



How Video Gaming Transforms C-store Profits



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Agenda



J&J Gaming Overview



History & Overview



State Regulations



Category Insight

J&J Gaming

Overview



The national leader in distributed gaming.

- Building partnerships **since 1929**
- The **largest revenue producing** distributed gaming operator in North America
- **4,500+** gaming and amusement locations under management
- **32,000+** machines in operation nationwide
- **28** offices servicing locations across **9 states**
 - **Gaming:** Illinois, Indiana, Wyoming, Montana, Nebraska, Pennsylvania, Nevada
 - **Amusements:** Illinois, Indiana, Kentucky, Missouri, Montana, Wisconsin
- Leader in **shaping gaming legislation** across the US





\$1.4 billion
Gaming Revenue



~4,000 Locations



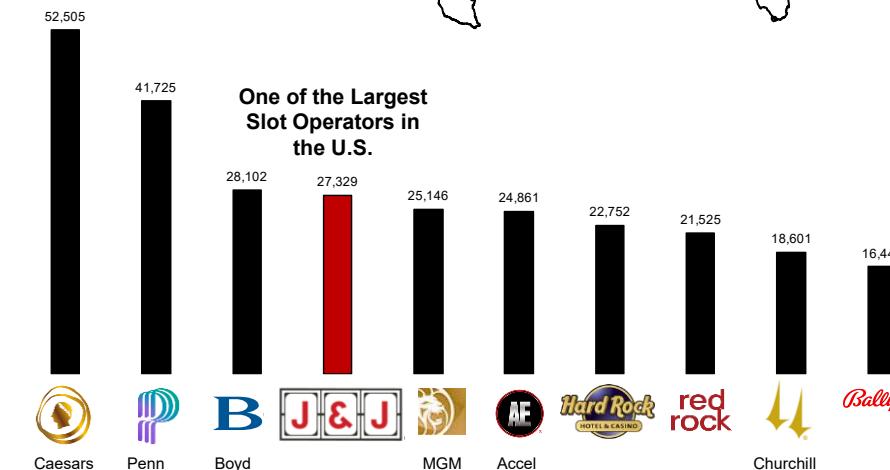
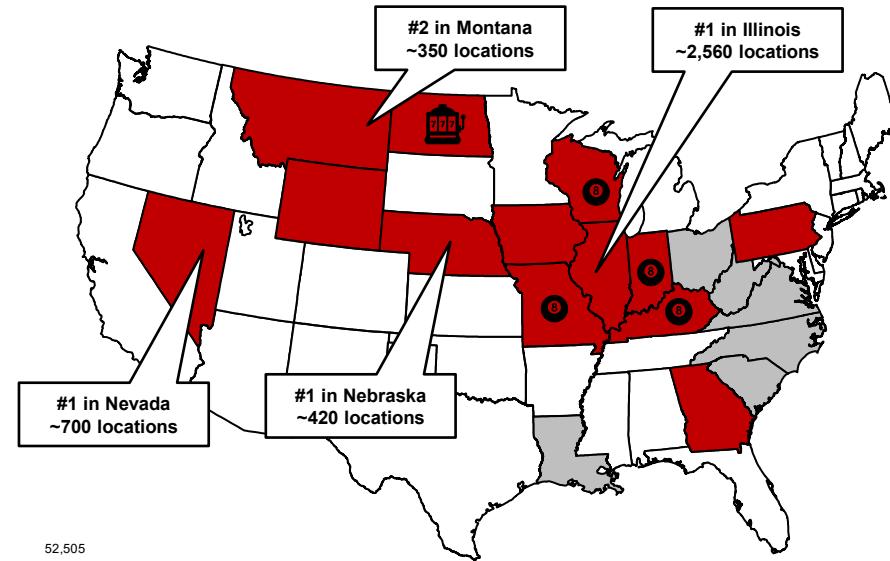
13 states and growing



95+ years of operations



~1,500 Team
Members



Integrity

Service Excellence

Partnerships

Community



GOLDEN GATE
PETROLEUM



Godfather's Pizza.



GREAT BASIN
BREWING CO.

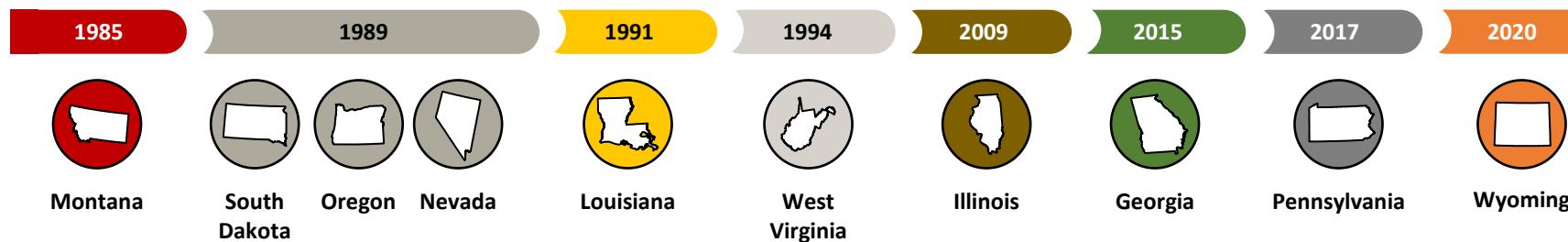
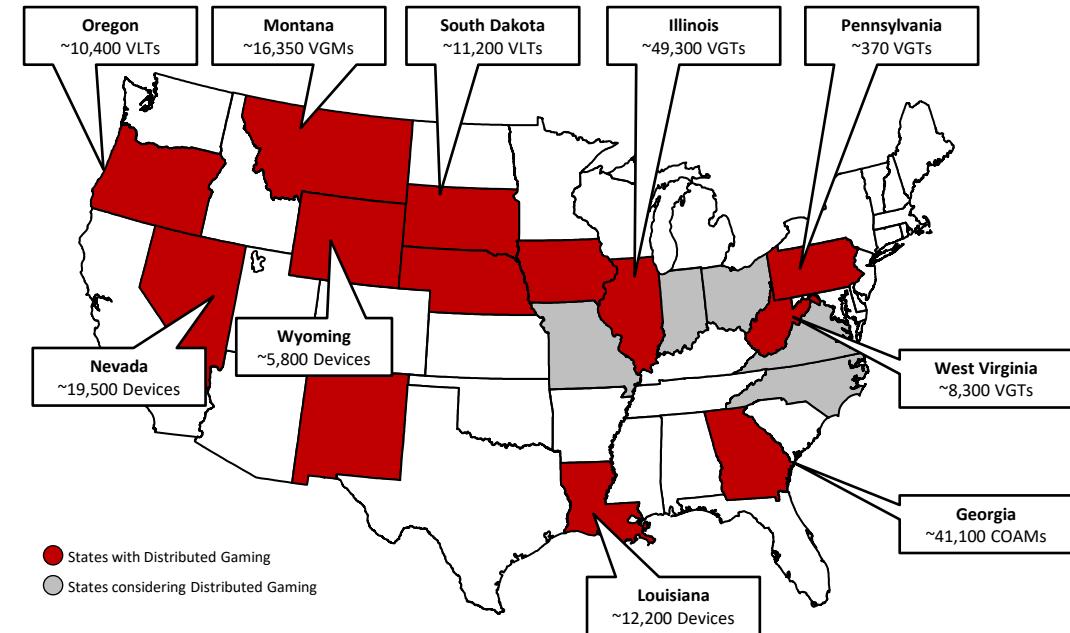
PT'S
GOLD • PUB

Distributed Gaming

Overview

Distributed Gaming, once called Route Gaming or Route Operations, is the installation, operation and maintenance of gaming devices in certain regulated non-casino locations such as restaurants, bars, convenience stores, truck stops and other venues

- **Each state has different regulations**
 - Nevada law limits distributed gaming operations (also known as “restricted gaming”) to certain types of non-casino locations where gaming is incidental to the primary business and games are limited to 15 or fewer gaming devices
 - Illinois allows for up to six (6) Video Gaming Terminals (“VGTs”) in licensed retail establishments (restaurants, bars), veterans’ and fraternal establishments, and up to ten (10) in certain truck stops
- **Beyond the location and number of devices, states also have differing regulations on the roles of participants, economic splits, and ownership of the machines**
 - In Oregon, the state owns all of the devices
 - In Illinois, the economic splits are legislated so there is no negotiation amongst the Establishment and the Terminal Operator (actual owner and operator of the machines)
 - In West Virginia, the split can be negotiated between 40% - 50% to the Retailer

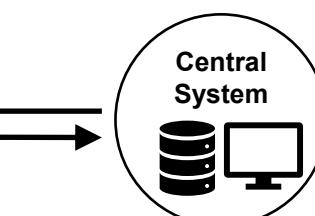
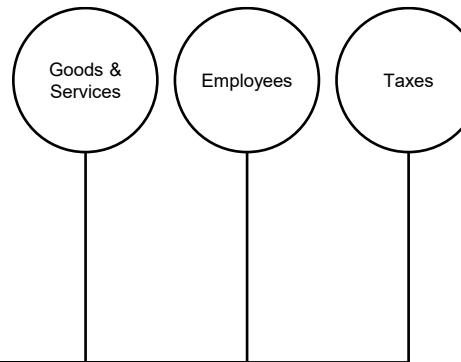


- Distributed Gaming is regulated in a similar fashion to casinos and often by the same governmental authority
- The governing body requires potential licensees to undergo a series of background checks and investigative inquiries
- Typically, there are separate and mutually exclusive license types:
 - Manufacturers sell the gaming devices to Terminal Operators
 - These devices and games undergo third party testing to ensure they meet the state required criteria
 - Terminal Operators are at the center of Distributed Gaming activity and are responsible for:
 - Purchasing the gaming devices from licensed Manufacturers
 - Contracting with the licensed Locations to place those machines
 - Servicing machines
 - Collecting funds
 - Making tax payments
 - Location (aka Establishment) owners provide the physical space to place the machines
- A licensee typically cannot hold multiple license types
 - This is intended to separate and prevent collusion among the participants
 - It also prevents anyone party from exerting control over the industry
- It is a “Privilege” to have a gaming license and the hurdles are high to obtain them
 - “Bad actors” are typically not granted a gaming license which ensures a level of transparency that is not required by other industries

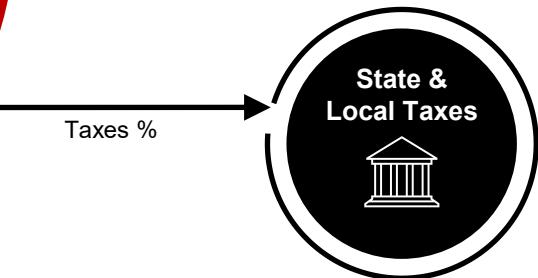
The Terminal Operator provides the gaming machines, facilitates the collection of funds, the payment of taxes, and revenue share to the location partner



Terminal Operator buys games from manufacturers and installs them at the location



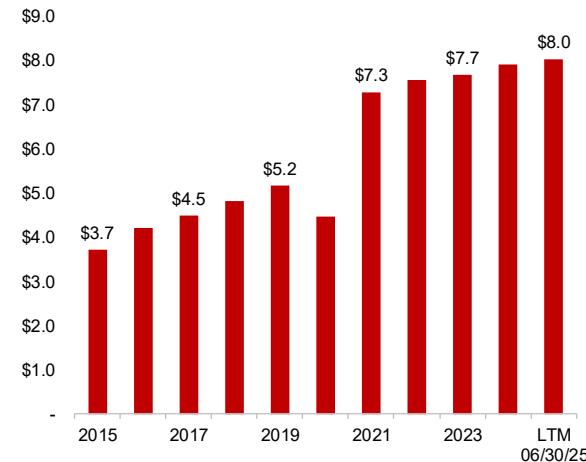
Accountability: A central control system allows a Regulator to monitor, audit and control all gaming activity



Taxes %

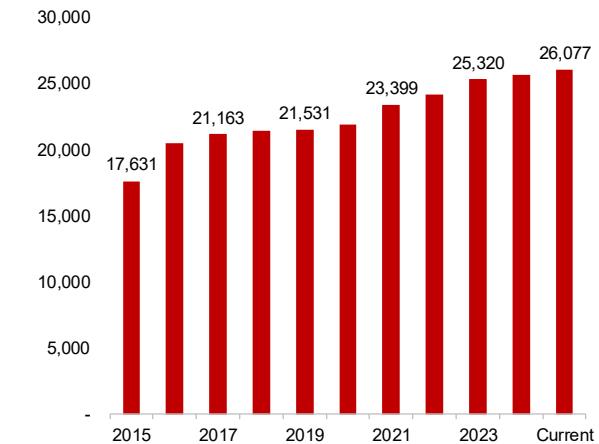
Distributed Gaming Revenue

(\$ in billions)



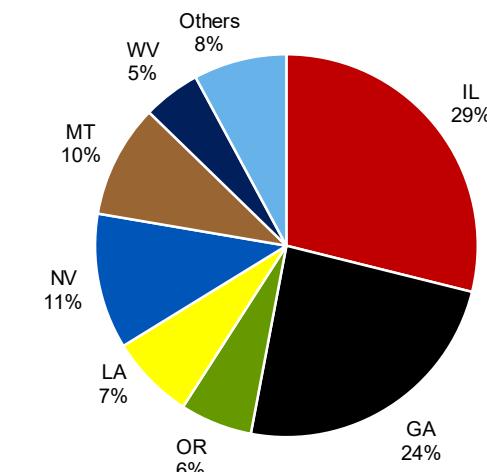
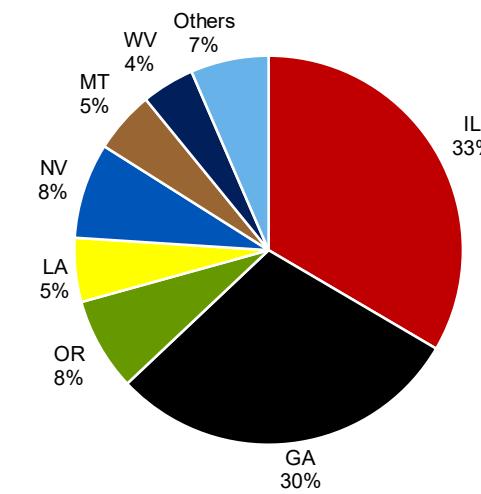
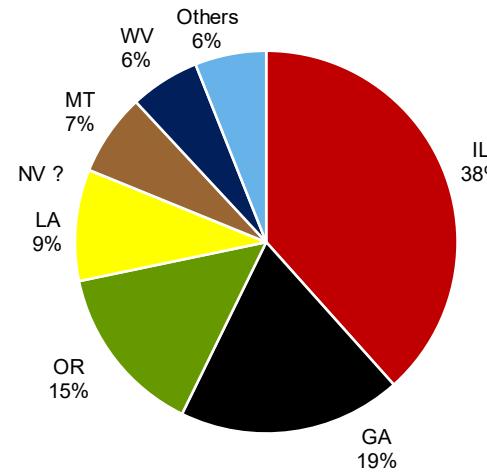
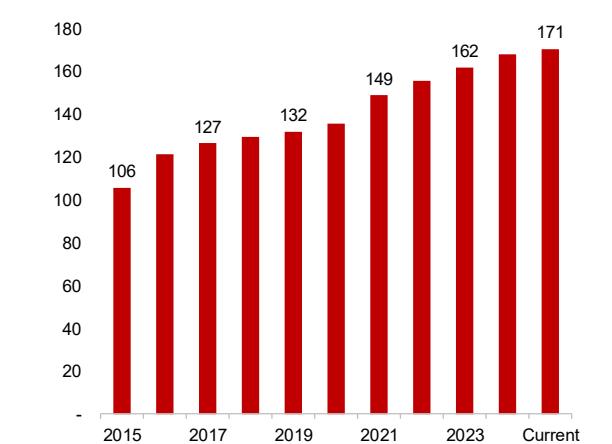
Distributed Gaming Locations

(count)



Distributed Gaming # of Devices

(count in thousands)



Current: Distributed Gaming Economic Impact



EMPLOYMENT

110,500

Jobs Supported



ECONOMIC IMPACT

\$10 Billion

In US GDP



TAX REVENUE

\$3.4 Billion

(May 2023). Economic and Fiscal Impact of Video Gaming Terminals in Illinois and Nationally
[Unpublished study-FTI Consulting]



STATE **EMPLOYMENT** **ECONOMIC IMPACT** **TAX REVENUE**

GDP

IL	35,900	\$3.4B	\$1.2B
LA	14,100	\$1.1B	\$346.6M
MT	8,600	\$666.9M	\$137.3M
OR	20,300	\$1.6B	\$816.4M
PA	1,100	\$101.2M	\$29M
SD	5,100	\$422.6M	\$195.1M
WV	8,200	\$648M	\$311.8M
NV	17,200	\$1.4B	\$140.8M

(May 2023). Economic and Fiscal Impact of Video Gaming Terminals in Illinois and Nationally [Unpublished study-
FTI Consulting]

Compliance

State Specific Regulations

Illinois Regulations

Regulation:

- Overseen by the Illinois Gaming Board (IGB)
- All terminals connected to a Central Communication System (CCS)

Gameplay Details:

- Class III devices: Random number generator + pay tables
- Multiple 5-card poker & video reel games
- Max Bet: \$4 | Max Win per Spin: \$1,199
- Must be 21+
- Redemption devices pay cash winnings

Licensed Establishments (LE's):

- Up to six (6) Video Gaming Terminals (VGT's)
 - Eligible: Liquor-pouring, fraternal/veteran, and truck stops
 - Truck Stops: ≥ 3 acres, 10K gal. diesel/month, parking + store
 - Large Truck Stops: Up to ten (10) VGT's, within 3 miles of freeway, 50K gal. diesel/month

Revenue Distribution (Net Terminal Income - NTI):

- State 30% | Local 5% | Admin 0.92% | TO 32.04% | Establishment 32.04%

Illinois Licensing Overview:

- Apply for state video gaming license, along with state and local liquor licenses
- Disclosure of all direct and indirect owners
- Fingerprinting and background check needed for all individuals that have 5% or more ownership, officers/directors and assigned VG manager for each location

Industry size:

- $\sim 8,722$ locations
- $\sim 49,282$ VGT's



Georgia Regulations

Regulation:

- Overseen by the Georgia Lottery Commission (GLC)
- All terminals connected to a Central Communication System (CCS)

Gameplay Details:

- Class II devices: Cash Devices (CD's)
- Skill-based games (predominance of skill)
- Bets: From \$.25 to \$10
- Must be 18+
- Winnings cannot be redeemed for cash, only in-store items
- Cannot be redeemed for alcohol, tobacco or firearms
- 2022 pilot program allows for a gift card redemption used like Visa/Mastercard

Licensed Establishments (LE's):

- Up to nine (9) Coin Operated Amusement Devices (COAM's)
- Cash collections handled by LE and not operator

Revenue Distribution (Net Terminal Income - NTI):

- State 10% | CO 45% | Establishment 45%

Georgia Licensing Overview:

- Must be a licensed Georgia Lottery retailer
- Cannot derive more than 50% of monthly gross retail receipts from COAM's

Industry size:

- ~7,700 locations
- ~41,126 COAM's



Nebraska Regulations

Regulation:

- Overseen by the Nebraska Dep't of Revenue (DOR)
- All terminals connected to a Central Communication System (CCS)

Gameplay Details:

- Class II devices: Cash Devices (CD's)
- Skill-based games (predominance of skill)
- Must be 19+
- Redemption devices pay cash winnings

Licensed Establishments (LE's):

- Referred to as "Operators"
- Up to nine (4) Cash Devices up to 4,999 sq. ft
- One (1) additional CD per 1,000 sq. ft to a max. of fifteen (15) CD's

Revenue Distribution (Net Terminal Income - NTI):

- State 5% | Operator & Distributor split remainder

Nebraska Licensing Overview:

- Must be a licensed with the Nebraska Dep't of Revenue
- Revenue other than CD revenue must be greater than 60% of gross revenue
- Distributors: \$250 per CD fee / annual \$100 per CD license fee / \$5,00 license fee

Industry size:

- ~1,500 locations
- ~5,400 CD's



Gaming Category

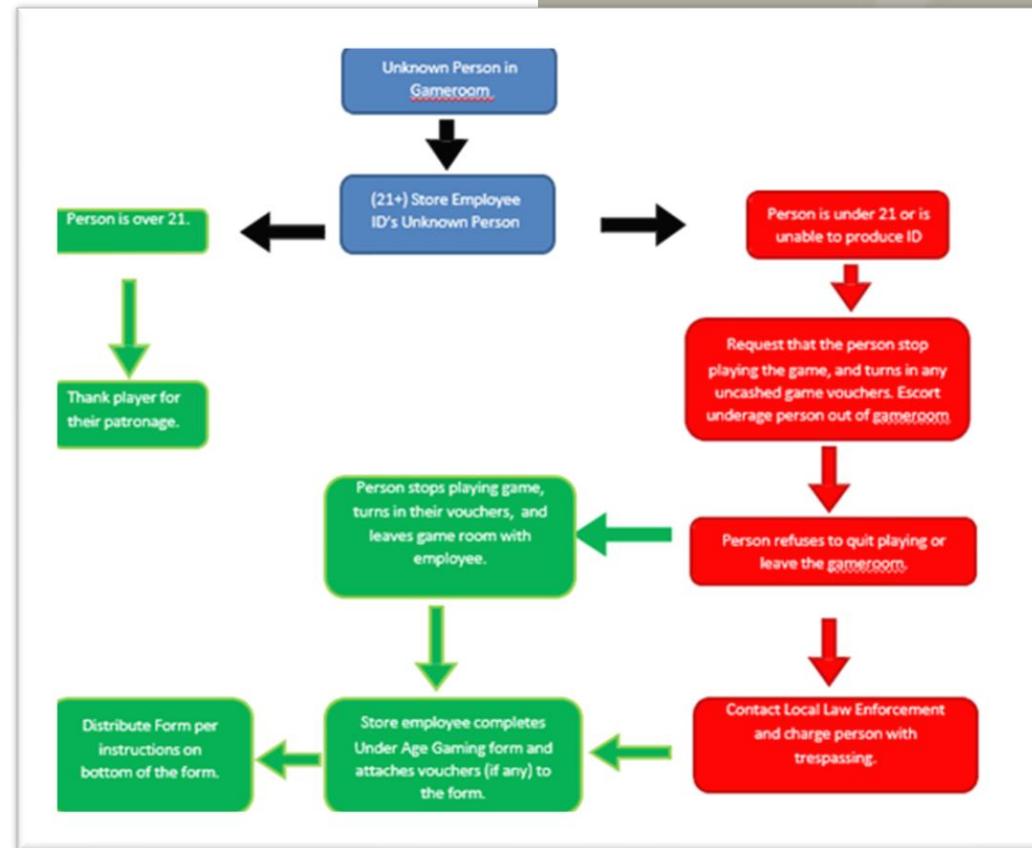
Examples

How NOT to execute Gaming



Customer Experience

- “Go-live” check list
 - ✓ “One chance to make a first impression”
- Employee training manual
- Staff training conducted prior to “go-live”
 - ✓ Alcohol sales process
 - ✓ Redemption process
 - ✓ Troubleshooting
- Operator partner
 - ✓ Compliance
 - ✓ Execute marketing programs & innovations
 - ✓ Continued Education (Bassett Training)
 - ✓ Gaming Area integrity



Customer Experience

- Clean machines, chairs and overall area cleanliness
- Aesthetics:
 - ✓ Temperature
 - ✓ Privacy
 - ✓ Lighting
 - ✓ Hand Sanitizer
- Size of gaming area large enough for video gaming terminals & redemption terminals
- Friendly, attentive team members



Operational Excellence

- **Service**

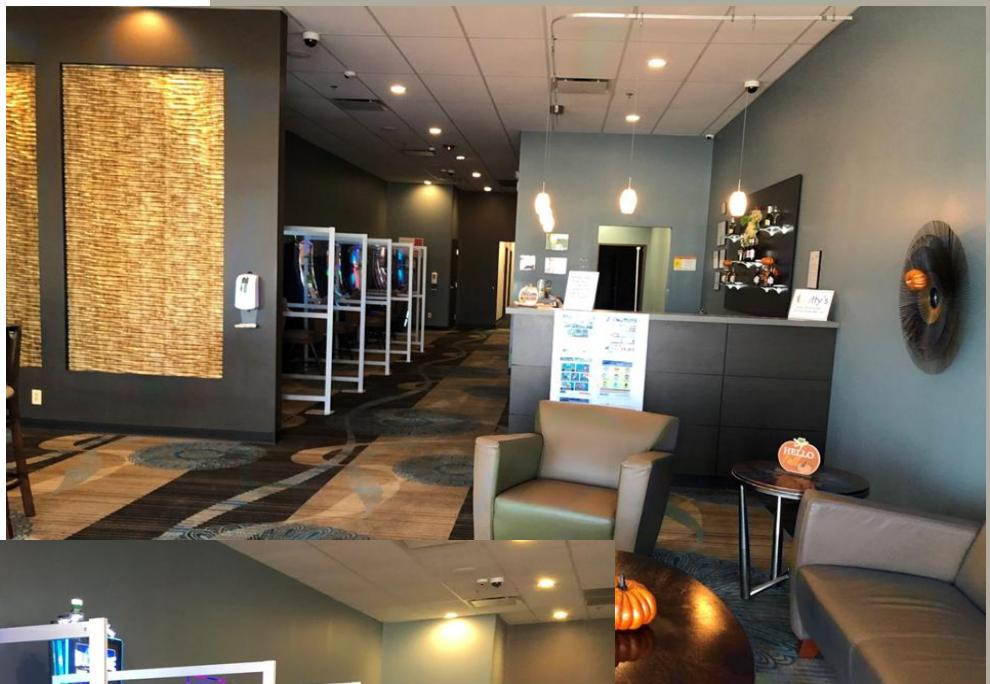
- ✓ VGT's/Skill Games & RT's operating 100%
- ✓ 24/7 response to machine or customer issues
- ✓ Clearly posted troubleshooting details

- **Security**

- ✓ Security cameras installed in gaming area
- ✓ Monitor viewable by staff

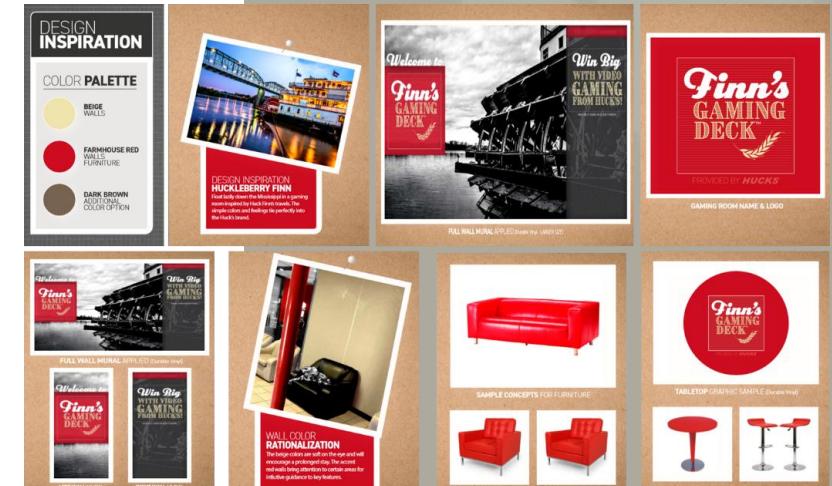
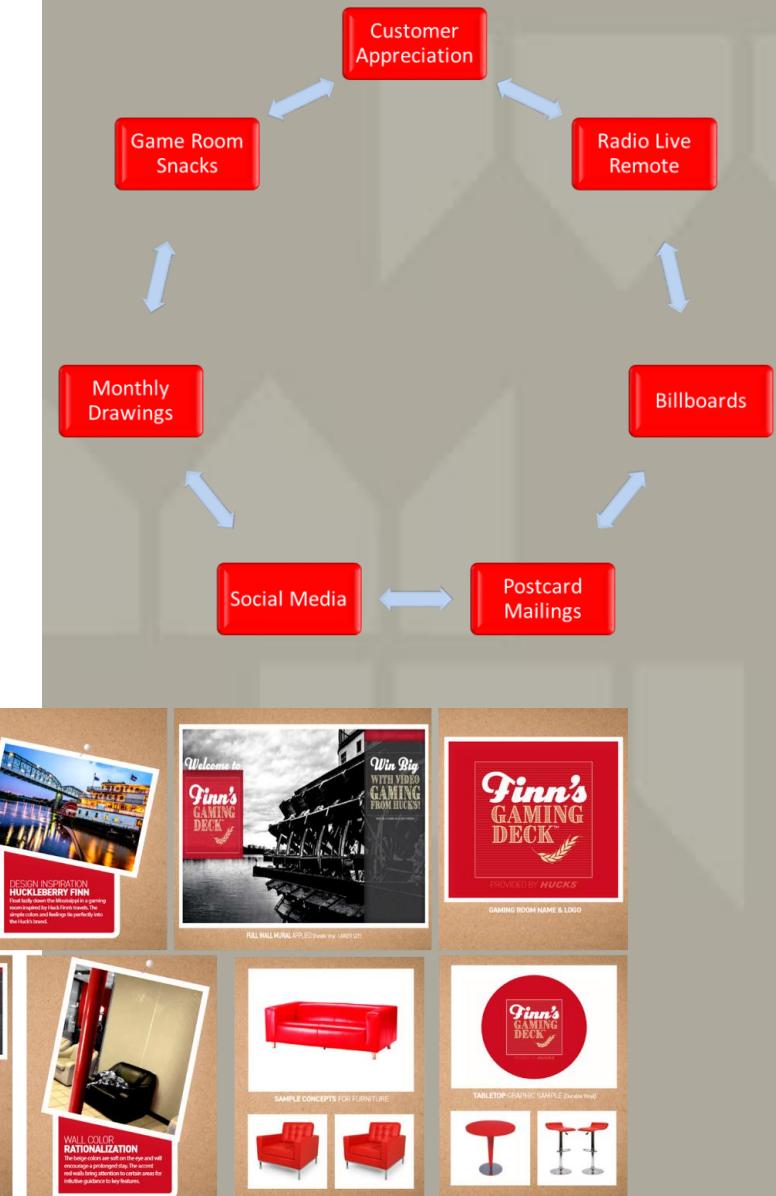
- **Technology**

- ✓ Updated video gaming terminals & software
- ✓ Continued game optimization
- ✓ Redemption solutions
- ✓ Best games and machines at locations
- ✓ Innovation (rewards/loyalty, app integration, etc.)



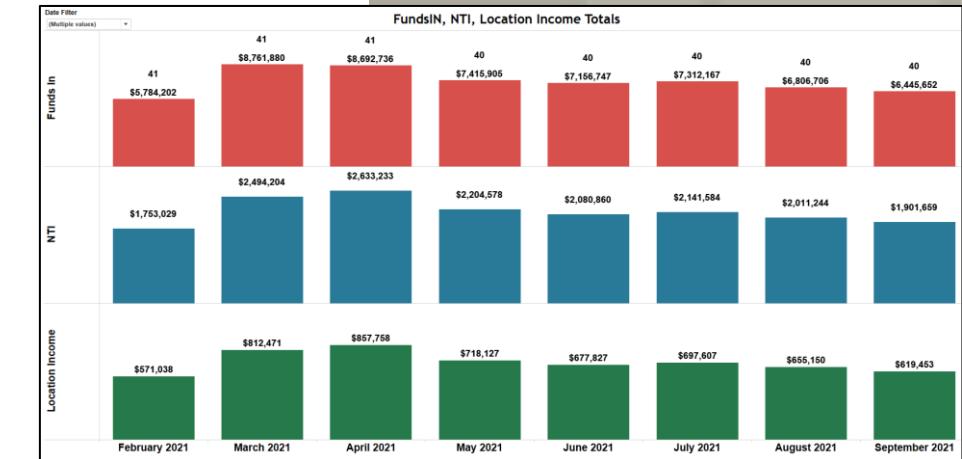
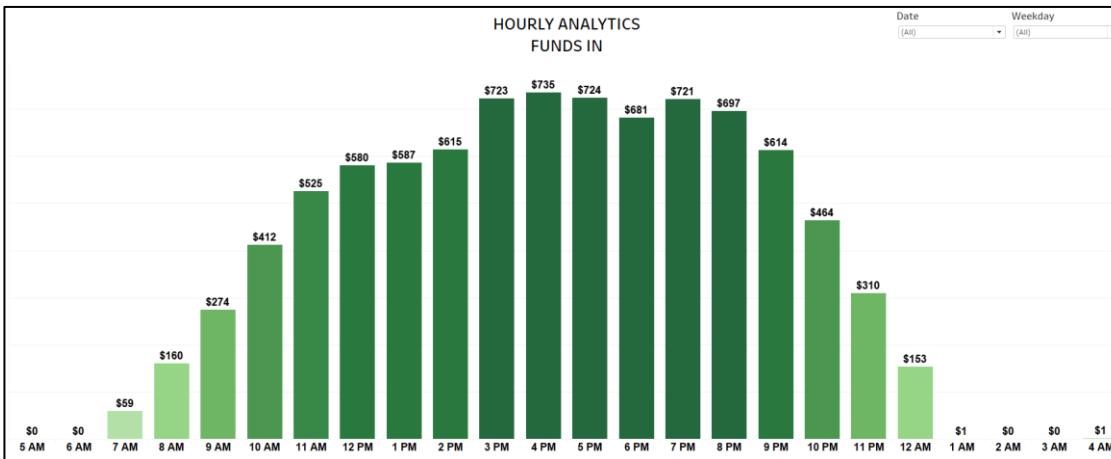
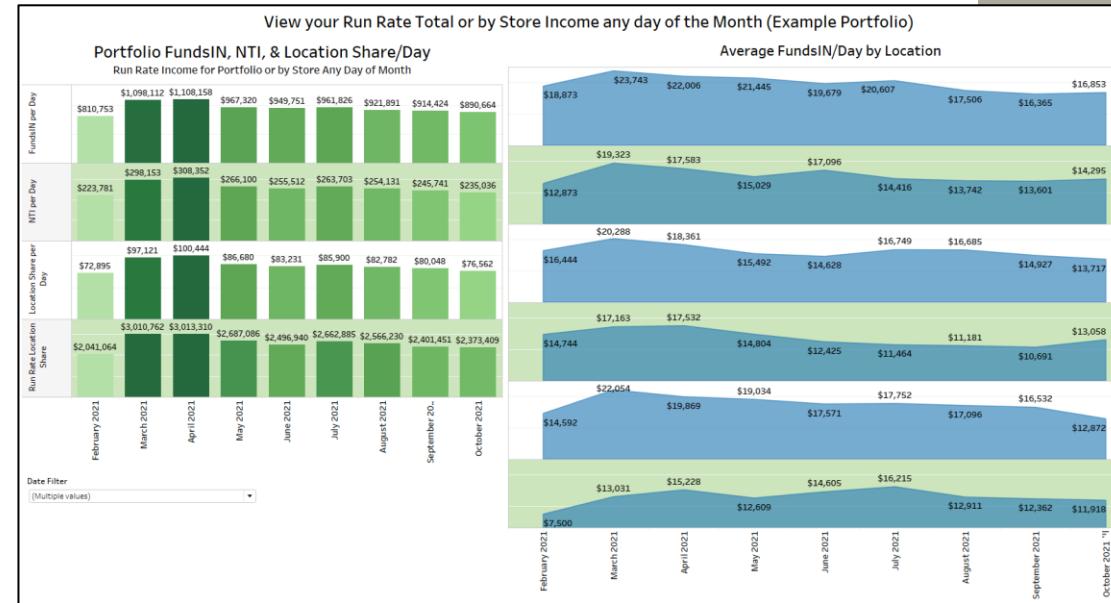
Marketing

- Annual Marketing plan
 - ✓ Customized strategy
 - ✓ Social/Digital/Direct mail/Billboards
- Outdoor marketing
 - ✓ Banners/Feather banners/Window signage
- Indoor marketing
 - ✓ Promotional monitors / Cross-merch
- Gamer appreciation days
- Loyalty / Rewards
- **SUPPORT YOUR BRAND!**



Category Management

- Data Analytics
 - ✓ Dashboard & portal
 - ✓ Game & location specific
- Business reviews
- Consumer & category insights
- Industry trends



Best Practices – Gaming Area

- Privacy and discretion are key for maximum play.
- Private rooms, separated rooms, and half-walls are optimal to create privacy for your video gamers.
- Keep restrooms clean and consider placing gaming areas close by.
- Modify lighting in the video gaming area to be well-lit, but not overly bright









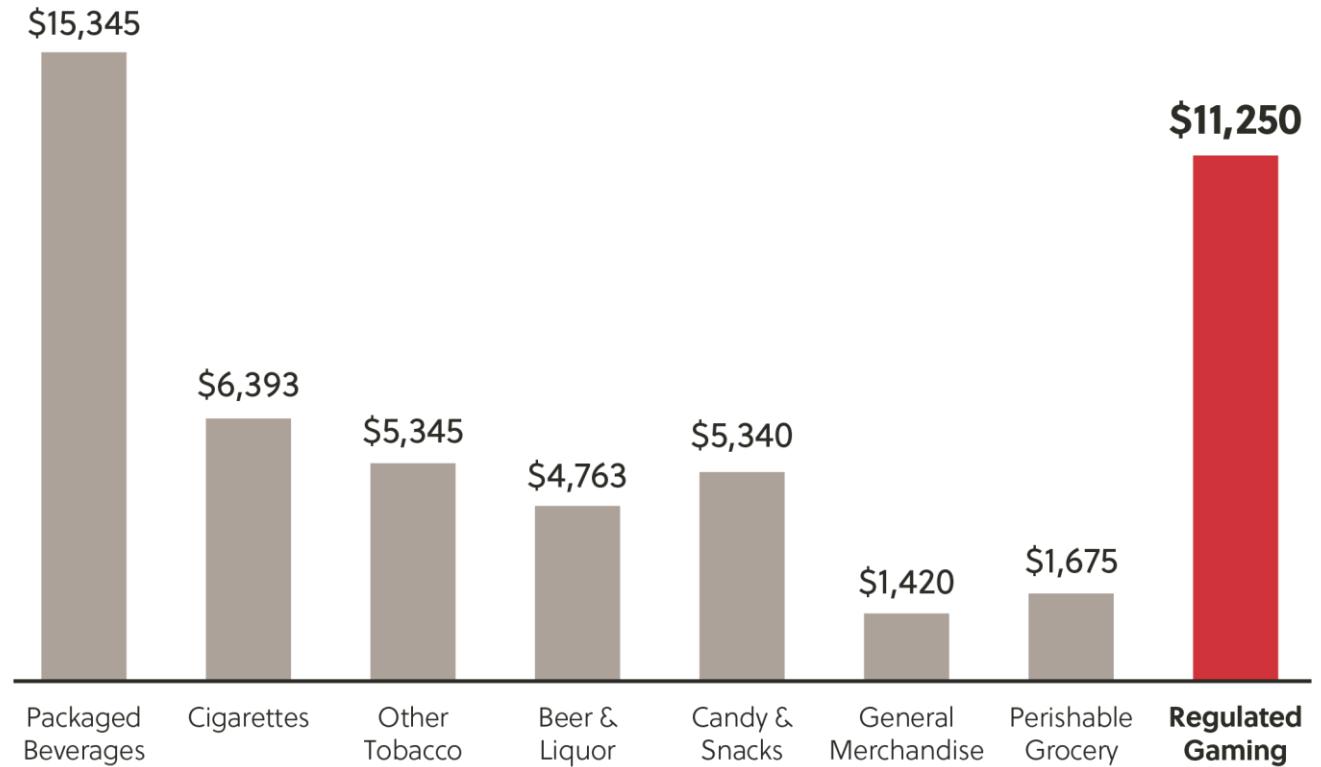
C-Store Trade

Category Insights

Gaming vs Other Categories

Earn **\$135,000+** in
New Revenue Per Year!*

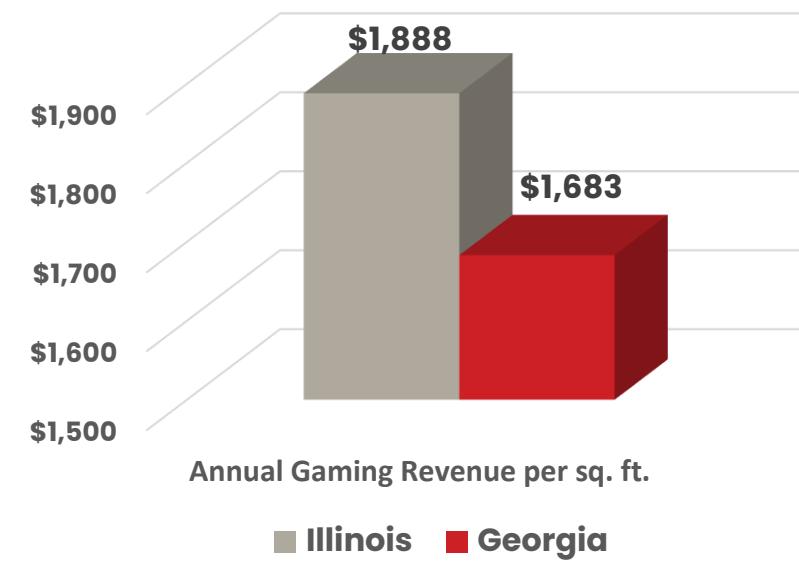
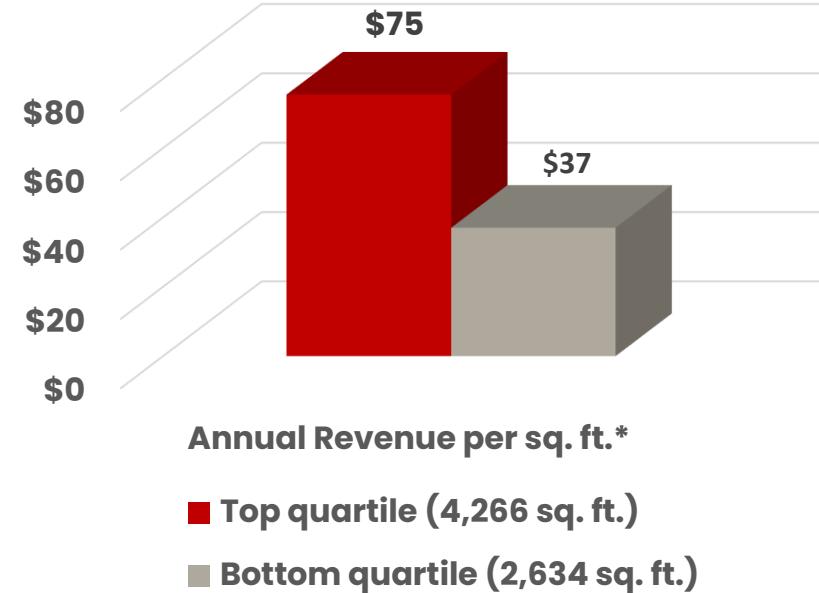
Gross Profit per Store per Month



*Categories Other than Regulated Gaming Source: NACS Annual Report and NACS State of the Industry Report of 2024 Data
Regulated Gaming Source: J&J Gaming estimated average

*Avg. Location share for Tier 1,2,3,4, & 5 J&J accounts in Illinois in 2024.

Revenue Per Sq. Ft.



*Categories Other than Regulated Gaming Source: NACS Annual Report and NACS State of the Industry Report of 2024 Data
Regulated Gaming Source: J&J Gaming estimated average



Advocacy

Taking Action

Legislative Efforts

- Knowledge of pending legislation
 - ✓ Revenue & timeline
 - ✓ Potential for “Winners & Losers”
- Legislative activation
 - ✓ Letters/Phone calls/“Lobby Days”
 - ✓ State trade associations
 - ✓ Fundraisers/events
- Key position of influence
 - ✓ Employees
 - ✓ State Tax contributions
 - ✓ Investment in local economy
- Experts at regulated, “age restricted” products



Support Regulated Gaming

J&J Gaming is the leader in advocating for regulated gaming across the United States.

Access J&J's Advocacy Resources, Prepared Studies, & more at:
jjgaming.com/advocacy/ or scan the QR code.





Q&A

Learn more about the power of J&J Gaming and our expansive portfolio of services.



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