

Bank of America Merrill Lynch

2010 Gaming Conference

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Las Vegas, Nevada

Churchill Downs Incorporated
(NASDAQ: CHDN)

Bill Mudd
EVP & CFO



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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 presentation.

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.



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Agenda:

- I. Strategic direction - historical perspective
- II. Growth Strategy
 - i. The Kentucky Derby & Oaks
 - ii. Racing Innovations
 - iii. On-Line Gaming
 - iv. Casino Gaming
 - v. Churchill Downs Entertainment
- III. Financials
- IV. Q&A



Historical Perspective: Derby & Oaks

Kentucky Derby & Kentucky Oaks

Trend



	<u>2004</u>	<u>2009</u>
Attendance	238,499	258,430
Handle	\$174 mil.	\$186 mil.
% U.S. Industry	~1.2%	~1.5%
TV Programming	1.5 Hours	3.0 Hours

- 135 Years of History
- The longest continuously held sporting event in the U.S.
- #8 on Forbes list of “The Worlds Most Valuable Sporting Event Brands”



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Historical Perspective: Live Racing

Live Racing

Trend



	<u>2004</u>	<u>2009</u>
CDI Race Tracks	7	4
CDI Race Days	640	401

- Sold Hollywood Park in 2005
- Sold Ellis Park in 2006
- Sold Hoosier Park in 2007



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Historical Perspective: Gaming

Gaming

Trend



	<u>2004</u>	<u>2009</u>
Video Poker Machines	758 ^{-a)}	809
Slots - New Orleans	-	606
Poker Tables – Miami Gardens	-	29
Slots – Miami Gardens	-	1,245 <small>Opens Jan, 2010</small>

- Local gaming strategy focused on ROI
- Permanent New Orleans facility opened Nov, '08
- New 104,000 sq ft, \$85 million facility opened Jan 22, 2010 in Miami Gardens, FL

(a – Note: Purchased Fair Grounds in Oct, 2004



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Historical Perspective: On-Line

On-Line Wagering (ADW)

	<u>2004</u>	<u>2009</u>
Handle (\$ millions)	\$0	\$255 (First 9 mo. 2009)
BRIS Data business	x	✓
HRTV	x	✓

Trend



- Started TwinSpire.com in Q2 2007
- Purchased and integrated AmericaTab & BRIS in mid-2007
- Announced definitive agreement to acquire Youbet.com, Inc on Nov 11th, 2009
 - Innovation and efficiency gains
 - United Tote business



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Historical Perspective: Entertainment

Entertainment

Jazz Fest Host

HullabaLOU

Wine & Food Festivals

Other

The Rolling Stones Concert - 2006

The Police Concert - 2007

2004

✓^{-a)}

✗

✗

2009

✓

✓

✓

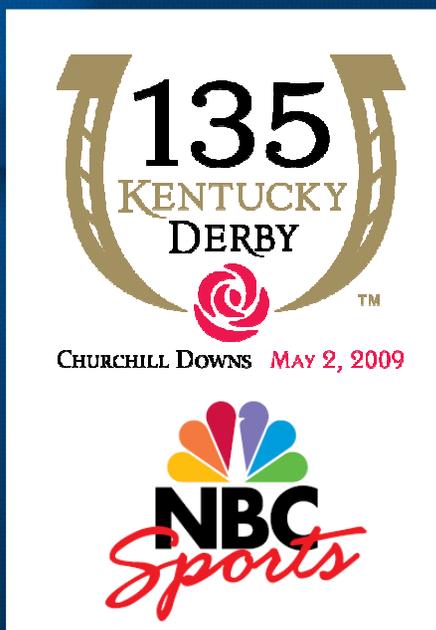
Trend



(a – Note: Purchased Fair Grounds in Oct, 2004; Jazz Fest hosted by previous owners



The Kentucky Derby & Oaks



TV ratings up 11% in 2009
 16.3 million Derby viewers;
 Most in 20 years



First Sports Illustrated cover since
 Smarty Jones in 2004. Before that,
 Sunny's Halo in 1983

The Kentucky Oaks ... more
 than the 'day before Derby'



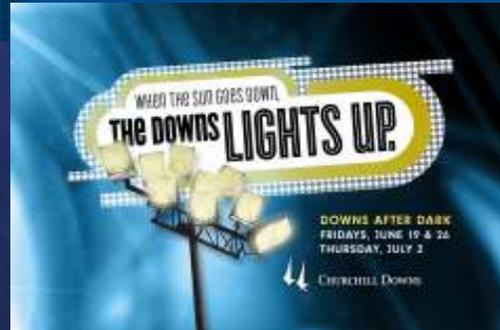
- Make it a stand alone event
- Focus on women and their interest
- Moved coverage to Bravo, better demographics:
 - Same number of viewers
 - Median age dropped from 58.1 to 49.1
 - Female viewers increased from 21% to 49% of audience
- Susan G. Komen for the Cure

Expanded Network Coverage	2007	2008	2009
Access Hollywood @ The Derby		30 min.	60 min.
Red Carpet	30 min.	30 min.	30 min.
Pre-Race	30 min.	45 min.	30 min.
Race	60 min.	60 min.	60 min.
Total	2 hours	2 hrs. 45 min.	3 hours

The Innovation Leader in Growing Thoroughbred Racing



A Historical First: Night Racing at Churchill Downs



- ✓ Inaugural Night racing at Churchill Downs in 2009
- ✓ Attendance of 89,115 attendance over 3 nights
- ✓ Installing permanent lights
- ✓ Provides more value to season box holders, turf club members



Returns to Churchill Downs in 2010 for Record 7th Time



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U.S. Thoroughbred Racing Handle Flat to Declining

Dollars in Millions

Industry

U.S. Thoroughbred Industry



Source: Jockey Club Fact Book, Equibase for 2000-2008; Nov YTD + Dec Estimate

Note: Inflation averaged 2.7% and 3.4% over the last 10 and 4 years, respectively (CPI).

Customers Increasingly Choose to Wager On-Line

Dollars in Millions

The only channel growing handle in thoroughbred racing... \$1.6B growth in last 10 years

On-Line

Industry



% On-Track	16%	14%	13%	13%	12%	12%	11%	11%	11%	11%
% On-Line	0%	1%	3%	6%	7%	9%	9%	10%	11%	13%

-a) Source: Oregon Racing Commission
 Note: Includes all handle through Oregon Racing Commission with the exception of IRG
 2009 Estimated based on 9 mos. Data extrapolated for TY industry handle

Using Technology to Grow On-Line Wagering



- ❑ First Internet Protocol TV Network devoted to Thoroughbred Racing
- ❑ “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 High-Definition 16:9 aspect ratio

On-Line Acquisition: Youbet.com

Dollars in Millions

- Nov 11th, 2009: Announced a definitive merger agreement to acquire Youbet.com
- Valued at \$126.2 million at the time of the announcement

Deal Rationale:

- ✓ The On-Line wagering channel is growing
- ✓ Better innovation & features for our customers
- ✓ Synergy savings in excess of \$10 million/year
- ✓ Better positioned to pursue other on-line business opportunities
- ✓ Improved tote stability for our tracks & ADW

Youbet.com Handle



Youbet.com Revenue



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Growing our Casino Gaming Business



Fair Grounds Slots
Opened November 2008



Calder Slots
Opened January 2010



Growing Our Entertainment Offerings



The Rolling Stones at Churchill Downs



JazzFest Hosted at Fair Grounds



The Police at Churchill Downs

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Growing Our Entertainment Offerings



- Announced Nov 30, 2009
- 3 day, 65+ act music festival targeted at 35-54 year old demographic
- 5 themed stages, music genre to match market research
- July 23-25, 2010 – fits ‘window of opportunity’ in Midwest entertainment and routing schedule
- Named headliner each day on main stage
 - Bon Jovi
 - Kenny Chesney
 - Dave Matthews Band



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Growth Summary

2010

Racing /
Derby

- + Night Racing
- + Breeder's Cup

On-Line

- + Channel shift / organic
- + Youbet.com acquisition

Gaming

- + Calder casino opening
- + New OTB – Chalmette

Entertainment

- + HullabaLOU
- + Wine Festivals

2011 & Beyond

- New TV & Presenting Sponsor
- Derby pricing and attendance

- + Channel shift / organic
- + Youbet.com carryover
- Expansion beyond pari-mutuel

- + Calder casino carryover
- Gaming opportunities in
IL or KY

- Other venues and events



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Financials - Revenue

Dollars in Millions

Annual Revenues



Significantly diversified revenue mix

- ✓ Gaming 12% of total in '08, 13% thru 9 months of '09 ... growing with Calder Casino
- ✓ On-Line 13% of total in '08, 16% thru 9 months... growing with Youbet.com acquisition
- ✓ Racing/Derby declining slightly

First 9 Months Revenues



% of Total Company Revenues

	<u>2005</u>	<u>2008</u>	<u>YTD'09</u>
Racing/Derby	97%	76%	71%
Gaming	3%	12%	13%
On-Line	- %	12%	16%
Total	100%	100%	100%



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Financials - EBITDA

Dollars in Millions

Annual EBITDA



Significantly diversified EBITDA

- ✓ On-Line 18% of EBITDA thru 9 months of '09...potentially growing with Youbet.com
- ✓ Gaming 30% of EBITDA in 2008, will be higher in 2009 on Permanent FG Facility opening, growing in '10/'11 on Calder Opening
- ✓ 15% CAGR excluding hurricane insurance rec.

First 9 Months EBITDA



% of Total Company EBITDA

	<u>2006</u>	<u>2008</u>	<u>YTD'09</u>
Racing/Derby	84%	63%	61%
Gaming	21%	30%	23%
On-Line	- %	10%	18%
Corp/Other	(5)%	(3)%	(2)%

(Note: excludes hurricane insurance recoveries in each year)

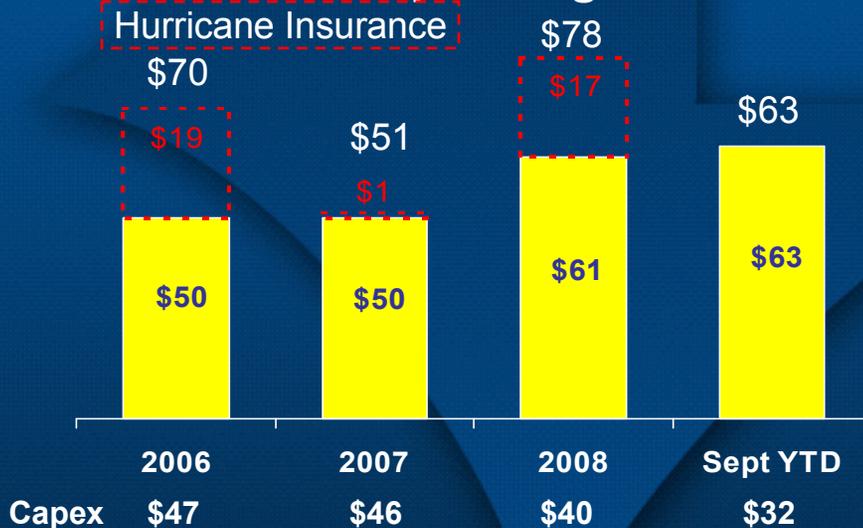


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Financials – Cash Flow & Debt

Dollars in Millions

Cash From Operating Activities



Very Strong Balance Sheet

- ✓ Very strong cash flow generation
- ✓ Amended and expanded credit facility in December 2009 to \$275 million
- ✓ Cash flow values back-stopped with hard assets/real estate

Long-Term Debt



Capital Spending Drivers

- 2006: Fair Grounds hurricane repairs
- 2007: FGs temporary slots facility + Arlington PolyTrack
- 2008: FGs permanent slots facility
- 2009: Calder Casino

Summary

- Best known brands in our industry
- Diversified growth strategy
- Strong cash flow with access to capital
- Strong balance sheet, back stopped with real assets
- Careful cost management
- Proven management team with a record of success



Questions?



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