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 June 30, 2022

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	**23-2234473**
(State or other jurisdiction of incorporation or organization)	(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 July 29, 2022, the number of shares of the registrant’s common stock outstanding was 158,562,535.

PENN ENTERTAINMENT, INC. AND SUBSIDIARIES
TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

(in millions, except share and per share data)	June 30, 2022	December 31, 2021
Assets		
Current assets		
Cash and cash equivalents	$ 1,708.3	$ 1,863.9
Accounts receivable, net	169.4	195.0
Prepaid expenses	132.8	132.3
Other current assets	48.4	32.4
Total current assets	2,058.9	2,223.6
Property and equipment, net	4,539.7	4,582.2
Investment in and advances to unconsolidated affiliates	250.3	255.1
Goodwill	2,799.6	2,822.5
Other intangible assets, net	1,842.1	1,872.6
Lease right-of-use assets	6,181.3	4,853.0
Other assets	208.9	263.1
Total assets	$ 17,880.8	$ 16,872.1
Liabilities		
Current liabilities		
Accounts payable	$ 38.9	$ 53.3
Current maturities of long-term debt	55.8	99.5
Current portion of financing obligations	63.8	39.0
Current portion of lease liabilities	189.7	142.9
Accrued expenses and other current liabilities	737.7	798.5
Total current liabilities	1,085.9	1,133.2
Long-term debt, net of current maturities, debt discount and debt issuance costs	2,730.4	2,637.3
Long-term portion of financing obligations	4,001.3	4,057.8
Long-term portion of lease liabilities	5,941.7	4,628.6
Deferred income taxes	227.9	189.1
Other long-term liabilities	127.6	129.0
Total liabilities	14,114.8	12,775.0
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 581 and 775 shares outstanding)	19.4	25.8
Common stock ($0.01 par value, 400,000,000 shares authorized in both periods, 172,234,701 and 171,729,276 shares issued, and 160,725,723 and 169,561,883 shares outstanding)	1.7	1.7
Exchangeable shares ($0.01 par value, 697,539 shares authorized and issued in both periods, 624,658 and 653,059 shares outstanding)	—	—
Treasury stock, at cost, (11,508,978 and 2,167,393 shares)	(370.5)	(28.4)
Additional paid-in capital	4,187.3	4,239.6
Retained earnings (accumulated deficit)	10.2	(86.5)
Accumulated other comprehensive loss	(81.3)	(54.4)
Total PENN Entertainment stockholders' equity	3,766.8	4,097.8
Non-controlling interest	(0.8)	(0.7)
Total stockholders' equity	3,766.0	4,097.1
Total liabilities and stockholders' equity	$ 17,880.8	$ 16,872.1

See accompanying notes to the unaudited Consolidated Financial Statements.

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

(in millions, except per share data)	For the three months ended June 30, 2022	For the three months ended June 30, 2021	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Revenues				
Gaming	$ 1,325.6	$ 1,305.5	$ 2,616.8	$ 2,387.5
Food, beverage, hotel and other	301.3	240.3	574.3	433.2
Total revenues	1,626.9	1,545.8	3,191.1	2,820.7
Operating expenses				
Gaming	713.6	620.9	1,400.2	1,148.7
Food, beverage, hotel and other	186.8	148.6	358.7	271.7
General and administrative	273.8	316.5	569.3	642.7
Depreciation and amortization	150.3	81.9	268.5	163.2
Total operating expenses	1,324.5	1,167.9	2,596.7	2,226.3
Operating income	302.4	377.9	594.4	594.4
Other income (expenses)				
Interest expense, net	(193.6)	(138.0)	(354.4)	(273.7)
Income from unconsolidated affiliates	1.8	9.1	10.5	18.7
Other	(28.2)	2.8	(68.9)	23.9
Total other expenses	(220.0)	(126.1)	(412.8)	(231.1)
Income before income taxes	82.4	251.8	181.6	363.3
Income tax expense	(56.3)	(53.1)	(103.9)	(73.7)
Net income	26.1	198.7	77.7	289.6
Less: Net loss attributable to non-controlling interest	—	—	0.1	0.1
Net income attributable to PENN Entertainment	$ 26.1	$ 198.7	$ 77.8	$ 289.7
Earnings per share:				
Basic earnings per share	$ 0.16	$ 1.27	$ 0.47	$ 1.85
Diluted earnings per share	$ 0.15	$ 1.17	$ 0.45	$ 1.72
Weighted-average common shares outstanding—basic	164.8	156.0	166.5	155.8
Weighted-average common shares outstanding—diluted	180.2	172.7	182.3	172.8

See accompanying notes to the unaudited Consolidated Financial Statements.

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

(in millions)	For the three months ended June 30, 2022	For the three months ended June 30, 2021	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Net income	$ 26.1	$ 198.7	$ 77.7	$ 289.6
Other comprehensive loss:				
Foreign currency translation adjustment during the period	(62.7)	—	(26.9)	—
Other comprehensive loss	(62.7)	—	(26.9)	—
Total comprehensive income (loss)	(36.6)	198.7	50.8	289.6
Less: Comprehensive loss attributable to non-controlling interest	—	—	0.1	0.1
Comprehensive income (loss) attributable to PENN Entertainment	$ (36.6)	$ 198.7	$ 50.9	$ 289.7

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 June 30, 2022 and 2021												
	Preferred Stock		Common Stock										
(in millions, except share data)	Shares	Amount	PENN Entertainment Shares	Amount	Exchangeable Shares	Amount	Treasury Stock	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Total PENN Stockholders' Equity	Non-Controlling Interest	Total Stockholders' Equity
Balance as of April 1, 2022	581	$ 19.4	166,161,818	$ 1.7	633,189	$ —	$ (203.5)	$ 4,170.4	$ (15.9)	$ (18.6)	$ 3,953.5	$ (0.8)	$ 3,952.7
Share-based compensation arrangements	—	—	30,551	—	—	—	—	14.5	—	—	14.5	—	14.5
Share repurchases (Note 13)	—	—	(5,539,177)	—	—	—	(167.0)	—	—	—	(167.0)	—	(167.0)
Common stock issuance (Note 13)	—	—	64,000	—	—	—	—	2.0	—	—	2.0	—	2.0
Exchangeable shares conversions (Note 13)	—	—	8,531	—	(8,531)	—	—	—	—	—	—	—	—
Currency translation adjustment	—	—	—	—	—	—	—	—	—	(62.7)	(62.7)	—	(62.7)
Net income	—	—	—	—	—	—	—	—	26.1	—	26.1	—	26.1
Other	—	—	—	—	—	—	—	0.4	—	—	0.4	—	0.4
Balance as of June 30, 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
Balance as of April 1, 2021	775	$ 24.2	156,330,141	$ 1.6	—	$ —	$ (28.4)	$ 3,175.2	$ (416.3)	$ —	$ 2,756.3	$ (0.5)	$ 2,755.8
Share-based compensation arrangements	—	—	413,048	—	—	—	—	9.4	—	—	9.4	—	9.4
Share issuance (Note 13)	—	—	43,684	—	—	—	—	3.5	—	—	3.5	—	3.5
Net income	—	—	—	—	—	—	—	—	198.7	—	198.7	—	198.7
Other	—	—	—	—	—	—	—	(9.6)	—	—	(9.6)	—	(9.6)
Balance as of June 30, 2021	775	$ 24.2	156,786,873	$ 1.6	—	$ —	$ (28.4)	$ 3,178.5	$ (217.6)	$ —	$ 2,958.3	$ (0.5)	$ 2,957.8

See accompanying notes to the unaudited Consolidated Financial Statements.

	Six Months Ended June 30, 2022 and 2021												
	Preferred Stock		Common Stock										
(in millions, except share data)	Shares	Amount	PENN Entertainment Shares	Amount	Exchangeable Shares	Amount	Treasury Stock	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Total PENN Stockholders' Equity	Non-Controlling Interest	Total Stockholders' Equity
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	—	—	218,824	—	—	—	—	31.5	—	—	31.5	—	31.5
Share repurchases (Note 13)	—	—	(9,341,585)	—	—	—	(342.1)	—	—	—	(342.1)	—	(342.1)
Preferred stock conversions (Note 13)	(194)	(6.4)	194,200	—	—	—	—	6.4	—	—	—	—	—
Common stock issuance (Note 13)	—	—	64,000	—	—	—	—	2.0	—	—	2.0	—	2.0
Exchangeable shares conversions (Note 13)	—	—	28,401	—	(28,401)	—	—	—	—	—	—	—	—
Currency translation adjustment	—	—	—	—	—	—	—	—	—	(26.9)	(26.9)	—	(26.9)
Cumulative-effect adjustment upon adoption of ASU 2020-06	—	—	—	—	—	—	—	(88.2)	18.9	—	(69.3)	—	(69.3)
Net income (loss)	—	—	—	—	—	—	—	—	77.8	—	77.8	(0.1)	77.7
Other	—	—	—	—	—	—	—	(4.0)	—	—	(4.0)	—	(4.0)
Balance as of June 30, 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
Balance as of January 1, 2021	883	$ 23.1	155,700,834	$ 1.6	—	$ —	$ (28.4)	$ 3,167.2	$ (507.3)	$ —	$ 2,656.2	$ (0.4)	$ 2,655.8
Share-based compensation arrangements	—	—	891,155	—	—	—	—	13.4	—	—	13.4	—	13.4
Share issuance (Note 13)	43	5.1	43,684	—	—	—	—	3.5	—	—	8.6	—	8.6
Preferred stock conversion (Note 13)	(151)	(4.0)	151,200	—	—	—	—	4.0	—	—	—	—	—
Net income (loss)	—	—	—	—	—	—	—	—	289.7	—	289.7	(0.1)	289.6
Other	—	—	—	—	—	—	—	(9.6)	—	—	(9.6)	—	(9.6)
Balance as of June 30, 2021	775	$ 24.2	156,786,873	$ 1.6	—	$ —	$ (28.4)	$ 3,178.5	$ (217.6)	$ —	$ 2,958.3	$ (0.5)	$ 2,957.8

See accompanying notes to the unaudited Consolidated Financial Statements.

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

(in millions)	For the six months ended June 30, 2022	2021
Operating activities		
Net income	$ 77.7	$ 289.6
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	268.5	163.2
Amortization of debt discount and debt issuance costs	4.9	11.0
Noncash interest expense	12.9	5.2
Noncash operating lease expense	47.2	75.5
Holding loss (gain) on equity securities	55.6	(18.8)
Loss (gain) on sale or disposal of property and equipment	7.2	(0.2)
Gain on Hurricane Laura	(8.8)	—
Income from unconsolidated affiliates	(10.5)	(18.7)
Return on investment from unconsolidated affiliates	17.0	13.4
Deferred income taxes	39.6	21.8
Stock-based compensation	31.5	13.4
Loss on early extinguishment of debt	10.4	—
Changes in operating assets and liabilities, net of businesses acquired		
Accounts receivable	7.7	(42.1)
Prepaid expenses and other current assets	(31.5)	(22.0)
Other assets	7.6	(8.4)
Accounts payable	(14.4)	1.0
Accrued expenses	(23.0)	55.3
Income taxes	15.4	21.1
Operating lease liabilities	(43.2)	(63.2)
Other current and long-term liabilities	(36.6)	7.5
Other	1.2	—
Net cash provided by operating activities	436.4	504.6
Investing activities		
Capital expenditures	(125.6)	(64.6)
Proceeds from sale of property and equipment	4.6	0.4
Hurricane Laura insurance proceeds	24.2	—
Consideration paid for acquisitions of businesses, net of cash acquired	—	(6.2)
Consideration paid for a cost method investment	(15.0)	—
Consideration paid for gaming licenses and other intangible assets	(1.9)	(18.7)
Other	—	(10.0)
Net cash used in investing activities	(113.7)	(99.1)

(in millions)	For the six months ended June 30, 2022	2021
Financing activities		
Proceeds from issuance of long-term debt, net of discounts	1,545.0	—
Repayments on credit facilities (Note 8)	(1,543.2)	—
Principal payments on long-term debt	(20.5)	(32.2)
Debt issuance costs	(18.2)	—
Proceeds from other long-term obligations	—	72.5
Payments of other long-term obligations	(9.1)	(8.6)
Principal payments on financing obligations	(31.9)	(17.7)
Principal payments on finance leases	(53.5)	(3.4)
Proceeds from exercise of options	2.8	8.5
Repurchase of common stock	(342.1)	—
Proceeds from insurance financing	—	26.6
Payments on insurance financing	—	(17.5)
Other	(6.6)	(9.4)
Net cash (used in) provided by financing activities	(477.3)	18.8
Effect of currency rate changes on cash, cash equivalents, and restricted cash	(0.6)	—
Change in cash, cash equivalents, and restricted cash	(155.2)	424.3
Cash, cash equivalents and restricted cash at the beginning of the year	1,880.1	1,870.4
Cash, cash equivalents and restricted cash at the end of the period	$ 1,724.9	$ 2,294.7
Reconciliation of cash, cash equivalents and restricted cash:		
Cash and cash equivalents	$ 1,708.3	$ 2,274.7
Restricted cash included in Other current assets	15.4	18.8
Restricted cash included in Other assets	1.2	1.2
Total cash, cash equivalents and restricted cash	$ 1,724.9	$ 2,294.7
Supplemental disclosure:		
Cash paid for interest, net of amounts capitalized	$ 338.5	$ 275.2
Cash payments related to income taxes, net	$ 45.5	$ 27.7
Non-cash activities:		
Commencement of operating leases	$ 39.0	$ 28.9
Commencement of finance leases	$ 1,417.1	$ —
Accrued capital expenditures	$ 25.5	$ 25.5

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: On August 4, 2022, Penn National Gaming, Inc. was renamed PENN Entertainment, Inc. 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. A member of the S&P 500®, PENN operates 44 properties in 20 states, online sports betting in 13 jurisdictions and iCasino in five, under a portfolio of well-recognized brands including Hollywood Casino®, L'Auberge®, Barstool Sportsbook®, and theScore Bet®. PENN's highly differentiated strategy, which is focused on organic cross-sell opportunities, is reinforced by its investments in owned technology, including a state-of-the-art media and betting platform and an in-house iCasino content studio. The Company's portfolio is further bolstered by its industry-leading my**choice**® customer loyalty program (the "my**choice** program"), which offers its over 26 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 the PENN Master Lease and the Pinnacle Master Lease (as such terms are defined in Note 9, "Leases," and collectively referred to as the "Master Leases"), with Gaming and Leisure Properties, Inc. (Nasdaq: GLPI) ("GLPI"), a real estate investment trust ("REIT").

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, 2021.

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 iCasino and online sports betting operations, management of retail sports betting, media, and our proportionate share of earnings attributable to our equity method investment in Barstool Sports, Inc. ("Barstool Sports"). See Note 16, "Segment Information," for further information. 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 at Greektown	Detroit, Michigan	Greektown Lease
Hollywood Casino Bangor	Bangor, Maine	PENN Master Lease
Hollywood Casino at Charles Town Races	Charles Town, West Virginia	PENN Master Lease
Hollywood Casino Columbus	Columbus, Ohio	PENN Master Lease
Hollywood Casino Lawrenceburg	Lawrenceburg, Indiana	PENN Master Lease
Hollywood Casino Morgantown	Morgantown, Pennsylvania	Morgantown Lease
Hollywood Casino at PENN National Race Course	Grantville, Pennsylvania	PENN Master Lease
Hollywood Casino Perryville	Perryville, Maryland	Perryville Lease
Hollywood Casino Toledo	Toledo, Ohio	PENN Master Lease
Hollywood Casino York	York, Pennsylvania	Operating Lease (not with REIT Landlord)
Hollywood Gaming at Dayton Raceway	Dayton, Ohio	PENN Master Lease
Hollywood Gaming at Mahoning Valley Race Course	Youngstown, Ohio	PENN Master Lease
Marquee by PENN [(1)]	Pennsylvania	N/A
Hollywood Casino at Meadows Racetrack	Washington, Pennsylvania	Meadows Lease
Plainridge Park Casino	Plainville, Massachusetts	Pinnacle Master Lease
South segment		
1st Jackpot Casino	Tunica, Mississippi	PENN Master Lease
Ameristar Vicksburg	Vicksburg, Mississippi	Pinnacle Master Lease
Boomtown Biloxi	Biloxi, Mississippi	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	PENN Master Lease
Hollywood Casino Tunica	Tunica, Mississippi	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	Henderson, Nevada	PENN Master Lease
Tropicana Las Vegas	Las Vegas, Nevada	Tropicana Lease
Zia Park Casino	Hobbs, New Mexico	PENN Master Lease
Midwest segment		
Ameristar Council Bluffs	Council Bluffs, Iowa	Pinnacle Master Lease
Argosy Casino Alton [(2)]	Alton, Illinois	PENN Master Lease
Argosy Casino Riverside	Riverside, Missouri	PENN Master Lease
Hollywood Casino Aurora	Aurora, Illinois	PENN Master Lease
Hollywood Casino Joliet	Joliet, Illinois	PENN Master Lease
Hollywood Casino at Kansas Speedway [(3)]	Kansas City, Kansas	Owned - JV
Hollywood Casino St. Louis	Maryland Heights, Missouri	PENN Master Lease
Prairie State Gaming [(1)]	Illinois	N/A
River City Casino	St. Louis, Missouri	Pinnacle Master Lease

(1) VGT route operations

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

(3) Pursuant to a joint venture ("JV") 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, retail transactions, hotel room sales, racing wagers, management services related to the management of external operations 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:

	For the three months ended June 30,		For the six months ended June 30,	
(in millions)	2022	2021	2022	2021
Food and beverage	$ 52.1	$ 44.1	$ 102.8	$ 80.2
Hotel	36.6	30.7	68.8	57.1
Other	2.8	2.1	5.3	4.0
Total complimentaries associated with gaming contracts	$ 91.5	$ 76.9	$ 176.9	$ 141.3

Customer-related Liabilities

The Company has three general types of liabilities related to contracts with customers: (i) the obligation associated with its my**choice** 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 sports betting operators for online sports betting and related iCasino market access.

Our my**choice** program allows members to earn loyalty points that are redeemable for slot play and complimentaries, such as food and beverage at our restaurants, lodging at our hotels and products offered at our retail stores across the vast majority of our properties. In addition, members of the my**choice** program earn credit toward tier status, which entitles them to receive certain other benefits, such as gifts and free play. The obligation associated with our my**choice** program, which is included in "Accrued expenses and other current liabilities" within our unaudited Consolidated Balance Sheets, was $43.4 million and $37.6 million as of June 30, 2022 and December 31, 2021, 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 or pari-mutuel wagering, (v) outstanding chip liabilities, (vi) unclaimed jackpots, and (vii) gift cards redeemable at our properties. Unpaid wagers primarily relate to the Company's obligation to settle outstanding slot tickets, pari-mutuel racing tickets, gaming chips with customers and online wagers not yet withdrawn and 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 $93.2 million and $112.0 million as of June 30, 2022 and December 31, 2021, respectively. Advance payments on goods and services yet to be provided and for unpaid wagers are included in "Accrued expenses and other current liabilities" within our unaudited Consolidated Balance Sheets.

PENN Interactive Ventures, LLC ("PENN Interactive") enters into multi-year agreements with sports betting operators for online sports betting and related iCasino market access across our portfolio of properties. Deferred revenue associated with third-party sports betting operators for online sports betting and related iCasino market access, which is included in "Other long-term liabilities" within our unaudited Consolidated Balance Sheets was $55.4 million and $52.2 million as of June 30, 2022 and December 31, 2021, 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 $18.5 million, and $42.6 million for the three and six months ended June 30, 2022, respectively, as compared to $15.3 million and $32.4 million for the three and six months ended June 30, 2021, respectively.

Gaming and Racing 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. 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 and local jurisdictions in the states where or in which the wagering occurs, as well as taxes on revenues derived from arrangements which allow for third-party partners to operate online casinos and online sportsbooks under our gaming licenses. Additionally, some states require us to prepay annual assessments to support the operations of local regulatory authorities. We consider these prepaid costs to be a type of gaming and racing tax. Gaming and racing taxes are recorded in “Gaming” expense or “Food, beverage, hotel, and other” expenses within the unaudited Consolidated Statements of Operations, and were $486.8 million and $959.0 million for the three and six months ended June 30, 2022, respectively, as compared to $515.9 million and $933.8 million for the three and six months ended June 30, 2021, 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. 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 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 Per Share: Basic earnings per share (“EPS”) is computed by dividing net income 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 stock options, unvested restricted stock awards (“RSAs”) and restricted stock units (“RSUs”) (collectively with RSAs, “restricted stock”), outstanding convertible preferred stock and convertible debt.

Holders of the Company’s Series D Preferred Stock (as defined in Note 10, “Investments in and Advances to Unconsolidated Affiliates”) are 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 are 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 holders of the Company’s Series D Preferred Stock are not obligated to absorb losses; therefore, in reporting periods where the Company is in a net loss position, it does not apply the two-class method. In reporting periods where the Company is in a net income position, the two-class method is applied by allocating all earnings during the period to common shares and preferred shares. See Note 14, “Earnings per Share,” 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 March 2020, the FASB issued ASU 2020-04, “Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting” (“ASU 2020-04”). ASU 2020-04 provides an optional expedient and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. In response to the concerns about structural risks of interbank offered rates and, particularly, the risk of cessation of the London Interbank Offered Rate (referred to as “LIBOR”), regulators in several jurisdictions around the world have undertaken reference rate reform initiatives to identify alternative reference rates that are more observable or transaction-based and less susceptible to manipulation. ASU 2020-04 also provides companies with optional guidance to ease the potential accounting burden associated with transitioning away from reference rates that are expected to be discontinued. The interest rates associated with the Company’s previous borrowings under its Senior Secured Credit Facilities (as defined in Note 8, “Long-term Debt”) were tied to LIBOR. Subsequent to the amendment of the Senior Secured Credit Facilities on May 3, 2022, the Company’s borrowings are tied to SOFR (see Note 8, “Long-term Debt”). The adoption of ASU 2020-04 did not have an impact on our unaudited Consolidated Financial Statements.

In August 2020, The FASB issued ASU 2020-06, “Debt—Debt with Conversion and Other Options (Topic 470) and Derivatives and Hedging—Contracts in Entity’s Own Equity (Topic 814): Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity” (“ASU 2020-06”). ASU 2020-06 eliminates the number of accounting models used to account for convertible debt instruments and convertible preferred stock. The update also amends the disclosure requirements for convertible instruments and EPS in an effort to increase financial reporting transparency.

The new standard impacts the Company’s existing 2.75% convertible senior notes due May 2026 (“Convertible Notes”) which prior to adoption of the new standard, were accounted for under the cash conversion feature model. The cash conversion feature model is eliminated under the new standard and entities will no longer separately present in stockholders’ equity an embedded conversion feature of a debt instrument.

The new guidance also requires the use of the if-converted method when calculating diluted EPS for convertible instruments and the treasury stock method should no longer be used. Under the new guidance, convertible instruments that may be settled in cash or shares (e.g., the Company’s Convertible Notes) are to be included in the calculation of diluted EPS if the effect is more dilutive, with no option for rebutting the presumption of share settlement based on stated policy or past experience. Each of these requirements are consistent with Company’s previous method for calculating diluted EPS.

The Company adopted ASU 2020-06 effective January 1, 2022, using the modified retrospective approach. Adoption of ASU 2020-06 resulted in reclassification of the $88.2 million cash conversion feature related to the Company’s Convertible Notes, from stockholders’ equity to liabilities. As a result of the adoption, the Company recognized as a cumulative effect adjustment, an increase to the January 1, 2022 opening balance of retained earnings of $18.9 million, net of taxes.

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 and closure of the property 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 exceeds 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.

As of December 31, 2021, the receivable was $28.7 million. During the six months ended June 30, 2022, we received additional insurance claim proceeds totaling $37.5 million, resulting in a gain of $8.8 million, which is included in “General and administrative” within our unaudited Consolidated Statements of Operations. We did not receive insurance proceeds during the three months ended June 30, 2022.

As of August 4, 2022, the insurance claim remains open and we expect to receive additional future proceeds.

We will record proceeds in excess of the recognized losses and lost profits under our business interruption insurance as a gain contingency in accordance with ASC 450, “Contingencies,” which we expect to recognize at the time of final settlement or when nonrefundable cash advances are made in a period subsequent to June 30, 2022.

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

(in millions)	June 30, 2022	December 31, 2021
Insurance proceeds received through the end of the period	$ 85.0	$ 47.5
Deductible	$ 15.0	$ 15.0
Coinsurance	$ 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
Insurance receivable	$ —	$ 28.7

Note 5—Revenue Disaggregation

We generate revenues at our owned, managed or operated properties principally by providing the following types of services: (i) gaming, including iCasino, retail and online sports betting; (ii) food and beverage; (iii) hotel; and (iv) other. Other revenues are principally comprised of ancillary gaming-related activities, such as commissions received on ATM transactions, racing, PENN Interactive's social gaming, and revenue from third-party sports betting operators and the related gross-up for taxes. 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 June 30, 2022							
(in millions)	Northeast	South	West	Midwest	Interactive	Other	Intersegment Eliminations (1)	Total
Revenues:								
Gaming	$ 621.4	$ 269.0	$ 98.9	$ 267.0	$ 69.3	$ —	$ —	$ 1,325.6
Food and beverage	31.5	33.0	21.6	13.2	—	1.3	—	100.6
Hotel	10.3	26.0	26.4	9.1	—	—	—	71.8
Other	21.7	10.6	6.9	7.0	85.6	4.6	(7.5)	128.9
Total revenues	$ 684.9	$ 338.6	$ 153.8	$ 296.3	$ 154.9	$ 5.9	$ (7.5)	$ 1,626.9

	For the three months ended June 30, 2021							
(in millions)	Northeast	South	West	Midwest	Interactive	Other	Intersegment Eliminations (1)	Total
Revenues:								
Gaming	$ 602.5	$ 304.4	$ 96.7	$ 272.1	$ 29.8	$ —	$ —	$ 1,305.5
Food and beverage	24.1	29.4	18.2	9.7	—	0.2	—	81.6
Hotel	6.7	24.1	19.9	7.0	—	—	—	57.7
Other	19.2	10.3	5.6	6.0	66.2	1.5	(7.8)	101.0
Total revenues	$ 652.5	$ 368.2	$ 140.4	$ 294.8	$ 96.0	$ 1.7	$ (7.8)	$ 1,545.8

	For the six months ended June 30, 2022							
(in millions)	Northeast	South	West	Midwest	Interactive	Other	Intersegment Eliminations (1)	Total
Revenues:								
Gaming	$ 1,220.5	$ 547.6	$ 193.0	$ 523.5	$ 132.2	$ —	$ —	$ 2,616.8
Food and beverage	63.4	64.0	40.9	25.7	—	2.5	—	196.5
Hotel	18.4	48.0	48.7	16.7	—	—	—	131.8
Other	41.1	20.4	12.1	13.3	164.2	10.7	(15.8)	246.0
Total revenues	$ 1,343.4	$ 680.0	$ 294.7	$ 579.2	$ 296.4	$ 13.2	$ (15.8)	$ 3,191.1

(in millions)	For the six months ended June 30, 2021 Northeast	South	West	Midwest	Interactive	Other	Intersegment Eliminations (1)	Total
Revenues:								
Gaming	$ 1,129.5	$ 549.8	$ 165.8	$ 489.0	$ 53.4	$ —	$ —	$ 2,387.5
Food and beverage	45.0	52.5	30.1	16.7	—	0.3	—	144.6
Hotel	12.5	43.7	32.4	12.9	—	—	—	101.5
Other	36.4	18.1	8.7	10.9	128.9	3.0	(18.9)	187.1
Total revenues	$ 1,223.4	$ 664.1	$ 237.0	$ 529.5	$ 182.3	$ 3.3	$ (18.9)	$ 2,820.7

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

Note 6—Acquisitions and Dispositions

Tropicana Las Vegas

On April 16, 2020, we sold the real estate assets associated with the operations of Tropicana Las Vegas Hotel and Casino, Inc. (“Tropicana”) to GLPI in exchange for rent credits of $307.5 million, and utilized the rent credits to pay rent under our existing Master Leases and the Meadows Racetrack and Casino Lease, beginning in May 2020. On January 11, 2022, PENN entered into a definitive purchase agreement to sell its outstanding equity interest in Tropicana, which has the gaming license and operates the Tropicana, to Bally’s Corporation (“Bally’s”). This transaction is expected to close within the second half of 2022, subject to PENN, GLPI, and Bally’s entering into definitive agreements and obtaining regulatory approval.

Score Media and Gaming Inc.

On October 19, 2021, we acquired 100% of Score Media and Gaming, Inc. (“theScore”) for a purchase price of approximately $2.1 billion. The acquisition provides us with the technology, resources and audience reach to accelerate our media and sports betting strategy across North America. Under the terms of the agreement, 1317774 B.C. Ltd. (the “Purchaser”), an indirectly wholly owned subsidiary of PENN, acquired each of the issued and outstanding theScore shares (other than those held by PENN and its subsidiaries) for US$17.00 per share in cash consideration, totaling $922.8 million, and either 0.2398 of a share of common stock, par value $0.01 of PENN Common Stock or, if validly elected, 0.2398 of an exchangeable share in the capital of the Purchaser (each whole share, an “Exchangeable Share”), totaling 12,319,340 shares of PENN Common Stock and 697,539 Exchangeable Shares for approximately $1.0 billion. Each Exchangeable Share will be exchangeable into one share of PENN Common Stock at the option of the holder, subject to certain adjustments. In addition, Purchaser 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.

The Company held shares of theScore common stock prior to the 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 this investment of $58.9 million, the Company recorded a gain of $2.9 million related to remeasurement of the equity security investment immediately prior to the acquisition date which was included in “Other” within our Consolidated Statements of Operations.

The following table reflects the preliminary allocation of the purchase price to the tangible and identifiable intangible assets acquired and liabilities assumed, with the excess recorded as goodwill:

(in millions)	Fair value
Cash and cash equivalents	$ 160.3
Other current assets	22.8
ROU assets	2.6
Property and equipment	1.8
Goodwill	1,690.2
Other intangible assets	
Gaming technology	160.0
Media technology	57.0
Tradename	100.0
Advertising relationships	11.0
Customer relationships	8.0
Re-acquired right	2.6
Other long-term assets	5.2
Total assets	$ 2,221.5
Accounts payable, accrued expenses and other current liabilities	$ 67.9
Deferred tax liabilities	69.2
Other non-current liabilities	1.7
Total liabilities	138.8
Net assets acquired	$ 2,082.7

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 consist of gaming technology, media technology, tradename, advertising relationships, customer relationships, and a re-acquired right. Tradename is an indefinite-lived intangible asset. All other intangible assets are definite-lived with assigned useful lives primarily ranging from 1-7 years. The re-acquired right intangible asset was assigned a 17.8-year useful life based on the remaining term of a pre-acquisition market access contract between PENN and theScore.

Goodwill, none of which is deductible under the Canadian Income Tax Act, is approximately 81.2% of the net assets acquired and represents synergies, incremental market share capture and expansion into new markets not existing as of the acquisition date, and future technology development.

The following valuation approaches were utilized to determine the fair value of each intangible asset:

Intangible Asset	Valuation Approach
Gaming technology	Relief-from-royalty (variation of income approach)
Media technology	Replacement cost
Tradename	Relief-from-royalty (variation of income approach)
Advertising relationships	With-and-without (variation of income approach)
Customer relationships	Replacement cost
Re-acquired right	Replacement cost

Unaudited Pro Forma Financial Information

The following table includes unaudited pro forma consolidated financial information assuming our acquisition of Hitpoint Inc. and Lucky Point Inc. (collectively “Hitpoint”), Hollywood Casino Perryville (“Perryville”), Sam Houston Race Park and Valley Race Park (collectively “Sam Houston”), and theScore had occurred as of January 1, 2021. We acquired Hitpoint on May 11, 2021, Perryville on July 1, 2021, and Sam Houston on August 1, 2021. The pro forma amounts include the historical operating results of PENN and Hitpoint, Perryville, Sam Houston and theScore prior to our acquisitions. The pro forma financial information does not necessarily represent the results that may occur in the future. For the three and six months ended June 30, 2021, pro forma adjustments directly attributable to the acquisitions include acquisition and transaction related costs of $2.1 million and $3.7 million, respectively, incurred by both PENN and the respective acquirees. For the three and six months ended June 30, 2021, pro forma adjustments directly attributable to the acquisitions also include a loss of $8.5 million and gains of $34.9 million, respectively, related to our purchase of the remaining 50% of Sam Houston and a net unrealized gain on the equity security investment in theScore.

(in millions)	For the three months ended June 30, 2021	For the six months ended June 30, 2021
Revenues	$ 1,580.8	$ 2,886.8
Net income	$ 191.6	$ 227.7

Note 7—Goodwill and Other Intangible Assets

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

(in millions)	Northeast	South	West	Midwest	Interactive	Other	Total
Balance as of December 31, 2021							
Goodwill, gross	$ 923.5	$ 236.6	$ 216.8	$ 1,116.7	$ 1,724.0	$ 87.7	$ 4,305.3
Accumulated goodwill impairment losses	(761.4)	(61.0)	(16.6)	(556.1)	—	(87.7)	(1,482.8)
Goodwill, net	$ 162.1	$ 175.6	$ 200.2	$ 560.6	$ 1,724.0	$ —	$ 2,822.5
Effect of foreign currency exchange rates	—	—	—	—	(22.9)	—	(22.9)
Balance as of June 30, 2022							
Goodwill, gross	$ 923.5	$ 236.6	$ 216.8	$ 1,116.7	$ 1,701.1	$ 87.7	$ 4,282.4
Accumulated goodwill impairment losses	(761.4)	(61.0)	(16.6)	(556.1)	—	(87.7)	(1,482.8)
Goodwill, net	$ 162.1	$ 175.6	$ 200.2	$ 560.6	$ 1,701.1	$ —	$ 2,799.6

There were no impairment charges recorded to goodwill during the three and six months ended June 30, 2022 and 2021.

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

	June 30, 2022			December 31, 2021		
(in millions)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Indefinite-lived intangible assets						
Gaming licenses	$ 1,285.4	$ —	$ 1,285.4	$ 1,285.4	$ —	$ 1,285.4
Trademarks	337.0	—	337.0	338.2	—	338.2
Other	0.7	—	0.7	0.7	—	0.7
Amortizing intangible assets						
Customer relationships	114.7	(97.7)	17.0	114.9	(91.4)	23.5
Technology	251.8	(60.3)	191.5	252.7	(40.5)	212.2
Other	19.2	(8.7)	10.5	19.4	(6.8)	12.6
Total other intangible assets	$ 2,008.8	$ (166.7)	$ 1,842.1	$ 2,011.3	$ (138.7)	$ 1,872.6

There were no impairment charges recorded to other intangible assets, net for the three and six months ended June 30, 2022 and 2021.

Amortization expense related to our amortizing intangible assets was $14.9 million and $29.9 million for the three and six months ended June 30, 2022, respectively, as compared to $2.5 million and $4.7 million for the three and six months ended June 30, 2021, respectively. The following table presents the estimated amortization expense based on our amortizing intangible assets as of June 30, 2022 (in millions):

Years ending December 31,		
2022 (excluding the six months ended June 30, 2022)	$	28.3
2023		49.4
2024		45.4
2025		30.3
2026		23.9
Thereafter		41.7
Total	$	219.0

Note 8—Long-term Debt

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

(in millions)	June 30, 2022	December 31, 2021
Senior Secured Credit Facilities:		
Amended Revolving Credit Facility due 2027	$ —	$ —
Amended Term Loan A Facility due 2027	550.0	—
Amended Term Loan B Facility due 2029	1,000.0	—
Term Loan A Facility due 2023	—	583.8
Term Loan B-1 Facility due 2025	—	979.9
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	150.1	146.3
	2,830.6	2,840.5
Less: Current maturities of long-term debt	(55.8)	(99.5)
Less: Debt discount	(4.9)	(73.1)
Less: Debt issuance costs	(39.5)	(30.6)
	$ 2,730.4	$ 2,637.3

The following is a schedule of future minimum repayments of long-term debt as of June 30, 2022 (in millions):

Years ending December 31:		
2022 (excluding the six months ended June 30, 2022)	$	27.4
2023		56.2
2024		47.6
2025		38.2
2026		472.0
Thereafter		2,189.2
Total minimum payments	$	2,830.6

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"), we 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 April 14, 2020, the Company entered into a second amendment to its Credit Agreement with its various lenders (the "Second Amendment") to provide for certain modifications to required financial covenants and interest rates during, and subsequent to, a covenant relief period, which concluded on May 7, 2021 (the "Covenant Relief Period").

Upon conclusion of the Covenant Relief Period, the Second Amendment permitted the Company to (i) maintain a maximum consolidated total net leverage ratio of 5.50:1.00 for the quarter ended March 31, 2021, 5.00:1.00 for the quarter ended June 30, 2021, 4.75:1.00 for the quarter ended September 30, 2021, 4.50:1.00 for the quarter ended December 31, 2021, and 4.25:1.00 thereafter, tested quarterly on a pro forma trailing twelve month ("PF TTM") basis; (ii) maintain a maximum senior secured net leverage ratio of 4.50:1.00 for the quarter ended March 31, 2021, 4.00:1.00 for the quarter ended June 30, 2021, 3.75:1.00 for the quarter ended September 30, 2021, 3.50:1.00 for the quarter ended December 31, 2021, and 3.00:1.00 thereafter, tested quarterly on a PF TTM basis; and (iii) maintain an interest coverage ratio of 2.50:1.00, tested quarterly on a PF TTM basis.

Upon conclusion of the Covenant Relief Period, loans under the Senior Secured Credit Facilities called for interest at either a base rate or an adjusted LIBOR rate, plus an applicable margin. The applicable margins for the Revolving Facility and Term Loan A Facility ranged from 1.25% to 3.00% per annum for LIBOR loans and 0.25% to 2.00% per annum for base rate loans, in each case depending on the Consolidated Total Net Leverage Ratio as of the most recent fiscal quarter. The Term Loan B-1 Facility bore interest at 2.25% per annum for LIBOR loans and 1.25% per annum for base rate loans. All loans under the Senior Secured Credit Facilities were subject to a LIBOR "floor" of 0.75%. In addition, a commitment fee was paid on the unused portion of the commitments under the Revolving Facility at a rate that ranged from 0.20% to 0.50% per annum, depending on the Consolidated Total Net Leverage Ratio as of the most recent fiscal quarter.

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 is initially 1.75% for Term SOFR loans and 0.75% for base rate loans until the Company provides financial reports for the first full fiscal quarter following closing and, thereafter, will range 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 will pay a commitment fee on the unused portion of the commitments under the Amended Revolving Credit Facility at a rate that is initially 0.25% per annum, until the Company provides financial reports for the first full fiscal quarter following closing, and thereafter, will range from 0.35% to 0.20% per annum, depending on the Company's total net leverage ratio.

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 PENN Master Lease and the Pinnacle Master Lease (both of which are defined in Note 9, "Leases").

In connection with the repayment of the previous Senior Secured Credit Facilities, the Company recorded $1.3 million in refinancing costs and a $10.4 million loss on the early extinguishment of debt for the three and six months ended June 30, 2022 which is included in "Other" within our unaudited 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 June 30, 2022, the Company had conditional obligations under letters of credit issued pursuant to the Amended Credit Facilities with face amounts aggregating to $25.4 million resulting in $974.6 million of available borrowing capacity under the Amended Revolving Credit Facility.

As of December 31, 2021, the Company had conditional obligations under letters of credit issued pursuant to the Senior Security Credit Facilities with face amounts aggregating to $26.0 million resulting in $674.0 million of available borrowing capacity under the Revolving Facility.

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 that mature, unless earlier converted, redeemed or repurchased, on May 15, 2026 at a price of par. After lender fees and discounts, net proceeds received by the Company were $322.2 million. Interest on the Convertible Notes is payable on May 15th and November 15th of each year.

The Convertible Notes are convertible into shares of the Company's common stock at an initial conversion price of $23.40 per share, or 42.7350 shares, per $1,000 principal amount of notes, subject to adjustment if certain corporate events occur. However, in no event will the conversion exceed 55.5555 shares of common stock per $1,000 principal amount of notes. As of June 30, 2022, the maximum number of shares that could be issued to satisfy the conversion feature of the Convertible Notes is 18,360,815 and the amount by which the Convertible Notes if-converted value exceeded its principal amount was $228.0 million.

Starting in the fourth quarter of 2020 and prior to February 15, 2026, at their election, holders of the Convertible Notes may convert outstanding notes if the trading price of the Company's common stock exceeds 130% of the initial conversion price or, starting shortly after the issuance of the Convertible Notes, if the trading price per $1,000 principal amount of notes is less than 98% of the product of the trading price of the Company's common stock and the conversion rate then in effect. The Convertible Notes may, at the Company's election, be settled in cash, shares of common stock of the Company, or a combination thereof. The Company has the option to redeem the Convertible Notes, in whole or in part, beginning November 20, 2023.

In addition, the Convertible Notes convert into shares of the Company's common stock upon the occurrence of certain corporate events that constitute a fundamental change under the indenture governing the Convertible Notes at a purchase price equal to 100% of the principal amount thereof, plus accrued and unpaid interest to, but excluding, the date of repurchase. In connection with certain corporate events or if the Company issues a notice of redemption, it will, under certain circumstances, increase the conversion rate for holders who elect to convert their Convertible Notes in connection with such corporate events or during the relevant redemption period for such Convertible Notes.

As of June 30, 2022 and December 31, 2021, no Convertible Notes have been converted into the Company's common stock.

The Convertible Notes contain a cash conversion feature, and as a result, the Company separated it into liability and equity components. The Company valued the liability component based on its borrowing rate for a similar debt instrument that does not contain a conversion feature. The equity component, recognized as debt discount, was valued as the difference between the face value of the Convertible Notes and the fair value of the liability component. The equity component was valued at

$91.8 million upon issuance of the Convertible Notes. In connection with the Convertible Notes issuance, the Company incurred debt issuance costs of $10.2 million, which were allocated on a pro rata basis to the liability component and the equity component in the amounts of $6.6 million and $3.6 million, respectively.

On January 1, 2022, the Company adopted ASU 2020-06, which resulted in a reclassification of the $88.2 million cash conversion feature related to the Company's Convertible Notes, from stockholders' equity to liabilities as under ASU 2020-06, bifurcation for a cash conversion feature is no longer permitted. As a result of the adoption, the Company recognized as a cumulative effect adjustment, an increase to the January 1, 2022 opening balance of retained earnings of $18.9 million, net of taxes.

The Convertible Notes consisted of the following components:

(in millions)	June 30, 2022	December 31, 2021
Liability component:		
Principal	$ 330.5	$ 330.5
Unamortized debt discount	—	(71.7)
Unamortized debt issuance costs	(7.0)	(5.3)
Net carrying amount	$ 323.5	$ 253.5
Carrying amount of equity component	$ —	$ 88.2

Interest expense, net

The table below presents interest expense, net:

	For the three months ended June 30,		For the six months ended June 30,	
(in millions)	2022	2021	2022	2021
Interest expense	$ (195.3)	$ (139.1)	$ (356.9)	$ (275.7)
Interest income	1.3	0.2	1.8	0.4
Capitalized interest	0.4	0.9	0.7	1.6
Interest expense, net	$ (193.6)	$ (138.0)	$ (354.4)	$ (273.7)

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

	For the three months ended June 30,		For the six months ended June 30,	
(in millions)	2022	2021	2022	2021
Coupon interest	$ 2.2	$ 2.2	$ 4.5	$ 4.5
Amortization of debt discount	—	3.1	—	6.2
Amortization of debt issuance costs	0.4	0.3	0.8	0.5
Convertible Notes interest expense	$ 2.6	$ 5.6	$ 5.3	$ 11.2

Subsequent to the adoption of ASU 2020-06, the debt issuance costs attributable to the liability component continue to be 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 3.9 years as of June 30, 2022.

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 PENN Master Lease and the Pinnacle Master Lease (both of 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 June 30, 2022, 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 $6.7 million and $12.9 million for the three and six months ended June 30, 2022, respectively, as compared to $3.7 million and $5.2 million for the three and six months ended June 30, 2021, respectively.

Ohio Relocation Fees

Other long-term obligations included $36.1 million and $44.5 million as of June 30, 2022 and December 31, 2021, 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. This obligation is accreted to interest expense at an effective yield of 5.0%.

Event Center

As of June 30, 2022 and December 31, 2021, other long-term obligations included $10.7 million and $11.4 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 under 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, monthly rent associated with Hollywood Casino Columbus ("Columbus") and monthly rent in excess of the Hollywood Casino Toledo ("Toledo") rent floor, which are discussed below, are considered contingent rent.

PENN Master Lease

Pursuant to the triple net master lease with GLPI (the "PENN Master Lease"), which became effective November 1, 2013, the Company leases real estate assets associated with 19 of the gaming facilities used in its operations. The PENN Master Lease has 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. The Company has determined that the lease term is 35 years.

The payment structure under the 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 PENN Master Lease) of 1.8:1, and a component that is based on performance, which is prospectively adjusted (i) every five years by an amount equal to 4% of the average change in net revenues of all properties under the PENN Master Lease (other than Columbus and Toledo) compared to a contractual baseline during the preceding five years ("PENN Percentage Rent") and (ii) monthly by an amount equal to 20% of the net revenues of Columbus and Toledo in excess of a contractual baseline and subject to a rent floor specific to Toledo.

The next annual escalator test date is scheduled to occur effective November 1, 2022. The next PENN Percentage Rent reset is scheduled to occur on November 1, 2023.

On January 14, 2022, the ninth amendment to the PENN Master Lease between the Company and GLPI became effective. The ninth 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, establishes 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 modifies the rent calculations upon a lease termination event as defined in the amendment. The lease term and the four five-year optional renewal periods, which if exercised would extend the PENN Master Lease through October 31, 2048, were not modified in the ninth amendment.

We concluded the ninth amendment 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. 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, are now 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, are now 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 continue to be classified as financing obligations.

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 the performance, 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").

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. The lease term and the five five-year optional renewal periods, which if exercised would extend the Pinnacle Master Lease through April 30, 2051, were not modified in the fifth 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 "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.

As a result of the annual escalator, effective as of May 1, 2022 for the lease year ended April 30, 2022, the fixed component of rent increased by $4.6 million and an additional ROU asset and corresponding lease liability of $33.2 million were recognized associated with the finance lease components of the Pinnacle Master Lease. The next annual escalator test date is scheduled to occur on May 1, 2023.

The May 1, 2022 Pinnacle Percentage Rent reset resulted in an annual rent increase of $1.9 million, which will be in effect until the next Pinnacle Percentage Rent reset, scheduled to occur on May 1, 2024. Upon reset of the Pinnacle Percentage Rent, effective May 1, 2022, we recognized an additional finance lease ROU asset and corresponding lease liability of $26.1 million.

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 to be utilized to pay rent under the Master Leases, Meadows Lease, and the Morgantown Lease.

The initial term of the Morgantown Lease is 20 years with six subsequent, five-year renewal periods, exercisable at the Company's option. Initial annual rent under the Morgantown Lease is $3.0 million, subject to a 1.50% fixed annual escalation in each of the first three years subsequent to the facility opening, which occurred on December 22, 2021. Thereafter, the lease will be subject to an annual escalator consisting of either (i) 1.25%, if the consumer price index increase is greater than 0.50%, or (ii) zero, if the consumer price index increase is less than 0.50%. 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.

Perryville Lease

In conjunction with the acquisition of the operations of Hollywood Casino 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.

The initial term of the Perryville Lease is 20 years with three subsequent, five-year renewal periods, exercisable at the Company's option. The building portion of the annual rent is subject to a fixed annual escalation of 1.50% in each of the following three years, with subsequent annual escalations of either (i) 1.25%, if the consumer price index increase is greater than 0.50%, or (ii) zero, if the consumer price index increase is less than 0.50%.

Operating Leases

In addition to any operating lease components contained within the Master Leases, the Company's operating leases consist mainly of (i) individual triple net leases with GLPI for the real estate assets used in the operations of Tropicana (the "Tropicana Lease") and Hollywood Casino at Meadows Racetrack (the "Meadows Lease"), (ii) individual triple net leases with VICI Properties Inc. (NYSE: VICI) ("VICI") for the real estate assets used in the operations of Margaritaville Casino Resort (the "Margaritaville Lease") and Hollywood Casino at Greektown (the "Greektown Lease" and collectively with the Master Leases' operating lease components, the Meadows Lease, the Margaritaville Lease and the Tropicana Lease, the "Triple Net Operating Leases"), (iii) ground and levee leases to landlords which were not assumed by our REIT Landlords and remain an obligation of the Company, and (iv) building and equipment not subject to the Master Leases. 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.

On January 14, 2022, the second amendment to the Meadows Lease between the Company and GLPI became effective. The second amendment restates the definition of "Net Revenue" to clarify the inclusion of online-based revenues derived when a patron is physically present at the facility. This amendment did not result in a modification event under ASC 842.

On February 1, 2022, the Margaritaville 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 $2.9 million. We did not incur an annual escalator for the lease year ended January 31, 2021. The next annual escalator and Margaritaville Percentage Rent reset are scheduled to occur on February 1, 2023.

In May 2020, the Greektown lease was amended to remove the escalator for the lease years ending May 31, 2021 and 2022 and to provide for a Net Revenue to Rent coverage floor to be mutually agreed upon prior to the commencement of the fourth lease year (June 1, 2022). In April 2022, the lease was further amended to provide for a Net Revenue to Rent coverage floor to be mutually agreed upon prior to the commencement of the fifth lease year (June 1, 2023).

The following is a maturity analysis of our operating leases, finance leases and financing obligations as of June 30, 2022:

(in millions)	Operating Leases	Finance Leases	Financing Obligations
Year ended December 31,			
2022 (excluding the six months ended June 30, 2022)	$ 68.0	$ 193.2	$ 186.3
2023	125.2	375.2	369.8
2024	119.9	347.9	355.3
2025	116.6	346.9	355.4
2026	112.2	346.9	355.4
Thereafter	1,341.4	7,873.5	8,285.7
Total lease payments	1,883.3	9,483.6	9,907.9
Less: Imputed interest	(814.0)	(4,421.5)	(5,842.8)
Present value of future lease payments	1,069.3	5,062.1	4,065.1
Less: Current portion of lease obligations	(74.2)	(115.5)	(63.8)
Long-term portion of lease obligations	$ 995.1	$ 4,946.6	$ 4,001.3

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

	For the three months ended June 30,		For the six months ended June 30,	
(in millions)	2022	2021	2022	2021
PENN Master Lease	$ 120.6	$ 120.7	$ 239.8	$ 238.7
Pinnacle Master Lease	83.4	82.1	165.9	163.4
Perryville Lease	2.0	—	3.9	—
Meadows Lease	6.2	6.2	12.4	12.4
Margaritaville Lease	6.0	5.9	11.9	11.7
Greektown Lease	12.9	13.5	25.7	27.4
Morgantown Lease	0.7	0.7	1.5	1.5
Total [(1)]	$ 231.8	$ 229.1	$ 461.1	$ 455.1

(1) Rent payable under the Tropicana Lease is nominal. Therefore, it has been excluded from the table above.

The components of lease expense were as follows:

(in millions)	Location on unaudited Consolidated Statements of Operations	For the three months ended June 30, 2022	For the three months ended June 30, 2021	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Operating Lease Costs					
Rent expense associated with triple net operating leases (1)	General and administrative	$ 28.0	$ 116.5	$ 88.1	$ 226.9
Operating lease cost (2)	Primarily General and administrative	4.9	3.9	9.9	7.8
Short-term lease cost	Primarily Gaming expense	18.5	15.5	36.6	28.8
Variable lease cost (2)	Primarily Gaming expense	1.2	1.0	2.3	2.1
Total		$ 52.6	$ 136.9	$ 136.9	$ 265.6
Finance Lease Costs					
Interest on lease liabilities (3)	Interest expense, net	$ 75.7	$ 3.7	$ 115.2	$ 7.4
Amortization of ROU assets (3)	Depreciation and amortization	48.8	2.1	80.9	4.0
Total		$ 124.5	$ 5.8	$ 196.1	$ 11.4
Financing Obligation Costs					
Interest on financing obligations (4)	Interest expense, net	$ 85.2	$ 105.3	$ 174.8	$ 207.9

(1) Pertains to the operating lease components contained within the Master Leases, inclusive of the variable expense associated with Columbus and Toledo for the operating lease components, the Meadows Lease, the Margaritaville Lease, the Greektown Lease, and the Tropicana Lease.

Prior to the Lease Modification, the operating lease components contained within the Master Leases primarily consisted of the land, inclusive of the variable expense associated with Columbus and Toledo.

Subsequent to the Lease Modification, the operating lease components contained within the Master Leases consist of the land and building components associated with the operations of Dayton and Mahoning Valley.

(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) Pertains to the finance lease components contained within the Master Leases, and the Perryville Lease (effective July 1, 2021) which results in interest expense and amortization expense (as opposed to rent expense).

Prior to the Lease Modification, the finance lease components contained within the Master Leases consisted of the land and building components associated with the operations of Dayton and Mahoning Valley.

Subsequent to the Lease Modification, the finance lease components contained within the Master Leases consist of the land, inclusive of the variable expense associated with Columbus and Toledo.

(4) Pertains to the components contained within the Master Leases (primarily buildings) and the Morgantown Lease determined to be a financing obligation, inclusive of the variable expense associated with Columbus and Toledo for the financing obligation components (the buildings).

Note 10—Investments in and Advances to Unconsolidated Affiliates

As of June 30, 2022, investments in and advances to unconsolidated affiliates primarily consisted of the Company’s 36% interest in Barstool Sports; its 50% investment in Kansas Entertainment, the joint venture with NASCAR that owns Hollywood Casino at Kansas Speedway; and its 50% interest in Freehold Raceway.

Investment in Barstool Sports

In February 2020, we closed on our investment in Barstool Sports pursuant to a stock purchase agreement with Barstool Sports and certain stockholders of Barstool Sports, in which we purchased 36% (inclusive of 1% on a delayed basis) of the common stock, par value $0.0001 per share, of Barstool Sports for a purchase price of $161.2 million. The purchase price consisted of $135.0 million in cash and $23.1 million in shares of a new class of non-voting convertible preferred stock of the Company (as discussed below). Within three years after the closing of the transaction or earlier at our election, we will increase our ownership in Barstool Sports to approximately 50% by purchasing approximately $62.0 million worth of additional shares of Barstool Sports common stock, consistent with the implied valuation at the time of the initial investment, which was $450.0 million. With respect to the remaining Barstool Sports shares, we have immediately exercisable call rights, and the existing Barstool Sports stockholders have put rights exercisable beginning three years after closing, all based on a fair market value calculation at the time of exercise (originally subject to a cap of $650.0 million and, subject to such cap, a floor of 2.25 times the annualized revenue of Barstool Sports, all subject to various adjustments).

On October 1, 2021, the terms of the February 2020 stock purchase agreement were amended and restated ("Amended and Restated Stockholders' Agreement") to (i) set a definitive purchase price of $325.0 million on the second 50% of Barstool Sports common stock, which eliminates the floor of 2.25 times the annual revenue of Barstool Sports and (ii) fix a number of PENN common shares to be delivered to existing February 2020 employee holders of Barstool Sports common stock, to the extent PENN's stock price exceeds a specified value defined in the Amended and Restated Stockholder's Agreement and PENN elects to settle using a combination of cash and equity. Consistent with the February 2020 stock purchase agreement: (i) the Barstool Sports common stock remains subject to our immediately exercisable call rights and the existing Barstool Sports stockholders put rights beginning in February 2023, (ii) the requirement to increase our ownership in Barstool Sports to approximately 50% by purchasing approximately $62.0 million worth of additional shares in Barstool Sports common stock remains consistent with the implied valuation at the time of the initial investment, which was $450.0 million, and (iii), we may settle the call and put options, at our sole election, using either cash or a combination of cash and equity.

On July 7, 2022, we entered into the first amendment to the Amended and Restated Stockholders' Agreement ("First Amendment"). The First Amendment updated the share price specified value used to calculate the fixed number of PENN common shares to be delivered to existing February 2020 employee holders of Barstool Sports common stock, to the extent PENN's stock price exceeds the updated specified value and PENN elects to settle using a combination of cash and equity.

On February 20, 2020, 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 Sports. 1/1,000th of a share of Series D Preferred Stock is convertible into one share of PENN Common Stock. The Series D Preferred stockholders are 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. The Series D Preferred Stock issued to certain individual stockholders affiliated with Barstool Sports will be available for conversion into PENN Common Stock in tranches over four years, beginning February 21, 2021, as stipulated in the Amended and Restated Stockholder's Agreement. As of June 30, 2022, 51 shares of the Series D Preferred Stock can be converted into PENN Common Stock.

During the first quarter of 2021, the Company acquired 0.3%, and subsequently acquired an additional 0.3% during the third quarter of 2021, of Barstool Sports common stock, par value $0.0001 per share, which represents a partial settlement of the 1% purchase on a delayed basis as noted above. The acquisition of the acquired Barstool Sports common stock was settled through a predetermined number of Series D Preferred Stock as contained within the stock purchase agreement (see Note 13, "Stockholders' Equity and Stock-Based Compensation," for further information).

During the three months ended June 30, 2022, the Company acquired an additional 0.3% of Barstool Sports common stock, par value $0.0001 per share, which represents a partial settlement of the 1% purchase on a delayed basis as noted above. The acquisition of the acquired Barstool Sports common stock was settled through a predetermined number of PENN Common Stock as contained within the Amended and Restated Stockholder's Agreement (see Note 13, "Stockholders' Equity and Stock-Based Compensation," for further information)

As a part of the stock purchase agreement, we entered into a commercial agreement that provides us with access to Barstool Sports' customer list and exclusive advertising on the Barstool Sports platform over the term of the agreement. The initial term of the commercial agreement is ten years and, unless earlier terminated and subject to certain exceptions, will automatically renew for three additional ten-year terms (a total of 40 years assuming all renewals are exercised).

As of June 30, 2022 and December 31, 2021, we have an amortizing intangible asset pertaining to the customer list of $0.4 million and $0.8 million, respectively. As of June 30, 2022 and December 31, 2021, we have a prepaid expense pertaining to the advertising in the amount of $14.8 million, and $15.4 million respectively, of which $13.6 million and $14.2 million was classified as long-term, respectively. The long-term portion of the prepaid advertising expense is included in "Other assets" within our unaudited Consolidated Balance Sheets.

As of June 30, 2022 and December 31, 2021, our investment in Barstool Sports was $159.4 million and $162.5 million, respectively. We record our proportionate share of Barstool Sports' net income or loss one quarter in arrears.

The Company determined that Barstool Sports qualified as a VIE as of June 30, 2022 and December 31, 2021. The Company did not consolidate the financial position of Barstool Sports as of June 30, 2022 and December 31, 2021, nor the results of operations for the three and six months ended June 30, 2022 and 2021, as the Company determined that it did not qualify as the primary beneficiary of Barstool Sports either at the commencement date of its investment or for subsequent periods, primarily as a result of the Company not having the power to direct the activities of the VIE that most significantly affect Barstool Sports' economic performance.

Kansas Joint Venture

As of June 30, 2022 and December 31, 2021, our investment in Kansas Entertainment was $82.4 million and $83.8 million, respectively. During the three and six months ended June 30, 2022, the Company received distributions from Kansas Entertainment totaling $9.0 million and $17.0 million, respectively, as compared to $7.9 million for the three months ended June 30, 2021 and $13.4 million for the six months ended June 30, 2021. 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 June 30, 2022 and December 31, 2021, nor the results of operations for the three and six months ended June 30, 2022 and 2021.

Texas Joint Venture

The Company had a 50% interest in a joint venture with Sam Houston, which owns and operates the Sam Houston Race Park in Houston, Texas and the Valley Race Park in Harlingen, Texas, and holds a license for a racetrack in Austin, Texas. On August 1, 2021, we completed the acquisition of the remaining 50% ownership interest in Sam Houston.

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 68.3% and 57.2% for the three and six months ended June 30, 2022, as compared to 21.1% and 20.3% for the three and six months ended June 30, 2021. We excluded certain foreign losses from our worldwide effective tax rate calculation due to a year-to-date ordinary loss for which no benefit may be recognized. Our effective income tax rate can vary from period to period depending on, among other factors, the geographic and business mix of our earnings and changes to our valuation allowance. Certain of these and other factors, including our history and projections of pretax earnings, are considered in assessing our ability to realize our net deferred tax assets.

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 June 30, 2022, we intend to continue maintaining a valuation allowance on our deferred tax assets until there is sufficient positive evidence to support the reversal of all or some portion of these allowances. A reduction in the valuation allowance would 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 unknown at this time, the Company believes there is a possibility that a significant portion of the valuation allowance may be released within the year, which is contingent upon the earnings level we achieve in 2022 as well as our projected income levels in future periods. During the three months ended June 30, 2022, the Company increased the valuation allowance in the amount of $27.2 million related primarily to accounting modifications to certain master leases (see Note 9, "Leases"). As of June 30, 2022 and December 31, 2021, prepaid income taxes of $27.1 million and $42.5 million, respectively, were included in "Prepaid expenses" within our unaudited Consolidated Balance Sheets. The reduction in prepaid income taxes is primarily related to an Internal Revenue Service refund of $28.2 million related to the Company's carryback claim under the CARES Act for the year ended December 31, 2020.

On July 8, 2022, the Pennsylvania House Bill 1342 was signed into law that reduces the corporate income tax rate over the next nine years from the current rate of 9.99% to 4.99% by 2031. The Company is evaluating this law change and the impact it will have on our consolidated financial statements. The tax law change is accounted for in the period of enactment and therefore, we will recognize the impact during the quarter ended September 30, 2022.

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.

Note 13—Stockholders' Equity and Stock-Based Compensation

Common and Preferred Stock

On May 11, 2021, as part of the acquisition of Hitpoint, the Company issued 43,684 shares for a total of $3.5 million. On July 8, 2022, the Company issued 4,055 shares, in connection with the achievement of the first of three annual mutual goals established by the Company and Hitpoint.

On June 17, 2021, the Company filed its Second Amended and Restated Articles of Incorporation with the Department of State of the Commonwealth of Pennsylvania. These Articles of Incorporation, as amended and restated and approved by the Company's shareholders at the 2021 Annual Meeting of Shareholders, increase the number of authorized shares of common stock from 200,000,000 to 400,000,000.

On August 1, 2021, as part of the acquisition of Sam Houston, the Company issued 198,103 shares for a total of $15.8 million.

On October 19, 2021, as part of the acquisition of theScore, the Company issued 12,319,340 shares of common stock and authorized and issued 697,539 Exchangeable Shares for approximately $1.0 billion, each with a par value of $0.01, as discussed in Note 6, "Acquisitions and Dispositions." As of June 30, 2022 and December 31, 2021, there were 624,658 and 653,059 Exchangeable Shares outstanding, respectively.

On each of February 22, 2021 and August 23, 2021, the Company issued 43 shares of Series D Preferred Stock in conjunction with acquiring additional shares of Barstool Sports common stock. On June 1, 2022, the Company issued 64,000 shares of common stock in conjunction with acquiring additional shares of Barstool Sports common stock from certain individual stockholders affiliated with Barstool Sports. The issuances were exempt from registration pursuant to Section 4(a)(2) of the Securities Act. The acquisition of the incremental Barstool Sports common stock represents a partial settlement of the 1% purchase on a delayed basis as described in Note 10, "Investments in and Advances to Unconsolidated Affiliates."

On February 22, 2021 and August 23, 2021, 151 shares of Series D Preferred Stock and 43 shares of Series D Preferred Stock, respectively, were converted to common stock. As a result of the conversion, the Company issued 151,200 shares of common stock and 43,000 shares of common stock, respectively, each with a par value of $0.01. On February 23, 2022 and February 24, 2022, 43 shares of Series D Preferred Stock and 151 shares of Series D Preferred Stock, respectively, were converted to common stock. As a result of the conversion, the Company issued 43,000 shares of common stock and 151,200 shares of common stock, respectively, each with a par value of $0.01. The issuances were exempt from registration pursuant to Section 4(a)(2) of the Securities Act.

As of June 30, 2022 and December 31, 2021, there were 5,000 shares authorized of Series D Preferred Stock, of which 581 shares and 775 shares were outstanding, respectively.

Share Repurchase Authorization

On February 1, 2022, the Board of Directors of PENN approved a $750.0 million share repurchase authorization. The three-year authorization expires on January 31, 2025. Repurchases by the Company will be 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 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.

During the three months ended June 30, 2022, the Company repurchased 5,539,177 shares of its common stock in open market transactions for $167.0 million at an average price of $30.16 per share. During the six months ended June 30, 2022, the Company repurchased 9,341,585 shares of its common stock in open market transactions for $342.1 million at an average price of $36.62 per share. The cost of all repurchased shares is recorded as "Treasury stock" within our unaudited Consolidated Balance Sheets.

Subsequent to the quarter ended June 30, 2022, the Company repurchased 3,019,790 million shares of its common stock at an average price of $31.46 per share for an aggregate amount of $95.0 million. The remaining availability under our $750.0 million share repurchase authorization was $313.1 million as of August 3, 2022.

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 permits the Company to issue stock options (incentive and/or non-qualified), SARs, RSAs, RSUs, performance and other equity and cash awards to executive directors and other employees 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, 6,870,000 shares of the Company's common stock are reserved for issuance, plus any shares of common stock subject to outstanding awards under the 2018 Plan or theScore Plan (both as defined below) as of June 7, 2022 that are forfeited or settled for cash. For purposes of determining the number of shares available for issuance under the 2022 Plan, stock options, restricted stock and SARs (except cash-settled SARs) count against the 6,870,000 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 June 30, 2022, there 6,816,817 shares available for future grants under the 2022 Plan.

2018 Long Term Incentive Compensation Plan

The Company's 2018 Long Term Incentive Compensation Plan, as amended (the "2018 Plan") permitted it to issue stock options (incentive and/or non-qualified), stock appreciation rights ("SARs"), RSAs, RSUs, cash-settled phantom stock units ("CPSUs") and other equity and cash awards to employees and any consultant or advisor to the Company or subsidiary. Non-employee directors and the chairman emeritus were eligible to receive all such awards, other than incentive stock options. Pursuant to the 2018 Plan, 12,700,000 shares of the Company's common stock were reserved for issuance. For purposes of determining the number of shares available for issuance under the 2018 Plan, stock options and SARs (except cash-settled SARs) counted against the 12,700,000 limit as one share of common stock for each share granted and restricted stock or any other full value stock award counted as 2.30 shares of common stock for each share granted. Any awards that were not settled in shares of common stock were not counted against the share limit. In connection with the approval of the 2022 Plan, the 2018 Plan remains in place until all of the awards previously granted thereunder have been paid, forfeited or expired. However, the shares which remained available for issuance under the 2018 Plan, which totaled 2,858,438 as of June 30, 2022, are no longer available for issuance and all future equity awards will be granted pursuant to the 2022 Plan.

Score Media And Gaming Inc. Second Amended And Restated Stock Option And Restricted Stock Unit Plan ("theScore Plan")

In connection with the acquisition of theScore on October 19, 2021, the Company registered theScore Plan. theScore Plan permitted the Company to issue non-qualified stock options and RSUs to employees and service providers affiliated with theScore prior to the acquisition date. At the date of acquisition, the Company rolled over all outstanding, non-vested and unexercised stock options and non-vested RSUs equivalent to 853,904 shares of the Company. Each rollover option and RSU were subject to substantially the same terms and conditions applicable to the award immediately prior to the acquisition. In connection with the transaction, the vesting provisions of unvested options and RSUs, awarded under the theScore Plan prior to August 4, 2021, were amended to provide for a new acceleration right for legacy theScore employees and service providers. The amendment provides that, if an involuntary termination without cause occurs at any time prior to April 19, 2023, unvested options and RSUs will automatically accelerate and become fully vested on the effective date of termination. In connection with the approval of the 2022 Plan, theScore Plan remains in place until all of the awards previously granted thereunder have been paid, forfeited or expired. However, the shares which remained available for future grants under theScore Plan, which totaled 251,825 as of June 30, 2022, are no longer available for issuance and all future equity awards will be pursuant to the 2022 Plan.

Performance Share Program

In February 2019, the Company's Compensation Committee of the Board of Directors adopted a performance share program (the "Performance Share Program II") pursuant to the 2018 Plan. An aggregate of 244,955 RSUs and 95,276 RSAs and RSUs with performance-based vesting conditions, at target, were granted during the six months ended June 30, 2022 and June 30, 2021, respectively, under the Performance Share Program II, with the grant having a three-year award period consisting of three one-year performance periods and a three-year service period. The performance threshold for vesting of these awards is 50% of target and, based on the level of achievement, up to 150% of target.

Stock-based Compensation Expense

Stock-based compensation expense, which pertains principally to our stock options, RSAs and RSUs, for the three and six months ended June 30, 2022 was $14.5 million and $31.5 million, respectively, as compared to $9.2 million and $13.4 million for the three and six months ended June 30, 2021 and is included within the unaudited Consolidated Statements of Operations under "General and administrative."

Stock Options

The Company granted 3,316 and 396,365 stock options during the three and six months ended June 30, 2022, respectively, as compared to 804 and 230,165 stock options during the three and six months ended June 30, 2021, respectively.

Cash-settled Phantom Stock Units

Our outstanding CPSUs entitle plan recipients to receive cash based on the fair value of the Company's common stock on the vesting date. Our CPSUs vest over a period of three or four years. The cash-settled CPSUs 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 CPSUs of $2.0 million and $8.6 million as of June 30, 2022 and December 31, 2021, respectively.

For CPSUs, there was $5.9 million of total unrecognized compensation cost as of June 30, 2022 that will be recognized over the awards remaining weighted-average vesting period of 0.9 years. For the three and six months ended June 30, 2022 the Company recognized $0.8 million and $1.4 million of compensation expense associated with these awards, respectively, as compared to $1.0 million and $5.7 million for the three and six months ended June 30, 2021, respectively. Compensation expense associated with our CPSUs is recorded in "General and administrative" within the unaudited Consolidated Statements of Operations. We paid $8.0 million and $6.0 million for the six months ended June 30, 2022 and 2021, respectively, pertaining to cash-settled CPSUs.

Stock Appreciation Rights

Our outstanding SARs are accounted for as liability awards since they will be settled in cash and 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 $9.1 million and $18.5 million as of June 30, 2022 and December 31, 2021, respectively.

For SARs, there was $11.5 million of total unrecognized compensation cost as of June 30, 2022 that will be recognized over the awards remaining weighted-average vesting period of 2 years. The Company recognized a reduction to compensation expense of $6.8 million for the three and six months ended June 30, 2022, and recognized a reduction to compensation expense of $9.9 million and a charge to compensation expense of $10.4 million for the three and six months ended June 30, 2021, respectively. Compensation expense associated with our SARs is recorded in "General and administrative" within the unaudited Consolidated Statements of Operations. We paid $2.1 million and $38.0 million during six months ended June 30, 2022 and 2021, 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 are unsecured and bear interest of 2.25%. As of June 30, 2022 and December 31, 2021, the receivable is recorded as a reduction of equity within "Additional paid-in capital" in our unaudited Consolidated Balance Sheets.

Note 14—Earnings per Share

For the three and six months ended June 30, 2022, and 2021 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 six months ended June 30, 2022, and 2021. 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 for the three and six months ended June 30, 2022 and 2021 under the two-class method.

	For the three months ended June 30,		For the six months ended June 30,	
(in millions)	2022	2021	2022	2021
Net income attributable to PENN Entertainment	$ 26.1	$ 198.7	$ 77.8	$ 289.7
Net income applicable to preferred stock	0.1	1.0	0.3	1.5
Net income applicable to common stock	$ 26.0	$ 197.7	$ 77.5	$ 288.2

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 six months ended June 30, 2022 and 2021:

	For the three months ended June 30,		For the six months ended June 30,	
(in millions)	2022	2021	2022	2021
Weighted-average common shares outstanding	164.8	156.0	166.5	155.8
Assumed conversion of:				
Dilutive stock options	1.1	2.2	1.4	2.4
Dilutive restricted stock	0.2	0.4	0.3	0.5
Convertible debt	14.1	14.1	14.1	14.1
Weighted-average common shares outstanding - Diluted	180.2	172.7	182.3	172.8

Restricted stock with performance and market based vesting conditions that have not been met as of June 30, 2022 were excluded from the computation of diluted earnings per share.

Options to purchase 0.9 million and 0.8 million shares were outstanding during the three and six months ended June 30, 2022, respectively, compared to 0.2 million during the three and six months ended June 30, 2021, but were not included in the computation of diluted earnings per share because they were anti-dilutive.

The assumed conversion of 0.6 million preferred shares were excluded from the computation of diluted earnings per share for the three and six months ended June 30, 2022, as compared to 0.8 million preferred shares for the three and six months ended June 30, 2021, because including them would have been anti-dilutive.

The Company's calculation of weighted-average common shares outstanding includes the Exchangeable Shares issued in connection with theScore acquisition, as discussed in Note 6, “Acquisitions and Dispositions” and Note 13, “Stockholders’ Equity and Stock-Based Compensation.” The following table presents the calculation of basic and diluted earnings per share for the Company’s common stock for the three and six months ended June 30, 2022 and 2021:

	For the three months ended June 30,		For the six months ended June 30,	
(in millions, except per share data)	2022	2021	2022	2021
Calculation of basic earnings per share:				
Net income applicable to common stock	$ 26.0	$ 197.7	$ 77.5	$ 288.2
Weighted-average shares outstanding - PENN Entertainment	164.2	156.0	165.9	155.8
Weighted-average shares outstanding - Exchangeable Shares	0.6	—	0.6	—
Weighted-average common shares outstanding - basic	164.8	156.0	166.5	155.8
Basic earnings per share	$ 0.16	$ 1.27	$ 0.47	$ 1.85
Calculation of diluted earnings per share:				
Net income applicable to common stock	$ 26.0	$ 197.7	$ 77.5	$ 288.2
Interest expense, net of tax (1):				
Convertible Notes	1.8	4.3	3.7	8.6
Diluted income applicable to common stock	$ 27.8	$ 202.0	$ 81.2	$ 296.8
Weighted-average common shares outstanding - diluted	180.2	172.7	182.3	172.8
Diluted earnings per share	$ 0.15	$ 1.17	$ 0.45	$ 1.72

(1) The three and six months ended June 30, 2022 were tax-affected at a rate of 21% . The three and six months ended June 30, 2021, were tax-affected at a rate of 20%.

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 June 30, 2022 and December 31, 2021, we held $31.4 million and $84.3 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 sports betting operators for online sports betting and related iGaming market access across our portfolio. During the three and six months ended June 30, 2022, we recognized holding losses of $16.9 million and $55.6 million related to these equity securities, respectively, compared to a holding loss of $7.4 million and a holding gain of $18.8 million for the three and six months ended June 30, 2021, respectively, which is included in “Other,” as reported in “Other income (expenses)” within our unaudited Consolidated Statements of Operations.

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, and a Black-Scholes option pricing model previously associated with the exercised warrants. The DLOM is based on the remaining term of the relevant lock-up periods and the volatility associated with the underlying equity securities. The Black-Scholes option pricing model utilizes the exercise price of the warrants, a risk-free rate, volatility associated with the underlying equity securities and the expected life of the warrants.

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 June 30, 2022 and December 31, 2021, PRP held $7.9 million and $15.1 million in promissory notes issued by RDC, respectively. As of June 30, 2022 and December 31, 2021, PRP held $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 June 30, 2022 and December 31, 2021, 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 Term Loan A Facility, Term Loan B-1 Facility, 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 June 30, 2022 and December 31, 2021 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 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 June 30, 2022 and December 31, 2021 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 (May 11, 2021) and is based on the achievement of mutual goals established by the Company and Hitpoint. As of June 30, 2022, there are two annual achievement evaluations 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 June 30, 2022, we were contractually obligated to make four 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.

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

	June 30, 2022				
(in millions)	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial assets:					
Cash and cash equivalents	$ 1,708.3	$ 1,708.3	$ 1,708.3	$ —	$ —
Equity securities	$ 31.4	$ 31.4	$ —	$ 31.4	$ —
Held-to-maturity securities	$ 6.7	$ 6.7	$ —	$ 6.7	$ —
Promissory notes	$ 7.9	$ 7.9	$ —	$ 7.9	$ —
Financial liabilities:					
Long-term debt					
Senior Secured Credit Facilities	$ 1,519.7	$ 1,496.8	$ 1,496.8	$ —	$ —
5.625% Notes	$ 399.6	$ 350.0	$ 350.0	$ —	$ —
4.125% Notes	$ 393.3	$ 305.0	$ 305.0	$ —	$ —
Convertible Notes	$ 323.5	$ 489.7	$ 489.7	$ —	$ —
Other long-term obligations	$ 150.1	$ 148.3	$ —	$ 45.0	$ 103.3
Other liabilities	$ 11.4	$ 11.3	$ —	$ 2.6	$ 8.7
Puts and calls related to certain Barstool Sports shares	$ 0.6	$ 0.6	$ —	$ 0.6	$ —

	December 31, 2021				
(in millions)	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial assets:					
Cash and cash equivalents	$ 1,863.9	$ 1,863.9	$ 1,863.9	$ —	$ —
Equity securities	$ 84.3	$ 84.3	$ —	$ 84.3	$ —
Held-to-maturity securities	$ 6.7	$ 6.7	$ —	$ 6.7	$ —
Promissory notes	$ 15.1	$ 15.1	$ —	$ 15.1	$ —
Puts and calls related to certain Barstool Sports shares	$ 1.9	$ 1.9	$ —	$ 1.9	$ —
Financial liabilities:					
Long-term debt					
Senior Secured Credit Facilities	$ 1,544.5	$ 1,559.6	$ 1,559.6	$ —	$ —
5.625% Notes	$ 399.6	$ 411.5	$ 411.5	$ —	$ —
4.125% Notes	$ 392.9	$ 389.5	$ 389.5	$ —	$ —
Convertible notes	$ 253.5	$ 780.0	$ 780.0	$ —	$ —
Other long-term obligations	$ 146.3	$ 144.3	$ —	$ 53.9	$ 90.4
Other liabilities	$ 13.3	$ 13.2	$ —	$ 2.7	$ 10.5

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

(in millions)	Other Liabilities
Balance as of January 1, 2022	$ 100.9
Interest	12.9
Payment installments	(0.8)
Included in earnings [(1)]	(1.0)
Balance as of June 30, 2022	$ 112.0

(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 liabilities on a recurring basis as of June 30, 2022:

	Valuation Technique	Unobservable Input	Discount Rate
Other long-term obligation	Discounted cash flow	Discount rate	27.0%
Contingent purchase price - Plainridge Park Casino	Discounted cash flow	Discount rate	9.1%

Note 16—Segment Information

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. Our Interactive segment includes all of our iCasino and online sports betting operations, management of retail sports betting, media, and our proportionate share of earnings attributable to our equity method investment in Barstool Sports. The Other category is included in the following tables to reconcile the segment information to the consolidated information.

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.

	For the three months ended June 30,		For the six months ended June 30,	
(in millions)	2022	2021	2022	2021
Revenues:				
Northeast segment	$ 684.9	$ 652.5	$ 1,343.4	$ 1,223.4
South segment	338.6	368.2	680.0	664.1
West segment	153.8	140.4	294.7	237.0
Midwest segment	296.3	294.8	579.2	529.5
Interactive segment	154.9	96.0	296.4	182.3
Other [1]	5.9	1.7	13.2	3.3
Intersegment eliminations [2]	(7.5)	(7.8)	(15.8)	(18.9)
Total	$ 1,626.9	$ 1,545.8	$ 3,191.1	$ 2,820.7
Adjusted EBITDAR [3]:				
Northeast segment	$ 214.4	$ 231.6	$ 419.6	$ 424.8
South segment	143.3	177.1	289.8	311.0
West segment	59.7	61.4	110.9	96.6
Midwest segment	131.3	142.2	256.8	248.2
Interactive segment	(20.8)	1.2	(30.8)	2.5
Other [1]	(23.4)	(26.9)	(47.1)	(49.5)
Total [3]	504.5	586.6	999.2	1,033.6

Other operating benefits (costs) and other income (expenses):				
Rent expense associated with triple net operating leases (4)	(28.0)	(116.5)	(88.1)	(226.9)
Stock-based compensation	(14.5)	(9.2)	(31.5)	(13.4)
Cash-settled stock-based awards variance	9.5	12.4	12.4	(9.1)
Gain (loss) on disposal of assets	(7.3)	0.1	(7.2)	0.2
Contingent purchase price	0.9	(1.2)	1.0	(1.3)
Pre-opening expenses (5)	(2.1)	0.4	(3.6)	(1.2)
Depreciation and amortization	(150.3)	(81.9)	(268.5)	(163.2)
Insurance recoveries, net of deductible charges	—	—	8.8	—
Non-operating items of equity method investments (6)	(0.3)	(1.4)	(2.1)	(3.0)
Interest expense, net	(193.6)	(138.0)	(354.4)	(273.7)
Other (5)(7)	(36.4)	0.5	(84.4)	21.3
Income before income taxes	82.4	251.8	181.6	363.3
Income tax expense	(56.3)	(53.1)	(103.9)	(73.7)
Net income	$ 26.1	$ 198.7	$ 77.7	$ 289.6

(1) The Other category consists of the Company's stand-alone racing operations, namely Sanford-Orlando Kennel Club, Sam Houston and Valley Race Parks (the remaining 50% was acquired by PENN on August 1, 2021), 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 to or have not otherwise been allocated to a property.

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

(3) We define Adjusted EBITDAR as earnings before interest expense, net, income taxes, depreciation and amortization, rent expense associated with triple net operating leases (see footnote (4) below), stock-based compensation, debt extinguishment and financing charges, which is included in "Other" (see footnote (7) below), 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 (see footnote (5) below), 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 Sports and our Kansas Entertainment joint venture.

(4) Solely comprised of rent expense associated with the operating lease components contained within our triple net master lease dated November 1, 2013 with GLPI and the triple net master lease assumed in connection with our acquisition of Pinnacle Entertainment, Inc., our individual triple net leases with GLPI for the real estate assets used in the operation of Tropicana and Hollywood Casino at Meadows Racetrack, and our individual triple net leases with VICI for the real estate assets used in the operations of Margaritaville Casino Resort and Hollywood Casino at Greektown (of which the Tropicana Lease, Meadows Lease, Margaritaville Lease and the Greektown Lease are defined in "Note 9, Leases") and are referred to collectively as our "triple net operating leases".

As a result of the Lease Modification defined in Note 9, "Leases", the land and building components associated with the operations of Dayton and Mahoning Valley are classified as operating leases which is recorded to rent expense, as compared to prior to the Lease Modification, whereby the land components of substantially all of the Master Lease properties were classified as operating leases and recorded to rent expense. Subsequent to the Lease Modification, the land components associated with the Master Lease properties are primarily classified as finance leases.

(5) During the first quarter of 2021, acquisition costs were included within pre-opening and acquisition costs. Beginning with the quarter ended June 30, 2021, acquisition costs are presented as part of other expenses.

(6) Consists principally of interest expense, net, income taxes, depreciation and amortization, and stock-based compensation expense associated with Barstool Sports and our Kansas Entertainment joint venture. We record our portion of Barstool Sports' net income or loss, including adjustments to arrive at Adjusted EBITDAR, one quarter in arrears.

(7) Includes holding gains and losses on our equity securities, which are discussed in Note 15, "Fair Value Measurements." Also consists of non-recurring acquisition and transaction costs, finance transformation costs associated with the implementation of our new Enterprise Resource Management system, and debt extinguishment and financing charges, which are discussed in Note 8, "Long-term Debt."

The table below presents capital expenditures by segment:

(in millions)	For the three months ended June 30, 2022	For the three months ended June 30, 2021	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Capital expenditures:				
Northeast segment	$ 25.1	$ 20.8	$ 55.7	$ 36.2
South segment	16.6	6.3	36.3	8.1
West segment	2.2	—	4.0	3.2
Midwest segment	7.4	3.6	14.2	5.5
Interactive segment	2.1	0.6	3.2	1.4
Other	6.6	7.6	12.2	10.2
Total capital expenditures	$ 60.0	$ 38.9	$ 125.6	$ 64.6

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

(in millions)	Northeast	South	West	Midwest	Interactive	Other [(1)]	Total
Balance sheet as of June 30, 2022							
Investment in and advances to unconsolidated affiliates	$ 0.1	$ —	$ —	$ 82.4	$ 161.3	$ 6.5	$ 250.3
Total assets	$ 2,228.7	$ 1,166.2	$ 381.8	$ 1,393.9	$ 2,526.4	$ 10,183.8	$ 17,880.8
Balance sheet as of December 31, 2021							
Investment in and advances to unconsolidated affiliates	$ 0.1	$ —	$ —	$ 83.8	$ 164.4	$ 6.8	$ 255.1
Total assets	$ 2,283.6	$ 1,224.6	$ 394.8	$ 1,215.8	$ 2,618.3	$ 9,135.0	$ 16,872.1

(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, 2021.

EXECUTIVE OVERVIEW

Our Business

On August 4, 2022, Penn National Gaming, Inc. was renamed 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. A member of the S&P 500®, PENN operates 44 properties in 20 states, online sports betting in 13 jurisdictions and iCasino in five, under a portfolio of well-recognized brands including Hollywood Casino®, L'Auberge®, Barstool Sportsbook®, and theScore Bet®. PENN's highly differentiated strategy, which is focused on organic cross-sell opportunities, is reinforced by its investments in owned technology, including a state-of-the-art media and betting platform and an in-house iCasino content studio. The Company's portfolio is further bolstered by its industry-leading my**choice**® customer loyalty program (the "my**choice** program"), which offers its over 26 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 the PENN Master Lease and the Pinnacle Master Lease (as such terms are defined in "Liquidity and Capital Resources" and collectively referred to as the "Master Leases"), with Gaming and Leisure Properties, Inc. (Nasdaq: GLPI) ("GLPI"), a real estate investment trust ("REIT").

Recent Acquisitions, Development Projects and Other

On April 16, 2020, we sold the real estate assets associated with the operations of Tropicana Las Vegas Hotel and Casino, Inc. ("Tropicana") to GLPI in exchange for rent credits of $307.5 million, and utilized the rent credits to pay rent under our existing Master Leases and the Meadows Racetrack and Casino Lease, beginning in May 2020. On January 11, 2022, PENN entered into a definitive purchase agreement to sell its outstanding equity interest in Tropicana, which has the gaming license and operates the Tropicana, to Bally's Corporation ("Bally's"). This transaction is expected to close within the second half of 2022, subject to PENN, GLPI, and Bally's entering into definitive agreements and obtaining regulatory approval.

On May 11, 2021, we acquired 100% of the outstanding equity of HitPoint Inc. and Lucky Point Inc. (collectively, "Hitpoint"). The purchase price totaled $12.7 million, consisting of $6.2 million in cash, $3.5 million of the Company's common equity, and a $3.0 million contingent liability.

On July 1, 2021, we completed the acquisition of the operations of Hollywood Casino Perryville ("Perryville"), from GLPI for a purchase price of $39.4 million, including working capital adjustments. Simultaneous with the closing, we entered into a lease with GLPI for the real estate assets associated with Hollywood Casino Perryville for initial annual rent of $7.8 million per year subject to escalation.

On August 1, 2021, we completed the acquisition of the remaining 50% ownership interest in the Sam Houston Race Park in Houston, Texas, the Valley Race Park in Harlingen, Texas, and a license to operate a racetrack in Austin, Texas (collectively, "Sam Houston"), from PM Texas Holdings, LLC for a purchase price of $57.8 million, comprised of $42.0 million in cash and $15.8 million of the Company's common equity.

On October 19, 2021, we acquired 100% of Score Media and Gaming, Inc. ("theScore") for a purchase price of approximately $2.1 billion. The acquisition provides us with the technology, resources and audience reach to accelerate our media and sports betting strategy across North America. Under the terms of the agreement, 1317774 B.C. Ltd. (the "Purchaser"), an indirectly wholly owned subsidiary of PENN, acquired each of the issued and outstanding theScore shares (other than those held by PENN and its subsidiaries) for US$17.00 per share in cash consideration, totaling $0.9 billion, and either 0.2398 of a share of common stock, par value $0.01 of PENN Common Stock or, if validly elected, 0.2398 of an exchangeable share in the capital of the Purchaser (each whole share, an "Exchangeable Share"), totaling 12,319,340 shares of PENN Common Stock and 697,539 Exchangeable Shares for approximately $1.0 billion. Each Exchangeable Share will be exchangeable into one share of PENN Common Stock at the option of the holder, subject to certain adjustments. In addition, Purchaser 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 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 partnership with Barstool Sports, Inc. (“Barstool Sports”) and the acquisition of theScore reflect 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 that the majority of our future growth will come from new business lines or distribution channels, such as retail and online gaming and sports betting; entrance into new jurisdictions; expansions of gaming in existing jurisdictions; and, to a lesser extent, improvements/expansions of our existing properties and strategic acquisitions of gaming properties. 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 continue to adjust operations and cost structures at our properties to reflect changing economic and health and safety conditions. We also continue to focus on revenue and cost synergies from recent acquisitions, and offering our customers additional gaming experiences through our omni-channel distribution strategy. We seek to grow our customer database by partnering with third-party operators such as Choice Hotels International, Inc. to expand our loyalty program, as well as through accretive investments or acquisitions, such as Barstool Sports and theScore, capitalize on organic growth opportunities from the development of new properties or the expansion of recently-developed business lines, and develop partnerships that allow us to enter new jurisdictions for iCasino and sports betting.

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; “iGaming” (which includes online sports betting and online social casino, bingo, and iCasino products); 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 tribes, 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 six months ended June 30, 2022 and 2021” 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 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 lackluster recoveries from 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 83% and 85% of our gaming revenue for the six months ended June 30, 2022 and 2021) and, to a lesser extent, table games and 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 27% 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 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 pari-mutuel wagering. 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. Our Interactive segment includes all of our iCasino and online sports betting operations, management of retail sports betting, media, and our proportionate share of earnings attributable to our equity method investment in Barstool Sports. 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, 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 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 to Adjusted EBITDA and Adjusted EBITDAR and related margins.

	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
Revenues:				
Northeast segment	$ 684.9	$ 652.5	$ 1,343.4	$ 1,223.4
South segment	338.6	368.2	680.0	664.1
West segment	153.8	140.4	294.7	237.0
Midwest segment	296.3	294.8	579.2	529.5
Interactive segment	154.9	96.0	296.4	182.3
Other [(1)]	5.9	1.7	13.2	3.3
Intersegment eliminations [(2)]	(7.5)	(7.8)	(15.8)	(18.9)
Total	$ 1,626.9	$ 1,545.8	$ 3,191.1	$ 2,820.7
Net income	$ 26.1	$ 198.7	$ 77.7	$ 289.6
Adjusted EBITDAR:				
Northeast segment	$ 214.4	$ 231.6	$ 419.6	$ 424.8
South segment	143.3	177.1	289.8	311.0
West segment	59.7	61.4	110.9	96.6
Midwest segment	131.3	142.2	256.8	248.2
Interactive segment	(20.8)	1.2	(30.8)	2.5
Other [(1)]	(23.4)	(26.9)	(47.1)	(49.5)
Total [(3)]	504.5	586.6	999.2	1,033.6
Rent expense associated with triple net operating leases [(4)]	(28.0)	(116.5)	(88.1)	(226.9)
Adjusted EBITDA	$ 476.5	$ 470.1	$ 911.1	$ 806.7
Net income margin	1.6 %	12.9 %	2.4 %	10.3 %
Adjusted EBITDAR margin	31.0 %	37.9 %	31.3 %	36.6 %
Adjusted EBITDA margin	29.3 %	30.4 %	28.6 %	28.6 %

(1) The Other category consists of the Company's stand-alone racing operations, namely Sanford-Orlando Kennel Club, and Sam Houston and Valley Race Parks (the remaining 50% was acquired by PENN on August 1, 2021), 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 to or have not otherwise been allocated to a property.

(2) Primarily represents the elimination of intersegment revenues associated with our internally-branded 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) Solely comprised of rent expense associated with the operating lease components contained within our triple net master lease dated November 1, 2013 with GLPI and the triple net master lease assumed in connection with our acquisition of Pinnacle Entertainment, Inc., our individual triple net leases with GLPI for the real estate assets used in the operation of Tropicana and Hollywood Casino at Meadows Racetrack, and our individual triple net leases with VICI Properties Inc. (NYSE: VICI) ("VICI") for the real estate assets used in the operations of Margaritaville Casino Resort and

Hollywood Casino at Greektown (of which the Tropicana Lease, Meadows Lease, Margaritaville Lease and the Greektown Lease are defined in "Liquidity and Capital Resources") and are referred to collectively as our "triple net operating leases".

As a result of the Lease Modification defined in Note 9, "Leases" to our unaudited Consolidated Financial Statements, the land and building components associated with the operations of Hollywood Gaming at Dayton Raceway and Hollywood Gaming at Mahoning Valley Race Course are classified as operating leases which is recorded to rent expense, as compared to prior to the Lease Modification, whereby the land components of substantially all of the Master Lease properties were classified as operating leases and recorded to rent expense. Subsequent to the Lease Modification, the land components associated with the properties are primarily classified as finance leases.

Consolidated comparison of the three and six months ended June 30, 2022 and 2021.

Revenues

The following table presents our consolidated revenues:

(dollars in millions)	For the three months ended June 30, 2022	For the three months ended June 30, 2021	Change $	Change %	For the six months ended June 30, 2022	For the six months ended June 30, 2021	Change $	Change %
Revenues								
Gaming	$ 1,325.6	$ 1,305.5	$ 20.1	1.5 %	$ 2,616.8	$ 2,387.5	$ 229.3	9.6 %
Food, beverage, hotel and other	301.3	240.3	61.0	25.4 %	574.3	433.2	141.1	32.6 %
Total revenues	$ 1,626.9	$ 1,545.8	$ 81.1	5.2 %	$ 3,191.1	$ 2,820.7	$ 370.4	13.1 %

Gaming revenues for the three months ended June 30, 2022 increased $20.1 million compared to the prior year period primarily due to increases in our Interactive segment and the inclusion of the operating results of three new properties, partially offset by decreases in gaming revenues in our South segment and Northeast segment properties in both current and prior year periods. Gaming revenues include Hollywood Casino Perryville, which was acquired on July 1, 2021; Hollywood Casino York, which opened August 12, 2021; and Hollywood Casino Morgantown, which opened December 22, 2021.

Gaming revenues for the six months ended June 30, 2022 increased $229.3 million compared to the prior year corresponding period, primarily due to increases in our Interactive segment resulting from continued growth in our online and sports betting revenues, as well as the inclusion of the operating results of three new properties discussed above.

Food, beverage, hotel and other revenues for the three and six months ended June 30, 2022 increased $61.0 million and $141.1 million, respectively, compared to the prior year corresponding periods, primarily due to easing of restrictions, strong visitation levels among all age groups, and increased offerings and hours of operations, as well as the inclusion of the operating results from our three new properties as discussed above, and revenues from theScore, which was acquired on October 19, 2021.

During the prior year periods, food, beverage, hotel and other revenues were negatively impacted as our properties operated within locally-restricted gaming capacity and limited food and beverage, hotel capacity, and other amenity offerings.

See "Segment comparison of the three and six months ended June 30, 2022 and 2021" 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 June 30, 2022	For the three months ended June 30, 2021	Change $	Change %	For the six months ended June 30, 2022	For the six months ended June 30, 2021	Change $	Change %
Operating expenses								
Gaming	$ 713.6	$ 620.9	$ 92.7	14.9 %	$ 1,400.2	$ 1,148.7	$ 251.5	21.9 %
Food, beverage, hotel and other	186.8	148.6	38.2	25.7 %	358.7	271.7	87.0	32.0 %
General and administrative	273.8	316.5	(42.7)	(13.5)%	569.3	642.7	(73.4)	(11.4)%
Depreciation and amortization	150.3	81.9	68.4	83.5 %	268.5	163.2	105.3	64.5 %
Total operating expenses	$ 1,324.5	$ 1,167.9	$ 156.6	13.4 %	$ 2,596.7	$ 2,226.3	$ 370.4	16.6 %

Gaming expenses consist primarily of payroll, marketing and promotional expenses associated with our gaming operations and gaming taxes. Gaming expenses for the three and six months ended June 30, 2022 increased $92.7 million and $251.5 million, respectively, compared to the prior year corresponding periods, primarily due to an increase in gaming taxes resulting from the increase in gaming revenues, higher payroll expenses related to volume increases in addition to variable marketing and promotional expenses, which remain below pre-pandemic levels.

Food, beverage, hotel and other expenses consist primarily of payroll expenses and costs of goods sold associated with our food, beverage, hotel, retail, racing, and interactive operations. Food, beverage, hotel and other expenses for the three and six months ended June 30, 2022 increased $38.2 million and $87.0 million, respectively, compared to the prior year corresponding periods, primarily due to increased volumes as we operated with increased offerings and extended hours of operations, which resulted in increases in payroll expenses and cost of sales. The prior year periods were impacted by reduced hotel capacity and limited food and beverage options.

General and administrative expenses include items such as compliance, facility maintenance, utilities, property and liability insurance, surveillance and security, lobbying expenses, and certain housekeeping services, 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 six months ended June 30, 2022, general and administrative expenses decreased by $42.7 million and $73.4 million respectively, primarily due to a decrease in rent costs associated with our Master Leases of $88.5 million and $138.8 million respectively, representing changes in lease classifications from operating to finance as a result of the Lease Modification as described in Note 9, “Leases” to our unaudited Consolidated Financial Statements. The decrease was offset by increased payroll costs of $13.3 million and $33.0 million, and increased facility costs due to increased volumes of $10.4 million and $23.8 million, in each respective period. In addition, general and administrative expenses include a $6.4 million loss on the sale of land for the three and six months ended June 30, 2022.

Depreciation and amortization for the three and six months ended June 30, 2022 increased period over period primarily due to increased amortization costs associated with our Master Leases of $46.7 million and $76.9 million, respectively, representing changes in lease classifications from operating to finance as a result of the Lease Modification as described in Note 9, “Leases” to our unaudited Consolidated Financial Statements. In addition, for the three and six months ended June 30, 2022, amortization on other intangible assets increased by $12.4 million and $25.2 million respectively, primarily due to the amortization of other intangible assets held by theScore.

Other income (expenses)

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

(dollars in millions)	For the three months ended June 30, 2022	For the three months ended June 30, 2021	Change $	Change %	For the six months ended June 30, 2022	For the six months ended June 30, 2021	Change $	Change %
Other income (expenses)								
Interest expense, net	$ (193.6)	$ (138.0)	$ (55.6)	40.3 %	$ (354.4)	$ (273.7)	$ (80.7)	29.5 %
Income from unconsolidated affiliates	$ 1.8	$ 9.1	$ (7.3)	(80.2)%	$ 10.5	$ 18.7	$ (8.2)	(43.9)%
Other	$ (28.2)	$ 2.8	$ (31.0)	N/M	$ (68.9)	$ 23.9	$ (92.8)	N/M
Income tax expense	$ (56.3)	$ (53.1)	$ (3.2)	6.0 %	$ (103.9)	$ (73.7)	$ (30.2)	41.0 %

N/M - Not meaningful

Interest expense, net increased for the three and six months ended June 30, 2022 as compared to the prior year corresponding periods, primarily due to a net increase in Master Lease interest costs due to changes in lease classifications as a result of the Lease Modification as described in Note 9, “Leases” to our unaudited Consolidated Financial Statements of $51.9 million and $74.7 million respectively.

Income from unconsolidated affiliates relates principally to our investment in Barstool Sports, and our Kansas Entertainment and Freehold Raceway joint ventures. The decrease for the three and six months ended June 30, 2022, compared to the prior year corresponding periods, is due to lower income earned from our investments in unconsolidated affiliates. We record our proportionate share of Barstool Sports’ net income or loss one quarter in arrears.

Other primarily relates to realized and unrealized gains and losses on equity securities (including warrants), held by PENN Interactive, losses on early retirement of debt, unrealized gains and losses related to certain Barstool Sports shares 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 related iCasino market access across our portfolio. For the three months ended June 30, 2022, other income primarily consisted of unrealized holding losses of $16.9 million as well as a $10.4 million loss on the early extinguishment of debt in connection with refinancing our Senior Secured Credit Facilities, as described in "Liquidity and Capital Resources." For the three months ended June 30, 2021, other income primarily consisted of unrealized holding losses of $7.4 million, offset by a $5.8 million unrealized gain related to certain Barstool Sports shares and other miscellaneous income.

For the six months ended June 30, 2022, other income primarily consisted of unrealized holding losses of $55.6 million on equity shares, as well as the loss on the early extinguishment of debt described above, compared to an unrealized holding gain on equity shares (including warrants) of $18.8 million for the six months ended June 30, 2021.

Income tax expense was a $56.3 million and $103.9 million expense for the three and six months ended June 30, 2022, respectively, as compared to a $53.1 million and $73.7 million expense for the three and six months ended June 30, 2021. Our effective tax rate (income taxes as a percentage of income from operations before income taxes) including discrete items was 68.3% and 57.2% for the three and six months ended June 30, 2022 as compared to 21.1% and 20.3% for the three and six months ended June 30, 2021, respectively. The change in the effective rate for the six months ended June 30, 2022 as compared to the prior year period was primarily due to the decrease in income before taxes as well as an increase in the valuation allowance attributed to the Lease Modification.

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.

Segment comparison of the three and six months ended June 30, 2022 and 2021

Northeast Segment

	For the three months ended June 30,		Change		For the six months ended June 30,		Change	
(dollars in millions)	**2022**	**2021**	**$**	**%**	**2022**	**2021**	**$**	**%**
Revenues								
Gaming	$ 621.4	$ 602.5	$ 18.9	3.1 %	$ 1,220.5	$ 1,129.5	$ 91.0	8.1 %
Food, beverage, hotel and other	63.5	50.0	13.5	27.0 %	122.9	93.9	29.0	30.9 %
Total revenues	$ 684.9	$ 652.5	$ 32.4	5.0 %	$ 1,343.4	$ 1,223.4	$ 120.0	9.8 %
Adjusted EBITDAR	$ 214.4	$ 231.6	$ (17.2)	(7.4)%	$ 419.6	$ 424.8	$ (5.2)	(1.2)%
Adjusted EBITDAR margin	31.3 %	35.5 %		-420 bps	31.2 %	34.7 %		-350 bps

The Northeast segment's revenues for the three months ended June 30, 2022 increased by $32.4 million over the prior year corresponding period, primarily due to the inclusion of operating results from our three new properties: Hollywood Casino Perryville, Hollywood Casino York, and Hollywood Casino Morgantown. The revenue increases resulting from the inclusion of our new properties were partially offset by decreases in gaming revenues in our properties with operations in both current and prior year periods. Additionally, operating results at our Ameristar East Chicago property were negatively impacted by increased competition as a new property opened in Northern Indiana in May of 2021.

The Northeast segment's revenues for the six months ended June 30, 2022 increased by $120.0 million over the prior year corresponding period, primarily due to the inclusion of operating results from our three new properties, as discussed above, and increases in food, beverage, hotel and other revenues as we operated with increased offerings and extended hours of operations, partially offset by decreases in gaming revenues in our properties with operations in both current and prior year periods.

During the prior year periods, our Northeast segment's operating results were negatively impacted as our properties operated within locally-restricted gaming capacity and limited food and beverage and other amenity offerings. Additionally, our Pennsylvania properties were temporarily closed for three days in January 2021, due to COVID-19 restrictions.

For the three months ended June 30, 2022, the Northeast segment's Adjusted EBITDAR decreased $17.2 million, and Adjusted EBITDAR margin decreased to 31.3%, primarily due to increased variable marketing and promotional, and payroll expenses associated with hotel and food and beverage offerings not available in the prior year period.

For the six months ended June 30, 2022, the Northeast segment's Adjusted EBITDAR decreased $5.2 million, primarily due to increased variable marketing and promotional, and payroll expenses associated with hotel and food and beverage offerings not available in the prior year period, resulting in an Adjusted EBITDAR margin of 31.2%.

South Segment

	For the three months ended June 30,		Change		For the six months ended June 30,		Change	
(dollars in millions)	2022	2021	$	%	2022	2021	$	%
Revenues								
Gaming	$ 269.0	$ 304.4	$ (35.4)	(11.6) %	$ 547.6	$ 549.8	$ (2.2)	(0.4) %
Food, beverage, hotel and other	69.6	63.8	5.8	9.1 %	132.4	114.3	18.1	15.8 %
Total revenues	$ 338.6	$ 368.2	$ (29.6)	(8.0) %	$ 680.0	$ 664.1	$ 15.9	2.4 %
Adjusted EBITDAR	$ 143.3	$ 177.1	$ (33.8)	(19.1) %	$ 289.8	$ 311.0	$ (21.2)	(6.8) %
Adjusted EBITDAR margin	42.3 %	48.1 %		-580 bps	42.6 %	46.8 %		-420 bps

The South segment's revenues for the three months ended June 30, 2022 decreased by $29.6 million from the prior year period, primarily due to strong visitation levels and customer spend in the prior period. Revenues for the six months ended June 30, 2022 increased by $15.9 million from the prior year period, primarily due to strong visitation levels among all age groups, increased length of play, and increased spend per guest during the first quarter of 2022.

For the three months ended June 30, 2022, the South segment's Adjusted EBITDAR decreased $33.8 million and Adjusted EBITDAR margin decreased to 42.3% primarily due to the decrease in gaming revenues, increased variable marketing and promotional expenses, which remain below pre-pandemic levels, and increased payroll expenses as we reopened outlets and offered additional amenities such as banquets, conferences, and new restaurants.

For the six months ended June 30, 2022, the South segment's Adjusted EBITDAR decreased $21.2 million and Adjusted EBITDAR margin decreased to 42.6% primarily due to higher variable marketing and promotional expenses, which remain below pre-pandemic levels, in addition to higher payroll expenses associated with hotel and food and beverage offerings not available in the prior year period.

West Segment

	For the three months ended June 30,		Change		For the six months ended June 30,		Change	
(dollars in millions)	2022	2021	$	%	2022	2021	$	%
Revenues								
Gaming	$ 98.9	$ 96.7	$ 2.2	2.3 %	$ 193.0	$ 165.8	$ 27.2	16.4 %
Food, beverage, hotel and other	54.9	43.7	11.2	25.6 %	101.7	71.2	30.5	42.8 %
Total revenues	$ 153.8	$ 140.4	$ 13.4	9.5 %	$ 294.7	$ 237.0	$ 57.7	24.3 %
Adjusted EBITDAR	$ 59.7	$ 61.4	$ (1.7)	(2.8) %	$ 110.9	$ 96.6	$ 14.3	14.8 %
Adjusted EBITDAR margin	38.8 %	43.7 %		-490 bps	37.6 %	40.8 %		-320 bps

The West segment's revenues for the three and six months ended June 30, 2022 increased by $13.4 million and $57.7 million over the prior year corresponding periods, primarily due to increases in food, beverage, hotel and other revenues due to the easing of restrictions and strong visitation levels at our Zia Park, Tropicana, and M Resort properties. During the three and six months ended June 30, 2021, our West segment's operating results were negatively impacted by the temporary closure of our Zia Park property due to the COVID-19 pandemic, which remained closed until March 5, 2021 and for an additional thirteen days in April of 2021. Additionally, during the prior year periods, our properties in the West segment operated within locally restricted gaming and hotel capacity and limited food and beverage and other amenities offerings.

For the three months ended June 30, 2022, the West segment's Adjusted EBITDAR decreased $1.7 million and Adjusted EBITDAR margin decreased to 38.8%, primarily due to higher payroll expenses related to volume increases in addition to variable marketing and promotional expenses, which remain below pre-pandemic levels.

For the six months ended June 30, 2022, the West segment's Adjusted EBITDAR increased $14.3 million primarily due to increases in gaming and non gaming revenues as described above, offset by higher payroll expenses related to volume increases in addition to higher variable marketing and promotional expenses, which remain below pre-pandemic levels, reflected in Adjusted EBITDAR margin, which decreased by 320 basis points to 37.6%.

Midwest Segment

	For the three months ended June 30,		Change		For the six months ended June 30,		Change	
(dollars in millions)	2022	2021	$	%	2022	2021	$	%
Revenues								
Gaming	$ 267.0	$ 272.1	$ (5.1)	(1.9) %	$ 523.5	$ 489.0	$ 34.5	7.1 %
Food, beverage, hotel and other	29.3	22.7	6.6	29.1 %	55.7	40.5	15.2	37.5 %
Total revenues	$ 296.3	$ 294.8	$ 1.5	0.5 %	$ 579.2	$ 529.5	$ 49.7	9.4 %
Adjusted EBITDAR	$ 131.3	$ 142.2	$ (10.9)	(7.7) %	$ 256.8	$ 248.2	$ 8.6	3.5 %
Adjusted EBITDAR margin	44.3 %	48.2 %		-390 bps	44.3 %	46.9 %		-260 bps

The Midwest segment's revenues for the three months ended June 30, 2022 increased slightly compared to the prior year quarter. The Midwest segment's revenues for the six months ended June 30, 2022 increased by $49.7 million over the prior year corresponding period, due to strong operating results in the first quarter of 2022, resulting from easing of restrictions, strong visitation levels among all age groups, increased length of play and increased spend per guest. During the prior year periods, our Midwest segment's operating results were negatively impacted as our properties operated within locally-restricted gaming capacity and limited food and beverage and other amenity offerings. Additionally, our Illinois properties were temporarily closed for periods between fifteen and twenty-two days in January 2021, due to COVID-19 restrictions.

For the three months ended June 30, 2022, the Midwest segment's Adjusted EBITDAR decreased $10.9 million and Adjusted EBITDAR margin decreased to 44.3%, primarily due to the decrease in gaming revenues, increased variable marketing and promotional expenses, which remain below pre-pandemic levels in addition to higher payroll expenses associated with hotel and food and beverage offerings not available in the prior year period.

For the six months ended June 30, 2022, the Midwest segment's Adjusted EBITDAR increased $8.6 million primarily due to increases in gaming and non gaming revenues as discussed above, offset by higher payroll expenses related to volume increases in addition to higher variable marketing and promotional expenses, which remain below pre-pandemic levels, reflected in Adjusted EBITDAR margin, which decreased by 260 basis points to 44.3%.

Interactive Segment

	For the three months ended June 30,		Change		For the six months ended June 30,		Change	
(dollars in millions)	2022	2021	$	%	2022	2021	$	%
Revenues								
Gaming	$ 69.3	$ 29.8	$ 39.5	132.6 %	$ 132.2	$ 53.4	$ 78.8	147.6 %
Food, beverage, hotel and other	85.6	66.2	19.4	29.3 %	164.2	128.9	35.3	27.4 %
Total revenues	$ 154.9	$ 96.0	$ 58.9	61.4 %	$ 296.4	$ 182.3	$ 114.1	62.6 %
Adjusted EBITDAR	$ (20.8)	$ 1.2	$ (22.0)	N/M	$ (30.8)	$ 2.5	$ (33.3)	N/M
Adjusted EBITDAR margin	(13.4) %	1.3 %		N/M	(10.4) %	1.4 %		N/M

N/M - Not meaningful

The Interactive segment's revenues for the three and six months ended June 30, 2022 increased by $58.9 million and $114.1 million over the prior year corresponding periods, primarily due to continued increases in online activity with the launch of theScore Bet in Ontario and the Barstool Sportsbook in additional states, as well as the inclusion of revenues from theScore, which was acquired on October 19, 2021. Additionally, revenues are inclusive of a tax gross-up of $55.4 million and $105.7 million for the three and six months ended June 30, 2022, respectively, compared to $46.0 and $85.5 million for the three and six months ended June 30, 2021, respectively.

For the three and six months ended June 30, 2022, the Interactive segment's Adjusted EBITDAR and Adjusted EBITDAR margin decreased primarily due to increased expenses related to ramping and launching theScore Bet in Ontario and the Barstool Sportsbook in additional states, and the inclusion of theScore financial results, as indicated above.

Other

	For the three months ended June 30,		Change		For the six months ended June 30,		Change	
(dollars in millions)	2022	2021	$	%	2022	2021	$	%
Revenues								
Food, beverage, and other	$ 5.9	$ 1.7	$ 4.2	247.1 %	13.2	3.3	9.9	300.0 %
Total revenues	$ 5.9	$ 1.7	$ 4.2	247.1 %	$ 13.2	$ 3.3	$ 9.9	300.0 %
Adjusted EBITDAR	$ (23.4)	$ (26.9)	$ 3.5	13.0 %	$ (47.1)	$ (49.5)	$ 2.4	4.8 %

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 to a property. Revenues for the three and six months ended June 30, 2022, have increased as compared to the prior year corresponding periods, primarily due to the acquisition of Sam Houston, the remaining 50% of which was acquired on August 1, 2021.

Adjusted EBITDAR increased by $3.5 million and $2.4 million for the three and six months ended June 30, 2022 respectively, as compared to the prior year corresponding periods, primarily due to changes in corporate overhead costs, which are reflective of the current operating environment.

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; income taxes; depreciation and amortization; stock-based compensation; debt extinguishment and financing charges (which are included in "other (income) expenses"); 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; 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. and our Kansas Entertainment, LLC joint venture. Adjusted EBITDA is inclusive of rent expense associated with our triple net operating leases (the operating lease components contained within our triple net master lease dated November 1, 2013 with Gaming and Leisure Properties, Inc. (Nasdaq: GLPI) ("GLPI") and the triple net master lease assumed in connection with our acquisition of Pinnacle Entertainment, Inc., our individual triple net leases with GLPI for the real estate assets used in the operation of Tropicana Las Vegas Hotel and Casino, Inc. and Hollywood Casino at Meadows Racetrack, and our individual triple net leases with VICI Properties Inc. (NYSE: VICI) ("VICI") for the real estate assets used in the operations of Margaritaville Casino Resort and Hollywood Casino at Greektown). 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 of 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 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, which is determined in accordance with GAAP, to Adjusted EBITDA and Adjusted EBITDAR, which are non-GAAP financial measures, as well as related margins:

	For the three months ended June 30,		For the six months ended June 30,	
(dollars in millions)	2022	2021	2022	2021
Net income	$ 26.1	$ 198.7	$ 77.7	$ 289.6
Income tax expense	56.3	53.1	103.9	73.7
Income from unconsolidated affiliates	(1.8)	(9.1)	(10.5)	(18.7)
Interest expense, net	193.6	138.0	354.4	273.7
Other (income) expenses	28.2	(2.8)	68.9	(23.9)
Operating income	302.4	377.9	594.4	594.4
Stock-based compensation (1)	14.5	9.2	31.5	13.4
Cash-settled stock-based award variance (1)(2)	(9.5)	(12.4)	(12.4)	9.1
Loss (gain) on disposal of assets (1)	7.3	(0.1)	7.2	(0.2)
Contingent purchase price (1)	(0.9)	1.2	(1.0)	1.3
Pre-opening expenses (1)(3)	2.1	(0.4)	3.6	1.2
Depreciation and amortization	150.3	81.9	268.5	163.2
Insurance recoveries, net of deductible charges (1)	—	—	(8.8)	—
Income from unconsolidated affiliates	1.8	9.1	10.5	18.7
Non-operating items of equity method investments (4)	0.3	1.4	2.1	3.0
Other expenses (1)(3)(5)	8.2	2.3	15.5	2.6
Adjusted EBITDA	476.5	470.1	911.1	806.7
Rent expense associated with triple net operating leases (1)	28.0	116.5	88.1	226.9
Adjusted EBITDAR	$ 504.5	$ 586.6	$ 999.2	$ 1,033.6
Net income margin	1.6 %	12.9 %	2.4 %	10.3 %
Adjusted EBITDA margin	29.3 %	30.4 %	28.6 %	28.6 %
Adjusted EBITDAR margin	31.0 %	37.9 %	31.3 %	36.6 %

(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) During the first quarter of 2021, acquisition costs were included within pre-opening and acquisition costs. Beginning with the quarter ended June 30, 2021, acquisition costs are presented as part of other expenses.

(4) Consists principally of interest expense, net, income taxes, depreciation and amortization, and stock-based compensation expense associated with Barstool Sports and our Kansas Entertainment joint venture. We record our portion of Barstool Sports’ net income or loss, including adjustments to arrive at Adjusted EBITDAR, one quarter in arrears.

(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.

	For the six months ended June 30,		Change	
(dollars in millions)	2022	2021	$	%
Net cash provided by operating activities	$ 436.4	$ 504.6	$ (68.2)	(13.5)%
Net cash used in investing activities	$ (113.7)	$ (99.1)	$ (14.6)	14.7%
Net cash (used in) provided by financing activities	$ (477.3)	$ 18.8	$ (496.1)	N/M

N/M - Not meaningful

Operating Cash Flow

Trends in our operating cash flows tend to follow trends in operating income, 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 $68.2 million for the six months ended June 30, 2022, primarily due to an increase in cash paid for income taxes and a negative impact in changes in working capital related to gaming taxes and other gaming liabilities and payroll related liabilities.

Investing Cash Flow

Cash used in investing activities for the six months ended June 30, 2022 of $113.7 million is primarily due to capital expenditures of $125.6 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. For the six months ended June 30, 2021, cash used in investing activities of $99.1 million was primarily due to capital expenditures and consideration paid for gaming licenses and other intangible assets.

Capital Expenditures

Capital expenditures are accounted for as either project capital (new facilities or expansions) or maintenance (replacement) capital expenditures. 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 six months ended June 30, 2022 and 2021, respectively.

Capital expenditures for the six months ended June 30, 2022 and 2021 were $125.6 million and $64.6 million, respectively. Capital expenditures related to our York and Morgantown development project were $13.3 million and $25.6 million for the six months ended June 30, 2022 and 2021, respectively. During the six months ended June 30, 2022, capital expenditures also included $17.8 million in construction costs related to hurricane damage sustained at our Lake Charles property of which insurance proceeds were previously received. For the year ending December 31, 2022, our anticipated capital expenditures are approximately $300 million, which includes capital expenditures required under our Triple Net Leases, which require us to spend a specified percentage of net revenues.

Financing Cash Flow

For the six months ended June 30, 2022, net cash used in financing activities totaled $477.3 million, primarily related to $342.1 million common stock repurchases, net debt repayments of $18.7 million, $18.2 million in debt issuance costs, and $85.4 million in principal payments on our finance leases and finance obligations.

During the six months ended June 30, 2021, cash provided by financing activities of $18.8 million was primarily due to net cash proceeds of $72.5 million from other long-term obligations, offset by principal payments on long-term debt and principal payments on our finance leases and finance obligations.

Borrowings and Repayments of Long-term Debt

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") facilities (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.

At June 30, 2022, we had $2.8 billion in aggregate principal amount of indebtedness, including $1.6 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 due 2026, and $150.1 million outstanding in other long-term obligations. No amounts were drawn on our Amended Revolving Credit Facility. After the refinancing of our Senior Secured Credit Facilities discussed above, we have no debt maturing prior to 2026. As of June 30, 2022 we had conditional obligations under letters of credit issued pursuant to the Amended Credit Facilities with face amounts aggregating to $25.4 million resulting in $974.6 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 PENN Master Lease and the Pinnacle Master Lease (both of which are defined in Note 9, "Leases" to our unaudited Consolidated Financial Statements), 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 June 30, 2022, 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

On February 1, 2022, the Board of Directors of PENN approved a $750.0 million share repurchase authorization. The three-year authorization expires on January 31, 2025. Repurchases by the Company will be 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 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.

During the three months ended June 30, 2022, the Company repurchased 5,539,177 shares of its common stock in open market transactions for $167.0 million at an average price of $30.16 per share. During the six months ended June 30, 2022, the Company repurchased 9,341,585 shares of its common stock in open market transactions for $342.1 million at an average price of $36.62 per share. The cost of all repurchased shares is recorded as "Treasury stock" within our unaudited Consolidated Balance Sheets.

Subsequent to the quarter ended June 30, 2022, the Company repurchased 3,019,790 million shares of its common stock at an average price of $31.46 per share for an aggregate amount of $95.0 million. The remaining availability under our $750.0 million share repurchase authorization was $313.1 million as of August 3, 2022.

Triple Net Leases

The majority of the real estate assets used in the Company's operations are subject to triple net master leases; the most significant of which are the PENN Master Lease and the Pinnacle Master Lease. In addition, six of the gaming facilities used in our operations are subject to individual triple net leases. We refer to the PENN Master Lease, the Pinnacle Master Lease, the Perryville Lease, the Meadows Lease, the Margaritaville Lease, the Greektown Lease, the Tropicana Lease 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.

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:

	For the three months ended June 30,		For the six months ended June 30,	
(in millions)	**2022**	**2021**	**2022**	**2021**
PENN Master Lease	$ 120.6	$ 120.7	$ 239.8	$ 238.7
Pinnacle Master Lease	83.4	82.1	165.9	163.4
Perryville Lease	2.0	—	3.9	—
Meadows Lease	6.2	6.2	12.4	12.4
Margaritaville Lease	6.0	5.9	11.9	11.7
Greektown Lease	12.9	13.5	25.7	27.4
Morgantown Lease	0.7	0.7	1.5	1.5
Total [(1)]	$ 231.8	$ 229.1	$ 461.1	$ 455.1

(1) Rent payable under the Tropicana Lease is nominal. Therefore, this lease has been excluded from the table above.

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, and rising interest rates on the U.S. economy and the ability of our business to maintain its recovery from the impacts of the COVID-19 pandemic; (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 you that the trends seen at our properties, such as strong visitation and increased length of play, 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 retail and online sports betting, social gaming, retail gaming, and iGaming; from acquisitions of gaming properties at reasonable valuations; greenfield projects; and jurisdictional expansions and property expansion in under-penetrated markets; there can be no assurance that this will be the case given the uncertainty arising from the COVID-19 pandemic. 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, 2021 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, 2021. There have been no significant changes in our critical accounting estimates during the six months ended June 30, 2022.

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 expectations of, and guidance regarding, 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 anticipated share repurchases; the Company's expectations with regard to results, and the impact of competition, in online sports betting, iGaming and retail/mobile sportsbooks; the Company's launch of its Interactive segment's products in new jurisdictions and enhancements to existing Interactive segment products, including the integration of the Barstool Sportsbook into theScore mobile app in the U.S., and the migration of the Barstool Sportsbook to theScore's player account management trading platforms; the Company's expectations with regard to its future investments in Barstool Sports 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 Barstool Sports; the Company's expectations with respect to the ongoing introduction and the potential benefits of the cashless, cardless and contactless ("3Cs") technology; the Company's development projects; and the timing, cost and expected impact of planned capital expenditures on the Company's results of operations.

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 conditions 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; and additional risks and uncertainties described in the Company's Annual Report on Form 10-K for the year ended December 31, 2021, 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 interests rate on borrowings under our Amended Credit Facilities. As of June 30, 2022, the Company's Amended Credit Facilities had a gross outstanding balance of $1.6 billion, consisting of a $550.0 million Amended Term Loan A Facility, a $1.0 billion Amended Term Loan B Facility. As of June 30, 2022, we have $974.6 million of available borrowing capacity under our Amended Revolving Credit Facility.

The table below provides information as of June 30, 2022 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.

(dollars in millions)	7/01/22 - 6/30/23	7/01/23 - 6/30/24	7/01/24 - 6/30/25	7/01/25 - 6/30/26	7/01/26 - 6/30/27	Thereafter	Total	Fair Value
Fixed rate	$ —	$ —	$ —	$ —	$ 400.0	$ —	$ 400.0	$ 350.0
Average interest rate					5.625 %			
Fixed rate	$ —	$ —	$ —	$ —	$ —	$ 400.0	$ 400.0	$ 305.0
Average interest rate						4.125 %		
Fixed rate	$ —	$ —	$ —	$ 330.5	$ —	$ —	$ 330.5	$ 489.7
Average interest rate				2.75 %				
Variable rate	$ 37.5	$ 37.5	$ 37.5	$ 37.5	$ 450.0	$ 950.0	$ 1,550.0	$ 1,496.8
Average interest rate [(1)]	4.63 %	4.68 %	4.70 %	4.71 %	4.48 %	5.48 %		

(1) Estimated rate, reflective of forward SOFR as of June 30, 2022 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 and six months ended June 30, 2022, we incurred an unrealized foreign currency translation adjustment loss of $62.7 million and $26.9 million, respectively.

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 June 30, 2022. 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 June 30, 2022 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 June 30, 2022, 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 2021 Annual Report on Form 10-K for a discussion of the risk factors that affect our business and financial results. There have been no material changes to those risk factors.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table presents the total number of shares of our common stock that we repurchased during the second quarter of 2022, the average price paid per share, the number of shares that we repurchased as part of our share repurchase program, and the approximate dollar value of shares that still could have been repurchased at the end of the applicable fiscal period pursuant to our share repurchase program:

(dollars in millions, except for per share data)	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program (2)	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Program
April 1, 2022 - April 30, 2022	402	$ 42.42	—	$ 575.0
May 1, 2022 - May 31, 2022	1,895,830	$ 30.09	1,893,947	$ 518.0
June 1, 2022 - June 30, 2022	3,645,230	$ 30.19	3,645,230	$ 408.1
Total	5,541,462	$ 30.16	5,539,177	

(1) Includes 402 and 1,883 shares withheld to pay taxes due upon the vesting of employee restricted stock for the months ended April 30 and May 31, 2022, respectively.

(2) On February 1, 2022, our Board of Directors authorized and announced the repurchase of up to $750.0 million of our common stock from time to time on the open market or in privately negotiated transactions. The share purchase authorization expires on January 31, 2025. Stock repurchases, if any, will be funded using our available liquidity. The timing and amount of stock repurchases will depend on a variety of factors, including the market conditions as well as corporate and regulatory considerations. As of June 30, 2022, we have repurchased a total of 9,341,585 shares of our common stock at an average price of $36.62.

Table of Contents

ITEM 6. EXHIBITS

Exhibit Number	Description of Exhibit
3.1*	Articles of Amendment to its Second Amended and Restated Articles of Incorporation, effective August 4, 2022.
3.2*	Amendment to Fourth Amended and Restated Bylaws of the Company, effective August 4, 2022.
10.1†	Second Amended and Restated Credit Agreement, dated as of May 3, 2022, by and among Penn National Gaming, Inc., as borrower, the guarantors from time to time party thereto, the lenders from time to time party thereto, Bank of America, N.A., as administrative agent and as collateral agent. (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed May 5, 2022)
10.2	Penn National Gaming, Inc. 2022 Long Term Incentive Compensation Plan. (incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K filed June 10, 2022)
10.3	Form of Restricted Stock Unit Award Agreement (Stock-Settled) for the Penn National Gaming, Inc. 2022 Long Term Incentive Compensation Plan. (incorporated by reference to Exhibit 10.2 to the Company’s Registration Statement on Form S-8 filed June 15, 2022)
10.4	Form of Restricted Stock Unit Award Agreement (Cash-Settled) for the Penn National Gaming, Inc. 2022 Long Term Incentive Compensation Plan. (incorporated by reference to Exhibit 10.3 to the Company’s Registration Statement on Form S-8 filed June 15, 2022)
10.5	Form of Performance Unit Award Agreement for the Penn National Gaming, Inc. 2022 Long Term Incentive Compensation Plan. (incorporated by reference to Exhibit 10.4 to the Company’s Registration Statement on Form S-8 filed June 15, 2022)
10.6	Form of Restricted Stock Award Agreement for the Penn National Gaming, Inc. 2022 Long Term Incentive Compensation Plan. (incorporated by reference to Exhibit 10.5 to the Company’s Registration Statement on Form S-8 filed June 15, 2022)
10.7	Form of Non-Qualified Stock Option Award Agreement for the Penn National Gaming, Inc. 2022 Long Term Incentive Compensation Plan. (incorporated by reference to Exhibit 10.6 to the Company’s Registration Statement on Form S-8 filed June 15, 2022)
10.8	Form of Stock Appreciation Right Award Agreement for the Penn National Gaming, Inc. 2022 Long Term Incentive Compensation Plan. (incorporated by reference to Exhibit 10.7 to the Company’s Registration Statement on Form S-8 filed June 15, 2022)
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.

† Annexes, schedules and/or exhibits have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company agrees to furnish supplementally a copy of any omitted attachment to the SEC on a confidential basis upon request.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

			PENN ENTERTAINMENT, INC.
Dated:	August 4, 2022	By:	/s/ Christine LaBombard
			Christine LaBombard
			Senior Vice President and Chief Accounting Officer

Exhibit 3.1

ARTICLES OF AMENDMENT
TO
SECOND AMENDED AND RESTATED ARTICLES OF INCORPORATION
OF
PENN NATIONAL GAMING, INC.

The first line of the preamble of the Second Amended and Restated Articles of Incorporation of Penn National Gaming, Inc. (the "Articles") is hereby amended in its entirety to read as follows:

> PENN Entertainment, Inc. (hereinafter called the "Corporation"), a corporation organized and existing under the laws of the State of Pennsylvania, does hereby certify as follows:

Article 1 of the Articles is hereby amended in its entirety to read as follows:

> (1) The name of the Corporation is: PENN Entertainment, Inc.

Exhibit 3.2

AMENDMENT TO
THE FOURTH AMENDED AND RESTATED BYLAWS
OF
PENN Entertainment, Inc.

(Effective as of August 4, 2022)

Section 1.01 of the Fourth Amended and Restated Bylaws (the “Bylaws”) of PENN Entertainment, Inc., formerly known as Penn National Gaming, Inc. (the “Corporation”) is hereby amended and restated in its entirety as follows:

Section 1.01 Registered Office. The registered office of PENN Entertainment, Inc. (the “Corporation”) in the Commonwealth of Pennsylvania shall be 825 Berkshire Boulevard, Suite 200, Wyomissing, Pennsylvania 19610, until otherwise established by an amendment to the Articles of Incorporation (as amended, the “Articles”) or by the board of directors and a record of such change is filed with the Department of State in the manner provided by law.

Exhibit 31.1

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: August 4, 2022

/s/ Jay A. Snowden
Jay A. Snowden
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

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: August 4, 2022

/s/ Felicia R. Hendrix
Felicia R. Hendrix
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

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 June 30, 2022 as filed with the U.S. Securities and Exchange Commission on the date hereof (the “Report”), I, Jay A. Snowden, President and Chief Executive 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: August 4, 2022

/s/ Jay A. Snowden
Jay A. Snowden
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

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 June 30, 2022 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: August 4, 2022

/s/ Felicia R. Hendrix
Felicia R. Hendrix
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)