

# Churchill Downs Incorporated - InvestKY 2009 Equity Investment Conference

Bill Mudd, Chief Financial Officer  
June 4<sup>th</sup>, 2009

# Forward Looking Statements

In addition to historical facts or statements of current conditions, this presentation contains forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements that include projections, expectations or beliefs about future events or results, or otherwise are not statements of historical fact. The actual performance of the Company may differ materially from what is projected in such forward-looking statements. Investors should refer to statements included in reports filed by the company with the Securities and Exchange Commission for discussion of additional information concerning factors that could cause our actual results of operation to differ materially from the forward-looking statements made in this call.

The information being provided today is as of this date only, and Churchill Downs Incorporated expressly disclaims any obligation to release publicly any updates or revisions to these forward-looking statements to reflect any changes in expectations.

This presentation includes “Non-GAAP financial measures” within the meaning of SEC Regulation G. A reconciliation of all Non-GAAP financial measures to the most directly comparable financial measure calculated and presented in accordance with GAAP can be found at:

[http://www.churchilldownsincorporated.com/investors/quarterly\\_results](http://www.churchilldownsincorporated.com/investors/quarterly_results).

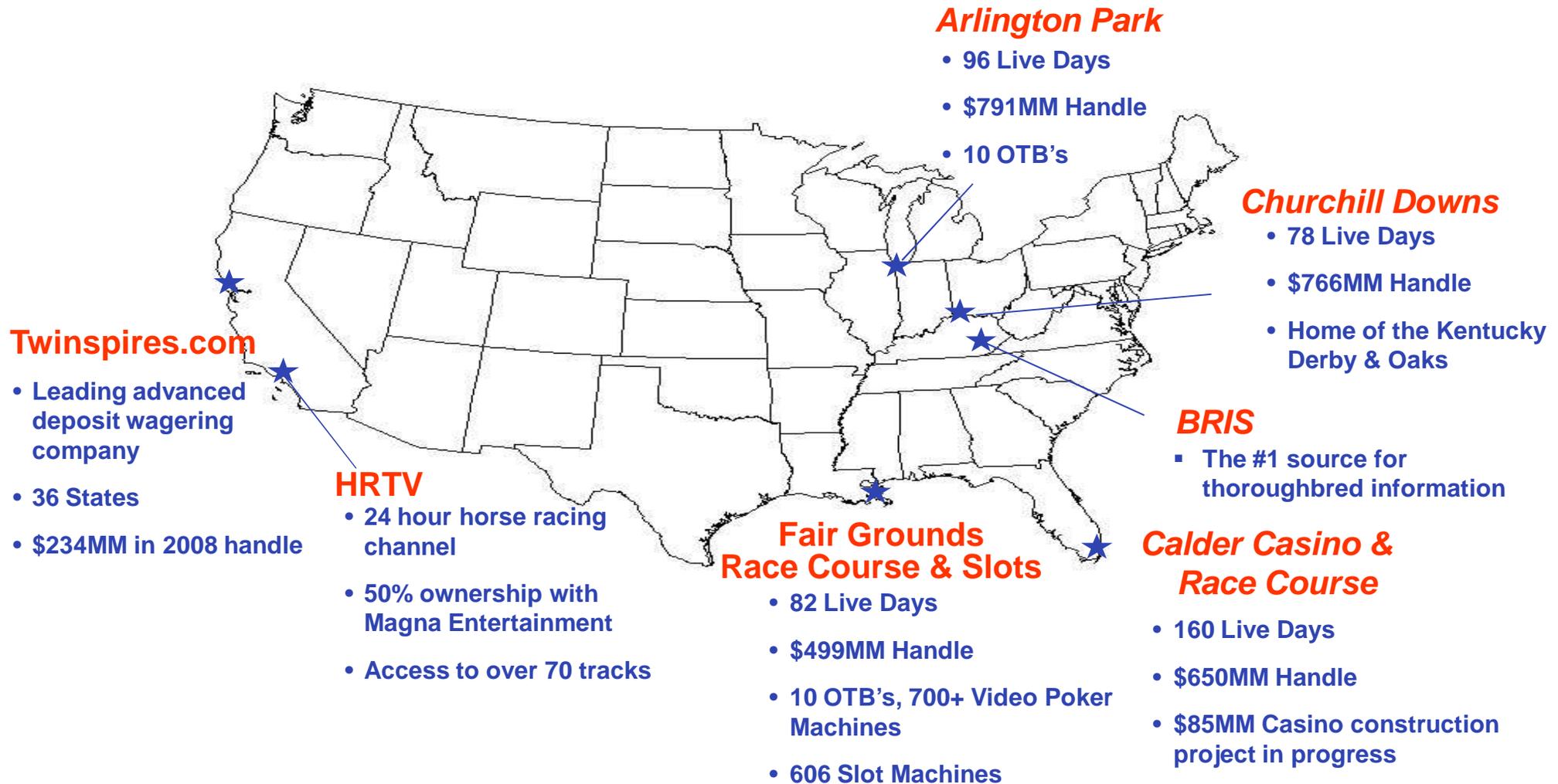
# Agenda

- ❑ Churchill Downs Incorporated Overview
- ❑ Racing: An Industry in Transition & Derby Week Innovations
- ❑ On-Line: Winning with Technology, Marketing, & Data
- ❑ Alternative Gaming: Louisiana & Florida
- ❑ Financials

# Churchill Downs Incorporated Overview

# Who We Are – CDI at a Glance

CDI delivers racing, gaming and entertainment that customers love and that grow the value of our shareholders' investment

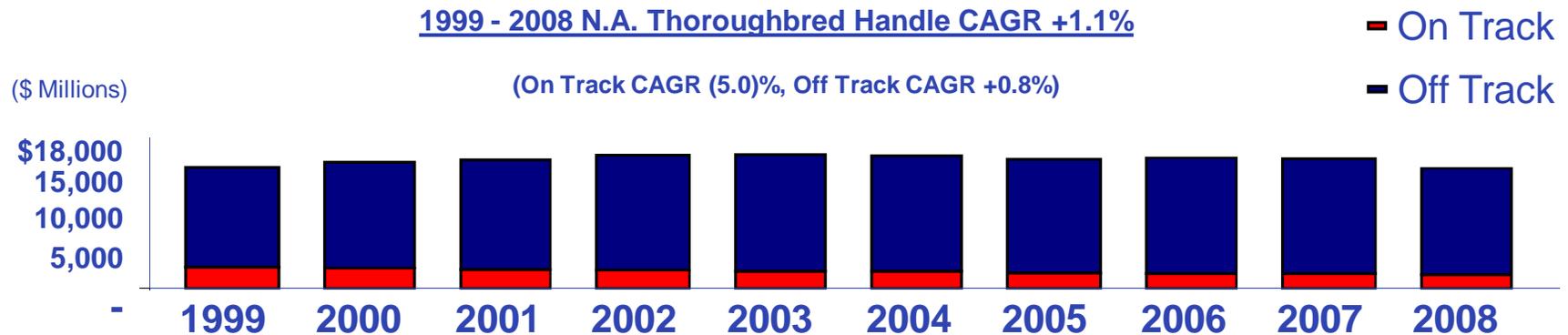


*Our Job is Fun!!!™*

# Racing: An Industry in Transition & Derby Week Innovations

# Racing: An Industry in Transition

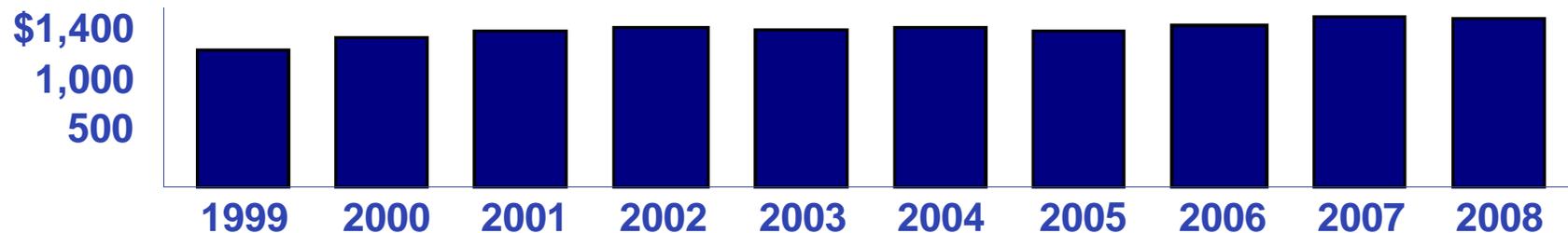
- 10 year Industry Handle is flat, 90% now bet off-track
- On Track Handle down 37% over this period



# Racing: An Industry in Transition

- 10 year Industry Handle is flat, 90% now bet off-track
- On Track Handle down 37% over this period
- **At the same time, Purses have increased driven by Alternative Gaming**

1999 - 2008 N.A. Thoroughbred Purses CAGR +2.2%<sup>-a</sup>



Alternative Gaming Contribution

- Delaware
- Florida
- Iowa
- Louisiana
- Maine
- New Mexico
- New York \*
- Oklahoma
- Pennsylvania
- Rhode Island
- West Virginia
- Indiana
- Maryland \*
- Illinois \*
- Minnesota \* (card rooms)
- Arkansas

Racing Only

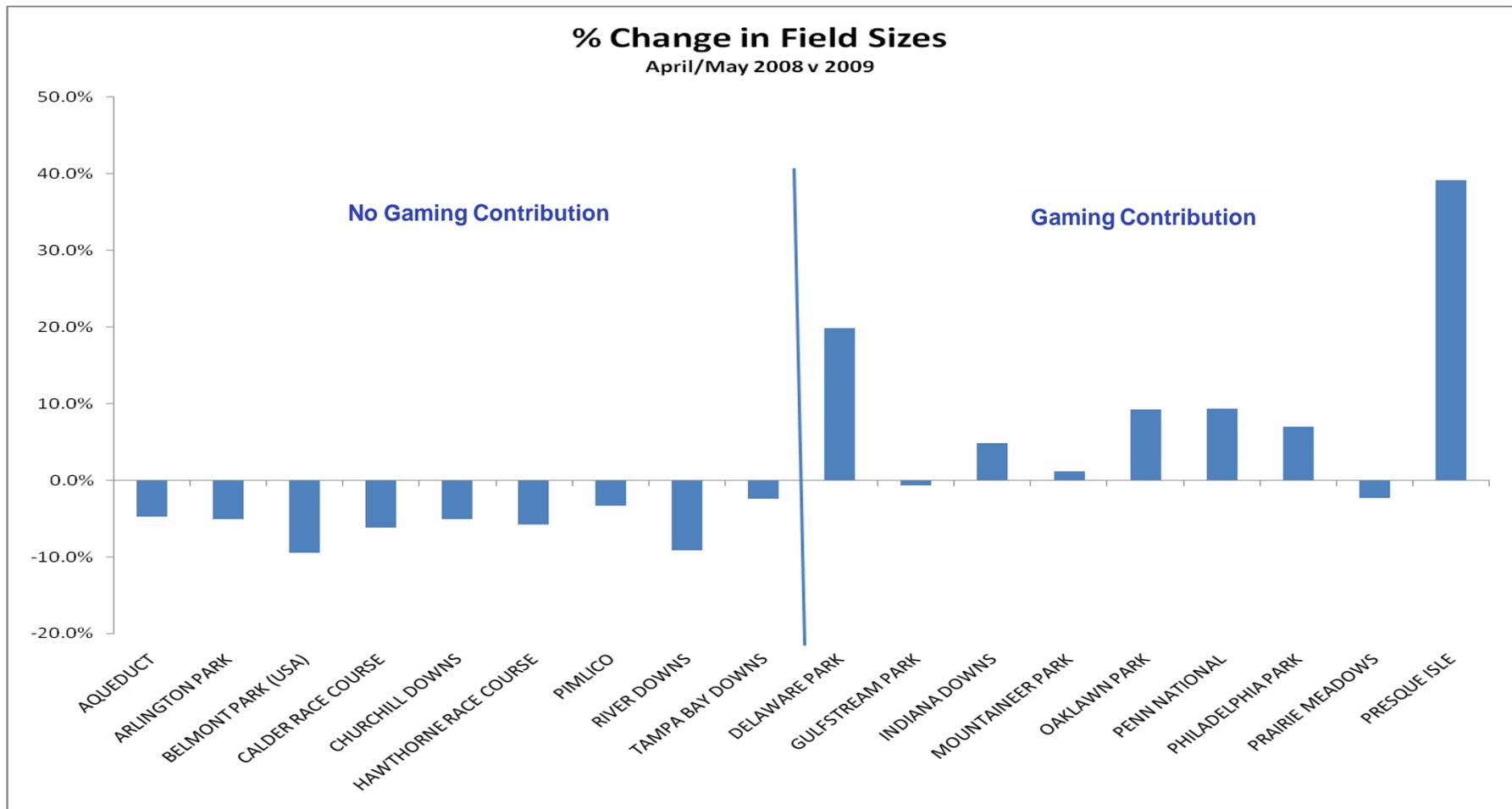
- Kentucky
- Arizona
- California
- Kansas
- Massachusetts
- Michigan
- Nebraska
- Ohio
- Oregon
- Texas
- Virginia

\* Impact not yet recognized

*Alternative Gaming Required to be Competitive...*

# Racing: An Industry in Transition

- Handle generation is highly correlated to field size
- Tracks with purse gaming contributions are seeing an increase in field sizes



# Racing: An Industry in Transition

*Our Competitors are Struggling ...*

## An emotional farewell

## Bay Meadows closes, leaving memories

Larry Stumes, Special to The Chronicle

Monday, August 18, 2008

There were no horses like Seabiscuit, Determine, Round Table, Native Diver, Joe Bess or Lost in the Fog running Sunday on the final day of live racing in the history of the track.

## MEC: Other Assets to be Sold Separately

by Ryan Conley

Date Posted: 3/6/2009 10:05:28 AM

Last Updated: 3/7/2009 4:14:28 PM

Several assets owned by Magna Entertainment Corp. will apparently be sold separately from a \$195-million "stalking horse bid" its parent company has tentatively announced in its 11 bankruptcy filing March 5.

According to a series of "Frequently Asked Questions" documents, the assets being marketed separately by Miller Buckfire & Co., are the Jockey Club (which includes Pimlico Race Course and Laurel Park) and Portland Meadows, among other properties.

Also included in assets not part of the "stalking horse bid" affiliated with Magna are MEC's joint-venture interests with Churchill Downs Media Group.

Miller Buckfire & Co. is described as MEC's financial advisor and "stalking horse bid," which can be topped by a third party in a court auction, including the Jockey Club, Park, Golden Gate Fields, Palm Meadows Training Center, Lone Star Park and the company's advance deposit wagering entity, XpressBet.com.

Friday, September 12, 2008

## NYRA emerges from bankruptcy, new NYRA incorporated

Adam Sichko

Donna Vlahos Abbott | The Business Review

Hayward

[View Larger](#)

The newly reformed New York Racing Association Inc. trumpeted its freedom from bankruptcy today, one day after a federal bankruptcy judge approved the horse racing association's plans to erase its financial troubles.

NYRA was incorporated with the state today, formalizing negotiations over details of a new racing franchise, which state legislators approved in February. NYRA has operated Pimlico Race Course, Belmont Park and Aqueduct since 1955, but it has

AMERICA'S TURF AUTHORITY SINCE 1894



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Hollywood Park | Posted 5/28/2009, 5:20 pm

## Hollywood seeks 4-day week for rest of meet

By Steve Andersen

INGLEWOOD, Calif. - Hollywood Park intends to run four days a week through the conclusion of the spring-summer meeting on July 19, pending approval from the California Horse Racing Board, track president Jack Liebaw said Wednesday.

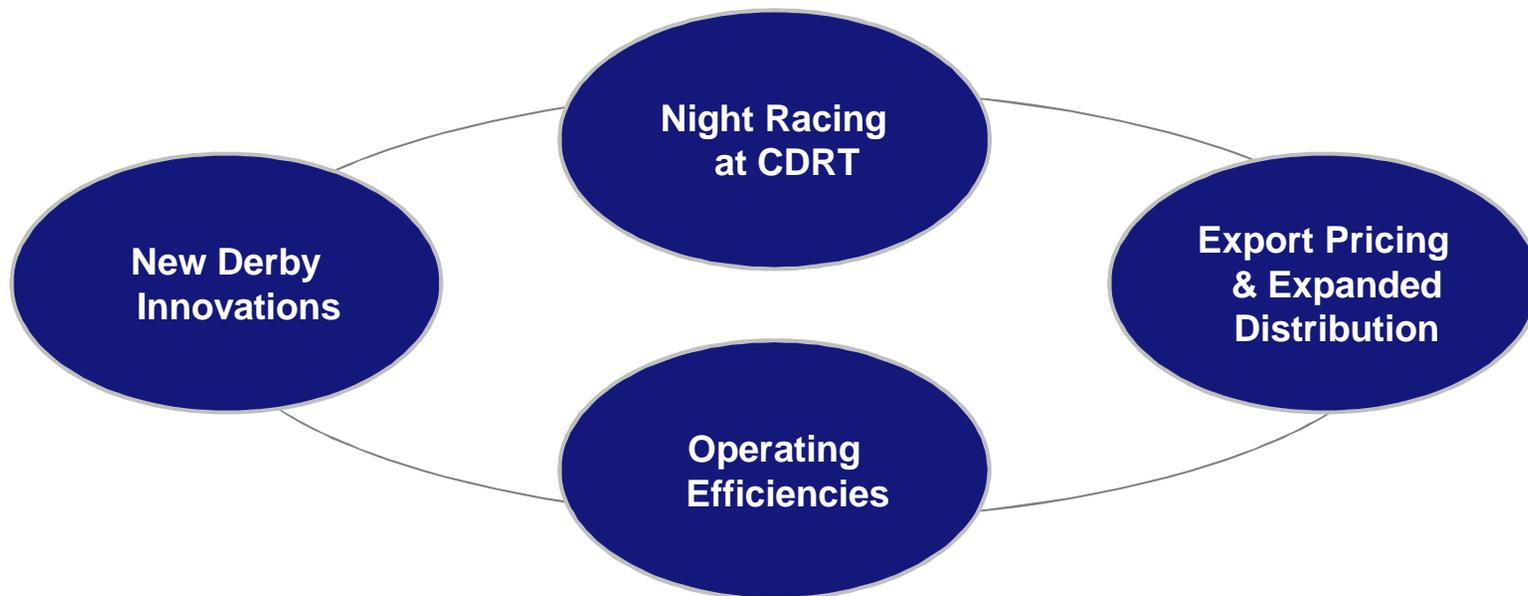
The track will ask the racing board for permission to eliminate racing on five

# Racing: CDI is Well Positioned

## *The Good News ...*

- Fair Grounds... Opened permanent slots facility in November '08
- Calder... Constructing a new \$85MM Facility to open in early 2010
- Illinois & Kentucky... gaming under consideration by the legislature

## *And, We Continue to Focus on Executing New Ideas...*



# Racing: Derby Week Innovations



- Attendance of 104,867 (up 5%) with handle of \$30MM (down 4%)
- Partnership with Susan G. Komen for the Cure
- Survivors Parade and Winner's Circle
- Track-wide "Pink Out"



- First-ever Oaks telecast on Bravo, featuring fashion, food, celebrities, live racing and Nancy O'Dell as host
- "Top Chef" Cooking Demonstrations
- "First Lady of Fashion Contest" carried on Bravo



- Total attendance of 153,563 (down 3%) with a handle of \$156MM (down 5%)
- Mine that Bird and Calvin Borel grace the cover of "Sports Illustrated"
- Derby Barbie
- New Infield Club and Citation Lounge



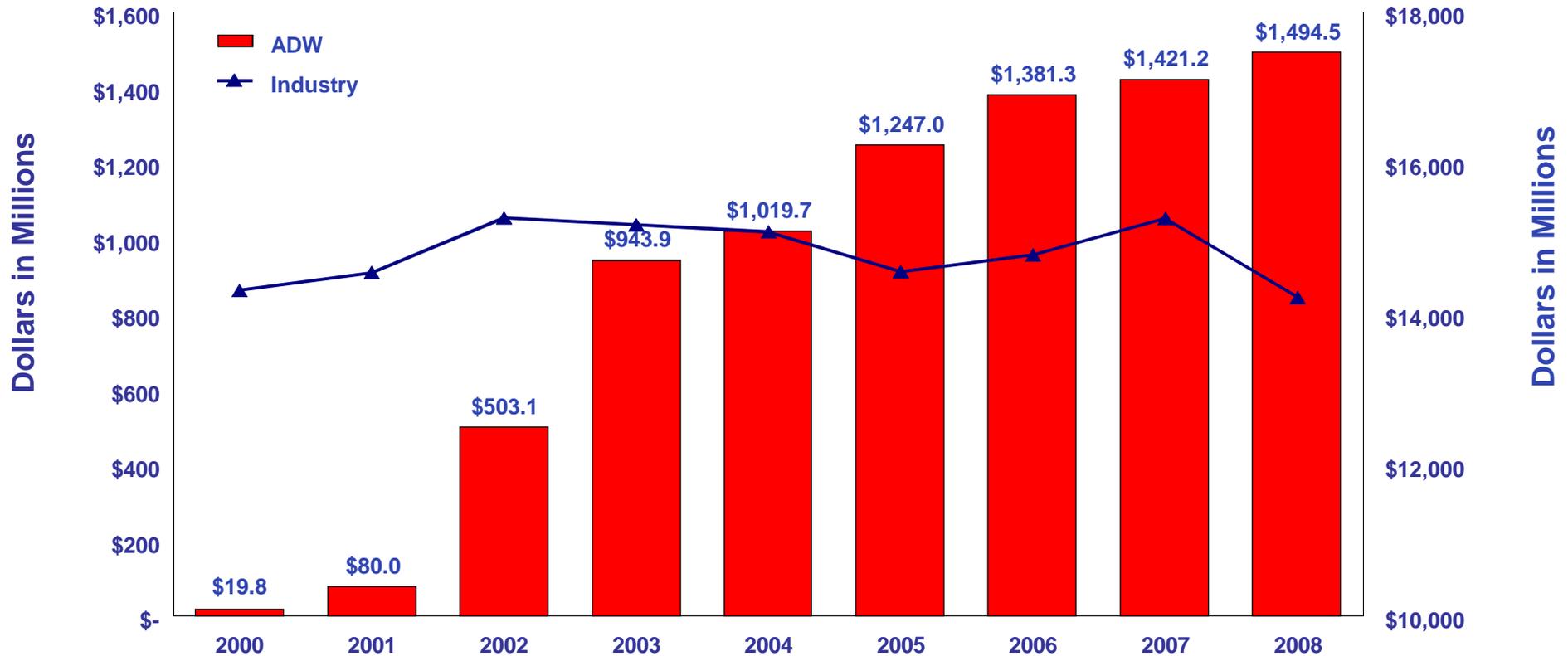
- Highest Derby ratings in 17 years
- Ratings Up 11% vs. 2008
- 3 hours of live coverage Derby Day, including celebrity Red Carpet interviews & the national anthem by LeAnn Rimes
- Full week of Derby party and fashion promotions on the "Today Show"

# On-Line Gaming: Winning with Technology, Marketing, & Data

# ADW Segment Share

## Customers Increasingly Choose to Wager Via ADW Providers

N.A. Thoroughbred Industry - ADW Handle Growth <sup>-a</sup>



- The only channel growing handle in thoroughbred racing... \$1.5B growth in last 9 years
- Customer friendly and convenient... allows wagering from virtually anywhere
- Very Efficient... returns more \$'s to the Track and Horsemen that put on the show than any other export channel

# Technology Differentiator: TwinSpiresTV

The screenshot displays the TwinSpiresTV interface for Belmont Park, Race # 2. The main content area features a video player for the race, with a program table below it. The program table lists the following horses and their odds:

Pg#	Horse	ML	Odds
1	Boowoogeemalia	2/1	SCR
2	Persian Honey	7/2	7/2
3	Spunky	12/1	SCR
4	Fashion Queen	8/1	4
5	Boss Tiffany	3/1	6/5
6	Tide Runner	10/1	4
7	Itobe	6/1	9/2

The 'Up Next' section lists the following races:

TRACK	MTP
River/Thistle - Race 1	OFF
Musselburgh UK - Race 1	OFF
Woodbine T-bred - Race 2	5
Finger Lakes - Race 3	5

- ❑ “My OTB” - wager & watch! from virtually anywhere
- ❑ Watch up to five live tracks at once; access simulcast feeds across most tracks
- ❑ Wagering, Program & Handicapping information synchronized with Video
- ❑ Integrated BRIS handicapping data
- ❑ Ability to display races in 16:9 format

# Technology Differentiator: Mobile Wagering

twinspires mobile <sup>beta</sup>

not a twinspires.com member? [join today](#)

start

view demo

faq

support

experience the thrill of racing through your phone or pda anytime



visit [m.twinspires.com](http://m.twinspires.com) with your web-enabled phone or pda to place wagers, view live racing video\*, real-time racing information, program changes, results and more.

*\*live video is currently only available on Windows® mobile devices*

simply browse to:

[m.twinspires.com](http://m.twinspires.com)

or learn more...[view the demo](#)

## features

### NEW live video

TwinSpires mobile now offers live racing video\*, experience the thrill of the race in real-time on your Windows® mobile device.

*\*live video is currently only available on Windows® Mobile Devices*

### mobile freedom

Wager on the best tracks across the country from anywhere wire-less service is provided.

### intelligent wagering

Don't get shut out ever again. Wager anywhere, anytime with TwinSpires' new mobile wagering.

- o real-time racing information
- o program changes
- o easy wagering interface
- o results
- o account balance

[view demo](#)

# Marketing Differentiator: Leveraging the Kentucky Derby Brand

The screenshot shows the website for the 135th Kentucky Derby. At the top, there are navigation tabs for 'KENTUCKY DERBY', 'KENTUCKY OAKS', and 'DERBY PARTY'. Below this is a grid of 20 numbered horse silks, each with a color and pattern, and odds listed next to them. A 'Yum!' logo is visible on the right. A navigation bar at the bottom of the page lists: HOME / RACING INFORMATION / LIFESTYLE & ENTERTAINMENT / NEWS & BLOGS / VIDEO / VISIT / TICKETS / HISTORY / SHOP / FANTASY / BET THE DERBY.

The main promotional banner features the text: 'HOW TO BET THE MOST EXCITING 2 MINUTES IN SPORTS'. Below this, it says 'IT'S THAT SIMPLE. DO IT TODAY AND RECEIVE A \$100 SIGN-UP BONUS.' The banner is divided into three steps:

- STEP 1**: CREATE A TWINSPIRES.COM ACCOUNT
- STEP 2**: FUND YOUR TWINSPIRES.COM ACCOUNT
- STEP 3**: PLACE A BET DOWN ON THE KENTUCKY DERBY

At the bottom of the banner, there is a 'twinspires.com' logo with the tagline 'Where players win.' and a 'CLICK HERE TO BEGIN.' button. Below the banner, there is a 'DERBY TWEETS' section with a quote: 'Kentucky Derby Winner Mine That Bird Back At Churchill, Woolley Begins Search for New Jockey as Smith Bows Out <http://tinyurl.com/o64xx6> 2 hours ago'. A 'twinspires.com Bet the Derby Online!' button is also present.

KentuckyDerby.com – Over 2 million Unique Visits on Racing’s Biggest Day is a Major Customer Acquisition Tool for TwinSpires.com

# Data Differentiator: Leveraging Our BRIS Platform

- **Free Handicapping Products When You Play**
  - ❑ Brisnet Ultimate Past Performances – high end product.
  - ❑ Insider Picks and Power Plays
- **Preferential Bris Pricing for TwinSpires.com VIPs**



# Data Differentiator: Leveraging Our BRIS Platform

- Brisnet Handicapping Information Integration Within TwinSpiresTV

The screenshot shows the TwinSpiresTV interface for Churchill Downs Race 2. At the top, there's a 'weekend preview' video highlight by Jill Byrne. The main content area is split into three sections: 'UNOFFICIAL ORDER' with odds, a live race video feed, and 'RACE 2 - SPLIT TIMES'. The right-hand panel is the 'Handicapping View' showing a table of horses and their performance metrics.

Pg#	Horse	Odds
1	Princess Buddt	4 7
2	Grape Cottage	7/5 3
3	Devils Betty	40 10
4	Tiamo Bella	12 8
5	Silver Doll	3 4
6	Misa	5/2 5



Top Picks  
Class  
Speed  
Pace  
Profit Line

# Gaming

# Alternative Gaming: Louisiana



- Currently Operating:
  - ❑ 700+ video poker machines at 8 OTBs
  - ❑ 606 slots at Fairgrounds Race Course
    - \$34 million invested over last 2 years
- Highly competitive market; built the facility to serve the locals
- Hired ex-Harrah's executive to run business
- New facility exceeding our expectations
  - ❑ Gross WPU \$243 in 1<sup>st</sup> quarter of operation
- Contributed \$12.4 million to purses in 2008, improving our racing product

# Alternative Gaming: Florida



- Referendum passed January 2008
- Location, Location, Location
- Hired experienced gaming executive, Tom O'Donnell, to develop & run the business
- Casino design tailored to local demographics
  - ❑ Highly competitive market, building to optimize ROI
  - ❑ \$85 million investment
  - ❑ Filed application in April for 1,225 machines
- Gaming tax legislation passed in May
  - ❑ Contingent on Indian Compact
- Targeted to open in early 2010



# Calder Slots Update – Artist Rendering

View from Main Entrance (From West looking East)...



View from South Entrance (From South looking North)...

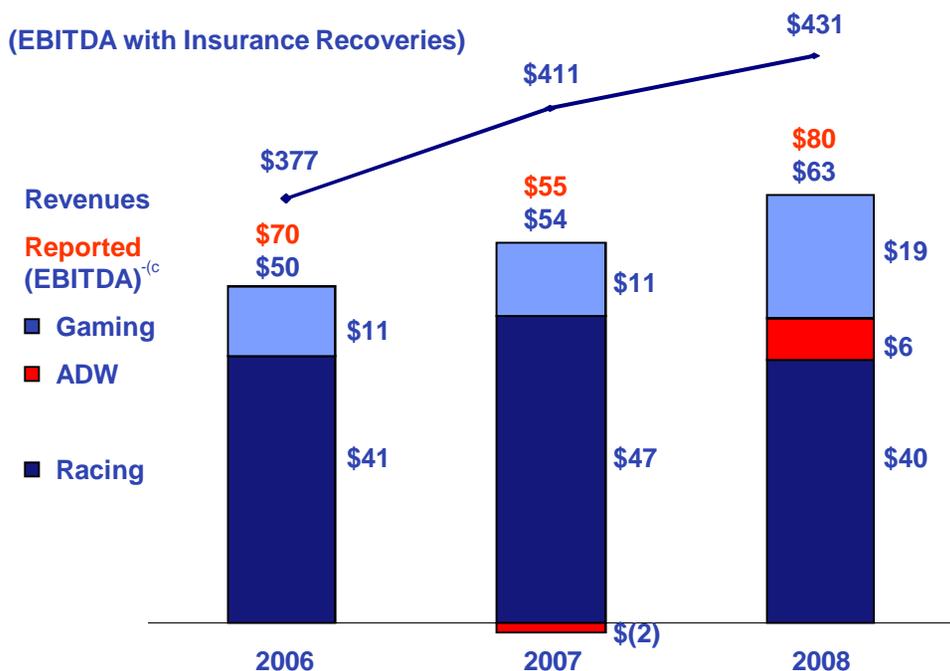


# Financials

# Diversified Revenue & Strategic Imperatives

## 3 Year Financial Summary

(\$'s Millions)



EBITDA % <sup>(a)</sup>	13.4	13.2	14.6
CFOA (\$'s MM)	\$70	\$51	\$78
Capex (\$'s MM)	\$47	\$46	\$40
EPS – cont <sup>(b)</sup>	\$2.22	\$1.23	\$2.09
LT Debt	\$13	\$82	\$57

-a): Ongoing Operations... Excludes Insurance Recoveries

-b): Includes pre-tax insurance recoveries of \$20.9MM in 2006, \$0.8MM in 2007, and \$17.2MM in 2008

-c): Total Includes Corp / Other, excludes Insurance Recoveries

## Racing & Entertainment

- Create engaging racing that excites our customers
- Make the Kentucky Derby a Top 5 Sporting Event
- Constantly Improve Efficiency -> Cost Out

## Online Gaming

- Innovate, Innovate, Innovate
- Effectively use and integrate our data offering into wagering platforms
- Marketing that works

## Alternative Gaming

- Make our properties “destination of choice” for local communities
- Build “facilities that make sense” based on the economic realities
- Continue to work with the legislature in KY and IL to “level the playing field”

# How we think about 2009

	% of Company EBITDA	Outlook	Total Year Keys
① Racing & Entertainment	~60	+/- → -	<ul style="list-style-type: none"> <li>-Expanded distribution and no horsemen dispute</li> <li>-Industry down 8%+</li> <li>-Calder tailwind vs. '08</li> </ul>
② Gaming	~25	+	<ul style="list-style-type: none"> <li>-Full year impact of FG Slots</li> <li>-GGR &amp; WPU strength continues exceeding expectations</li> </ul>
③ Online	~15	+	<ul style="list-style-type: none"> <li>- Continues to be the only growth in the industry</li> <li>- Adding new content</li> <li>- Continue to market and innovate</li> </ul>

# Q&A