidated Statements of Changes in Stockholders' Equity - for the Three and Nine Months Ended September 30, 2023 and 2022</u>	<u>5</u>
<u>Consolidated Statements of Cash Flows - for the Nine Months Ended September 30, 2023 and 2022</u>	<u>7</u>
<u>Notes to the Consolidated Financial Statements</u>	<u>9</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>44</u>
<u>Item 3. Quantitative and Qualitative Disclosure About Market Risk</u>	<u>63</u>
<u>Item 4. Controls and Procedures</u>	<u>64</u>
<u>PART II. OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	<u>65</u>
<u>Item 1A. Risk Factors</u>	<u>65</u>
<u>Item 5. Other Information</u>	<u>66</u>
<u>Item 6. Exhibits</u>	<u>67</u>
<u>Signatures</u>	<u>68</u>

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PENN ENTERTAINMENT, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

<i>(in millions, except share and per share data)</i>	September 30, 2023	December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	\$ 1,317.9	\$ 1,624.0
Accounts receivable, net	252.8	246.4
Prepaid expenses	168.0	106.1
Inventory, net	11.4	11.1
Other current assets	30.6	25.8
Total current assets	1,780.7	2,013.4
Property and equipment, net	3,461.3	4,515.5
Investment in and advances to unconsolidated affiliates	82.6	248.6
Goodwill	2,687.3	2,689.5
Other intangible assets, net	1,721.4	1,738.9
Lease right-of-use assets	6,261.8	6,103.3
Other assets	173.5	192.9
Total assets	\$ 16,168.6	\$ 17,502.1
Liabilities		
Current liabilities		
Accounts payable	\$ 44.5	\$ 40.1
Current maturities of long-term debt	56.7	56.2
Current portion of financing obligations	40.8	63.4
Current portion of lease liabilities	321.0	194.3
Accrued expenses and other current liabilities	789.8	804.7
Total current liabilities	1,252.8	1,158.7
Long-term debt, net of current maturities, debt discount and debt issuance costs	2,715.4	2,721.3
Long-term portion of financing obligations	2,396.5	3,970.7
Long-term portion of lease liabilities	5,968.6	5,903.0
Deferred income taxes	154.6	33.9
Other long-term liabilities	199.9	117.9
Total liabilities	12,687.8	13,905.5
Commitments and contingencies (Note 12)		
Stockholders' equity		
Series B Preferred stock (\$0.01 par value, 1,000,000 shares authorized, no shares issued and outstanding)	—	—
Series C Preferred stock (\$0.01 par value, 18,500 shares authorized, no shares issued and outstanding)	—	—
Series D Preferred stock (\$0.01 par value, 5,000 shares authorized, 969 shares issued in both periods, and no shares and 581 shares outstanding)	—	19.4
Common stock (\$0.01 par value, 400,000,000 shares authorized in both periods, 176,320,721 and 172,632,389 shares issued, and 151,153,819 and 152,903,708 shares outstanding)	1.8	1.7
Exchangeable shares (\$0.01 par value, 768,441 shares authorized in both periods, 700,393 and 697,539 shares issued, 560,388 and 620,019 shares outstanding)	—	—
Treasury stock, at cost, (25,166,902 and 19,728,681 shares)	(779.6)	(629.5)
Additional paid-in capital	4,406.5	4,220.2
Retained earnings	22.6	154.5
Accumulated other comprehensive loss	(168.7)	(168.6)
Total PENN Entertainment stockholders' equity	3,482.6	3,597.7
Non-controlling interest	(1.8)	(1.1)
Total stockholders' equity	3,480.8	3,596.6
Total liabilities and stockholders' equity	\$ 16,168.6	\$ 17,502.1

See accompanying notes to the unaudited Consolidated Financial Statements.

PENN ENTERTAINMENT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

<i>(in millions, except per share data)</i>	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Revenues				
Gaming	\$ 1,252.1	\$ 1,317.5	\$ 3,869.5	\$ 3,934.3
Food, beverage, hotel, and other	367.3	307.5	1,098.0	881.8
Total revenues	1,619.4	1,625.0	4,967.5	4,816.1
Operating expenses				
Gaming	709.0	757.9	2,149.1	2,158.1
Food, beverage, hotel, and other	261.4	199.2	773.5	557.9
General and administrative	406.4	277.9	1,179.6	847.2
Depreciation and amortization	105.8	148.7	323.9	417.2
Impairment losses	—	104.6	—	104.6
Loss on disposal of Barstool	923.2	—	923.2	—
Total operating expenses	2,405.8	1,488.3	5,349.3	4,085.0
Operating income (loss)	(786.4)	136.7	(381.8)	731.1
Other income (expenses)				
Interest expense, net	(117.5)	(198.5)	(346.1)	(554.7)
Interest income	10.2	5.2	30.5	7.0
Income from unconsolidated affiliates	7.2	6.6	17.0	17.1
Gain on Barstool Acquisition, net	—	—	83.4	—
Gain on REIT transactions, net	—	—	500.8	—
Loss on early extinguishment of debt	—	—	—	(10.4)
Other	(0.3)	(8.8)	4.5	(67.3)
Total other expenses	(100.4)	(195.5)	290.1	(608.3)
Income (loss) before income taxes	(886.8)	(58.8)	(91.7)	122.8
Income tax benefit (expense)	161.7	182.0	(40.9)	78.1
Net income (loss)	(725.1)	123.2	(132.6)	200.9
Less: Net loss attributable to non-controlling interest	0.3	0.3	0.7	0.4
Net income (loss) attributable to PENN Entertainment	\$ (724.8)	\$ 123.5	\$ (131.9)	\$ 201.3
Earnings per share:				
Basic earnings (loss) per share	\$ (4.80)	\$ 0.78	\$ (0.87)	\$ 1.23
Diluted earnings (loss) per share	\$ (4.80)	\$ 0.72	\$ (0.87)	\$ 1.15
Weighted-average common shares outstanding—basic	150.9	157.6	152.3	163.5
Weighted-average common shares outstanding—diluted	150.9	173.0	152.3	179.0

See accompanying notes to the unaudited Consolidated Financial Statements.

PENN ENTERTAINMENT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(UNAUDITED)

<i>(in millions)</i>	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Net income (loss)	\$ (725.1)	\$ 123.2	\$ (132.6)	\$ 200.9
Other comprehensive loss:				
Foreign currency translation adjustment during the period	(44.7)	(119.8)	(0.1)	(146.7)
Other comprehensive loss	(44.7)	(119.8)	(0.1)	(146.7)
Total comprehensive income (loss)	(769.8)	3.4	(132.7)	54.2
Less: Comprehensive loss attributable to non-controlling interest	0.3	0.3	0.7	0.4
Comprehensive income (loss) attributable to PENN Entertainment	<u>\$ (769.5)</u>	<u>\$ 3.7</u>	<u>\$ (132.0)</u>	<u>\$ 54.6</u>

See accompanying notes to the unaudited Consolidated Financial Statements.

PENN ENTERTAINMENT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(UNAUDITED)

Three Months Ended September 30, 2023 and 2022

<i>(in millions, except share data)</i>	Preferred Stock		Common Stock				Treasury Stock	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Total PENN Stockholders' Equity	Non-Controlling Interest	Total Stockholders' Equity
	Shares	Amount	PENN Entertainment Shares	Amount	Exchangeable Shares	Amount							
Balance as of July 1, 2023	354	\$ 11.8	150,373,466	\$ 1.8	560,388	\$ —	\$ (779.7)	\$ 4,353.0	\$ 747.4	\$ (124.0)	\$ 4,210.3	\$ (1.5)	\$ 4,208.8
Share-based compensation arrangements	—	—	426,553	—	—	—	—	35.2	—	—	35.2	—	35.2
Preferred stock conversions	(354)	(11.8)	353,800	—	—	—	—	11.8	—	—	—	—	—
Currency translation adjustment	—	—	—	—	—	—	—	—	—	(44.7)	(44.7)	—	(44.7)
Net loss	—	—	—	—	—	—	—	—	(724.8)	—	(724.8)	(0.3)	(725.1)
Other	—	—	—	—	—	—	0.1	6.5	—	—	6.6	—	6.6
Balance as of September 30, 2023	—	\$ —	151,153,819	\$ 1.8	560,388	\$ —	\$ (779.6)	\$ 4,406.5	\$ 22.6	\$ (168.7)	\$ 3,482.6	\$ (1.8)	\$ 3,480.8
Balance as of July 1, 2022	581	\$ 19.4	160,725,723	\$ 1.7	624,658	\$ —	\$ (370.5)	\$ 4,187.3	\$ 10.2	\$ (81.3)	\$ 3,766.8	\$ (0.8)	\$ 3,766.0
Share-based compensation arrangements	—	—	62,935	—	—	—	—	13.6	—	—	13.6	—	13.6
Share repurchases	—	—	(5,348,809)	—	—	—	(168.0)	—	—	—	(168.0)	—	(168.0)
Common stock issuance	—	—	4,055	—	—	—	—	0.2	—	—	0.2	—	0.2
Exchangeable shares conversions	—	—	4,305	—	(4,305)	—	—	—	—	—	—	—	—
Currency translation adjustment	—	—	—	—	—	—	—	—	—	(119.8)	(119.8)	—	(119.8)
Net income (loss)	—	—	—	—	—	—	—	—	123.5	—	123.5	(0.3)	123.2
Other	—	—	—	—	—	—	—	0.8	—	—	0.8	—	0.8
Balance as of September 30, 2022	581	\$ 19.4	155,448,209	\$ 1.7	620,353	\$ —	\$ (538.5)	\$ 4,201.9	\$ 133.7	\$ (201.1)	\$ 3,617.1	\$ (1.1)	\$ 3,616.0

See accompanying notes to the unaudited Consolidated Financial Statements.

Nine Months Ended September 30, 2023 and 2022

(in millions, except share data)	Preferred Stock		Common Stock				Treasury Stock	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Total PENN Stockholders' Equity	Non-Controlling Interest	Total Stockholders' Equity
	Shares	Amount	PENN Entertainment Shares	Amount	Exchangeable Shares	Amount							
Balance as of January 1, 2023	581	\$ 19.4	152,903,708	\$ 1.7	620,019	\$ —	\$ (629.5)	\$ 4,220.2	\$ 154.5	\$ (168.6)	\$ 3,597.7	\$ (1.1)	\$ 3,596.6
Share-based compensation arrangements	—	—	598,383	—	—	—	—	71.4	—	—	71.4	—	71.4
Share issuance in connection with acquisitions	—	—	2,442,809	—	—	—	—	80.8	—	—	80.8	—	80.8
Share repurchases	—	—	(5,438,221)	—	—	—	(149.8)	—	—	—	(149.8)	—	(149.8)
Preferred stock conversions	(581)	(19.4)	580,600	—	—	—	—	19.4	—	—	—	—	—
Common stock issuance	—	—	4,055	—	—	—	—	0.1	—	—	0.1	—	0.1
Exchangeable share issuance	—	—	—	—	2,854	—	—	—	—	—	—	—	—
Exchangeable shares conversions	—	—	62,485	—	(62,485)	—	—	—	—	—	—	—	—
Currency translation adjustment	—	—	—	—	—	—	—	—	—	(0.1)	(0.1)	—	(0.1)
Net loss	—	—	—	—	—	—	—	—	(131.9)	—	(131.9)	(0.7)	(132.6)
Other	—	—	—	0.1	—	—	(0.3)	14.6	—	—	14.4	—	14.4
Balance as of September 30, 2023	—	\$ —	151,153,819	\$ 1.8	560,388	\$ —	\$ (779.6)	\$ 4,406.5	\$ 22.6	\$ (168.7)	\$ 3,482.6	\$ (1.8)	\$ 3,480.8
Balance as of January 1, 2022	775	\$ 25.8	169,561,883	\$ 1.7	653,059	\$ —	\$ (28.4)	\$ 4,239.6	\$ (86.5)	\$ (54.4)	\$ 4,097.8	\$ (0.7)	\$ 4,097.1
Share-based compensation arrangements	—	—	281,759	—	—	—	—	45.1	—	—	45.1	—	45.1
Share repurchases	—	—	(14,690,394)	—	—	—	(510.1)	—	—	—	(510.1)	—	(510.1)
Preferred stock conversions	(194)	(6.4)	194,200	—	—	—	—	6.4	—	—	—	—	—
Common stock issuance	—	—	68,055	—	—	—	—	2.2	—	—	2.2	—	2.2
Exchangeable shares conversions	—	—	32,706	—	(32,706)	—	—	—	—	—	—	—	—
Currency translation adjustment	—	—	—	—	—	—	—	—	—	(146.7)	(146.7)	—	(146.7)
Cumulative-effect adjustment upon adoption of ASU 2020-06	—	—	—	—	—	—	—	(88.2)	18.9	—	(69.3)	—	(69.3)
Net income (loss)	—	—	—	—	—	—	—	—	201.3	—	201.3	(0.4)	200.9
Other	—	—	—	—	—	—	—	(3.2)	—	—	(3.2)	—	(3.2)
Balance as of September 30, 2022	581	\$ 19.4	155,448,209	\$ 1.7	620,353	\$ —	\$ (538.5)	\$ 4,201.9	\$ 133.7	\$ (201.1)	\$ 3,617.1	\$ (1.1)	\$ 3,616.0

See accompanying notes to the unaudited Consolidated Financial Statements.

PENN ENTERTAINMENT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

<i>(in millions)</i>	For the nine months ended September 30,	
	2023	2022
Operating activities		
Net income (loss)	\$ (132.6)	\$ 200.9
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	323.9	417.2
Amortization of debt discount and debt issuance costs	6.2	7.0
Non-cash interest expense	26.1	20.0
Non-cash operating lease expense	224.9	67.8
Loss on disposal of Barstool	923.2	—
Gain on Barstool Acquisition, net	(83.4)	—
Gain on REIT transactions, net	(500.8)	—
Holding loss on equity securities	8.5	66.4
Loss on sale or disposal of property and equipment	—	7.0
Gain on Hurricane Laura	(13.9)	(10.7)
Income from unconsolidated affiliates	(17.0)	(17.1)
Return on investment from unconsolidated affiliates	27.8	27.5
Deferred income taxes	4.9	(146.1)
Stock-based compensation	71.4	45.1
Impairment losses	—	104.6
Loss on early extinguishment of debt	—	10.4
Changes in operating assets and liabilities, net of businesses acquired		
Accounts receivable	(9.7)	9.1
Inventory	(0.1)	(1.0)
Prepaid expenses and other current assets	(19.9)	(23.5)
Other assets	(23.5)	10.7
Accounts payable	(0.8)	(12.6)
Accrued expenses	(36.1)	19.0
Income taxes	(39.2)	19.3
Operating lease liabilities	(230.8)	(63.6)
Other current and long-term liabilities	20.1	(10.0)
Other	11.5	12.6
Net cash provided by operating activities	540.7	760.0

<i>(in millions)</i>	For the nine months ended September 30,	
	2023	2022
Investing activities		
Capital expenditures	(207.8)	(189.6)
Consideration paid for Barstool, net of cash acquired	(314.6)	—
Sale of Barstool, net of cash disposed	(50.9)	—
Proceeds from sale of property and equipment	0.2	4.9
Hurricane Laura insurance proceeds	9.0	25.4
Cost method investment proceeds received (consideration paid)	8.0	(15.0)
Consideration paid for gaming licenses and other intangible assets	(17.1)	(4.1)
Other	(12.8)	(1.6)
Net cash used in investing activities	(586.0)	(180.0)
Financing activities		
Proceeds from issuance of long-term debt, net of discounts	—	1,545.0
Repayments on credit facilities	—	(1,543.2)
Principal payments on long-term debt	(28.1)	(29.9)
Debt issuance costs	—	(18.2)
Payments of other long-term obligations	(9.6)	(9.2)
Principal payments on financing obligations	(29.3)	(47.5)
Principal payments on finance leases	(35.1)	(81.9)
Proceeds from exercise of options	1.7	3.1
Repurchase of common stock	(149.8)	(510.1)
Other	(7.7)	(13.3)
Net cash used in financing activities	(257.9)	(705.2)
Effect of currency rate changes on cash, cash equivalents, and restricted cash	1.0	(2.0)
Change in cash, cash equivalents, and restricted cash	(302.2)	(127.2)
Cash, cash equivalents, and restricted cash at the beginning of the year	1,644.2	1,880.1
Cash, cash equivalents, and restricted cash at the end of the period	\$ 1,342.0	\$ 1,752.9
Reconciliation of cash, cash equivalents and restricted cash:		
Cash and cash equivalents	\$ 1,317.9	\$ 1,728.4
Restricted cash included in Other current assets	22.9	23.3
Restricted cash included in Other assets	1.2	1.2
Total cash, cash equivalents, and restricted cash	\$ 1,342.0	\$ 1,752.9
Supplemental disclosure:		
Cash paid for interest, net of amounts capitalized	\$ 321.1	\$ 535.2
Cash payments related to income taxes, net	\$ 73.9	\$ 46.3
Non-cash activities:		
Accrued capital expenditures	\$ 30.1	\$ 28.7

See accompanying notes to the unaudited Consolidated Financial Statements.

PENN ENTERTAINMENT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Note 1—Organization and Basis of Presentation

Organization: PENN Entertainment, Inc., together with its subsidiaries (“PENN,” the “Company,” “we,” “our,” or “us”), is North America’s leading provider of integrated entertainment, sports content, and casino gaming experiences. As of September 30, 2023, PENN operated 43 properties in 20 states, online sports betting in 18 jurisdictions and iCasino in five jurisdictions, under a portfolio of well-recognized brands including Hollywood Casino®, L’Auberge®, Barstool Sportsbook® and theScore Bet Sportsbook and Casino®. In August 2023, PENN entered into a transformative, exclusive long-term strategic alliance with ESPN, Inc. and ESPN Enterprises, Inc. (together, “ESPN”) relating to online sports betting within the United States. In November 2023, pending regulatory approval, the existing Barstool Sportsbook will be rebranded and launched across all online platforms in the United States as ESPN BET, and our online product will include a Hollywood-branded integrated iCasino where permitted. PENN’s ability to leverage the leading sports media brands in the United States (ESPN) and Canada (theScore) will position us to significantly expand our digital footprint and efficiently grow our customer ecosystem. This highly differentiated strategy, which is focused on organic cross-sell opportunities, is reinforced by our investment in market-leading retail casinos, sports media assets and technology, including a proprietary state-of-the-art, fully integrated digital sports and iCasino betting platform and an in-house iCasino content studio. PENN’s portfolio is further bolstered by our industry-leading PENN Play™ customer loyalty program, which offers our over 27 million members a unique set of rewards and experiences across business channels.

The majority of the real estate assets (i.e., land and buildings) used in our operations are subject to triple net master leases; the most significant of which are with Gaming and Leisure Properties, Inc. (Nasdaq: GLPI) (“GLPI”), a real estate investment trust (“REIT”), and include the AR PENN Master Lease, 2023 Master Lease, PENN Master Lease (prior to January 1, 2023), and Pinnacle Master Lease (as such terms are defined in [Note 9, “Leases”](#) and collectively referred to as the “Master Leases”).

Basis of Presentation: The unaudited Consolidated Financial Statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States (“GAAP”) for interim financial information and with the rules and regulations of the U.S. Securities and Exchange Commission (the “SEC”). Accordingly, they do not include all of the information and notes required by GAAP for complete consolidated financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

Results of operations and cash flows for the interim periods presented herein are not necessarily indicative of the results that would be achieved during a full year of operations or in future periods. These unaudited Consolidated Financial Statements and notes thereto 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, 2022.

Note 2—Significant Accounting Policies

Principles of Consolidation: The unaudited Consolidated Financial Statements include the accounts of PENN Entertainment, Inc. and its subsidiaries. Investments in and advances to unconsolidated affiliates that do not meet the consolidation criteria of the authoritative guidance for voting interest entities (“VOEs”) or variable interest entities (“VIEs”) are accounted for under the equity method. All intercompany accounts and transactions have been eliminated in consolidation.

Reclassifications: Certain reclassifications have been made to conform the prior period presentation.

Use of Estimates: The preparation of unaudited Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect (i) the reported amounts of assets and liabilities, (ii) the disclosure of contingent assets and liabilities at the date of the financial statements, and (iii) the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Segment Information: We have five reportable segments: Northeast, South, West, Midwest, and Interactive. Our gaming and racing properties are grouped by geographic location, and each is viewed as an operating segment with the exception of our two properties in Jackpot, Nevada, which are viewed as one operating segment. We consider our combined Video Gaming Terminal (“VGT”) operations, by state, to be separate operating segments. Interactive includes all of our online sports betting, iCasino and social gaming operations, management of retail sports betting, media, and the operating results of Barstool Sports, Inc. (“Barstool” or “Barstool Sports”). We owned 36% of Barstool common stock prior to the February 17, 2023 Barstool Acquisition (as defined in [Note 6, “Acquisitions and Dispositions,”](#)) pursuant to which we acquired the remaining 64% of Barstool common stock. On August 8, 2023, we entered into a stock purchase agreement with David Portnoy (the “Barstool SPA”), and we sold 100% of the outstanding shares of Barstool common stock. See [Note 16, “Segment Information”](#) and [Note 9, “Leases”](#) for further segment and lease structure information, respectively. For financial reporting purposes, we aggregate our operating segments into the following reportable segments:

	Location	Real Estate Assets Lease or Ownership Structure
Northeast segment		
Ameristar East Chicago	East Chicago, Indiana	Pinnacle Master Lease
Hollywood Casino Bangor	Bangor, Maine	AR PENN Master Lease
Hollywood Casino at Charles Town Races	Charles Town, West Virginia	AR PENN Master Lease
Hollywood Casino Columbus	Columbus, Ohio	2023 Master Lease
Hollywood Casino at Greektown	Detroit, Michigan	Greektown Lease
Hollywood Casino Lawrenceburg	Lawrenceburg, Indiana	AR PENN Master Lease
Hollywood Casino Morgantown	Morgantown, Pennsylvania	Morgantown Lease ⁽¹⁾
Hollywood Casino at PENN National Race Course	Grantville, Pennsylvania	AR PENN Master Lease
Hollywood Casino Perryville	Perryville, Maryland	2023 Master Lease
Hollywood Casino at The Meadows	Washington, Pennsylvania	2023 Master Lease
Hollywood Casino Toledo	Toledo, Ohio	2023 Master Lease
Hollywood Casino York	York, Pennsylvania	Operating Lease (not with REIT Landlord)
Hollywood Gaming at Dayton Raceway	Dayton, Ohio	AR PENN Master Lease
Hollywood Gaming at Mahoning Valley Race Course	Youngstown, Ohio	AR PENN Master Lease
Marquee by PENN ⁽²⁾	Pennsylvania	N/A
Plainridge Park Casino	Plainville, Massachusetts	Pinnacle Master Lease
South segment		
1 st Jackpot Casino	Tunica, Mississippi	AR PENN Master Lease
Ameristar Vicksburg	Vicksburg, Mississippi	Pinnacle Master Lease
Boomtown Biloxi	Biloxi, Mississippi	AR PENN Master Lease
Boomtown Bossier City	Bossier City, Louisiana	Pinnacle Master Lease
Boomtown New Orleans	New Orleans, Louisiana	Pinnacle Master Lease
Hollywood Casino Gulf Coast	Bay St. Louis, Mississippi	AR PENN Master Lease
Hollywood Casino Tunica	Tunica, Mississippi	AR PENN Master Lease
L'Auberge Baton Rouge	Baton Rouge, Louisiana	Pinnacle Master Lease
L'Auberge Lake Charles	Lake Charles, Louisiana	Pinnacle Master Lease
Margaritaville Resort Casino	Bossier City, Louisiana	Margaritaville Lease
West segment		
Ameristar Black Hawk	Black Hawk, Colorado	Pinnacle Master Lease
Cactus Petes and Horseshu	Jackpot, Nevada	Pinnacle Master Lease
M Resort Spa Casino	Henderson, Nevada	2023 Master Lease
Zia Park Casino	Hobbs, New Mexico	AR PENN Master Lease
Midwest segment		
Ameristar Council Bluffs	Council Bluffs, Iowa	Pinnacle Master Lease
Argosy Casino Alton ⁽³⁾	Alton, Illinois	AR PENN Master Lease
Argosy Casino Riverside	Riverside, Missouri	AR PENN Master Lease
Hollywood Casino Aurora	Aurora, Illinois	2023 Master Lease
Hollywood Casino Joliet	Joliet, Illinois	2023 Master Lease
Hollywood Casino at Kansas Speedway ⁽⁴⁾	Kansas City, Kansas	Owned - Joint Venture
Hollywood Casino St. Louis	Maryland Heights, Missouri	AR PENN Master Lease
Prairie State Gaming ⁽²⁾	Illinois	N/A
River City Casino	St. Louis, Missouri	Pinnacle Master Lease

(1) Upon termination of the Morgantown Lease, ownership of the constructed building and all tenant improvements will transfer from the Company to GLPI.

(2) VGT route operations.

(3) The riverboat is owned by us and not subject to the AR PENN Master Lease.

(4) Pursuant to a joint venture with NASCAR and includes the Company's 50% investment in Kansas Entertainment, LLC ("Kansas Entertainment"), which owns Hollywood Casino at Kansas Speedway.

Revenue Recognition: Our revenue from contracts with customers consists primarily of gaming wagers, inclusive of sports betting and iCasino products, food and beverage transactions, hotel room sales, retail transactions, racing wagers, and third-

party revenue sharing agreements. See [Note 5, “Revenue Disaggregation”](#) for information on our revenue by type and geographic location.

Complimentaries Associated with Gaming Contracts

Food, beverage, hotel, and other services furnished to patrons for free as an inducement to gamble or through the redemption of our customers’ loyalty points are recorded as “Food, beverage, hotel, and other” revenues at their estimated standalone selling prices, with an offset recorded as a reduction to “Gaming” revenues. The cost of providing complimentary goods and services to patrons as an inducement to gamble as well as for the fulfillment of our loyalty point obligation is included in “Food, beverage, hotel, and other” expenses. Revenues recorded to “Food, beverage, hotel, and other” and offset to “Gaming” revenues were as follows:

<i>(in millions)</i>	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Food and beverage	\$ 54.0	\$ 54.0	\$ 163.1	\$ 156.8
Hotel	39.1	37.6	104.8	106.4
Other	3.5	4.0	9.8	9.3
Total complimentaries associated with gaming contracts	\$ 96.6	\$ 95.6	\$ 277.7	\$ 272.5

Customer-related Liabilities

The Company has three general types of liabilities related to contracts with customers: (i) the obligation associated with its PENN Play program (loyalty points and tier status benefits), (ii) advance payments on goods and services yet to be provided and for unpaid wagers, and (iii) deferred revenue associated with third-party online sports betting and/or iCasino operators for online sports betting and iCasino market access.

Our PENN Play program connects the Company’s brands under one loyalty program and allows members to earn loyalty points, or “PENN Cash”, redeemable for slot play and complimentaries, such as food and beverage at our restaurants, lodging at our hotels, the PENN Play redemption marketplace that features popular retailers, and products offered at our retail stores across the vast majority of our properties. In addition, members of the PENN Play program earn credit toward tier status, which entitles them to receive certain other benefits, such as priority access, discounts, gifts, trips to PENN destinations, partner experiences, and PENN Cash. The obligation associated with our PENN Play program, which is included in “Accrued expenses and other current liabilities” within our unaudited Consolidated Balance Sheets, was \$34.4 million and \$39.3 million as of September 30, 2023 and December 31, 2022, respectively, and consisted principally of the obligation associated with the loyalty points. Our loyalty point obligations are generally settled within six months of issuance. Changes between the opening and closing balances primarily relate to the timing of our customers’ election to redeem loyalty points as well as the timing of when our customers receive their earned tier status benefits.

The Company’s advance payments on goods and services yet to be provided and for unpaid wagers primarily consist of the following: (i) deposits on rooms and convention space, (ii) money deposited on behalf of a customer in advance of their property visit (referred to as “safekeeping” or “front money”), (iii) money deposited in an online wallet not yet wagered or wagered and not yet withdrawn, (iv) outstanding tickets generated by slot machine play, sports betting, or pari-mutuel wagering, (v) outstanding chip liabilities, (vi) unclaimed jackpots, and (vii) gift cards redeemable at our properties. Unpaid wagers generally represent obligations stemming from prior wagering events, of which revenue was previously recognized. The Company’s advance payments on goods and services yet to be provided and for unpaid wagers were \$114.9 million and \$125.8 million as of September 30, 2023 and December 31, 2022, respectively, and are included in “Accrued expenses and other current liabilities” within our unaudited Consolidated Balance Sheets.

The Company’s deferred revenue is primarily related to PENN Interactive, our wholly-owned interactive division, which enters into multi-year agreements with third-party online sports betting and/or iCasino operators for online sports betting and iCasino market access across our portfolio of properties. We recognized \$0.7 million and \$0.5 million of previously deferred revenue during the three months ended September 30, 2023 and 2022, respectively, and \$2.4 million and \$4.2 million during the nine months ended September 30, 2023 and 2022, respectively. Deferred revenue primarily associated with third-party online sports betting and/or iCasino operators for online sports betting and iCasino market access, which is included in “Other long-term liabilities” within our unaudited Consolidated Balance Sheets, was \$56.5 million and \$46.5 million as of September 30, 2023 and December 31, 2022, respectively.

Advertising: The Company expenses advertising costs the first time the advertising takes place or as incurred. Advertising expenses, which generally relate to media placement costs and are primarily included in “Gaming” expenses within the unaudited Consolidated Statements of Operations, were \$18.4 million and \$27.1 million for the three months ended September 30, 2023 and 2022, respectively, and \$62.8 million and \$69.7 million for the nine months ended September 30, 2023 and 2022, respectively.

Gaming and Pari-mutuel Taxes: We are subject to gaming and pari-mutuel taxes based on gross gaming revenue and pari-mutuel revenue in the jurisdictions in which we operate, as well as taxes on revenues derived from arrangements which allow for third-party online sports betting and/or iCasino partners to operate online sportsbooks and iCasinos under our gaming licenses. The Company primarily recognizes gaming and pari-mutuel tax expense based on the statutorily required percentage of revenue that is required to be paid to state, provincial and/or local jurisdictions in the states and provinces where or in which the wagering occurs. Also, included in gaming and pari-mutuel taxes are costs to support the operations of local regulatory authorities which some jurisdictions require us to pay. Gaming and pari-mutuel taxes are recorded in “Gaming” expenses or “Food, beverage, hotel, and other” expenses within the unaudited Consolidated Statements of Operations, and were \$562.9 million and \$540.3 million for the three months ended September 30, 2023 and 2022, respectively, and \$1.7 billion and \$1.6 billion for the nine months ended September 30, 2023 and 2022, respectively.

Inventory, net: Inventory is accounted for using the average cost or first-in or first-out (“FIFO”) method. Inventory accounted for under the average cost and FIFO methods are stated at the lower of cost or net realizable value. Inventory balances substantially consist of finished goods and were \$5.3 million and \$5.0 million as of September 30, 2023 and December 31, 2022, respectively.

Foreign Currency Translation: The functional currency of the Company’s foreign subsidiaries is the local currency in which the subsidiary operates. Balance sheet accounts are translated at the exchange rate in effect at each balance sheet date. Translation adjustments resulting from this process are recorded to other comprehensive income or loss. Revenues and expenses are translated at the average exchange rates during the year. Gains or losses resulting from foreign currency transactions are included in “Other” within our unaudited Consolidated Statements of Operations.

Comprehensive Income (Loss) and Accumulated Other Comprehensive Loss: Comprehensive income (loss) includes net income (loss) and all other non-stockholder changes in equity, or other comprehensive income (loss). The balance of accumulated other comprehensive loss consists solely of foreign currency translation adjustments.

Earnings (Loss) Per Share: Basic earnings (loss) per share (“EPS”) is computed by dividing net income (loss) applicable to common stock by the weighted-average number of common shares outstanding during the period. Diluted EPS reflects the additional dilution, if any, for all potentially-dilutive securities such as warrants, stock options, unvested restricted stock awards (“RSAs”) and restricted stock units (“RSUs”) (collectively with RSAs, “restricted stock”), outstanding convertible preferred stock and convertible debt.

As described in [Note 13, “Stockholders’ Equity and Stock-based Compensation.”](#) on August 11, 2023 all remaining 354 outstanding shares of the Company’s Series D Preferred Stock (as defined in [Note 13, “Stockholders’ Equity and Stock-based Compensation.”](#)) became eligible for the conversion and were converted to common stock. There are no outstanding shares of Series D Preferred Stock as of September 30, 2023. Holders of the Company’s Series D Preferred Stock were entitled to participate equally and ratably in all dividends and distributions paid to holders of PENN common stock irrespective of any vesting requirement. Accordingly, the Series D Preferred Stock shares were considered a participating security and the Company is required to apply the two-class method to consider the impact of the preferred shares on the calculation of basic and diluted EPS. The previous holders of the Company’s Series D Preferred Stock were not obligated to absorb losses; therefore, in reporting periods where the Company is in a net loss position, it did not apply the two-class method. In reporting periods where the Company was in a net income position, the two-class method was applied by allocating all earnings during the period to common shares and preferred shares. See [Note 14, “Earnings per Share.”](#) for more information.

Guarantees and Indemnifications: The Company accounts for indemnity obligations in accordance with the Accounting Standards Codification (“ASC”) 460-20, “Contingencies” and records a liability at fair value. Pursuant to the Barstool SPA (as defined within [Note 6, “Acquisitions and Dispositions.”](#)) the Company agreed to indemnify Barstool and its subsidiaries and David Portnoy for certain tax matters. The indemnity provisions generally provide for the Company’s control of defense and settlement of claims, as well as certain other costs associated with potential tax matters related to Barstool and its subsidiaries and David Portnoy. The Company has not previously incurred costs to settle claims under this indemnification obligation. The Company has recorded liabilities of \$70.0 million and none for this agreement as of September 30, 2023 and December 31, 2022, respectively. See [Note 6, “Acquisitions and Dispositions.”](#) for more information.

Voting Interest Entities and Variable Interest Entities: The Company consolidates all subsidiaries or other entities in which it has a controlling financial interest. The consolidation guidance requires an analysis to determine if an entity should be evaluated for consolidation using the VOE model or the VIE model. Under the VOE model, controlling financial interest is generally defined as a majority ownership of voting rights. Under the VIE model, controlling financial interest is defined as (i) the power to direct activities that most significantly impact the economic performance of the entity and (ii) the obligation to absorb losses of or the right to receive benefits from the entity that could potentially be significant to the entity. For those entities that qualify as a VIE, the primary beneficiary is generally defined as the party who has a controlling financial interest in the VIE. The Company consolidates the financial position and results of operations of every VOE in which it has a controlling financial interest and VIEs in which it is considered to be the primary beneficiary. See [Note 10, “Investments in and Advances to Unconsolidated Affiliates.”](#)

Note 3—New Accounting Pronouncements

In June 2022, the Financial Accounting Standard Board (the “FASB”) issued ASU 2022-03, “Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions” (“ASU 2022-03”). ASU 2022-03 clarifies the guidance on the fair value measurement of an equity security that is subject to a contractual sale restriction and requires specific disclosures related to such an equity security. Specifically, ASU 2022-03 clarifies that a “contractual sale restriction prohibiting the sale of an equity security is a characteristic of the reporting entity holding the equity security” and is not included in the equity security’s unit of account. Accordingly, the Company is no longer permitted to apply a discount related to the contractual sale restriction, or lack of marketability, when measuring the equity security’s fair value. In addition, ASU 2022-03 prohibits an entity from recognizing a contractual sale restriction as a separate unit of account. ASU 2022-03 will be effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted. Although we are still finalizing our assessment of the impact of the adoption of ASU 2022-03, which is effective January 1, 2024, we currently do not expect it to have a material impact on our Consolidated Financial Statements.

In March 2023, the FASB issued ASU 2023-02, “Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method (a consensus of the Emerging Issues Task Force)” (“ASU 2023-02”). ASU 2023-02 introduced the option to apply the proportional amortization method to account for investments made primarily for the purpose of receiving income tax credits and other income tax benefits when certain requirements are met. In addition, ASU 2023-02 limited the proportional amortization method to investments in low-income-housing tax credit structures. ASU 2023-02 will be effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Although we are still finalizing our assessment of the impact of the adoption of ASU 2023-02, which is effective January 1, 2024, we currently do not expect it to have a material impact on our Consolidated Financial Statements.

Note 4—Hurricane Laura

On August 27, 2020, Hurricane Laura made landfall in Lake Charles, Louisiana, which caused significant damage to our L’Auberge Lake Charles property, which closed for approximately two weeks. The Company maintains insurance, subject to certain deductibles and coinsurance, that covers business interruption, including lost profits, and covers the repair or replacement of assets that suffered losses.

The Company recorded a receivable relating to our estimate of repairs and maintenance costs which have been incurred and property and equipment which have been written off, and for which we deem the recovery of such costs and property and equipment from our insurers to be probable. The insurance recovery receivable was included in “Accounts Receivable, net” within the unaudited Consolidated Balance Sheets. As we deemed it probable that the proceeds to be recovered from our insurers would exceed the total of our insurance recovery recorded and our insurers’ deductible and coinsurance, we did not record any loss associated with the impact of this natural disaster. Timing differences exist between the recognition of (i) impairment losses and capital expenditures made to repair or restore the assets and (ii) the receipt of insurance proceeds within the unaudited Consolidated Financial Statements.

During the three months ended September 30, 2023 and 2022, we received \$0.3 million and \$1.9 million of insurance claim proceeds related to property damage, respectively, which resulted in a gain of \$0.3 million and \$1.9 million, respectively. During the nine months ended September 30, 2023 and 2022, we received \$13.9 million and \$39.4 million of insurance claim proceeds related to property damage, respectively, which resulted in a gain of \$13.9 million and \$10.7 million, respectively. The property damage proceeds are included in “Other” expenses within the unaudited Consolidated Statements of Operations.

Additionally, during the three and nine months ended September 30, 2023, we received \$14.0 million in business interruption insurance proceeds, which are included in “General and administrative” expenses within the unaudited Consolidated Statements of Operations.

Subsequent to September 30, 2023, the Company received its final insurance payment related to business interruption proceeds totaling \$5.6 million.

The following table summarizes the financial impact of Hurricane Laura related matters:

<i>(in millions)</i>	Life to date through	
	September 30, 2023	December 31, 2022
Insurance proceeds related to property damage received through the end of the period	\$ 100.8	\$ 86.9
Insurance proceeds related to business interruption received through the end of the period	\$ 14.0	\$ —
Deductible	\$ 15.0	\$ 15.0
Coinurance	\$ 2.5	\$ 2.5
Clean-up, restoration, and other costs	\$ 52.8	\$ 52.8
Fixed asset write-off	\$ 23.2	\$ 23.2
Inventory write-off	\$ 0.2	\$ 0.2

Note 5—Revenue Disaggregation

Our revenues are generated principally by providing the following types of services: (i) gaming, inclusive of retail sports betting, iCasino, and online sports betting; (ii) food and beverage; (iii) hotel; (iv) advertising; (v) retail; and (vi) other. Other revenues are principally comprised of PENN Interactive’s revenue from third-party online sports betting and/or iCasino operators and the related gross-up for taxes, racing operations, and commissions received on ATM transactions. Our revenue is disaggregated by type of revenue and geographic location of the related properties, which is consistent with our reportable segments, as follows:

For the three months ended September 30, 2023								
<i>(in millions)</i>	Northeast	South	West	Midwest	Interactive ⁽¹⁾	Other	Intersegment Eliminations ⁽²⁾	Total
Revenues:								
Gaming	\$ 610.8	\$ 236.8	\$ 94.5	\$ 260.1	\$ 49.9	\$ —	\$ —	\$ 1,252.1
Food and beverage	35.4	35.5	18.2	15.0	—	0.5	—	104.6
Hotel	16.9	25.5	17.5	10.8	—	—	—	70.7
Advertising	—	—	—	—	19.8	—	—	19.8
Retail	1.8	1.5	1.4	1.0	6.0	—	—	11.7
Other	22.1	8.9	3.5	6.5	120.6	4.0	(5.1)	160.5
Total revenues	<u>\$ 687.0</u>	<u>\$ 308.2</u>	<u>\$ 135.1</u>	<u>\$ 293.4</u>	<u>\$ 196.3</u>	<u>\$ 4.5</u>	<u>\$ (5.1)</u>	<u>\$ 1,619.4</u>
For the three months ended September 30, 2022								
<i>(in millions)</i>	Northeast	South	West	Midwest	Interactive ⁽¹⁾	Other	Intersegment Eliminations ⁽²⁾	Total
Revenues:								
Gaming	\$ 616.8	\$ 260.0	\$ 102.8	\$ 268.7	\$ 69.2	\$ —	\$ —	\$ 1,317.5
Food and beverage	32.6	32.8	21.7	13.7	—	0.5	—	101.3
Hotel	13.0	26.4	25.7	9.1	—	—	—	74.2
Advertising	—	—	—	—	7.2	—	—	7.2
Retail	1.6	1.6	1.8	0.4	—	—	—	5.4
Other	21.4	9.0	4.5	6.5	82.3	3.7	(8.0)	119.4
Total revenues	<u>\$ 685.4</u>	<u>\$ 329.8</u>	<u>\$ 156.5</u>	<u>\$ 298.4</u>	<u>\$ 158.7</u>	<u>\$ 4.2</u>	<u>\$ (8.0)</u>	<u>\$ 1,625.0</u>

For the nine months ended September 30, 2023

<i>(in millions)</i>	Northeast	South	West	Midwest	Interactive ⁽¹⁾	Other	Intersegment Eliminations ⁽²⁾	Total
Revenues:								
Gaming	\$ 1,856.6	\$ 728.0	\$ 281.3	\$ 787.5	\$ 216.1	\$ —	\$ —	\$ 3,869.5
Food and beverage	108.3	100.8	53.5	44.4	—	2.7	—	309.7
Hotel	42.9	72.1	45.5	28.4	—	—	—	188.9
Advertising	—	—	—	—	92.5	—	—	92.5
Retail	5.6	4.5	4.0	2.4	29.8	—	—	46.3
Other	62.1	25.9	10.5	19.3	348.9	13.8	(19.9)	460.6
Total revenues	<u>\$ 2,075.5</u>	<u>\$ 931.3</u>	<u>\$ 394.8</u>	<u>\$ 882.0</u>	<u>\$ 687.3</u>	<u>\$ 16.5</u>	<u>\$ (19.9)</u>	<u>\$ 4,967.5</u>

For the nine months ended September 30, 2022

<i>(in millions)</i>	Northeast	South	West	Midwest	Interactive ⁽¹⁾	Other	Intersegment Eliminations ⁽²⁾	Total
Revenues:								
Gaming	\$ 1,837.3	\$ 807.6	\$ 295.8	\$ 792.2	\$ 201.4	\$ —	\$ —	\$ 3,934.3
Food and beverage	96.0	96.8	62.6	39.4	—	3.0	—	297.8
Hotel	31.4	74.4	74.4	25.8	—	—	—	206.0
Advertising	—	—	—	—	23.9	—	—	23.9
Retail	4.6	5.0	4.6	1.5	—	—	—	15.7
Other	59.5	26.0	13.8	18.7	229.8	14.4	(23.8)	338.4
Total revenues	<u>\$ 2,028.8</u>	<u>\$ 1,009.8</u>	<u>\$ 451.2</u>	<u>\$ 877.6</u>	<u>\$ 455.1</u>	<u>\$ 17.4</u>	<u>\$ (23.8)</u>	<u>\$ 4,816.1</u>

(1) Other revenues within the Interactive segment are inclusive of gaming tax reimbursement amounts related to third-party online sports betting and/or iCasino partners for online sports betting and iCasino market access of \$102.6 million and \$63.0 million for the three months ended September 30, 2023 and 2022, respectively, and \$283.4 million and \$168.7 million for the nine months ended September 30, 2023, and 2022, respectively.

(2) Primarily represents the elimination of intersegment revenues associated with our retail sportsbooks, which are operated by PENN Interactive.

Note 6—Acquisitions and Dispositions
Barstool Acquisition and Disposition

On February 17, 2023, we acquired the remaining 64% of the outstanding shares of Barstool common stock not already owned by us for consideration of approximately \$405.5 million, which is inclusive of cash and common stock issuance, repayment of Barstool indebtedness of \$23.8 million, transaction expenses and other purchase price adjustments in accordance with GAAP (the “Barstool Acquisition”). Prior to the acquisition, we held a 36% ownership interest, which was accounted for under the equity method. At the closing of the Barstool Acquisition, we obtained 100% of the Barstool common stock, and determined the fair value of Barstool to be \$660.0 million based on market participant assumptions, as discussed below. Upon the completion of the Barstool Acquisition, Barstool became an indirect wholly owned subsidiary of PENN. We issued 2,442,809 shares of our common stock to certain former stockholders of Barstool for the Barstool Acquisition (see [Note 13, “Stockholders’ Equity and Stock-Based Compensation”](#) for further information) and utilized \$315.3 million of cash to complete the Barstool Acquisition, inclusive of transaction expenses and repayment of Barstool indebtedness.

The Company held 36% of the outstanding shares of Barstool common stock prior to the Barstool Acquisition and, as such, the acquisition date estimated fair value of this previously held investment was a component of the purchase consideration. Based on the acquisition date fair value of Barstool of \$660.0 million and the carrying amount of this investment of \$171.1 million, the Company recorded a gain of \$66.5 million related to remeasurement of the equity investment immediately prior to the acquisition date, which is included in “Gain on Barstool Acquisition, net” within our unaudited Consolidated Statements of Operations. The Company also recorded a gain of \$16.9 million related to the acquisition of the remaining 64% of Barstool common stock, which is included in “Gain on Barstool Acquisition, net” within our unaudited Consolidated Statements of Operations.

The following table reflects the allocation of the purchase price to the tangible and identifiable intangible assets acquired and liabilities assumed, with the excess recorded as goodwill, at the February 17, 2023 acquisition date.

<i>(in millions)</i>	Fair value
Cash and cash equivalents	\$ 10.1
Accounts receivable	44.8
Inventory	25.2
Other current assets	5.0
Lease right-of-use assets	13.5
Property and equipment	3.8
Goodwill	231.9
Other intangible assets	
Barstool tradename	420.0
Advertising relationships	32.0
Other tradenames and brands	29.0
Customer relationships	11.0
Other long-term assets	18.7
Total assets	\$ 845.0
Accounts payable, accrued expenses and other current liabilities	\$ 38.7
Deferred income taxes	115.9
Other long-term liabilities	30.4
Total liabilities	185.0
Net assets acquired	\$ 660.0

The Company used the income, or cost approach for the valuation, as appropriate, and used valuation inputs in these models and analyses that were based on market participant assumptions. Market participants are considered to be buyers and sellers unrelated to the Company in the principal or most advantageous market for the asset or liability.

Acquired identifiable intangible assets consisted of the Barstool tradename, advertising relationships, other tradenames and brands, and customer relationships. The Barstool tradename was determined to be an indefinite-lived intangible asset. All other intangible assets were determined to be definite-lived with assigned useful lives primarily ranging from 2-5 years.

Goodwill, none of which was deductible for tax purposes, represented approximately 35.1% of the net assets acquired and was allocated to the Company's Interactive segment. Goodwill was primarily attributable to synergies and cross selling opportunities to Barstool's existing customer base.

The following valuation approaches were utilized to determine the fair value of each intangible asset at the February 17, 2023 acquisition date:

Intangible Asset	Valuation Approach
Barstool tradename	Relief-from-royalty (variation of income approach)
Advertising relationships	With-and-without (variation of income approach)
Other tradenames and brands	Relief-from-royalty (variation of income approach)
Customer relationships	Replacement cost

Barstool's revenue and net loss were included in our results for the period beginning February 17, 2023 through August 7, 2023, the day prior to the Barstool SPA, as described below. Barstool's revenue and net loss for the period beginning July 1, 2023 through August 7, 2023, included in the unaudited Consolidated Statements of Operations, were \$18.3 million and \$7.8 million, respectively. Barstool's revenue and net loss for the period beginning February 17, 2023 through August 7, 2023, included in the unaudited Consolidated Statements of Operations, were \$99.2 million and \$23.9 million, respectively.

On August 8, 2023, PENN entered into a Sportsbook Agreement (the “Sportsbook Agreement”) with ESPN, which provides for a long-term strategic relationship between PENN and ESPN relating to online sports betting in the United States. Pursuant to the Sportsbook Agreement, PENN will rebrand its existing Barstool Sportsbook across all online platforms in the United States as ESPN BET (the “Sportsbook”) and will oversee daily operations of the Sportsbook. See [Note 12, “Commitments and Contingencies”](#) for more information related to the Sportsbook Agreement.

In connection with PENN’s decision to rebrand our online sports betting business from Barstool Sportsbook to ESPN BET pursuant to the Sportsbook Agreement as discussed above, PENN entered into the Barstool SPA with David Portnoy on August 8, 2023. Pursuant to the Barstool SPA, PENN sold 100% of the outstanding shares of Barstool to David Portnoy in exchange for nominal cash consideration (one dollar) and certain non-compete and other restrictive covenants. Pursuant to the Barstool SPA, PENN has the right to receive 50% of the gross proceeds received by David Portnoy in any subsequent sale or other monetization event of Barstool.

On August 8, 2023, the Company’s Board of Directors approved the sale of Barstool Sports to David Portnoy, and we classified the assets and liabilities to be disposed of as held-for-sale. These assets and liabilities were measured at the lower of (i) the carrying value when we classified the disposal group as held-for-sale or (ii) the fair value of the disposal group, less costs to sell. The Company recognized a pre-tax loss on disposal of \$923.2 million (inclusive of \$714.8 million in goodwill and intangible assets write offs and a \$70.0 million indemnification liability discussed below) during the third quarter of 2023, included in “Loss on disposal of Barstool” within our unaudited Consolidated Statements of Operations. Pursuant to the Barstool SPA, PENN will indemnify Barstool and its subsidiaries and David Portnoy for certain tax matters. Liabilities associated with the indemnification of \$70.0 million were recorded at September 30, 2023, in “Other long-term liabilities” within our unaudited Consolidated Balance Sheets. The indemnity provisions generally provide for the Company’s control of defense and settlement of claims, as well as certain other costs, associated with potential tax matters related to Barstool and its subsidiaries and David Portnoy. Claims under the indemnification are paid upon demand. The Company has not previously incurred costs to settle claims under this indemnification obligation and provisions in the Barstool SPA limit the time within which an indemnification claim can be made to the later of the resolution of the indemnification claim or the relevant statutes of limitations. The maximum potential amount of future payments the Company could be required to make under this indemnification agreement is not estimable at this time due to uncertainties related to potential outcomes and other unique facts and circumstances involved in the Barstool SPA.

For information on the tax-related impacts from the Barstool transactions, see [Note 11, “Income Taxes.”](#)

The following table reflects the major classes of assets and liabilities disposed of pursuant to the Barstool SPA, which were part of the Interactive Segment:

<i>(in millions)</i>	August 8, 2023
Current assets	
Cash and cash equivalents	\$ 50.9
Accounts receivable, net	53.5
Inventory, net	21.9
Other current assets	6.4
Total current assets	132.7
Property and equipment, net	8.8
Goodwill	231.9
Other intangible assets, net	482.9
Lease right-of-use assets	21.4
Other assets	21.0
Total assets	\$ 898.7
Current liabilities	
Accounts payable	\$ 11.1
Accrued expenses and other current liabilities	23.1
Total current liabilities	34.2
Other long-term liabilities	19.9
Total liabilities	\$ 54.1

Note 7—Goodwill and Other Intangible Assets

A reconciliation of goodwill and accumulated goodwill impairment losses, by reportable segment, is as follows:

<i>(in millions)</i>	Northeast	South	West	Midwest	Interactive	Other	Total
Balance as of December 31, 2022							
Goodwill, gross	\$ 923.5	\$ 236.6	\$ 216.8	\$ 1,116.7	\$ 1,628.4	\$ 87.7	\$ 4,209.7
Accumulated goodwill impairment losses	(798.8)	(61.0)	(16.6)	(556.1)	—	(87.7)	(1,520.2)
Goodwill, net	\$ 124.7	\$ 175.6	\$ 200.2	\$ 560.6	\$ 1,628.4	\$ —	\$ 2,689.5
Goodwill acquired during the period	\$ —	\$ —	\$ —	\$ —	\$ 231.9	\$ —	\$ 231.9
Goodwill disposed of during the period	—	—	—	—	(231.9)	—	(231.9)
Effect of foreign currency exchange rates	—	—	—	—	(2.2)	—	(2.2)
Balance as of September 30, 2023							
Goodwill, gross	\$ 923.5	\$ 236.6	\$ 216.8	\$ 1,116.7	\$ 1,626.2	\$ 87.7	\$ 4,207.5
Accumulated goodwill impairment losses	(798.8)	(61.0)	(16.6)	(556.1)	—	(87.7)	(1,520.2)
Goodwill, net	\$ 124.7	\$ 175.6	\$ 200.2	\$ 560.6	\$ 1,626.2	\$ —	\$ 2,687.3

There were no impairment charges recorded to goodwill during the three and nine months ended September 30, 2023, as compared to a \$37.4 million impairment charge recorded to goodwill during both the three and nine months ended September 30, 2022 which pertained to our Northeast segment.

During the three months ended September 30, 2023, in connection with the Barstool SPA, we recorded a pre-tax loss on disposal of \$923.2 million, inclusive of a goodwill write-off of \$231.9 million within our Interactive segment. See [Note 6, “Acquisitions and Dispositions.”](#)

The table below presents the gross carrying amount, accumulated amortization, and net carrying amount of each major class of other intangible assets:

<i>(in millions)</i>	September 30, 2023			December 31, 2022		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Indefinite-lived intangible assets						
Gaming licenses	\$ 1,207.8	\$ —	\$ 1,207.8	\$ 1,207.6	\$ —	\$ 1,207.6
Trademarks	332.1	—	332.1	332.2	—	332.2
Other	0.7	—	0.7	0.7	—	0.7
Amortizing intangible assets						
Customer relationships	112.0	(102.6)	9.4	114.4	(102.0)	12.4
Technology	273.2	(116.3)	156.9	249.6	(80.4)	169.2
Other	28.5	(14.0)	14.5	27.7	(10.9)	16.8
Total other intangible assets, net	\$ 1,954.3	\$ (232.9)	\$ 1,721.4	\$ 1,932.2	\$ (193.3)	\$ 1,738.9

There were no impairment charges recorded to other intangible assets, net during the three and nine months ended September 30, 2023, as compared to a \$65.4 million impairment charge recorded to other intangible assets, net during both the three and nine months ended September 30, 2022 which pertained to our Northeast segment.

During the three months ended September 30, 2023, in connection with the Barstool SPA, we recorded a pre-tax loss on disposal of \$923.2 million, inclusive of trademarks and other intangible assets write-offs of \$482.9 million in our Interactive segment. See [Note 6, “Acquisitions and Dispositions.”](#)

Amortization expense related to our amortizing intangible assets was \$14.3 million for both the three months ended September 30, 2023 and 2022, and \$46.2 million and \$44.2 million for the nine months ended September 30, 2023 and 2022, respectively. The following table presents the estimated amortization expense based on our amortizing intangible assets as of September 30, 2023 (in millions):

Years ending December 31,	
2023 (excluding the nine months ended September 30, 2023)	\$ 15.0
2024	57.2
2025	37.4
2026	24.3
2027	21.7
Thereafter	25.2
Total	\$ 180.8

Note 8—Long-term Debt

The table below presents long-term debt, net of current maturities, debt discounts and issuance costs:

<i>(in millions)</i>	September 30, 2023	December 31, 2022
Senior Secured Credit Facilities:		
Amended Revolving Credit Facility due 2027	\$ —	\$ —
Amended Term Loan A Facility due 2027	515.6	536.2
Amended Term Loan B Facility due 2029	987.5	995.0
5.625% Notes due 2027	400.0	400.0
4.125% Notes due 2029	400.0	400.0
2.75% Convertible Notes due 2026	330.5	330.5
Other long-term obligations	172.6	156.1
	<u>2,806.2</u>	<u>2,817.8</u>
Less: Current maturities of long-term debt	(56.7)	(56.2)
Less: Debt discounts	(4.1)	(4.6)
Less: Debt issuance costs	(30.0)	(35.7)
	<u>\$ 2,715.4</u>	<u>\$ 2,721.3</u>

The following is a schedule of future minimum repayments of long-term debt as of September 30, 2023 (in millions):

Years ending December 31:	
2023 (excluding the nine months ended September 30, 2023)	\$ 18.5
2024	47.6
2025	38.2
2026	512.9
2027	837.0
Thereafter	<u>1,352.0</u>
Total minimum payments	<u>\$ 2,806.2</u>

Senior Secured Credit Facilities

In January 2017, the Company entered into an agreement to amend and restate its previous credit agreement, dated October 30, 2013, as amended (the “Credit Agreement”), which provided for: (i) a five-year \$700 million revolving credit facility (the “Revolving Facility”); (ii) a five-year \$300 million Term Loan A facility (the “Term Loan A Facility”); and (iii) a seven-year \$500 million Term Loan B facility (the “Term Loan B Facility” and collectively with the Revolving Facility and the Term Loan A Facility, the “Senior Secured Credit Facilities”).

On October 15, 2018, in connection with the acquisition of Pinnacle Entertainment, Inc. (“Pinnacle”), the Company entered into an incremental joinder agreement (the “Incremental Joinder”), which amended the Credit Agreement (the “Amended Credit Agreement”). The Incremental Joinder provided for an additional \$430.2 million of incremental loans having the same terms as the existing Term Loan A Facility, with the exception of extending the maturity date, and an additional \$1.1 billion of loans as a new tranche having new terms (the “Term Loan B-1 Facility”). With the exception of extending the maturity date, the Incremental Joinder did not impact the Revolving Facility.

On May 3, 2022, the Company entered into a Second Amended and Restated Credit Agreement with its various lenders (the “Second Amended and Restated Credit Agreement”). The Second Amended and Restated Credit Agreement provides for a \$1.0 billion revolving credit facility, undrawn at close, (the “Amended Revolving Credit Facility”), a five-year \$550.0 million term loan A facility (the “Amended Term Loan A Facility”) and a seven-year \$1.0 billion term loan B facility (the “Amended Term Loan B Facility”) (together, the “Amended Credit Facilities”). The proceeds from the Amended Credit Facilities were used to repay the existing Term Loan A Facility and Term Loan B-1 Facility balances.

The interest rates per annum applicable to loans under the Amended Credit Facilities are, at the Company’s option, equal to either an adjusted secured overnight financing rate (“Term SOFR”) or a base rate, plus an applicable margin. The applicable

margin for each of the Amended Revolving Credit Facility and the Amended Term Loan A Facility was initially 1.75% for Term SOFR loans and 0.75% for base rate loans until the Company provided financial reports for the first full fiscal quarter following closing and, thereafter, ranges from 2.25% to 1.50% per annum for Term SOFR loans and 1.25% to 0.50% per annum for base rate loans, in each case depending on the Company's total net leverage ratio (as defined within the Second Amended and Restated Credit Agreement). The applicable margin for the Amended Term Loan B Facility is 2.75% per annum for Term SOFR loans and 1.75% per annum for base rate loans. The Amended Term Loan B Facility is subject to a Term SOFR "floor" of 0.50% per annum and a base rate "floor" of 1.50% per annum. In addition, the Company pays a commitment fee on the unused portion of the commitments under the Amended Revolving Credit Facility at a rate that was initially 0.25% per annum, until the Company provided financial reports for the first full fiscal quarter following closing, and thereafter, ranges from 0.35% to 0.20% per annum, depending on the Company's total net leverage ratio (as defined within the Second Amended and Restated Credit Agreement).

The Amended Credit Facilities contain customary covenants that, among other things, restrict, subject to certain exceptions, the ability of the Company and certain of its subsidiaries to grant liens on their assets, incur indebtedness, sell assets, make investments, engage in acquisitions, mergers or consolidations, pay dividends and make other restricted payments and prepay certain indebtedness that is subordinated in right of payment to the obligations under the Amended Credit Facilities. The Amended Credit Facilities contain two financial covenants: a maximum total net leverage ratio (as defined within the Second Amended and Restated Credit Agreement) of 4.50 to 1.00, which is subject to a step up to 5.00 to 1.00 in the case of certain significant acquisitions, and a minimum interest coverage ratio (as defined within the Second Amended and Restated Credit Agreement) of 2.00 to 1.00. The Amended Credit Facilities also contain certain customary affirmative covenants and events of default, including the occurrence of a change of control (as defined in the documents governing the Second Amended and Restated Credit Agreement), termination and certain defaults under the Master Leases (which are defined in [Note 9, "Leases"](#)).

In connection with the repayment of the previous Senior Secured Credit Facilities, the Company recorded a \$10.4 million loss on the early extinguishment of debt for the nine months ended September 30, 2022. Additionally, we recorded \$1.3 million in refinancing costs, which is included in "General and administrative" within our Consolidated Statements of Operations. In addition, we recorded \$5.0 million of original issue discount related to the Amended Term Loan B Facility which will be amortized to interest expense over the life of the Amended Term Loan B Facility.

As of September 30, 2023 and December 31, 2022, the Company had conditional obligations under letters of credit issued pursuant to the Amended Credit Facilities with face amounts aggregating to \$21.8 million and \$22.5 million, respectively, resulting in \$978.2 million and \$977.5 million of available borrowing capacity under the Amended Revolving Credit Facility, respectively.

2.75% Unsecured Convertible Notes

In May 2020, the Company completed a public offering of \$330.5 million aggregate principal amount of 2.75% unsecured convertible notes (the "Convertible Notes") that mature, unless earlier converted, redeemed or repurchased, on May 15, 2026 at a price of par.

As of September 30, 2023 and December 31, 2022, no Convertible Notes have been converted into the Company's common stock. The maximum number of shares that could be issued to satisfy the conversion feature of the Convertible Notes was 18,360,815 and the amount by which the Convertible Notes if-converted value exceeded its principal amount was \$90.9 million, as of September 30, 2023.

The Convertible Notes consisted of the following components:

<i>(in millions)</i>	September 30, 2023	December 31, 2022
Liability:		
Principal	\$ 330.5	\$ 330.5
Unamortized debt issuance costs	(4.9)	(6.2)
Net carrying amount	<u>\$ 325.6</u>	<u>\$ 324.3</u>

Interest expense, net

The table below presents interest expense, net:

<i>(in millions)</i>	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Interest expense	\$ 119.2	\$ 199.1	\$ 350.1	\$ 556.0
Capitalized interest	(1.7)	(0.6)	(4.0)	(1.3)
Interest expense, net	\$ 117.5	\$ 198.5	\$ 346.1	\$ 554.7

The table below presents interest expense related to the Convertible Notes:

<i>(in millions)</i>	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Coupon interest	\$ 2.3	\$ 2.3	\$ 6.8	\$ 6.8
Amortization of debt issuance costs	0.4	0.5	1.3	1.3
Convertible Notes interest expense	\$ 2.7	\$ 2.8	\$ 8.1	\$ 8.1

Debt issuance costs are amortized to interest expense over the term of the Convertible Notes at an effective interest rate of 3.329%. The remaining term of the Convertible Notes was 2.6 years as of September 30, 2023.

Covenants

Our Amended Credit Facilities, 5.625% Notes and 4.125% Notes, require us, among other obligations, to maintain specified financial ratios and to satisfy certain financial tests. In addition, our Amended Credit Facilities, 5.625% Notes and 4.125% notes, restrict, among other things, our ability to incur additional indebtedness, incur guarantee obligations, amend debt instruments, pay dividends, create liens on assets, make investments, engage in mergers or consolidations, and otherwise restrict corporate activities. Our debt agreements also contain customary events of default, including cross-default provisions that require us to meet certain requirements under the Master Leases (which are defined in [Note 9, "Leases"](#)), each with GLPI. If we are unable to meet our financial covenants or in the event of a cross-default, it could trigger an acceleration of payment terms.

As of September 30, 2023, the Company was in compliance with all required financial covenants. The Company believes that it will remain in compliance with all of its required financial covenants for at least the next twelve months following the date of filing this Quarterly Report on Form 10-Q with the SEC.

Other Long-Term Obligations

Other Long-term Obligation

In February 2021, we entered into a financing arrangement providing the Company with upfront cash proceeds while permitting us to participate in future proceeds on certain claims. The financing obligation has been classified as a non-current liability, which is expected to be settled in a future period of which the principal is contingent and predicated on other events. Consistent with an obligor's accounting under a debt instrument, period interest will be accreted using an effective interest rate of 27.0% and until such time that the claims and related obligation is settled. The amount included in interest expense related to this obligation was \$9.3 million and \$7.1 million for the three months ended September 30, 2023 and 2022, respectively, and \$26.1 million and \$20.0 million for the nine months ended September 30, 2023 and 2022, respectively.

Ohio Relocation Fees

Other long-term obligations included \$18.5 million and \$27.4 million at September 30, 2023 and December 31, 2022, respectively, related to the relocation fees for Hollywood Gaming at Dayton Raceway ("Dayton") and Hollywood Gaming at Mahoning Valley Race Course ("Mahoning Valley"), which opened in August 2014 and September 2014, respectively. The relocation fee for each facility is payable as follows: \$7.5 million upon the opening of the facilities and eighteen semi-annual payments of \$4.8 million beginning one year after the commencement of operations. These obligations are accreted to interest expense at an effective yield of 5.0%.

Event Center

As of September 30, 2023 and December 31, 2022, other long-term obligations included \$9.9 million and \$10.7 million, respectively, related to the repayment obligation of a hotel and event center located less than a mile away from Hollywood Casino Lawrenceburg, which was constructed by the City of Lawrenceburg Department of Redevelopment. Effective in January 2015, by contractual agreement, we assumed a repayment obligation for the hotel and event center in the amount of \$15.3 million, which was financed through a loan with the City of Lawrenceburg Department of Redevelopment, in exchange for conveyance of the property. Beginning in January 2016, the Company was obligated to make annual payments on the loan of \$1.0 million for 20 years. This obligation is accreted to interest expense at its effective yield of 3.0%.

Note 9—Leases

Master Leases

The components contained within the Master Leases are accounted for as either (i) operating leases, (ii) finance leases, or (iii) financing obligations. Changes to future lease payments that are not fixed within the Master Leases (i.e., when future escalators become known or future variable rent resets occur), which are discussed below, require the Company to either (i) increase both the Right-of-use (“ROU”) assets and corresponding lease liabilities with respect to operating and finance leases or (ii) record the incremental variable payment associated with the financing obligation to interest expense. In addition, prior to the effective date of the AR PENN Master Lease (as defined and as discussed below), monthly rent associated with Hollywood Casino Columbus (“Columbus”) and monthly rent in excess of the Hollywood Casino Toledo (“Toledo”) rent floor as contained within the PENN Master Lease (as defined and discussed below), were considered contingent rent.

AR PENN Master Lease

Prior to the effective date of the AR PENN Master Lease (as defined and discussed below) the Company leased real estate assets associated with 19 of the gaming facilities used in its operations via a triple net master lease with GLPI (the “PENN Master Lease”), which became effective November 1, 2013. The PENN Master Lease had an initial term of 15 years with four subsequent, five-year renewal periods on the same terms and conditions, exercisable at the Company’s option.

On February 21, 2023, the Company and GLPI entered into an agreement to amend and restate the PENN Master Lease (the “AR PENN Master Lease”), effective January 1, 2023, to (i) remove the land and buildings for Hollywood Casino Aurora (“Aurora”), Hollywood Casino Joliet (“Joliet”), Columbus, Toledo and the M Resort Spa Casino (“M Resort”), and (ii) make associated adjustments to the rent after which the initial rent in the AR PENN Master Lease will be \$284.1 million, consisting of \$208.2 million of building base rent, \$43.0 million of land base rent and \$32.9 million of percentage rent (as such terms are defined in the AR PENN Master Lease). Subsequent to the execution of the AR PENN Master Lease, the Company leases real estate assets associated with 14 of the gaming facilities used in its operations via a triple net master lease. The current term of the AR PENN Master Lease expires on October 31, 2033 and thereafter contains three renewal terms of five years each on the same terms and conditions, exercisable at the Company’s option. The AR PENN Master Lease along with the 2023 Master Lease (as defined and discussed below) are cross-defaulted, cross-collateralized, and coterminous, and subject to a parent guarantee.

The payment structure under the AR PENN Master Lease includes a fixed component, a portion of which is subject to an annual escalator of up to 2%, depending on the Adjusted Revenue to Rent Ratio (as defined in the AR PENN Master Lease) of 1.8:1, and a component that is based on performance, which is prospectively adjusted every five years by an amount equal to 4% of the average change in net revenues of all properties associated with the AR PENN Master Lease compared to a contractual baseline during the preceding five years (“PENN Percentage Rent”).

As a result of the annual escalator, effective November 1, 2023, for the lease year ending October 31, 2023, the fixed component of rent increased by \$4.2 million. The PENN Percentage Rent test date occurred on November 1, 2023 of which we are currently determining the impact to the performance component of rent which will be in effect until October 31, 2028.

We concluded the execution of the AR PENN Master Lease constituted a modification event under ASC Topic 842, “Leases” (“ASC 842”), which required us to reassess the classifications of the lease components and remeasure the associated lease liabilities. We concluded the lease term should end at the current lease expiration date of October 31, 2033 and the optional three renewal terms of five years each were not included in the lease term. The Company continues to evolve from a leading retail gaming operator to a leading provider of integrated entertainment, sports content, and casino gaming experiences. The execution of our omni-channel strategy continues to diversify our earning streams and precluded us from concluding all renewal periods were reasonably assured to be exercised.

As a result of the January 1, 2023 lease modification event, we concluded (i) the land components contained within the AR PENN Master Lease, which were previously primarily classified as finance leases under the PENN Master Lease, to be classified as operating leases, and (ii) control of the building assets have transferred from the Company to the lessor allowing for sale recognition in accordance with ASC 842 which results in the building components to be classified as operating leases. Prior to the January 1, 2023 lease modification event, control of substantially all of the building components were concluded not to have passed from the Company to the lessor in accordance with ASC 842 which required recognition of a financing obligation in accordance with ASC Topic 470, "Debt" ("ASC 470") and continued recognition of the underlying asset in Property and Equipment, net within our unaudited Consolidated Balance Sheets. In conjunction with the sale recognition on the building components, we (i) derecognized \$1.6 billion of financing obligations within our unaudited Consolidated Balance Sheets, offset to "Gain on REIT transaction, net" within our unaudited Statements of Operations; and (ii) derecognized \$1.1 billion of Property and Equipment, net associated with the building assets within our unaudited Consolidated Balance Sheets, offset to "Gain on REIT transaction, net" within our unaudited Consolidated Statements of Operations. As a result of our measurement of the associated operating lease liabilities, we recognized a reduction of the ROU assets and corresponding lease liabilities of \$1.2 billion within our unaudited Consolidated Balance Sheets. Lease components classified as an operating lease are recorded to "General and Administrative" within our unaudited Consolidated Statements of Operations.

On January 14, 2022, the ninth amendment to the PENN Master Lease between the Company and GLPI became effective. The ninth amendment restated the definition of "Net Revenue" to clarify the inclusion of online-based revenues derived when a patron is physically present at a leased property, established a "floor" with respect to the Hollywood Casino at PENN National Race Course Net Revenue amount used in the calculation of the annual rent escalator and PENN Percentage Rent, and modified the rent calculations upon a lease termination event as defined in the amendment.

We concluded the ninth amendment constituted a modification event under ASC 842, which required us to reassess the classifications of the lease components and remeasure the associated lease liabilities. As a result of our reassessment of the lease classifications, (i) the land components of substantially all of the PENN Master Lease properties, which were previously classified as operating leases, were then primarily classified as finance leases, and (ii) the land and building components associated with the operations of Dayton and Mahoning Valley, which were previously classified as finance leases, were then classified as operating leases. As a result of our measurement of the associated lease liabilities, we recognized additional ROU assets and corresponding lease liabilities of \$455.4 million. The building components of substantially all of the PENN Master Lease properties continued to be classified as financing obligations.

2023 Master Lease

Concurrent with the execution of the AR PENN Master Lease, the Company and GLPI entered into a new triple net master lease (the "2023 Master Lease"), effective January 1, 2023, specific to the property associated with Aurora, Joliet, Columbus, Toledo, M Resort, Hollywood Casino at The Meadows ("Meadows"), and Hollywood Casino Perryville ("Perryville") and a master development agreement (the "Master Development Agreement"). The 2023 Master Lease has an initial term through October 31, 2033 with three subsequent five-year renewal periods on the same terms and conditions, exercisable at the Company's option. The 2023 Master Lease terminated the individual triple net leases associated with Meadows and Perryville. The 2023 Master Lease and AR PENN Master Lease are cross-defaulted, cross-collateralized, and coterminous, and subject to a parent guarantee.

The AR PENN Master Lease and the 2023 Master Lease are coterminous, as such consistent with the AR PENN Master Lease, we concluded the 2023 Master Lease term ends at the current lease expiration date of October 31, 2033 and does not include any of the remaining three renewal terms of five years each. (See above lease term discussion for AR PENN Master Lease.)

As a result of our lease classification assessment, we concluded all land and building components contained within the 2023 Master Lease to be operating leases. As a result of our measurement of the operating lease liabilities, we recognized ROU assets and corresponding lease liabilities of \$1.8 billion. Additionally, in connection with the termination of the prior Meadows Lease and Perryville Lease (both defined and discussed below), we (i) derecognized \$171.9 million in ROU assets within our unaudited Consolidated Balance Sheets; (ii) derecognized \$165.5 million in lease liabilities within our unaudited Consolidated Balance Sheets; and (iii) recognized a \$6.5 million loss on the termination which is recorded in "Gain on REIT transaction, net" within our unaudited Consolidated Statements of Operations. Lease components classified as an operating lease are recorded to "General and Administrative" within our unaudited Consolidated Statements of Operations.

The 2023 Master Lease includes a base rent (the "2023 Master Lease Base Rent") equal to \$232.2 million and the Master Development Agreement contains additional rent (together with the 2023 Master Lease Base Rent, the "2023 Master Lease Rent") equal to (i) 7.75% of any project funding received by PENN from GLPI for an anticipated relocation of PENN's riverboat casino and related developments with respect to Aurora (the "Aurora Project") and (ii) a percentage, based on the

then-current GLPI stock price, of any project funding received by PENN from GLPI for certain anticipated development projects with respect to Joliet, Columbus and M Resort (the “Other Development Projects”). The Master Development Agreement provides that GLPI will fund up to \$225.0 million for the Aurora Project and, upon PENN’s request, up to \$350.0 million in the aggregate for the Other Development Projects, in accordance with certain terms and conditions set forth in the Master Development Agreement. These funding obligations of GLPI expire on January 1, 2026. The 2023 Master Lease Rent will be subject to a one-time increase of \$1.4 million, effective November 1, 2027. The 2023 Master Lease Rent was subject to a fixed escalator of 1.5% on November 1, 2023 and will be annually thereafter. The Master Development Agreement provides that PENN may elect not to proceed with a development project prior to GLPI’s commencement of any equity or debt offering or credit facility draw intended to fund such a project or after such time in certain instances, provided that GLPI will be reimbursed for all costs and expenses incurred in connection with such discontinued project. The Aurora Project and the Other Development Projects are all subject to necessary regulatory and other government approvals.

Pinnacle Master Lease

In connection with the acquisition of Pinnacle, on October 15, 2018, the Company assumed a triple net master lease with GLPI (the “Pinnacle Master Lease”), originally effective April 28, 2016, pursuant to which the Company leases real estate assets associated with 12 of the gaming facilities used in its operations. Upon assumption of the Pinnacle Master Lease, as amended, there were 7.5 years remaining of the initial ten-year term, with five subsequent, five-year renewal periods, on the same terms and conditions, exercisable at the Company’s option. The Company has determined that the lease term is 32.5 years.

The payment structure under the Pinnacle Master Lease includes a fixed component, a portion of which is subject to an annual escalator of up to 2%, depending on the Adjusted Revenue to Rent Ratio (as defined in the Pinnacle Master Lease) of 1.8:1, and a component that is based on performance of the properties, which is prospectively adjusted every two years by an amount equal to 4% of the average change in net revenues compared to a contractual baseline during the preceding two years (“Pinnacle Percentage Rent”).

As a result of the annual escalator, effective May 1, 2023 for the lease year ended April 30, 2023, the fixed component of rent increased by \$4.7 million and an additional ROU asset and corresponding lease liability of \$33.3 million were recognized associated with the finance lease components of the Pinnacle Master Lease. Both the next annual escalator and the next Pinnacle Percentage Rent reset are scheduled to occur on May 1, 2024.

On January 14, 2022, the fifth amendment to the Pinnacle Master Lease between the Company and GLPI became effective. The fifth amendment restates the definition of “Net Revenue” to clarify the inclusion of online-based revenues derived when a patron is physically present at a leased property and modifies the rent calculations upon a lease termination event as defined in the amendment.

We concluded the fifth amendment to the Pinnacle Master Lease constituted a modification event under ASC 842 (collectively with the ninth amendment to the PENN Master Lease, the “2022 Lease Modification”). As a result of the modification, the land components of substantially all of the Pinnacle Master Lease properties, which were previously classified as operating leases, are now primarily classified as finance leases. As a result of our measurement of the associated lease liabilities, we recognized additional ROU assets and corresponding lease liabilities of \$937.6 million. The building components of substantially all of the Pinnacle Master Lease properties continue to be classified as financing obligations. Lease components classified as a finance lease are recorded to “Depreciation and amortization” and “Interest expense, net” within our unaudited Consolidated Statements of Operations. The Company recognizes interest expense on the lease payments related to the financing obligation under the effective yield method.

Other Triple Net Leases with REIT Landlords

Morgantown Lease

On October 1, 2020, the Company entered into a triple net lease with a subsidiary of GLPI for the land underlying our development project in Morgantown, Pennsylvania (“Morgantown Lease”) in exchange for \$30.0 million in rent credits which were utilized to pay rent under the Master Leases, Meadows Lease (as defined and discussed below), and the Morgantown Lease during the year ended December 31, 2020.

All improvements made on the land, including the constructed building, will be owned by the Company while the lease is in effect, however, on the expiration or termination of the Morgantown Lease, ownership of all tenant improvements on the land will transfer to GLPI.

We concluded control of the land underlying the Morgantown facility was not passed from the Company to the lessor in accordance with ASC 842. As such we recognized a financing obligation in accordance with ASC 470 and continue to recognize the underlying asset in Property and Equipment, net within our unaudited Consolidated Balance Sheets. The Company recognizes interest expense on the lease payments related to the financing obligation under the effective yield method.

Perryville Lease

In conjunction with the acquisition of the operations of Perryville on July 1, 2021, the Company entered into a triple net lease with GLPI for the real estate assets associated with the property (“Perryville Lease”) for initial annual rent of \$7.8 million per year subject to escalation.

As discussed above, as a result of entering into the 2023 Master Lease, the Perryville Lease was terminated effective January 1, 2023.

Prior to the lease termination, the land and building components were classified as finance leases. Lease components classified as a finance lease were recorded to “Depreciation and amortization” and “Interest expense, net” within our unaudited Consolidated Statements of Operations.

Meadows Lease

In connection with the acquisition of Pinnacle, we assumed a triple net operating lease associated with the real estate assets at Meadows (“Meadows Lease”), originally effective September 9, 2016. Upon assumption of the Meadows Lease, there were eight years remaining of the initial ten-year term, with three subsequent, five-year renewal options followed by one four-year renewal option on the same terms and conditions, exercisable at the Company’s option.

As discussed above, as a result of entering into the 2023 Master Lease, the Meadows Lease was terminated effective January 1, 2023.

Prior to the termination of the Meadows Lease, the land and building components were classified as operating leases. Lease components classified as an operating lease were recorded to “General and Administrative” within our unaudited Consolidated Statements of Operations.

Margaritaville Lease

On January 1, 2019, the Company entered into an individual triple net lease with VICI Properties Inc. (NYSE: VICI) (“VICI”) for the real estate assets used in the operations of Margaritaville Resort Casino (the “Margaritaville Lease”). The Margaritaville Lease has an initial term of 15 years, with four subsequent five-year renewal options on the same terms and conditions, exercisable at the Company’s option. The payment structure under the Margaritaville Lease includes a fixed component, a portion that is subject to an annual escalator of up to 2% depending on a minimum coverage floor ratio of Net Revenue to Rent of 6.1:1, and a component that is based on performance, which is prospectively adjusted every two years by an amount equal to 4% of the average change in net revenues of the property compared to a contractual baseline during the preceding two years (“Margaritaville Percentage Rent”).

On February 1, 2023, the Margaritaville Lease annual escalator test resulted in an annual rent increase of \$0.4 million and the recognition of an additional operating lease ROU asset and corresponding lease liability of \$2.8 million. The next annual escalator test date is scheduled to occur on February 1, 2024. Additionally, on February 1, 2023, the Margaritaville Percentage Rent reset resulted in an annual rent increase of \$2.3 million which will be in effect until the next Margaritaville Percentage Rent reset, scheduled to occur on February 1, 2025. Upon reset of the Margaritaville Percentage Rent, effective February 1, 2023, we recognized an additional operating lease ROU asset and corresponding lease liability of \$9.8 million.

The land and building components contained within the Margaritaville Lease are classified as operating leases. Lease components classified as an operating lease are recorded to “General and Administrative” within our unaudited Consolidated Statements of Operations.

Greektown Lease

On May 23, 2019, the Company entered into an individual triple net lease with VICI for the real estate assets used in the operations of Hollywood Casino at Greektown (the “Greektown Lease”). The Greektown Lease has an initial term of 15 years, with four subsequent five-year renewal options on the same terms and conditions, exercisable at the Company’s option. The payment structure under the Greektown Lease includes a fixed component, a portion subject to an annual escalator of up to 2%

depending on an Adjusted Revenue to Rent Ratio (as defined in the Greektown Lease) of 1.85:1, and a component that is based on performance, which is prospectively adjusted every two years by an amount equal to 4% of the average change in net revenues of the property compared to a contractual baseline during the preceding two years (Greektown Percentage Rent”).

On June 1, 2023, the Greektown Percentage Rent reset resulted in an annual rent increase of \$1.5 million, which will be in effect until the next Greektown Percentage Rent reset, scheduled to occur on June 1, 2025. Upon reset of the Greektown Percentage Rent, effective June 1, 2023, we recognized an additional operating lease ROU asset and corresponding lease liability of \$7.0 million. We did not incur an annual escalator for the lease year ended May 31, 2023. On April 1, 2023, the lease was amended to provide for a Net Revenue to Rent coverage floor to be mutually agreed upon prior to the commencement of the sixth lease year (June 1, 2024).

The land and building components contained within the Greektown Lease are classified as operating leases. Lease components classified as an operating lease are recorded to “General and Administrative” within our unaudited Consolidated Statements of Operations.

Tropicana Lease

Prior to the closing of the sale of PENN’s outstanding equity interest in Tropicana Las Vegas (“Tropicana”) on September 26, 2022, the Company leased the real estate assets used in the operations of Tropicana for nominal cash rent (the “Tropicana Lease”). The term of the Tropicana Lease was for two years (subject to three one-year extensions at GLPI’s option) or until the real estate assets and the operations of the Tropicana were sold. Upon execution of the Tropicana Lease, we recorded an operating lease ROU asset of \$61.6 million, which was included in “Lease right-of-use assets” within our unaudited Consolidated Balance Sheets.

The land and building components contained within the Tropicana Lease were classified as operating leases. Lease components classified as an operating lease were recorded to “General and Administrative” within our unaudited Consolidated Statements of Operations.

Non-REIT Operating Leases

In addition to any operating lease components contained within the Master Leases, Meadows Lease, Margaritaville Lease, Greektown Lease and Tropicana Lease (referred to as “triple net operating leases”), the Company’s operating leases consists of (i) ground and levee leases to landlords which were not assumed by our REIT Landlords and remain an obligation of the Company, and (ii) buildings and equipment not associated with our REIT Landlords. Certain of our lease agreements include rental payments based on a percentage of sales over specified contractual amounts, rental payments adjusted periodically for inflation, and rental payments based on usage. The Company’s leases include options to extend the lease terms. The Company’s operating lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The following is a maturity analysis of our operating leases, finance leases and financing obligations as of September 30, 2023:

<i>(in millions)</i>	Operating Leases	Finance Leases	Financing Obligations
Year ended December 31,			
2023 (excluding the nine months ended September 30, 2023)	\$ 148.4	\$ 39.7	\$ 41.6
2024	585.2	149.3	166.5
2025	578.4	144.7	166.6
2026	579.1	144.7	166.6
2027	581.9	144.6	166.6
Thereafter	3,889.1	3,366.9	3,996.0
Total lease payments	6,362.1	3,989.9	4,703.9
Less: Imputed interest	(2,187.3)	(1,875.1)	(2,266.6)
Present value of future lease payments	4,174.8	2,114.8	2,437.3
Less: Current portion of lease obligations	(277.8)	(43.2)	(40.8)
Long-term portion of lease obligations	\$ 3,897.0	\$ 2,071.6	\$ 2,396.5

Total payments made under the Triple Net Leases were as follows:

<i>(in millions)</i>	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
AR PENN Master Lease	\$ 71.1	\$ —	\$ 213.1	\$ —
2023 Master Lease	58.0	—	174.1	—
PENN Master Lease	—	120.2	—	360.0
Pinnacle Master Lease	85.3	84.2	254.2	250.1
Perryville Lease	—	1.9	—	5.8
Meadows Lease	—	6.2	—	18.6
Margaritaville Lease	6.6	5.9	19.6	17.8
Greektown Lease	13.2	12.8	39.0	38.5
Morgantown Lease	0.8	0.8	2.4	2.3
Total ⁽¹⁾	<u>\$ 235.0</u>	<u>\$ 232.0</u>	<u>\$ 702.4</u>	<u>\$ 693.1</u>

(1) For the three and nine months ended September 30, 2022, rent payable under the Tropicana Lease was nominal. Therefore, it has been excluded from the table above. The Tropicana Lease was terminated on September 26, 2022.

Information related to lease term and discount rate was as follows:

	September 30, 2023	December 31, 2022
Weighted-Average Remaining Lease Term		
Operating leases	11.4 years	19.1 years
Finance leases	27.6 years	26.7 years
Financing obligations	27.8 years	27.5 years
Weighted-Average Discount Rate		
Operating leases	7.7 %	5.8 %
Finance leases	5.2 %	5.2 %
Financing obligations	5.2 %	7.7 %

The components of lease expense were as follows:

<i>(in millions)</i>	Location on unaudited Consolidated Statements of Operations	For the three months ended September 30,		For the nine months ended September 30,	
		2023	2022	2023	2022
Operating Lease Costs					
Rent expense associated with triple net operating leases ⁽¹⁾	General and administrative	\$ 146.6	\$ 31.5	\$ 439.0	\$ 119.6
Operating lease cost ⁽²⁾	Primarily General and administrative	5.6	4.9	16.9	14.8
Short-term lease cost	Primarily Gaming expenses	21.3	19.7	60.2	56.3
Variable lease cost ⁽²⁾	Primarily Gaming expenses	0.8	1.0	2.7	3.3
Total		\$ 174.3	\$ 57.1	\$ 518.8	\$ 194.0
Finance Lease Costs					
Interest on lease liabilities ⁽³⁾	Interest expense, net	\$ 27.7	\$ 72.0	\$ 83.0	\$ 187.2
Amortization of ROU assets ⁽³⁾	Depreciation and amortization	22.0	50.1	65.6	131.0
Total		\$ 49.7	\$ 122.1	\$ 148.6	\$ 318.2
Financing Obligation Costs					
Interest on financing obligations ⁽⁴⁾	Interest expense, net	\$ 36.8	\$ 86.2	\$ 110.0	\$ 261.0

(1) For the three and nine months ended September 30, 2023, pertains to the following operating leases: (i) AR PENN Master Lease; (ii) 2023 Master Lease; (iii) Margaritaville Lease; and (iv) Greektown Lease.

For the three and nine months ended September 30, 2022, pertains to the operating lease components contained within the (i) PENN Master Lease (specific to the land and building components associated with the operations of Dayton and Mahoning Valley); (ii) Meadows Lease; (iii) Margaritaville Lease; (iv) Greektown Lease; and (v) Tropicana Lease (which terminated on September 26, 2022).

(2) Excludes the operating lease costs and variable lease costs pertaining to our triple net leases with our REIT landlords classified as operating leases, discussed in footnote (1) above.

(3) For the three and nine months ended September 30, 2023, pertains to the finance lease components associated with the Pinnacle Master Lease.

For the three and nine months ended September 30, 2022, pertains to the finance lease components associated with the (i) PENN Master Lease; (ii) Pinnacle Master Lease; and (iii) Perryville Lease. The finance lease components contained within the PENN Master Lease and the Pinnacle Master Lease consist of the land, inclusive of the variable expense associated with Columbus and Toledo.

(4) For the three and nine months ended September 30, 2023, pertains to the components contained within the Pinnacle Master Lease (primarily buildings) and the Morgantown Lease.

For the three and nine months ended September 30, 2022, pertains to the components contained within the PENN Master Lease (primarily buildings) inclusive of the variable expense associated with Columbus and Toledo for the financing obligation components, Pinnacle Master Lease (primarily buildings), and the Morgantown Lease.

Supplemental cash flow information related to leases was as follows:

<i>(in millions)</i>	For the nine months ended September 30,	
	2023	2022
Non-cash lease activities:		
Commencement of operating leases	\$ 3,674.4	\$ 39.4
Derecognition of operating lease liabilities	\$ 307.7	\$ —
Commencement of finance leases	\$ 33.3	\$ 1,417.3
Derecognition of finance lease liabilities	\$ 2,933.6	\$ —
Derecognition of finance obligations	\$ 1,567.8	\$ —

Note 10—Investments in and Advances to Unconsolidated Affiliates

As of September 30, 2023, investments in and advances to unconsolidated affiliates primarily consisted of the Company's 50% investment in Kansas Entertainment, the joint venture with NASCAR that owns Hollywood Casino at Kansas Speedway.

Kansas Entertainment Joint Venture

As of September 30, 2023 and December 31, 2022, our investment in Kansas Entertainment was \$77.8 million and \$81.5 million, respectively. The Company received distributions from Kansas Entertainment totaling \$11.0 million and \$10.5 million for the three months ended September 30, 2023 and 2022, respectively, and \$27.8 million and \$27.5 million for the nine months ended September 30, 2023 and 2022, respectively. The Company deems these distributions to be returns on its investment based on the source of those cash flows from the normal business operations of Kansas Entertainment.

The Company has determined that Kansas Entertainment does not qualify as a VIE. Using the guidance for entities that are not VIEs, the Company determined that it did not have a controlling financial interest in the joint venture, primarily as it did not have the ability to direct the activities of the joint venture that most significantly impacted the joint venture's economic performance without the input of NASCAR. Therefore, the Company did not consolidate the financial position of Kansas Entertainment as of September 30, 2023 and December 31, 2022, nor the results of operations for the three and nine months ended September 30, 2023 and 2022.

Note 11—Income Taxes

The Company calculates the provision for income taxes during interim reporting periods by applying an estimate of the annual effective tax rate to its year-to-date pretax book income or loss. The tax effects of discrete items, including but not limited to, excess tax benefits associated with stock-based compensation, are reported in the interim period in which they occur. The effective tax rate (income taxes as a percentage of income or loss before income taxes) including discrete items was 19.0% and 226.7% for the three months ended September 30, 2023 and 2022, respectively. The effective tax rate (income taxes as a percentage of income or loss before income taxes) including discrete items was 1,698.9% and (62.9)% for the nine months ended September 30, 2023 and 2022, respectively. Our effective income tax rate can vary from period to period depending on, among other factors, the geographic and business mix of our earnings, acquisitions and dispositions, and changes to our valuation allowance positions. The primary drivers causing fluctuations in our effective tax rate each period were (i) the Barstool transactions, (ii) excluding certain foreign losses for which no tax benefit can be recognized in our worldwide effective tax rate calculation, and (iii) changes to the valuation allowance.

As of each reporting date, the Company considers all available positive and negative evidence that could affect its view of the future realization of deferred tax assets pursuant to ASC Topic 740, "Income Taxes." As of September 30, 2023, we intend to continue maintaining a valuation allowance on our deferred tax assets that are not more likely than not to be realized, until there is sufficient positive evidence to support the reversal of all or some portion of these allowances. A reduction in the valuation allowance could result in a significant decrease to income tax expense in the period the release is recorded. Although the exact timing and valuation reversal amount are estimated, the actual determination is contingent upon the earnings level we achieve in 2023 as well as our projected income levels in future periods. During the three and nine months ended September 30, 2023, the Company's valuation allowance increased in the amount of \$53.0 million and \$50.9 million, respectively, primarily due to a capital loss carryforward generated on the Barstool disposition, that is more likely than not to be realized.

During the three months ended March 31, 2023, the Company recorded a net deferred tax liability of \$115.9 million with respect to the Barstool stock acquisition on February 17, 2023, which was subsequently written off to income tax expense on August 8, 2023, as part of the Barstool disposition, as discussed in [Note 6, "Acquisitions and Dispositions."](#) These temporary differences were primarily related to the fair value accounting adjustments on the acquired intangible assets (excluding goodwill) and existing carryover tax basis, including acquired federal and state net operating losses. Barstool's operations are included in our consolidated federal, state and local tax returns for the stub period ended August 8, 2023, which has an immaterial impact on our effective tax rate in certain jurisdictions.

The Company recorded prepaid income taxes of \$54.4 million and \$15.2 million as of September 30, 2023 and December 31, 2022, respectively, which are included in "Prepaid expenses" within our unaudited Consolidated Balance Sheets.

Note 12—Commitments and Contingencies

The Company is subject to various legal and administrative proceedings relating to personal injuries, employment matters, commercial transactions, development agreements and other matters arising in the ordinary course of business. Although the Company maintains what it believes to be adequate insurance coverage to mitigate the risk of loss pertaining to covered matters, legal and administrative proceedings can be costly, time-consuming and unpredictable. The Company does not believe that the final outcome of these matters will have a material adverse effect on its financial position, results of operations, or cash flows.

ESPN Sportsbook and Investment Agreements

On August 8, 2023, PENN entered into the Sportsbook Agreement with ESPN which provides for a long-term strategic relationship between PENN and ESPN relating to online sports betting in the United States.

Pursuant to the Sportsbook Agreement, PENN will rebrand its existing Barstool Sportsbook across all online platforms in the United States as ESPN BET and will oversee daily operations of the Sportsbook. The Sportsbook Agreement provides PENN with an exclusive license to use the ESPN BET trademark in the United States in connection with the Sportsbook. In addition, ESPN will provide certain marketing, content integration and promotional services in support of the Sportsbook, including access to ESPN talent, and will exclusively promote the Sportsbook in the United States, subject to certain exceptions, in accordance with a mutually agreed on-channel marketing plan. The Sportsbook will be deeply integrated within the broader ESPN editorial, content, digital product and sports programming ecosystem, with access to ESPN's industry leading audience and database.

The Sportsbook Agreement has an initial 10-year term and may be extended for an additional ten years upon mutual agreement of PENN and ESPN. In consideration for the media marketing services and brand and other rights provided by ESPN, PENN will pay \$150.0 million per year in cash pursuant to the Sportsbook Agreement for the initial 10-year term and issue the warrants pursuant to the Investment Agreement (as defined and described in more detail below). In addition, the Sportsbook Agreement may be terminated by either party (i) in the case of an uncured material breach by or bankruptcy of the other party, (ii) if at the end of year 3 of the term the Sportsbook has not achieved a specified level of market share based on gross gaming revenue in the states in which the Sportsbook operates while branded ESPN BET, (iii) in certain circumstances, if the other party or certain of its officers is the subject of a criminal or other investigation by federal or state authorities, is charged with certain crimes or commits certain other acts, including those which would reasonably be expected to cause material damage to the terminating party's reputation or brand, or (iv) in certain circumstances involving non-compliance with data privacy laws. In addition, ESPN has the right to terminate the Sportsbook Agreement if (i) a repeated material breach by PENN of the terms of the ESPN intellectual property license or an uncured material breach by PENN of the terms of the ESPN intellectual property license that results in material harm to the reputation or goodwill associated with the ESPN brand or name, (ii) in certain circumstances where PENN commits a material failure of specified product and technology guidelines or certain customer service level metrics, (iii) if at the end of year 3 or year 7 of the term the Sportsbook's market access is not at least a specified percentage of the total market access by the online sportsbook operator with the most expansive market access, subject to certain exceptions, (iv) if ESPN undergoes certain transactions involving a significant change in ownership of ESPN, subject to the payment of a termination fee to PENN or (v) in certain circumstances if PENN undergoes certain transactions involving a significant change in ownership of PENN, including such a transaction involving a competitor of The Walt Disney Company ("TWDC"). PENN has the right to terminate the Sportsbook Agreement (i) if ESPN undergoes certain transactions resulting in a significant change in ownership of ESPN involving a competitor of PENN, (ii) in certain circumstances related to the suitability of ESPN, TWDC or certain of their respective officers for gaming regulatory purposes or (iii) in certain circumstances if PENN is unable to utilize the ESPN BET brand in states comprising a specified percentage of the aggregate population for all states in which PENN conducts online sports betting in the United States.

In connection with the Sportsbook Agreement, PENN and ESPN, Inc. entered into an Investment Agreement (the "Investment Agreement") on August 8, 2023. The Investment Agreement provides for the issuance to ESPN, Inc. of certain warrants to purchase shares of PENN common stock, par value \$0.01 per share, and setting forth certain other governance rights of ESPN, Inc. Pursuant to the Investment Agreement PENN issued to ESPN, Inc. warrants to purchase approximately 31.8 million shares of PENN common stock. The warrants are classified as equity and contain three separate tranches which vest quarterly over ten years from the date of the Investment Agreement, provided that any remaining unvested portion of the first tranche of warrants will vest on August 8, 2032. If the Sportsbook Agreement is terminated due to certain breaches of the Sportsbook Agreement by PENN, then all unvested warrants will immediately vest. If the Sportsbook Agreement is terminated for any other reason, then all unvested warrants will immediately be forfeited, subject to certain exceptions. At the grant date, the \$550.4 million fair value of the awards was determined using the Black Scholes pricing model with contractual terms ranging from 9.5 to 11.5 years, and strike prices ranging from \$26.08 to \$32.60. Additionally, if after February 29, 2024 and during the term of the Sportsbook Agreement PENN achieves specified performance conditions based on an average market share based on gross gaming revenue in the states in which the Sportsbook operates (as defined within the Investment Agreement), PENN could issue to ESPN, Inc. warrants to purchase up to an additional 6.4 million shares of PENN common stock. The additional warrants will be fully vested upon issuance, have an exercise price of \$28.95 and will be exercisable for 10.5 years from the date of issuance.

Note 13—Stockholders’ Equity and Stock-Based Compensation

Common and Preferred Stock

On February 17, 2023, as part of the Barstool Acquisition as discussed in [Note 6, “Acquisitions and Dispositions,”](#) the Company issued 2,442,809 shares of common stock with a par value of \$0.01, to certain former stockholders of Barstool (the “Share Consideration”). The issuance of the Share Consideration was exempt from the registration requirements of the Securities Act of 1933, as amended, pursuant to Section 4(a)(2) thereof, because such issuance did not involve a public offering. The Share Consideration was subject to transfer restrictions which were waived on August 11, 2023, pursuant to the Barstool SPA. See [Note 6, “Acquisitions and Dispositions,”](#) for additional information related to the Barstool SPA.

In conjunction with the February 20, 2020 stock purchase agreement between PENN and Barstool, the Company issued 883 shares of Series D Preferred Stock, par value \$0.01 (the “Series D Preferred Stock”) to certain individual stockholders affiliated with Barstool. 1/1,000th of a share of Series D Preferred Stock was convertible into one share of PENN common stock. The Series D Preferred stockholders were entitled to participate equally and ratably in all dividends and distributions paid to holders of PENN common stock based on the number of shares of PENN common stock into which such Series D Preferred Stock could convert. Series D Preferred Stock is nonvoting stock.

On March 3, 2023, 227 shares of Series D Preferred Stock were converted to common stock. As a result of the conversion, the Company issued 226,800 shares of common stock with a par value of \$0.01. Pursuant to the Barstool SPA, on August 11, 2023, all remaining 354 outstanding shares of Series D Preferred Stock became eligible for conversion and were converted to common stock. As a result of the conversion, the Company issued 353,800 shares of common stock with a par value of \$0.01. The issuances were exempt from registration pursuant to Section 4(a)(2) of the Securities Act. There are no outstanding shares of Series D Preferred Stock as of September 30, 2023.

On June 29, 2023, in connection with the acquisition of HitPoint Inc. and Lucky Point Inc. (collectively, “Hitpoint”) which were acquired in 2021, the Company issued 4,055 shares of common stock with a par value of \$0.01, representing the achievement of the second of three annual mutual goals established by the Company and Hitpoint.

In connection with the acquisition of theScore in October 2021, the Company issued 12,319,340 of common stock with a par value of \$0.01, and 697,539 exchangeable shares (“Exchangeable Shares”) through the capital of an indirect wholly-owned subsidiary of PENN, in addition to cash consideration. Each Exchangeable Share is exchangeable into one share of PENN Common Stock at the option of the holder, subject to certain adjustments. Upon the acquisition of theScore, certain employees of theScore elected to have their outstanding equity awards, which were assumed under theScore plan (as defined below), issued as Exchangeable Shares, once the shares vest or are exercised. In addition, the Company may redeem all outstanding Exchangeable Shares in exchange for shares of PENN common stock at any time following the fifth anniversary of the closing, or earlier under certain circumstances.

We issued no Exchangeable Shares during the three months ended September 30, 2023 or 2022. During the nine months ended September 30, 2023, we issued 2,854 Exchangeable Shares. No Exchangeable Shares were issued during the nine months ended September 30, 2022. As of both September 30, 2023 and December 31, 2022, there were 768,441 Exchangeable Shares authorized, of which 560,388 shares and 620,019 shares were outstanding, respectively.

Share Repurchase Authorization

During the second quarter of 2023, we completed our \$750.0 million share repurchase authorization approved by the Board of Directors on February 1, 2022 (the “February 2022 Authorization”).

On December 6, 2022, a second share repurchase program was authorized for an additional \$750.0 million (the “December 2022 Authorization”). The December 2022 Authorization expires on December 31, 2025.

The Company utilized the capacity under the February 2022 Authorization prior to effecting any repurchases under the December 2022 Authorization. Repurchases by the Company are subject to available liquidity, general market and economic conditions, alternate uses for the capital and other factors. Share repurchases may be made from time to time through a Rule 10b5-1 trading plan, open market transactions, block trades or in private transactions in accordance with applicable securities laws and regulations and other legal requirements. There is no minimum number of shares that the Company is required to repurchase and the repurchase authorization may be suspended or discontinued at any time without prior notice.

No shares of the Company’s common stock were repurchased during the three months ended September 30, 2023. During the three months ended September 30, 2022, the Company repurchased 5,348,809 shares of its common stock in open market transactions for \$168.0 million, at an average price of \$31.40 per share under the February 2022 Authorization.

During the nine months ended September 30, 2023 and 2022, respectively, the Company repurchased 5,438,221 and 14,690,394 shares of its common stock in open market transactions for \$149.8 million and \$510.1 million, at an average price of \$27.54 and \$34.72 per share under the February 2022 and December 2022 Authorizations.

The cost of all repurchased shares is recorded as “Treasury stock” within our unaudited Consolidated Balance Sheets.

No shares of the Company’s common stock were repurchased subsequent to the quarter ended September 30, 2023. As of November 1, 2023, the remaining availability under our December 2022 Authorization was \$749.5 million.

2022 Long Term Incentive Compensation Plan

On June 7, 2022, the Company’s shareholders, upon the recommendation of the Company’s Board of Directors, approved the Company’s 2022 Long Term Incentive Compensation Plan (the “2022 Plan”). The 2022 Plan authorizes the Company to issue stock options (incentive and/or non-qualified), stock appreciation rights (“SARs”), restricted stock (shares and/or units), performance awards (shares and/or units), and cash awards to executive officers, non-employee directors, other employees, consultants, and advisors of the Company and its subsidiaries. Non-employee directors and consultants are eligible to receive all such awards, other than incentive stock options. Pursuant to the 2022 Plan, an initial 6,870,000 shares of the Company’s common stock were reserved for issuance, plus any shares of common stock subject to outstanding awards under both the previous 2018 Long Term Incentive Compensation Plan, as amended (“2018 Plan”) and the Score Media and Gaming Inc. Second Amended and Restated Stock Option and Restricted Stock Unit Plan (the “theScore Plan”) as of June 7, 2022, and outstanding awards that are forfeited or settled for cash under each of the prior plans.

On June 6, 2023, the Company’s shareholders, upon the recommendation of the Company’s Board of Directors, approved an amendment to the 2022 Plan (as amended, the “2022 Amended Plan”), which increased the number of shares reserved for issuance under the plan by 7,000,000 shares to 13,870,000 shares. For purposes of determining the number of shares available for issuance under the 2022 Amended Plan, stock options, restricted stock and all other equity settled awards count against the 13,870,000 share limit as one share of common stock for each share granted. Any awards that are not settled in shares of common stock are not counted against the share limit. As of September 30, 2023, there are 10,960,721 shares available for future grants under the 2022 Amended Plan.

Performance Share Program

The Company’s performance share programs were adopted to provide our NEOs and certain other key executives with stock-based compensation tied directly to the Company’s performance, which further aligns their interests with our shareholders and provides compensation only if the designated performance goals are met for the applicable performance periods.

An aggregate of 461,747 and 244,955 restricted units with performance-based vesting conditions, at target, were granted during the nine months ended September 30, 2023 and 2022, respectively. Restricted performance units granted prior to the adoption of the 2022 Plan were awarded under a performance share program (“the Performance Share Program II”). Subsequent restricted performance units are governed by the 2022 Plan. Restricted performance units consist of three one-year performance periods over a three-year service period. The awards have the potential to be earned at between 0% and 150% of the number of shares granted, depending on achievement of the annual performance goals, and remain subject to vesting for the full three-year service period.

In addition to the above, during the nine months ended September 30, 2023, the Company granted employees of theScore 200,634 restricted units with performance-based vesting conditions that are dependent on the achievement of certain milestones. The awards have the potential to be earned at between 0% and 100% and consist of two, one-year performance periods, each containing an applicable milestone. The awards also contain a one-year vesting requirement and vesting is subject to: (a) the satisfaction of the milestones on or before the applicable expiration date and (b) continued service through the date on which the respective portion of the awards vests.

Stock-based Compensation Expense

Stock-based compensation expense, which pertains principally to our stock options and restricted stock, including restricted stock with performance conditions, is included within the unaudited Consolidated Statements of Operations under “General and administrative,” and was \$35.2 million and \$13.6 million for the three months ended September 30, 2023 and 2022, respectively, and \$71.4 million and \$45.1 million for the nine months ended September 30, 2023 and 2022, respectively.

Stock-based compensation expense for the three and nine months ended September 30, 2023 included \$14.5 million related to immediate vesting, pursuant to the Barstool SPA, of all unvested restricted shares and stock appreciation rights issued under

PENN's long term incentive compensation plans to Barstool employees. See [Note 6, "Acquisitions and Dispositions"](#) for additional information related to the Barstool SPA.

Stock Options

The Company granted 905 and 1,516 stock options during the three months ended September 30, 2023 and 2022, respectively, and 841,140 and 397,881 during the nine months ended September 30, 2023 and 2022, respectively.

Cash-settled Phantom Stock Units

Our outstanding phantom stock units ("CPUs"), are settled in cash and entitle plan recipients to receive a cash payment based on the fair value of the Company's common stock which is based on the closing stock price of the trading day preceding the vest date. Our CPUs vest over a period of one to four years. The CPUs are accounted for as liability awards and are re-measured at fair value each reporting period until they become vested with compensation expense being recognized over the requisite service period. The Company has a liability, which is included in "Accrued expenses and other current liabilities" within the unaudited Consolidated Balance Sheets, associated with its cash-settled CPUs of \$0.8 million and \$2.1 million as of September 30, 2023 and December 31, 2022, respectively.

As of September 30, 2023, there was a total of \$0.8 million unrecognized compensation cost related to CPUs that will be recognized over the awards remaining weighted-average vesting period of 1.5 years. The Company recognized \$1.3 million and \$1.0 million of compensation expense associated with these awards for the three months ended September 30, 2023 and 2022, respectively, and \$2.9 million and \$2.4 million for the nine months ended September 30, 2023 and 2022, respectively. Compensation expense associated with our CPUs is recorded in "General and administrative" within the unaudited Consolidated Statements of Operations. We paid \$4.2 million and \$9.9 million during the nine months ended September 30, 2023 and 2022, respectively, pertaining to cash-settled CPUs.

Stock Appreciation Rights

Our outstanding SARs are settled in cash and are accounted for as liability awards, and generally vest over a period of four years. The fair value of cash-settled SARs is calculated each reporting period and estimated using the Black-Scholes option pricing model. The Company has a liability, which is included in "Accrued expenses and other current liabilities" within the unaudited Consolidated Balance Sheets, associated with its cash-settled SARs of \$4.7 million and \$9.2 million as of September 30, 2023 and December 31, 2022, respectively.

For SARs held by employees of the Company, there was \$1.6 million of total unrecognized compensation cost as of September 30, 2023 that will be recognized over the awards remaining weighted-average vesting period of 1.6 years. The Company recognized a reduction to compensation expense of \$0.7 million and \$1.3 million for the three months ended September 30, 2023 and 2022, respectively, and a reduction to compensation expense of \$4.4 million and \$8.1 million for the nine months ended September 30, 2023 and 2022, respectively. Compensation expense associated with our SARs is recorded in "General and administrative" within the unaudited Consolidated Statements of Operations. We paid \$0.6 million and \$2.8 million during the nine months ended September 30, 2023 and 2022, respectively, related to cash-settled SARs.

Other

In the second quarter of 2021, the Company entered into two promissory notes with shareholders for a total of \$9.0 million. The promissory notes were unsecured with interest of 2.25%. During the first quarter of 2023, the outstanding loan balance was settled and recorded as an increase of equity within "Additional paid-in capital" in our unaudited Consolidated Balance Sheets.

Note 14—Earnings per Share

For the three and nine months ended September 30, 2023, we recorded a net loss attributable to PENN. As such, because the dilution from potential common shares was anti-dilutive, we used basic weighted-average common shares outstanding, rather than diluted weighted-average common shares outstanding when calculating diluted loss per share for the three and nine months ended September 30, 2023. Stock options, restricted stock, convertible preferred shares and convertible debt that could potentially dilute basic EPS in the future that were not included in the computation of diluted loss per share were as follows:

<i>(in millions)</i>	For the three months ended September 30,	For the nine months ended September 30,
	2023	
Assumed conversion of dilutive stock options	0.5	0.7
Assumed conversion of dilutive restricted stock	0.4	0.4
Assumed conversion of convertible preferred shares	0.2	0.3
Assumed conversion of convertible debt	14.1	14.1

For the three and nine months ended September 30, 2022, we recorded net income attributable to PENN. As such, we used diluted weighted-average common shares outstanding when calculating diluted income per share for the three and nine months ended September 30, 2022. Stock options, restricted stock, convertible preferred shares and convertible debt that could potentially dilute basic EPS in the future are included in the computation of diluted income per share.

The following table sets forth the allocation of net income (loss) for the three and nine months ended September 30, 2023 and 2022 under the two-class method.

<i>(in millions)</i>	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Net income (loss) attributable to PENN Entertainment	\$ (724.8)	\$ 123.5	\$ (131.9)	\$ 201.3
Net income applicable to preferred stock	—	0.5	—	0.8
Net income (loss) applicable to common stock	\$ (724.8)	\$ 123.0	\$ (131.9)	\$ 200.5

The following table reconciles the weighted-average common shares outstanding used in the calculation of basic EPS to the weighted-average common shares outstanding used in the calculation of diluted EPS for the three and nine months ended September 30, 2023 and 2022:

<i>(in millions)</i>	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Weighted-average common shares outstanding — basic	150.9	157.6	152.3	163.5
Assumed conversion of:				
Dilutive stock options	—	1.0	—	1.2
Dilutive restricted stock	—	0.3	—	0.2
Convertible debt	—	14.1	—	14.1
Weighted-average common shares outstanding — diluted	150.9	173.0	152.3	179.0

Restricted stock with performance and market based vesting conditions that have not been met as of September 30, 2023 were excluded from the computation of diluted EPS.

In addition to the 0.5 million and 0.7 million options included in the table above for the three and nine months ended September 30, 2023, respectively, options to purchase 2.0 million and 0.9 million shares were outstanding during the three months ended September 30, 2023 and 2022, respectively, and 1.7 million and 0.8 million during the nine months ended September 30, 2023 and 2022, respectively, but were not included in the computation of diluted EPS because they were anti-dilutive.

The assumed conversion of 0.2 million and 0.6 million preferred shares were excluded from the computation of diluted EPS for the three months ended September 30, 2023 and 2022, respectively, and 0.3 million and 0.6 million preferred shares for the nine months ended September 30, 2023 and 2022, respectively, because including them would have been anti-dilutive.

The Company's calculation of weighted-average common shares outstanding includes the Exchangeable Shares as discussed in [Note 13, "Stockholders' Equity and Stock-Based Compensation."](#) The following table presents the calculation of basic and diluted EPS for the Company's common stock for the three and nine months ended September 30, 2023 and 2022:

<i>(in millions, except per share data)</i>	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Calculation of basic earnings (loss) per share:				
Net income (loss) applicable to common stock	\$ (724.8)	\$ 123.0	\$ (131.9)	\$ 200.5
Weighted-average shares outstanding — PENN Entertainment	150.3	157.0	151.7	162.9
Weighted-average shares outstanding — Exchangeable Shares	0.6	0.6	0.6	0.6
Weighted-average common shares outstanding — basic	150.9	157.6	152.3	163.5
Basic earnings (loss) per share	\$ (4.80)	\$ 0.78	\$ (0.87)	\$ 1.23
Calculation of diluted earnings (loss) per share:				
Net income (loss) applicable to common stock	\$ (724.8)	\$ 123.0	\$ (131.9)	\$ 200.5
Interest expense, net of tax ⁽¹⁾ :				
Convertible Notes	—	1.8	—	5.4
Diluted income (loss) applicable to common stock	\$ (724.8)	\$ 124.8	\$ (131.9)	\$ 205.9
Weighted-average common shares outstanding — diluted	150.9	173.0	152.3	179.0
Diluted earnings (loss) per share	\$ (4.80)	\$ 0.72	\$ (0.87)	\$ 1.15

(1) The three and nine months ended September 30, 2022 were tax-affected at a rate of 21%.

Note 15—Fair Value Measurements

ASC Topic 820, "Fair Value Measurements and Disclosures," establishes a hierarchy that prioritizes fair value measurements based on the types of inputs used for the various valuation techniques (market approach, income approach, and cost approach). The levels of the hierarchy are described below:

- Level 1: Observable inputs such as quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; these include quoted prices for similar assets or liabilities in active markets, such as interest rates and yield curves that are observable at commonly quoted intervals.
- Level 3: Unobservable inputs that reflect the reporting entity's own assumptions, as there is little, if any, related market activity.

The Company's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of assets and liabilities and their placement within the fair value hierarchy. The following methods and assumptions are used to estimate the fair value of each class of financial instruments for which it is practicable to estimate. The fair value of the Company's trade accounts receivable and payables approximates the carrying amounts.

Cash and Cash Equivalents

The fair value of the Company's cash and cash equivalents approximates their carrying amount, due to the short maturity of the cash equivalents.

Equity Securities

As of September 30, 2023 and December 31, 2022, we held \$8.6 million and \$17.1 million in equity securities of ordinary shares, respectively, which are reported as "Other assets" in our unaudited Consolidated Balance Sheets. These equity securities are the result of PENN Interactive entering into multi-year agreements with third-party online sports betting and/or iCasino operators for online sports betting and iCasino market access across our portfolio.

We recognized unrealized holding losses of \$11.6 million and \$10.8 million related to these equity securities during the three months ended September 30, 2023 and 2022, respectively, and unrealized holding losses of \$8.5 million and \$66.4 million

for the nine months ended September 30, 2023 and 2022, respectively, which are included in “Other,” as reported in “Other income (expenses)” within our unaudited Consolidated Statements of Operations.

As of September 30, 2023, the fair value of the equity securities was determined using Level 1 inputs, which use market approach valuation techniques. The primary inputs to those techniques include the quoted market price of the equity securities and foreign currency exchange rates.

As of December 31, 2022, the fair value of the equity securities was determined using Level 2 inputs, which use market approach valuation techniques. The primary inputs to those techniques include the quoted market price of the equity securities, foreign currency exchange rates, a discount for lack of marketability (“DLOM”) with respect to the ordinary shares. The DLOM was based on the remaining term of the relevant lock-up periods and the volatility associated with the underlying equity securities.

Available-for-Sale Debt Securities

The Company acquired 12.0% secured convertible notes on April 7, 2023 for \$20.0 million, due on the third-year anniversary of the date of issuance, which are reported in “Other assets” in our unaudited Consolidated Balance Sheets. The terms contain optional and mandatory conversion provisions pursuant to which we will receive common stock upon conversion. As of September 30, 2023, the fair value of the convertible notes approximates the transaction price, as such we did not record any unrealized gains or losses to “Other comprehensive income (loss)” within our unaudited Consolidated Statements of Comprehensive Income (Loss).

The fair value of the convertible notes was determined using a binomial lattice model and is categorized as a Level 3 measurement.

Held-to-Maturity Securities and Promissory Notes

We have a management contract with Retama Development Corporation (“RDC”), a local government corporation of the City of Selma, Texas, to manage the day-to-day operations of Retama Park Racetrack, located outside of San Antonio, Texas. In addition, we own 1.0% of the equity of Retama Nominal Holder, LLC, which holds a nominal interest in the racing license used to operate Retama Park Racetrack, and a 75.5% interest in Pinnacle Retama Partners, LLC (“PRP”), which owns the contingent gaming rights that may arise if gaming under the existing racing license becomes legal in Texas in the future.

As of September 30, 2023 and December 31, 2022, PRP held \$7.9 million in promissory notes issued by RDC and \$6.7 million in local government corporation bonds issued by RDC, at amortized cost. The promissory notes and the local government corporation bonds are collateralized by the assets of Retama Park Racetrack. As of September 30, 2023 and December 31, 2022, the promissory notes and the local government corporation bonds were included in “Other assets” within our unaudited Consolidated Balance Sheets.

The contractual terms of these promissory notes include interest payments due at maturity; however, we have not recorded accrued interest on these promissory notes because uncertainty exists as to RDC’s ability to make interest payments. We have the positive intent and ability to hold the local government corporation bonds to maturity and until the amortized cost is recovered. The estimated fair values of such investments are principally based on appraised values of the land associated with Retama Park Racetrack, which are classified as Level 2 inputs.

Long-term Debt

The fair value of our Amended Term Loan A Facility, Amended Term Loan B Facility, 5.625% Notes, 4.125% Notes, and the Convertible Notes is estimated based on quoted prices in active markets and is classified as a Level 1 measurement.

Other long-term obligations as of September 30, 2023 and December 31, 2022 included a financing arrangement entered in February of 2021, the relocation fees for Dayton and Mahoning Valley, and the repayment obligation of the hotel and event center located near Hollywood Casino Lawrenceburg. See [Note 8, “Long-term Debt”](#) for details. The fair values of the Dayton and Mahoning Valley relocation fees and the Lawrenceburg repayment obligation are estimated based on rates consistent with the Company’s credit rating for comparable terms and debt instruments and are classified as Level 2 measurements.

Additionally, in February 2021, we entered into a third-party financing arrangement providing the Company with upfront cash proceeds while permitting us to participate in future proceeds on certain claims. The financing obligation has been classified as a non-current liability and the fair value of the financing obligation is based on what we expect to be settled in a future period of which the principal is contingent and predicated on other events, plus accreted period non-cash interest using an effective interest rate of 27.0% until the claims and related obligation is settled. The financing obligation has been classified as

a Level 3 measurement and is included within our unaudited Consolidated Balance Sheets in “Long-term debt, net of current maturities, debt discount and debt issuance costs.” See [Note 8, “Long-term Debt.”](#)

Other Liabilities

Other liabilities as of September 30, 2023 and December 31, 2022 includes contingent purchase price liabilities related to Plainridge Park Casino and Hitpoint, of which Hitpoint was acquired on May 11, 2021. The Hitpoint contingent purchase price liability is payable in installments up to a maximum of \$1.0 million in the form of cash and equity, on the first three anniversaries of the acquisition close date and is based on the achievement of mutual goals established by the Company and Hitpoint. As of September 30, 2023, there is one annual achievement period remaining. The Plainridge Park Casino contingent purchase price liability is calculated based on earnings of the gaming operations over the first ten years of operations, which commenced on June 24, 2015. As of September 30, 2023, we were contractually obligated to make two additional annual payments. The fair value of the Plainridge Park Casino contingent purchase price liability is estimated based on an income approach using a discounted cash flow model. These contingent purchase price liabilities have been classified as a Level 3 measurement and are included within our unaudited Consolidated Balance Sheets in “Accrued expenses and other current liabilities” or “Other long-term liabilities,” depending on the timing of the next payment.

Additionally, Other liabilities as of September 30, 2023, includes the \$70.0 million indemnification as described in [Note 6, “Acquisitions and Dispositions.”](#) The indemnification liabilities were recorded at September 30, 2023, in “Other long-term liabilities” within our unaudited Consolidated Balance Sheets and have been classified as a Level 3 measurement. Key assumptions used to estimate the fair value of the indemnification include the expected tax rate and the probability of potential outcomes based on valuation methods that utilize unobservable inputs that are significant to the overall fair value as of September 30, 2023. The assessment of the significance of a particular input to the fair value measurement requires judgment.

The carrying amounts and estimated fair values by input level of the Company's financial instruments were as follows:

September 30, 2023						
<i>(in millions)</i>	Carrying Amount	Fair Value	Level 1	Level 2	Level 3	
Financial assets:						
Cash and cash equivalents	\$ 1,317.9	\$ 1,317.9	\$ 1,317.9	\$ —	\$ —	\$ —
Equity securities	\$ 8.6	\$ 8.6	\$ 8.6	\$ —	\$ —	\$ —
Available-for-sale debt securities	\$ 20.0	\$ 20.0	\$ —	\$ —	\$ —	\$ 20.0
Held-to-maturity securities	\$ 6.7	\$ 6.7	\$ —	\$ 6.7	\$ —	\$ —
Promissory notes	\$ 7.9	\$ 7.9	\$ —	\$ 7.9	\$ —	\$ —
Financial liabilities:						
Long-term debt						
Amended Credit Facilities	\$ 1,479.7	\$ 1,495.5	\$ 1,495.5	\$ —	\$ —	\$ —
5.625% Notes	\$ 399.7	\$ 372.0	\$ 372.0	\$ —	\$ —	\$ —
4.125% Notes	\$ 394.5	\$ 322.0	\$ 322.0	\$ —	\$ —	\$ —
Convertible Notes	\$ 325.6	\$ 400.7	\$ 400.7	\$ —	\$ —	\$ —
Other long-term obligations	\$ 172.6	\$ 171.3	\$ —	\$ 27.1	\$ —	\$ 144.2
Other liabilities	\$ 78.9	\$ 78.8	\$ —	\$ 2.7	\$ —	\$ 76.1

December 31, 2022						
<i>(in millions)</i>	Carrying Amount	Fair Value	Level 1	Level 2	Level 3	
Financial assets:						
Cash and cash equivalents	\$ 1,624.0	\$ 1,624.0	\$ 1,624.0	\$ —	\$ —	\$ —
Equity securities	\$ 17.1	\$ 17.1	\$ —	\$ 17.1	\$ —	\$ —
Held-to-maturity securities	\$ 6.7	\$ 6.7	\$ —	\$ 6.7	\$ —	\$ —
Promissory notes	\$ 7.9	\$ 7.9	\$ —	\$ 7.9	\$ —	\$ —
Financial liabilities:						
Long-term debt						
Amended Credit Facilities	\$ 1,503.6	\$ 1,514.7	\$ 1,514.7	\$ —	\$ —	\$ —
5.625% Notes	\$ 399.7	\$ 371.0	\$ 371.0	\$ —	\$ —	\$ —
4.125% Notes	\$ 393.8	\$ 327.0	\$ 327.0	\$ —	\$ —	\$ —
Convertible Notes	\$ 324.3	\$ 550.8	\$ 550.8	\$ —	\$ —	\$ —
Other long-term obligations	\$ 156.1	\$ 154.4	\$ —	\$ 36.4	\$ —	\$ 118.0
Other liabilities	\$ 9.9	\$ 9.6	\$ —	\$ 2.4	\$ —	\$ 7.2
Puts and calls related to certain Barstool shares	\$ 0.4	\$ 0.4	\$ —	\$ 0.4	\$ —	\$ —

The following table summarizes the changes in fair value of our Level 3 assets and liabilities measured on a recurring basis:

<i>(in millions)</i>	Other Assets and Liabilities
Balance as of January 1, 2023	\$ 125.2
Additions	90.0
Interest	26.1
Payment installments	(2.8)
Included in earnings ⁽¹⁾	1.8
Balance as of September 30, 2023	<u>\$ 240.3</u>

(1) The expense is included in "General and administrative" within our unaudited Consolidated Statements of Operations.

The following table summarizes the significant unobservable inputs used in calculating fair value for our Level 3 assets and liabilities on a recurring basis as of September 30, 2023:

	Valuation Technique	Unobservable Input	Discount Rate
Available-for-sale debt securities	Discounted cash flow	Discount rate	35.0 %
Other long-term obligation	Discounted cash flow	Discount rate	27.0 %
Contingent purchase price - Plainridge Park Casino	Discounted cash flow	Discount rate	8.1 %

Note 16—Segment Information

We have five reportable segments: Northeast, South, West, Midwest, and Interactive. Our gaming and racing properties are grouped by geographic location, and each is viewed as an operating segment with the exception of our two properties in Jackpot, Nevada, which are viewed as one operating segment. We consider our combined VGT operations, by state, to be separate operating segments. Interactive includes all of our online sports betting, iCasino and social gaming operations, management of retail sports betting, media, and the operating results of Barstool. We owned 36% of Barstool common stock prior to the February 17, 2023 Barstool Acquisition (as defined in [Note 6, “Acquisitions and Dispositions,”](#)) pursuant to which we acquired the remaining 64% of Barstool common stock. On August 8, 2023, we entered into the Barstool SPA, and we sold 100% of the outstanding shares of Barstool common stock (as defined in [Note 6, “Acquisitions and Dispositions”](#)).

The Company utilizes Adjusted EBITDAR (as defined below) as its measure of segment profit or loss. The following table highlights our revenues and Adjusted EBITDAR for each reportable segment and reconciles Adjusted EBITDAR on a consolidated basis to net income (loss).

<i>(in millions)</i>	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Revenues:				
Northeast segment	\$ 687.0	\$ 685.4	\$ 2,075.5	\$ 2,028.8
South segment	308.2	329.8	931.3	1,009.8
West segment	135.1	156.5	394.8	451.2
Midwest segment	293.4	298.4	882.0	877.6
Interactive segment	196.3	158.7	687.3	455.1
Other ⁽¹⁾	4.5	4.2	16.5	17.4
Intersegment eliminations ⁽²⁾	(5.1)	(8.0)	(19.9)	(23.8)
Total	<u>\$ 1,619.4</u>	<u>\$ 1,625.0</u>	<u>\$ 4,967.5</u>	<u>\$ 4,816.1</u>
Adjusted EBITDAR ⁽³⁾:				
Northeast segment	\$ 208.3	\$ 217.9	\$ 638.5	\$ 637.5
South segment	136.6	139.9	381.1	429.7
West segment	54.7	60.5	153.4	171.4
Midwest segment	123.8	129.4	376.5	386.2
Interactive segment	(50.2)	(49.3)	(68.7)	(80.1)
Other ⁽¹⁾	(28.1)	(26.5)	(80.7)	(73.6)
Total ⁽³⁾	<u>445.1</u>	<u>471.9</u>	<u>1,400.1</u>	<u>1,471.1</u>
Other operating benefits (costs) and other income (expenses):				
Rent expense associated with triple net operating leases ⁽⁴⁾	(146.6)	(31.5)	(439.0)	(119.6)
Stock-based compensation	(35.2)	(13.6)	(71.4)	(45.1)
Cash-settled stock-based awards variance	2.9	3.8	12.0	16.2
Gain (loss) on disposal of assets	—	0.2	—	(7.0)
Contingent purchase price	(1.3)	(0.1)	(1.8)	0.9
Pre-opening expenses	—	(0.5)	—	(4.1)
Depreciation and amortization	(105.8)	(148.7)	(323.9)	(417.2)
Impairment losses ⁽⁵⁾	—	(104.6)	—	(104.6)
Insurance recoveries, net of deductible charges	0.3	1.9	13.9	10.7
Non-operating items of equity method investments ⁽⁶⁾	(1.0)	(2.6)	(6.4)	(4.7)
Interest expense, net	(117.5)	(198.5)	(346.1)	(554.7)
Interest income	10.2	5.2	30.5	7.0
Loss on disposal of Barstool ⁽⁷⁾	(923.2)	—	(923.2)	—
Gain on Barstool Acquisition, net ⁽⁸⁾	—	—	83.4	—
Gain on REIT transactions, net ⁽⁹⁾	—	—	500.8	—
Loss on early extinguishment of debt	—	—	—	(10.4)
Other ⁽¹⁰⁾	(14.7)	(41.7)	(20.6)	(115.7)
Income (loss) before income taxes	<u>(886.8)</u>	<u>(58.8)</u>	<u>(91.7)</u>	<u>122.8</u>
Income tax benefit (expense)	161.7	182.0	(40.9)	78.1
Net income (loss)	<u>\$ (725.1)</u>	<u>\$ 123.2</u>	<u>\$ (132.6)</u>	<u>\$ 200.9</u>

(1) The Other category consists of the Company's stand-alone racing operations, namely Sanford-Orlando Kennel Club, Sam Houston and Valley Race Park, the Company's joint venture interests in Freehold Raceway, and our management contract for Retama Park Racetrack. The Other category also includes corporate overhead costs, which consist of certain expenses, such as: payroll, professional fees, travel expenses and other general and administrative expenses that do not directly relate or have not otherwise been allocated. Corporate overhead costs were \$27.0 million and \$26.5 million for the three months ended September 30, 2023 and 2022, respectively, and \$78.1 million and \$74.9 million for the nine months ended September 30, 2023 and 2022, respectively.

(2) Primarily represents the elimination of intersegment revenues associated with our retail sportsbooks, which are operated by PENN Interactive.

- (3) We define Adjusted EBITDAR as earnings before interest expense, net, interest income, income taxes, depreciation and amortization, rent expense associated with triple net operating leases (see footnote (4) below), stock-based compensation, debt extinguishment charges, impairment losses, insurance recoveries, net of deductible charges, changes in the estimated fair value of our contingent purchase price obligations, gain or loss on disposal of assets, the difference between budget and actual expense for cash-settled stock-based awards; pre-opening expenses; loss on disposal of a business; non-cash gains/losses associated with REIT transactions; non-cash gains/losses associated with partial and step acquisitions as measured in accordance with ASC 805 “Business Combinations”; and other. Adjusted EBITDAR is also inclusive of income or loss from unconsolidated affiliates, with our share of non-operating items (see footnote (6) below) added back for Barstool and our Kansas Entertainment joint venture.
- (4) For the three and nine months ended September 30, 2023, pertains to the operating lease components contained within the: (i) AR PENN Master Lease; (ii) 2023 Master Lease; (iii) Margaritaville Lease; and (iv) Greektown Lease.
For the three and nine months ended September 30, 2022, pertains to the operating lease components contained within the (i) PENN Master Lease (specific to the land and building components associated with the operations of Dayton and Mahoning Valley); (ii) Meadows Lease; (iii) Margaritaville Lease; (iv) Greektown Lease; and (v) Tropicana Lease (which terminated on September 26, 2022).
- (5) Amount primarily relates to a \$102.8 million impairment charge in the Northeast segment.
- (6) Consists principally of interest expense, net, income taxes, depreciation and amortization, and stock-based compensation expense associated with Barstool prior to us acquiring the remaining 64% of Barstool common stock (see [Note 6, “Acquisitions and Dispositions”](#)) and our Kansas Entertainment joint venture
- (7) Relates to the loss incurred on the sale of 100% of the outstanding shares of Barstool which was completed on August 8, 2023 (see [Note 6, “Acquisitions and Dispositions”](#)).
- (8) Includes a gain of \$66.5 million associated with Barstool related to remeasurement of the equity investment immediately prior to the acquisition date of February 17, 2023 and a gain of \$16.9 million related to the acquisition of the remaining 64% of Barstool common stock (see [Note 6, “Acquisitions and Dispositions”](#)).
- (9) Upon the execution of the February 21, 2023 AR PENN Master Lease and the 2023 Master Lease, both effective January 1, 2023, we recognized a gain of \$500.8 million as a result of the reclassification and remeasurement of lease components (see [Note 9, “Leases”](#)).
- (10) Primarily relates to unrealized holding losses on our equity securities of \$11.6 million and \$10.8 million for the three months ended September 30, 2023 and 2022, respectively. Primarily relates to unrealized holding losses of \$8.5 million and \$66.4 million for the nine months ended September 30, 2023 and 2022, respectively. In addition, during the three and nine months ended September 30, 2023, the unrealized holding losses were partially offset by dividend income received (see [Note 15, “Fair Value Measurements”](#)). Also consists of non-recurring acquisition and transaction costs of \$31.9 million and \$46.3 million for the three and nine months ended September 30, 2022, respectively.

The table below presents capital expenditures by segment:

<i>(in millions)</i>	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Capital expenditures:				
Northeast segment	\$ 27.1	\$ 26.4	\$ 74.6	\$ 82.1
South segment	20.3	14.8	49.4	51.1
West segment	5.6	3.3	15.9	7.3
Midwest segment	11.1	11.3	40.7	25.5
Interactive segment	8.6	6.5	18.3	9.7
Other	2.3	1.7	8.9	13.9
Total capital expenditures	\$ 75.0	\$ 64.0	\$ 207.8	\$ 189.6

The table below presents investment in and advances to unconsolidated affiliates and total assets by segment:

<i>(in millions)</i>	Northeast	South	West	Midwest	Interactive	Other ⁽¹⁾	Total
Balance sheet as of September 30, 2023							
Investment in and advances to unconsolidated affiliates	\$ 0.1	\$ —	\$ —	\$ 77.8	\$ —	\$ 4.7	\$ 82.6
Total assets	\$ 1,993.6	\$ 1,250.0	\$ 382.1	\$ 1,260.8	\$ 2,366.6	\$ 8,915.5	\$ 16,168.6
Balance sheet as of December 31, 2022							
Investment in and advances to unconsolidated affiliates	\$ 0.1	\$ —	\$ —	\$ 81.5	\$ 160.9	\$ 6.1	\$ 248.6
Total assets	\$ 2,231.8	\$ 1,191.9	\$ 372.4	\$ 1,305.5	\$ 4,233.7	\$ 8,166.8	\$ 17,502.1

- (1) The real estate assets subject to the Master Leases, which are classified as either property and equipment, operating lease ROU assets, or finance lease ROU assets, are included within the Other category.

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

The following discussion and analysis of financial condition, results of operations, liquidity and capital resources should be read in conjunction with, and is qualified in its entirety by, the unaudited Consolidated Financial Statements and the notes thereto included in this Quarterly Report on Form 10-Q, and the Consolidated Financial Statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the year ended December 31, 2022.

EXECUTIVE OVERVIEW

Our Business

PENN Entertainment, Inc., together with its subsidiaries ("PENN," the "Company," "we," "our," or "us"), is North America's leading provider of integrated entertainment, sports content, and casino gaming experiences. As of September 30, 2023, PENN operated 43 properties in 20 states, online sports betting in 18 jurisdictions and iCasino in five jurisdictions, under a portfolio of well-recognized brands including Hollywood Casino®, L'Auberge®, Barstool Sportsbook® and theScore Bet Sportsbook and Casino®. In August 2023, PENN entered into a transformative, exclusive long-term strategic alliance with ESPN, Inc. and ESPN Enterprises, Inc. (together, "ESPN") relating to online sports betting within the United States. In November 2023, pending regulatory approval, the existing Barstool Sportsbook will be rebranded and launched across all online platforms in the United States as ESPN BET, and our online product will include a Hollywood-branded integrated iCasino where permitted. PENN's ability to leverage the leading sports media brands in the United States (ESPN and Canada (theScore)) will position us to significantly expand our digital footprint and efficiently grow our customer ecosystem. This highly differentiated strategy, which is focused on organic cross-sell opportunities, is reinforced by our investment in market-leading retail casinos, sports media assets and technology, including a proprietary state-of-the-art, fully integrated digital sports and iCasino betting platform and an in-house iCasino content studio. PENN's portfolio is further bolstered by our industry-leading PENN Play™ customer loyalty program, which offers our over 27 million members a unique set of rewards and experiences across business channels.

The majority of the real estate assets (i.e., land and buildings) used in our operations are subject to triple net master leases; the most significant of which are with Gaming and Leisure Properties, Inc. (Nasdaq: GLPI) ("GLPI"), a real estate investment trust ("REIT"), and include the AR PENN Master Lease, 2023 Master Lease, PENN Master Lease (prior to January 1, 2023), and Pinnacle Master Lease (as such terms are defined in ["Liquidity and Capital Resources"](#) and collectively referred to as the "Master Leases").

Recent Acquisitions, Dispositions, Development Projects, and Other

On February 17, 2023, we acquired the remaining 64% of the outstanding shares of Barstool Sports, Inc. ("Barstool") common stock not already owned by us for a consideration of approximately \$405.5 million, which is inclusive of cash and common stock issuance, repayment of Barstool indebtedness of \$23.8 million, transaction expenses and other purchase price adjustments in accordance with GAAP (the "Barstool Acquisition"). Prior to the acquisition, we held a 36% ownership interest, which was accounted for under the equity method. At the closing of the Barstool Acquisition, we obtained 100% of the Barstool common stock and determined the fair value of Barstool to be \$660.0 million based on market participant assumptions, and Barstool became an indirect wholly owned subsidiary of PENN. See [Note 6, "Acquisitions and Dispositions"](#) and [Note 13, "Stockholders' Equity and Stock-Based Compensation"](#) in the notes to our unaudited Consolidated Financial Statements for further discussion.

On August 8, 2023, PENN entered into a Sportsbook Agreement (the "Sportsbook Agreement") with ESPN, which provides for a long-term strategic relationship between PENN and ESPN relating to online sports betting in the United States. Pursuant to the Sportsbook Agreement, PENN will rebrand its existing Barstool Sportsbook across all online platforms in the United States as ESPN BET (the "Sportsbook") and will oversee daily operations of the Sportsbook. The Sportsbook will be deeply integrated within the broader ESPN editorial, content, digital product and sports programming ecosystem, with access to ESPN's industry leading audience and database. In addition to the Sportsbook Agreement, on August 8, 2023, PENN and ESPN, Inc. entered into an Investment Agreement (the "Investment Agreement") providing for the issuance to ESPN, Inc. of certain warrants to purchase shares of PENN common stock, par value \$0.01 per share, and setting forth certain other governance rights of ESPN, Inc., as discussed in [Note 12, "Commitments and Contingencies"](#) in the notes to our unaudited Consolidated Financial Statements.

In connection with PENN's decision to rebrand our online sports betting business from Barstool Sportsbook to ESPN BET pursuant to the Sportsbook Agreement as discussed above, PENN concurrently entered into a stock purchase agreement with

David Portnoy (the “Barstool SPA”) pursuant to which PENN sold 100% of the outstanding shares of Barstool to David Portnoy in exchange for nominal cash consideration (one dollar) and certain non-compete and other restrictive covenants. Pursuant to the Barstool SPA, PENN has the right to receive 50% of the gross proceeds received by David Portnoy in any subsequent sale or other monetization event of Barstool. In connection with the Barstool SPA, we recognized a pre-tax loss on disposal of \$923.2 million (inclusive of \$714.8 million in goodwill and intangible assets write-offs and a \$70.0 million indemnification liability) during the third quarter of 2023. See [Note 6, “Acquisitions and Dispositions”](#) in the notes to our unaudited Consolidated Financial Statements. For information on the tax-related impacts from the Barstool transaction, see [Note 11, “Income Taxes”](#) in the notes to our unaudited Consolidated Financial Statements.

On February 21, 2023, as described in [“Liquidity and Capital Resources,”](#) the Company and GLPI entered into an agreement to amend and restate the PENN Master Lease (the “AR PENN Master Lease”), effective January 1, 2023, to (i) remove the land and buildings for Hollywood Casino Aurora (“Aurora”), Hollywood Casino Joliet (“Joliet”), Hollywood Casino Columbus (“Columbus”), Hollywood Casino Toledo (“Toledo”), and the M Resort Spa Casino (“M Resort”), and (ii) make associated adjustments to the rent after which the initial rent in the AR PENN Master Lease will be \$284.1 million, consisting of \$208.2 million of building base rent, \$43.0 million of land base rent and \$32.9 million of percentage rent (as such terms are defined in the AR PENN Master Lease). Subsequent to the execution of the AR PENN Master Lease, the Company leases real estate assets associated with 14 of the gaming facilities used in its operations via a triple net master lease. The current term of the AR PENN Master Lease expires on October 31, 2033 and thereafter contains three renewal terms of five years each on the same terms and conditions, exercisable at the Company’s option.

Concurrent with the execution of the AR PENN Master Lease, the Company and GLPI entered into a new master lease (the “2023 Master Lease”), effective January 1, 2023, specific to the properties associated with Aurora, Joliet, Columbus, Toledo, M Resort, Hollywood Casino at The Meadows (“Meadows”) and Hollywood Casino Perryville (“Perryville”) and a master development agreement (the “Master Development Agreement”). The 2023 Master Lease has an initial term through October 31, 2033 with three subsequent five-year renewal periods on the same terms and conditions, exercisable at the Company’s option. The 2023 Master Lease terminated the individual triple net leases associated with Meadows and Perryville. The 2023 Master Lease and AR PENN Master Lease are cross-defaulted, cross-collateralized, and coterminous, and subject to a parent guarantee.

The 2023 Master Lease includes a base rent (the “2023 Master Lease Base Rent”) equal to \$232.2 million and the Master Development Agreement contains additional rent (together with the 2023 Master Lease Base Rent, the “2023 Master Lease Rent”) equal to (i) 7.75% of any project funding received by PENN from GLPI for an anticipated relocation of PENN’s riverboat casino and related developments with respect to Aurora (the “Aurora Project”) and (ii) a percentage, based on the then-current GLPI stock price, of any project funding received by PENN from GLPI for certain anticipated development projects with respect to Joliet, Columbus, and M Resort (the “Other Development Projects”). The Master Development Agreement provides that GLPI will fund up to \$225 million for the Aurora Project and, upon PENN’s request, up to \$350 million in the aggregate for the Other Development Projects, in accordance with certain terms and conditions set forth in the Master Development Agreement. These funding obligations of GLPI expire on January 1, 2026. The 2023 Master Lease Rent will be subject to a one-time increase of \$1.4 million, effective November 1, 2027. The 2023 Master Lease Rent will be further subject to a fixed escalator of 1.5% on November 1, 2023 and annually thereafter. The Master Development Agreement provides that PENN may elect not to proceed with a development project prior to GLPI’s commencement of any equity or debt offering or credit facility draw intended to fund such a project or after such time in certain instances, provided that GLPI will be reimbursed for all costs and expenses incurred in connection with such discontinued project. The Aurora Project and the Other Development Projects are all subject to necessary regulatory and other government approvals.

We believe that our portfolio of assets provides us with the benefit of geographically-diversified cash flow from operations. We expect to continue to expand our gaming operations through the implementation and execution of a disciplined capital expenditure program at our existing properties, the pursuit of strategic acquisitions and investments, and the development of new gaming properties. In addition, the acquisition of theScore and our Sportsbook Agreement with ESPN reflects our strategy to continue evolving from the nation’s largest regional gaming operator to a best-in-class omni-channel provider of retail and online gaming and sports betting entertainment.

Operating and Competitive Environment

Most of our properties operate in mature, competitive markets. We expect the majority of our future growth to come from cross-sell opportunities between our retail casino, online sports betting and online gaming businesses; improvements, expansions or relocations of our existing properties; entrance into new jurisdictions; expansions of gaming in existing jurisdictions; and strategic investments and acquisitions. Our portfolio is comprised largely of well-maintained regional gaming facilities, which has allowed us to develop what we believe to be a solid base for future growth opportunities.

We continuously adjust operations, offerings, and cost structures to reflect changing economic conditions. We also continue to focus on revenue and cost synergies from recent acquisitions, technology enhancements, and providing our customers with additional gaming experiences through our omni-channel distribution strategy. We seek to grow our customer database and loyalty program through the development of new properties, the expansion of properties and other business lines as well as through partnerships with third-party operators, such as Live Nation Entertainment and Choice Hotels International, Inc. Acquisitions such as theScore and our Sportsbook Agreement with ESPN enable us to further our omnichannel strategy by adding additional revenue streams and customer acquisition.

The gaming industry is characterized by an increasingly high degree of competition among a large number of participants, including riverboat casinos; dockside casinos; land-based casinos; video lottery; iCasinos and social casinos; online and retail sports betting; sports media companies; gaming at taverns; gaming at truck stop establishments; sweepstakes and poker machines not located in casinos; the potential for increased fantasy sports; significant growth of Native American gaming, historic racing or state-sponsored i-lottery products in or adjacent to states we operate in; and other forms of gaming in the U.S. See the [“Segment comparison of the three and nine months ended September 30, 2023 and 2022”](#) section below for discussions of the impact of competition on our results of operations by reportable segment.

Key Performance Indicators

In our business, revenue is driven by discretionary consumer spending. We have no certain mechanism for determining why consumers choose to spend more or less money at our properties or on our online offerings from period-to-period; therefore, we are unable to quantify a dollar amount for each factor that impacts our customers’ spending behaviors. However, based on our experience, we can generally offer some insight into the factors that we believe are likely to account for such changes and which factors may have a greater impact than others. For example, decreases in discretionary consumer spending have historically been brought about by weakened general economic conditions, such as recessions, inflation, rising interest rate environments, high unemployment levels, higher income taxes, low levels of consumer confidence, weakness in the housing market, high fuel or other transportation costs, and the effects of the COVID-19 pandemic. In addition, visitation and the volume of play have historically been negatively impacted by significant construction surrounding our properties, adverse regional weather conditions and natural disasters. In all instances, such insights are based solely on our judgment and professional experience, and no assurance can be given as to the accuracy of our judgments.

The vast majority of our revenues is gaming revenue, which is highly dependent upon the volume and spending levels of customers at our properties. Our gaming revenue is derived primarily from slot machines (which represented approximately 85% and 83% of our gaming revenue for the nine months ended September 30, 2023 and 2022, respectively) and, to a lesser extent, table games and online gaming consisting of online slots, online table games, and online sports betting. Aside from gaming revenue, our revenues are primarily derived from our hotel, dining, retail, commissions, program sales, admissions, concessions and certain other ancillary activities, and our racing operations.

Key performance indicators related to gaming revenue are slot handle and table game drop, which are volume indicators, and “win” or “hold” percentage. Our typical property slot win percentage is in the range of approximately 7% to 11% of slot handle, and our typical table game hold percentage is in the range of approximately 15% to 28% of table game drop.

Slot handle is the gross amount wagered during a given period. The win or hold percentage is the net amount of gaming wins and losses, with liabilities recognized for accruals related to the anticipated payout of progressive jackpots. Given the stability in our slot hold percentages on a historical basis, we have not experienced significant impacts to net income (loss) from changes in these percentages. For table games, customers usually purchase chips at the gaming tables. The cash and markers (extensions of credit granted to certain credit-worthy customers) are deposited in the gaming table’s drop box. Table game hold is the amount of drop that is retained and recorded as gaming revenue, with liabilities recognized for funds deposited by customers before gaming play occurs and for unredeemed gaming chips. As we are primarily focused on regional gaming markets, our table game hold percentages are fairly stable since the majority of these markets do not regularly experience high-end play, which can lead to volatility in hold percentages. Therefore, changes in table game hold percentages do not typically have a material impact to our results of operations and cash flows.

Under normal operating conditions, our properties generate significant operating cash flow since most of our revenue is cash-based from slot machines, table games, and online gaming, including sports betting. Our business is capital intensive, and we rely on cash flow from our properties to generate sufficient cash to satisfy our obligations under the Triple Net Leases (as defined in [“Liquidity and Capital Resources”](#)), repay debt, fund maintenance capital expenditures, repurchase our common stock, fund new capital projects at existing properties and provide excess cash for future development and acquisitions. Additional information regarding our capital projects is discussed in [“Liquidity and Capital Resources”](#) below.

Reportable Segments

We have aggregated our operating segments into five reportable segments. Retail operating segments are based on the similar characteristics within the regions in which they operate: Northeast, South, West, and Midwest. The Interactive segment includes all of our online sports betting, iCasino and social gaming operations, management of retail sports betting, media, and the operating results of Barstool. We owned 36% of Barstool common stock prior to the February 17, 2023 Barstool Acquisition (as defined in [Note 6, “Acquisitions and Dispositions”](#)), pursuant to which we acquired the remaining 64% of Barstool common stock. On August 8, 2023, we entered into the Barstool SPA, and we sold 100% of the outstanding shares of Barstool common stock. We view each of our gaming and racing properties as an operating segment with the exception of our two properties in Jackpot, Nevada, which we view as one operating segment. We consider our combined Video Gaming Terminal (“VGT”) operations, by state, to be separate operating segments. For a listing of our gaming properties and VGT operations included in each reportable segment, see [Note 2, “Significant Accounting Policies”](#) in the notes to our unaudited Consolidated Financial Statements.

RESULTS OF OPERATIONS

The following table highlights our revenues, net income (loss), and Adjusted EBITDA, on a consolidated basis, as well as our revenues and Adjusted EBITDAR by reportable segment. Such segment reporting is consistent with how we measure our business and allocate resources internally. We consider net income (loss) to be the most directly comparable financial measure calculated in accordance with generally accepted accounting principles in the United States (“GAAP”) to Adjusted EBITDA and Adjusted EBITDAR, which are non-GAAP financial measures. Refer to “Non-GAAP Financial Measures” below for the definitions of Adjusted EBITDA, Adjusted EBITDA margin, Adjusted EBITDAR, and Adjusted EBITDAR margin; as well as a reconciliation of net income (loss) to Adjusted EBITDA and Adjusted EBITDAR and related margins.

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Revenues:				
Northeast segment	\$ 687.0	\$ 685.4	\$ 2,075.5	\$ 2,028.8
South segment	308.2	329.8	931.3	1,009.8
West segment	135.1	156.5	394.8	451.2
Midwest segment	293.4	298.4	882.0	877.6
Interactive segment	196.3	158.7	687.3	455.1
Other ⁽¹⁾	4.5	4.2	16.5	17.4
Intersegment eliminations ⁽²⁾	(5.1)	(8.0)	(19.9)	(23.8)
Total	\$ 1,619.4	\$ 1,625.0	\$ 4,967.5	\$ 4,816.1
Net income (loss)	\$ (725.1)	\$ 123.2	\$ (132.6)	\$ 200.9
Adjusted EBITDAR:				
Northeast segment	\$ 208.3	\$ 217.9	\$ 638.5	\$ 637.5
South segment	136.6	139.9	381.1	429.7
West segment	54.7	60.5	153.4	171.4
Midwest segment	123.8	129.4	376.5	386.2
Interactive segment	(50.2)	(49.3)	(68.7)	(80.1)
Other ⁽¹⁾	(28.1)	(26.5)	(80.7)	(73.6)
Total ⁽³⁾	445.1	471.9	1,400.1	1,471.1
Rent expense associated with triple net operating leases ⁽⁴⁾	(146.6)	(31.5)	(439.0)	(119.6)
Adjusted EBITDA	\$ 298.5	\$ 440.4	\$ 961.1	\$ 1,351.5
Net income (loss) margin	(44.8)%	7.6 %	(2.7)%	4.2 %
Adjusted EBITDAR margin	27.5 %	29.0 %	28.2 %	30.5 %
Adjusted EBITDA margin	18.4 %	27.1 %	19.3 %	28.1 %

(1) The Other category consists of the Company’s stand-alone racing operations, namely Sanford-Orlando Kennel Club, Sam Houston and Valley Race Park, the Company’s joint venture interests in Freehold Raceway, and our management contract for Retama Park Racetrack. Expenses incurred for corporate and shared services activities that are directly attributable to a property or are otherwise incurred to support a property are allocated to each property. The Other category also includes corporate overhead costs, which consist of certain expenses, such as: payroll, professional fees, travel expenses and other general and administrative expenses that do not directly relate or have not otherwise been allocated. Corporate overhead costs were \$27.0 million and \$26.5 million for the three months ended September 30, 2023 and 2022, respectively, and \$78.1 and \$74.9 million for the nine months ended September 30, 2023 and 2022, respectively.

(2) Primarily represents the elimination of intersegment revenues associated with our retail sportsbooks, which are operated by PENN Interactive.

(3) The total is a mathematical calculation derived from the sum of reportable segments (as well as the Other category). As noted within “Non-GAAP Financial Measures” below, Adjusted EBITDAR, and the related margin, is presented on a consolidated basis outside the financial statements solely as a valuation metric.

(4) For the three and nine months ended September 30, 2023, pertains to the following operating leases: (i) AR PENN Master Lease; (ii) 2023 Master Lease; (iii) Margaritaville Lease; and (iv) Greektown Lease.

For the three and nine months ended September 30, 2022, pertains to the operating lease components contained within the (i) PENN Master Lease (specific to the land and building components associated with the operations of Hollywood Gaming at Dayton Raceway and Hollywood Gaming at

Mahoning Valley Race Course); (ii) Meadows Lease; (iii) Margaritaville Lease; (iv) Greektown Lease; and (v) Tropicana Lease (which terminated on September 26, 2022).

Consolidated comparison of the three and nine months ended September 30, 2023 and 2022

Revenues

The following table presents our consolidated revenues:

(dollars in millions)	For the three months ended September 30,		Change		For the nine months ended September 30,		Change	
	2023	2022	\$	%	2023	2022	\$	%
Revenues								
Gaming	\$ 1,252.1	\$ 1,317.5	\$ (65.4)	(5.0)%	\$ 3,869.5	\$ 3,934.3	\$ (64.8)	(1.6)%
Food, beverage, hotel, and other	367.3	307.5	59.8	19.4 %	1,098.0	881.8	216.2	24.5 %
Total revenues	<u>\$ 1,619.4</u>	<u>\$ 1,625.0</u>	<u>\$ (5.6)</u>	<u>(0.3)%</u>	<u>\$ 4,967.5</u>	<u>\$ 4,816.1</u>	<u>\$ 151.4</u>	<u>3.1 %</u>

Gaming revenues for the three months ended September 30, 2023 decreased \$65.4 million compared to the corresponding prior year period, primarily due to a decrease in visitation in the South segment, decreases in online gaming revenues in our Interactive segment, and the sale of the Tropicana Las Vegas operations in September 2022. The prior year quarter included Tropicana Las Vegas revenues through the sale on September 26, 2022, compared to none in the current year quarter.

Gaming revenues for the nine months ended September 30, 2023 decreased by \$64.8 million compared to the corresponding prior year period, primarily due to a decrease in visitation in the South segment and the sale of the Tropicana Las Vegas operations in September 2022. The prior year period included Tropicana Las Vegas revenues through the sale on September 26, 2022, compared to none in the current year period.

Food, beverage, hotel, and other revenues for the three and nine months ended September 30, 2023 increased \$59.8 million and \$216.2 million, respectively, compared to the corresponding prior year periods, primarily due to the inclusion of 100% of the operating results of Barstool subsequent to the Barstool Acquisition on February 17, 2023, until the disposition on August 8, 2023, as well as increases in gaming tax reimbursement amounts charged to third-party online sports betting and/or iCasino partners for online sports betting and iCasino market access.

See [“Segment comparison of the three and nine months ended September 30, 2023 and 2022”](#) below for more detailed explanations of the fluctuations in revenues.

Operating expenses

The following table presents our consolidated operating expenses:

(dollars in millions)	For the three months ended September 30,		Change		For the nine months ended September 30,		Change	
	2023	2022	\$	%	2023	2022	\$	%
Operating expenses								
Gaming	\$ 709.0	\$ 757.9	\$ (48.9)	(6.5)%	\$ 2,149.1	\$ 2,158.1	\$ (9.0)	(0.4)%
Food, beverage, hotel, and other	261.4	199.2	62.2	31.2 %	773.5	557.9	215.6	38.6 %
General and administrative	406.4	277.9	128.5	46.2 %	1,179.6	847.2	332.4	39.2 %
Depreciation and amortization	105.8	148.7	(42.9)	(28.9)%	323.9	417.2	(93.3)	(22.4)%
Impairment losses	—	104.6	(104.6)	N/M	—	104.6	(104.6)	N/M
Loss on disposal of Barstool	923.2	—	923.2	N/M	923.2	—	923.2	N/M
Total operating expenses	<u>\$ 2,405.8</u>	<u>\$ 1,488.3</u>	<u>\$ 917.5</u>	<u>61.6 %</u>	<u>\$ 5,349.3</u>	<u>\$ 4,085.0</u>	<u>\$ 1,264.3</u>	<u>30.9 %</u>

N/M - Not meaningful

Gaming expenses consist primarily of gaming taxes, payroll, marketing and promotional, and other expenses associated with our gaming operations. Gaming expenses for the three and nine months ended September 30, 2023 decreased \$48.9 million and \$9.0 million, respectively, compared to the corresponding prior year periods, primarily due to the decreases in gaming revenues as described above, partially offset by increased payroll costs.

Food, beverage, hotel, and other expenses consist primarily of payroll costs, costs of goods sold, and other costs associated with our food, beverage, hotel, retail, racing, and interactive operations. Food, beverage, hotel, and other expenses for the three and nine months ended September 30, 2023 increased \$62.2 million and \$215.6 million, respectively, compared to the corresponding prior year periods, primarily due to the inclusion of operating expenses related to Barstool subsequent to the Barstool Acquisition on February 17, 2023, until the disposition on August 8, 2023, as well as increases in gaming tax reimbursement amounts related to third-party online sports betting and/or iCasino partners for online sports betting and iCasino market access.

General and administrative expenses include items such as compliance, facility maintenance, utilities, property and liability insurance, surveillance and security, and lobbying expenses, as well as all expenses for administrative departments such as accounting, purchasing, human resources, legal and internal audit. General and administrative expenses also include stock-based compensation expense; pre-opening expenses; acquisition and transaction costs; gains and losses on disposal of assets; insurance recoveries, net of deductible charges; changes in the fair value of our contingent purchase price obligations; expense associated with cash-settled stock-based awards (including changes in fair value thereto); and rent expense associated with our triple net operating leases.

For the three and nine months ended September 30, 2023, general and administrative expenses increased by \$128.5 million and \$332.4 million, respectively, compared to the corresponding prior year periods, primarily due to an increase in rent expense associated with triple net operating leases of \$115.1 million and \$319.4 million, respectively, stemming from the execution on February 21, 2023 of both the AR PENN Master Lease and 2023 Master Lease. The impact of these aforementioned lease transactions resulted in the classification of all land components and building components to be operating leases of which the associated rent expense is recorded to “General and Administrative” as described in [Note 9, “Leases”](#) to our unaudited Consolidated Financial Statements.

Depreciation and amortization for the three and nine months ended September 30, 2023 decreased \$42.9 million and \$93.3 million, respectively, compared to the corresponding prior year periods, primarily due to a decrease in depreciation and amortization costs stemming from the execution on February 21, 2023 of both the AR PENN Master Lease and 2023 Master Lease. Prior to the execution of the aforementioned lease transactions, primarily all of the building components of the PENN Master Lease were classified as financing obligations of which depreciation of the associated property and equipment assets were previously recorded to “Depreciation and amortization” expense. Additionally, primarily all of the land components contained within the PENN Master Lease and the land and building components contained within the Perryville Lease (as defined in [“Liquidity and Capital Resources”](#)) were classified as finance leases of which amortization of the lease right-of-use assets (“ROU”) were recorded to “Depreciation and Amortization” expense. The impact of these aforementioned lease transactions resulted in the classification of all land components and building components associated with the AR PENN Master Lease to be operating leases with the associated rent expense recorded to “General and Administrative” as described in [Note 9, “Leases”](#) to our unaudited Consolidated Financial Statements.

Impairment losses for both the three and nine months ended September 30, 2022 primarily relate to impairment charges at our Hollywood Casino at Greektown property for goodwill and other intangible assets of \$37.4 million and \$65.4 million, respectively, as a result of an interim impairment assessment during the third quarter of 2022. See [Note 7, “Goodwill and Other Intangible Assets”](#) to our unaudited Consolidated Financial Statements for further discussion. There were no impairment losses for the three and nine months ended September 30, 2023.

Loss on disposal of Barstool relates to the loss on the sale of 100% of the outstanding shares of Barstool to David Portnoy in exchange for nominal cash consideration (one dollar) as described in [Note 6, “Acquisitions and Dispositions”](#) in the notes to our unaudited Consolidated Financial Statements.

Other income (expenses)

The following table presents our consolidated other income (expenses):

(dollars in millions)	For the three months ended September 30,				For the nine months ended September 30,			
	2023		2022		2023		2022	
			Change				Change	
	\$	\$	\$	%	\$	\$	\$	%
Other income (expenses)								
Interest expense, net	\$ (117.5)	\$ (198.5)	\$ 81.0	(40.8)%	\$ (346.1)	\$ (554.7)	\$ 208.6	(37.6)%
Interest income	\$ 10.2	\$ 5.2	\$ 5.0	96.2%	\$ 30.5	\$ 7.0	\$ 23.5	335.7%
Income from unconsolidated affiliates	\$ 7.2	\$ 6.6	\$ 0.6	9.1%	\$ 17.0	\$ 17.1	\$ (0.1)	(0.6)%
Gain on Barstool Acquisition, net	\$ —	\$ —	\$ —	N/M	\$ 83.4	\$ —	\$ 83.4	N/M
Gain on REIT transactions, net	\$ —	\$ —	\$ —	N/M	\$ 500.8	\$ —	\$ 500.8	N/M
Loss on early extinguishment of debt	\$ —	\$ —	\$ —	N/M	\$ —	\$ (10.4)	\$ 10.4	N/M
Other	\$ (0.3)	\$ (8.8)	\$ 8.5	(96.6)%	\$ 4.5	\$ (67.3)	\$ 71.8	N/M
Income tax benefit (expense)	\$ 161.7	\$ 182.0	\$ (20.3)	(11.2)%	\$ (40.9)	\$ 78.1	\$ (119.0)	N/M

N/M - Not meaningful

Interest expense, net decreased by \$81.0 million and \$208.6 million for the three and nine months ended September 30, 2023, respectively, compared to the corresponding prior year periods, primarily due to a net decrease in Master Lease interest costs due to changes in lease classifications as a result of the amendment of the PENN Master Lease, as described in [“Liquidity and Capital Resources,”](#) of \$93.7 million and \$255.2 million, respectively, partially offset by an increase in interest expense on our Senior Secured Credit Facilities related to an overall increase in interest rates.

Interest income increased by \$5.0 million and \$23.5 million for the three and nine months ended September 30, 2023, respectively, compared to the corresponding prior year periods, primarily due to executing on our short term investing strategy utilizing money market funds which commenced during the year ended December 31, 2022.

Income from unconsolidated affiliates relates principally to our investment in Kansas Entertainment and Freehold Raceway joint ventures, as well as Barstool (prior to the Barstool Acquisition on February 17, 2023). The change in income from the corresponding prior year periods is due to fluctuations in earnings from our investments in unconsolidated affiliates.

Gain on Barstool Acquisition, net relates to the gain on our acquisition of all the outstanding shares of Barstool common stock not already owned by us on February 17, 2023 as described in [Note 6, “Acquisitions and Dispositions”](#) in the notes to our unaudited Consolidated Financial Statements. The gain consists of \$66.5 million related to the remeasurement of our equity investment immediately prior to the acquisition date and \$16.9 million related to the acquisition of the remaining 64% of Barstool common stock.

Gain on REIT transactions, net relates to the amendment and restatement of the PENN Master Lease which resulted in the (i) derecognition of \$1.6 billion of financing obligations and (ii) derecognition of \$1.1 billion of Property and Equipment, net. In conjunction with entering into the 2023 Master Lease, the individual triple net leases associated with the Meadows Lease (as such terms are defined in [“Liquidity and Capital Resources”](#)) and the Perryville Lease (as such terms are defined in [“Liquidity and Capital Resources”](#)) were terminated which resulted in a \$6.5 million loss from the derecognition of ROU assets and lease liabilities. See [Note 9, “Leases”](#) to our unaudited Consolidated Financial Statements for additional details on both of these transactions.

Loss on extinguishment of debt relates to the refinancing of the previous Senior Secured Credit Facilities in the prior year. See [Note 8, “Long-term Debt”](#) in the notes to our unaudited Consolidated Financial Statements for further discussion.

Other primarily relates to realized and unrealized gains and losses on equity securities, held by PENN Interactive, unrealized gains and losses related to certain Barstool shares (prior to the Barstool Acquisition on February 17, 2023) as well as miscellaneous income and expense items. Equity securities were provided to the Company in conjunction with entering into multi-year agreements with sports betting operators for online sports betting and iCasino market access across our portfolio. For the three months ended September 30, 2023 and 2022, other income primarily consisted of unrealized holding losses of \$11.6 million and \$10.8 million, respectively. For the nine months ended September 30, 2023 and 2022, other income primarily

consisted of unrealized holding losses of \$8.5 million and \$66.4 million, respectively. In addition, during the three and nine months ended September 30, 2023, these losses were partially offset by dividend income received.

Income tax benefit (expense) was a benefit of \$161.7 million and \$182.0 million for the three months ended September 30, 2023 and 2022, respectively, and an expense of \$40.9 million as compared to a benefit of \$78.1 million for the nine months ended September 30, 2023 and 2022, respectively. Our effective tax rate (income taxes as a percentage of income from operations before income taxes), including discrete items, was 19.0% and 226.7% for the three months ended September 30, 2023 and 2022, respectively, and 1,698.9% and (62.9)% for the nine months ended September 30, 2023 and 2022, respectively. The change in the effective rate for the three and nine months ended September 30, 2023 compared to the corresponding prior year periods was primarily due to the projections of pre-tax income, changes to the valuation allowance, and the Barstool transactions discussed in [Note 6, "Acquisitions and Dispositions"](#) and [Note 11, "Income Taxes."](#) Excluding the Barstool transactions, the Company's annualized effective tax rate for the nine months ended September 30, 2023 would have been approximately 28%.

Our effective income tax rate can vary each reporting period depending on, among other factors, the geographic and business mix of our earnings, changes to our valuation allowance, and the level of our tax credits. Certain of these and other factors, including our history and projections of pre-tax earnings, are considered in assessing our ability to realize our net deferred tax assets.

Additionally, as a result of the Barstool SPA entered into in August 2023, the \$115.9 million deferred tax liability associated with the Barstool tradename and other intangibles was written off to income tax expense, which had a material impact on our unaudited Consolidated Statements of Operations and unaudited Consolidated Balance Sheets, as discussed in [Note 11, "Income Taxes"](#) to our unaudited Consolidated Financial Statements.

Segment comparison of the three and nine months ended September 30, 2023 and 2022

Northeast Segment

<i>(dollars in millions)</i>	For the three months ended September 30,		Change		For the nine months ended September 30,		Change	
	2023	2022	\$	%	2023	2022	\$	%
Revenues								
Gaming	\$ 610.8	\$ 616.8	\$ (6.0)	(1.0)%	\$ 1,856.6	\$ 1,837.3	\$ 19.3	1.1 %
Food, beverage, hotel, and other	76.2	68.6	7.6	11.1 %	218.9	191.5	27.4	14.3 %
Total revenues	\$ 687.0	\$ 685.4	\$ 1.6	0.2 %	\$ 2,075.5	\$ 2,028.8	\$ 46.7	2.3 %
Adjusted EBITDAR	\$ 208.3	\$ 217.9	\$ (9.6)	(4.4)%	\$ 638.5	\$ 637.5	\$ 1.0	0.2 %
Adjusted EBITDAR margin	30.3 %	31.8 %		-150 bps	30.8 %	31.4 %		-60 bps

The Northeast segment's revenues for the three months ended September 30, 2023 increased by \$1.6 million due to an increase in hotel and food and beverage revenues, primarily due to the completion of room renovations at our Hollywood Casino at Greektown property, as well as increased visitation to our food and beverage outlets, offset by a reduction in gaming revenues, primarily at our Hollywood Casino Lawrenceburg and Ameristar East Chicago properties due to increased competition.

The Northeast segment's revenues for the nine months ended September 30, 2023 increased \$46.7 million, primarily due to increases in gaming and non-gaming revenues at our Hollywood Casino at Greektown property due to the completion of room renovations, an increase in non-gaming revenues as visitation to our food and beverage outlets increased, and strong visitation in the first quarter of the year. These increases were partially offset by decreases in gaming revenues at our Hollywood Casino Lawrenceburg and Ameristar East Chicago properties as described above.

For the three months ended September 30, 2023, the Northeast segment's Adjusted EBITDAR decreased \$9.6 million primarily due to the decrease in revenues at our Hollywood Casino Lawrenceburg and Ameristar East Chicago as described above. Adjusted EBITDAR margin decreased to 30.3%, primarily due to increases in payroll and other operating costs at our food and beverage outlets driven by increased volumes as discussed above.

For the nine months ended September 30, 2023, the Northeast segment's Adjusted EBITDAR increased \$1.0 million, primarily due to increased gaming and non-gaming revenues. Adjusted EBITDAR margin decreased to 30.8% primarily due to increased payroll costs.

South Segment

(dollars in millions)	For the three months ended September 30,		Change		For the nine months ended September 30,		Change	
	2023	2022	\$	%	2023	2022	\$	%
Revenues								
Gaming	\$ 236.8	\$ 260.0	\$ (23.2)	(8.9)%	\$ 728.0	\$ 807.6	\$ (79.6)	(9.9)%
Food, beverage, hotel, and other	71.4	69.8	1.6	2.3 %	203.3	202.2	1.1	0.5 %
Total revenues	\$ 308.2	\$ 329.8	\$ (21.6)	(6.5)%	\$ 931.3	\$ 1,009.8	\$ (78.5)	(7.8)%
Adjusted EBITDAR	\$ 136.6	\$ 139.9	\$ (3.3)	(2.4)%	\$ 381.1	\$ 429.7	\$ (48.6)	(11.3)%
Adjusted EBITDAR margin	44.3 %	42.4 %		190 bps	40.9 %	42.6 %		-170 bps

The South segment's revenues for the three and nine months ended September 30, 2023 decreased by \$21.6 million and \$78.5 million, respectively, compared to the corresponding prior year periods, primarily due to a decrease in visitation at many properties, partially due to increased competition that affected our L'Auberge Lake Charles and Margaritaville properties and inclement weather during the first half of the year. During the prior year periods, particularly in the first quarter, there were COVID restrictions in place in downtown New Orleans which increased visitation to our Hollywood Casino Gulf Coast, Boomtown New Orleans, and L'Auberge Baton Rouge properties.

For the three months ended September 30, 2023, the South segment's Adjusted EBITDAR decreased \$3.3 million, primarily due to the decrease in gaming revenue combined with increased payroll costs and cost of sales, partially offset by the receipt of business interruption insurance proceeds related to the loss experienced in 2020 due to Hurricane Laura, resulting in an overall increase in Adjusted EBITDAR margin of 190 basis points.

For the nine months ended September 30, 2023, the South segment's Adjusted EBITDAR decreased \$48.6 million and Adjusted EBITDAR margin decreased to 40.9%, primarily due to the decrease in gaming revenues as described above, combined with increased payroll costs.

West Segment

(dollars in millions)	For the three months ended September 30,		Change		For the nine months ended September 30,		Change	
	2023	2022	\$	%	2023	2022	\$	%
Revenues								
Gaming	\$ 94.5	\$ 102.8	\$ (8.3)	(8.1)%	\$ 281.3	\$ 295.8	\$ (14.5)	(4.9)%
Food, beverage, hotel, and other	40.6	53.7	(13.1)	(24.4)%	113.5	155.4	(41.9)	(27.0)%
Total revenues	\$ 135.1	\$ 156.5	\$ (21.4)	(13.7)%	\$ 394.8	\$ 451.2	\$ (56.4)	(12.5)%
Adjusted EBITDAR	\$ 54.7	\$ 60.5	\$ (5.8)	(9.6)%	\$ 153.4	\$ 171.4	\$ (18.0)	(10.5)%
Adjusted EBITDAR margin	40.5 %	38.7 %		180 bps	38.9 %	38.0 %		90 bps

The West segment's revenues for the three and nine months ended September 30, 2023 decreased by \$21.4 million and \$56.4 million, respectively, compared to the corresponding prior year periods, primarily due to the sale of the Tropicana Las Vegas operations in September 2022, partially offset by an increase in revenues at Zia Park Casino. The corresponding prior year periods included Tropicana Las Vegas revenues through the sale on September 26, 2022, compared to none in the current year periods.

For the three months ended September 30, 2023, the West segment's Adjusted EBITDAR decreased \$5.8 million, primarily due to the sale of Tropicana Las Vegas, discussed above. Adjusted EBITDAR margin increased to 40.5% primarily resulting from the sale of Tropicana Las Vegas which had a negative impact on margins in the prior year quarter.

For the nine months ended September 30, 2023, the West segment's Adjusted EBITDAR decreased \$18.0 million primarily due to the sale of Tropicana Las Vegas, as discussed above. Additionally, Adjusted EBITDAR margin increased to 38.9% primarily due to the sale of Tropicana which had a negative impact on margins in the prior year period.

Midwest Segment

(dollars in millions)	For the three months ended September 30,		Change		For the nine months ended September 30,		Change	
	2023	2022	\$	%	2023	2022	\$	%
Revenues								
Gaming	\$ 260.1	\$ 268.7	\$ (8.6)	(3.2)%	\$ 787.5	\$ 792.2	\$ (4.7)	(0.6)%
Food, beverage, hotel, and other	33.3	29.7	3.6	12.1 %	94.5	85.4	9.1	10.7 %
Total revenues	\$ 293.4	\$ 298.4	\$ (5.0)	(1.7)%	\$ 882.0	\$ 877.6	\$ 4.4	0.5 %
Adjusted EBITDAR	\$ 123.8	\$ 129.4	\$ (5.6)	(4.3)%	\$ 376.5	\$ 386.2	\$ (9.7)	(2.5)%
Adjusted EBITDAR margin	42.2 %	43.4 %		-120 bps	42.7 %	44.0 %		-130 bps

The Midwest segment's revenues for the three months ended September 30, 2023 decreased by \$5.0 million, compared to the prior year quarter, primarily due to a decrease in gaming revenues as new competition in the region negatively impacted several properties within our Midwest segment, partially offset by increases in non-gaming revenues due to increased visitation at our hotel, and food and beverage outlets.

The Midwest segment's revenues for the nine months ended September 30, 2023 increased by \$4.4 million, compared to the corresponding prior year period, primarily due to increased visitation at our hotels, and food and beverage outlets, partially offset by declines in gaming revenues due to new competition in the region.

For the three months ended September 30, 2023, the Midwest segment's Adjusted EBITDAR decreased \$5.6 million primarily due to a decrease in gaming revenues. Adjusted EBITDAR margin decreased to 42.2% primarily due to a decrease in gaming margins driven by an increase in payroll costs,

For the nine months ended September 30, 2023, the Midwest segment's Adjusted EBITDAR decreased \$9.7 million primarily due to increase in payroll costs, partially offset by increased non-gaming revenues, reflected in Adjusted EBITDAR margin, which decreased to 42.7%.

Interactive Segment

(dollars in millions)	For the three months ended September 30,		Change		For the nine months ended September 30,		Change	
	2023	2022	\$	%	2023	2022	\$	%
Revenues								
Gaming	\$ 49.9	\$ 69.2	\$ (19.3)	(27.9)%	\$ 216.1	\$ 201.4	\$ 14.7	7.3 %
Food, beverage, hotel, and other	146.4	89.5	56.9	63.6 %	471.2	253.7	217.5	85.7 %
Total revenues	\$ 196.3	\$ 158.7	\$ 37.6	23.7 %	\$ 687.3	\$ 455.1	\$ 232.2	51.0 %
Adjusted EBITDAR	\$ (50.2)	\$ (49.3)	\$ (0.9)	N/M	\$ (68.7)	\$ (80.1)	\$ 11.4	N/M
Adjusted EBITDAR margin	(25.6)%	(31.1)%		N/M	(10.0)%	(17.6)%		N/M

The Interactive segment's revenues for the three months ended September 30, 2023 increased by \$37.6 million, compared to the corresponding prior year period, due to the inclusion of 100% of the operating results of Barstool, until the disposition on August 8, 2023, partially offset by a decrease in U.S. online gaming revenues during the transition period prior to the launch of ESPN BET. Additionally, revenues are inclusive of a tax gross-up of \$102.6 million and \$63.0 million for the three months ended September 30, 2023 and 2022, respectively.

The Interactive segment's revenues for the nine months ended September 30, 2023 increased by \$232.2 million, compared to the corresponding prior year period, due to the inclusion of 100% of the operating results of Barstool subsequent to the Barstool Acquisition on February 17, 2023 until the disposition on August 8, 2023, as well as an increase in gaming revenue related to operating in additional jurisdictions, inclusive of the launch of theScore Bet in April 2022. Additionally, revenues are inclusive of a tax gross-up of \$283.4 million and \$168.7 million for the nine months ended September 30, 2023 and 2022, respectively.

For the three months ended September 30, 2023, the Interactive segment's Adjusted EBITDAR decreased primarily due to the inclusion of 100% of the operating results of Barstool until the disposition on August 8, 2023 and a decrease in U.S. online

gaming revenues driven by minimal external marketing of the existing platforms in the U.S. Additionally, the third quarter results were negatively impacted by increased expenses related to ramping and preparing for the November launch of ESPN BET. Adjusted EBITDAR margin increased due to revenues increasing at a greater rate year-over-year than the rate at which operating expenses increased.

For the nine months ended September 30, 2023, the Interactive segment's Adjusted EBITDAR increased primarily due to increases in total revenues due to operating in additional gaming jurisdictions over the prior year. Adjusted EBITDAR margin increased due to revenues increasing at a greater rate year-over-year than the rate at which operating expenses increased.

Other

<i>(dollars in millions)</i>	For the three months ended September 30,		Change		For the nine months ended September 30,		Change	
	2023	2022	\$	%	2023	2022	\$	%
	Revenues							
Food, beverage, and other	\$ 4.5	\$ 4.2	\$ 0.3	7.1 %	\$ 16.5	\$ 17.4	\$ (0.9)	(5.2)%
Total revenues	\$ 4.5	\$ 4.2	\$ 0.3	7.1 %	\$ 16.5	\$ 17.4	\$ (0.9)	(5.2)%
Adjusted EBITDAR	\$ (28.1)	\$ (26.5)	\$ (1.6)	N/M	\$ (80.7)	\$ (73.6)	\$ (7.1)	N/M

Other consists of the Company's stand-alone racing operations, as well as corporate overhead costs, which primarily includes certain expenses such as payroll, professional fees, travel expenses and other general and administrative expenses that do not directly relate to or have not otherwise been allocated. Revenues for the three and nine months ended September 30, 2023 have increased and decreased respectively, compared to the prior year corresponding periods, primarily due to fluctuations in racing revenues.

Changes in Adjusted EBITDAR for the three and nine months ended September 30, 2023 primarily relate to an increase in payroll costs.

Non-GAAP Financial Measures

Use and Definitions

In addition to GAAP financial measures, management uses Adjusted EBITDA, Adjusted EBITDAR, Adjusted EBITDA margin, and Adjusted EBITDAR margin as non-GAAP financial measures. These non-GAAP financial measures should not be considered a substitute for, nor superior to, financial results and measures determined or calculated in accordance with GAAP. Each of these non-GAAP financial measures is not calculated in the same manner by all companies and, accordingly, may not be an appropriate measure of comparing performance among different companies.

We define Adjusted EBITDA as earnings before interest expense, net; interest income; income taxes; depreciation and amortization; stock-based compensation; debt extinguishment charges; impairment losses; insurance recoveries, net of deductible charges; changes in the estimated fair value of our contingent purchase price obligations; gain or loss on disposal of assets; the difference between budget and actual expense for cash-settled stock-based awards; pre-opening expenses; loss on disposal of a business; non-cash gains/losses associated with REIT transactions as described in [Note 9, "Leases"](#) to our unaudited Consolidated Financial Statements; non-cash gains/losses associated with partial and step acquisitions as measured in accordance with ASC 805 "Business Combinations"; and other. Adjusted EBITDA is inclusive of income or loss from unconsolidated affiliates, with our share of non-operating items (such as interest expense, net; income taxes; depreciation and amortization; and stock-based compensation expense) added back for Barstool Sports, Inc. (prior to our acquisition of the remaining 64% of Barstool common stock on February 17, 2023) and our Kansas Entertainment, LLC joint venture. Adjusted EBITDA is inclusive of rent expense associated with our triple net operating leases with our REIT landlords. Although Adjusted EBITDA includes rent expense associated with our triple net operating leases, we believe Adjusted EBITDA is useful as a supplemental measure in evaluating the performance of our consolidated results of operations. We define Adjusted EBITDA margin as Adjusted EBITDA divided by consolidated revenues.

Adjusted EBITDA has economic substance because it is used by management as a performance measure to analyze the performance of our business, and is especially relevant in evaluating large, long-lived casino-hotel projects because it provides a perspective on the current effects of operating decisions separated from the substantial non-operational depreciation charges and financing costs of such projects. We present Adjusted EBITDA because it is used by some investors and creditors as an indicator 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. In order to view the operations of their casinos on a more stand-alone basis, gaming companies, including us, have historically excluded from their Adjusted EBITDA calculations certain corporate expenses that do not relate to the management of specific casino properties. However, Adjusted EBITDA is not a measure of performance or liquidity calculated in accordance with GAAP. Adjusted EBITDA information is presented as a supplemental disclosure, as management believes that it is a commonly used measure of performance in the gaming industry and that it is considered by many to be a key indicator of the Company's operating results.

We define Adjusted EBITDAR as Adjusted EBITDA (as defined above) plus rent expense associated with triple net operating leases (which is a normal, recurring cash operating expense necessary to operate our business). Adjusted EBITDAR is presented on a consolidated basis outside the financial statements solely as a valuation metric. Management believes that Adjusted EBITDAR is an additional metric traditionally 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 a supplemental disclosure because (i) we believe Adjusted EBITDAR is traditionally used by gaming operator analysts and investors to determine the equity value of gaming operators and (ii) Adjusted EBITDAR is one of the metrics used by other financial analysts in valuing our business. We believe 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 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. However, Adjusted EBITDAR when presented on a consolidated basis is not a financial measure in accordance with GAAP, and 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 and is provided for the limited purposes referenced herein.

Adjusted EBITDAR margin is defined as Adjusted EBITDAR on a consolidated basis divided by revenues on a consolidated basis. Adjusted EBITDAR margin is presented on a consolidated basis outside the financial statements solely as a valuation metric. We further define Adjusted EBITDAR margin by reportable segment as Adjusted EBITDAR for each segment divided by segment revenues.

Reconciliation of GAAP Financial Measures to Non-GAAP Financial Measures

The following table includes a reconciliation of net income (loss), which is determined in accordance with GAAP, to Adjusted EBITDA and Adjusted EBITDAR, which are non-GAAP financial measures, as well as related margins:

<i>(dollars in millions)</i>	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Net income (loss)	\$ (725.1)	\$ 123.2	\$ (132.6)	\$ 200.9
Income tax (benefit) expense	(161.7)	(182.0)	40.9	(78.1)
Interest expense, net	117.5	198.5	346.1	554.7
Interest income	(10.2)	(5.2)	(30.5)	(7.0)
Income from unconsolidated affiliates	(7.2)	(6.6)	(17.0)	(17.1)
Gain on Barstool Acquisition, net	—	—	(83.4)	—
Gain on REIT transactions, net	—	—	(500.8)	—
Loss on early extinguishment of debt	—	—	—	10.4
Other (income) expenses	0.3	8.8	(4.5)	67.3
Operating income (loss)	(786.4)	136.7	(381.8)	731.1
Loss on disposal of Barstool	923.2	—	923.2	—
Stock-based compensation ⁽¹⁾	35.2	13.6	71.4	45.1
Cash-settled stock-based award variance ⁽¹⁾⁽²⁾	(2.9)	(3.8)	(12.0)	(16.2)
Loss (gain) on disposal of assets ⁽¹⁾	—	(0.2)	—	7.0
Contingent purchase price ⁽¹⁾	1.3	0.1	1.8	(0.9)
Pre-opening expenses ⁽¹⁾	—	0.5	—	4.1
Depreciation and amortization	105.8	148.7	323.9	417.2
Impairment losses ⁽³⁾	—	104.6	—	104.6
Insurance recoveries, net of deductible charges ⁽¹⁾	(0.3)	(1.9)	(13.9)	(10.7)
Income from unconsolidated affiliates	7.2	6.6	17.0	17.1
Non-operating items of equity method investments ⁽⁴⁾	1.0	2.6	6.4	4.7
Other expenses ⁽¹⁾⁽⁵⁾	14.4	32.9	25.1	48.4
Adjusted EBITDA	298.5	440.4	961.1	1,351.5
Rent expense associated with triple net operating leases ⁽¹⁾	146.6	31.5	439.0	119.6
Adjusted EBITDAR	\$ 445.1	\$ 471.9	\$ 1,400.1	\$ 1,471.1
Net income (loss) margin	(44.8)%	7.6 %	(2.7)%	4.2 %
Adjusted EBITDA margin	18.4 %	27.1 %	19.3 %	28.1 %
Adjusted EBITDAR margin	27.5 %	29.0 %	28.2 %	30.5 %

(1) These items are included in “General and administrative” within the Company’s unaudited Consolidated Statements of Operations.

(2) Our cash-settled stock-based awards are adjusted to fair value each reporting period based primarily on the price of the Company’s common stock. As such, significant fluctuations in the price of the Company’s common stock during any reporting period could cause significant variances to budget on cash-settled stock-based awards.

(3) Amount primarily relates to a \$102.8 million impairment charge in the Northeast segment.

(4) Consists principally of interest expense, net, income taxes, depreciation and amortization, and stock-based compensation expense associated with our Kansas Entertainment joint venture and Barstool, prior to us acquiring the remaining 64% of Barstool common stock (see [Note 6, “Acquisitions and Dispositions”](#) in the notes to our unaudited Consolidated Financial Statements).

(5) Consists of non-recurring acquisition and transaction costs, and finance transformation costs associated with the implementation of our new Enterprise Resource Management system.

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity and capital resources have been and are expected to be cash flow from operations, borrowings from banks, and proceeds from the issuance of debt and equity securities. Our ongoing liquidity will depend on a number of factors, including available cash resources, cash flow from operations, acquisitions or investments, funding of construction for development projects, and our compliance with covenants contained under our debt agreements.

<i>(dollars in millions)</i>	For the nine months ended September 30,		Change	
	2023	2022	\$	%
Net cash provided by operating activities	\$ 540.7	\$ 760.0	\$ (219.3)	(28.9)%
Net cash used in investing activities	\$ (586.0)	\$ (180.0)	\$ (406.0)	225.6%
Net cash used in financing activities	\$ (257.9)	\$ (705.2)	\$ 447.3	(63.4)%

Operating Cash Flow

Trends in our operating cash flows tend to follow trends in income before taxes excluding non-cash charges, but can be affected by changes in working capital, the timing of significant interest payments, tax payments or refunds, and distributions from unconsolidated affiliates. Net cash provided by operating activities decreased by \$219.3 million for the nine months ended September 30, 2023, primarily due to a decrease in income before taxes and additional cash paid for income taxes.

Investing Cash Flow

Cash used in investing activities for the nine months ended September 30, 2023 of \$586.0 million is primarily due to consideration paid for the Barstool Acquisition, net of cash acquired, of \$314.6 million and capital expenditures of \$207.8 million. For the nine months ended September 30, 2022, cash used in investing activities of \$180.0 million primarily related to capital expenditures of \$189.6 million and the acquisition of a \$15.0 million cost method investment, offset by insurance proceeds received for losses incurred due to Hurricane Laura in 2020.

Capital Expenditures

Capital expenditures are accounted for as either project capital (new facilities or expansions) or maintenance (replacement) which is inclusive of projects such as our retail sportsbooks, our cashless, cardless and contactless technology and hotel renovations. Cash provided by operating activities, as well as cash available under our Amended Revolving Credit Facility and Revolving Facility, was available to fund our capital expenditures for the nine months ended September 30, 2023 and 2022, as applicable.

Capital expenditures for the nine months ended September 30, 2023 and 2022 were \$207.8 million and \$189.6 million, respectively. For the year ending December 31, 2023, our anticipated capital expenditures, inclusive of insurance proceeds, are approximately \$368.0 million, which include capital expenditures of \$207.8 million incurred for the nine months ended September 30, 2023 and capital expenditures required under our Triple Net Leases, which require us to spend a specified percentage of total revenues.

Financing Cash Flow

For the nine months ended September 30, 2023, net cash used in financing activities totaled \$257.9 million, primarily related to repurchases of our common stock of \$149.8 million, as well as \$64.4 million in principal payments on our finance leases and finance obligations and debt repayments of \$28.1 million.

For the nine months ended September 30, 2022, net cash used in financing activities totaled \$705.2 million, primarily related to \$510.1 million common stock repurchases, net debt repayments of \$28.1 million, \$18.2 million in debt issuance costs, and \$129.4 million in principal payments on our finance leases and finance obligations.

At September 30, 2023, we had \$2.8 billion in aggregate principal amount of indebtedness, including \$1.5 billion outstanding under our Amended Credit Facilities, \$400.0 million outstanding under our 5.625% senior unsecured notes, \$400.0 million outstanding under our 4.125% senior unsecured notes, \$330.5 million outstanding under our 2.75% Convertible Notes, and \$172.6 million outstanding in other long-term obligations. No amounts were drawn on our Amended Revolving Credit Facility. We have no debt maturing prior to 2026. As of September 30, 2023 we had conditional obligations under letters of

credit issued pursuant to the Amended Credit Facilities with face amounts aggregating to \$21.8 million resulting in \$978.2 million available borrowing capacity under our Amended Revolving Credit Facility.

Covenants

Our Amended Credit Facilities, 5.625% Notes and 4.125% Notes require us, among other obligations, to maintain specified financial ratios and to satisfy certain financial tests. In addition, our Amended Credit Facilities, 5.625% Notes and 4.125% Notes, restrict, among other things, our ability to incur additional indebtedness, incur guarantee obligations, amend debt instruments, pay dividends, create liens on assets, make investments, engage in mergers or consolidations, and otherwise restrict corporate activities. Our debt agreements also contain customary events of default, including cross-default provisions that require us to meet certain requirements under the AR PENN Master Lease, the 2023 Master Lease, PENN Master Lease (prior to January 1, 2023), and the Pinnacle Master Lease (all of which are defined below), each with GLPI. If we are unable to meet our financial covenants or in the event of a cross-default, it could trigger an acceleration of payment terms.

As of September 30, 2023, the Company was in compliance with all required financial covenants. The Company believes that it will remain in compliance with all of its required financial covenants for at least the next twelve months following the date of filing this Quarterly Report on Form 10-Q with the SEC.

See [Note 8, “Long-term Debt”](#) in the notes to our unaudited Consolidated Financial Statements for additional information of the Company’s debt and other long-term obligations.

Share Repurchase Authorization

During the second quarter of 2023, we completed our \$750.0 million share repurchase authorization approved by the Board of Directors on February 1, 2022 (the “February 2022 Authorization”).

On December 6, 2022, a second share repurchase program was authorized for an additional \$750.0 million (the “December 2022 Authorization”). The December 2022 Authorization expires on December 31, 2025.

The Company utilized the capacity under the February 2022 Authorization prior to effecting any repurchases under the December 2022 Authorization. Repurchases by the Company are subject to available liquidity, general market and economic conditions, alternate uses for the capital and other factors. Share repurchases may be made from time to time through a Rule 10b5-1 trading plan, open market transactions, block trades or in private transactions in accordance with applicable securities laws and regulations and other legal requirements. There is no minimum number of shares that the Company is required to repurchase and the repurchase authorization may be suspended or discontinued at any time without prior notice.

No shares of the Company’s common stock were repurchased during the three months ended September 30, 2023. During the nine months ended September 30, 2023, the Company repurchased 5,438,221 shares of its common stock in open market transactions for \$149.8 million, at an average price of \$27.54 per share under the February 2022 and December 2022 Authorizations. The cost of all repurchased shares is recorded as “Treasury stock” within our unaudited Consolidated Balance Sheets.

No shares of the Company’s common stock were repurchased subsequent to the quarter ended September 30, 2023. As of November 1, 2023, the remaining availability under our December 2022 Authorization was \$749.5 million.

Other Factors Affecting Liquidity

ESPN BET Sportsbook Agreement

On August 8, 2023, PENN entered into the Sportsbook Agreement with ESPN which provides for a long-term strategic relationship between PENN and ESPN relating to online sports betting in the United States. In November 2023, pending regulatory approval, the existing Barstool Sportsbook will be rebranded and launched across all online platforms in the United States as ESPN BET, and our online product will include a Hollywood-branded integrated iCasino where permitted. The Sportsbook Agreement has an initial 10-year term and may be extended for an additional ten years upon mutual agreement of PENN and ESPN. In consideration for the media marketing services and brand and other rights provided by ESPN, PENN will pay \$150.0 million per year in cash pursuant to the Sportsbook Agreement for the initial 10-year term and issue the warrants pursuant to the Investment Agreement (see [Note 12, “Commitments and Contingencies”](#) for additional information).

Triple Net Leases

The majority of the real estate assets (i.e., land and buildings) used in our operations are subject to triple net master leases; the most significant of which are with GLPI, and include the AR PENN Master Lease, 2023 Master Lease, PENN Master Lease (prior to January 1, 2023), and Pinnacle Master Lease (as such terms are defined in [Note 9, “Leases”](#) in the notes to our unaudited Consolidated Financial Statements, and collectively referred to as the “Master Leases”). We refer to the Master Leases, Perryville Lease (where applicable), the Meadows Lease (where applicable), the Margaritaville Lease, the Greektown Lease, the Tropicana Lease (terminated September 26, 2022) and the Morgantown Lease, collectively, as our “Triple Net Leases”. The Company’s Triple Net Leases are accounted for as either operating leases, finance leases, or financing obligations.

On February 21, 2023, as described in [Note 9, “Leases”](#) in the notes to our unaudited Consolidated Financial Statements, the Company and GLPI entered into the AR PENN Master Lease, effective January 1, 2023, to (i) remove the land and buildings for Aurora, Joliet, Columbus, Toledo and the M Resort, and (ii) make associated adjustments to the rent after which the initial rent in the AR PENN Master Lease will be \$284.1 million, consisting of \$208.2 million of building base rent, \$43.0 million of land base rent and \$32.9 million of percentage rent (as such terms are defined in the AR PENN Master Lease). Subsequent to the execution of the AR PENN Master Lease, the Company leases real estate assets associated with 14 of the gaming facilities used in its operations via a triple net master lease. The current term of the AR PENN Master Lease expires on October 31, 2033 and thereafter contains three renewal terms of five years each on the same terms and conditions, exercisable at the Company’s option.

Concurrent with the execution of the AR PENN Master Lease, the Company and GLPI entered into the 2023 Master Lease, effective January 1, 2023, specific to the properties associated with Aurora, Joliet, Columbus, Toledo, M Resort, Meadows, and Perryville and the Master Development Agreement. The 2023 Master Lease has an initial term through October 31, 2033 with three subsequent five-year renewal periods on the same terms and conditions, exercisable at the Company’s option. The 2023 Master Lease terminated the individual triple net leases associated with Meadows and Perryville. The 2023 Master Lease and AR PENN Master Lease are cross-defaulted, cross-collateralized, and coterminous, and subject to a parent guarantee.

The 2023 Master Lease includes the 2023 Master Lease Base Rent equal to \$232.2 million and the Master Development Agreement contains additional rent (together with the 2023 Master Lease Base Rent, the “2023 Master Lease Rent”) equal to (i) 7.75% of any project funding received by PENN from GLPI for the Aurora Project and (ii) a percentage, based on the then-current GLPI stock price, of any project funding received by PENN from GLPI for the Other Development Projects. The Master Development Agreement provides that GLPI will fund up to \$225 million for the Aurora Project and, upon PENN’s request, up to \$350 million in the aggregate for the Other Development Projects, in accordance with certain terms and conditions set forth in the Master Development Agreement. These funding obligations of GLPI expire on January 1, 2026. The 2023 Master Lease Rent will be subject to a one-time increase of \$1.4 million, effective November 1, 2027. The 2023 Master Lease Rent will be further subject to a fixed escalator of 1.5% on November 1, 2023 and annually thereafter. The Master Development Agreement provides that PENN may elect not to proceed with a development project prior to GLPI’s commencement of any equity or debt offering or credit facility draw intended to fund such a project or after such time in certain instances, provided that GLPI will be reimbursed for all costs and expenses incurred in connection with such discontinued project. The Aurora Project and the Other Development Projects are all subject to necessary regulatory and other government approvals.

Under our Triple Net Leases, in addition to lease payments for the real estate assets, we are required to pay the following, among other things: (i) all facility maintenance; (ii) all insurance required in connection with the leased properties and the business conducted on the leased properties; (iii) taxes levied on or with respect to the leased properties (other than taxes on the income of the lessor); (iv) all tenant capital improvements; and (v) all utilities and other services necessary or appropriate for the leased properties and the business conducted on the leased properties. Additionally, our Triple Net Leases are subject to

annual escalators and periodic percentage rent resets, as applicable. See [Note 9, “Leases”](#) in the notes to our unaudited Consolidated Financial Statements for further discussion and disclosure related to the Company’s leases.

Payments to our REIT Landlords under Triple Net Leases

Total payments made to our REIT Landlords, GLPI and VICI, were as follows:

<i>(in millions)</i>	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
AR PENN Master Lease	\$ 71.1	\$ —	\$ 213.1	\$ —
2023 Master Lease	58.0	—	174.1	—
PENN Master Lease	—	120.2	—	360.0
Pinnacle Master Lease	85.3	84.2	254.2	250.1
Perryville Lease	—	1.9	—	5.8
Meadows Lease	—	6.2	—	18.6
Margaritaville Lease	6.6	5.9	19.6	17.8
Greektown Lease	13.2	12.8	39.0	38.5
Morgantown Lease	0.8	0.8	2.4	2.3
Total ⁽¹⁾	\$ 235.0	\$ 232.0	\$ 702.4	\$ 693.1

(1) For the three and nine months ended September 30, 2022, rent payable under the Tropicana Lease was nominal. Therefore, it has been excluded from the table above. The Tropicana Lease was terminated on September 26, 2022.

Outlook

Based on our current level of operations, we believe that cash generated from operations and cash on hand, together with amounts available under our Amended Credit Facilities, will be adequate to meet our anticipated obligations under our Triple Net Leases, debt service requirements, capital expenditures and working capital needs for the foreseeable future. However, our ability to generate sufficient cash flow from operations will depend on a range of economic, competitive and business factors, many of which are outside our control. We cannot be certain: (i) of the impact of global supply chain disruptions, price inflation, rising interest rates on the U.S. economy, slowing economic growth, geopolitical uncertainty, and instability in the banking sector following multiple bank failures; (ii) that our anticipated earnings projections will be realized; (iii) that we will achieve the expected synergies from our acquisitions; and (iv) that future borrowings will be available under our Amended Credit Facilities or otherwise will be available in the credit markets to enable us to service our indebtedness or to make anticipated capital expenditures. We caution that the performance and trends seen across our portfolio may not continue. In addition, while we anticipated that a significant amount of our future growth would come through the pursuit of opportunities within other distribution channels, such as media, retail and online sports betting, iCasino, and social gaming; from acquisitions of gaming properties at reasonable valuations; greenfield projects; development projects; and jurisdictional expansions and property expansion in under-penetrated markets; there can be no assurance that this will be the case. If we consummate significant acquisitions in the future or undertake any significant property expansions, our cash requirements may increase significantly and we may need to make additional borrowings or complete equity or debt financings to meet these requirements. See Part I, Item 1A. “Risk Factors” of the Company’s Form 10-K for the year ended December 31, 2022 for a discussion of additional risks related to the Company’s capital structure.

We have historically maintained a capital structure comprised of a mix of equity and debt financing. We vary our leverage to pursue opportunities in the marketplace in an effort to maximize our enterprise value for our shareholders. We expect to meet our debt obligations as they come due through internally-generated funds from operations and/or refinancing them through the debt or equity markets prior to their maturity.

CRITICAL ACCOUNTING ESTIMATES

A complete discussion of our critical accounting estimates is included in our Form 10-K for the year ended December 31, 2022. Other than discussed below, there have been no significant changes in our critical accounting estimates during the nine months ended September 30, 2023.

Leases

The assessment of lease classifications of land and building components contained within each of the AR PENN Master Lease and the 2023 Master Lease (as described in [Note 9, “Leases”](#) in the notes to our unaudited Consolidated Financial Statements) required management to make significant estimates and assumptions. These included estimates for the (i) fair value of the land and building assets; (ii) the term of the lease, including whether any renewal terms are reasonably assured of being exercised; and (iii) the discount rate (collateralized incremental borrowing rate) over the lease term. Additionally, management assessed whether the agreements should be accounted for as a separate or combined contract and whether the AR PENN Master Lease should be considered a lease modification or a new lease.

Business Combination

In connection with the Company’s acquisition of Barstool (as described in [Note 6, “Acquisitions and Dispositions”](#) in the notes to our unaudited Consolidated Financial Statements), valuations were completed to determine the allocation of the purchase price. The factors considered in the valuation include data gathered as a result of the Company’s due diligence in connection with the acquisition, projections for future operations, and data obtained from third-party valuation specialists, as deemed appropriate.

We allocated the business combination purchase price to tangible and identifiable intangible assets acquired and liabilities assumed based on their fair values. The excess of the purchase price over those fair values was recorded as goodwill.

Accounting for this business combination required management to make significant estimates and assumptions, including our estimate of intangible assets, such as the Barstool trade name, advertising relationships, other tradenames and brands, and customer relationships. Although we believe the estimates and assumptions made have been reasonable and appropriate, they are inherently uncertain. The most significant of the assumptions used in the valuations included: (1) revenue growth; (2) discount rates; (3) effective income tax rates; (4) future terminal values; and (5) gaming royalties for the use of the Barstool tradename assumptions. These assumptions were developed based on historical trends in the current competitive markets in which Barstool and PENN operate as well as projections of future performance. Significant assumptions with respect to our trade names and customer relationships involved selecting the appropriate royalty rates and cost estimates for replacement cost analyses. Advertising relationships were valued utilizing a with-and-without method. Where a relief-from-royalty method was utilized, significant assumptions included projecting revenues attributable to the asset, royalty rates, obsolescence factors, estimated synergies and discount rates. Where a replacement cost method was utilized, significant assumptions included estimating cost and time required to replace, determining the opportunity cost over the replacement period, and estimating a mark-up on development costs. Where a with-and-without method was utilized, significant assumptions included projecting revenues with direct advertising relationships and projecting revenues without direct advertising relationships, and determining discount rates.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

For information with respect to new accounting pronouncements and the impact of these pronouncements on our unaudited Consolidated Financial Statements, see [Note 3, “New Accounting Pronouncements”](#) in the notes to our unaudited Consolidated Financial Statements.

IMPORTANT FACTORS REGARDING FORWARD-LOOKING STATEMENTS

This Form 10-Q contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These statements can be identified by the use of forward-looking terminology such as “expects,” “believes,” “estimates,” “projects,” “intends,” “plans,” “goal,” “seeks,” “may,” “will,” “should,” or “anticipates” or the negative or other variations of these or similar words, or by discussions of future events, strategies or risks and uncertainties. Specifically, forward-looking statements include, but are not limited to, statements regarding: the Company’s anticipated share repurchases; the Company’s expectations of future results of operations and financial condition, the assumptions provided regarding the guidance, including the scale and timing of the Company’s product and technology investments; the Company’s expectations regarding results, and the impact of competition, in retail/mobile/online sportsbooks, iCasino, social gaming, and retail operations; the Company’s development and launch of its Interactive segment’s products in new jurisdictions and enhancements to existing Interactive segment products, including the content for the ESPN BET and theScore Bet Sportsbook and Casino apps and the relaunch of the Barstool Sportsbook as ESPN BET on our proprietary player account management system and risk and trading platforms; the expected timing of the rebrand of Barstool Sportsbook; the benefits of the agreement between the Company and ESPN; the Company’s expectations regarding its Sportsbook Agreement with ESPN and the future success of its products; the Company’s expectations with respect to the integration and synergies related to the Company’s integration of theScore and the continued growth and monetization of the Company’s media business; the Company’s

expectations with respect to the ongoing introduction and the potential benefits of the cashless, cardless and contactless (3C's) technology; the Company's development projects, including the prospective development projects at Hollywood Casinos Aurora, Joliet, Columbus, and the M Resort Spa Casino; our ability to obtain financing for our development projects on attractive terms; and the timing, cost and expected impact of planned capital expenditures on the Company's results of operations; the actions of regulatory, legislative, executive or judicial decisions at the federal, state, provincial or local level with regard to our business and the impact of any such actions.

Such statements are all subject to risks, uncertainties and changes in circumstances that could significantly affect the Company's future financial results and business. Accordingly, the Company cautions that the forward-looking statements contained herein are qualified by important factors that could cause actual results to differ materially from those reflected by such statements. Such factors include: the effects of economic and market conditions in the markets in which the Company operates; competition with other entertainment, sports content, and casino gaming experiences; the timing, cost and expected impact of product and technology investments; risks relating to international operations, permits, licenses, financings, approvals and other contingencies in connection with growth in new or existing jurisdictions; collective bargaining activity and strikes; the Company may not be able to achieve the anticipated financial returns from the Sportsbook Agreement with ESPN, including due to fees, costs, taxes or circumstances beyond the Company's or ESPN's control; the rebranding of the Barstool Sportsbook as ESPN BET may be delayed, or in certain jurisdictions may not occur at all, for reasons beyond our control, including due to any delays in the receipt of, or failure to receive, any required regulatory approvals; potential adverse reactions or changes to business or regulatory relationships resulting from the announcement or performance of the Sportsbook Agreement with ESPN or the divestiture of Barstool Sports; the occurrence of any event, change or other circumstances that could give rise to the right of one or both of the Company and ESPN to terminate the Sportsbook Agreement between the companies; liabilities, costs and fees in connection with the divestiture of Barstool Sports and the transition from the Barstool Sportsbook and other uses of intellectual property of Barstool Sports, including in the Company's retail locations; the ability of the Company and ESPN to agree to extend the initial 10-year term of the Sportsbook Agreement on mutually satisfactory terms, if at all, and the costs and obligations of such terms if agreed; the outcome of any legal proceedings that may be instituted against the Company, ESPN or their respective directors, officers or employees; the ability of the Company or ESPN to retain and hire key personnel; the impact of new or changes in current laws, regulations, rules or other industry standards; and additional risks and uncertainties described in the Company's Annual Report on Form 10-K for the year ended December 31, 2022, subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, each as filed with the U.S. Securities and Exchange Commission. The Company does not intend to update publicly any forward-looking statements except as required by law. Considering these risks, uncertainties and assumptions, the forward-looking events discussed in this Form 10-Q may not occur.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to market risk from adverse changes in interest rates with respect to the short-term floating interest rates on borrowings under our Amended Credit Facilities. As of September 30, 2023, the Company's Amended Credit Facilities had a gross outstanding balance of \$1.5 billion, consisting of a \$515.6 million Amended Term Loan A Facility and a \$987.5 million Amended Term Loan B Facility. As of September 30, 2023, we have \$978.2 million of available borrowing capacity under our Amended Revolving Credit Facility.

The table below provides information as of September 30, 2023 about our long-term debt obligations that are sensitive to changes in interest rates, including the notional amounts maturing during the twelve month period presented and the related weighted-average interest rates by maturity dates.

<i>(dollars in millions)</i>	10/1/23 - 9/30/24	10/1/24 - 9/30/25	10/1/25 - 9/30/26	10/1/26 - 9/30/27	10/1/27 - 9/30/28	Thereafter	Total	Fair Value
Fixed rate \$	—	\$ —	\$ —	\$ 400.0	\$ —	\$ —	\$ 400.0	\$ 372.0
Average interest rate				5.625 %				
Fixed rate \$	—	\$ —	\$ —	\$ —	\$ —	\$ 400.0	\$ 400.0	\$ 322.0
Average interest rate						4.125 %		
Fixed rate \$	—	\$ —	\$ 330.5	\$ —	\$ —	\$ —	\$ 330.5	\$ 400.7
Average interest rate			2.750 %					
Variable rate \$	37.5	\$ 37.5	\$ 37.5	\$ 443.1	\$ 10.0	\$ 937.5	\$ 1,503.1	\$ 1,495.5
Average interest rate ⁽¹⁾	6.033 %	6.065 %	6.084 %	5.880 %	6.801 %	6.801 %		

(1) Estimated rate, reflective of forward SOFR as of September 30, 2023 plus the spread over SOFR applicable to variable-rate borrowing.

Foreign Currency Exchange Rate Risk

We are exposed to currency translation risk because the results of our international entities are reported in local currency, which we then translate to U.S. dollars for inclusion in our unaudited Consolidated Financial Statements. As a result, changes between the foreign exchange rates, in particular the Canadian dollar compared to the U.S. dollar, affect the amounts we record for our foreign assets, liabilities, revenues and expenses, and could have a negative effect on our financial results. The results of theScore are reported in Canadian dollars, which we then translate to U.S. dollars for inclusion in our unaudited Consolidated Financial Statements. We do not currently enter into hedging arrangements to minimize the impact of foreign currency fluctuations on our operations. For the three months ended September 30, 2023 and 2022, we incurred unrealized foreign currency translation adjustment losses of \$44.7 million and \$119.8 million, respectively, and incurred unrealized foreign currency translation adjustment losses of \$0.1 million and \$146.7 million for the nine months ended September 30, 2023 and 2022, respectively, as reported in “Foreign currency translation adjustment during the period” within our unaudited Consolidated Statements of Comprehensive Income (Loss).

ITEM 4. CONTROLS AND PROCEDURES

The Company’s management, under the supervision and with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of the Company’s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)), as of September 30, 2023. Based on this evaluation, our principal executive officer and principal financial officer concluded that the Company’s disclosure controls and procedures were effective as of September 30, 2023 to ensure that information required to be disclosed by the Company in reports we file or submit under the Exchange Act is (i) recorded, processed, summarized, evaluated and reported, as applicable, within the time periods specified in the United States Securities and Exchange Commission’s rules and forms and (ii) accumulated and communicated to the Company’s management, including the Company’s principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosures.

During the quarter ended September 30, 2023, there were no changes in our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are a party to a number of other pending legal proceedings. Management does not expect that the outcome of such proceedings, either individually or in the aggregate, will have a material effect on our financial position, results of operations or cash flows.

ITEM 1A. RISK FACTORS

We refer you to our 2022 Annual Report on Form 10-K and our Quarterly Report on Form 10-Q for the quarter ended June 30, 2023 for a discussion of the risk factors that affect our business and financial results. There have been no material changes to those risk factors, except as discussed below.

Collective bargaining activity and strikes could disrupt our operations, increase our labor costs, and interfere with the ability of our management to focus on executing our business strategies.

A significant number of team members at our properties are currently covered by collective bargaining agreements. Numerous collective bargaining agreements are typically subject to negotiation each year, and our ability in the past to resolve such negotiations does not mean that we will be able to resolve future negotiations without strikes, disruptions, or on terms that we consider reasonable. If relationships with our organized associates or the unions that represent them become adverse, then the properties we operate could experience labor disruptions such as strikes, lockouts, boycotts, and public demonstrations. Labor disputes and disruptions have in the past, and could in the future, result in adverse publicity and negatively affect operations and revenues at affected properties. For example, our collective bargaining agreement with the Detroit Casino Council expired on October 16, 2023 and, in mid-October 2023, members of our staff represented by the Detroit Casino Council went on strike at our Hollywood Casino at Greektown after negotiations with the Detroit Casino Council failed to yield a new contract. Labor disputes and disruptions, such as the Detroit Casino Council strike, and further strikes or work stoppages could harm our relationship with our team members, result in increased regulatory inquiries and enforcement by governmental authorities, harm our relationships with our guests and customers, divert management attention, and reduce customer demand for our services, all of which could have an adverse effect on our reputation, business, financial condition, or results of operations.

In addition, labor regulation and the negotiation of new or existing collective bargaining agreements could lead to higher wage and benefit costs, changes in work rules that raise operating expenses and legal costs, and could impose limitations on our ability or the ability of our third-party property owners to take cost saving measures during economic downturns.

Given the large number of employees, labor unions are making a concerted effort to recruit more employees in the gaming industry, and, we have experienced attempts by labor organizations to organize certain of our non-union employees. These efforts have achieved some success to date. We cannot provide any assurance that we will not experience additional and successful union activity in the future. The impact of this union activity is undetermined and could negatively impact our results of operations. Increased unionization of our workforce, new labor legislation or changes in regulations could disrupt our operations, reduce our profitability or interfere with the ability of our management to focus on executing our business strategies.

We lease facilities that are located in areas that experience extreme weather conditions, which may increase in frequency and severity as a result of climate change and adversely affect our business.

We have been and may continue to be adversely impacted by increases in the frequency, duration, and severity of extreme weather events and changes in precipitation and temperature which may be increasing consequences of climate change. Extreme weather conditions may interrupt our operations and reduce the number of customers who visit our facilities in the affected areas. Our properties in Colorado, Illinois, Indiana, Iowa, Kansas, Louisiana, Maine, Massachusetts, Mississippi, Missouri, Ohio, and Pennsylvania are at risk of experiencing extreme weather conditions, including snowstorms, tornadoes, hurricanes and/or flooding.

In the past, adverse weather conditions, potentially exacerbated by climate change, have interrupted our operations, damaged property, and reduced the number of customers who visit our facilities in an affected area. For example, we have experienced interrupted operations and property damage due to hurricanes in the areas around the Gulf of Mexico and due to certain snowstorms in the Midwest and Northeast. If any of our properties are damaged or there is a prolonged disruption at any of our properties due to natural disasters or other catastrophic weather events, our business, results of operations, and financial condition could be materially adversely affected.

Although a majority of our repair, clean-up, and lost business expenses have been covered by insurance in the past, there is no assurance that, given the increasing burdens on insurance companies from extreme weather events, we will be able to continue to obtain adequate insurance against these types of losses, or that our insurers will in the future be in a position to satisfy our claims. In addition, the costs of insurance against these types of events have increased in recent years. For example, the Company's cost of insurance premiums on an annual basis was approximately \$25.0 million in 2022 as compared to \$21.0 million in 2021.

Additionally, our retail casino gaming, sports betting, and online gaming operations rely heavily on technology services and an uninterrupted supply of electrical power. Any unscheduled disruption in our technology services or interruption in the supply of electrical power as a result of extreme weather, or otherwise, could result in an immediate, and possibly substantial, loss of revenues due to a shutdown of our retail casino gaming (including slot machines and security systems), sports betting, and online gaming operations.

Climate change regulations and greenhouse gas effects may adversely impact our operations.

There is a growing consensus that greenhouse gas ("GHG") emissions continue to alter the composition of the global atmosphere in ways that are affecting, and are expected to continue affecting, the global climate. We may become subject to legislation and regulation regarding climate change, and compliance with any new rules could be difficult, burdensome and costly. Concerned parties, such as legislators and regulators, stockholders, and nongovernmental organizations, as well as companies in many business sectors, are considering ways to reduce GHG emissions. Many states have announced or adopted programs to stabilize and reduce GHG emissions and, in the past, federal legislation has been proposed in Congress. If such legislation is enacted, we could incur increased energy, environmental and other costs, and capital expenditures to comply with the limitations. Unless and until legislation is enacted and its terms are known, we cannot reasonably or reliably estimate its impact on our financial condition, results of operations, or ability to compete. Further, regulation of GHG emissions may limit our customers' ability to travel to our properties (e.g. as a result of increased fuel costs or restrictions on transport-related emissions).

Investors' and other stakeholders' expectations of our performance relating to environmental, social and governance factors may impose additional costs and expose us to new risks.

There is an increasing focus from certain investors, customers, partners, employees, other stakeholders, and regulators concerning environmental, social, and governance matters ("ESG"). Some investors may use these non-financial performance factors to guide their investment strategies and, in some cases, may choose not to invest in us if they believe our policies and actions relating to ESG are inadequate. We may face reputational damage in the event that we do not meet the ESG standards set by various constituencies.

As ESG best practices and reporting standards continue to develop, we may incur increasing costs related to ESG monitoring and reporting and compliance with ESG initiatives. We publish an annual Corporate Social Responsibility Report, which highlights, among other things, our climate change mitigation activities and how we are supporting our workforce, including our diversity, equity, inclusion, and belonging efforts. Our disclosures on these matters, or a failure to meet evolving stakeholder expectations for ESG practices and reporting, may potentially harm our reputation and customer relationships.

Furthermore, if our competitors' ESG performance is perceived to be better than ours, potential or current investors may elect to invest with our competitors instead. In addition, in the event that we communicate certain initiatives or goals regarding ESG matters, we could fail, or be perceived to fail, in our achievement of such initiatives or goals, or we could be criticized for the scope of such initiatives or goals. If we fail to satisfy the expectations of investors, customers, employees, and other stakeholders, or our initiatives are not executed as planned, our business, financial condition, results of operations, and prospects could be adversely affected.

ITEM 5. OTHER INFORMATION

Rule 10b5-1 Trading Plans

During the three months ended September 30, 2023, none of the Company's directors or executive officers adopted or terminated any contract, instruction or written plan for the purchase or sale of the Company's securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement."

ITEM 6. EXHIBITS

Exhibit Number	Description of Exhibit
4.1	Investment Agreement, dated as of August 8, 2023, by and between PENN Entertainment, Inc. and ESPN, Inc., incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on August 8, 2023 (SEC File No. 000-24206).
4.2	Form of Warrant, incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on August 8, 2023 (SEC File No. 000-24206).
4.3	Registration Rights Agreement, dated as of August 8, 2023, by and between PENN Entertainment, Inc. and ESPN, Inc., incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed on August 8, 2023 (SEC File No. 000-24206).
10.1*†	Form of Restricted Stock Unit Award Agreement (Stock-Settled), as amended October 2, 2023, for the PENN Entertainment, Inc. 2022 Long Term Incentive Compensation Plan, as amended.
10.2*†	Form of Restricted Stock Unit Award Agreement (Cash-Settled), as amended October 2, 2023, for the PENN Entertainment, Inc. 2022 Long Term Incentive Compensation Plan, as amended.
10.3*†	Form of Performance Unit Award Agreement, as amended October 2, 2023, for the PENN Entertainment, Inc. 2022 Long Term Incentive Compensation Plan, as amended.
10.4*†	Form of Restricted Stock Award Agreement, as amended October 2, 2023, for the PENN Entertainment, Inc. 2022 Long Term Incentive Compensation Plan, as amended.
10.5*†	Form of Non-Qualified Stock Option Award Agreement, as amended October 2, 2023, for the PENN Entertainment, Inc. 2022 Long Term Incentive Compensation Plan, as amended.
31.1*	CEO Certification pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	CFO Certification pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	CEO Certification pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of The Sarbanes-Oxley Act of 2002.
32.2**	CFO Certification pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of The Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL 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	Cover Page Inline XBRL File (included in Exhibit 101)
*	Filed herewith.
**	Furnished herewith.
†	Management contract or compensatory plan or arrangement

PENN ENTERTAINMENT, INC.

**RESTRICTED STOCK UNIT AWARD AGREEMENT
(Stock-Settled)**

PENN Entertainment, Inc. (the "Company") has granted to you an Award of Restricted Stock Units ("Award") pursuant to the PENN Entertainment, Inc. 2022 Long Term Incentive Compensation Plan, as amended, as follows:

Grantee: _____
 Date of Grant: _____, 20____
 Total Number of Restricted Stock
 Units: _____
 Vesting Schedule _____

The Award is subject to vesting and forfeiture conditions as determined by the Compensation Committee or its delegate from time to time as set forth herein.

This Award is subject to the terms and conditions of the PENN Entertainment, Inc. 2022 Long Term Incentive Compensation Plan, as amended from time to time (the "Plan"), which has been made available to you, and any rules, and regulations established by the Compensation Committee of the Board of Directors of the Company (the "Committee") or its delegate. Words used herein with initial capitalized letters that are not defined in this Award are defined in the Plan.

The terms provided herein are applicable to this Award. Different terms may apply to prior or future awards (if any) under the Plan (or a predecessor plan). To the extent that there is a conflict between the terms of this Award and the Plan, the terms of the Plan shall govern.

I. ACCEPTANCE OF AWARD

This Award constitutes an agreement between you and the Company. You have reviewed all of the provisions of the Plan and this Award. By electronically accepting this Award according to the instructions provided by the Company's designated broker, you agree that this electronic contract contains your electronic signature, which you have executed with the intent to sign this Award, and that this Award is granted under and governed by the terms and conditions of the Plan and this Award. You hereby agree to accept as binding, conclusive and final all decisions or interpretations of the Committee or its delegate on questions relating to the Plan and this Award.

II. GRANT OF STOCK-SETTLED RESTRICTED STOCK UNITS

Effective as of the Date of Grant, the Company has granted to you an Award of Restricted Stock Units. Each vested Restricted Stock Unit represents the right to receive one share of the Company's Common Stock subject to the Vesting Schedule set forth above and the vesting and forfeiture conditions described below.

III. VESTING AND FORFEITURE

This Award is subject to forfeiture according to the Vesting Schedule set forth above and this Section III. If your employment or service as an Employee, Consultant, or Director of the Company or a Subsidiary, as applicable, terminates for any reason (except as otherwise provided for in the Plan or below), then all of the Restricted Stock Units that have not vested at such time shall be forfeited. You will receive no payment or shares of Common Stock for Restricted Stock Units that are forfeited. The Restricted Stock Units will also vest in their entirety as of the occurrence of any of the following events.

A. Death or Disability

If your employment or service as an Employee, Consultant, or Director of the Company or a Subsidiary, as applicable, terminates due to your death or Disability before the Restricted Stock Units have become fully vested in accordance with the Vesting Schedule, the forfeiture restrictions on this Award shall lapse and all unvested Restricted Stock Units shall vest.

For purposes of this Award, "Disability" means a physical or mental impairment sufficient to make the Grantee who is an Employee eligible for benefits under the Company's or Subsidiary's long-term disability plan in which the Grantee is a participant. A Grantee who is a Director or Consultant shall be treated as having a Disability if a physical or mental impairment would have made the Director or Consultant eligible for benefits under the Company's or Subsidiary's long-term disability plan had the Director or Consultant been an Employee.

B. Change of Control

If your employment or service as an Employee, Consultant or Director of the Company or a Subsidiary, as applicable, is terminated by the Company without Cause or by you for Good Reason within two (2) years following a Change of Control (or on the date of the Change of Control), the forfeiture restrictions on this Award shall lapse, all unvested Restricted Stock Units shall vest, and the provisions of Article XIII of the Plan shall apply.

IV. LEAVES OF ABSENCE

For purposes of this Award, your employment or service as an Employee, Consultant, or Director, as applicable, does not terminate when you go on a leave of absence recognized under the Plan. Your employment or service will terminate when the leave of absence ends, however, unless you immediately return to active employment or service in the applicable capacity.

V. PAYMENT FOR SHARES

There is no exercise price or other payment required from you in exchange for this Award.

VI. CONVERSION OF RESTRICTED STOCK UNITS AND ISSUANCE OF SHARES

This Award shall be settled by the Company by the issuance of shares of Common Stock underlying the Award as soon reasonably practicable following vesting, but no later than sixty (60) days following the date on which the vesting condition is met, subject to the determination of the Committee or its delegate that any applicable vesting conditions have been met. Subject to satisfaction of the applicable tax withholding requirements as set forth in Section X of this Award, the Company shall transfer to you one share of Common Stock for each Restricted Stock Unit that vests. The lapse of such forfeiture restrictions means that the Common Stock underlying the Award shall be fully transferable by you, subject to compliance with Section VIII of this Award.

VII. SHAREHOLDER RIGHTS

You are not and do not have the rights of a shareholder of the Company with respect to any shares of Common Stock underlying this Award unless and until shares of Common Stock underlying the Award have been issued and delivered to you. After the lapse of any applicable forfeiture restrictions, the shares of Common Stock underlying the Award will be released to you in the form of a stock certificate or uncertificated shares.

VIII. RESTRICTIONS ON RESALE

You may not sell any shares of Common Stock free from the forfeiture restrictions of this Award at a time when applicable laws or Company policies would prohibit a sale. This restriction will apply as long as you are an Employee, Consultant or Director, as applicable.

IX. TRANSFER OF RESTRICTED STOCK UNITS

The Restricted Stock Units subject to this Award may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of or otherwise encumbered except in accordance with Section 12.8 of the Plan. Any attempt at such disposition shall be void.

X. WITHHOLDING TAXES

No shares of Common Stock will vest or be released or issued to you unless you have made arrangements, acceptable to the Company, to pay any withholding taxes that may be due. Unless determined otherwise by the Committee, applicable tax withholding obligations not satisfied by you in cash shall be satisfied by having the Company withhold from the number of shares of Common Stock otherwise issuable or deliverable pursuant to the settlement of the Award a number of such shares with a Fair Market Value equal to such withholding obligation, but in no event exceeding the maximum statutory tax rates of your applicable jurisdiction (or such other rate as would not trigger a negative accounting impact). The Fair Market Value of the shares of Common Stock retained by the Company or surrendered by you shall be determined in accordance with the Plan as of the date the tax obligation arises.

XI. ADJUSTMENTS

As described more fully in Section 11.2 of the Plan, in the event of a stock split, a stock dividend and certain other events or transactions affecting the Common Stock, the number of Restricted Stock Units underlying this Award may be adjusted.

XII. ELECTRONIC DELIVERY AND DISCLOSURE

The Company may deliver or disclose, as applicable, any documents related to this Award, future awards that may be granted under the Plan, the prospectus related to the Plan, the Company's annual reports or proxy statements by electronic means or to request your consent to participate in the Plan by electronic means. You hereby consent to receive such documents delivered electronically or to retrieve such documents furnished electronically, as applicable, and agree to participate in the Plan through any online or electronic system established and maintained by the Company or a third party designated by the Company.

XIII. NO RIGHT TO CONTINUED SERVICE

This Award does not give you the right to continue in employment or service with the Company or Subsidiary in any capacity. The Company or Subsidiary reserves the right to terminate your employment or service at any time, with or without cause, subject to any employment agreement or other contract.

XIV. APPLICABLE LAW AND VENUE

This Award will be interpreted and enforced under the laws of the Commonwealth of Pennsylvania, without regard to its choice of law provisions. For purposes of any action, lawsuit or other proceedings brought to enforce this Award, relating to it, or arising from it, the parties hereby submit to the sole and exclusive jurisdiction of the Commonwealth of Pennsylvania, United States of America, and agree that such litigation will be conducted in the courts of Berks County, or the federal courts for the United States for the Eastern District of Pennsylvania, where this grant is made and/or to be performed.

XV. JURISDICTION-SPECIFIC PROVISIONS

This Award shall be subject to any terms and conditions for your jurisdiction set forth in the Addendum attached hereto. Moreover, if you relocate to any of the jurisdictions included in the Addendum, the terms and conditions for such jurisdiction will apply to you, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Addendum constitutes part of the Restricted Stock Unit Award Agreement.

XVI. CODE SECTION 409A COMPLIANCE

To the extent the Committee determines that this Award is subject to Section 409A of the Code and fails to comply with the requirements of such Section, the Committee reserves the right to amend, terminate or replace this Award in order to cause the Award to either not be subject to Section 409A of the Code or comply with the applicable provisions.

XVII. ENTIRE AGREEMENT/AMENDMENT

The text of the Plan is incorporated in this Award by reference.

This Award and the Plan constitute the entire understanding between you and the Company regarding this Award. Any prior agreements, commitments or negotiations concerning this Award are superseded. This Award may be amended in a way that is adverse to you or your beneficiaries only by another written agreement, signed by both parties, otherwise, the rights of the Board or Grantor as set forth in the Plan control as to any modification, alteration or amendment of this Award.

PENN ENTERTAINMENT, INC.

ADDENDUM - JURISDICTION-SPECIFIC PROVISIONS

PENN ENTERTAINMENT, INC.

RESTRICTED STOCK UNIT AWARD AGREEMENT
(Stock-Settled)

Words used herein with initial capitalized letters that are not defined in this Addendum or the main body of the Award are defined in the Plan.

Terms and Conditions

This Addendum contains additional or different terms and conditions that are applicable to this Award if you reside and/or work in any of the jurisdictions listed below. If you are a citizen or a resident (or are considered as such for local law purposes) of a jurisdiction other than the jurisdiction in which you are currently residing or working, or if you relocate to another jurisdiction after the Date of Grant, the Company will, in its discretion, determine the extent to which the terms and conditions contained herein will be applicable to you.

Notifications

This Addendum may also include information regarding securities laws, exchange controls and certain other issues of which you should be aware with respect to participation in the Plan. The information is based on the securities, exchange control, and other laws in effect in the respective jurisdictions as of July 2023. Such laws are often complex and change frequently. As a result, you should not rely on the information contained herein as the only source of information relating to the consequences of your participation in the Plan because the information may be out of date at the time your Award is granted or vests or when you sell shares of Common Stock acquired under the Plan.

In addition, the information contained herein is general in nature and may not apply to your particular situation, and the Company is not in a position to assure you of a particular result. Accordingly, you should seek appropriate professional advice as to how the relevant laws in your country may apply to your particular situation.

Finally, if you are a citizen or resident (or are considered as such for local law purposes) of a jurisdiction other than the jurisdiction in which you are currently residing and/or working, or if you relocate to another jurisdiction after the Date of Grant, the notifications contained herein may not be applicable to you in the same manner.

UNITED STATES - CALIFORNIA

DATA PRIVACY INFORMATION AND CONSENT

A. **Data Collection and Usage.** The Company and the Service Recipient may collect, process, use and disclose certain personal information about you, including, but not limited to, your name, home address, email address, telephone number, date of birth, social insurance number, passport or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all awards or any other entitlement to the value of shares of Common Stock awarded, canceled, exercised, vested, unvested or outstanding in your favor (“Data”), for the purposes of implementing, administering and managing the Plan. The Company, with its registered address at 825 Berkshire Boulevard, Wyomissing, Pennsylvania, United States, 19610, acts as the data controller in respect of such Data. The legal basis, where required, for the processing of Data is for the business purpose of implementing, administering and managing the Plan, to comply with applicable laws and regulatory obligations, and any other purposes disclosed to you at the time of collection with your consent.

B. **Stock Plan Administration Service Providers.** The Company may transfer Data to its service providers which are assisting the Company with the implementation, administration and management of the Plan. The Company may select different or additional service providers and share Data with such other provider serving in a similar manner. The Company will notify you of any such additional or different service providers prior to their commencement of services to the Company. You may be asked to agree on separate terms and data processing practices with the service provider, with such agreement being a condition to the ability to participate in the Plan.

C. **International Data Transfers.** The Company and some of its service providers are based in countries other than the country where you reside, including the United States. The Company’s legal basis, where required, for the transfer of Data is for the business purpose of implementing, administering and managing the Plan, to comply with applicable laws and regulatory obligations, and any other purposes disclosed to you at the time of collection with your consent.

D. **Data Retention.** The Company will hold and use the Data only as long as is necessary to implement, administer and manage your participation in the Plan, or as required to comply with applicable legal or regulatory obligations, including under tax, exchange control, securities and labor laws. This may mean that Data is retained until after your employment or service with the Company or the Service Recipient ends, plus any additional time periods necessary for compliance with law, exercise or defense of legal rights, archiving, back-up and deletion purposes.

E. **Voluntariness and Consequences of Consent Denial or Withdrawal.** Participation in the Plan is voluntary and you are providing the consents herein on a purely voluntary basis. If you do not consent, or if you later seek to revoke your consent, your compensation from or service with the Company or Service Recipient will not be affected; the only consequence of refusing or withdrawing consent is that the Company would not be able to grant this Award or other equity awards to you or administer or maintain such awards.

F. **Data Subject Rights.** You may have a number of rights under data privacy laws in your jurisdiction(s). Depending on where you are based, such rights may include the right to (i) request access or copies of Data the Company processes, (ii) rectify incorrect Data, (iii) delete Data, (iv) restrict processing of Data, (v) transport Data, (vi) lodge complaints with competent authorities in your jurisdiction(s), and/or (vii) receive a list with the names and addresses of any potential recipients of Data. To receive clarification regarding these rights or to exercise these rights, you should contact the Company’s Privacy Compliance Officer at privacy@pennentertainment.com.

By electronically accepting this Award and indicating consent according to the instructions provided by the Company's designated broker, you are declaring that you agree with the data processing practices described herein and consent to the collection, processing and use of Data by the Company and the transfer of Data to the recipients mentioned above, including recipients located in countries or jurisdictions which do not have an adequate level of protection from a data protection law perspective, for the purposes described above.

PENN ENTERTAINMENT, INC.
RESTRICTED STOCK UNIT AWARD AGREEMENT
(Cash-Settled)

PENN Entertainment, Inc. (the "Company") has granted to you an Award of Restricted Stock Units ("Award") pursuant to the PENN Entertainment, Inc. 2022 Long Term Incentive Compensation Plan, as amended, as follows:

Grantee: _____
 Date of Grant: _____, 20__
 Total Number of Restricted Stock
 Units: _____
 Vesting Schedule _____

The Award is subject to vesting and forfeiture conditions as determined by the Compensation Committee or its delegate from time to time as set forth herein.

This Award is subject to the terms and conditions of the PENN Entertainment, Inc. 2022 Long Term Incentive Compensation Plan, as amended from time to time (the "Plan"), which has been made available to you, and any rules, and regulations established by the Compensation Committee of the Board of Directors of the Company (the "Committee") or its delegate. Words used herein with initial capitalized letters that are not defined in this Award are defined in the Plan.

The terms provided herein are applicable to this Award. Different terms may apply to prior or future awards (if any) under the Plan (or a predecessor plan). To the extent that there is a conflict between the terms of this Award and the Plan, the terms of the Plan shall govern.

I. ACCEPTANCE OF AWARD

This Award constitutes an agreement between you and the Company. You have reviewed all of the provisions of the Plan and this Award. By electronically accepting this Award according to the instructions provided by the Company's designated broker, you agree that this electronic contract contains your electronic signature, which you have executed with the intent to sign this Award, and that this Award is granted under and governed by the terms and conditions of the Plan and this Award. You hereby agree to accept as binding, conclusive and final all decisions or interpretations of the Committee or its delegate on questions relating to the Plan and this Award.

II. GRANT OF CASH-SETTLED RESTRICTED STOCK UNITS

Effective as of the Date of Grant identified above, the Company has granted to you an Award of Restricted Stock Units. Each vested Restricted Stock Unit represents the right to a cash payment equal to the Fair Market Value of one share of the Company's Common Stock subject to the Vesting Schedule set forth above and the vesting and forfeiture conditions described below. You have no right to receive shares of Common Stock of the Company under this Award.

III. VESTING AND FORFEITURE

This Award is subject to forfeiture according to the Vesting Schedule set forth above and this Section III. If your service as an Employee, Consultant, or Director of the Company or a Subsidiary, as applicable, terminates for any reason (except as otherwise provided for in the Plan or below), then all of the Restricted Stock Units (and any right to receive cash payments thereunder) that have not vested at such time shall be forfeited. You will receive no payment or shares of Common Stock for Restricted Stock Units that are forfeited. The Restricted Stock Units will also vest in their entirety as of the occurrence of any of the following events.

A. Death or Disability

If your employment or service as an Employee, Consultant or Director of the Company or a Subsidiary, as applicable, terminates due to your death or Disability before the Restricted Stock Units have become fully vested in accordance with the Vesting Schedule, the forfeiture restrictions on this Award shall lapse and all unvested Restricted Stock Units shall vest.

For purposes of this Award, "Disability" means a physical or mental impairment sufficient to make the Grantee who is an Employee eligible for benefits under the Company's or Subsidiary's long-term disability plan in which the Grantee is a participant. A Grantee who is a Director or Consultant shall be treated as having a Disability if a physical or mental impairment would have made the Director or Consultant eligible for benefits under the Company's or Subsidiary's long-term disability plan had the Director or Consultant been an Employee.

B. Change of Control

If your employment or service as an Employee, Consultant or Director of the Company or a Subsidiary, as applicable, is terminated by the Company without Cause or by you for Good Reason within two (2) years following a Change of Control (or on the date of the Change of Control), the forfeiture restrictions on this Award shall lapse, all unvested Restricted Stock Units shall vest, and the provisions of Article XIII of the Plan shall apply.

IV. LEAVES OF ABSENCE

For purposes of this Award, your employment or service as an Employee, Consultant, or Director, as applicable, does not terminate when you go on a leave of absence recognized under the Plan. Your employment or service will terminate when the leave of absence ends, however, unless you immediately return to active employment or service in the applicable capacity.

V. PAYMENT

The Company will deliver to you a cash payment for each vested and outstanding Restricted Stock Unit as soon as reasonably practicable following vesting, but no later than sixty (60) days following the date on which the vesting condition is met, subject to satisfaction of the applicable tax withholding requirements as set forth in Section VIII of this Award.

VI. NATURE OF CASH-SETTLED RESTRICTED STOCK UNITS; SHAREHOLDER RIGHTS

You are not and do not have the rights of a shareholder of the Company due to this Award. Cash-settled Restricted Stock Units are used solely as a device to measure and determine the cash amount that will be paid to you following the date on which the Restricted Stock Units vest. Restricted Stock Units are not treated as property or as a trust fund of any kind. Nothing in this Award, and no action taken pursuant to its provisions, will create or be construed to create a trust of any kind or a fiduciary relationship between you and the Company or any other person. All amounts attributable to the Restricted Stock Units shall be and remain the sole property of the Company, and your rights under this Award and the Plan are limited to the right to receive cash following the date the Restricted Stock Units vest. You have no right to receive shares of Common Stock under this Award.

VII. TRANSFER OF RESTRICTED STOCK UNITS

The Restricted Stock Units may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of or otherwise encumbered except in accordance with Section 12.8 of the Plan. Any attempt at such disposition shall be void.

VIII. WITHHOLDING TAXES

Upon the issuance of any cash payment in accordance with the foregoing, the Company shall withhold all applicable tax-related items legally payable by you from such cash payment.

IX. ADJUSTMENTS

As described more fully in Section 11.2 of the Plan, in the event of a stock split, a stock dividend and certain other events or transactions affecting the Common Stock, the number of Restricted Stock Units underlying this Award may be adjusted.

X. ELECTRONIC DELIVERY AND DISCLOSURE

The Company may deliver or disclose, as applicable, any documents related to this Award, future awards that may be granted under the Plan, the prospectus related to the Plan, the Company's annual reports or proxy statements by electronic means or to request your consent to participate in the Plan by electronic means. You hereby consent to receive such documents delivered electronically or to retrieve such documents furnished electronically, as applicable, and agree to participate in the Plan through any online or electronic system established and maintained by the Company or a third party designated by the Company.

XI. NO RIGHT TO CONTINUED SERVICE

This Award does not give you the right to continue in employment or service with the Company or Subsidiary in any capacity. The Company or Subsidiary reserves the right to terminate your employment or services at any time, with or without cause, subject to any employment agreement or other contract.

XII. APPLICABLE LAW AND VENUE

This Award will be interpreted and enforced under the laws of the Commonwealth of Pennsylvania, without regard to its choice of law provisions. For purposes of any action, lawsuit or other proceedings brought to enforce this Award, relating to it, or arising from it, the parties hereby submit to the sole and exclusive jurisdiction of the Commonwealth of Pennsylvania, United States of America, and agree that such litigation will be conducted in the courts of Berks County, or the federal courts for the United States for the Eastern District of Pennsylvania, where this grant is made and/or to be performed.

XIII. JURISDICTION-SPECIFIC PROVISIONS

This Award shall be subject to any terms and conditions for your jurisdiction set forth in the Addendum attached hereto. Moreover, if you relocate to any of the jurisdictions included in the Addendum, the terms and conditions for such jurisdiction will apply to you, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Addendum constitutes part of the Restricted Stock Unit Award Agreement.

XIV. CODE SECTION 409A COMPLIANCE

To the extent the Committee determines that this Award is subject to Section 409A of the Code and fails to comply with the requirements of such Section, the Committee reserves the right to amend, terminate or replace this Award in order to cause the Award to either not be subject to Section 409A of the Code or comply with the applicable provisions.

XV. ENTIRE AGREEMENT/AMENDMENT

The text of the Plan is incorporated in this Award by reference.

This Award and the Plan constitute the entire understanding between you and the Company regarding this Award. Any prior agreements, commitments or negotiations concerning this Award are superseded. This Award may be amended in a way that is adverse to you or your beneficiaries only by another written agreement, signed by both parties, otherwise, the rights of the Board or Grantor as set forth in the Plan control as to any modification, alteration or amendment of this Award.

PENN ENTERTAINMENT, INC.

ADDENDUM - JURISDICTION-SPECIFIC PROVISIONS

PENN ENTERTAINMENT, INC.

RESTRICTED STOCK UNIT AWARD AGREEMENT
(Cash-Settled)

Words used herein with initial capitalized letters that are not defined in this Addendum or the main body of the Award are defined in the Plan.

Terms and Conditions

This Addendum contains additional or different terms and conditions that are applicable to this Award if you reside and/or work in any of the jurisdictions listed below. If you are a citizen or a resident (or are considered as such for local law purposes) of a jurisdiction other than the jurisdiction in which you are currently residing or working, or if you relocate to another jurisdiction after the Date of Grant, the Company will, in its discretion, determine the extent to which the terms and conditions contained herein will be applicable to you.

Notifications

This Addendum may also include information regarding securities laws, exchange controls and certain other issues of which you should be aware with respect to participation in the Plan. The information is based on the securities, exchange control, and other laws in effect in the respective jurisdictions as of July 2023. Such laws are often complex and change frequently. As a result, you should not rely on the information contained herein as the only source of information relating to the consequences of your participation in the Plan because the information may be out of date at the time your Award is granted or vests.

In addition, the information contained herein is general in nature and may not apply to your particular situation, and the Company is not in a position to assure you of a particular result. Accordingly, you should seek appropriate professional advice as to how the relevant laws in your country may apply to your particular situation.

Finally, if you are a citizen or resident (or are considered as such for local law purposes) of a jurisdiction other than the jurisdiction in which you are currently residing and/or working, or if you relocate to another jurisdiction after the Date of Grant, the notifications contained herein may not be applicable to you in the same manner.

UNITED STATES - CALIFORNIA

DATA PRIVACY INFORMATION AND CONSENT

A. **Data Collection and Usage.** The Company and the Service Recipient may collect, process, use and disclose certain personal information about you, including, but not limited to, your name, home address, email address, telephone number, date of birth, social insurance number, passport or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all awards or any other entitlement to the value of shares of Common Stock awarded, canceled, exercised, vested, unvested or outstanding in your favor (“Data”), for the purposes of implementing, administering and managing the Plan. The Company, with its registered address at 825 Berkshire Boulevard, Wyomissing, Pennsylvania, United States, 19610, acts as the data controller in respect of such Data. The legal basis, where required, for the processing of Data is for the business purpose of implementing, administering and managing the Plan, to comply with applicable laws and regulatory obligations, and any other purposes disclosed to you at the time of collection with your consent.

B. **Stock Plan Administration Service Providers.** The Company may transfer Data to its service providers which are assisting the Company with the implementation, administration and management of the Plan. The Company may select different or additional service providers and share Data with such other provider serving in a similar manner. The Company will notify you of any such additional or different service providers prior to their commencement of services to the Company. You may be asked to agree on separate terms and data processing practices with the service provider, with such agreement being a condition to the ability to participate in the Plan.

C. **International Data Transfers.** The Company and some of its service providers are based in countries other than the country where you reside, including the United States. The Company’s legal basis, where required, for the transfer of Data is for the business purpose of implementing, administering and managing the Plan, to comply with applicable laws and regulatory obligations, and any other purposes disclosed to you at the time of collection with your consent.

D. **Data Retention.** The Company will hold and use the Data only as long as is necessary to implement, administer and manage your participation in the Plan, or as required to comply with applicable legal or regulatory obligations, including under tax, exchange control, securities and labor laws. This may mean that Data is retained until after your employment or service with the Company or the Service Recipient ends, plus any additional time periods necessary for compliance with law, exercise or defense of legal rights, archiving, back-up and deletion purposes.

E. **Voluntariness and Consequences of Consent Denial or Withdrawal.** Participation in the Plan is voluntary and you are providing the consents herein on a purely voluntary basis. If you do not consent, or if you later seek to revoke your consent, your compensation from or service with the Company or Service Recipient will not be affected; the only consequence of refusing or withdrawing consent is that the Company would not be able to grant this Award or other equity awards to you or administer or maintain such awards.

F. **Data Subject Rights.** You may have a number of rights under data privacy laws in your jurisdiction(s). Depending on where you are based, such rights may include the right to (i) request access or copies of Data the Company processes, (ii) rectify incorrect Data, (iii) delete Data, (iv) restrict processing of Data, (v) transport Data, (vi) lodge complaints with competent authorities in your jurisdiction(s), and/or (vii) receive a list with the names and addresses of any potential recipients of Data. To receive clarification regarding these rights or to exercise these rights, you should contact the Company’s Privacy Compliance Officer at privacy@pennentertainment.com.

By electronically accepting this Award and indicating consent according to the instructions provided by the Company's designated broker, you are declaring that you agree with the data processing practices described herein and consent to the collection, processing and use of Data by the Company and the transfer of Data to the recipients mentioned above, including recipients located in countries or jurisdictions which do not have an adequate level of protection from a data protection law perspective, for the purposes described above.

PENN ENTERTAINMENT, INC.
PERFORMANCE UNIT AWARD AGREEMENT
(Stock-Settled)

PENN Entertainment, Inc. (the “Company”) has granted to you an Award of Performance Units (“Award”) pursuant to the PENN Entertainment, Inc. 2022 Long Term Incentive Compensation Plan, as amended, as follows:

Grantee: _____
 Date of Grant: _____, 20____
 Award Target/Total Number of Performance Units: _____
 Award Period 20__ through 20__
 Vesting Schedule _____

The Award is subject to vesting and forfeiture conditions as determined by the Compensation Committee or its delegate from time to time as set forth herein.

This Award is subject to the terms and conditions of the PENN Entertainment, Inc. 2022 Long Term Incentive Compensation Plan, as amended from time to time (the “Plan”), which has been made available to you, and any rules, and regulations established by the Compensation Committee of the Board of Directors of the Company (the “Committee”) or its delegate. Words used herein with initial capitalized letters that are not defined in this Award are defined in the Plan.

The terms provided herein are applicable to this Award. Different terms may apply to prior or future awards (if any) under the Plan (or a predecessor plan). To the extent that there is a conflict between the terms of this Award and the Plan, the terms of the Plan shall govern.

I. ACCEPTANCE OF AWARD

This Award constitutes an agreement between you and the Company. You have reviewed all of the provisions of the Plan and this Award. By electronically accepting this Award according to the instructions provided by the Company’s designated broker, you agree that this electronic contract contains your electronic signature, which you have executed with the intent to sign this Award, and that this Award is granted under and governed by the terms and conditions of the Plan and this Award. You hereby agree to accept as binding, conclusive and final all decisions or interpretations of the Committee or its delegate on questions relating to the Plan and this Award.

II. PERFORMANCE TERMS

A. Award Period, Performance Periods, Restricted Period

The Award Period with respect to this Award begins on January 1 of the year containing the Date of Grant, and consists of three separate Performance Periods (the calendar year containing the Date of Grant and the two immediately following calendar years). The Award Period concludes on the date following the end of the final Performance Period on which the Committee makes its determination with respect to the final vesting of the Award (or, if earlier, on the date on which the Committee makes a determination following a Change in Control in accordance with the Plan). The Performance Units granted under this Award are evenly divided among the three Performance Periods.

B. Determination of Performance Units Earned

Following the end of each Performance Period, the Committee will determine whether, and to what extent, the Performance Goals are achieved for that Performance Period. The Performance Goals for each Performance Period are measured separately according the terms of the Plan, and the number of Performance Units earned will be determined for each Performance Period regardless of the Performance Level achieved in any other Performance Period.

C. Performance Goals

The Performance Goals will be communicated to you by the Company in a subsequent notice.

III. GRANT OF STOCK-SETTLED PERFORMANCE UNITS

Effective as of the Date of Grant identified above, the Company has granted to you an Award of Performance Units. Each Performance Unit represents the right to receive one share of the Company’s Common Stock upon the achievement of the Performance Goals, and subject to the vesting and forfeiture conditions described below.

IV. VESTING AND FORFEITURE

This Award, and any shares of Restricted Stock issued pursuant to this Award, are subject to forfeiture until the expiration of the Award Period, as set forth above. If your service as an Employee, Consultant, or Director of the Company or a Subsidiary, as applicable, terminates for any reason (except as otherwise provided for in the Plan or below), then all of the Performance Units (and any shares of Restricted Stock issued in connection with a prior conversion of Performance Units) that remain subject to forfeiture restrictions at such time shall be forfeited (even if they have been earned for a prior Performance Period based on the achievement of Performance Goals). You will receive no payment or shares of Common Stock for Performance Units or shares of Restricted Stock that are forfeited.

All unearned Performance Units subject to this Award shall be forfeited. Except as set forth below, there are no additional events or occurrences that shall lead to lapse of any forfeiture restrictions on this Award.

A. Death or Disability

If your employment or service as an Employee, Consultant or Director of the Company or a Subsidiary, as applicable, terminates before the end of the Award Period due to your death or Disability, the forfeiture restrictions on this Award shall lapse. In such a case, with respect to any Performance Period(s) that have been completed as of the date of your death or termination due to Disability, you (or your estate in the event of your death) shall vest in any shares of Restricted Stock issued in respect of earned Performance Units for completed Performance Periods (or, to the extent Performance Units were earned for a completed Performance Period, but the shares of Restricted Stock had not yet been issued, you shall receive shares of Common Stock based on the earned Performance Units, free of restrictions, as soon as practicable (and, in all events, within sixty (60) days) after the last day of the completed Performance Period). In addition, you will remain eligible to earn a pro-rata portion of the Performance Units applicable to the Performance Period in which your death or termination due to Disability occurs, but which has not been completed. The Performance Units for which a Performance Period has not yet been completed shall continue in full force and effect until the end of the applicable Performance Period and until the Committee makes the determination with respect to the achievement of the Performance Goal(s), at which point the pro-rata calculation shall be made at the same time as for other Grantees, and the shares of Common Stock issued promptly (and, in all events, within sixty (60) days) thereafter. All remaining Performance Units that were not earned and credited to your account and with respect to which the forfeiture restrictions have not lapsed shall be forfeited on the date of the Committee's determination.

For purposes of this Award, "Disability" means a physical or mental impairment sufficient to make the Grantee who is an Employee eligible for benefits under the Company's or Subsidiary's long-term disability plan in which the Grantee is a participant. A Grantee who is a Director or Consultant shall be treated as having a Disability if a physical or mental impairment would have made the Director or Consultant eligible for benefits under the Company's or Subsidiary's long-term disability plan had the Director or Consultant been an Employee.

B. Change of Control

If your employment or service as an Employee, Consultant or Director of the Company or a Subsidiary, as applicable, is terminated by the Company without Cause or by you for Good Reason in the two (2) years following a Change of Control and before the end of the Award Period, the provisions of Article XIII of the Plan shall apply, and (i) with respect to any Performance Period(s) that have been completed as of the date of termination, you shall vest in any shares of Restricted Stock issued in respect of earned Performance Units for completed Performance Periods (or, to the extent Performance Units were earned for a completed Performance Period, but the shares of Restricted Stock had not yet been issued, you shall receive shares of Common Stock based on the earned Performance Units, free of restrictions, as soon as practicable (and, in all events, within sixty (60) days) after the last day of the completed Performance Period) and (ii) with respect to any Performance Periods that have not yet been completed, you shall be entitled to receive one share of Common Stock for each Performance Unit that could have been earned in the Performance Period, with such shares issued as soon as practicable (and, in all events, within sixty (60) days) after the date of termination.

V. LEAVES OF ABSENCE

For purposes of this Award, your employment or service as an Employee, Consultant, or Director, as applicable, does not terminate when you go on a leave of absence recognized under the Plan. Your service will terminate when the leave of absence ends, however, unless you immediately return to active service in the applicable capacity.

VI. PAYMENT FOR SHARES

There is no exercise price or other payment required from you in exchange for this Award.

VII. CONVERSION OF PERFORMANCE UNITS AND ISSUANCE OF SHARES

This Award shall be settled by the Company by the issuance of shares of Common Stock underlying the Award as soon as reasonably practicable following the Committee's determination, for each Performance Period, of the Performance Level of achievement for the Performance Goals. Such shares of Common Stock once issued, shall constitute Restricted Stock under the Plan, and shall be unvested and subject to forfeiture restrictions until the end of the Award Period, as described above.

To the extent that the forfeiture restrictions on the shares of Restricted Stock lapse at (or prior to) the end of the Award Period, such shares shall, thereafter, be fully transferable by you, subject to compliance with Section IX of this Award and the terms of the Plan.

VIII. SHAREHOLDER RIGHTS

You are not and do not have the rights of a shareholder of the Company with respect to any shares of Common Stock underlying this Award unless and until shares of Common Stock underlying the Award have been issued and delivered to you. You may vote shares of Restricted Stock issued to you pursuant to the Award. If Restricted Stock issued pursuant to the Award vests, you will receive any dividends paid with respect to the Restricted Stock during the Restricted Period. For clarity, you will not receive any dividends on shares of Restricted Stock that do not vest and any dividends relating to shares of Restricted Stock that vest will be retained by the Company and will only be paid if and when the Restricted Stock vests. Shares of Restricted Stock issued pursuant to the Award will be released to you in the form of a stock certificate or uncertificated shares.

IX. RESTRICTIONS ON RESALE

You may not sell any shares of Common Stock free from the forfeiture restrictions of this Award at a time when applicable laws or Company policies would prohibit a sale. This restriction will apply as long as you are an Employee, Consultant, or Director, as applicable.

X. TRANSFER OF PERFORMANCE UNITS AND RESTRICTED STOCK

The Performance Units subject to this Award, and, prior to vesting, any shares of Restricted Stock issued in connection with this Award, may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of or otherwise encumbered except in accordance with Section 12.8 of the Plan. Any attempt at such disposition shall be void.

XI. WITHHOLDING TAXES

No shares of Common Stock will vest or be released or issued to you unless you have made arrangements, acceptable to the Company, to pay any withholding taxes that may be due. Unless determined otherwise by the Committee, applicable tax withholding obligations not satisfied by you in cash shall be satisfied by having the Company withhold from the number of shares of Common Stock otherwise issuable or deliverable pursuant to the settlement of the Award a number of such shares with a Fair Market Value equal to such withholding obligation (or, with respect to shares of Restricted Stock issued pursuant to the Award that vest, by returning to the Company from the shares of Common Stock that would otherwise vest a number of such shares with a Fair Market Value equal to such withholding obligation); provided, that in no event shall the number of shares so withhold or returned have a Fair Market Value that exceeds the maximum statutory tax rates of your applicable jurisdiction (or such other rate as would not trigger a negative accounting impact). The Fair Market Value of the shares of Common Stock retained by the Company or surrendered by you shall be determined in accordance with the Plan as of the date the tax obligation arises.

XII. ADJUSTMENTS

As described more fully in Section 11.2 of the Plan, in the event of a stock split, a stock dividend and certain other events or transactions affecting the Common Stock, the number of Performance Units underlying this Award and the number of shares of Restricted Stock issued pursuant to this Award, if any, may be adjusted.

XIII. ELECTRONIC DELIVERY AND DISCLOSURE

The Company may deliver or disclose, as applicable, any documents related to this Award, future awards that may be granted under the Plan, the prospectus related to the Plan, the Company's annual reports or proxy statements by electronic means or to request your consent to participate in the Plan by electronic means. You hereby consent to receive such documents delivered electronically or to retrieve such documents furnished electronically, as applicable, and agree to participate in the Plan through any online or electronic system established and maintained by the Company or a third party designated by the Company.

XIV. NO RIGHT TO CONTINUED SERVICE

This Award does not give you the right to continue in employment or service with the Company or Subsidiary in any capacity. The Company or Subsidiary reserves the right to terminate your employment or service at any time, with or without cause, subject to any employment agreement or other contract.

XV. APPLICABLE LAW AND VENUE

This Award will be interpreted and enforced under the laws of the Commonwealth of Pennsylvania, without regard to its choice of law provisions. For purposes of any action, lawsuit or other proceedings brought to enforce this Award, relating to it, or arising from it, the parties hereby submit to the sole and exclusive jurisdiction of the Commonwealth of Pennsylvania, United States of America, and agree that such litigation will be conducted in the courts of Berks County, or the federal courts for the United States for the Eastern District of Pennsylvania, where this grant is made and/or to be performed.

XVI. JURISDICTION-SPECIFIC PROVISIONS

This Award shall be subject to any terms and conditions for your jurisdiction set forth in the Addendum attached hereto. Moreover, if you relocate to any of the jurisdictions included in the Addendum, the terms and conditions for such jurisdiction will apply to you, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Addendum constitutes part of the Performance Unit Award Agreement.

XVII. CODE SECTION 409A COMPLIANCE

To the extent the Committee determines that this Award is subject to Section 409A of the Code and fails to comply with the requirements of such Section, the Committee reserves the right to amend, terminate or replace this Award in order to cause the Award to either not be subject to Section 409A of the Code or comply with the applicable provisions.

XVIII. ENTIRE AGREEMENT/AMENDMENT

The text of the Plan is incorporated in this Award by reference.

This Award and the Plan constitute the entire understanding between you and the Company regarding this Award. Any prior agreements, commitments or negotiations concerning this Award are superseded. This Award may be amended in a way that is adverse to you or your beneficiaries only by another written agreement, signed by both parties, otherwise, the rights of the Board or Grantor as set forth in the Plan control as to any modification, alteration or amendment of this Award.

PENN ENTERTAINMENT, INC.

ADDENDUM - JURISDICTION-SPECIFIC PROVISIONS

PENN ENTERTAINMENT, INC.

PERFORMANCE UNIT AWARD AGREEMENT

(Stock Settled)

Words used herein with initial capitalized letters that are not defined in this Addendum or the main body of the Award are defined in the Plan.

Terms and Conditions

This Addendum contains additional or different terms and conditions that are applicable to this Award if you reside and/or work in any of the jurisdictions listed below. If you are a citizen or a resident (or are considered as such for local law purposes) of a jurisdiction other than the jurisdiction in which you are currently residing or working, or if you relocate to another jurisdiction after the Date of Grant, the Company will, in its discretion, determine the extent to which the terms and conditions contained herein will be applicable to you.

Notifications

This Addendum may also include information regarding securities laws, exchange controls and certain other issues of which you should be aware with respect to participation in the Plan. The information is based on the securities, exchange control, and other laws in effect in the respective jurisdictions as of July 2023. Such laws are often complex and change frequently. As a result, you should not rely on the information contained herein as the only source of information relating to the consequences of your participation in the Plan because the information may be out of date at the time your Award is granted or vests.

In addition, the information contained herein is general in nature and may not apply to your particular situation, and the Company is not in a position to assure you of a particular result. Accordingly, you should seek appropriate professional advice as to how the relevant laws in your country may apply to your particular situation.

Finally, if you are a citizen or resident (or are considered as such for local law purposes) of a jurisdiction other than the jurisdiction in which you are currently residing and/or working, or if you relocate to another jurisdiction after the Date of Grant, the notifications contained herein may not be applicable to you in the same manner.

UNITED STATES - CALIFORNIA

DATA PRIVACY INFORMATION AND CONSENT

A. ***Data Collection and Usage. The Company and the Service Recipient may collect, process, use and disclose certain personal information about you, including, but not limited to, your name, home address, email address, telephone number, date of birth, social insurance number, passport or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all awards or any other entitlement to the value of shares of Common Stock awarded, canceled, exercised, vested, unvested or outstanding in your favor (“Data”), for the purposes of implementing, administering and managing the Plan. The Company, with its registered address at 825 Berkshire Boulevard, Wyomissing, Pennsylvania, United States, 19610, acts as the data controller in respect of such Data. The legal basis, where required, for the processing of Data is for the business purpose of implementing, administering and managing the Plan, to comply with applicable laws and regulatory obligations, and any other purposes disclosed to you at the time of collection with your consent.***

B. Stock Plan Administration Service Providers. *The Company may transfer Data to its service providers which are assisting the Company with the implementation, administration and management of the Plan. The Company may select different or additional service providers and share Data with such other provider serving in a similar manner. The Company will notify you of any such additional or different service providers prior to their commencement of services to the Company. You may be asked to agree on separate terms and data processing practices with the service provider, with such agreement being a condition to the ability to participate in the Plan.*

C. International Data Transfers. *The Company and some of its service providers are based in countries other than the country where you reside, including the United States. The Company's legal basis, where required, for the transfer of Data is for the business purpose of implementing, administering and managing the Plan, to comply with applicable laws and regulatory obligations, and any other purposes disclosed to you at the time of collection with your consent.*

D. Data Retention. *The Company will hold and use the Data only as long as is necessary to implement, administer and manage your participation in the Plan, or as required to comply with applicable legal or regulatory obligations, including under tax, exchange control, securities and labor laws. This may mean that Data is retained until after your employment or service with the Company or the Service Recipient ends, plus any additional time periods necessary for compliance with law, exercise or defense of legal rights, archiving, back-up and deletion purposes.*

E. Voluntariness and Consequences of Consent Denial or Withdrawal. *Participation in the Plan is voluntary and you are providing the consents herein on a purely voluntary basis. If you do not consent, or if you later seek to revoke your consent, your compensation from or service with the Company or Service Recipient will not be affected; the only consequence of refusing or withdrawing consent is that the Company would not be able to grant this Award or other equity awards to you or administer or maintain such awards.*

F. Data Subject Rights. *You may have a number of rights under data privacy laws in your jurisdiction(s). Depending on where you are based, such rights may include the right to (i) request access or copies of Data the Company processes, (ii) rectify incorrect Data, (iii) delete Data, (iv) restrict processing of Data, (v) transport Data, (vi) lodge complaints with competent authorities in your jurisdiction(s), and/or (vii) receive a list with the names and addresses of any potential recipients of Data. To receive clarification regarding these rights or to exercise these rights, you should contact the Company's Privacy Compliance Officer at privacy@pennentertainment.com.*

<p><i>By electronically accepting this Award and indicating consent according to the instructions provided by the Company's designated broker, you are declaring that you agree with the data processing practices described herein and consent to the collection, processing and use of Data by the Company and the transfer of Data to the recipients mentioned above, including recipients located in countries or jurisdictions which do not have an adequate level of protection from a data protection law perspective, for the purposes described above.</i></p>

PENN ENTERTAINMENT, INC.

RESTRICTED STOCK AWARD AGREEMENT

PENN Entertainment, Inc. (the "Company") has granted to you an Award of Restricted Stock ("Award") pursuant to the PENN Entertainment, Inc. 2022 Long Term Incentive Compensation Plan, as amended, as follows:

Grantee: _____

Date of Grant: _____, 20__

Total Shares of Restricted Stock: _____

Vesting Schedule - Vesting Dates
and Number of Shares of Restricted
Stock Vesting:

The Award is subject to a Restricted Period wherein vesting and forfeiture conditions apply to the Award as determined by the Compensation Committee or its delegate from time to time as set forth herein.

Expiration Date: _____

This Award is subject to the terms and conditions of the PENN Entertainment, Inc. 2022 Long Term Incentive Compensation Plan, as amended from time to time (the "Plan"), which has been made available to you, and any rules, and regulations established by the Compensation Committee of the Board of Directors of the Company (the "Committee") or its delegate. Words used herein with initial capitalized letters that are not defined in this Award are defined in the Plan.

The terms provided herein are applicable to this Award. Different terms may apply to prior or future awards (if any) under the Plan (or a predecessor plan). To the extent that there is a conflict between the terms of this Award and the Plan, the terms of the Plan shall govern.

I. ACCEPTANCE OF AWARD

This Award constitutes an agreement between you and the Company. You have reviewed all of the provisions of the Plan and this Award. By electronically accepting this Award according to the instructions provided by the Company's designated broker, you agree that this electronic contract contains your electronic signature, which you have executed with the intent to sign this Award, and that this Award is granted under and governed by the terms and conditions of the Plan and this Award. You hereby agree to accept as binding, conclusive and final all decisions or interpretations of the Committee or its delegate on questions relating to the Plan and this Award.

II. GRANT OF RESTRICTED STOCK

Effective as of the Date of Grant, the Company has granted to you an Award of Restricted Stock. Each share of Restricted Stock is one share of the Company's Common Stock subject to the Restricted Period and Vesting Schedule set forth above and the vesting and forfeiture conditions described below.

III. VESTING AND FORFEITURE

This Award is subject to forfeiture during the Restricted Period and will vest according to the Vesting Schedule set forth above and this Section III. If your employment or service as an Employee or Director of the Company or Subsidiary, as applicable, terminates for any reason (except as otherwise provided for in the Plan or below), then all of the Restricted Stock that remains subject to forfeiture restrictions at such time shall be cancelled and forfeited. This means that the Restricted Stock will immediately revert to the Company. You will receive no payment for shares of Restricted Stock that are forfeited. The lapse of forfeiture restrictions means that the Common Stock subject to the Award shall vest and, thereafter, be fully transferable by you, subject to compliance with Sections IX and XI of this Award and the terms of the Plan. Until the lapse of such forfeiture restrictions you may not sell, transfer, pledge or otherwise dispose of the shares of Common Stock subject to this Award.

The shares of Restricted Stock will also vest in their entirety as of the occurrence of any of the following events.

A. Death or Disability

If your employment or service as an Employee, Consultant or Director of the Company or a Subsidiary, as applicable, terminates due to your death or Disability before the shares of Restricted Stock have become fully vested in accordance with the Vesting Schedule, the forfeiture restrictions on this Award shall lapse and all unvested shares of Restricted Stock shall vest.

For purposes of this Award, "Disability" means a physical or mental impairment sufficient to make the Grantee who is an Employee eligible for benefits under the Company's or Subsidiary's long-term disability plan in which the Grantee is a participant. A Grantee who is a Director or Consultant shall be treated as having a Disability if a physical or mental impairment would have made

the Director or Consultant eligible for benefits under the Company's or Subsidiary's long-term disability plan had the Director or Consultant been an Employee.

B. Change of Control

If your employment or service as an Employee, Consultant or Director of the Company or a Subsidiary, as applicable, is terminated by the Company without Cause or by you for Good Reason within two (2) years following a Change of Control (or on the date of the Change of Control), the forfeiture restrictions on this Award shall lapse, all unvested shares of Restricted Stock shall vest, and the provisions of Article XIII of the Plan shall apply.

IV. LEAVES OF ABSENCE

For purposes of this Award, your employment or service as an Employee, Consultant, or Director, as applicable, does not terminate when you go on a leave of absence recognized under the Plan. Your employment or service will terminate when the leave of absence ends, however, unless you immediately return to active employment or service in the applicable capacity.

V. PAYMENT FOR SHARES

There is no exercise price or other payment required from you in exchange for this Award.

VI. STOCK CERTIFICATES

The Restricted Stock, or any part thereof, may be represented by certificates or may be notated in the form of uncertificated shares. The rights and obligations of the holder of shares represented by a certificate and the rights and obligations of the holder of uncertificated shares of the same class and series shall be identical. Until vested and issued, shares underlying this Award will be held for you by the Company. At the end of the Restricted Period, the shares of Common Stock will be released to you in the form of a stock certificate or uncertificated shares.

VII. SHAREHOLDER RIGHTS

You may vote your Restricted Stock. If your Restricted Stock vests, you will receive any dividends paid with respect to your Restricted Stock during the Restricted Period. For clarity, you will not receive any dividends on shares of Restricted Stock that do not vest and any dividends relating to shares of Restricted Stock that vests will be retained by the Company and will only be paid if and when the Restricted Stock vests.

VIII. RESTRICTIONS ON RESALE

You may not sell any shares of Common Stock free from the forfeiture restrictions of this Award at a time when applicable laws or Company policies would prohibit a sale. This restriction will apply as long as you are an Employee, Consultant, or Director, as applicable.

IX. TRANSFER OF RESTRICTED STOCK

The Restricted Stock subject to this Award may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of or otherwise encumbered except in accordance with Section 12.8 of the Plan. Any attempt at such disposition shall be void.

X. WITHHOLDING TAXES

No shares of Common Stock will vest and become transferrable unless you have made arrangements, acceptable to the Company, to pay any withholding taxes that may be due. Unless determined otherwise by the Committee, applicable tax withholding obligations not satisfied by you in cash shall be satisfied by returning to the Company from the shares of Common Stock that would otherwise vest a number of such shares with a Fair Market Value equal to such withholding obligation, but in no event exceeding the maximum statutory tax rates of your applicable jurisdiction (or such other rate as would not trigger a negative accounting impact). The Fair Market Value of the shares of Common Stock retained by the Company or surrendered by you shall be determined in accordance with the Plan as of the date the tax obligation arises.

XI. ADJUSTMENTS

As described more fully in Section 11.2 of the Plan, in the event of a stock split, a stock dividend and certain other events or transactions affecting the Common Stock, the number of shares of Restricted Stock underlying this Award may be adjusted.

XII. ELECTRONIC DELIVERY AND DISCLOSURE

The Company may deliver or disclose, as applicable, any documents related to this Award, future awards that may be granted under the Plan, the prospectus related to the Plan, the Company's annual reports or proxy statements by electronic means or to request your consent to participate in the Plan by electronic means. You hereby consent to receive such documents delivered electronically or

to retrieve such documents furnished electronically, as applicable, and agree to participate in the Plan through any online or electronic system established and maintained by the Company or a third party designated by the Company.

XIII. NO RIGHT TO CONTINUED SERVICE

This Award does not give you the right to continue in employment or service with the Company or Subsidiary in any capacity. The Company or Subsidiary reserves the right to terminate your employment or service at any time, with or without cause, subject to any employment agreement or other contract. In the event of a conflict between the terms of this Award and an employment agreement, if any, the terms of the employment agreement control.

XIV. APPLICABLE LAW AND VENUE

This Award will be interpreted and enforced under the laws of the Commonwealth of Pennsylvania, without regard to its choice of law provisions. For purposes of any action, lawsuit or other proceedings brought to enforce this Award, relating to it, or arising from it, the parties hereby submit to the sole and exclusive jurisdiction of the Commonwealth of Pennsylvania, United States of America, and agree that such litigation will be conducted in the courts of Berks County, or the federal courts for the United States for the Eastern District of Pennsylvania, where this grant is made and/or to be performed.

XV. JURISDICTION-SPECIFIC PROVISIONS

This Award shall be subject to any terms and conditions for your jurisdiction set forth in the Addendum attached hereto. Moreover, if you relocate to any of the jurisdictions included in the Addendum, the terms and conditions for such jurisdiction will apply to you, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Addendum constitutes part of the Restricted Stock Award Agreement.

XVI. CODE SECTION 409A COMPLIANCE

To the extent the Committee determines that this Award is subject to Section 409A of the Code and fails to comply with the requirements of such Section, the Committee reserves the right to amend, terminate or replace this Award in order to cause the Award to either not be subject to Section 409A of the Code or comply with the applicable provisions.

XVII. ENTIRE AGREEMENT/AMENDMENT

The text of the Plan is incorporated in this Award by reference.

This Award and the Plan constitute the entire understanding between you and the Company regarding this Award. Any prior agreements, commitments or negotiations concerning this Award are superseded. This Award may be amended in a way that is adverse to you or your beneficiaries only by another written agreement, signed by both parties, otherwise, the rights of the Board or Grantor as set forth in the Plan control as to any modification, alteration or amendment of this Award.

PENN ENTERTAINMENT, INC.

ADDENDUM - JURISDICTION-SPECIFIC PROVISIONS

PENN ENTERTAINMENT, INC.

RESTRICTED STOCK AWARD AGREEMENT

Words used herein with initial capitalized letters that are not defined in this Addendum or the main body of the Award are defined in the Plan.

Terms and Conditions

This Addendum contains additional or different terms and conditions that are applicable to this Award if you reside and/or work in any of the jurisdictions listed below. If you are a citizen or a resident (or are considered as such for local law purposes) of a jurisdiction other than the jurisdiction in which you are currently residing or working, or if you relocate to another jurisdiction after the Date of Grant, the Company will, in its discretion, determine the extent to which the terms and conditions contained herein will be applicable to you.

Notifications

This Addendum may also include information regarding securities laws, exchange controls and certain other issues of which you should be aware with respect to participation in the Plan. The information is based on the securities, exchange control, and other laws in effect in the respective jurisdictions as of July 2023. Such laws are often complex and change frequently. As a result, you should not rely on the information contained herein as the only source of information relating to the consequences of your participation in the Plan because the information may be out of date at the time your Award is granted or vests.

In addition, the information contained herein is general in nature and may not apply to your particular situation, and the Company is not in a position to assure you of a particular result. Accordingly, you should seek appropriate professional advice as to how the relevant laws in your country may apply to your particular situation.

Finally, if you are a citizen or resident (or are considered as such for local law purposes) of a jurisdiction other than the jurisdiction in which you are currently residing and/or working, or if you relocate to another jurisdiction after the Date of Grant, the notifications contained herein may not be applicable to you in the same manner.

UNITED STATES - CALIFORNIA

DATA PRIVACY INFORMATION AND CONSENT

A. ***Data Collection and Usage.*** *The Company and the Service Recipient may collect, process, use and disclose certain personal information about you, including, but not limited to, your name, home address, email address, telephone number, date of birth, social insurance number, passport or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all awards or any other entitlement to the value of shares of Common Stock awarded, canceled, exercised, vested, unvested or outstanding in your favor (“Data”), for the purposes of implementing, administering and managing the Plan. The Company, with its registered address at 825 Berkshire Boulevard, Wyomissing, Pennsylvania, United States, 19610, acts as the data controller in respect of such Data. The legal basis, where required, for the processing of Data is for the business purpose of implementing, administering and managing the Plan, to comply with applicable laws and regulatory obligations, and any other purposes disclosed to you at the time of collection with your consent.*

B. ***Stock Plan Administration Service Providers.*** *The Company may transfer Data to its service providers which are assisting the Company with the implementation, administration and management of*

the Plan. The Company may select different or additional service providers and share Data with such other provider serving in a similar manner. The Company will notify you of any such additional or different service providers prior to their commencement of services to the Company. You may be asked to agree on separate terms and data processing practices with the service provider, with such agreement being a condition to the ability to participate in the Plan.

C. ***International Data Transfers.*** *The Company and some of its service providers are based in countries other than the country where you reside, including the United States. The Company's legal basis, where required, for the transfer of Data is for the business purpose of implementing, administering and managing the Plan, to comply with applicable laws and regulatory obligations, and any other purposes disclosed to you at the time of collection with your consent.*

D. ***Data Retention.*** *The Company will hold and use the Data only as long as is necessary to implement, administer and manage your participation in the Plan, or as required to comply with applicable legal or regulatory obligations, including under tax, exchange control, securities and labor laws. This may mean that Data is retained until after your employment or service with the Company or the Service Recipient ends, plus any additional time periods necessary for compliance with law, exercise or defense of legal rights, archiving, back-up and deletion purposes.*

E. ***Voluntariness and Consequences of Consent Denial or Withdrawal.*** *Participation in the Plan is voluntary and you are providing the consents herein on a purely voluntary basis. If you do not consent, or if you later seek to revoke your consent, your compensation from or service with the Company or Service Recipient will not be affected; the only consequence of refusing or withdrawing consent is that the Company would not be able to grant this Award or other equity awards to you or administer or maintain such awards.*

F. ***Data Subject Rights.*** *You may have a number of rights under data privacy laws in your jurisdiction(s). Depending on where you are based, such rights may include the right to (i) request access or copies of Data the Company processes, (ii) rectify incorrect Data, (iii) delete Data, (iv) restrict processing of Data, (v) transport Data, (vi) lodge complaints with competent authorities in your jurisdiction(s), and/or (vii) receive a list with the names and addresses of any potential recipients of Data. To receive clarification regarding these rights or to exercise these rights, you should contact the Company's Privacy Compliance Officer at privacy@pennentertainment.com.*

<p><i>By electronically accepting this Award and indicating consent according to the instructions provided by the Company's designated broker, you are declaring that you agree with the data processing practices described herein and consent to the collection, processing and use of Data by the Company and the transfer of Data to the recipients mentioned above, including recipients located in countries or jurisdictions which do not have an adequate level of protection from a data protection law perspective, for the purposes described above.</i></p>

PENN ENTERTAINMENT, INC.

NON-QUALIFIED STOCK OPTION AWARD AGREEMENT

PENN Entertainment, Inc. (the "Company") has granted to you a Non-Qualified Stock Option Award ("Award") pursuant to the PENN Entertainment, Inc. 2022 Long Term Incentive Compensation Plan, as amended, as follows:

Grantee: _____

Date of Grant: _____, 20__

Total Number of Options: _____

Vesting Schedule - Vesting Dates
and Number of Options Vesting:

_____The Award is subject to vesting and forfeiture conditions as determined by the Compensation Committee or its delegate from time to time as set forth herein.

Expiration Date: _____

This Award is subject to the terms and conditions of the PENN Entertainment, Inc. 2022 Long Term Incentive Compensation Plan, as amended from time to time (the "Plan"), which has been made available to you, and any rules, and regulations established by the Compensation Committee of the Board of Directors of the Company (the "Committee") or its delegate. Words used herein with initial capitalized letters that are not defined in this Award are defined in the Plan.

The terms provided herein are applicable to this Award. Different terms may apply to prior or future awards (if any) under the Plan (or a predecessor plan). To the extent that there is a conflict between the terms of this Award and the Plan, the terms of the Plan shall govern.

I. ACCEPTANCE OF AWARD

This Award constitutes an agreement between you and the Company. You have reviewed all of the provisions of the Plan and this Award. By electronically accepting this Award according to the instructions provided by the Company's designated broker, you agree that this electronic contract contains your electronic signature, which you have executed with the intent to sign this Award, and that this Award is granted under and governed by the terms and conditions of the Plan and this Award. You hereby agree to accept as binding, conclusive and final all decisions or interpretations of the Committee or its delegate on questions relating to the Plan and this Award.

II. OPTION PERIOD

You may exercise the Options underlying your Award during the Option Period, which begins on the applicable Vesting Date and ends on the Expiration Date as set forth above. The Expiration Date is ten (10) years from the Date of Grant. However, the Option Period may end sooner if your employment is terminated under certain circumstances.

III. VESTING AND FORFEITURE

The Options underlying your Award shall vest on the dates and with respect to the number of shares of Common Stock set forth above. The Options will also vest in their entirety as of the occurrence of any of the following events.

A. Death or Disability

If your employment or service as an Employee, Consultant or Director of the Company or a Subsidiary, as applicable, terminates due to your death or Disability before the Options have become fully vested in accordance with the Vesting Schedule, the forfeiture restrictions on this Award shall lapse and all unvested Options shall vest.

For purposes of this Award, "Disability" means a physical or mental impairment sufficient to make the Grantee who is an Employee eligible for benefits under the Company's or Subsidiary's long-term disability plan in which the Grantee is a participant. A Grantee who is a Director or Consultant shall be treated as having a Disability if a physical or mental impairment would have made the Director or Consultant eligible for benefits under the Company's or Subsidiary's long-term disability plan had the Director or Consultant been an Employee.

B. Change of Control

If your employment or service as an Employee, Consultant or Director of the Company or a Subsidiary, as applicable, is terminated by the Company without Cause or by you for Good Reason within two (2) years following a Change of Control (or on the date of the Change of Control), the forfeiture restrictions on this Award shall lapse, all unvested Options shall vest, and the provisions of Article XIII of the Plan shall apply.

IV. FORFEITURE

If your employment or service as an Employee, Consultant, or Director of the Company or a Subsidiary, as applicable, terminates for any reason (except as otherwise provided for in the Plan or in Section III of this Award), then all of the Options that are unvested at such time shall be forfeited. You will receive no payment or shares of Common Stock for Options that are forfeited. Options that are vested as of the termination, will be cancelled and forfeited as follows.

A. As a result of your resignation (other than for Retirement), vested Options will be cancelled and forfeited at the end of the 30th day after such resignation, or, if earlier, the Expiration Date;

B. As a result of termination for Cause by the Company or a Subsidiary, all of the Options, whether or not then vested and exercisable, will be cancelled and forfeited as of such termination;

C. As a result of termination not for Cause by the Company or a Subsidiary, all the vested Options will be cancelled and forfeited at the end of the period that is one (1) year after such termination, or, if earlier, the Expiration Date;

D. As a result of your Retirement (which, for clarity, only applies if you are an Employee or Director), vested Options shall be cancelled and forfeited at the end of the period which is three (3) years after such Retirement, or, if earlier, the Expiration Date; and

E. As a result of your death or Disability, vested Options (including the Options that vest due to death or Disability) shall be cancelled and forfeited on the Expiration Date.

For purposes of this Award, "Retirement" means (i) the cessation of services of a Director at the end of the Director's term on the Board or (ii) an Employee's separation from service from the Company and its Subsidiaries (1) on or after attainment of age 55 with at least ten (10) years of service with the Company and its Subsidiaries, or (2) on or after attainment of age 65. Years of service shall be calculated pursuant to the terms of the PENN Entertainment, Inc. 401(k) Plan.

V. LEAVES OF ABSENCE

For purposes of this Award, your employment or service as an Employee, Consultant, or Director, as applicable, does not terminate when you go on a leave of absence recognized under the Plan. Your employment or service will terminate when the leave of absence ends, however, unless you immediately return to active employment or service in the applicable capacity.

VI. EXERCISE

The Award, or a portion thereof, shall be exercisable during the period beginning on the applicable vesting date and ending on the Expiration Date, subject to earlier termination in the event of a termination of your employment or service as a Director or Consultant under certain circumstances, as provided in Section IV. You may exercise your vested Award by providing notice of exercise to the Company, in a form and manner acceptable to the Company.

VII. PAYMENT

When you exercise your Options, you may pay the Option Price in cash, by check, with previously issued shares of Common Stock of the Company (under certain circumstances), in accordance with a "cashless exercise program" or with a combination of the foregoing.

VIII. NATURE OF STOCK OPTIONS

A stock option is the right, subject to certain conditions, to purchase shares of Common Stock of the Company at a fixed price. The per share price at which shares of Common Stock may be purchased when this Award is exercised is referred to as the Option Price. The Option Price is fixed on the Date of Grant and, except as provided in Section 11.2 of the Plan, does not change for the life of the Option. However, the market price of Common Stock of the Company changes and will ultimately determine the value, if any, from this Award.

IX. SHAREHOLDER RIGHTS

You are not and do not have the rights of a shareholder of the Company with respect to any shares of Common Stock underlying this Award unless and until the Award vests, you have exercised the Options, or a portion thereof, and shares of Common

Stock underlying the Award have been issued and delivered to you. After exercise, the shares of Common Stock underlying the Award will be released to you in the form of a stock certificate or uncertificated shares.

X. RESTRICTIONS ON RESALE

You may not sell any shares of Common Stock free from the forfeiture restrictions of this Award at a time when applicable laws or Company policies would prohibit a sale. This restriction will apply as long as you are an Employee, Consultant, or Director of the Company, as applicable.

XI. TRANSFER OF STOCK OPTIONS

The Options subject to this Award may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of or otherwise encumbered except in accordance with Section 12.8 of the Plan. Any attempt at such disposition shall be void.

XII. WITHHOLDING TAXES

No shares of Common Stock will be released or issued to you unless you have made arrangements, acceptable to the Company, to pay any withholding taxes that may be due. Unless determined otherwise by the Committee, applicable tax withholding obligations not satisfied by you in cash shall be satisfied by having the Company withhold from the number of shares of Common Stock otherwise issuable or deliverable pursuant to the exercise of the Award a number of such shares with a Fair Market Value equal to such withholding obligation, but in no event exceeding the maximum statutory tax rates of your applicable jurisdiction (or such other rate as would not trigger a negative accounting impact). The Fair Market Value of the shares of Common Stock retained by the Company or surrendered by you shall be determined in accordance with the Plan as of the date the tax obligation arises. THE TAX RULES APPLICABLE TO NON-QUALIFIED STOCK OPTIONS ARE COMPLEX. YOU SHOULD CONSULT WITH YOUR FINANCIAL ADVISOR FOR MORE INFORMATION.

XIII. ADJUSTMENTS

As described more fully in Section 11.2 of the Plan, in the event of a stock split, a stock dividend and certain other events or transactions affecting the Common Stock, the number of shares of Common Stock underlying this Award and the exercise price of this Option may be adjusted.

XIV. ELECTRONIC DELIVERY AND DISCLOSURE

The Company may deliver or disclose, as applicable, any documents related to this Award, future awards that may be granted under the Plan, the prospectus related to the Plan, the Company's annual reports or proxy statements by electronic means or to request your consent to participate in the Plan by electronic means. You hereby consent to receive such documents delivered electronically or to retrieve such documents furnished electronically, as applicable, and agree to participate in the Plan through any online or electronic system established and maintained by the Company or a third party designated by the Company.

XV. NO RIGHT TO CONTINUED SERVICE

This Award does not give you the right to continue in employment or service with the Company or Subsidiary in any capacity. The Company or Subsidiary reserves the right to terminate your employment or service at any time, with or without cause, subject to any employment agreement or other contract.

XVI. APPLICABLE LAW AND VENUE

This Award will be interpreted and enforced under the laws of the Commonwealth of Pennsylvania, without regard to its choice of law provisions. For purposes of any action, lawsuit or other proceedings brought to enforce this Award, relating to it, or arising from it, the parties hereby submit to the sole and exclusive jurisdiction of the Commonwealth of Pennsylvania, United States of America, and agree that such litigation will be conducted in the courts of Berks County, or the federal courts for the United States for the Eastern District of Pennsylvania, where this grant is made and/or to be performed.

XVII. JURISDICTION-SPECIFIC PROVISIONS

This Award shall be subject to any terms and conditions for your jurisdiction set forth in the Addendum attached hereto. Moreover, if you relocate to any of the jurisdictions included in the Addendum, the terms and conditions for such jurisdiction will apply to you, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Addendum constitutes part of the Non-Qualified Stock Option Award Agreement.

XVIII. CODE SECTION 409A COMPLIANCE

To the extent the Committee determines that this Award is subject to Section 409A of the Code and fails to comply with the requirements of such Section, the Committee reserves the right to amend, terminate or replace this Award in order to cause the Award to either not be subject to Section 409A of the Code or comply with the applicable provisions.

XIX. ENTIRE AGREEMENT/AMENDMENT

The text of the Plan is incorporated in this Award by reference.

This Award and the Plan constitute the entire understanding between you and the Company regarding this Award. Any prior agreements, commitments or negotiations concerning this Award are superseded. This Award may be amended in a way that is adverse to you or your beneficiaries only by another written agreement, signed by both parties, otherwise, the rights of the Board or Grantor as set forth in the Plan control as to any modification, alteration or amendment of this Award.

PENN ENTERTAINMENT, INC.

ADDENDUM - JURISDICTION-SPECIFIC PROVISIONS

PENN ENTERTAINMENT, INC.

NON-QUALIFIED STOCK OPTION AWARD AGREEMENT

Words used herein with initial capitalized letters that are not defined in this Addendum or the main body of the Award are defined in the Plan.

Terms and Conditions

This Addendum contains additional or different terms and conditions that are applicable to this Award if you reside and/or work in any of the jurisdictions listed below. If you are a citizen or a resident (or are considered as such for local law purposes) of a jurisdiction other than the jurisdiction in which you are currently residing or working, or if you relocate to another jurisdiction after the Date of Grant, the Company will, in its discretion, determine the extent to which the terms and conditions contained herein will be applicable to you.

Notifications

This Addendum may also include information regarding securities laws, exchange controls and certain other issues of which you should be aware with respect to participation in the Plan. The information is based on the securities, exchange control, and other laws in effect in the respective jurisdictions as of July 2023. Such laws are often complex and change frequently. As a result, you should not rely on the information contained herein as the only source of information relating to the consequences of your participation in the Plan because the information may be out of date at the time your Award is granted or vests.

In addition, the information contained herein is general in nature and may not apply to your particular situation, and the Company is not in a position to assure you of a particular result. Accordingly, you should seek appropriate professional advice as to how the relevant laws in your country may apply to your particular situation.

Finally, if you are a citizen or resident (or are considered as such for local law purposes) of a jurisdiction other than the jurisdiction in which you are currently residing and/or working, or if you relocate to another jurisdiction after the Date of Grant, the notifications contained herein may not be applicable to you in the same manner.

UNITED STATES - CALIFORNIA

DATA PRIVACY INFORMATION AND CONSENT

A. ***Data Collection and Usage. The Company and the Service Recipient may collect, process, use and disclose certain personal information about you, including, but not limited to, your name, home address, email address, telephone number, date of birth, social insurance number, passport or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all awards or any other entitlement to the value of shares of Common Stock awarded, canceled, exercised, vested, unvested or outstanding in your favor (“Data”), for the purposes of implementing, administering and managing the Plan. The Company, with its registered address at 825 Berkshire Boulevard, Wyomissing, Pennsylvania, United States, 19610, acts as the data controller in respect of such Data. The legal basis, where required, for the processing of Data is for the business purpose of implementing, administering and managing the Plan, to comply with applicable laws and regulatory obligations, and any other purposes disclosed to you at the time of collection with your consent.***

B. ***Stock Plan Administration Service Providers. The Company may transfer Data to its service providers which are assisting the Company with the implementation, administration and management of***

the Plan. The Company may select different or additional service providers and share Data with such other provider serving in a similar manner. The Company will notify you of any such additional or different service providers prior to their commencement of services to the Company. You may be asked to agree on separate terms and data processing practices with the service provider, with such agreement being a condition to the ability to participate in the Plan.

C. International Data Transfers. The Company and some of its service providers are based in countries other than the country where you reside, including the United States. The Company's legal basis, where required, for the transfer of Data is for the business purpose of implementing, administering and managing the Plan, to comply with applicable laws and regulatory obligations, and any other purposes disclosed to you at the time of collection with your consent.

D. Data Retention. The Company will hold and use the Data only as long as is necessary to implement, administer and manage your participation in the Plan, or as required to comply with applicable legal or regulatory obligations, including under tax, exchange control, securities and labor laws. This may mean that Data is retained until after your employment or service with the Company or the Service Recipient ends, plus any additional time periods necessary for compliance with law, exercise or defense of legal rights, archiving, back-up and deletion purposes.

E. Voluntariness and Consequences of Consent Denial or Withdrawal. Participation in the Plan is voluntary and you are providing the consents herein on a purely voluntary basis. If you do not consent, or if you later seek to revoke your consent, your compensation from or service with the Company or Service Recipient will not be affected; the only consequence of refusing or withdrawing consent is that the Company would not be able to grant this Award or other equity awards to you or administer or maintain such awards.

F. Data Subject Rights. You may have a number of rights under data privacy laws in your jurisdiction(s). Depending on where you are based, such rights may include the right to (i) request access or copies of Data the Company processes, (ii) rectify incorrect Data, (iii) delete Data, (iv) restrict processing of Data, (v) transport Data, (vi) lodge complaints with competent authorities in your jurisdiction(s), and/or (vii) receive a list with the names and addresses of any potential recipients of Data. To receive clarification regarding these rights or to exercise these rights, you should contact the Company's Privacy Compliance Officer at privacy@pennentertainment.com.

<p><i>By electronically accepting this Award and indicating consent according to the instructions provided by the Company's designated broker, you are declaring that you agree with the data processing practices described herein and consent to the collection, processing and use of Data by the Company and the transfer of Data to the recipients mentioned above, including recipients located in countries or jurisdictions which do not have an adequate level of protection from a data protection law perspective, for the purposes described above.</i></p>

CERTIFICATION

I, Jay A. Snowden, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of PENN Entertainment, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer 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 the 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: November 2, 2023

/s/ Jay A. Snowden

Jay A. Snowden

Chief Executive Officer, President, and Director

(Principal Executive Officer)

CERTIFICATION

I, Felicia R. Hendrix, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of PENN Entertainment, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer 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 the 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: November 2, 2023

/s/ Felicia R. Hendrix

Felicia R. Hendrix

Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002,
18 U.S.C. SECTION 1350**

In connection with the Quarterly Report of PENN Entertainment, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2023 as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), I, Jay A. Snowden, Chief Executive Officer and President of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350 that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 2, 2023

/s/ Jay A. Snowden

Jay A. Snowden

Chief Executive Officer, President, and Director
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002,
18 U.S.C. SECTION 1350**

In connection with the Quarterly Report of PENN Entertainment, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2023 as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), I, Felicia R. Hendrix, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350 that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 2, 2023

/s/ Felicia R. Hendrix

Felicia R. Hendrix

Executive Vice President and Chief Financial Officer
(Principal Financial Officer)