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

# FORM 10-Q

**(Mark One)**

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

**FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2018**

**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: 001 — 32622**

# EVERI HOLDINGS INC.
**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **DELAWARE** | **20-0723270** |
| **(State or other jurisdiction of incorporation or organization)** | **(I.R.S. Employer Identification No.)** |
| **7250 S. TENAYA WAY, SUITE 100** | |
| **LAS VEGAS, NEVADA** | **89113** |
| **(Address of principal executive offices)** | **(Zip Code)** |

**Registrant's telephone number, including area code:**
**(800) 833-7110**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large accelerated filer | ☐ | 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 Exchange Act). Yes ☐ No ☒

As of November 1, 2018 , there were 70,193,655 shares of the registrant's $0.001 par value per share common stock outstanding.

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**PART I: FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

**EVERI HOLDINGS INC. AND SUBSIDIARIES**
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)**
**(In thousands, except earnings (loss) per share amounts)**

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| **Revenues** | | | | |
| **Games revenues** | | | | |
| Gaming operations | $ 43,540 | $ 37,820 | $ 126,618 | $ 111,219 |
| Gaming equipment and systems | 21,068 | 16,292 | 63,499 | 52,574 |
| Gaming other | 1,231 | 1,340 | 1,887 | 2,039 |
| **Games total revenues** | 65,839 | 55,452 | 192,004 | 165,832 |
| | | | | |
| **FinTech revenues** | | | | |
| Cash access services | 39,406 | 181,104 | 117,364 | 528,279 |
| Equipment | 7,155 | 3,011 | 16,338 | 9,008 |
| Information services and other | 7,930 | 7,755 | 24,307 | 23,970 |
| **FinTech total revenues** | 54,491 | 191,870 | 158,009 | 561,257 |
| | | | | |
| **Total revenues** | 120,330 | 247,322 | 350,013 | 727,089 |
| | | | | |
| **Costs and expenses** | | | | |
| **Games cost of revenues** (1) | | | | |
| Gaming operations | 4,607 | 4,045 | 13,000 | 11,216 |
| Gaming equipment and systems | 11,907 | 8,568 | 34,693 | 26,544 |
| Gaming other | 1,059 | 1,207 | 1,618 | 1,743 |
| **Games total cost of revenues** | 17,573 | 13,820 | 49,311 | 39,503 |
| | | | | |
| **FinTech cost of revenues** (1) | | | | |
| Cash access services | 2,234 | 147,078 | 6,910 | 428,184 |
| Equipment | 3,846 | 1,887 | 9,786 | 5,518 |
| Information services and other | 949 | 873 | 3,146 | 2,402 |
| **FinTech total cost of revenues** | 7,029 | 149,838 | 19,842 | 436,104 |
| | | | | |
| Operating expenses | 35,419 | 29,463 | 105,176 | 87,235 |
| Research and development | 5,407 | 4,545 | 14,313 | 13,706 |
| Depreciation | 17,304 | 12,539 | 43,830 | 34,765 |
| Amortization | 16,088 | 17,322 | 48,943 | 52,086 |
| **Total costs and expenses** | 98,820 | 227,527 | 281,415 | 663,399 |
| | | | | |
| **Operating income** | 21,510 | 19,795 | 68,598 | 63,690 |

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| **Other expenses** | | | | |
| Interest expense, net of interest income | 20,160 | 23,368 | 62,589 | 72,306 |
| Loss on extinguishment of debt | — | — | 166 | 14,615 |
| **Total other expenses** | 20,160 | 23,368 | 62,755 | 86,921 |
| | | | | |
| **Income (loss) before income tax** | 1,350 | (3,573) | 5,843 | (23,231) |
| | | | | |
| Income tax (benefit) provision | (719) | 716 | (2,310) | 3,623 |
| **Net income (loss)** | 2,069 | (4,289) | 8,153 | (26,854) |
| Foreign currency translation | (9) | 602 | (744) | 1,710 |
| **Comprehensive income (loss)** | $ 2,060 | $ (3,687) | $ 7,409 | $ (25,144) |
| **Earnings (loss) per share** | | | | |
| **Basic** | $ 0.03 | $ (0.06) | $ 0.12 | $ (0.40) |
| **Diluted** | $ 0.03 | $ (0.06) | $ 0.11 | $ (0.40) |
| **Weighted average common shares outstanding** | | | | |
| **Basic** | 69,750 | 66,897 | 69,217 | 66,449 |
| **Diluted** | 74,594 | 66,897 | 73,712 | 66,449 |

(1) Exclusive of depreciation and amortization.

The 2018 results include the impact of adopting the Financial Accounting Standards Board (the "FASB") Accounting Standards Codification Topic 606 *Revenues from Contracts with Customers* ("ASC 606") . Refer to "Note 2 — Basis of Presentation and Summary of Significant Accounting Policies" and "Note 3 — Adoption of ASC 606, Revenue from Contracts with Customers" to our unaudited condensed consolidated financial statements included in Part I, Item 1 of this Form 10-Q for more information.

See notes to unaudited condensed consolidated financial statements.

**EVERI HOLDINGS INC. AND SUBSIDIARIES**
**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**
**(In thousands, except par value amounts)**

| | At September 30, 2018 | At December 31, 2017 |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents | $ 128,722 | $ 128,586 |
| Settlement receivables | 225,210 | 227,403 |
| Trade and other receivables, net of allowances for doubtful accounts of $6,537 and $4,706 at September 30, 2018 and December 31, 2017, respectively | 61,652 | 47,782 |
| Inventory | 25,897 | 23,967 |
| Prepaid expenses and other assets | 22,720 | 20,670 |
| **Total current assets** | 464,201 | 448,408 |
| **Non-current assets** | | |
| Property, equipment and leased assets, net | 118,001 | 113,519 |
| Goodwill | 640,571 | 640,589 |
| Other intangible assets, net | 296,315 | 324,311 |
| Other receivables | 8,834 | 2,638 |
| Other assets | 6,319 | 7,609 |
| **Total non-current assets** | 1,070,040 | 1,088,666 |
| **Total assets** | $ 1,534,241 | $ 1,537,074 |
| **LIABILITIES AND STOCKHOLDERS' DEFICIT** | | |
| **Current liabilities** | | |
| Settlement liabilities | $ 304,594 | $ 317,744 |
| Accounts payable and accrued expenses | 139,922 | 134,504 |
| Current portion of long-term debt | 8,200 | 8,200 |
| **Total current liabilities** | 452,716 | 460,448 |
| **Non-current liabilities** | | |
| Deferred tax liability | 35,403 | 38,207 |
| Long-term debt, less current portion | 1,156,207 | 1,159,643 |
| Other accrued expenses and liabilities | 3,130 | 19,409 |
| **Total non-current liabilities** | 1,194,740 | 1,217,259 |
| **Total liabilities** | 1,647,456 | 1,677,707 |
| **Commitments and contingencies (Note 13)** | | |
| **Stockholders' deficit** | | |
| Common stock, $0.001 par value, 500,000 shares authorized and 95,083 and 93,120 shares issued at September 30, 2018 and December 31, 2017, respectively | 95 | 93 |
| Convertible preferred stock, $0.001 par value, 50,000 shares authorized and no shares outstanding at September 30, 2018 and December 31, 2017, respectively | — | — |
| Additional paid-in capital | 297,745 | 282,070 |
| Accumulated deficit | (233,660) | (246,202) |
| Accumulated other comprehensive loss | (997) | (253) |
| Treasury stock, at cost, 24,890 and 24,883 shares at September 30, 2018 and December 31, 2017, respectively | (176,398) | (176,341) |
| **Total stockholders' deficit** | (113,215) | (140,633) |
| **Total liabilities and stockholders' deficit** | $ 1,534,241 | $ 1,537,074 |

See notes to unaudited condensed consolidated financial statements.

**EVERI HOLDINGS INC. AND SUBSIDIARIES**
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(In thousands)**

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2018 | 2017 |
| **Cash flows from operating activities** | | |
| Net income (loss) | $ 8,153 | $ (26,854) |
| Adjustments to reconcile net income (loss) to cash provided by operating activities: | | |
| Depreciation and amortization | 92,773 | 86,851 |
| Amortization of financing costs and discounts | 3,969 | 4,567 |
| Loss on sale or disposal of assets | 687 | 1,580 |
| Accretion of contract rights | 6,299 | 5,845 |
| Provision for bad debts | 8,342 | 7,946 |
| Deferred income taxes | (2,804) | 3,174 |
| Write-down of inventory and fixed assets | 2,575 | — |
| Reserve for obsolescence | 1,386 | 46 |
| Loss on extinguishment of debt | 166 | 14,615 |
| Stock-based compensation | 6,117 | 5,125 |
| Adjustment to certain purchase accounting liabilities | (550) | — |
| Changes in operating assets and liabilities: | | |
| Settlement receivables | 1,703 | 1,569 |
| Trade and other receivables | (23,856) | 2,767 |
| Inventory | (4,824) | (5,314) |
| Prepaid and other assets | (1,146) | (3,145) |
| Settlement liabilities | (12,889) | (41,799) |
| Accounts payable and accrued expenses | 6,281 | 12,981 |
| **Net cash provided by operating activities** | 92,382 | 69,954 |
| **Cash flows from investing activities** | | |
| Capital expenditures | (78,545) | (70,057) |
| Proceeds from sale of fixed assets | 83 | 4 |
| Placement fee agreements | (15,300) | (13,132) |
| **Net cash used in investing activities** | (93,762) | (83,185) |
| **Cash flows from financing activities** | | |
| Proceeds from credit facility | — | 820,000 |
| Repayments of prior credit facility | — | (465,600) |
| Repayments of secured notes | — | (335,000) |
| Repayments of credit facilities | (6,150) | (2,050) |
| Debt issuance costs and discounts | (1,276) | (19,748) |
| Proceeds from exercise of stock options | 9,529 | 4,046 |
| Purchase of treasury stock | (57) | (21) |
| **Net cash provided by financing activities** | 2,046 | 1,627 |
| Effect of exchange rates on cash | (432) | 1,365 |
| **Cash, cash equivalents and restricted cash** | | |
| Net increase (decrease) for the period | 234 | (10,239) |
| Balance, beginning of the period | 129,604 | 119,439 |
| **Balance, end of the period** | $ 129,838 | $ 109,200 |

See notes to unaudited condensed consolidated financial statements.

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2018 | 2017 |
| **Supplemental cash disclosures** | | |
| Cash paid for interest | $ 54,930 | $ 59,894 |
| Cash paid for income tax | 350 | 760 |
| Cash refunded for income tax | 4 | 200 |
| **Supplemental non-cash disclosures** | | |
| Accrued and unpaid capital expenditures | $ 2,591 | $ 4,736 |
| Accrued and unpaid placement fees added during the year | — | 39,074 |
| Transfer of leased gaming equipment to inventory | 7,284 | 6,093 |

See notes to unaudited condensed consolidated financial statements.

**EVERI HOLDINGS INC. AND SUBSIDIARIES**
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

*In this filing, we refer to: (i) our unaudited condensed consolidated financial statements and notes thereto as our "Financial Statements," (ii) our Unaudited Condensed Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) as our "Statements of Income (Loss)," (iii) our Unaudited Condensed Consolidated Balance Sheets as our "Balance Sheets," and (iv) our Unaudited Condensed Consolidated Statements of Cash Flows as our "Cash Flows."*

## 1. BUSINESS

Everi Holdings Inc. ("Everi Holdings", "Holdings" or "Everi") is a holding company, the assets of which are the issued and outstanding shares of capital stock of each of Everi Games Holding Inc. ("Everi Games Holding"), which owns all of the issued and outstanding shares of capital stock of Everi Games Inc. ("Everi Games" or "Games") and Everi Payments Inc. ("Everi Payments" or "Payments"). Unless otherwise indicated, the terms the "Company," "we," "us" and "our" refer to Holdings together with its consolidated subsidiaries.

Everi is a leading supplier of technology solutions for the casino gaming industry. We provide casino operators with a diverse portfolio of products including innovative gaming machines that power the casino floor, and casino operational and management systems that include comprehensive end-to-end payments solutions, critical intelligence offerings, and gaming operations efficiency technology.

Everi Holdings reports its results of operations based on two operating segments: Games and FinTech. Effective April 1, 2018 , we changed the name of the operating segment previously referred to as "Payments" to "Financial Technology Solutions" ("Everi FinTech" or "FinTech"). We believe this reference more accurately reflects the focus of the business segment on delivering innovative and integrated solutions to enhance the efficiency of the casino operator, support the comprehensive regulatory and tax requirements of their gaming customers and improve players' gaming experience by providing easy access to their funds and payment of winnings **.**

Everi Games provides a number of products and services for casinos, including: (a) gaming machines primarily comprised of Class II and Class III slot machines placed under participation or fixed fee lease arrangements or sold to casino customers, including the award-winning TournEvent®; and (b) system software, licenses, ancillary equipment and maintenance to its casino customers. Everi Games also develops and manages the central determinant system for the video lottery terminals installed in the State of New York.

Everi FinTech provides its casino customers cash access and related products and services, including: (a) access to cash at gaming facilities via Automated Teller Machine ("ATM") cash withdrawals, credit card cash access transactions, point of sale ("POS") debit card cash access transactions and check verification and warranty services; (b) equipment that provides cash access and efficiency related services; (c) products and services that improve credit decision making, automate cashier operations and enhance patron marketing activities for gaming establishments; (d) compliance, audit and data solutions; and (e) online payment processing solutions for gaming operators in states that offer intrastate, Internet-based gaming and lottery activities.

## 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Presentation

Our unaudited condensed consolidated financial statements included herein have been prepared by us pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Some of the information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States ("GAAP") have been condensed or omitted pursuant to such rules and regulations, although we believe the disclosures are adequate to make the information presented not misleading. In the opinion of management, all adjustments (which include normal recurring adjustments) necessary for a fair statement of results for the interim periods have been made. The results for the three and nine months ended September 30, 2018 are not necessarily indicative of results to be expected for the full fiscal year. The Financial Statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 .

Other than the adoption of ASU 2014-09 and all subsequent amendments (collectively, ASC 606) and Accounting Standards Update ("ASU") No. 2016-18, there have been no changes to our basis of presentation and significant accounting policies since the most recent filing of our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 .

*Overall – Revenue Recognition*

We evaluate the recognition of revenue based on the criteria set forth in ASC 606 and ASC 840, as appropriate. We recognize revenue upon transferring control of goods or services to our customers in an amount that reflects the consideration we expect to receive in exchange for those goods or services. We enter into contracts with customers that may include various combinations of goods and services. Timing of the transfer of control varies based on the nature of the contract. We recognize revenue net of any sales and other taxes collected from customers, which are subsequently remitted to governmental authorities and are not included in revenues or operating expenses. We measure revenue based on the consideration specified in a contract with a customer and adjusted, as necessary.

We evaluate the composition of our revenues to ensure compliance with SEC Regulation S-X Section 210.5-3, which requires us to separately present certain categories of revenues that exceed the quantitative threshold on our Statements of Income (Loss).

*Significant Judgments*

We apply judgments or estimates to determine the performance obligations and the Stand-Alone Selling Price ("SSP") of each identified performance obligation. The establishment of SSP requires judgment as to whether there is a sufficient quantity of items sold or renewed on a stand-alone basis and those prices demonstrate an appropriate level of concentration to conclude that a SSP exists. The SSP of our goods and services are generally determined based on observable prices, an adjusted market assessment approach or an expected cost plus margin approach. We utilize a residual approach only when the SSP for performance obligations with observable prices have been established and the remaining performance obligation in the contract with a customer does not have an observable price as it is uncertain or highly variable and, therefore, is not discernible.

*Collectability*

To assess collectability, we determine whether it is probable that we will collect substantially all of the consideration to which we are entitled in exchange for the goods and services transferred to the customer in accordance with the terms and conditions of the contract. In connection with these procedures, we evaluate the customer using internal and external information available, including, but not limited to, research and analysis of the credit history with the customer. Based on the nature of our transactions and historical trends, we determine whether our customers have the ability and intention to pay the amounts of consideration when they become due to identify potentially significant credit risk exposure.

*Contract Combinations - Multiple Promised Goods and Services*

Our contracts may include promises to transfer multiple goods and services to a customer. Our Games and FinTech businesses may enter into multiple agreements with the same customer that meet the criteria to be combined for accounting purposes under ASC 606. When this occurs, a SSP will be determined for each performance obligation in the combined arrangement and the consideration allocated between the respective performance obligations. We use our judgment to analyze the nature of the promises made and determine whether each is distinct or should be combined with other promises in the contract based on the level of integration and interdependency between the individual deliverables.

*Disaggregation of Revenues*

We disaggregate revenues based on the nature and timing of the cash flows generated by such revenues as presented in "Note 18 — Segment Information."

*Outbound Freight Costs*

Upon transferring control of a good to a customer, the shipping and handling costs in connection with sale transactions are accounted for as fulfillment costs and included in cost of revenues.

*Costs to Acquire a Contract with a Customer*

We typically incur incremental costs to acquire customer contracts in the form of sales commission expenses. We evaluate those acquisition costs for groups of contracts with similar characteristics, based on the nature of the transactions. The incremental costs to acquire customer contracts identified would be amortized within one year and, as a result, we elected to utilize the practical expedient set forth in ASC 340-40, Contract Costs – *Incremental Costs of Obtaining a Contract* to expense these amounts as incurred.

*Asset Balances*

In connection with the adoption of ASC 606 utilizing the modified retrospective transition method, we recorded an immaterial cumulative adjustment with respect to certain amounts that had been previously deferred under the then existing revenue recognition guidance as of December 31, 2017 that required recognition under ASC 606 as of the effective date of adoption in accumulated deficit.

*Games Revenues*

**Gaming Operations**

Games revenues are primarily generated by our gaming operations under placement, participation and development arrangements in which we provide our customers with player terminals, player terminal-content licenses, central determinant systems for devices placed in service in licensed jurisdictions and back-office equipment, collectively referred to herein as leased gaming equipment. We evaluate the recognition of lease revenues based on criteria set forth in ASC 840. Generally, under these arrangements, we retain ownership of the leased gaming equipment installed at customer facilities and we receive revenues based on a percentage of the net win per day generated by the leased gaming equipment or a fixed daily fee based on the number of player terminals installed at the facility. Revenues from lease participation or daily fee arrangements are considered both realizable and earned at the end of each gaming day.

Gaming operations revenues generated by leased gaming equipment deployed at sites under development or placement fee agreements give rise to contract rights, which are amounts recorded to intangible assets for dedicated floor space resulting from such agreements. The gaming operations revenues generated by these arrangements are reduced by the accretion of contract rights, which represents the related amortization of the contract rights recorded in connection with those agreements.

Gaming operations revenues include amounts generated by Wide Area Progressive (“WAP”) systems, which consist of linked slot machines located in multiple casino properties that are connected to a central system. WAP-based gaming machines have a progressive jackpot we administer that increases with every wager until a player wins the top award combination. Casino operators pay us a percentage of the coin-in (the total amount wagered) for services related to the design, assembly, installation, operation, maintenance, administration and marketing of the WAP systems. The gaming operations revenues with respect to WAP-based gaming machines are presented in the Statements of Income (Loss) net of the jackpot expense, which is comprised of incremental amount funded by a portion of the coin-in from players. At such time a jackpot is won by a player, an additional jackpot expense is recorded with respect to the base seed amount required to fund the minimum level required by the respective WAP arrangement with the casino operator.

**Gaming Equipment and Systems**

Gaming equipment and systems revenues are derived from the sale of gaming equipment to our customers under contracts on standard credit terms, which are generally short-term in nature, and are recognized at a point in time when control of the promised goods and services transfers to the customer generally upon shipment or delivery pursuant to the terms of the contract.

**Gaming Other**

Gaming other revenues primarily consist of our TournEvent of Champions® national tournament and are recognized over a period of time as the customer simultaneously receives and consumes the benefits.

*FinTech Revenues*

**Cash Access Services**

Cash access services revenues are comprised of cash advance, ATM and check services revenue streams. We do not control the cash advance and ATM services provided to a customer and, therefore, we are acting as an agent whose performance obligation is to arrange for the provision of these services.

Cash advance revenues are comprised of transaction fees assessed to gaming patrons in connection with credit card cash access and POS debit card cash access transactions. Such fees are primarily based on a combination of a fixed amount plus a percentage of the face amount of the credit card cash access or POS debit card cash access transaction amount. In connection with these types of transactions, we report certain direct costs incurred as reductions to revenues on a net basis, which generally include: (i) commission expenses payable to casino operators; (ii) interchange fees payable to the network associations; and (iii) processing and related costs payable to other third party partners.

ATM revenues are primarily comprised of transaction fees in the form of cardholder surcharges assessed to gaming patrons in connection with ATM cash withdrawals at the time the transactions are authorized and reverse interchange fees paid to us by the patrons' issuing banks. The cardholder surcharges assessed to gaming patrons in connection with ATM cash withdrawals are currently a fixed dollar amount and not a percentage of the transaction amount. In connection with these types of transactions, we report certain direct costs incurred as reductions to revenues on a net basis, which generally include: (i) commission expenses payable to casino operators; (ii) interchange fees payable to the network associations; and (iii) processing and related costs payable to other third party partners.

Check services revenues are principally comprised of check warranty revenues and are generally based upon a percentage of the face amount of checks warranted. These fees are paid to us by gaming establishments.

For cash access services arrangements, we recognize revenues over a period of time using an output method depicting the transfer of control to the customer based on variable consideration, such as volume of transactions processed with variability generally resolved in the reporting period.

**Equipment**

Equipment revenues are derived from the sale of equipment under contracts with standard credit terms, which are generally short-term in nature, and are recognized at a point in time when control of the promised goods and services transfers to the customer generally upon shipment or delivery pursuant to the terms of the contract.

**Information Services and Other**

Information services and other revenues include amounts derived from the sale of: (i) software licenses, software subscriptions, professional services and certain other ancillary fees; (ii) service related fees associated with the sale, installation and maintenance of equipment directly to our customers under contracts on standard credit terms, which are generally short-term in nature, secured by the related equipment, (iii) credit worthiness related software subscription services that are based upon either a flat monthly unlimited usage fee or a variable fee structure driven by the volume of patron credit histories generated; and (iv) ancillary marketing, database and internet-based gaming related activities.

Our software represents a functional right-to-use license and the revenues are recognized at a point in time. Subscription services represent a stand-ready performance obligation and the revenues are recognized over a period of time using an input method based on time elapsed. Professional and other services revenues are recognized over a period of time using an input method based on time elapsed as services are provided, thereby reflecting the transfer of control to the customer.

**Restricted Cash**

Our restricted cash primarily consists of: (i) deposits held in connection with a sponsorship agreement; (ii) WAP-related restricted funds; and (iii) Internet related cash access activities. The current portion of restricted cash, which is included in prepaid expenses and other assets, was approximately $1.0 million and $0.9 million as of September 30, 2018 and December 31, 2017 , respectively. The non-current portion of restricted cash, which is included in other assets, was approximately $0.1 million as of September 30, 2018 and December 31, 2017 . The current portion of restricted cash was approximately $0.6 million and $0.3 million as of September 30, 2017 and December 31, 2016 , respectively. The non-current portion of restricted cash was approximately $0.1 million as of September 30, 2017 and December 31, 2016 .

**Fair Values of Financial Instruments**

The fair value of a financial instrument represents the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Fair value estimates are made at a specific point in time, based upon relevant market information about the financial instrument.

The carrying amount of cash and cash equivalents, settlement receivables, short-term trade and other receivables, settlement liabilities, accounts payable and accrued expenses approximate fair value due to the short-term maturities of these instruments. The fair value of the long-term trade and loans receivable is estimated by discounting expected future cash flows using current interest rates at which similar loans would be made to borrowers with similar credit ratings and remaining maturities. As of September 30, 2018 and December 31, 2017 , the fair value of notes receivable, net, approximated the carrying value due to contractual terms of trade and loans receivable generally being under 24 months. The fair value of our borrowings is estimated based on various inputs to determine a market price, such as: market demand and supply, size of tranche, maturity and similar instruments trading in more active markets. The estimated fair value and outstanding balances of our borrowings are as follows (in thousands).

| | Level of Hierarchy | Fair Value | Outstanding Balance |
|---|---|---|---|
| **September 30, 2018** | | | |
| Term loan | 2 | $ 815,985 | $ 809,750 |
| Senior unsecured notes | 1 | $ 377,813 | $ 375,000 |
| **December 31, 2017** | | | |
| Term loan | 2 | $ 826,099 | $ 815,900 |
| Senior unsecured notes | 1 | $ 372,656 | $ 375,000 |

The term loan facility was reported at fair value using a Level 2 input as there were quoted prices in markets that were not considered active as of September 30, 2018 and December 31, 2017 . The senior unsecured notes were reported at fair value using a Level 1 input as there were quoted prices in markets that were considered active as of September 30, 2018 and December 31, 2017 .

**Reclassification of Prior Year Balances**

Reclassifications were made to the prior-period Financial Statements to conform to the current period presentation, except for the adoption impact of the application of ASC 606 utilizing the modified retrospective transition method.

**Recent Accounting Guidance**

*Recently Adopted Accounting Guidance*

In March 2018, the FASB issued ASU No. 2018-05, which provides guidance on accounting for the tax effects of the 2017 Tax Act (pursuant to SEC Staff Accounting Bulletin No. 118). The new standard is effective March 13, 2018. We have adopted this guidance in the quarter ended March 31, 2018. In accordance with this guidance, some of the income tax effects recorded in 2017 are provisional and may be adjusted during 2018.

In May 2014, the FASB issued ASU No. 2014-09, which creates ASC 606 and supersedes ASC Topic 605, "Revenue Recognition." The guidance replaces industry-specific guidance and establishes a single five-step model to identify and recognize revenue. The core principle of the guidance is that an entity should recognize revenue upon transfer of control of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. Additionally, the guidance requires the entity to disclose further quantitative and qualitative information regarding the nature and amount of revenues arising from contracts with customers, as well as other information about the significant judgments and estimates used in recognizing revenues from contracts with customers. The guidance in ASU 2014-9 was further updated by ASU 2016-08 in March 2016, which provided clarification on the implementation of the principal versus agent considerations in ASU 2014-09. In April 2016, the FASB issued ASU 2016-10, which provides clarification on the implementation of performance obligations and licensing in ASU 2014-9. In May 2016, the FASB issued ASU 2016-11, which amended guidance provided in two SEC Staff Announcements at the March 3, 2016 Emerging Issues Task Force meeting over various topics relating to ASU 606. In May 2016, the FASB issued ASU 2016-12, which clarified various topics in ASC 606. In December 2016, the FASB issued ASU 2016-20, which clarified additional topics in ASC 606. This guidance may be adopted retrospectively or under a modified retrospective method where the cumulative effect is recognized at the date of initial application. We adopted this guidance effective January 1, 2018 and have provided additional information with respect to the new revenue recognition topic elsewhere in this Note 2 disclosure and also in "Note 3 — Adoption of ASC 606, Revenue from Contracts with Customers."

In May 2017, the FASB issued ASU No. 2017-09 to clarify which changes to the terms and conditions of share-based payment awards require an entity to apply modification accounting under Topic 718. An entity is required to account for the effects of a modification unless all of the following conditions are met: (i) the fair value (or calculated value or intrinsic value, if such an alternative measurement method is used) of the modified award is the same as the fair value (or value using an alternative measurement method) of the original award immediately before the original award is modified. If the modification does not affect any of the inputs to the valuation technique that the entity uses to value the award, the entity is not required to estimate the value immediately before and after the modification; (ii) the vesting conditions of the modified award are the same as the vesting conditions of the original award immediately before the original award is modified; and (iii) the classification of the modified award as an equity instrument or a liability instrument is the same as the classification of the original award immediately before the original award is modified. We adopted this guidance in the quarter ended March 31, 2018. The adoption of this ASU did not have a material impact on our Financial Statements.

In January 2017, the FASB issued ASU No. 2017-01, which clarifies the definition of a business. The amendments affect all companies and other reporting organizations that must determine whether they have acquired or sold a business. The amendments are intended to help companies and other organizations evaluate whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The new standard is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. This guidance is to be applied using a prospective approach as of the beginning of the first period of adoption. We adopted this guidance in the quarter ended March 31, 2018. The adoption of this ASU did not have a material impact on our Financial Statements.

In October 2016, the FASB issued ASU No. 2016-18, which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. As a result, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments do not provide a definition of restricted cash or restricted cash equivalents. We adopted this guidance in the quarter ended March 31, 2018 using a retrospective approach to each period presented. The adoption of this ASU did not have a material impact on our Financial Statements.

In October 2016, the FASB issued ASU No. 2016-16, which provides updated guidance on the recognition of the income tax consequences of intra-entity transfers of assets other than inventory when the transfer occurs, and this eliminates the exception for an intra-entity transfer of such assets. This guidance will be applied using a modified retrospective approach through a cumulative-effective adjustment directly to retained earnings as of the beginning of the period of adoption. We adopted this guidance in the quarter ended March 31, 2018. The adoption of this ASU did not have a material impact on our Financial Statements.

In August 2016, the FASB issued ASU No. 2016-15, which provides updated guidance on the classification of certain cash receipts and cash payments in the statement of cash flows. This guidance is to be applied using a retrospective approach. If it is impracticable to apply the amendments retrospectively for some of the issues within this ASU, the amendments for those issues would be applied prospectively as of the earliest date practicable. We adopted this guidance in the quarter ended March 31, 2018. The adoption of this ASU did not have a material impact on our Financial Statements.

*Recent Accounting Guidance Not Yet Adopted*

In August 208, the FASB issued ASU No. 2018-15, which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal use software license). The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted, including adoption in any interim period. We are currently evaluating the impact of adopting this guidance on our Financial Statements.

In June 2018, the FASB issued ASU No. 2018-07, which expands the scope of Topic 718, Compensation—Stock Compensation (which currently only includes share-based payments to employees) to include share-based payments issued to nonemployees for goods or services. Consequently, the accounting for share-based payments to nonemployees and employees will be substantially aligned. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. We do not expect the adoption of this ASU to have a material impact on our Financial Statements. We are currently evaluating the impact of adopting this guidance on our Financial Statements.

In February 2018, the FASB issued ASU No. 2018-02, which provides financial statement preparers with an option to reclassify stranded tax effects within AOCI to retained earnings in each period in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act (or portion thereof) is recorded. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. We do not expect the adoption of this ASU to have a material impact on our Financial Statements. We are currently evaluating the impact of adopting this guidance on our Financial Statements.

In June 2016, the FASB issued ASU No. 2016-13, which provides updated guidance on how an entity should measure credit losses on financial instruments. The new guidance replaces the current incurred loss measurement methodology with a lifetime expected loss measurement methodology, and is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. This guidance will be applied using a modified retrospective approach for the cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective and using a prospective approach for debt securities for which any other-than-temporary impairment had been recognized before the effective date. Early adoption is permitted for fiscal years beginning after December 15, 2018. We are currently evaluating the impact of adopting this guidance on our Financial Statements.

In February 2016, the FASB issued ASU No. 2016-02, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing transactions. The guidance establishes a right-of-use (“ROU”) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. We expect to make an accounting policy election where leases that are 12 months or less and do not include an option to purchase the underlying asset, will be treated similar to current operating lease accounting and will not be recorded on the balance sheet. For lessees, leases will be classified as either financing or operating, with classification affecting the pattern of expense recognition in the income statement. For lessors, leases will be classified as operating, sales-type or direct financing with classification affecting the pattern of revenue and profit recognition in the income statement. In July, 2018, the FASB issued ASU No. 2018-10 - Codification Improvements to Topic 842, Leases and ASU No. 2018-11 - Leases (Topic 842): Targeted Improvements. ASU No. 2018-10 affects narrow aspects of the guidance previously issued and ASU No. 2018-11 provides a practical expedient for lessors on separating components of a contract and also includes an additional optional transition relief methodology for adopting the new standard. The guidance requires an entity to adopt the new standard, as amended, under a modified retrospective application to each prior reporting period presented in the financial statements with the cumulative effect recognized at the beginning of the earliest comparative period. With the optional transition relief methodology available, entities have an opportunity to adopt the new lease standard retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment, with certain practical expedients available. Based on the guidance, we intend to adopt the new standard effective on January 1, 2019 and, if necessary, will recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. We expect to apply certain practical expedients offered in the aforementioned guidance, such as those that state that the Company need not reassess: (a) whether expired or existing contracts contain leases, (b) the lease classification of expired or existing leases, or (c) initial direct costs for any existing leases.

While we are currently assessing the impact of this new lease standard on our financial statements, including evaluation of available practical expedients, we expect the following impact to our financial statements as summarized within the table below.

| **Lessor Perspective** | **Preliminary Expected Impact Upon Adoption** |
|---|---|
| Games Segment | We expect accounting for leases to be consistent with our current practices; however, there may be differences as we continue to evaluate the impact to our gaming operations revenue stream. |
| FinTech Segment | We do not typically have leases in which we are the lessor, however, we are continuing to assess our conclusions under Topic 842. |

| **Lessee Perspective** | **Preliminary Expected Impact Upon Adoption** |
|---|---|
| Games and FinTech Segments | We expect to recognize operating lease ROU assets and liabilities primarily associated with real estate leases on our Balance Sheets for lease contracts with terms that are longer than 12 months with no material impact to the Statements of Income (Loss). The operating lease ROU assets and liabilities are expected to be recognized at the commencement date based on the present value of lease payments over the lease terms. Our lease contracts may include renewal options to extend the terms and, when it is reasonably certain that we expect to exercise the options, they will be factored into the analysis, as applicable. Operating lease expenses will be recognized on a straight-line basis over the lease terms. In the event we enter into financing lease arrangements, the costs will be amortized utilizing the effective interest method. |

The Company is in the process of identifying and implementing appropriate changes to its business processes, systems and controls to support lease accounting and disclosures under Topic 842. We expect our quantitative and qualitative disclosures regarding Topic 842 to increase post adoption of the guidance.

We do not anticipate that any other recently issued accounting guidance will have a significant effect on our consolidated financial statements.

## 3. ADOPTION OF ASC 606, "REVENUE FROM CONTRACTS WITH CUSTOMERS"

**Change in accounting policies**

On January 1, 2018, we adopted ASC 606 using the modified retrospective method, which requires us to evaluate whether any cumulative adjustment is required to be recorded to retained earnings (or accumulated deficit) as a result of applying the provisions set forth under ASC 606 for any existing arrangements not yet completed as of the adoption date of January 1, 2018. We determined that there was an immaterial cumulative adjustment in the amount of approximately $4.4 million , which we recorded to accumulated deficit as of the adoption date as a result of applying the modified retrospective transition method. In addition, under the modified retrospective method, our prior period results were not recast to reflect the new revenue recognition standard. Except for the changes discussed with respect to revenue recognition, the impact of which is summarized in the tables below, we have consistently applied our accounting policies to all periods presented in our Financial Statements.

**Games revenues**

We previously reported certain costs incurred in connection with our WAP platform, consisting primarily of the WAP jackpot expenses, as cost of revenues. Under ASC 606, such costs are reflected as reductions to gaming operations revenues on a net basis.

**FinTech revenues**

We previously reported costs and expenses related to our cash access services, which include commission expenses payable to casino operators, interchange fees payable to the network associations and processing and related costs payable to other third party partners, as a cost of revenues. Under ASC 606, such costs are reflected as reductions to cash access services revenues on a net basis.

The following table presents the impact of the application of ASC 606 utilizing the modified retrospective transition method to certain line items on our Unaudited Condensed Consolidated Statements of Income and Comprehensive Income for the three and nine months ended September 30, 2018 (in thousands):

| | Three Months Ended September 30, 2018 | | |
|---|---|---|---|
| | As Reported | Adjustments | Without Adoption of ASC 606 |
| **Revenues** | | | |
| **Games revenues** | | | |
| Gaming operations | $ 43,540 | $ 697 | $ 44,237 |
| **Games total revenues** | 65,839 | 697 | 66,536 |
| | | | |
| **FinTech revenues** | | | |
| Cash access services | 39,406 | 160,985 | 200,391 |
| Equipment | 7,155 | (748) | 6,407 |
| **FinTech total revenues** | 54,491 | 160,237 | 214,728 |
| | | | |
| **Total revenues** | 120,330 | 160,934 | 281,264 |
| | | | |
| **Costs and expenses** | | | |
| **Games cost of revenues** (1) | | | |
| Gaming operations | 4,607 | 697 | 5,304 |
| **Games total cost of revenues** | 17,573 | 697 | 18,270 |
| | | | |
| **FinTech cost of revenues** (1) | | | |
| Cash access services | 2,234 | 160,985 | 163,219 |
| Equipment | 3,846 | (446) | 3,400 |
| **FinTech total cost of revenues** | 7,029 | 160,539 | 167,568 |
| | | | |
| **Total costs and expenses** | 98,820 | 161,236 | 260,056 |
| | | | |
| **Operating income** | 21,510 | (302) | 21,208 |
| | | | |
| **Income before income tax** | 1,350 | (302) | 1,048 |
| | | | |
| Income tax benefit | (719) | — | (719) |
| **Net income** | 2,069 | (302) | 1,767 |
| | | | |
| **Comprehensive income** | 2,060 | (302) | 1,758 |

(1) Exclusive of depreciation and amortization.

The adoption of ASC 606 utilizing the modified retrospective transition method did not have a material impact to our Balance Sheets and Cash Flows as of and for the three months ended September 30, 2018 **.**

| | Nine Months Ended September 30, 2018 | | |
|---|---|---|---|
| | As Reported | Adjustments | Without Adoption of ASC 606 |
| **Revenues** | | | |
| **Games revenues** | | | |
| Gaming operations | $ 126,618 | $ 1,778 | $ 128,396 |
| **Games total revenues** | 192,004 | 1,778 | 193,782 |
| | | | |
| **FinTech revenues** | | | |
| Cash access services | 117,364 | 471,433 | 588,797 |
| Equipment | 16,338 | (1,088) | 15,250 |
| **FinTech total revenues** | 158,009 | 470,345 | 628,354 |
| | | | |
| **Total revenues** | 350,013 | 472,123 | 822,136 |
| | | | |
| **Costs and expenses** | | | |
| **Games cost of revenues** (1) | | | |
| Gaming operations | 13,000 | 1,778 | 14,778 |
| **Games total cost of revenues** | 49,311 | 1,778 | 51,089 |
| | | | |
| **FinTech cost of revenues** (1) | | | |
| Cash access services | 6,910 | 470,884 | 477,794 |
| Equipment | 9,786 | (543) | 9,243 |
| **FinTech total cost of revenues** | 19,842 | 470,341 | 490,183 |
| | | | |
| **Total costs and expenses** | 281,415 | 472,119 | 753,534 |
| | | | |
| **Operating income** | 68,598 | 4 | 68,602 |
| | | | |
| | | | |
| **Income before income tax** | 5,843 | 4 | 5,847 |
| | | | |
| Income tax benefit | (2,310) | — | (2,310) |
| **Net income** | 8,153 | 4 | 8,157 |
| | | | |
| **Comprehensive income** | 7,409 | 4 | 7,413 |

(1) Exclusive of depreciation and amortization.

The adoption of ASC 606 utilizing the modified retrospective transition method did not have a material impact to our Balance Sheets and Cash Flows as of and for the nine months ended September 30, 2018 **.**

## 4. BUSINESS COMBINATIONS

We account for business combinations in accordance with ASC 805, which requires that the identifiable assets acquired and liabilities assumed be recorded at their estimated fair values on the acquisition date separately from goodwill, which is the excess of the fair value of the purchase price over the fair values of these identifiable assets and liabilities. We include the results of operations of an acquired business as of the acquisition date. We had no material acquisitions for the three and nine months ended September 30, 2018 and 2017 .

In August 2015, we acquired certain assets of Resort Advantage, LLC (“Resort Advantage”), a supplier of comprehensive and integrated solutions for complete Financial Crimes Enforcement Network (“FinCEN”) and Internal Revenue Service regulatory compliance to the gaming industry, for an aggregate purchase price of approximately $13.3 million , of which we estimated that approximately $4.7 million (the “earn out liability”) would be paid under the provisions of the agreement over a period of 40 months (the “payout period”) based upon an evaluation over a period of 36 months (the “earn out period”) following the closing of the transaction. With the earn out period having expired in August 2018, we analyzed the remaining earn out liability of approximately $0.8 million , as of September 30, 2018 , and determined that approximately $0.6 million would not be realized; therefore, we reversed that amount into income, which resulted in an estimate of approximately $0.2 million to be potentially paid under the provisions of the agreement over the remaining term set to expire in December 2018. The Resort Advantage acquisition did not have a material impact on our results of operations or financial condition.

## 5. FUNDING AGREEMENTS

### Commercial Cash Arrangements

We have commercial arrangements with third party vendors to provide cash for certain of our ATMs. For the use of these funds, we pay a cash usage fee on either the average daily balance of funds utilized multiplied by a contractually defined cash usage rate or the amounts supplied multiplied by a contractually defined cash usage rate. These cash usage fees, reflected as interest expense within the Statements of Income (Loss), were approximately $1.6 million and $5.3 million for the three and nine months ended September 30, 2018 , respectively, and approximately $1.2 million and $3.5 million for the three and nine months ended September 30, 2017 , respectively. We are exposed to interest rate risk to the extent that the applicable rates increase.

Under these agreements, the currency supplied by third party vendors remain their sole property until the funds are dispensed. As these funds are not our assets, supplied cash is not reflected in our Balance Sheets. The outstanding balances of ATM cash utilized by us from the third parties were approximately $194.2 million and $289.8 million as of September 30, 2018 and December 31, 2017 , respectively.

Our primary commercial arrangement, the Contract Cash Solutions Agreement, as amended, with Wells Fargo, N.A. Wells Fargo, provides us with cash in the maximum amount of $300 million with the ability to increase the amount by $75 million over a 5 -day period for holidays, such as the period around New Year’s Day. The agreement currently expires on June 30, 2020 . We are responsible for any losses of cash in the ATMs under this agreement, and we self-insure for this risk. We incurred no material losses related to this self-insurance for the three and nine months ended September 30, 2018 and 2017 .

### Site-Funded ATMs

We operate ATMs at certain customer gaming establishments where the gaming establishment provides the cash required for the ATM operational needs. We are required to reimburse the customer for the amount of cash dispensed from these site-funded ATMs. The site-funded ATM liability included within settlement liabilities in the accompanying Balance Sheets was approximately $209.8 million and $210.8 million as of September 30, 2018 and December 31, 2017 , respectively.

### Everi-Funded ATMs

We enter into agreements with customers for certain of our Canadian ATMs whereby we provide the cash required to operate the ATMs. We supplied approximately $2.3 million and $6.9 million of our cash for these ATMs at September 30, 2018 and December 31, 2017 , respectively, which represents an outstanding balance under such agreements at the end of the period. Such amounts are reported within settlement receivables line of our Balance Sheets.

### Prefunded Cash Access Agreements

Due to certain regulatory requirements, some international gaming establishments require prefunding of cash to cover all outstanding settlement amounts in order for us to provide cash access services to their properties. We enter into agreements with these operators for which we supply our cash access services for their properties. Under these agreements, we maintain sole discretion to either continue or cease operations as well as discretion over the amounts prefunded to the properties and may request amounts to be refunded to us, with appropriate notice to the operator, at any time. The initial prefunded amounts and subsequent amounts from the settlement of transactions are deposited into a bank account that is to be used exclusively for cash access services, and we maintain the right to monitor all transaction activity in that account. The total amount of prefunded cash outstanding was approximately $6.2 million and $8.4 million at September 30, 2018 and December 31, 2017 , respectively, and is included in prepaid expenses and other assets on our Balance Sheets.

## 6. TRADE AND OTHER RECEIVABLES

Trade and loans receivables represent short-term credit granted to customers as well as long-term loans receivable on our games, equipment and compliance products. Trade and loans receivables generally do not require collateral. The balance of trade and loans receivables consists of outstanding balances owed to us by gaming establishments. Other receivables include income taxes receivables and other miscellaneous receivables. The balance of trade and other receivables consisted of the following (in thousands):

| | At September 30, 2018 | At December 31, 2017 |
|---|---|---|
| **Trade and other receivables, net** | | |
| Games trade and loans receivables | $ 46,231 | $ 38,070 |
| FinTech trade and loans receivables (1) | 23,047 | 10,780 |
| Other receivables | 1,208 | 1,570 |
| **Total trade and other receivables, net** | 70,486 | 50,420 |
| **Less: non-current portion of receivables** | | |
| Games trade and loans receivables | (2,409) | (1,267) |
| FinTech trade and loans receivables (1) | (6,425) | (1,371) |
| **Total non-current portion of receivables** | (8,834) | (2,638) |
| **Total trade and other receivables, current portion** | $ 61,652 | $ 47,782 |

(1) In connection with the adoption of ASC 606 utilizing the modified retrospective transition method, we recorded an immaterial cumulative adjustment with respect to certain amounts that had been previously deferred under the then existing revenue recognition guidance as of December 31, 2017 that required recognition under ASC 606 as of the effective date of adoption in accumulated deficit.

At least quarterly, we evaluate the collectability of the outstanding balances and establish a reserve for the amount of the expected losses on our receivables. The allowance for doubtful accounts for trade receivables was approximately $6.5 million and $4.7 million as of September 30, 2018 and December 31, 2017 , respectively, and included approximately $3.0 million and $2.7 million of check warranty reserves, respectively. The provision for doubtful customer accounts receivable is generally included within operating expenses in the Statements of Income (Loss).

## 7. INVENTORY

Our inventory primarily consists of component parts as well as work-in-progress and finished goods. The cost of inventory includes cost of materials, labor, overhead and freight. The inventory is stated at the lower of cost or net realizable value and accounted for using the FIFO method.

There was no material impairment of our inventory for the three and nine months ended September 30, 2018 and 2017 .

We recorded an immaterial impairment charge of approximately $1.8 million in our Games segment for the nine months ended September 30, 2018 to reduce the carrying value of certain component parts to their fair values. The adjustment was included in operating expenses in our Statements of Income (Loss).

Inventory consisted of the following (in thousands):

| | At September 30, 2018 | At December 31, 2017 |
|---|---|---|
| **Inventory** | | |
| Component parts, net of reserves of $1,631 and $1,327 at September 30, 2018 and December 31, 2017, respectively | $ 23,032 | $ 18,782 |
| Work-in-progress | 1,248 | 985 |
| Finished goods | 1,617 | 4,200 |
| **Total inventory** | $ 25,897 | $ 23,967 |

## 8. PREPAID AND OTHER ASSETS

Prepaid and other assets include the balance of prepaid expenses, deposits, debt issuance costs on our New Revolving Credit Facility (defined herein), restricted cash and other assets. The current portion of these assets is included in prepaid and other assets and the non-current portion is included in other assets, both of which are contained within the Balance Sheets.

The balance of the current portion of prepaid and other assets consisted of the following (in thousands):

| | At September 30, 2018 | At December 31, 2017 |
|---|---|---|
| **Prepaid expenses and other assets** | | |
| Deposits | $ 8,717 | $ 9,003 |
| Prepaid expenses | 10,071 | 6,426 |
| Other | 3,932 | 5,241 |
| **Total prepaid expenses and other assets** | $ 22,720 | $ 20,670 |

The balance of the non-current portion of other assets consisted of the following (in thousands):

| | At September 30, 2018 | At December 31, 2017 |
|---|---|---|
| **Other assets** | | |
| Prepaid expenses and deposits | $ 5,275 | $ 4,103 |
| Debt issuance costs of revolving credit facility | 703 | 849 |
| Other | 341 | 2,657 |
| **Total other assets** | $ 6,319 | $ 7,609 |

## 9. PROPERTY, EQUIPMENT AND LEASED ASSETS

Property, equipment and leased assets consist of the following (in thousands):

| | | At September 30, 2018 | | | At December 31, 2017 | | |
|---|---|---|---|---|---|---|---|
| | Useful Life (Years) | Cost | Accumulated Depreciation | Net Book Value | Cost | Accumulated Depreciation | Net Book Value |
| **Property, equipment and leased assets** | | | | | | | |
| Rental pool - deployed | 2-4 | $ 184,724 | $ 102,078 | $ 82,646 | $ 162,319 | $ 80,895 | $ 81,424 |
| Rental pool - undeployed | 2-4 | 21,061 | 12,622 | 8,439 | 17,366 | 9,374 | 7,992 |
| FinTech equipment | 3-5 | 26,855 | 20,698 | 6,157 | 25,907 | 18,654 | 7,253 |
| Leasehold and building improvements | Lease Term | 11,724 | 6,504 | 5,220 | 10,981 | 5,211 | 5,770 |
| Machinery, office and other equipment | 2-5 | 42,943 | 27,404 | 15,539 | 35,167 | 24,087 | 11,080 |
| **Total** | | $ 287,307 | $ 169,306 | $ 118,001 | $ 251,740 | $ 138,221 | $ 113,519 |

Depreciation expense related to property, equipment and leased assets totaled approximately $17.3 million and $43.8 million for the three and nine months ended September 30, 2018 and approximately $12.5 million and $34.8 million for the three and nine months ended September 30, 2017 , respectively.

There was no material impairment of our property, equipment and leased assets for the three and nine months ended September 30, 2018 and 2017 .

We recorded an immaterial impairment charge of approximately $0.8 million in our Games segment for the nine months ended September 30, 2018 to reduce the carrying value of certain leased assets to their fair values. The adjustment was included in operating expenses in our Statements of Income (Loss).

**10. GOODWILL AND OTHER INTANGIBLE ASSETS**

**Goodwill**

Goodwill represents the excess of the purchase price over the identifiable tangible and intangible assets acquired plus liabilities assumed arising from business combinations. The balance of goodwill was approximately $640.6 million at September 30, 2018 and at December 31, 2017 .

In accordance with ASC 350, we test goodwill at the reporting unit level, which is identified as an operating segment or one level below, for impairment on an annual basis and between annual tests if events and circumstances indicate it is more likely than not that the fair value of a reporting unit is less than its carrying amount.

We test for impairment annually on a reporting unit basis, at the beginning of our fourth fiscal quarter, or more often under certain circumstances. The annual impairment test is completed using either: a qualitative Step 0 assessment based on reviewing relevant events and circumstances; or a quantitative Step 1 assessment, which determines the fair value of the reporting unit, using an income approach that discounts future cash flows based on the estimated future results of our reporting units and a market approach that compares market multiples of comparable companies to determine whether or not any impairment exists. If the fair value of a reporting unit is less than its carrying amount, we will use the Step 1 assessment to determine the impairment.

There was no impairment identified for our goodwill for the three and nine months ended September 30, 2018 and 2017 .

**Other Intangible Assets**

Other intangible assets consist of the following (in thousands):

| | | At September 30, 2018 | | | At December 31, 2017 | | |
|---|---|---|---|---|---|---|---|
| | Weighted Average Remaining Life (years) | Cost | Accumulated Amortization | Net Book Value | Cost | Accumulated Amortization | Net Book Value |
| **Other intangible assets** | | | | | | | |
| Contract rights under placement fee agreements | 4 | $ 57,440 | $ 10,057 | $ 47,383 | $ 57,231 | $ 3,910 | $ 53,321 |
| Customer contracts | 6 | 51,175 | 45,531 | 5,644 | 51,175 | 43,638 | 7,537 |
| Customer relationships | 8 | 231,100 | 79,377 | 151,723 | 231,100 | 63,653 | 167,447 |
| Developed technology and software | 2 | 270,048 | 183,126 | 86,922 | 249,064 | 158,919 | 90,145 |
| Patents, trademarks and other | 4 | 29,168 | 24,525 | 4,643 | 29,046 | 23,185 | 5,861 |
| **Total** | | $ 638,931 | $ 342,616 | $ 296,315 | $ 617,616 | $ 293,305 | $ 324,311 |

Amortization expense related to other intangible assets was approximately $16.1 million and $48.9 million for the three and nine months ended September 30, 2018 , respectively, and approximately $17.3 million and $52.1 million for the three and nine months ended September 30, 2017 , respectively.

We evaluate our other intangible assets for potential impairment in connection with our quarterly review process. There was no material impairment identified for any of our other intangible assets for the three and nine months ended September 30, 2018 and 2017.

We enter into placement fee agreements to secure a long-term revenue share percentage and a fixed number of player terminal placements in a gaming facility, for which the funding under placement fee agreements is not reimbursed. In return for the fees under these agreements, each facility dedicates a percentage of its floor space, or an agreed upon unit count, for the placement of our electronic gaming machines ("EGMs") over the term of the agreement, generally 12 to 83 months, and we receive a fixed percentage or flat fee of those machines' hold per day. Certain of the agreements contain EGM performance standards that could allow the respective facility to reduce a portion of our guaranteed floor space.

Placement fees and amounts advanced in excess of those to be reimbursed by the customer for real property and land improvements are allocated to intangible assets and are generally amortized over the term of the contract, which is recorded as a reduction of revenue generated from the facility. In the past we have, and in the future, we may, by mutual agreement, amend these agreements to reduce our floor space at the facilities. Any proceeds received for the reduction of floor space are first applied against the intangible asset for that particular placement fee agreement, if any, and the remaining net book value of the intangible asset is prospectively amortized on a straight-line method over the remaining estimated useful life.

We paid approximately $5.6 million and $17.1 million in placement fees, including $0.4 million and $1.8 million of imputed interest, to a customer for the three and nine months ended September 30, 2018 , respectively, and approximately $10.1 million and $13.1 million in placement fees for the three and nine months ended September 30, 2017 .

## 11. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

The following table presents our accounts payable and accrued expenses (in thousands):

| | At September 30, 2018 | At December 31, 2017 |
|---|---|---|
| **Accounts payable and accrued expenses** | | |
| Trade accounts payable | $ 66,067 | $ 59,435 |
| Placement fees [(1)] | 22,328 | 22,328 |
| Accrued interest | 8,637 | 5,766 |
| Deferred and unearned revenues | 13,472 | 10,450 |
| Cash access processing and related expenses | 6,727 | 8,932 |
| Payroll and related expenses | 11,335 | 14,178 |
| Accrued taxes | 2,410 | 2,112 |
| Other | 8,946 | 11,303 |
| **Total accounts payable and accrued expenses** | $ 139,922 | $ 134,504 |

(1) The total outstanding balance of the placement fee liability was approximately $22.3 million and $39.1 million as of September 30, 2018 and December 31, 2017 , respectively. The remaining placement fee liability was considered current portion due to the remaining obligation being due within twelve months of September 30, 2018 . The remaining non-current placement fees of approximately $16.8 million as of December 31, 2017 were included in other accrued expenses and liabilities in our Balance Sheets.

## 12. LONG-TERM DEBT

The following table summarizes our outstanding indebtedness (in thousands):

| | At September 30, 2018 | At December 31, 2017 |
|---|---|---|
| **Long-term debt** | | |
| Senior secured term loan | $ 809,750 | $ 815,900 |
| Senior unsecured notes | 375,000 | 375,000 |
| **Total debt** | 1,184,750 | 1,190,900 |
| Less: debt issuance costs and discount | (20,343) | (23,057) |
| **Total debt after debt issuance costs and discount** | 1,164,407 | 1,167,843 |
| Less: current portion of long-term debt | (8,200) | (8,200) |
| **Long-term debt, less current portion** | $ 1,156,207 | $ 1,159,643 |

**Refinancing**

On May 9, 2017 (the “Closing Date”), Everi Payments, as borrower, and Holdings entered into a credit agreement with the lenders party thereto and Jefferies Finance LLC, as administrative agent, collateral agent, swing line lender, letter of credit issuer, sole lead arranger and sole book manager (amended as described below, the “New Credit Agreement”). The New Credit Agreement provides for: (i) a $35.0 million , five -year senior secured revolving credit facility (the “New Revolving Credit Facility”); and (ii) an $820.0 million , seven -year senior secured term loan facility (the “New Term Loan Facility,” and together with the New Revolving Credit Facility, the “New Credit Facilities”). The fees associated with the New Credit Facilities included discounts of approximately $4.1 million and debt issuance costs of approximately $15.5 million . All borrowings under the New Revolving Credit Facility are subject to the satisfaction of customary conditions, including the absence of defaults and the accuracy of representations and warranties.

The proceeds from the New Term Loan Facility incurred on the Closing Date were used to: (i) refinance: (a) Everi Payments’ existing credit facility with an outstanding balance of approximately $462.3 million with Bank of America, N.A., as administrative agent, collateral agent, swing line lender and letter of credit issuer, Deutsche Bank Securities Inc., as syndication agent, and Merrill Lynch, Pierce, Fenner & Smith Incorporated and Deutsche Bank Securities Inc., as joint lead arrangers and joint book managers (the “Prior Credit Facility”); and (b) Everi Payments’ 7.25% Senior Secured Notes due 2021 in the aggregate original principal amount of $335.0 million (the “Refinanced Secured Notes”); and (ii) pay related transaction fees and expenses.

In connection with the refinancing, we recorded a non-cash charge of approximately $14.6 million during the second quarter of 2017 related to the unamortized deferred financing fees and discounts related to the extinguished term loan under the Prior Credit Facility and the redeemed Refinanced Secured Notes. No prepayment penalties were incurred.

On November 13, 2017 (the “Repricing Closing Date”), we entered into an amendment to the New Credit Agreement (the “First Amendment”) which, among other things, reduced the interest rate on the approximately $818.0 million then outstanding balance of the New Term Loan Facility, but did not change the maturity dates for the New Term Loan Facility or the New Revolving Credit Facility or the financial covenants or other debt repayments terms set forth in the New Credit Agreement. We incurred approximately $3.0 million of debt issuance costs and fees associated with the repricing of the New Term Loan Facility.

On May 17, 2018, we entered into a Second Amendment (the “Second Amendment”) to the New Credit Agreement, which reduced the interest rate on the $813.9 million outstanding balance of the senior secured term loan under the Credit Agreement by 50 basis points to LIBOR + 3.00% from LIBOR + 3.50% with the LIBOR floor unchanged at 1.00% . The senior secured term loan under the Credit Agreement will be subject to a prepayment premium of 1.00% of the principal amount repaid for any voluntary prepayment or mandatory prepayment with proceeds of debt that has a lower effective yield than the repriced term loan or any amendment to the repriced term loan that reduces the interest rate thereon, in each case, to the extent occurring within six months of the effective date of the Second Amendment. The maturity date for the Credit Agreement remains May 9, 2024, and no changes were made to the financial covenants or other debt repayment terms. We incurred approximately $1.3 million of debt issuance costs and fees associated with the repricing of the New Term Loan Facility.

**New Credit Facilities**

The New Term Loan Facility matures seven years after the Closing Date and the New Revolving Credit Facility matures five years after the Closing Date. The New Revolving Credit Facility is available for general corporate purposes, including permitted acquisitions, working capital and the issuance of letters of credit.

The interest rate per annum applicable to loans under the New Revolving Credit Facility is, at Everi Payments’ option, the base rate or the Eurodollar Rate (defined to be the London Interbank Offered Rate or a comparable or successor rate) (the “Eurodollar Rate”) plus, in each case, an applicable margin. The interest rate per annum applicable to the New Term Loan Facility also is, at Everi Payments’ option, the base rate or the Eurodollar Rate plus, in each case, an applicable margin. The Eurodollar Rate is reset at the beginning of each selected interest period based on the Eurodollar Rate then in effect; provided that, if the Eurodollar Rate is below zero , then such rate will be equal to zero plus the applicable margin. The base rate is a fluctuating interest rate equal to the highest of: (i) the prime lending rate announced by the administrative agent; (ii) the federal funds effective rate from time to time plus 0.50% ; and (iii) the Eurodollar Rate (after taking account of any applicable floor) applicable for an interest period of one month plus 1.00% . Prior to the effectiveness of the First Amendment on the Repricing Closing Date, the applicable margins for both the New Revolving Credit Facility and the New Term Loan Facility were: (i) 4.50% in respect of Eurodollar Rate loans and (ii) 3.50% in respect of base rate loans. The applicable margins for the New Term Loan Facility from and after the effectiveness of the First Amendment on the Repricing Closing Date through the effectiveness of the Second Amendment were: (i) 3.50% in respect of Eurodollar Rate loans and (ii) 2.50% in respect of base rate loans. The applicable margins for the New Term Loan Facility from and after the effectiveness of the Second Amendment are: (i) 3.00% in respect of Eurodollar Rate loans and (ii) 2.00% in respect of base rate loans.

Voluntary prepayments of the term loan and the revolving loans and voluntary reductions in the unused commitments are permitted in whole or in part, in minimum amounts as set forth in the New Credit Agreement governing the New Credit Facilities, with prior notice but without premium or penalty, except that certain refinancings of the term loans within six months after the Repricing Closing Date will be subject to a prepayment premium of 1.00% of the principal amount repaid.

Subject to certain exceptions, the obligations under the New Credit Facilities are secured by substantially all of the present and subsequently acquired assets of each of Everi Payments, Holdings and the subsidiary guarantors party thereto including: (i) a perfected first priority pledge of all the capital stock of Everi Payments and each domestic direct, wholly owned material restricted subsidiary held by Holdings, Everi Payments or any such subsidiary guarantor; and (ii) a perfected first priority security interest in substantially all other tangible and intangible assets of Holdings, Everi Payments, and such subsidiary guarantors (including, but not limited to, accounts receivable, inventory, equipment, general intangibles, investment property, real property, intellectual property and the proceeds of the foregoing). Subject to certain exceptions, the New Credit Facilities are unconditionally guaranteed by Holdings and such subsidiary guarantors.

The New Credit Agreement governing the New Credit Facilities contains certain covenants that, among other things, limit Holdings' ability, and the ability of certain of its subsidiaries, to incur additional indebtedness, sell assets or consolidate or merge with or into other companies, pay dividends or repurchase or redeem capital stock, make certain investments, issue capital stock of subsidiaries, incur liens, prepay, redeem or repurchase subordinated debt, and enter into certain types of transactions with its affiliates. The New Credit Agreement governing the New Credit Facilities also requires Holdings, together with its subsidiaries, to comply with a consolidated secured leverage ratio. At September 30, 2018 , our consolidated secured leverage ratio was 3.33 to 1.00 , with a maximum allowable ratio of 5.00 to 1.00 (which maximum allowable ratio is reduced to 4.75 to 1.00 as of December 31, 2018, 4.50 to 1.00 as of December 31, 2019, 4.25 to 1.00 as of December 31, 2020, and 4.00 to 1.00 as of December 31, 2021 and each December 31 thereafter).

We were in compliance with the covenants and terms of the New Credit Facilities as of September 30, 2018 .

Events of default under the New Credit Agreement governing the New Credit Facilities include customary events such as a cross-default provision with respect to other material debt. In addition, an event of default will occur if Holdings undergoes a change of control. This is defined to include the case where Holdings ceases to own 100% of the equity interests of Everi Payments, or where any person or group acquires a percentage of the economic or voting interests of Holdings' capital stock of 35% or more (determined on a fully diluted basis).

We are required to repay the New Term Loan Facility in an amount equal to 0.25% per quarter of the initial aggregate principal, with the final principal repayment installment on the maturity date. Interest is due in arrears on each interest payment date applicable thereto and at such other times as may be specified in the New Credit Agreement. As to any loan other than a base rate loan, the interest payment dates shall be the last day of each interest period applicable to such loan and the maturity date (provided, however, that if any interest period for a Eurodollar Rate loan exceeds three months , the respective dates that fall every three months after the beginning of such interest period shall also be interest payment dates). As to any base rate loan, the interest payment dates shall be last business day of each March, June, September and December and the maturity date.

For the three and nine months ended September 30, 2018 , the New Term Loan Facility had an applicable weighted average interest rate of 5.09% and 5.13% , respectively.

At September 30, 2018 , we had $809.8 million of borrowings outstanding under the New Term Loan Facility and no borrowings outstanding under the New Revolving Credit Facility. We had $35.0 million of additional borrowing availability under the New Revolving Credit Facility as of September 30, 2018 .

**Refinanced Senior Secured Notes**

In connection with entering into the New Credit Agreement, on May 9, 2017, Everi Payments redeemed in full all outstanding Refinanced Secured Notes in the aggregate principal amount of $335.0 million face value (plus accrued interest) of the Refinanced Secured Notes. As a result of the redemption, we recorded non-cash charges in the amount of approximately $1.7 million , which consisted of unamortized deferred financing fees of $0.2 million and discounts of $1.5 million . These fees were included in the total $14.6 million non-cash charge referred to above.

**Senior Unsecured Notes**

In December 2014, we issued $350.0 million in aggregate principal amount of 10.0% Senior Unsecured Notes due 2022 (the “2014 Unsecured Notes”) under an indenture (as supplemented, the “2014 Notes Indenture”), dated December 19, 2014, between Everi Payments (as successor issuer), and Deutsche Bank Trust Company Americas, as trustee. The fees associated with the 2014 Unsecured Notes included original issue discounts of approximately $3.8 million and debt issuance costs of approximately $14.0 million . In December 2015, we completed an exchange offer in which all of the unregistered 2014 Unsecured Notes were exchanged for a like amount of 2014 Unsecured Notes that had been registered under the Securities Act.

In December 2017, we issued $375 million in aggregate principal amount of 7.50% Senior Unsecured Notes due 2025 (the “2017 Unsecured Notes”) under an indenture (the “2017 Notes Indenture”), dated December 5, 2017 , among Everi Payments (as issuer), Holdings and certain of its direct and indirect domestic subsidiaries as guarantors, and Deutsche Bank Trust Company Americas, as trustee. Interest on the 2017 Unsecured Notes accrues at a rate of 7.50% per annum and is payable semi-annually in arrears on each June 15 and December 15, commencing on June 15, 2018. The 2017 Unsecured Notes will mature on December 15, 2025 . We incurred approximately $6.1 million of debt issuance costs and fees associated with the issuance of the 2017 Unsecured Notes.

On December 5, 2017, together with the issuance of the 2017 Unsecured Notes, Everi Payments satisfied and discharged the 2014 Notes Indenture relating to the 2014 Unsecured Notes. To effect the satisfaction and discharge, Everi Payments issued an unconditional notice of redemption to Deutsche Bank Trust Company Americas, as trustee, of the redemption in full on January 15, 2018 (the “Redemption Date”) of all outstanding 2014 Unsecured Notes under the terms of the 2014 Notes Indenture. In addition, using the proceeds from the sale of the 2017 Unsecured Notes and cash on hand, Everi Payments irrevocably deposited with the trustee funds sufficient to pay the redemption price of the 2014 Unsecured Notes of 107.5% of the principal amount thereof, plus accrued and unpaid interest to, but not including, the Redemption Date (the “Redemption Price”), and irrevocably instructed the trustee to apply the deposited money toward payment of the Redemption Price for the 2014 Unsecured Notes on the Redemption Date. Upon the trustee’s receipt of such funds and instructions, along with an officer’s certificate of Everi Payments and an opinion of counsel certifying and opining that all conditions under the 2014 Notes Indenture to the satisfaction and discharge of the 2014 Notes Indenture had been satisfied, the 2014 Notes Indenture was satisfied and discharged, and all of the obligations of Everi Payments and the guarantors under the 2014 Notes Indenture ceased to be of further effect, as of December 5, 2017 (subject to certain exceptions). The 2014 Unsecured Notes were thereafter redeemed on the Redemption Date.

In connection with the issuance of the 2017 Unsecured Notes and the redemption of the 2014 Unsecured Notes, in December 2017 we incurred a $37.2 million loss on extinguishment of debt consisting of a $26.3 million make-whole premium related to the satisfaction and redemption of the 2014 Unsecured Notes and approximately $10.9 million for the write-off of related unamortized debt issuance costs and fees.

We were in compliance with the terms of the 2017 Unsecured Notes as of September 30, 2018 .

## 13. COMMITMENTS AND CONTINGENCIES

There were no material changes in our commitments under contractual obligations as compared to those disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 .

We are involved in various investigations, claims and lawsuits in the ordinary course of our business. In addition, various legal actions, claims and governmental inquiries and proceedings are pending or may be instituted or asserted in the future against us and our subsidiaries. Although the outcome of our legal proceedings cannot be predicted with certainty and no assurances can be provided, based upon current information, we do not believe the liabilities, if any, which may ultimately result from the outcome of such matters, individually or in the aggregate, will have a material adverse impact on our financial position, liquidity or results of operations.

## 14. SHAREHOLDERS’ EQUITY

**Preferred Stock.** Our amended and restated certificate of incorporation, as amended, allows our Board of Directors, without further action by stockholders, to issue up to 50,000,000 shares of preferred stock in one or more series and to fix the designations, powers, preferences, privileges and relative participating, optional, or special rights as well as the qualifications, limitations or restrictions of the preferred stock, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences. As of September 30, 2018 and December 31, 2017 , we had no shares of preferred stock outstanding.

**Common Stock.** Subject to the preferences that may apply to shares of preferred stock that may be outstanding at the time, the holders of outstanding shares of common stock are entitled to receive dividends out of assets legally available at the times and in the amounts as our Board of Directors may from time to time determine. All dividends are non-cumulative. In the event of the liquidation, dissolution or winding up of Everi, the holders of common stock are entitled to share ratably in all assets remaining after the payment of liabilities, subject to the prior distribution rights of preferred stock, if any, then outstanding. Each stockholder is entitled to one vote for each share of common stock held on all matters submitted to a vote of stockholders. Cumulative voting for the election of directors is not provided for. The common stock is not entitled to preemptive rights and is not subject to conversion or redemption. There are no sinking fund provisions applicable to the common stock. Each outstanding share of common stock is fully paid and non-assessable. As of September 30, 2018 and December 31, 2017 , we had 95,083,271 and 93,119,988 shares of common stock issued, respectively.

**Treasury Stock.** Employees may direct us to withhold vested shares of restricted stock to satisfy the minimum statutory withholding requirements applicable to their restricted stock vesting. We withheld from restricted stock awards 1,215 and 7,431 shares of common stock for the three and nine months ended September 30, 2018 , respectively, at an aggregate purchase price of $9,424 and $56,702 , respectively, and 1,365 and 4,394 shares of common stock for the three and nine months ended September 30, 2017 , respectively, at an aggregate purchase price of $10,115 and $20,706 , respectively, to satisfy the minimum applicable tax withholding obligations related to the vesting of such restricted stock awards.

## 15. WEIGHTED AVERAGE COMMON SHARES

The weighted average number of shares of common stock outstanding used in the computation of basic and diluted loss per share is as follows (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Weighted average shares | | | | |
| Weighted average number of common shares outstanding - basic | 69,750 | 66,897 | 69,217 | 66,449 |
| Potential dilution from equity awards [(1)] | 4,844 | — | 4,495 | — |
| Weighted average number of common shares outstanding - diluted [(1)] | 74,594 | 66,897 | 73,712 | 66,449 |

(1) The potential dilution excludes the weighted average effect of equity awards to purchase approximately 3.7 million and 7.4 million shares of common stock for the three and nine months ended September 30, 2018 **,** respectively, because the application of the treasury stock method, as required, makes them anti-dilutive. The Company was in a net loss position for the three and nine months ended September 30, 2017 ; therefore, potentially dilutive common shares were excluded as their effects would be anti-dilutive under the application of the treasury stock method. Equity awards to purchase approximately 8.0 million and 12.0 million of common stock for the three and nine months ended September 30, 2017 were excluded from the diluted net loss per share results.

## 16. SHARE-BASED COMPENSATION

### Equity Incentive Awards

Our 2014 Equity Incentive Plan (as amended and restated effective May 23, 2017, the “Amended and Restated 2014 Plan”) and our 2012 Equity Incentive Plan (as amended, the “2012 Plan”) are used to attract and retain the best available personnel, to provide additional incentives to employees, directors and consultants and to promote the success of our business. The 2012 Plan was assumed in connection with our 2014 acquisition of Everi Games Holding and conformed to include similar provisions to those as set forth in the Amended and Restated 2014 Plan. Our equity incentive plans are administered by the Compensation Committee of our Board of Directors, which has the authority to select individuals who are to receive equity incentive awards and to specify the terms and conditions of grants of such awards, including, but not limited to the vesting provisions and exercise prices.

Generally, we grant the following award types with varying vesting provisions and expiration periods: (a) time-based options; (b) market-based options; (c) time-based restricted stock; and (d) restricted stock units (“RSUs”) with either time- or performance-based criteria.

A summary of award activity is as follows (in thousands):

| | Stock Options Granted | Restricted Stock Awards Granted | Restricted Stock Units Granted |
|---|---|---|---|
| **Outstanding, December 31, 2017** | 19,131 | 74 | — |
| Granted | 20 | — | 1,857 |
| Exercised options or vested shares | (1,963) | (27) | — |
| Canceled or forfeited | (1,324) | — | (40) |
| **Outstanding, September 30, 2018** | 15,864 | 47 | 1,817 |

There are approximately 3.1 million awards of our common stock available for future equity grants, both under the Amended and Restated 2014 Plan and the 2012 Plan.

**Stock Options**

Our time-based stock options granted under our equity plans generally vest at a rate of 25% per year on each of the first four anniversaries of the option grant dates and the options expire after a ten -year period. We estimate forfeiture amounts based on historical patterns.

Our market-based options granted in 2017 vest at a rate of 25% per year on each of the first four anniversaries of the grant date, provided that as of the vesting date for each vesting tranche, the closing price of our shares on the New York Stock Exchange is at least a specified price hurdle, defined as a 25% premium to the closing stock price on the grant date. If the price hurdle is not met as of the vesting date for a vesting tranche, then the vested tranche shall vest and become vested shares on the last day of a period of 30 consecutive trading days during which the closing price is at least the price hurdle. These options expire after a ten -year period.

There were no market-based option awards granted during the nine months ended September 30, 2018 .

The fair values of our standard time-based options were determined as of the date of grant using the Black-Scholes option pricing model with the following assumptions:

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2018 | 2017 |
| Risk-free interest rate | 3% | 2% |
| Expected life of options (in years) | 6 | 6 |
| Expected volatility | 53% | 54% |
| Expected dividend yield | —% | —% |

The fair values of our market-based options were determined as of the date of grant using a lattice-based option valuation model with the following assumptions:

| | Nine Months Ended September 30, |
|---|---|
| | 2017 |
| Risk-free interest rate | 3% |
| Measurement period (in years) | 10 |
| Expected volatility | 70% |
| Expected dividend yield | —% |

The following table presents the options activity:

| | Number of Options (in thousands) | | Weighted Average Exercise Price (per share) | Weighted Average Life Remaining (years) | | Aggregate Intrinsic Value (in thousands) |
|---|---|---|---|---|---|---|
| **Outstanding, December 31, 2017** | 19,131 | $ | 5.34 | 6.4 | $ | 45,887 |
| Granted | 20 | $ | 7.88 | | | |
| Exercised | (1,963) | $ | 4.86 | | | |
| Canceled or forfeited | (1,324) | $ | 5.65 | | | |
| **Outstanding, September 30, 2018** | 15,864 | $ | 5.38 | 6.3 | $ | 60,147 |
| **Vested and expected to vest, September 30, 2018** | 14,839 | $ | 5.43 | 6.3 | $ | 55,553 |
| **Exercisable, September 30, 2018** | 9,529 | $ | 6.13 | 5.6 | $ | 28,945 |

There were 20,000 options granted for the three and nine months ended September 30, 2018 and 45,750 and 4.1 million options granted for the three and nine months ended September 30, 2017 , respectively. The weighted average grant date fair value per share of options granted was $4.15 for the three and nine months ended September 30, 2018 and $3.85 and $1.86 for the three and nine months ended September 30, 2017 , respectively. The total intrinsic value of options exercised was $2.7 million and $6.5 million for the three and nine months ended September 30, 2018 , respectively, and $0.8 million and $2.8 million for the three and nine months ended September 30, 2017 .

There was approximately $4.3 million in unrecognized compensation expense related to options expected to vest as of September 30, 2018 . This cost is expected to be recognized on a straight-line basis over a weighted average period of 3 years . We recorded approximately $4.7 million during the nine months ended September 30, 2018 in non-cash compensation expense related to options granted that were expected to vest as of September 30, 2018 . During the three and nine months ended September 30, 2018 , we received approximately $3.2 million and $9.5 million , respectively, in cash from the exercise of options.

There was $11.7 million in unrecognized compensation expense related to options expected to vest as of September 30, 2017 . This cost was expected to be recognized on a straight-line basis over a weighted average period of 2.3 years . We recorded approximately $4.8 million during the nine months ended September 30, 2017 in non-cash compensation expense related to options granted that were expected to vest as of September 30, 2017 . We received approximately $2.2 million and $4.0 million in cash from the exercise of options for the three and nine months ended September 30, 2017 , respectively.

**Restricted Stock Awards**

The following is a summary of non-vested share awards for our time-based restricted stock:

| | Shares Outstanding (in thousands) | | Weighted Average Grant Date Fair Value (per share) |
|---|---|---|---|
| **Outstanding, December 31, 2017** | 74 | $ | 7.00 |
| Granted | — | $ | — |
| Vested | (27) | $ | 6.86 |
| Forfeited | — | $ | — |
| **Outstanding, September 30, 2018** | 47 | $ | 7.08 |

There were no shares of restricted stock granted for the three and nine months ended September 30, 2018 . The total fair value of restricted stock vested was $33,307 and $185,359 for the three and nine months ended September 30, 2018 , respectively, and $37,958 and $121,979 for the three and nine months ended September 30, 2017 , respectively.

There was approximately $0.1 million in unrecognized compensation expense related to shares of restricted stock expected to vest as of September 30, 2018 . This cost is expected to be recognized on a straight-line basis over a weighted average period of 0.3 years . During the nine months ended September 30, 2018 , there were 27,003 shares of restricted stock that vested and we recorded approximately $0.4 million in non-cash compensation expense related to restricted stock expected to vest.

There was approximately $0.7 million in unrecognized compensation expense related to shares of restricted stock expected to vest as of September 30, 2017 . This cost was expected to be recognized on a straight-line basis over a weighted average period of 1.2 years . During the nine months ended September 30, 2017 , there were 16,071 shares of restricted stock that vested and we recorded $0.3 million in non-cash compensation expense related to the restricted stock expected to vest.

**Restricted Stock Units**

The following is a summary of non-vested RSU awards:

| | Shares Outstanding (in thousands) | | Weighted Average Grant Date Fair Value (per share) | Weighted Average Life Remaining (years) | | Aggregate Intrinsic Value (in thousands) |
|---|---|---|---|---|---|---|
| **Outstanding, December 31, 2017** | — | $ | — | | | |
| Granted | 1,857 | $ | 7.49 | | | |
| Vested | — | $ | — | | | |
| Forfeited | (40) | $ | 7.47 | | | |
| **Outstanding, September 30, 2018** | 1,817 | $ | 7.49 | 2.3 | $ | 16,662 |
| **Vested and expected to vest, September 30, 2018** | 1,172 | $ | 7.50 | 2.1 | $ | 10,744 |

The time-based RSUs granted during the three and nine months ended September 30, 2018 vest at a rate of 25% per year on each of the first four anniversaries of the grant dates.

The performance-based RSUs granted during the nine months ended September 30, 2018 will be evaluated by our Compensation Committee of our Board of Directors after a performance period, beginning on the date of grant through December 31, 2020, based on certain revenue and Adjusted EBITDA growth rate metrics, with achievement of each measure to be determined independently of one another. If the performance criteria of the metrics are approved, the eligible awards will become vested on the third anniversary of the grant dates.

The time-based RSUs granted during the three months ended March 31, 2018 to independent members of our Board of Directors vest in equal installments on each of the first three anniversary dates of the grant date and settle on the earliest of the following events: (i) March 7, 2028; (ii) death; (iii) the occurrence of a Change in Control (as defined in the Amended and Restated 2014 Plan), subject to qualifying conditions; or (iv) the date that is six months following the separation from service, subject to qualifying conditions.

There were approximately 1.9 million shares of RSU awards granted for the nine months ended September 30, 2018 . There were no RSUs granted for the nine months ended September 30, 2017 . There were no RSUs vested during the nine months ended September 30, 2018 and 2017 .

There was approximately $7.3 million in unrecognized compensation expense related to RSU awards expected to vest as of September 30, 2018 . This cost is expected to be recognized on a straight-line basis over a weighted average period of 3.2 years . We recorded approximately $1.0 million in non-cash compensation expense related to RSU awards during the nine months ended September 30, 2018 .

## 17. INCOME TAXES

The income tax benefit reflected an effective income tax rate of negative 53.3% and negative 39.5% for the three and nine months ended September 30, 2018 , respectively, which was less than the statutory federal rate of 21.0% , primarily due to a decrease in our valuation allowance for deferred tax assets and the benefit from a research credit. The decrease in our valuation allowance is primarily due to the income during the year and the interest deduction limitation (deferred tax asset) which can be offset against our indefinite lived deferred tax liabilities. The income tax provision reflected an effective income tax rate of negative 20.0% and a negative 15.6% for the three and nine months ended September 30, 2017 , respectively, which was less than the statutory federal rate of 35.0% , primarily due to an increase in our valuation allowance for deferred tax assets, partially offset by state taxes, the benefit from stock option exercises, and the benefit from a research credit.

We have analyzed filing positions in all of the federal, state and foreign jurisdictions where we are required to file income tax returns, as well as all open tax years in these jurisdictions. As of September 30, 2018 , we recorded $0.9 million of unrecognized tax benefits, all of which would impact our effective tax rate, if recognized. We do not anticipate that our unrecognized tax benefits will materially change within the next 12 months. We have not accrued any penalties and interest for our unrecognized tax benefits. Other than the unrecognized tax benefit recorded, we believe that our income tax filing positions and deductions will be sustained upon audit, and we do not anticipate any other adjustments that will result in a material change to our financial position. We may, from time to time, be assessed interest or penalties by tax jurisdictions, although any such assessments historically have been minimal and immaterial to our financial results. Our policy for recording interest and penalties associated with audits and unrecognized tax benefits is to record such items as a component of income tax in our Statements of Income (Loss).

On December 22, 2017, the SEC staff issued Staff Accounting Bulletin 118 ("SAB 118"), which provides guidance on accounting for the tax effects of the Tax Cut and Jobs Act of 2017 (the "2017 Tax Act"). SAB 118 was added to the FASB codification in March 2018 with the issuance of ASU 2018-5. SAB 118 provides a measurement period that should not extend beyond one year from the enactment date for companies to complete the accounting under Accounting Standards Codification Topic 740 *Income Taxes* ("ASC 740"). In accordance with SAB 118, a company must reflect the income tax effects of those aspects of the 2017 Tax Act for which the accounting under ASC 740 is complete. To the extent that a company's accounting for certain income tax effects of the 2017 Tax Act is incomplete but for which they are able to determine a reasonable estimate, it must record a provisional amount in the financial statements. Provisional treatment is proper in light of anticipated additional guidance from various taxing authorities, the SEC, the FASB, and even the Joint Committee on Taxation. Provisional treatment is also necessary if the company is waiting for final financial information from domestic and foreign equity investments. If a company cannot determine a provisional amount to be included in the financial statements, it should continue to apply ASC 740 on the basis of the provisions of the tax laws that were in effect immediately before the enactment of the 2017 Tax Act.

In accordance with the SAB 118 guidance, some of the income tax effects recorded in 2017 are provisional, including the one-time transition tax, the effect on our valuation allowance including the stricter limits on interest deductions, and the re-measurement of our deferred tax assets and liabilities. In addition, we are still evaluating the Global Intangible Low-Taxed Income provisions of the 2017 Tax Act and its impact, if any, on our Financial Statements. The accounting for these income tax effects may be adjusted during 2018 as a result of continuing analysis of the 2017 Tax Act; additional implementation guidance from the IRS, state tax authorities, the SEC, the FASB, or the Joint Committee on Taxation; and new information from domestic or foreign equity affiliates. As of September 30, 2018 , we have not finalized our analysis of these provisional amounts.

## 18. SEGMENT INFORMATION

Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision-making group (the "CODM"). Our CODM consists of the Chief Executive Officer and the Chief Financial Officer. Our CODM allocates resources and measures profitability based on our operating segments, which are managed and reviewed separately, as each represent products and services that can be sold separately to our customers. Our segments are monitored by management for performance against our internal forecasts.

We have reported our financial performance based on our segments in both the current and prior periods. Our CODM determined that our operating segments for conducting business are: (a) Games; and (b) FinTech:

- The Games segment provides solutions directly to gaming establishments to offer their patrons gaming entertainment-related experiences including: leased gaming equipment; gaming systems; sales and maintenance related services of gaming equipment; and ancillary products and services.

- The FinTech segment provides solutions directly to gaming establishments to offer their patrons cash access-related services and products, including: access to cash at gaming facilities via ATM cash withdrawals; credit card cash access transactions and POS debit card cash access transactions; check-related services; equipment and maintenance services; compliance, audit and data software; casino credit data and reporting services and other ancillary offerings.

Corporate overhead expenses have been allocated to the segments either through specific identification or based on a reasonable methodology. In addition, we record depreciation and amortization expenses to the business segments.

Our business is predominantly domestic with no specific regional concentrations and no significant assets in foreign locations.

The accounting policies of the operating segments are generally the same as those described in the summary of significant accounting policies. Since we adopted ASC 606 utilizing the modified retrospective method, the prior year comparative amounts shown in the tables below have not been restated.

The following tables present segment information (in thousands):

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| **Games** | | | | |
| **Revenues** | | | | |
| Gaming operations | $ 43,540 | $ 37,820 | $ 126,618 | $ 111,219 |
| Gaming equipment and systems | 21,068 | 16,292 | 63,499 | 52,574 |
| Gaming other | 1,231 | 1,340 | 1,887 | 2,039 |
| **Total revenues** | 65,839 | 55,452 | 192,004 | 165,832 |
| | | | | |
| **Costs and expenses** | | | | |
| **Cost of revenues (1)** | | | | |
| Gaming operations | 4,607 | 4,045 | 13,000 | 11,216 |
| Gaming equipment and systems | 11,907 | 8,568 | 34,693 | 26,544 |
| Gaming other | 1,059 | 1,207 | 1,618 | 1,743 |
| **Cost of revenues** | 17,573 | 13,820 | 49,311 | 39,503 |
| | | | | |
| Operating expenses | 13,969 | 9,967 | 42,186 | 31,163 |
| Research and development | 5,407 | 4,545 | 14,313 | 13,706 |
| Depreciation | 15,847 | 10,863 | 39,099 | 29,591 |
| Amortization | 13,789 | 14,470 | 41,181 | 42,568 |
| **Total costs and expenses** | 66,585 | 53,665 | 186,090 | 156,531 |
| **Operating (loss) income** | $ (746) | $ 1,787 | $ 5,914 | $ 9,301 |

(1) Exclusive of depreciation and amortization.

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| **FinTech** | | | | |
| **Revenues** | | | | |
| Cash access services | $ 39,406 | $ 181,104 | $ 117,364 | $ 528,279 |
| Equipment | 7,155 | 3,011 | 16,338 | 9,008 |
| Information services and other | 7,930 | 7,755 | 24,307 | 23,970 |
| **Total revenues** | 54,491 | 191,870 | 158,009 | 561,257 |
| **Costs and expenses** | | | | |
| **Cost of revenues (1)** | | | | |
| Cash access services | 2,234 | 147,078 | 6,910 | 428,184 |
| Equipment | 3,846 | 1,887 | 9,786 | 5,518 |
| Information services and other | 949 | 873 | 3,146 | 2,402 |
| **Cost of revenues** | 7,029 | 149,838 | 19,842 | 436,104 |
| | | | | |
| Operating expenses | 21,450 | 19,496 | 62,990 | 56,072 |
| Depreciation | 1,457 | 1,676 | 4,731 | 5,174 |
| Amortization | 2,299 | 2,852 | 7,762 | 9,518 |
| **Total costs and expenses** | 32,235 | 173,862 | 95,325 | 506,868 |
| **Operating income** | $ 22,256 | $ 18,008 | $ 62,684 | $ 54,389 |

(1) Exclusive of depreciation and amortization.

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| **Total Games and FinTech** | | | | |
| **Revenues** | $ 120,330 | $ 247,322 | $ 350,013 | $ 727,089 |
| **Costs and expenses** | | | | |
| Cost of revenues (1) | 24,602 | 163,658 | 69,153 | 475,607 |
| Operating expenses | 35,419 | 29,463 | 105,176 | 87,235 |
| Research and development | 5,407 | 4,545 | 14,313 | 13,706 |
| Depreciation | 17,304 | 12,539 | 43,830 | 34,765 |
| Amortization | 16,088 | 17,322 | 48,943 | 52,086 |
| **Total costs and expenses** | 98,820 | 227,527 | 281,415 | 663,399 |
| **Operating income** | $ 21,510 | $ 19,795 | $ 68,598 | $ 63,690 |

(1) Exclusive of depreciation and amortization.

| | At September 30, | At December 31, |
|---|---|---|
| | 2018 | 2017 |
| **Total assets** | | |
| Games | $ 918,623 | $ 925,186 |
| FinTech | 615,618 | 611,888 |
| **Total assets** | $ 1,534,241 | $ 1,537,074 |

**Major Customers.** For the three and nine months ended September 30, 2018 and 2017 , no single customer accounted for more than 10% of our revenues. Our five largest customers accounted for approximately 18% of our revenues for the three and nine months ended September 30, 2018 , and approximately 25% and 26% for the three and nine months ended September 30, 2017 , respectively.

## 19. SUBSEQUENT EVENTS

As of the filing date, we had not identified, and were not aware of, any subsequent event for the period.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

*In this filing, we refer to: (i) our unaudited condensed consolidated financial statements and notes thereto as our "Financial Statements," (ii) our Unaudited Condensed Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) as our "Statements of Income (Loss)," (iii) our Unaudited Condensed Consolidated Balance Sheets as our "Balance Sheets," and (iv) our unaudited condensed consolidated results of operations as our "Results of Operations." Unless otherwise indicated, the terms the "Company," "we," "us" and "our" refer to Everi Holdings Inc. ("Everi Holdings," "Holdings" or "Everi") together with its consolidated subsidiaries, including Everi Games Holding Inc. ("Everi Games Holding"), Everi Games Inc. ("Everi Games" or "Games") and Everi Payments Inc. ("Everi FinTech" or "FinTech").*

### Cautionary Information Regarding Forward-Looking Statements

The following Management's Discussion and Analysis of Financial Condition and Results of Operations contains "forward-looking statements" as defined in the U.S. Private Securities Litigation Reform Act of 1995. In this context, forward-looking statements often address our expected future business and financial performance, and often contain words such as "anticipate," "believe," "expect," "intend," "estimate," "project," "may," "should," "will," "likely," "will likely result," "will continue," "future," "plan," "target," "forecast," "goal," "observe," "seek," "strategy" and other words and terms of similar meaning. These forward-looking statements are subject to various risks and uncertainties that could cause actual results to differ materially from those projected or assumed, including, but not limited to, the following: our ability to generate profits in the future; our ability to execute on mergers, acquisitions and/or strategic alliances, including our ability to integrate and operate such acquisitions consistent with our forecasts; expectations regarding our existing and future installed base and win per day; expectations regarding placement fee arrangements; inaccuracies in underlying operating assumptions; expectations regarding customers' preferences and demands for future gaming offerings; expectations regarding our product portfolio; the overall growth of the gaming industry, if any; our ability to replace revenue associated with terminated contracts; margin degradation from contract renewals; our ability to comply with the Europay, MasterCard and Visa global standard for cards equipped with security chip technology; our ability to introduce new products and services, including third-party licensed content; gaming establishment and patron preferences; expenditures and product development; anticipated sales performance; our ability to prevent, mitigate or timely recover from cybersecurity breaches, attacks and compromises; national and international economic conditions; changes in gaming regulatory, card association and statutory requirements; regulatory and licensing difficulties; competitive pressures; operational limitations; gaming market contraction; changes to tax laws; uncertainty of litigation outcomes; interest rate fluctuations; business prospects; unanticipated expenses or capital needs; technological obsolescence; our ability to comply with our debt covenants and service outstanding debt; employee turnover and other statements that are not historical facts. If any of these assumptions prove to be incorrect, the results contemplated by the forward-looking statements regarding our future results of operations are unlikely to be realized.

These cautionary statements qualify our forward-looking statements, and you are cautioned not to place undue reliance on these forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made, and we disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

This Quarterly Report on Form 10-Q should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 and the information included in our other press releases, reports and other filings with the Securities and Exchange Commission (the "SEC"). Understanding the information contained in these filings is important in order to fully understand our reported financial results and our business outlook for future periods.

### Overview

Everi is a leading supplier of technology solutions for the casino gaming industry. We provide casino operators with a diverse portfolio of products including innovative gaming machines that power the casino floor, and casino operational and management systems that include comprehensive end-to-end payments solutions, critical intelligence offerings, and gaming operations efficiency technology. Everi's mission is to be a transformative force for casino operations by facilitating memorable player experiences, delivering reliable protection and security, and striving for customer satisfaction and operational excellence.

Everi Holdings reports its results of operations based on two operating segments: Games and FinTech. Effective April 1, 2018 , we changed the name of the operating segment previously referred to as "Payments" to "Financial Technology Solutions" ("Everi FinTech" or "FinTech"). We believe this reference more accurately reflects the focus of the business segment on delivering innovative and integrated solutions to enhance the efficiency of the casino operator, support the comprehensive regulatory and tax requirements of their gaming customers and improve players' gaming experience by providing easy access to their funds and payment of winnings **.**

Everi Games provides a number of products and services for casinos, including: (a) gaming machines primarily comprised of Class II and Class III slot machines placed under participation or fixed fee lease arrangements or sold to casino customers, including the award-winning TournEvent®; and (b) system software, licenses, ancillary equipment and maintenance to its casino customers. Everi Games also develops and manages the central determinant system for the video lottery terminals installed in the State of New York.

Everi FinTech provides its casino customers cash access and related products and services, including: (a) access to cash at gaming facilities via Automated Teller Machine ("ATM") cash withdrawals, credit card cash access transactions, point of sale ("POS") debit card cash access transactions and check verification and warranty services; (b) equipment that provides cash access and efficiency related services; (c) products and services that improve credit decision making, automate cashier operations and enhance patron marketing activities for gaming establishments; (d) compliance, audit and data solutions; and (e) online payment processing solutions for gaming operators in states that offer intrastate, Internet-based gaming and lottery activities.

**Trends and Developments Impacting our Business**

Except as discussed herein, the key trends, developments and challenges facing us are disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017. During the three and nine months ended September 30, 2018 , there have been no significant changes in these trends. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations – Key Trends, Developments and Challenges" in our Annual Report on Form 10-K for our fiscal year ended December 31, 2017, which is incorporated herein by reference.

**Impact of ASC 606 on the Comparability of Our Results of Operations**

For a detailed discussion of the impact of adopting Accounting Standards Codification Topic 606 *Revenues from Contracts with Customers* ("ASC 606"), refer to "Note 2 — Basis of Presentation and Summary of Significant Accounting Policies" and "Note 3 — Adoption of ASC 606, Revenue from Contracts with Customers" in *Item 1: Financial Statements,* which assesses the impact on our Financial Statements of ASC 606, which applies to us as of January 1, 2018. We determined that the impact of the adoption of ASC 606 utilizing the modified retrospective transition method had a significant impact on the presentation of our financial information, as compared to a gross presentation, in connection with the net basis of reporting of certain revenues and costs of revenues related to our cash access activities in our FinTech segment (with additional immaterial changes to certain revenues and cost of revenues related to our gaming operations activities of our Games segment). This net presentation will not have an effect on operating income (loss), net income (loss) or cash flows and does not have a material impact on the timing of revenues recognized and costs incurred under generally accepted accounting principles in the United States ("GAAP").

**Operating Segments**

Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision-making group (the "CODM"). Our CODM consists of the Chief Executive Officer and the Chief Financial Officer. Our CODM allocates resources and measures profitability based on our operating segments, which are managed and reviewed separately, as each represent products and services that can be sold separately to our customers. Our segments are monitored by management for performance against our internal forecasts.

We have reported our financial performance based on our segments in both the current and prior periods. Our CODM determined that our operating segments for conducting business are: (a) Games; and (b) FinTech:

- The Games segment provides solutions directly to gaming establishments to offer their patrons gaming entertainment-related experiences including: leased gaming equipment; gaming systems; sales and maintenance related services of gaming equipment; and ancillary products and services.

- The FinTech segment provides solutions directly to gaming establishments to offer their patrons cash access-related services and products, including: access to cash at gaming facilities via ATM cash withdrawals; credit card cash access transactions and POS debit card cash access transactions; check-related services; equipment and maintenance services; compliance, audit and data software; casino credit data and reporting services and other ancillary offerings.

Corporate overhead expenses have been allocated to the segments either through specific identification or based on a reasonable methodology. In addition, we record depreciation and amortization expenses to the business segments.

Our business is predominantly domestic, with no specific regional concentrations and no significant assets in foreign locations.

**Results of Operations**

**Three months ended September 30, 2018 compared to three months ended September 30, 2017**

The following table presents our Results of Operations as reported for the three months ended September 30, 2018 compared to the three months ended September 30, 2017 as reported and as adjusted for the retrospective impact of ASC 606 to reflect the prior period results on a net basis of presentation (amounts in thousands)*:

| | Three Months Ended | | | | | | | 2018 As Reported vs 2017 As Adjusted | |
|---|---|---|---|---|---|---|---|---|---|
| | September 30, 2018 | | September 30, 2017 | | | | | | |
| | $ | % | $ | % | $ | $ | % | $ | % |
| | As Reported | | As Reported | | Adjustments | As Adjusted | | | |
| **Revenues** | | | | | | | | | |
| **Games revenues** | | | | | | | | | |
| Gaming operations | $ 43,540 | 36% | $ 37,820 | 15% | $ (143) | $ 37,677 | 37% | $ 5,863 | 16 % |
| Gaming equipment and systems | 21,068 | 18% | 16,292 | 6% | — | 16,292 | 16% | 4,776 | 29 % |
| Gaming other | 1,231 | 1% | 1,340 | 1% | — | 1,340 | 1% | (109) | (8)% |
| **Games total revenues** | 65,839 | 55% | 55,452 | 22% | (143) | 55,309 | 54% | 10,530 | 19 % |
| | | | | | | | | | |
| **FinTech revenues** | | | | | | | | | |
| Cash access services | 39,406 | 32% | 181,104 | 73% | (144,620) | 36,484 | 36% | 2,922 | 8 % |
| Equipment | 7,155 | 6% | 3,011 | 1% | — | 3,011 | 3% | 4,144 | 138 % |
| Information services and other | 7,930 | 7% | 7,755 | 4% | — | 7,755 | 7% | 175 | 2 % |
| **FinTech total revenues** | 54,491 | 45% | 191,870 | 78% | (144,620) | 47,250 | 46% | 7,241 | 15 % |
| | | | | | | | | | |
| **Total revenues** | 120,330 | 100% | 247,322 | 100% | (144,763) | 102,559 | 100% | 17,771 | 17 % |
| | | | | | | | | | |
| **Costs and expenses** | | | | | | | | | |
| **Games cost of revenues** (1) | | | | | | | | | |
| Gaming operations | 4,607 | 4% | 4,045 | 2% | (143) | 3,902 | 4% | 705 | 18 % |
| Gaming equipment and systems | 11,907 | 10% | 8,568 | 4% | — | 8,568 | 8% | 3,339 | 39 % |
| Gaming other | 1,059 | 1% | 1,207 | —% | — | 1,207 | 1% | (148) | (12)% |
| **Games total cost of revenues** | 17,573 | 15% | 13,820 | 6% | (143) | 13,677 | 13% | 3,896 | 28 % |

* Rounding may cause variances.

(1) Exclusive of depreciation and amortization.

| | Three Months Ended | | | | | | | 2018 As Reported vs 2017 As Adjusted | |
|---|---|---|---|---|---|---|---|---|---|
| | September 30, 2018 | | September 30, 2017 | | | | | | |
| | $ | % | $ | % | $ | $ | % | $ | % |
| | As Reported | | As Reported | | Adjustments | As Adjusted | | | |
| **FinTech cost of revenues [1]** | | | | | | | | | |
| Cash access services | 2,234 | 2 % | 147,078 | 59 % | (144,620) | 2,458 | 2 % | (224) | (9)% |
| Equipment | 3,846 | 3 % | 1,887 | 1 % | — | 1,887 | 2 % | 1,959 | 104 % |
| Information services and other | 949 | 1 % | 873 | 1 % | — | 873 | 1 % | 76 | 9 % |
| **FinTech total cost of revenues** | 7,029 | 6 % | 149,838 | 61 % | (144,620) | 5,218 | 5 % | 1,811 | 35 % |
| | | | | | | | | | |
| Operating expenses | 35,419 | 29 % | 29,463 | 12 % | — | 29,463 | 29 % | 5,956 | 20 % |
| Research and development | 5,407 | 4 % | 4,545 | 2 % | — | 4,545 | 4 % | 862 | 19 % |
| Depreciation | 17,304 | 14 % | 12,539 | 4 % | — | 12,539 | 12 % | 4,765 | 38 % |
| Amortization | 16,088 | 14 % | 17,322 | 7 % | — | 17,322 | 17 % | (1,234) | (7)% |
| **Total costs and expenses** | 98,820 | 82 % | 227,527 | 92 % | (144,763) | 82,764 | 81 % | 16,056 | 19 % |
| **Operating income** | 21,510 | 18 % | 19,795 | 8 % | — | 19,795 | 19 % | 1,715 | 9 % |
| | | | | | | | | | |
| **Other expenses** | | | | | | | | | |
| Interest expense, net of interest income | 20,160 | 17 % | 23,368 | 9 % | — | 23,368 | 23 % | (3,208) | (14)% |
| Loss on extinguishment of debt | — | — % | — | — % | — | — | — % | — | — % |
| **Total other expenses** | 20,160 | 17 % | 23,368 | 9 % | — | 23,368 | 23 % | (3,208) | (14)% |
| | | | | | | | | | |
| **Income (loss) before income tax** | 1,350 | 1 % | (3,573) | (1)% | — | (3,573) | (3)% | 4,923 | 138 % |
| | | | | | | | | | |
| Income tax (benefit) provision | (719) | (1)% | 716 | — % | — | 716 | 1 % | (1,435) | (200)% |
| **Net income (loss)** | $ 2,069 | 2 % | $ (4,289) | (2)% | — | $ (4,289) | (4)% | $ 6,358 | (148)% |

* Rounding may cause variances.

(1) Exclusive of depreciation and amortization.

**Revenues**

Total revenues increased by $17.8 million , or 17% , to $120.3 million for the three months ended September 30, 2018 , as compared to the same period in the prior year as adjusted for the net versus gross retrospective impact of ASC 606. This was primarily due to higher Games and FinTech revenues.

Games revenues increased by $10.5 million , or 19% , to $65.8 million for the three months ended September 30, 2018 , as compared to the same period in the prior year as adjusted for the net versus gross retrospective impact of ASC 606. This was primarily due to an increase in both unit sales and average daily win per unit on a higher installed base of leased machines.

FinTech revenues increased by $7.2 million , or 15% , to $54.5 million for the three months ended September 30, 2018 , as compared to the same period in the prior year as adjusted for the net versus gross retrospective impact of ASC 606. This was primarily due to higher transaction volumes from cash access services and increased equipment sales.

**Costs and Expenses**

Games cost of revenues increased by $3.9 million , or 28% , to $17.6 million for the three months ended September 30, 2018 , as compared to the same period in the prior year as adjusted for the net versus gross retrospective impact of ASC 606. This was primarily due to the costs associated with the additional unit sales and an increase in the overall costs of our sales and leased machines.

FinTech cost of revenues increased by $1.8 million , or 35% , to $7.0 million for the three months ended September 30, 2018 , as compared to the same period in the prior year as adjusted for the net versus gross retrospective impact of ASC 606. This was primarily due to the costs associated with the additional equipment sales.

Operating expenses increased by $6.0 million , or 20% , to $35.4 million for the three months ended September 30, 2018 , as compared to the same period in the prior year. This was primarily due to higher payroll and related expenses and consulting fees for both our Games and FinTech segments. Our Games segment also incurred an increase in costs related to inventory disposals. This overall increase was partially offset by the Resort Advantage acquisition earn out liability adjustment, related to our FinTech Segment, due to the expiration of the earn out period in August 2018.

Research and development increased by $0.9 million , or 19% , to $5.4 million for the three months ended September 30, 2018 , as compared to the same period in the prior year. This was primarily due to higher payroll and related expenses for our Games segment.

Depreciation increased by $4.8 million , or 38% , to $17.3 million for the three months ended September 30, 2018 as compared to the same period in the prior year. This was primarily driven by the increase in the installed base of leased gaming machines and adjustments to the remaining useful lives of certain of the gaming fixed assets related to our Games segment.

Amortization decreased by $1.2 million , or 7% , to $16.1 million for the three months ended September 30, 2018 , as compared to the same period in the prior year. This was primarily due to assets being fully amortized related to both our Games and FinTech segments.

Primarily as a result of the factors described above, operating income increased by $1.7 million , or 9% , to $21.5 million for the three months ended September 30, 2018 , as compared to the same period in the prior year as adjusted for the net versus gross retrospective impact of ASC 606. The operating margin was 18% for the three months ended September 30, 2018 compared to 19% for the same period in the prior year, as adjusted for the net versus gross retrospective impact of ASC 606.

Interest expense, net of interest income decreased by $3.2 million , or 14% , to $20.2 million for the three months ended September 30, 2018 , as compared to the same period of the prior year. This was primarily due to lower interest expense as a result of our debt refinancing transactions in 2017 and an additional repricing of our New Term Loan Facilities in 2018, partially offset by an increase in our cash usage fees in connection with our commercial cash arrangements and the impact of LIBOR increases during the past year.

Income tax benefit was $0.7 million for the three months ended September 30, 2018 , as compared to an income tax provision of $0.7 million for the same period in the prior year. The income tax benefit reflected an effective income tax rate of negative 53.3% for the three months ended September 30, 2018 that was less than the statutory federal rate of 21.0% , which reflects the enactment of the Tax Cut and Jobs Act of 2017 (the “2017 Tax Act”). This was primarily due to a decrease in our valuation allowance for deferred tax assets, the benefit from stock option exercises and the benefit from a research credit. The decrease in our valuation allowance is primarily due to the current quarter income and the interest deduction limitation (deferred tax asset) which can be offset against our indefinite lived deferred tax liabilities. The income tax provision reflected an effective income tax rate of negative 20.0% for the same period in the prior year, which was less than the statutory federal rate of 35.0% , primarily due to an increase in our valuation allowance for deferred tax assets, partially offset by state taxes, the benefit from stock option exercises, and the benefit from a research credit.

**Nine months ended September 30, 2018 compared to nine months ended September 30, 2017**

The following table presents our Results of Operations as reported for the nine months ended September 30, 2018 compared to the nine months ended September 30, 2018 as reported and as adjusted for the retrospective impact of ASC 606 to reflect the prior period results on a net basis of presentation (amounts in thousands)*:

| | Nine Months Ended | | | | | | | | 2018 As Reported vs 2017 As Adjusted | |
|---|---|---|---|---|---|---|---|---|---|---|
| | September 30, 2018 | | September 30, 2017 | | | | | | | |
| | $ | % | $ | % | $ | $ | % | | $ | % |
| | As Reported | | As Reported | | Adjustments | As Adjusted | | | | |
| **Revenues** | | | | | | | | | | |
| **Games revenues** | | | | | | | | | | |
| Gaming operations | $ 126,618 | 36% | $ 111,219 | 15% | $ (278) | $ 110,941 | 36% | | $ 15,677 | 14 % |
| Gaming equipment and systems | 63,499 | 18% | 52,574 | 8% | — | 52,574 | 17% | | 10,925 | 21 % |
| Gaming other | 1,887 | 1% | 2,039 | —% | — | 2,039 | 1% | | (152) | (7)% |
| **Games total revenues** | 192,004 | 55% | 165,832 | 23% | (278) | 165,554 | 54% | | 26,450 | 16 % |
| **FinTech revenues** | | | | | | | | | | |
| Cash access services | 117,364 | 34% | 528,279 | 73% | (421,086) | 107,193 | 35% | | 10,171 | 9 % |
| Equipment | 16,338 | 5% | 9,008 | 1% | — | 9,008 | 3% | | 7,330 | 81 % |
| Information services and other | 24,307 | 6% | 23,970 | 3% | — | 23,970 | 8% | | 337 | 1 % |
| **FinTech total revenues** | 158,009 | 45% | 561,257 | 77% | (421,086) | 140,171 | 46% | | 17,838 | 13 % |
| **Total revenues** | 350,013 | 100% | 727,089 | 100% | (421,364) | 305,725 | 100% | | 44,288 | 14 % |
| **Costs and expenses** | | | | | | | | | | |
| **Games cost of revenues** [(1)] | | | | | | | | | | |
| Gaming operations | 13,000 | 4% | 11,216 | 1% | (278) | 10,938 | 4% | | 2,062 | 19 % |
| Gaming equipment and systems | 34,693 | 10% | 26,544 | 4% | — | 26,544 | 8% | | 8,149 | 31 % |
| Gaming other | 1,618 | —% | 1,743 | —% | — | 1,743 | 1% | | (125) | (7)% |
| **Games total cost of revenues** | 49,311 | 14% | 39,503 | 5% | (278) | 39,225 | 13% | | 10,086 | 26 % |

* Rounding may cause variances.

(1) Exclusive of depreciation and amortization.

| | Nine Months Ended | | | | | | | 2018 As Reported vs 2017 As Adjusted | |
|---|---|---|---|---|---|---|---|---|---|
| | September 30, 2018 | | September 30, 2017 | | | | | | |
| | $ | % | $ | % | $ | $ | % | $ | % |
| | As Reported | | As Reported | | Adjustments | As Adjusted | | | |
| **FinTech cost of revenues [(1)]** | | | | | | | | | |
| Cash access services | 6,910 | 2 % | 428,184 | 59 % | (421,086) | 7,098 | 2 % | (188) | (3)% |
| Equipment | 9,786 | 3 % | 5,518 | 1 % | — | 5,518 | 2 % | 4,268 | 77 % |
| Information services and other | 3,146 | 1 % | 2,402 | — % | — | 2,402 | 1 % | 744 | 31 % |
| **FinTech total cost of revenues** | 19,842 | 6 % | 436,104 | 60 % | (421,086) | 15,018 | 5 % | 4,824 | 32 % |
| Operating expenses | 105,176 | 30 % | 87,235 | 12 % | — | 87,235 | 29 % | 17,941 | 21 % |
| Research and development | 14,313 | 3 % | 13,706 | 2 % | — | 13,706 | 4 % | 607 | 4 % |
| Depreciation | 43,830 | 13 % | 34,765 | 5 % | — | 34,765 | 11 % | 9,065 | 26 % |
| Amortization | 48,943 | 14 % | 52,086 | 7 % | — | 52,086 | 17 % | (3,143) | (6)% |
| **Total costs and expenses** | 281,415 | 80 % | 663,399 | 91 % | (421,364) | 242,035 | 79 % | 39,380 | 16 % |
| **Operating income** | 68,598 | 20 % | 63,690 | 9 % | — | 63,690 | 21 % | 4,908 | 8 % |
| **Other expenses** | | | | | | | | | |
| Interest expense, net of interest income | 62,589 | 18 % | 72,306 | 10 % | — | 72,306 | 24 % | (9,717) | (13)% |
| Loss on extinguishment of debt | 166 | — % | 14,615 | 2 % | — | 14,615 | 4 % | (14,449) | (99)% |
| **Total other expenses** | 62,755 | 18 % | 86,921 | 12 % | — | 86,921 | 28 % | (24,166) | (28)% |
| **Income (loss) before income tax** | 5,843 | 2 % | (23,231) | (3)% | — | (23,231) | (8)% | 29,074 | 125 % |
| Income tax (benefit) provision | (2,310) | (1)% | 3,623 | — % | — | 3,623 | 1 % | (5,933) | (164)% |
| **Net income (loss)** | $ 8,153 | 2 % | $ (26,854) | (4)% | — | $ (26,854) | (9)% | $ 35,007 | (130)% |

* Rounding may cause variances.

(1) Exclusive of depreciation and amortization.

**Revenues**

Total revenues increased by $44.3 million , or 14% , to $350.0 million for the nine months ended September 30, 2018 , as compared to the same period in the prior year as adjusted for the net versus gross retrospective impact of ASC 606. This was primarily due to higher Games and FinTech revenues.

Games revenues increased by $26.5 million , or 16% , to $192.0 million for the nine months ended September 30, 2018 , as compared to the same period in the prior year as adjusted for the net versus gross retrospective impact of ASC 606. This was primarily due to an increase in both unit sales and average selling prices and an increase in the average daily win per unit on a higher installed base of leased machines.

FinTech revenues increased by $17.8 million , or 13% , to $158.0 million for the nine months ended September 30, 2018 , as compared to the same period in the prior year as adjusted for the net versus gross retrospective impact of ASC 606. This was primarily due to higher dollar and transaction volumes from cash access services and increased equipment sales.

**Costs and Expenses**

Games cost of revenues increased by $10.1 million , or 26% , to $49.3 million for the nine months ended September 30, 2018 , as compared to the same period in the prior year as adjusted for the net versus gross retrospective impact of ASC 606. This was primarily due to the costs associated with the additional unit sales and an increase in the overall costs of our sales and leased machines.

FinTech cost of revenues increased by $4.8 million , or 32% , to $19.8 million for the nine months ended September 30, 2018 , as compared to the same period in the prior year as adjusted for the net versus gross retrospective impact of ASC 606. This was primarily due to the costs associated with the additional equipment sales.

Operating expenses increased by $17.9 million , or 21% , to $105.2 million for the nine months ended September 30, 2018 , as compared to the same period in the prior year. This was primarily due to higher payroll and related expenses and consulting fees for both our Games and FinTech segments. Our Games segment also incurred an increase in costs related to inventory disposals and leased assets impairment charges. This overall increase was partially offset by the Resort Advantage acquisition earn out liability adjustment, related to our FinTech Segment, due to the expiration of the earn out period in August 2018.

Research and development increased by $0.6 million , or 4% , to $14.3 million for the nine months ended September 30, 2018 , as compared to the same period in the prior year. This was primarily due to higher payroll and related expenses for our Games segment.

Depreciation increased by $9.1 million or 26% , to $43.8 million for the nine months ended September 30, 2018 , as compared to the same period in the prior year. This was primarily driven by the increase in the installed base of leased gaming machines and adjustments to the remaining useful lives of certain of the gaming fixed assets related to our Games Segment.

Amortization decreased by $3.1 million , or 6% , to $48.9 million for the nine months ended September 30, 2018 , as compared to the same period in the prior year. This was primarily due to assets being fully amortized related to both our Games and FinTech segments.

Primarily as a result of the factors described above, operating income increased by $4.9 million , or 8% , to $68.6 million for the nine months ended September 30, 2018 , as compared to the same period in the prior year as adjusted for the net versus gross retrospective impact of ASC 606. The operating margin was 20% for the nine months ended September 30, 2018 compared to 21% for the same period in the prior year, as adjusted for the net versus gross retrospective impact of ASC 606.

Interest expense, net of interest income decreased by $9.7 million , or 13% , to $62.6 million for the nine months ended September 30, 2018 , as compared to the same period of the prior year. This was primarily due to lower interest expense as a result of our debt refinancing transactions in 2017 and an additional repricing of our New Term Loan Facilities in 2018, partially offset by an increase in our cash usage fees in connection with our commercial cash arrangements and the impact of LIBOR increases during the past year.

Loss on extinguishment of debt was $0.2 million for the nine months ended September 30, 2018 in connection with the repricing transaction completed in May 2018 as compared to $14.6 million for the nine months ended September 30, 2017 as a result of our debt refinancing in May 2017.

Income tax benefit was $2.3 million for the nine months ended September 30, 2018 , as compared to an income tax provision of $3.6 million for the same period in the prior year. The income tax benefit reflected an effective income tax rate of negative 39.5% for the nine months ended September 30, 2018 that was less than the statutory federal rate of 21.0% , which reflects the enactment of the Tax Cut and Jobs Act of 2017 (the “2017 Tax Act”). This was primarily due to a decrease in our valuation allowance for deferred tax assets and the benefit from a research credit. The decrease in our valuation allowance is primarily due to the income during the year and the interest deduction limitation (deferred tax asset) which can be offset against our indefinite lived deferred tax liabilities. The income tax provision reflected an effective income tax rate of negative 15.6% for the same period in the prior year, which was less than the statutory federal rate of 35.0% , primarily due to an increase in our valuation allowance for deferred tax assets, partially offset by state taxes, the benefit from stock option exercises, and the benefit from a research credit.

**Critical Accounting Policies**

The preparation of our Financial Statements in conformity with generally accepted accounting principles in the United States requires us to make estimates and assumptions that affect our reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities in our Financial Statements. The SEC has defined critical accounting policies as the ones that are most important to the portrayal of the financial condition and results of operations, and which require management to make its most difficult and subjective judgments, often as a result of the need to make estimates about matters that are inherently uncertain.

For the three and nine months ended September 30, 2018 , other than the adoption of Accounting Standards Update (“ASU”) 2014-09 and all subsequent amendments (collectively, ASC 606) and ASU 2016-18, there were no changes to the critical accounting policies and estimates discussed in our audited Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

*Overall – Revenue Recognition*

We evaluate the recognition of revenue based on the criteria set forth in ASC 606 and ASC 840, as appropriate. We recognize revenue upon transferring control of goods or services to our customers in an amount that reflects the consideration we expect to receive in exchange for those goods or services. We enter into contracts with customers that may include various combinations of goods and services. Timing of the transfer of control varies based on the nature of the contract. We recognize revenue net of any sales and other taxes collected from customers, which are subsequently remitted to governmental authorities and are not included in revenues or operating expenses. We measure revenue based on the consideration specified in a contract with a customer and adjusted, as necessary.

We evaluate the composition of our revenues to ensure compliance with SEC Regulation S-X Section 210.5-3, which requires us to separately present certain categories of revenues that exceed the quantitative threshold on our Statements of Income (Loss).

*Significant Judgments*

We apply judgments or estimates to determine the performance obligations and the Stand-Alone Selling Price ("SSP") of each identified performance obligation. The establishment of SSP requires judgment as to whether there is a sufficient quantity of items sold or renewed on a stand-alone basis and those prices demonstrate an appropriate level of concentration to conclude that a SSP exists. The SSP of our goods and services are generally determined based on observable prices, an adjusted market assessment approach or an expected cost plus margin approach. We utilize a residual approach only when the SSP for performance obligations with observable prices have been established and the remaining performance obligation in the contract with a customer does not have an observable price as it is uncertain or highly variable and, therefore, is not discernible.

*Collectability*

To assess collectability, we determine whether it is probable that we will collect substantially all of the consideration to which we are entitled in exchange for the goods and services transferred to the customer in accordance with the terms and conditions of the contract. In connection with these procedures, we evaluate the customer using internal and external information available, including, but not limited to, research and analysis of the credit history with the customer. Based on the nature of our transactions and historical trends, we determine whether our customers have the ability and intention to pay the amounts of consideration when they become due to identify potentially significant credit risk exposure.

*Contract Combinations - Multiple Promised Goods and Services*

Our contracts may include promises to transfer multiple goods and services to a customer. Our Games and FinTech businesses may enter into multiple agreements with the same customer that meet the criteria to be combined for accounting purposes under ASC 606. When this occurs, a SSP will be determined for each performance obligation in the combined arrangement and the consideration allocated between the respective performance obligations. We use our judgment to analyze the nature of the promises made and determine whether each is distinct or should be combined with other promises in the contract based on the level of integration and interdependency between the individual deliverables.

*Disaggregation of Revenues*

We disaggregate revenues based on the nature and timing of the cash flows generated by such revenues as presented in "Note 18 — Segment Information."

*Outbound Freight Costs*

Upon transferring control of a good to a customer, the shipping and handling costs in connection with sale transactions are accounted for as fulfillment costs and included in cost of revenues.

*Costs to Acquire a Contract with a Customer*

We typically incur incremental costs to acquire customer contracts in the form of sales commission expenses. We evaluate those acquisition costs for groups of contracts with similar characteristics, based on the nature of the transactions. The incremental costs to acquire customer contracts identified would be amortized within one year and, as a result, we elected to utilize the practical expedient set forth in ASC 340-40, Contract Costs – *Incremental Costs of Obtaining a Contract* to expense these amounts as incurred.

*Asset Balances*

In connection with the adoption of ASC 606 utilizing the modified retrospective transition method, we recorded an immaterial cumulative adjustment with respect to certain amounts that had been previously deferred under the then existing revenue recognition guidance as of December 31, 2017 that required recognition under ASC 606 as of the effective date of adoption in accumulated deficit.

*Games Revenues*

**Gaming Operations**

Games revenues are primarily generated by our gaming operations under placement, participation and development arrangements in which we provide our customers with player terminals, player terminal-content licenses, central determinant systems for devices placed in service in licensed jurisdictions and back-office equipment, collectively referred to herein as leased gaming equipment. We evaluate the recognition of lease revenues based on criteria set forth in ASC 840. Generally, under these arrangements, we retain ownership of the leased gaming equipment installed at customer facilities and we receive revenues based on a percentage of the net win per day generated by the leased gaming equipment or a fixed daily fee based on the number of player terminals installed at the facility. Revenues from lease participation or daily fee arrangements are considered both realizable and earned at the end of each gaming day.

Gaming operations revenues generated by leased gaming equipment deployed at sites under development or placement fee agreements give rise to contract rights, which are amounts recorded to intangible assets for dedicated floor space resulting from such agreements. The gaming operations revenues generated by these arrangements are reduced by the accretion of contract rights, which represents the related amortization of the contract rights recorded in connection with those agreements.

Gaming operations revenues include amounts generated by Wide Area Progressive ("WAP") systems, which consist of linked slot machines located in multiple casino properties that are connected to a central system. WAP-based gaming machines have a progressive jackpot we administer that increases with every wager until a player wins the top award combination. Casino operators pay us a percentage of the coin-in (the total amount wagered) for services related to the design, assembly, installation, operation, maintenance, administration and marketing of the WAP systems. The gaming operations revenues with respect to WAP-based gaming machines are presented in the Statements of Income (Loss) net of the jackpot expense, which is comprised of incremental amount funded by a portion of the coin-in from players. At such time a jackpot is won by a player, an additional jackpot expense is recorded with respect to the base seed amount required to fund the minimum level required by the respective WAP arrangement with the casino operator.

**Gaming Equipment and Systems**

Gaming equipment and systems revenues are derived from the sale of gaming equipment to our customers under contracts on standard credit terms, which are generally short-term in nature, and are recognized at a point in time when control of the promised goods and services transfers to the customer generally upon shipment or delivery pursuant to the terms of the contract.

**Gaming Other**

Gaming other revenues primarily consist of our TournEvent of Champions® national tournament and are recognized over a period of time as the customer simultaneously receives and consumes the benefits.

*FinTech Revenues*

**Cash Access Services**

Cash access services revenues are comprised of cash advance, ATM and check services revenue streams. We do not control the cash advance and ATM services provided to a customer and, therefore, we are acting as an agent whose performance obligation is to arrange for the provision of these services.

Cash advance revenues are comprised of transaction fees assessed to gaming patrons in connection with credit card cash access and POS debit card cash access transactions. Such fees are primarily based on a combination of a fixed amount plus a percentage of the face amount of the credit card cash access or POS debit card cash access transaction amount. In connection with these types of transactions, we report certain direct costs incurred as reductions to revenues on a net basis, which generally include: (i) commission expenses payable to casino operators; (ii) interchange fees payable to the network associations; and (iii) processing and related costs payable to other third party partners.

ATM revenues are primarily comprised of transaction fees in the form of cardholder surcharges assessed to gaming patrons in connection with ATM cash withdrawals at the time the transactions are authorized and reverse interchange fees paid to us by the patrons' issuing banks. The cardholder surcharges assessed to gaming patrons in connection with ATM cash withdrawals are currently a fixed dollar amount and not a percentage of the transaction amount. In connection with these types of transactions, we report certain direct costs incurred as reductions to revenues on a net basis, which generally include: (i) commission expenses payable to casino operators; (ii) interchange fees payable to the network associations; and (iii) processing and related costs payable to other third party partners.

Check services revenues are principally comprised of check warranty revenues and are generally based upon a percentage of the face amount of checks warranted. These fees are paid to us by gaming establishments.

For cash access services arrangements, we recognize revenues over a period of time using an output method depicting the transfer of control to the customer based on variable consideration, such as volume of transactions processed with variability generally resolved in the reporting period.

**Equipment**

Equipment revenues are derived from the sale of equipment under contracts with standard credit terms, which are generally short-term in nature, and are recognized at a point in time when control of the promised goods and services transfers to the customer generally upon shipment or delivery pursuant to the terms of the contract.

**Information Services and Other**

Information services and other revenues include amounts derived from the sale of: (i) software licenses, software subscriptions, professional services and certain other ancillary fees; (ii) service related fees associated with the sale, installation and maintenance of equipment directly to our customers under contracts on standard credit terms, which are generally short-term in nature, secured by the related equipment, (iii) credit worthiness related software subscription services that are based upon either a flat monthly unlimited usage fee or a variable fee structure driven by the volume of patron credit histories generated; and (iv) ancillary marketing, database and internet-based gaming related activities.

Our software represents a functional right-to-use license and the revenues are recognized at a point in time. Subscription services represent a stand-ready performance obligation and the revenues are recognized over a period of time using an input method based on time elapsed. Professional and other services revenues are recognized over a period of time using an input method based on time elapsed as services are provided, thereby reflecting the transfer of control to the customer.

*Income taxes*

On December 22, 2017, the SEC staff issued Staff Accounting Bulletin 118 ("SAB 118"), which provides guidance on accounting for the tax effects of the 2017 Tax Act. SAB 118 was added to the Financial Accounting Standards Board (the "FASB") codification in March 2018 with the issuance of ASU No. 2018-05. SAB 118 provides a measurement period that should not extend beyond one year from the enactment date for companies to complete the accounting under Accounting Standards Codification Topic 740 *Income Taxes* ("ASC 740"). In accordance with SAB 118, a company must reflect the income tax effects of those aspects of the 2017 Tax Act for which the accounting under ASC 740 is complete. To the extent that a company's accounting for certain income tax effects of the 2017 Tax Act is incomplete but for which they are able to determine a reasonable estimate, it must record a provisional amount in the financial statements. Provisional treatment is proper in light of anticipated additional guidance from various taxing authorities, the SEC, the FASB, and even the Joint Committee on Taxation. Provisional treatment is also necessary if the company is waiting for final financial information from domestic and foreign equity investments. If a company cannot determine a provisional amount to be included in the financial statements, it should continue to apply ASC 740 on the basis of the provisions of the tax laws that were in effect immediately before the enactment of the 2017 Tax Act.

In accordance with the SAB 118 guidance, some of the income tax effects recorded in 2017 are provisional, including the one-time transition tax, the effect on our valuation allowance including the stricter limits on interest deductions, and the re-measurement of our deferred tax assets and liabilities. In addition, we are still evaluating the Global Intangible Low-Taxed Income provisions of the 2017 Tax Act and its impact, if any, on our Financial Statements. The accounting for these income tax effects may be adjusted during 2018 as a result of continuing analysis of the 2017 Tax Act; additional implementation guidance from the IRS, state tax authorities, the SEC, the FASB, or the Joint Committee on Taxation; and new information from domestic or foreign equity affiliates. As of September 30, 2018 , we have not finalized our analysis of these provisional amounts.

**Recent Accounting Guidance**

For a description of our recently adopted accounting guidance, see "Note 2 — Basis of Presentation and Summary of Significant Accounting Policies — Recent Accounting Guidance" of our Financial Statements included elsewhere in this Quarterly Report on Form 10-Q.

**Liquidity and Capital Resources**

**Overview**

The following table presents selected balance sheet information and an unaudited reconciliation of cash and cash equivalents per GAAP to net cash position and net cash available (in thousands):

| | At September 30, 2018 | At December 31, 2017 |
|---|---|---|
| **Balance sheet data** | | |
| Total assets | $ 1,534,241 | $ 1,537,074 |
| Total borrowings | 1,164,407 | 1,167,843 |
| Total stockholders' deficit | (113,215) | (140,633) |
| **Cash available** | | |
| Cash and cash equivalents | $ 128,722 | $ 128,586 |
| Settlement receivables | 225,210 | 227,403 |
| Settlement liabilities | (304,594) | (317,744) |
| **Net cash position** (1) | 49,338 | 38,245 |
| Undrawn revolving credit facility | 35,000 | 35,000 |
| **Net cash available** (1) | $ 84,338 | $ 73,245 |

(1) Non-GAAP measure. In order to enhance investor understanding of our cash balance, we are providing in this Quarterly Report on Form 10-Q net cash position and net cash available, which are not measures of our financial performance or position under GAAP. Accordingly, these measures should not be considered in isolation or as a substitute for, and should be read in conjunction with, our cash and cash equivalents prepared in accordance with GAAP. We define (i) net cash position as cash and cash equivalents plus settlement receivables less settlement liabilities and (ii) net cash available as net cash position plus undrawn amounts available under our New Revolving Credit Facility (defined herein). We present net cash position because our cash position, as measured by cash and cash equivalents, depends upon changes in settlement receivables and the timing of payments related to settlement liabilities. As such, our cash and cash equivalents can change substantially based upon the timing of our receipt of payments for settlement receivables and payments we make to customers for our settlement liabilities. We present net cash available as management monitors this amount in connection with the forecasting of cash flows and future cash requirements.

**Cash Resources**

Our cash balance, cash flows and line of credit are expected to be sufficient to meet our recurring operating commitments and to fund our planned capital expenditures for the foreseeable future. Cash and cash equivalents at September 30, 2018 included cash in non-U.S. jurisdictions of approximately $22.4 million . Generally, these funds are available for operating and investment purposes within the jurisdiction in which they reside, and as a result of the 2017 Tax Act, enacted on December 22, 2017, we will not be subject to additional taxation if we decide to repatriate foreign funds to the U.S., except for potential withholding tax.

We expect that our cash provided by operating activities will be sufficient for our operating and debt servicing needs during the foreseeable future. If not, we have sufficient borrowings available under our New Credit Facilities to meet additional funding requirements. We monitor the financial strength of our lenders on an ongoing basis using publicly-available information. Based upon that information, we believe there is not a likelihood that any of our lenders might not be able to honor their commitments under the Credit Agreement.

We provide cash settlement services to our customers related to our cash access products. These services involve the movement of funds between the various parties associated with cash access transactions. These activities result in a balance due to us at the end of each business day for the face amount provided to patrons plus the service fee charged to those patrons that we recoup over the next few business days and classify as settlement receivables. These activities also result in a balance due to our customers at the end of each business day for the face amount provided to patrons that we remit over the next few business days and classify as settlement liabilities. As of September 30, 2018 , we had $225.2 million in settlement receivables, for which we generally receive payment within one week. As of September 30, 2018 , we had $304.6 million in settlement liabilities due to our customers for these settlement services that are generally paid within the next month. As the timing of cash received from settlement receivables and payment of settlement liabilities may differ, the total amount of cash held by us will fluctuate throughout the year.

**Sources and Uses of Cash**

The following table presents a summary of our cash flow activity (in thousands):

| | Nine Months Ended September 30, | | 2018 vs 2017 |
|---|---|---|---|
| | 2018 | 2017 | Change |
| **Cash flow activities** | | | |
| Operating activities | $ 92,382 | $ 69,954 | $ 22,428 |
| Investing activities | (93,762) | (83,185) | (10,577) |
| Financing activities | 2,046 | 1,627 | 419 |
| Effect of exchange rates on cash | (432) | 1,365 | (1,797) |
| **Cash, cash equivalents and restricted cash** | | | |
| Net increase (decrease) for the period | 234 | (10,239) | 10,473 |
| Balance, beginning of the period | 129,604 | 119,439 | 10,165 |
| **Balance, end of the period** | $ 129,838 | $ 109,200 | $ 20,638 |

Cash flows provided by operating activities increased by $22.4 million for the nine months ended September 30, 2018 , as compared to the same period in the prior year. This was primarily attributable to the change to a net income position from a net loss position, partially offset by changes in working capital.

Cash flows used in investing activities increased by $10.6 million for the nine months ended September 30, 2018 , as compared to the same period in the prior year. This was primarily attributable to additional capital expenditures and payments made under our placement fee agreements in our Games segment.

Cash flows provided by financing activities increased by $0.4 million for the nine months ended September 30, 2018 , as compared to the same period in the prior year. This was primarily attributable to additional proceeds from the exercise of stock options in 2018 as compared to 2017, partially offset by the debt repricing transaction in 2018, the debt refinancing transactions in 2017 and principal loan repayments.

**Long-Term Debt**

The following table summarizes our outstanding indebtedness (in thousands):

| | At September 30, | At December 31, |
|---|---|---|
| | 2018 | 2017 |
| **Long-term debt** | | |
| Senior secured term loan | $ 809,750 | $ 815,900 |
| Senior unsecured notes | 375,000 | 375,000 |
| **Total debt** | 1,184,750 | 1,190,900 |
| Less: debt issuance costs and discount | (20,343) | (23,057) |
| **Total debt after debt issuance costs and discount** | 1,164,407 | 1,167,843 |
| Less: current portion of long-term debt | (8,200) | (8,200) |
| **Long-term debt, less current portion** | $ 1,156,207 | $ 1,159,643 |

**Refinancing**

On May 9, 2017 (the “Closing Date”), Everi Payments, as borrower, and Holdings entered into a credit agreement with the lenders party thereto and Jefferies Finance LLC, as administrative agent, collateral agent, swing line lender, letter of credit issuer, sole lead arranger and sole book manager (amended as described below, the “New Credit Agreement”). The New Credit Agreement provides for: (i) a $35.0 million, five-year senior secured revolving credit facility (the “New Revolving Credit Facility”); and (ii) an $820.0 million, seven-year senior secured term loan facility (the “New Term Loan Facility,” and together with the New Revolving Credit Facility, the “New Credit Facilities”). The fees associated with the New Credit Facilities included discounts of approximately $4.1 million and debt issuance costs of approximately $15.5 million. All borrowings under the New Revolving Credit Facility are subject to the satisfaction of customary conditions, including the absence of defaults and the accuracy of representations and warranties.

The proceeds from the New Term Loan Facility incurred on the Closing Date were used to: (i) refinance: (a) Everi Payments’ existing credit facility with an outstanding balance of approximately $462.3 million with Bank of America, N.A., as administrative agent, collateral agent, swing line lender and letter of credit issuer, Deutsche Bank Securities Inc., as syndication agent, and Merrill Lynch, Pierce, Fenner & Smith Incorporated and Deutsche Bank Securities Inc., as joint lead arrangers and joint book managers (the “Prior Credit Facility”); and (b) Everi Payments’ 7.25% Senior Secured Notes due 2021 in the aggregate original principal amount of $335.0 million (the “Refinanced Secured Notes”); and (ii) pay related transaction fees and expenses.

In connection with the refinancing, we recorded a non-cash charge of approximately $14.6 million during the second quarter of 2017 related to the unamortized deferred financing fees and discounts related to the extinguished term loan under the Prior Credit Facility and the redeemed Refinanced Secured Notes. No prepayment penalties were incurred.

On November 13, 2017 (the “Repricing Closing Date”), we entered into an amendment to the New Credit Agreement (the “First Amendment”) which, among other things, reduced the interest rate on the approximately $818.0 million then outstanding balance of the New Term Loan Facility, but did not change the maturity dates for the New Term Loan Facility or the New Revolving Credit Facility or the financial covenants or other debt repayments terms set forth in the New Credit Agreement. We incurred approximately $3.0 million of debt issuance costs and fees associated with the repricing of the New Term Loan Facility.

On May 17, 2018, we entered into a Second Amendment (the “Second Amendment”) to the New Credit Agreement, which reduced the interest rate on the $813.9 million outstanding balance of the senior secured term loan under the Credit Agreement by 50 basis points to LIBOR + 3.00% from LIBOR + 3.50% with the LIBOR floor unchanged at 1.00%. The senior secured term loan under the Credit Agreement will be subject to a prepayment premium of 1.00% of the principal amount repaid for any voluntary prepayment or mandatory prepayment with proceeds of debt that has a lower effective yield than the repriced term loan or any amendment to the repriced term loan that reduces the interest rate thereon, in each case, to the extent occurring within six months of the effective date of the Second Amendment. The maturity date for the Credit Agreement remains May 9, 2024, and no changes were made to the financial covenants or other debt repayment terms. We incurred approximately $1.3 million of debt issuance costs and fees associated with the repricing of the New Term Loan Facility.

**New Credit Facilities**

The New Term Loan Facility matures seven years after the Closing Date and the New Revolving Credit Facility matures five years after the Closing Date. The New Revolving Credit Facility is available for general corporate purposes, including permitted acquisitions, working capital and the issuance of letters of credit.

The interest rate per annum applicable to loans under the New Revolving Credit Facility is, at Everi Payments’ option, the base rate or the Eurodollar Rate (defined to be the London Interbank Offered Rate or a comparable or successor rate) (the “Eurodollar Rate”) plus, in each case, an applicable margin. The interest rate per annum applicable to the New Term Loan Facility also is, at Everi Payments’ option, the base rate or the Eurodollar Rate plus, in each case, an applicable margin. The Eurodollar Rate is reset at the beginning of each selected interest period based on the Eurodollar Rate then in effect; provided that, if the Eurodollar Rate is below zero, then such rate will be equal to zero plus the applicable margin. The base rate is a fluctuating interest rate equal to the highest of: (i) the prime lending rate announced by the administrative agent; (ii) the federal funds effective rate from time to time plus 0.50%; and (iii) the Eurodollar Rate (after taking account of any applicable floor) applicable for an interest period of one month plus 1.00%. Prior to the effectiveness of the First Amendment on the Repricing Closing Date, the applicable margins for both the New Revolving Credit Facility and the New Term Loan Facility were: (i) 4.50% in respect of Eurodollar Rate loans and (ii) 3.50% in respect of base rate loans. The applicable margins for the New Term Loan Facility from and after the effectiveness of the First Amendment on the Repricing Closing Date through the effectiveness of the Second Amendment were: (i) 3.50% in respect of Eurodollar Rate loans and (ii) 2.50% in respect of base rate loans. The applicable margins for the New Term Loan Facility from and after the effectiveness of the Second Amendment are: (i) 3.00% in respect of Eurodollar Rate loans and (ii) 2.00% in respect of base rate loans.

Voluntary prepayments of the term loan and the revolving loans and voluntary reductions in the unused commitments are permitted in whole or in part, in minimum amounts as set forth in the New Credit Agreement governing the New Credit Facilities, with prior notice but without premium or penalty, except that certain refinancings of the term loans within six months after the Repricing Closing Date will be subject to a prepayment premium of 1.00% of the principal amount repaid.

Subject to certain exceptions, the obligations under the New Credit Facilities are secured by substantially all of the present and subsequently acquired assets of each of Everi Payments, Holdings and the subsidiary guarantors party thereto including: (i) a perfected first priority pledge of all the capital stock of Everi Payments and each domestic direct, wholly owned material restricted subsidiary held by Holdings, Everi Payments or any such subsidiary guarantor; and (ii) a perfected first priority security interest in substantially all other tangible and intangible assets of Holdings, Everi Payments, and such subsidiary guarantors (including, but not limited to, accounts receivable, inventory, equipment, general intangibles, investment property, real property, intellectual property and the proceeds of the foregoing). Subject to certain exceptions, the New Credit Facilities are unconditionally guaranteed by Holdings and such subsidiary guarantors.

The New Credit Agreement governing the New Credit Facilities contains certain covenants that, among other things, limit Holdings' ability, and the ability of certain of its subsidiaries, to incur additional indebtedness, sell assets or consolidate or merge with or into other companies, pay dividends or repurchase or redeem capital stock, make certain investments, issue capital stock of subsidiaries, incur liens, prepay, redeem or repurchase subordinated debt, and enter into certain types of transactions with its affiliates. The New Credit Agreement governing the New Credit Facilities also requires Holdings, together with its subsidiaries, to comply with a consolidated secured leverage ratio. At September 30, 2018 , our consolidated secured leverage ratio was 3.33 to 1.00, with a maximum allowable ratio of 5.00 to 1.00 (which maximum allowable ratio is reduced to 4.75 to 1.00 as of December 31, 2018, 4.50 to 1.00 as of December 31, 2019, 4.25 to 1.00 as of December 31, 2020, and 4.00 to 1.00 as of December 31, 2021 and each December 31 thereafter).

We were in compliance with the covenants and terms of the New Credit Facilities as of September 30, 2018 .

Events of default under the New Credit Agreement governing the New Credit Facilities include customary events such as a cross-default provision with respect to other material debt. In addition, an event of default will occur if Holdings undergoes a change of control. This is defined to include the case where Holdings ceases to own 100% of the equity interests of Everi Payments, or where any person or group acquires a percentage of the economic or voting interests of Holdings' capital stock of 35% or more (determined on a fully diluted basis).

We are required to repay the New Term Loan Facility in an amount equal to 0.25% per quarter of the initial aggregate principal, with the final principal repayment installment on the maturity date. Interest is due in arrears on each interest payment date applicable thereto and at such other times as may be specified in the New Credit Agreement. As to any loan other than a base rate loan, the interest payment dates shall be the last day of each interest period applicable to such loan and the maturity date (provided, however, that if any interest period for a Eurodollar Rate loan exceeds three months, the respective dates that fall every three months after the beginning of such interest period shall also be interest payment dates). As to any base rate loan, the interest payment dates shall be last business day of each March, June, September and December and the maturity date.

For the three and nine months ended September 30, 2018 , the New Term Loan Facility had an applicable weighted average interest rate of 5.09% and 5.13% , respectively.

At September 30, 2018 , we had $809.8 million of borrowings outstanding under the New Term Loan Facility and no borrowings outstanding under the New Revolving Credit Facility. We had $35.0 million of additional borrowing availability under the New Revolving Credit Facility as of September 30, 2018 .

**Refinanced Senior Secured Notes**

In connection with entering into the New Credit Agreement, on May 9, 2017, Everi Payments redeemed in full all outstanding Refinanced Secured Notes in the aggregate principal amount of $335.0 million face value (plus accrued interest) of the Refinanced Secured Notes. As a result of the redemption, we recorded non-cash charges in the amount of approximately $1.7 million, which consisted of unamortized deferred financing fees of $0.2 million and discounts of $1.5 million. These fees were included in the total $14.6 million non-cash charge referred to above.

**Senior Unsecured Notes**

In December 2014, we issued $350.0 million in aggregate principal amount of 10.0% Senior Unsecured Notes due 2022 (the "2014 Unsecured Notes") under an indenture (as supplemented, the "2014 Notes Indenture"), dated December 19, 2014, between Everi Payments (as successor issuer), and Deutsche Bank Trust Company Americas, as trustee. The fees associated with the 2014 Unsecured Notes included original issue discounts of approximately $3.8 million and debt issuance costs of approximately $14.0 million. In December 2015, we completed an exchange offer in which all of the unregistered 2014 Unsecured Notes were exchanged for a like amount of 2014 Unsecured Notes that had been registered under the Securities Act.

In December 2017, we issued $375.0 million in aggregate principal amount of 7.50% Senior Unsecured Notes due 2025 (the "2017 Unsecured Notes") under an indenture (the "2017 Notes Indenture"), dated December 5, 2017, among Everi Payments (as issuer), Holdings and certain of its direct and indirect domestic subsidiaries as guarantors, and Deutsche Bank Trust Company Americas, as trustee. Interest on the 2017 Unsecured Notes accrues at a rate of 7.50% per annum and is payable semi-annually in arrears on each June 15 and December 15, commencing on June 15, 2018. The 2017 Unsecured Notes will mature on December 15, 2025. We incurred approximately $6.1 million of debt issuance costs and fees associated with the issuance of the 2017 Unsecured Notes.

On December 5, 2017, together with the issuance of the 2017 Unsecured Notes, Everi Payments satisfied and discharged the 2014 Notes Indenture relating to the 2014 Unsecured Notes. To effect the satisfaction and discharge, Everi Payments issued an unconditional notice of redemption to Deutsche Bank Trust Company Americas, as trustee, of the redemption in full on January 15, 2018 (the "Redemption Date") of all outstanding 2014 Unsecured Notes under the terms of the 2014 Notes Indenture. In addition, using the proceeds from the sale of the 2017 Unsecured Notes and cash on hand, Everi Payments irrevocably deposited with the trustee funds sufficient to pay the redemption price of the 2014 Unsecured Notes of 107.5% of the principal amount thereof, plus accrued and unpaid interest to, but not including, the Redemption Date (the "Redemption Price"), and irrevocably instructed the trustee to apply the deposited money toward payment of the Redemption Price for the 2014 Unsecured Notes on the Redemption Date. Upon the trustee's receipt of such funds and instructions, along with an officer's certificate of Everi Payments and an opinion of counsel certifying and opining that all conditions under the 2014 Notes Indenture to the satisfaction and discharge of the 2014 Notes Indenture had been satisfied, the 2014 Notes Indenture was satisfied and discharged, and all of the obligations of Everi Payments and the guarantors under the 2014 Notes Indenture ceased to be of further effect, as of December 5, 2017 (subject to certain exceptions). The 2014 Unsecured Notes were thereafter redeemed on the Redemption Date.

In connection with the issuance of the 2017 Unsecured Notes and the redemption of the 2014 Unsecured Notes, in December 2017 we incurred a $37.2 million loss on extinguishment of debt consisting of a $26.3 million make-whole premium related to the satisfaction and redemption of the 2014 Unsecured Notes and approximately $10.9 million for the write-off of related unamortized debt issuance costs and fees.

We were in compliance with the terms of the 2017 Unsecured Notes as of September 30, 2018 .

**Contractual Obligations**

There were no material changes in our commitments under contractual obligations as compared to those disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

We are subject to claims and suits that arise from time to time in the ordinary course of business. We do not believe the liabilities, if any, which may ultimately result from the outcome of such matters, individually or in the aggregate, will have a material adverse impact on our financial position, liquidity or results of operations.

**Off-Balance Sheet Arrangements**

We have commercial arrangements with third party vendors to provide cash for certain of our ATMs. For the use of these funds, we pay a cash usage fee on either the average daily balance of funds utilized multiplied by a contractually defined cash usage rate or the amounts supplied multiplied by a contractually defined cash usage rate. These cash usage fees, reflected as interest expense within the Statements of Income (Loss), were $1.6 million and $5.3 million for the three and nine months ended September 30, 2018 , respectively, and $1.2 million and $3.5 million for the three and nine months ended September 30, 2017 , respectively. We are exposed to interest rate risk to the extent that the applicable rates increase.

Under these agreements, the currency supplied by third party vendors remain their sole property until the funds are dispensed. As these funds are not our assets, supplied cash is not reflected on the Balance Sheets. The outstanding balances of ATM cash utilized by us from the third party vendors were $194.2 million and $289.8 million as of September 30, 2018 and December 31, 2017 , respectively.

The primary commercial arrangement, the Contract Cash Solutions Agreement, as amended, with Wells Fargo, N.A. ("Wells Fargo"), provides us with cash in the maximum amount of $300.0 million with the ability to increase the amount by $75 million over a 5-day period for special occasions, such as the period around New Year's Day. The agreement currently expires on June 30, 2020. We are responsible for any losses of cash in the ATMs under this agreement and we self-insure for this risk. We incurred no material losses related to this self-insurance for the three and nine months ended September 30, 2018 and 2017.

**Effects of Inflation**

Our monetary assets that primarily consist of cash, receivables, inventory as well as our non-monetary assets that are mostly comprised of goodwill and other intangible assets, are not significantly affected by inflation. We believe that replacement costs of equipment, furniture and leasehold improvements will not materially affect our operations. However, the rate of inflation affects our operating expenses, such as those for salaries and benefits, armored carrier expenses, telecommunications expenses and equipment repair and maintenance services, which may not be readily recoverable in the financial terms under which we provide our Games and FinTech products and services to gaming establishments.

## Item 3. Quantitative and Qualitative Disclosures about Market Risk.

In the normal course of business, we are exposed to foreign currency exchange risk. We operate and conduct business in foreign countries and, as a result, are exposed to movements in foreign currency exchange rates. Our exposure to foreign currency exchange risk related to our foreign operations is not material to our results of operations, cash flows or financial position. At present, we do not hedge this risk, but continue to evaluate such foreign currency translation risk exposure.

Wells Fargo supplies us with currency needed for normal operating requirements of our domestic ATMs pursuant to the Contract Cash Solutions Agreement. Under the terms of this agreement, we pay a monthly cash usage fee based upon the product of the average daily dollars outstanding in all such ATMs multiplied by a margin that is tied to LIBOR. We are, therefore, exposed to interest rate risk to the extent that the applicable LIBOR increases. The currency supplied by Wells Fargo was $194.2 million as of September 30, 2018 . Based upon this outstanding amount of currency supplied by Wells Fargo, each 1% increase in the applicable LIBOR would have a $1.9 million impact on income before taxes over a 12-month period.

The New Credit Facilities bear interest at rates that can vary over time. We have the option of having interest on the outstanding amounts under the New Credit Facilities paid based on a base rate or based on LIBOR. We have historically elected to pay interest based on LIBOR, and we expect to continue to pay interest based on LIBOR of various maturities.

The weighted average interest rate on the New Credit Facilities was 5.09% and 5.13% for the three and nine months ended September 30, 2018 , respectively. Based upon the outstanding balance on the New Credit Facilities of $809.8 million as of September 30, 2018 , each 1% increase in the applicable LIBOR would have an $8.1 million impact on interest expense over a 12-month period. The interest rate for the Unsecured Notes is fixed, and therefore, an increase in LIBOR rates does not impact the related interest expense.

## Item 4. Controls and Procedures.

**Evaluation of Disclosure Controls and Procedures**

Our management, including its Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective such that material information required to be disclosed by us in the reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported, within the time periods specified by the SEC's rules and forms and (ii) accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

**Changes in Internal Control over Financial Reporting during the Quarter Ended September 30, 2018**

In connection with the adoption of ASC 606, we assessed the impact and applied changes to our internal control over financial reporting to update additional control procedures with respect to the preparation of our financial information.

Except as noted above, there were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the period covered by this report that have 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 involved in various investigations, claims and lawsuits in the ordinary course of our business. In addition, various legal actions, claims and governmental inquiries and proceedings are pending or may be instituted or asserted in the future against us and our subsidiaries. Although the outcome of our legal proceedings cannot be predicted with certainty and no assurances can be provided, based upon current information, we do not believe the liabilities, if any, which may ultimately result from the outcome of such matters, individually or in the aggregate, will have a material adverse impact on our financial position, liquidity or results of operations.

### Item 1A. Risk Factors.

We refer you to documents filed by us with the SEC, specifically "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017, which identify important risk factors that could materially affect our business, financial condition and future results. We also refer you to the factors and cautionary language set forth in the section entitled "Cautionary Statements Regarding Forward-looking Statements" in "Item 2. Management's Discussion and Analysis of Financial Conditions and Results of Operations" of this Quarterly Report on Form 10-Q. This Quarterly Report on Form 10-Q, including the accompanying Financial Statements, should be read in conjunction with such risks and other factors for a full understanding of our operations and financial condition. The risks described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 and herein are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or operating results. The risk factors included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 have not materially changed.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

**Issuer Purchases and Withholding of Equity Securities**

| | | Total Number of Shares Purchased (1) (in thousands) | Average Price per Share (2) |
|---|---|---|---|
| **Tax Withholdings** | | | |
| | 7/1/18 - 7/31/18 | 0.4 | $ 7.47 |
| | 8/1/18 - 8/31/18 | 0.4 | $ 7.63 |
| | 9/1/18 - 9/30/18 | 0.4 | $ 8.17 |
| **Total** | | 1.2 | $ 7.76 |

(1) Represents the shares of common stock that were withheld from restricted stock awards to satisfy the minimum applicable tax withholding obligations incident to the vesting of such restricted stock awards. There are no limitations on the number of shares of common stock that may be withheld from restricted stock awards to satisfy the minimum tax withholding obligations incident to the vesting of restricted stock awards.

(2) Represents the average price per share of common stock withheld from restricted stock awards on the date of withholding .

### Item 3. Defaults Upon Senior Securities.

None.

### Item 4. Mine Safety Disclosures.

Not applicable.

### Item 5. Other Information.

None.

**Item 6. Exhibits**

| Exhibit Number | Description |
|---|---|
| 31.1* | Certification of Michael D. Rumbolz, President and Chief Executive Officer of Everi Holdings Inc. in accordance with Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2* | Certification of Randy L. Taylor, Chief Financial Officer of Everi Holdings Inc. in accordance with Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1** | Certification of Michael D. Rumbolz, President and Chief Executive Officer of Everi Holdings Inc. in accordance with 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2** | Certification of Randy L. Taylor, Chief Financial Officer of Everi Holdings Inc. in accordance with 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS* | XBRL Instance Document. |
| 101.SCH* | XBRL Taxonomy Extension Schema Document. |
| 101.CAL* | XBRL Taxonomy Extension Calculation Linkbase Document. |
| 101.DEF* | XBRL Taxonomy Extension Definition Linkbase Document. |
| 101.LAB* | XBRL Taxonomy Extension Label Linkbase Document. |
| 101.PRE* | XBRL Taxonomy Extension Presentation Linkbase Document. |

* Filed herewith.

** Furnished herewith.

## SIGNATURES

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

| | | |
|---|---|---|
| **November 6, 2018** | | **EVERI HOLDINGS INC.** |
| (Date) | | (Registrant) |
| | By: | /s/ Todd A. Valli |
| | | Todd A. Valli |
| | | Senior Vice President, Corporate Finance and Chief Accounting Officer |
| | | (For the Registrant and as Principal Accounting Officer) |

**Exhibit 31.1**

**Certification of Principal Executive Officer**
**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**

I, Michael D. Rumbolz, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Everi Holdings Inc.;

2. Based on my knowledge, this Quarterly Report on Form 10-Q 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 Quarterly Report on Form 10-Q;

3. Based on my knowledge, the financial statements, and other financial information included in this Quarterly 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 Quarterly Report;

4. The registrant's other certifying officer(s) 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 Quarterly Report on Form 10-Q 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 Quarterly Report on Form 10-Q our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Quarterly Report on Form 10-Q based on such evaluation; and

   d) Disclosed in this Quarterly Report on Form 10-Q any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) 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.

Dated: November 6, 2018 By: /s/ Michael D. Rumbolz

Michael D. Rumbolz
President and Chief Executive Officer

**Exhibit 31.2**

**Certification of Principal Financial Officer**
**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**

I, Randy L. Taylor, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Everi Holdings Inc.;

2. Based on my knowledge, this Quarterly Report on Form 10-Q 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 Quarterly Report on Form 10-Q;

3. Based on my knowledge, the financial statements, and other financial information included in this Quarterly 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 Quarterly Report;

4. The registrant's other certifying officer(s) 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 Quarterly Report on Form 10-Q 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 Quarterly Report on Form 10-Q our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Quarterly Report on Form 10-Q based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) 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.

Dated: November 6, 2018 By: /s/ Randy L. Taylor

Randy L. Taylor
Chief Financial Officer

**Exhibit 32.1**

**EVERI HOLDINGS INC.**
**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350**
**AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the periodic report of Everi Holdings Inc. (the "Company") on Form 10-Q for the period ended September 30, 2018 as filed with the Securities and Exchange Commission (the "Report"), I, Michael D. Rumbolz, President and Chief Executive Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

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

This Certification has not been, and shall not be deemed, "filed" with the Securities and Exchange Commission.

Dated: November 6, 2018 By: /s/ Michael D. Rumbolz

Michael D. Rumbolz
President and Chief Executive Officer

**Exhibit 32.2**

**EVERI HOLDINGS INC.**
**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350**
**AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the periodic report of Everi Holdings Inc. (the "Company") on Form 10-Q for the period ended September 30, 2018 as filed with the Securities and Exchange Commission (the "Report"), I, Randy L. Taylor, Chief Financial Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

This Certification has not been, and shall not be deemed, "filed" with the Securities and Exchange Commission.

Dated: November 6, 2018 By: /s/ Randy L. Taylor

Randy L. Taylor

Chief Financial Officer