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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Churchill Downs Incorporated 2018 Third Quarter Earnings Conference Call. (Operator Instructions) As a reminder, this conference call is being recorded.

I'd now like to introduce your host for today's conference, Mr. Nick Zangari, Vice President, Treasury and Investor Relations.

Nick Zangari - *Churchill Downs Incorporated - VP of Treasury, IR & Risk Management*

Thank you, Ashley. Good morning, and welcome to our 2018 third quarter earnings conference call. After the company's prepared remarks, we will open the call for your questions. The company's 2018 third quarter business results were released yesterday afternoon. A copy of this release announcing results and other financial and statistical information about the period to be presented in this conference call, including information required by Regulation G, is available at the section of the company's website titled News located at churchilldownsincorporated.com as well as in the website's Investors section.

Before we get started, I would like to remind you that some of the statements that we make today may include forward-looking statements. These statements involve a number of risks and uncertainties that could cause actual results to differ materially. All forward-looking statements should be considered in conjunction with the cautionary statements in our earnings release and the risk factors included in our filings with the SEC, specifically the most recent report on Form 10-Q and Form 10-K. Any forward-looking statements that we make are based on assumptions as of today, and we undertake no obligation to update these statements as a result of new information or future events.

During this call, we will present both GAAP and non-GAAP financial measures. A reconciliation of GAAP to non-GAAP measures is included in today's earnings press release. The press release and Form 10-Q are available on our website at churchilldownsincorporated.com.

And now, I'll turn the call over to our Chief Executive Officer, Mr. Bill Carstanjen.

William C. Carstanjen - *Churchill Downs Incorporated - CEO & Director*

Thanks, Nick. Good morning, everyone. With me today are several members of our team, including Bill Mudd, our President and Chief Operating Officer; Marcia Dall, our Chief Financial Officer; and Brad Blackwell, our General Counsel.

As indicated in our third quarter earnings release, net revenues were up 12% and adjusted EBITDA was up 7% over prior year. We had a strong quarter. Marcia will provide details on our results, while I'll focus on several larger strategic initiatives. After we are finished with our comments, we will be happy to take your questions.

We issued a press release yesterday announcing our entry into a definitive agreement to acquire at least 50.1% of the Rivers Casino in Des Plaines, Illinois. Our final ownership percentage will depend on the elections made by several minority partners who may choose to remain a part of our joint venture or exit along with the Clairvest group who is selling to us their entire ownership stake.

We are thrilled to partner with Neil Bluhm and Rush Street Gaming and regard this as an important strategic acquisition for our company. We think we are achieving the following: majority ownership in a best-in-class regional casino asset with significant future upside; opportunity for full participation in the iGaming and sports betting market in Illinois, which is the sixth most populous state if Illinois authorizes these additional forms of gaming; ownership of an asset we believe is well positioned to resist threats from future gaming expansion in the state, if any; an attractive return on our invested capital, which will be immediately accretive to free cash flow and earnings per share; and an excellent competitive position in the casino gaming market we have always valued as we work with the Illinois legislature and executive branch to determine the future of our Arlington Park racetrack nearby in Arlington Heights, Illinois.

Generally, we've been reluctant to engage aggressively in pursuing regional casino acquisitions thus far in 2018 because multiples are high comparatively. However, this asset is one of the few we especially valued for the reasons that I just noted and because Neil Bluhm and his organization would be our partner. We deeply respect his organization's business and political acumen, and it was critical to our analysis that he wanted to keep his ownership participation and involvement going forward.

Our next topic is the press release we issued after this week's board meeting addressing our 2019 dividend, our board's authorization of a new share repurchase program and our board's approval of a 3-for-1 stock split. Marcia will comment on the specifics, particularly the stock split, but I wanted to make a couple of remarks. A 7% dividend growth rate is consistent with our view of our sustainable organic growth in free cash flow and financial performance. We believe the markets view us as a growth stock, which is how we view ourselves, but our investors also appreciate our consistent practice of paying and growing our dividend.

With respect to the board's authorization of a new $300 million share repurchase program, we continue to believe strongly in our company's long-term prospects and our ability to conservatively finance our growth initiatives. Share repurchases are an important and tax-efficient way to return value for shareholders. Given our low leverage, the volatility we have seen in the market and our belief in the company's underlying potential, the board felt it was prudent to implement an open stock repurchase plan at this time.

Taken together, our dividend policy and share repurchase program reaffirms our commitment to rewarding our shareholders consistently and appropriately without losing our focus on investing in organic growth and pursuing meaningful accretive acquisition opportunities.

Speaking of organic growth opportunities, we opened Derby City Gaming in Louisville in mid-September. This is our $65 million state-of-the-art historical racing machine property with 900 machines. We have been very encouraged by the result in September and through October. Having just opened and with new machines never before deployed in any other jurisdiction, we are a long, long way from maturity in the Louisville market, and we are excited for what is to come.

Staying in Kentucky for a moment, we learned earlier this week that the Kentucky Horse Racing Commission delayed until late November their final decision date for awarding another racing license and associated historical racing machine opportunity. We have submitted with our partner, Keeneland Association, an application for a conditional racing license to construct a standardbred racetrack and historical racing machine facility in Oak Grove, Kentucky, which is located just off Interstate 24, approximately 55 miles from Nashville. We would expect to spend up to $150 million constructing a facility with up to 1,500 machines and a 125-room hotel among other amenities. If awarded the license, we will open the racetrack in 2019 and the hotel and HRM facility in 2020.

We are progressing through the regulatory and licensing processes to complete our acquisitions of Presque Isle Downs & Casino in Erie, Pennsylvania and Lady Luck Casino Nemacolin in Farmington, Pennsylvania. I received an update from our general counsel last night after his visit with the regulatory authorities. We expect to close early in or at least mid-first quarter 2019. We remind everyone that we are awaiting final regulatory approval. And since the timing for receiving this is not entirely within our control, we offer only our best estimate.

On August 31, we completed our acquisition of the remaining 50% ownership of the Casino at Ocean Downs in Berlin, Maryland from Saratoga Casino Holdings in exchange for our 25% equity interest in Saratoga Casino Holdings. In connection with this swap, we were granted exclusive rights to operate Internet sports betting and iGaming on behalf of Saratoga in New York and Colorado for a period of 15 years. This transaction is the right move for us, and we have been very pleased with the continued growth in top line and adjusted EBITDA at Ocean Downs as a result of the addition of table games this past December and as the team continues to build the customer database and execute its marketing programs. We think this property has plenty of room to grow before it reaches maturity, and we also wanted to obtain Internet gaming rights to New York and Colorado.

With the swap complete, we currently have 7 casino properties, 6 wholly-owned and 1 equity investment in 6 different states. As I noted, we also hope to close soon on Presque Isle Downs as well as Lady Luck Nemacolin. With our announcement yesterday, we will begin the licensing process on Rivers Casino Des Plaines as well. We also now have Derby City Gaming, which I didn't include above, and we should learn later this month whether we can proceed with our Oak Grove proposal. Our portfolio reflects our strategy of acquisitions and greenfield investments in gaming properties we believe will offer stable, predictable cash flows in diverse markets.

We also like states that we believe may ultimately grant access to online casino gaming to their brick-and-mortar casino license holders should it become legal in the relevant jurisdiction. Following the U.S. Supreme Court decision in May overturning the federal ban on sports wagering, we have added sports wagering to the products we expect to offer through our platform in jurisdictions where we are licensed and it is permitted. We are currently pursuing business operations in 3 states where we will offer various forms of online casino or sports.

In Mississippi, where we have our Harlow's and Riverwalk Vicksburg casino, wagering on sports is now permitted in the brick-and-mortar locations, but not outside of the confines of the casino. We launched the sports book at each property in late August. Given wagering is limited solely to the physical location, we viewed Mississippi has an excellent opportunity to test our technology and build our team's expertise before the stakes are raised with more economically significant sports and online market opportunities.

We have been very pleased so far. The September numbers were released by the State of Mississippi, and we thought they reflected well on our performance in our local markets in Greenville and Vicksburg. We have been immediately profitable, nicely so, but are not breaking out these numbers from the larger Casino segment.

In New Jersey, we have entered into what is known as a skins agreement with the Golden Nugget casino to gain access to the New Jersey iGaming and sports wagering markets. We do not have a casino in New Jersey to enter the market directly, but have an arrangement with Golden Nugget, which will allow us full management and control of our own site. We are in the process of obtaining our company and key employee gaming licenses. In addition, our gaming technology partner, SBTech, is in the process of getting their platform licensed. We believe we will be operational in the fourth quarter with a suite of online casino and sports wagering products.

In Pennsylvania, our entry into iGaming and sports wagering will be through Presque Isle Downs. Given we have not closed yet, we've worked cooperatively with Eldorado to submit for licenses to conduct online slots and table games. We are not interested in pursuing a poker license in Pennsylvania at this time. We are also very interested in sports wagering and will file for that license when we have clarity on our transaction closing date. It is worth noting that a sports wagering license would allow a brick-and-mortar sports book at Presque Isle Downs as well as an online offering available throughout the state.

As we have discussed previously, our TwinSpires team will be responsible for running our online wagering business utilizing the SBTech platform. Our TwinSpires team includes strong talent from iGaming markets outside of the United States with deep experience in sports wagering and online casino products. I'm not going to give you an estimate of market sizes or market share we might obtain over time. We will be operational soon enough, and that will begin to sharpen expectations. Given we have outsourced technology, while already building a team with significant iGaming capabilities, the cost of entry is relatively modest for us, and we have been thoughtful in our approach to working with vendors and market access partners to preserve as much upside for ourselves as practicable.

As many of you know, this is a big weekend for Churchill Downs Racetrack. We are excited to have the Breeders' Cup back in Louisville. We last hosted the event in 2011. To remind some of our investors who may not be well-versed in U.S. and international thoroughbred horseracing beyond the activities of our own tracks, the Breeders' Cup consists of 14 Grade 1 championship races across a variety of different categories held over 2 days. The event is owned by a nonprofit and generally moves to different tracks every year.

The economics for us associated with Breeders' Cup are not comparable to the Kentucky Derby, and while Churchill Downs Racetrack certainly is fairly compensated for the event, I caution our investors that the impact from hosting it is not material to our financials for the fourth quarter. It will still be a wonderful 2 days for our fans, our community and our team members, and it is an excellent opportunity to create new fans for our flagship track and for TwinSpires.com, which is the official wagering partner of the Breeders' Cup.

A few final thoughts. With significant flexibility because of both our cash flow and low leverage, we are reinvesting in our current businesses where appropriate and pursuing strategic opportunities that we hope will create increased long-term shareholder value, while maintaining capacity for dividend growth and opportunistic share repurchases. We've done this for a while and plan to continue to be thoughtful stewards of our shareholders' capital and assets.

Now I'd like to turn the call over to Marcia to provide some additional details on the third quarter. After that, we will answer any questions that you have. Thank you. Marcia?

Marcia Ann Dall - *Churchill Downs Incorporated - Executive VP & CFO*

Thanks, Bill, and good morning, everyone. As Bill said, I will provide additional details on our third quarter earnings and a few additional thoughts on our capital management actions.

Overall, we are pleased with our third quarter results. We reported net revenue from continuing operations of $221 million, up $24 million or 12% compared to the prior year quarter, primarily from the consolidation of Ocean Downs, continued strong net revenue growth at nearly all of our wholly-owned casino properties and the opening of Derby City Gaming. Adjusted EBITDA from continuing operations was $62 million, up nearly $4 million or 7% compared to the prior year quarter, primarily driven by the continued strong performance of our casino properties.

Turning to our racing segment for the third quarter. Our racing segment adjusted EBITDA was down $2.9 million compared to the prior year quarter due to a number of smaller items. $1.2 million of the decrease was driven by onetime maintenance and timing of other expenses as well as $400,000 from the impact of revenue recognition under ASC 606 at Churchill Downs. Fair Grounds Race Course also was down $800,000 due to higher franchise taxes and other expenses. And Arlington was down $500,000 due to lower revenues from poor weather during the race meets in third quarter.

Turning to TwinSpires. TwinSpires adjusted EBITDA was up $500,000 compared to the prior year quarter, primarily driven by growth in handle, which was partially offset by increased content expenses. TwinSpires' handle was up 1% for the quarter compared to the prior year, which was comparable to the industry growth rate of just under 1% for third quarter.

It will be helpful to understand a couple of things that we believe are responsible for the lower handle growth for the industry and for TwinSpires.

First, industry growth slowed from a 5.5% growth rate in the first half of the year to just under 1% during the third quarter. We believe this is mainly attributable to a calendar shift of premium content from third quarter into second quarter this year. In addition, we had one fewer weekend day this year than last, which were the highest producing days.

From a TwinSpires perspective, we believe there are a couple of drivers of the handle growth slowing from 15% year-over-year through the first half of the year to 1% in the third quarter. First, we closed the BetAmerica acquisition in April of last year, so we are not getting the additional lift in the third quarter of this year from the BetAmerica acquisition. Second, we've had a few large players burnout or defect for larger rebates. While we are glad to have those large players as customers, we do not chase them when they -- if it does not make sense economically. Our focus is on acquiring and growing our unique players during the premium content weekends like the Kentucky Derby and the Breeders' Cup.

We are hosting the Breeders' Cup at Churchill Downs Racetrack this Friday and Saturday, which will combine 2 iconic brands in the horseracing industry and provides a unique opportunity outside of the Kentucky Derby and Triple Crown season to introduce both the casual and new fans to TwinSpires. We then work to move these customers through the life cycle of big event players to casual players, and ultimately, to core players. In third quarter, we continue to be successful in this regard with unique players increasing 10.5% compared to the prior year.

Turning to our Casino segment. Our Casino segment grew nearly 16% and contributed $6.2 million in adjusted EBITDA growth in third quarter versus the prior year quarter. Our wholly-owned casinos, including Ocean Downs results for the quarter, delivered over $6.7 million of growth. Our equity investments were down $500,000 as the continued success at Miami Valley Gaming in the quarter from their gaming floor expansion was more than offset by the decrease due to the swap of the equity interest in Saratoga as part of the Ocean Downs and Saratoga transaction.

Regarding the growth from our wholly-owned casinos. Ocean Downs has continued to see growth quarter-over-quarter from the expansion of their gaming floor and the addition of table games at the end of 2017. Our Calder Casino benefited from the addition of a smoking patio and from customer retention following the closure of a nearby competitor beginning near the end of 2017 and lasting through May of 2018. And our Oxford Casino continue to benefit from the opening of its hotel and expanded gaming floor.

Reported net income was $56.3 million in the second quarter, up $39.6 million compared to the prior year quarter, driven primarily by the book gain related to the Ocean Downs and Saratoga transaction. As Bill mentioned, we've closed the swap of our 25% equity interest in Saratoga's New York and Colorado properties for the remaining 50% ownership of the Ocean Downs casino on August 31, 2018. As a result, we've recorded a book gain of $54.9 million or $42.3 million net of tax on the transaction. Due to the structure of this transaction through a partial liquidation of the SCH entity, we only recognized approximately $100,000 of cash tax gain on the transaction.

Diluted earnings per share was $4.12, up $3.04 over the prior year quarter, reflecting the book gain related to the Ocean Downs and Saratoga swap, net income growth and a 1.8 million reduction in the weighted average of shares outstanding due to share repurchases in the first quarter of 2018. Our adjusted net income was $21.9 million, up $8.3 million or 61%, reflecting the growth in income from our continuing operations, our lower corporate tax rate and excluding the gain recorded from the Ocean Downs and Saratoga swap as well as other transaction and preopening costs. We've included a supplemental schedule in our press release with a reconciliation to help you better understand the core continuing operating results.

Turning to cash flow, we had a $135 million of cash flow from operations through the third quarter, down $32 million from the prior year due to the reduction in cash flow as a result of the sale as well as the taxes paid on the gain from the sale of Big Fish in January of 2018. Excluding the impact of the sale of Big Fish, our cash flow from operations through the third quarter was up $32 million, driven predominantly by strong adjusted EBITDA growth year-to-date.

Turning to capital, we spent $6.2 million on maintenance capital in third quarter, which was down $2.6 million from the prior year, primarily due to timing. Regarding project capital for the quarter, we spent approximately $47 million in the third quarter, of which approximately 75% related to the build-out of Derby -- of the Derby City Gaming historical racing machine facility in Louisville. The remaining balance related primarily to work on the west parking lot and other capital improvements at Churchill Downs Racetrack.

We anticipate spending approximately $30 million on project capital in the fourth quarter of 2018. We estimate that approximately $15 million of this project capital will be spent at Churchill Downs Racetrack to complete the parking lot project, build the Starting Gate's rooftop area, extend the colonnade and build the infield gate. And approximately $10 million will be used to pay the remaining accrued invoices on the new Derby City Gaming facility. The remaining $5 million of project capital will relate to final project spending on additional smaller investments at our casino properties.

As Bill discussed briefly, our board approved 3 capital-related decisions. First, the board authorized a 2019 dividend of $1.63 for the holders of record on December 7, 2018, to be paid on January 4, 2019. This represents a 7.2% increase over the dividend paid in January of 2018, and it's the eighth consecutive year we have increased dividends.

Second, the board authorized a $300 million share repurchase program. Our dividend and share repurchase program reflects our commitment to returning capital to our shareholders, when we do not have alternative investment options that are better investments. And third, the board approved a 3-for-1 stock split, reflecting their belief and ours in the long-term growth potential of our company. Our stock price has grown significantly over the past few years as our operations have expanded and grown. We believe the stock split has the potential to increase the transparency and liquidity of our stock. The board also approved, under the Kentucky statute, a proportionate increase to the authorized shares of the company in conjunction with the stock split.

We remain very modestly leveraged at 2.3x net leverage, which gives us significant capacity for strategic investments to support organic growth, acquisitions, dividends and share repurchases over the coming years. We are excited about the opportunity to acquire material shares of Rivers Casino in Des Plaines, Illinois, which is recognized as one of the best casino assets in the United States. Given our low leverage, we are able to make the strategic investment, while also continuing to invest in additional projects at Churchill Downs Racetrack and our other properties and also execute a share repurchase program.

With that, I'll turn the call back over to Bill so that he can open the call for questions. Bill?

William C. Carstanjen - *Churchill Downs Incorporated - CEO & Director*

Thanks, Marcia. Okay, everyone, I think, we're ready for your questions. So fire away.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question comes from the line of David Katz with Jefferies.

Erik Steven Hellquist - *Jefferies LLC, Research Division - Equity Associate*

This is Erik Hellquist on for David Katz. Congrats on the announcements. So I just want to touch on a few things. So as far as the transaction goes, can you just talk about some of the strategic benefits of engaging with Rush Street, whether it be in Illinois or elsewhere? Just talk about kind of the rationale behind the partnership.

William C. Carstanjen - *Churchill Downs Incorporated - CEO & Director*

Sure. I'm happy to do that. I think you started off by hitting the nail on the head. I think with respect to Illinois, Rush Street Gaming has a history of performance and a great understanding of the state from a regulatory and legislative perspective. So I think as we look forward to things like online wagering or sports wagering, I couldn't imagine a better partner to shape the perspective of the state to maximize that opportunity. And of course, our arrangement with Rush Street Gaming is only with respect to Illinois. But certainly their track record outside of the state is also really, really impressive, and it's been great getting to know them and learning about their perspective on some of these other markets and what they see the opportunities for casino gaming, both in the United States and beyond. So it's just been -- it's been nice to learn their perspective and get to know them better. But we don't have any arrangement with them beyond Illinois in the transaction we announced today -- or announced yesterday.

Erik Steven Hellquist - *Jefferies LLC, Research Division - Equity Associate*

Right. And as far as iGaming goes, so it seems -- I think it's fair to say that the company is more constructive on Internet gaming than most others. Can you talk about what you think that competitors may be overlooking in the Internet gaming space?

William C. Carstanjen - *Churchill Downs Incorporated - CEO & Director*

Well, I'm always really careful on these calls to not delve too deeply into what competitors are doing or what they're thinking about because, largely, I can only tell -- what I know about them is what I see. So we focus on how we look at the markets. And certainly, as we look at the U.S. environment, we were pretty sure it's going to roll out in a vulcanized fashion state-by-state with the regulatory and legal environment, determined by state authorities instead of a federal solution. It seems pretty clear at this point that that's the environment we're dealing with. And then we take each market one by one to analyze how we feel about it. And certainly, our perspective on different markets has been influenced by our performance in those markets with our TwinSpires business. But also our perspective on different states and then the market as a whole in the U.S. is influenced by what we've seen in Europe and elsewhere in the world in terms of performance of products and how the performance in markets ties to population and to wealth in those markets. So we try to take as much of -- or develop as much of a 360-degree view as we can of what to expect, but we start with a state-by-state analysis. And certainly, not all states are equal. They differ by population, they differ by regulatory philosophy, they differ by wealth. So it's a bit of a complex mosaic, but it's one we spent a lot of time on. And we believe long term, just as we've seen in Europe, there's a lot of opportunity as markets open.

Erik Steven Hellquist - *Jefferies LLC, Research Division - Equity Associate*

Great. And then just one last question for me. Can you talk a little bit more about how you see Derby City shaping up since the opening?

William C. Carstanjen - *Churchill Downs Incorporated - CEO & Director*

I'm going to start on that, but also offer the floor to my colleague, Bill Mudd. He might have something he wants to add to it. For me, one of the exciting things about a greenfield in Louisville is we know we're a long way from maturity in the product we just rolled out, and yet we rolled out a product that performed very, very well to start with. So while Louisville does have competition in the market, it doesn't happen to be in the city, it's across the river on the Indiana side. It's not a mature market because there hasn't been a fully developed market. So we think there's lots of room to grow the top line in this jurisdiction. And of course, we rolled out a product that's never been rolled out before, and that's our version of historical racing machines. So we have a lot to learn on that. There's a lot of improvement, and there's a lot of explanation and development with our customer base to grow their understanding and appetite for the product. So from my perspective, what's most exciting about it is that it opened as strongly as it did, recognizing that both the product itself, the machines we rolled out and the market itself is a long way for maturity. So super-high picture, I was pretty excited about the strength of the opening because I know better things are to come. Bill, do you have anything you want to add?

William E. Mudd - *Churchill Downs Incorporated - President & COO*

Yes. Within that whole lot, Bill, I think you hit the nail on the head. The other thing I would say is, to Bill's point, this is -- these are 70 new titles we opened with. There's not a familiarity in the market with what a historical horseracing product is. So we had to educate our customer base. We do have a great advantage in our location vis-à-vis the competition. We don't have maybe the diversity of product in the floor. We're working on more product to bring to the floor. But I think the customers that have been there and tried it, they really like it. They are coming back. We're building the database every day, and there's a long way to maturity on this, probably longer way to maturity on this product than there would be on a natural casino. We do have some disadvantages in that we don't have table games, we don't have a golf course or steakhouse or hotel. But I'm very proud of the facility the team has built and the service we're delivering our customers. And I think at the end, we're going to continue to grow this thing every single day. And the more we're out there and the more people try it, the more they're going to come back. So I couldn't be happier thus far.

Operator

And our next question comes from the line of Dan Politzer with JPMorgan.

Daniel Brian Politzer - *JP Morgan Chase & Co, Research Division - Analyst*

I was hoping we could talk a little bit about the multiple for the Rivers Casino in Des Plaines. I know it's -- at 11.25x on a trailing basis, at least, it's a little bit of a premium relative to some of your recent regional gaming acquisitions. So I was hoping you could kind of opine on that. And is there -- given Rush Street is still going to manage the property day-to-day, I guess, are there any opportunities for synergies or operational improvements given that you're partnering with them now?

William C. Carstanjen - *Churchill Downs Incorporated - CEO & Director*

Sure. Let me take those questions in order. First, I've remarked in my comments that we kept a careful eye on casino multiples in general because they've been going up over the last couple of years and you saw it with Centaur and with the Yonkers transactions. I think both of those where north of 12x. And historically, that's pretty high. 11.2-or-so that we're paying here is a pretty high multiple, and it's certainly a higher multiple than you've ever seen us pay for an asset before. And generally, you won't see us do that. This was just a particularly special asset. It's one that we've really coveted since it opened, and I think we saw it coming -- as Rush Street Gaming won the license all those years ago, we saw it coming and saw what it was going to be. So I laid out earlier in my comments some of the factors that I thought made this particular asset special and we're paying for. I would say, in general, though, without citing every one of those factors -- I'll cite a few, but without citing every one of them, I'd say in general, this one was special for us. And because of that, we were willing to go up in price. Illinois, with its -- with the potential over time for iGaming and sports betting, we think it's just a really important market to have unfettered access to sixth most populous state, and it's a wealthy state. So we really, really thought this market was important for that perspective, the location of this asset in the Chicago land region, with the population dynamics. And we think there are elements that will protect this property if there is ever an expansion of gaming. All led us, from both an offensive and defensive perspective, to conclude that this was a long-term winner, one of sort of the crown jewels of regional gaming that you can find in the United States and one of the few instances where it was worth us paying more than what you would see us typically pay for a casino asset.

Daniel Brian Politzer - *JP Morgan Chase & Co, Research Division - Analyst*

Got it. And I mean -- go ahead, sorry.

William C. Carstanjen - *Churchill Downs Incorporated - CEO & Director*

No, go ahead. You had a follow-up question.

Daniel Brian Politzer - *JP Morgan Chase & Co, Research Division - Analyst*

I was going to kind of follow up. I mean, you mentioned Yonkers and Centaur and I know both of those transactions included a REIT. So the multiple is obviously a little bit higher. I mean, as you kind of go forward and think about the M&A environment and where multiples are, is this something you would consider looking ahead? Or is this kind of you guys have a hard line on we're not going to go to REIT for the financing because of your balance sheet being in relatively healthy condition?

William C. Carstanjen - *Churchill Downs Incorporated - CEO & Director*

So I don't mean to rephrase the question, but I just want to make sure I understand it, Dan. Ultimately, would we consider a REIT structure for acquiring assets? Would this ever occur?

Daniel Brian Politzer - *JP Morgan Chase & Co, Research Division - Analyst*

Yes. Yes. I mean, it's -- right. Because the other 2 transactions with those multiples you called out utilized that. That's the only reason I'm kind of wondering.

William C. Carstanjen - *Churchill Downs Incorporated - CEO & Director*

Generally, we're not looking to partner with REITs in the acquisition of assets generally don't see -- without being negative, I don't see any positive reasons to do that. I don't see why -- what there would be in it for us to do something like that. But I think I would say that having been around for quite a long time at this point of my career and having always been involved in M&A from the very beginning, every year, every -- any period of time that you can see in the horizon, you always ought to revisit all of your assumptions and make sure that the assumptions that you have continue to remain true. So I think one thing that was a nice reminder for our shareholder base and for us when we did -- when we signed up this -- Rivers Casino Des Plaines is that we're willing to continue to work in partnerships, that we're willing to look at larger assets when we see a strategic rationale, when we see an economic return that we're sure is there. When we see an attractive return on our invested capital, that will get our attention. When we like the free cash flow, that will get our attention. And when we see a strategic reason or series of strategic reasons that might cause us to vary from our hard and fast rules, we'll take a look at that in most circumstances to see what's right for our company. So generally, the REIT transactions have not been of interest to us, but you never know. You never know. It's a different world out there now with iGaming potentially on the horizon in lots of states. So never say never. We'll keep a clear eye. And hard and fast rules are made to be broken under some circumstances, but only after a very, very careful consideration. And I think that's probably as good an answer as I can give you to that general question at this point.

Daniel Brian Politzer - *JP Morgan Chase & Co, Research Division - Analyst*

No. I think that's really good color. I appreciate it. And just one last one. How -- is it fair to interpret this transaction as a shift in how we should be thinking or how you guys think about your ownership of Arlington given relative proximity to the property?

William C. Carstanjen - *Churchill Downs Incorporated - CEO & Director*

I think that's a fair question. But the answer to that question is there is no change in Arlington Park at this time. Certainly, that's a jurisdiction where we've watched our horseracing business decline over time in Illinois, despite the presence of an absolute fantastic team and an extremely supportive local community. But the structure of Illinois racing has not been advantageous versus other states. And because of that, Illinois racing in general has suffered. So we work for the shareholders of Churchill Downs. That's our job as a management team. We'll continue to evaluate what's best for Arlington Park and what's best for Churchill Downs over the long term. But certainly, it was important for us to have a long-term presence in Illinois, where we thought we have access to new products, iGaming, sports wagering, et cetera, that might become available over time. And certainly, Arlington Park is not in those businesses. Arlington Park does not have slots or table games, nor any kind of clear access to additional products, and it was important for us to make sure that we could continue to participate in the Illinois market over time. So we'll keep our eyes focused on what's best for our shareholders and what's best for our community. But ultimately, we didn't want to take any more risk on access to other products in that jurisdiction over time.

Operator

And I am not showing any further questions at this time. I would now like to turn the call back over to Bill Carstanjen for any closing remarks.

William C. Carstanjen - *Churchill Downs Incorporated - CEO & Director*

Thank you. Everyone, thank you for your time today. As always, we appreciate it. We appreciate your investment in our company and your confidence in our company and our management team. We'll do our very best to build our company, to grow our company and generate a return for all of you. So thank you, and we'll talk to you soon.

Operator

Ladies and gentlemen, thank you for participating in today's conference. This does conclude today's program, and you may all disconnect. Everyone, have a wonderful day.
