THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

CHDN - Q2 2016 Churchill Downs Inc Earnings Call

EVENT DATE/TIME: AUGUST 04, 2016 / 01:00PM GMT

CORPORATE PARTICIPANTS

Mike Anderson *Churchill Downs Incorporated - VP of Corporate Finance and Treasurer*

Bill Carstanjen *Churchill Downs Incorporated - CEO*

Marcia Dall *Churchill Downs Incorporated - EVP and CFO*

Bill Mudd *Churchill Downs Incorporated - President and COO*

CONFERENCE CALL PARTICIPANTS

Cameron McKnight *Wells Fargo Securities, LLC - Analyst*

David Katz *Telsey Advisory Group - Analyst*

Adam Trivison *Gabelli & Co. - Analyst*

PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Churchill Downs Incorporated 2016 second-quarter earnings conference call. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session, and instructions will be given at that time. As a reminder, this conference call is being recorded.

I would now like to introduce your host for today's conference, Mr. Mike Anderson, Vice President, Treasury, and Investor Relations.

Mike Anderson - ***Churchill Downs Incorporated - VP of Corporate Finance and Treasurer***

Great. Thank you, Andrea. Good morning, and welcome to our second-quarter 2016 conference call. After the Company's prepared remarks, we will open the call for your questions.

The Company's 2016 second-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 Reg G, is available at this section of the Company's website titled News, located at churchilldownsincorporated.com, as well as in the website's Investor 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 reports on Form 10-Q and Form 10K. 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 both available on our website at churchilldownsincorporated.com.

And now I would like to turn the call over to our Chief Executive Officer, Mr. Bill Carstanjen. Bill?

Bill Carstanjen - ***Churchill Downs Incorporated - CEO***

Thanks, Mike. 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 Alan Tse, our General Counsel. I will make a few general comments about the second quarter, and then turn this over to Marcia. After she has finished her comments, Marsha, Bill Mudd and I will be happy to take your questions.

The Company produced record net revenues, record adjusted EBITDA, and record net income for the quarter. This is, of course, good news. Any day a company can report record numbers is a special day. That said, while Big Fish is up year-over-year in bookings in net revenues, it is down $7.8 million in adjusted EBITDA for the quarter as a result of higher user acquisition spending. We will spend a little extra time talking about Big Fish and the increase in user acquisition spend in a few minutes.

Turning to our business divisions, we had a spectacular Kentucky Derby Week, and that drove the performance of our racing division for the second quarter. We delivered record Kentucky Derby Week adjusted EBITDA up $5.2 million over prior-year, and generally were very encouraged by virtually all of the metrics we drive internally to ultimately deliver adjusted EBITDA growth for the Derby. We think we can continue to build on our momentum and are excited about what we can do next year.

We otherwise had modest growth in adjusted EBITDA for the rest of the racing division in the second quarter, as our team focused on cost management and operating efficiencies to balance against the modest topline declines we and the entire industry continue to see.

I've said this before, but I think it always bears repeating. The Kentucky Derby is a unique event that does not follow the overall trends in horse racing. Kentucky Derby is its own thing, an iconic American bucket list event. We will work hard to keep it that way. From past experience, I know one of you listening is likely to ask if there are any capital improvements we expect to undertake prior to next year's Derby? We are finalizing our 2017 capital investment plans, and will have more specifics on our plans a bit later this year.

Turning to our TwinSpires segment, wagering, or handle, as we call it, was up 16% in the second quarter after being up 11% in the first quarter. According to the industry resource, Equibase, handle across the industry as a whole was down about 1% in the second quarter, meaning we outgrew the industry by about 17 percentage points.

Our team is focused on acquiring the users and also improving revenues per existing users. While we continue to benefit from the trend of horse players moving their play online from traditional brick-and-mortar outlets, we extensively market for new players around the Kentucky Derby, the Triple Crown season, and the Breeders' Cup, since that is when new and more casual fans enter or reenter the game. We continue to see success doing this.

TwinSpires adjusted EBITDA was up $2.3 million or 14% in the second quarter. You will note that we received the state parimutuel tax refund from Pennsylvania of $1.7 million, which makes up a good chunk of the $2.3 million increase. I would also point out, though, that we increased marketing spend about $1.2 million in the quarter, as we saw opportunities to more aggressively acquire new customers around the Kentucky Derby and Triple Crown. We increased our marketing spend under the expectation that we can get a one-year payback, and we can keep and grow the customer cohorts we acquired during this timeframe.

We think we're getting better at analyzing and measuring our ability to do so. Some of this improving capability around user acquisition spend and marketing analytics is a reflection of our learnings from Big Fish, and some is just further refining what we have seen and learned over time. We will continue to experiment and improve in this area.

We've decided to move the headquarters of TwinSpires out of Mountain View, California to Louisville to be co-located with our corporate headquarters. We will accomplish this move prior to the end of the year, although our lease in California continues through the first quarter of 2017.

There will be some cost efficiencies associated with the office move that will materialize in 2017 and 2018. We made the decision because we've built the technology and business capabilities in Louisville that we didn't have when we started this business back in 2007. With our office lease costs in the Bay Area expected to rise significantly, and the challenge of attracting and retaining personnel increasing, we are excited to bring this business to Louisville. Several critical team leaders, including Ted Gay, the President of TwinSpires, will relocate to Louisville with the business.

With respect to our Casino segment, net revenues increased slightly over prior-year, while adjusted EBITDA was up $3.8 million or 13%. Marcia will explain the variances over prior-year in more detail. I would like to just offer a couple of general comments.

Across our portfolio of properties, some of our markets remain better than others, but generally, this continues to be a stable and predictable segment for us. We were particularly happy with our two most recent larger investments in this space -- Miami Valley Gaming, located between Cincinnati and Dayton, Ohio; and the Oxford Casino in Oxford, Maine.

Miami Valley again gained market share in the second quarter, 1.9 points, and grew net revenues 11%, and adjusted EBITDA 21% over prior-year. Along with our partner, Delaware North, we built the right facility in the right location.

We are also happy with Oxford Casino's performance since we purchased it in 2013. As we discussed in our first-quarter earnings call, we are building a 100-plus room hotel at our property for approximately $25 million. We are wrapping up the design phase and will soon go out to bid the job. We anticipate that the site work will begin before the end of the third quarter, and we hope to be open around the middle of next year.

I don't want to leave out our most recent, although smaller investment, Saratoga Casino and Harness, in which we have a 25% interest as well as the management contract with the facility. That transaction closed in October 2015. Saratoga contributed $1.4 million in adjusted EBITDA to Churchill Downs in the second quarter, and we were pleased that the facility opened its new 117-room four-star hotel in July. It's off to a great start, particularly as we open just at the height of the tourism season in Saratoga Springs.

The partnership entity through which we own our 25% interest in Saratoga Casino is also our 50% partner in the transaction we announced on Tuesday to purchase the Casino at Ocean Downs in Berlin, Maryland. Again, Churchill Downs will participate in this transaction by directly acquiring 50% of the Ocean Downs property, and we will also participate indirectly through owning 25% of the Saratoga entity that will own the other half of Ocean Downs.

Like the Saratoga Casino, Churchill Downs will manage the Casino at Ocean Downs, although we will perform the management services at Ocean Downs at cost for a period of time, as contractually agreed with our Saratoga partner. Completion of this transaction is subject to regulatory approval and other customary closing conditions.

The Ocean Downs property is relatively new, having just opened in 2011, and is in a stable area unlikely to see additional competition nearby. The Casino also has the right to install table games, but has not yet done so. This is a modest-sized property, approximately 800 machines, with a small capital footprint that is easy to maintain. In short, we see clear upside potential.

Our partners in Saratoga first introduced us to this transaction, and we decided to do it together. We have not disclosed the transaction purchase price, but our cash investment is very reasonable. This will be an accretive transaction that will be a nice addition to our portfolio of properties, and we look forward to getting it closed.

To conclude, let me make a couple of general observations. Our operating teams are very focused on cost efficiencies, and that helps us manage effectively to the bottom line, even in some of our markets that, at any given time, are more challenged for topline growth.

The current macro environment seems relatively consistent with recent periods. We have no cause to expect significant changes, and thus, we will continue to be conservative in how we invest in and operate our properties. I feel our teams are continuing to get better at this as both they and the Company as a whole get more experienced in our local markets.

Let's turn to Big Fish. Big Fish contributed $127.9 million of bookings and $20.5 million of adjusted EBITDA in the second quarter. Bookings were up 13% compared to the second quarter of 2015 and relatively flat compared to the first quarter of 2016. Adjusted EBITDA was down 28% compared to the second quarter of 2015 and up 37% compared to the first quarter of 2016.

I will dig into this a bit more when I talk about each Big Fish segment, but generally, the bookings growth in our free-to-play Casual and Mid-Core segment was offset by modest declines in our free-to-play Social Casino and Premium segments, and the effects of the seasonally soft late spring and summer period.

As I mention on every earnings call, adjusted EBITDA margin is going to vary from quarter to quarter based on how we invest resources for user acquisition or, as we call it, UA. This is the single largest expenditure for the Big Fish business, and thus, our margin is driven down when we increase our UA investment to scale the audience for our games, and margin increases when we reduce UA, as we optimize our spend to achieve appropriate margins based on the performance and lifecycle of each game.

This is because UA expense is recognized immediately, but the revenue associated with that UA expense is realized over the lifetime of those new users, which can last from days or weeks to months or even years after they install the game. So as we invest UA to scale newer, improved games, even though we manage to a positive ROI over the longer-term, EBITDA can be reduced in the short-term.

In the second quarter, our UA spend was approximately 45% higher than in the second quarter of 2015 and approximately 14% lower than the first quarter of 2016. When compared to the second quarter of last year, you can see that we continue to meaningfully invest to scale several games across our portfolio that we did not have in the second quarter of 2015. But compared to the first quarter of 2016, you'll see that we lowered our spend across this larger portfolio, based on the performance of each game and where it is in its particular lifecycle.

A few thoughts on each of our Big Fish segments. Free-to-play Social Casino. The growth rate in the Social Casino genre as a whole has started to slow, and competition continues to stiffen, as both major players and new entrants compete in this very attractive space. While Big Fish Casino continues to be a leader in this space, it also continues to mature, as it has been a stalwart in the high position on the top grossing mobile apps list for several years.

Combined, our games in the Social Casino segment experienced an approximately 4% decline in bookings in the second quarter versus prior-year, and a 2% decline in bookings versus the first quarter of 2016. However, we also saw a 6% increase in average paying users versus the second quarter of last year, as Vegas Party Slots begins to gain share as part of our portfolio.

We are continuously improving our Social Casino products and releasing new content, as well as optimizing our UA spend, as we counteract the rising cost to acquire new customers, which reflects both the maturing of the Social Casino genre and the challenge of finding new players for a very well-known product and established brand like Big Fish Casino. Even with these challenges, Big Fish Casino remains a very stable and profitable business led by a deeply experienced and capable team.

As part of our strategy to expand our portfolio of Social Casino games and continue as a leader in this genre, we launched Jackpot City Slots worldwide on July 15. It's still very early, but we have been pleased with our progress with the product up to this point.

Why did we do this? We certainly have taken notice that there has been a great deal of growth in the Social Casino space recently in connection with the introduction of new apps, as compared to our pattern of further refinement and improvement around our existing Big Fish Casino app and platform. Over the past, our primary focus had been around introducing new slots within our Big Fish Casino brand and platform.

Vegas Party Slots, as opposed to Jackpot City Slots, was our initial attempt to introduce a new brand and new and different game content. Vegas Party Slots started fairly slowly, but recently has been showing positive signs. Jackpot City Slots, on the other hand, contains much of the best social features and content of Big Fish Casino, but allows us to experiment and package our offerings differently under a new brand.

New apps that are differentiated from Big Fish Casino is an area we will continue to explore. We have the team to do this.

Now on to our free-to-play Casual and Mid-Core segment. As a whole, our games in this segment experienced approximately 58% bookings growth in the second quarter versus prior-year, and approximately 5% sequential bookings growth versus the first quarter of 2016. As we traditionally experience seasonality in the second quarter, as the weather warms up and customers have more options to spend their time and money, these are encouraging results.

As I mentioned earlier, compared to last year, we have multiple additional games in this segment that we are currently investing in to scale. And over the second quarter, we have refined the spend across the portfolio based on the performance of each game and where it is in its lifecycle. We are continuously improving each of our investable games with new features and technology, and refining our UA spend, while also developing entirely new games to continue to increase the size of our portfolio.

Currently in this segment, we continue to invest meaningful UA dollars in Gummy Drop!, Sunken Secret, Cascade, Fairway Solitaire, and Fairway Solitaire Blast. In the second quarter of 2015, Gummy Drop! bookings comprised 72% of free-to-play bookings. Despite Gummy Drop! bookings increasing 14% for the second quarter year-over-year, Gummy bookings only made up 53% of the free-to-play bookings in the second quarter of 2016. The team has really done a nice job of diversifying our portfolio and finding games that we can grow with good returns.

A quick note on Dungeon Boss. We pulled back in Dungeon Boss UA as we work on improving some features and functionality that are necessary to be competitive in the mid-core genre. This process of taking the time out for careful game iteration is one that has paid dividends for us in the past, most recently with the Fairway franchises.

Finally, the Premium Casual Game division, i.e., our legacy PC and mobile pay upfront games business. This segment continues to experience secular decline, as we have expected, as consumers -- as consumer preferences shift towards free-to-play mobile products. This segment produces attractive margins by operating efficiently and sensibly. We invest very, very little UA dollars.

Obviously, we have read about the recently announced M&A activity in the mobile game space. I really want to head off questions we may get on this call about what other companies are doing.

Growth drives interest and purchase price multiples, and the mobile game space as a whole continues to have momentum and optimism behind it. That's great to see. We are just focused on us. We have lots of work to do to significantly grow our big Fish Division over the long-term, and we remain very, very excited about its capabilities and potential.

Finally, Marcia will discuss the details regarding the stock repurchase we accomplished in the second quarter. Many of you have inquired over time whether we would pursue a program like this. As I said, Marcia has the details.

With that, I would like to turn this over to Marcia to provide some additional details on the quarter. After that, we will be happy to take questions. Thank you. Marcia?

Marcia Dall - ***Churchill Downs Incorporated - EVP and CFO***

Thanks, Bill. And good morning, everyone. As Bill mentioned in his opening remarks, we delivered a strong performance for the second quarter, with record levels of revenue, adjusted EBITDA, and net income. Free cash flow was down $3.9 million for the quarter. I will go into more detail on the drivers of this decline in a few minutes.

We are pleased that we generated a record nearly $70 million of net income, up 27% over the prior-year quarter. This resulted in $4.11 of diluted net income per share, which is up 33% compared to the prior-year quarter. Our net income was $14.7 million higher for the quarter, primarily as a result of the growth in our operating income; strong growth from our equity investments in Saratoga and Miami Valley Gaming; as well as from a lower effective tax rate for the quarter compared to last year.

The second-quarter 2015, we had nondeductible acquisition-related charges that resulted in a higher tax rate. Net revenue and adjusted EBITDA were also records for the quarter. Net revenue was $438.5 million, up $29.3 million; and adjusted EBITDA was $162.9 million, up $4 million from the prior-year quarter.

We enhanced our disclosures for the quarter by adding a high-level walk from net revenue to adjusted EBITDA for each of our segments as an attachment to our press release and to the segment footnote of our 10-Q. We believe this enhanced disclosure will help our investors better understand the key drivers of our operating segment results.

Now I will go into more detail for each of our segments. I will begin with our racing segment.

Racing revenue increased $2.5 million in the quarter, reflecting a very successful Kentucky Derby and Oaks Week, that was partially offset by a decline in the number of race days for Churchill Downs, and a decline in the number of race days and host days for Arlington. We did benefit from increased ticketing revenue from our capital investment and new premium indoor seating, and the renovation of the Turf Club, as well as from increased media revenue and record attendance for Derby Week.

Our racing segment adjusted EBITDA improved by $6.1 million over the prior-year quarter. And Kentucky Derby and Oaks Week drove $5.2 million of this increase.

Our Casino segment generated a $600,000 or 1% increase in net revenue compared to the prior-year quarter, primarily for marketing efforts at our Calder Casino that led to growth in new members and increased slot handle. The growth in our Calder revenue, coupled with the growth in market share at our Oxford main casino, was offset by softness in our Louisiana Fairgrounds slots facility, and our two Mississippi casinos, Riverwalk and Harlow's.

The competitive environment near Fairground Slots and Harlow's, along with the rebranding of a casino near our Riverwalk casino property in May, created topline growth challenges for these properties. Even with the topline growth pressure for these properties, our Casino segment adjusted EBITDA improved by $3.8 million over the prior-year quarter.

Our investments in Miami Valley Gaming and Saratoga contributed $2.4 million of this growth. In addition to the topline growth at our Calder Casino, all of our other casinos increased their adjusted EBITDA compared to the second quarter of last year, primarily through ongoing cost-outs and restructuring of areas such as food and beverage.

Turning to our TwinSpires segment, our revenue increased $7.5 million or 12% compared to the prior-year. Handle increased 16%, which is nearly 17 percentage points higher than the US thoroughbred industry performance in the quarter. Through strong retention and activation efforts, our team was able to deliver a 26% increase in active players. Our growth in active players was fueled by an increase in marketing spend in the quarter, which we believe will pay back in less than a year.

TwinSpires delivered $2.3 million of incremental adjusted EBITDA. As Bill mentioned, TwinSpires received a $1.7 million parimutuel tax refund related to a Pennsylvania tax reduction. TwinSpires' strong revenue growth was partially offset by increased marketing spend in the quarter.

Turning to Big Fish Games, Big Fish revenue grew $20.7 million or 20%, reflecting strong growth in our Casual and Mid-Core free-to-play games that was partially offset by a slight decline in our Social Casino game revenue and a continued decline, as expected, in our Premium Game revenue. Big Fish Games had a $15.2 million or 13% growth in bookings from the prior-year quarter.

Our Social Casino bookings were down $1.9 million or 4%, due to a 9% decline in average bookings per paying user that was partially offset by a 6% increase in average paying users. Our bookings from our Casual and Mid-Core free-to-play games were up $21.1 million or 58% compared to the prior-year quarter. The growth in bookings from our Casual and Mid-Core free-to-play games was fueled by a 45% increase in average paying users, and a 9% increase in average bookings per paying user compared to the prior-year quarter.

And lastly, related to bookings, we did see a $4 million or 14% decline in bookings related to our Premium paid games. On a sequential basis, our bookings were essentially flat, reflecting the effect of seasonality on our more mature games, Big Fish Casino, and Gummy Drop!, and a reduction in bookings from our Dungeon Boss Mid-Core game. We did see strong sequential growth in bookings from Sunken Secrets, Cascade, and our Fairway Solitaire and Fairway Solitaire Blast games.

As Bill mentioned, Big Fish Games did have a $7.8 million decline in adjusted EBITDA compared to the prior-year quarter. Our $15.2 million increase in bookings, and $1.5 million decrease in amortization expense related to the timing of game launches, was more than offset by an $11.5 million increase in user acquisition expense, a $6.5 million increase in platform fees, and a $2.3 million increase in developer fees compared to the prior-year quarter. We also had a $3 million benefit from business combination accounting rules that was higher in the prior-year than the second quarter of 2016.

I'm going to give some additional insights into each of these items. Regarding the increase in user acquisition expense from a year ago, in the second quarter of 2015, there are only two games that we invested more than $2 million in UA spend for the quarter -- Big Fish Casino and Gummy Drop!. In the second quarter of 2016, we invested more than $2 million in UA spend in six games with no individual UA spend greater than $10 million -- individual game UA spend greater than $10 million.

For our business, the typical lifecycle of a game involves a small investment in UA in the early stages of development, and then the UA spend ramps up in the growth stage. Then UA peaks as the game matures, and then UA declines to a nominal level amount during a stage we call the Sustained Stage.

Our Premium games are an example of a set of games that are in the Sustained Stage, requiring only a nominal level of UA spend per quarter -- approximately $1 million per quarter -- to sustain bookings and a healthy margin. Given the maturing of our Big Fish Casino and Gummy Drop! games, our UA spend for these games has leveled off to an amount that will be relatively consistent for the balance of the year. The remaining four games are in the growth stage of development, with ongoing UA strategic investments to support the growth in bookings for these games.

On a sequential basis, our UA spend was down approximately $5.7 million, reflecting increased spend on some games and decreasing spend on other games, as we work to optimize the growth of our portfolio of games. We anticipate that our UA spend will decrease slightly in the second half of 2016, compared to the first half of 2016 as a result of continued optimization of the allocation of our UA spend across our games, based on performance and growth opportunities.

Regarding the $6.5 million increase in platform fees compared to the second quarter of last year, this increase is consistent with the increase in revenue, and is consistent with the mix shift to a greater percentage of free-to-play games compared to Premium games that do not have as high of platform fees as a percentage of bookings.

The $2.3 million increase in developer fees was driven primarily by the increase in revenue from our free-to-play Casual and Mid-Core games, where we utilize third-party developers. Regarding the $3 million benefit from business combination accounting rules in the second quarter for Big Fish, the benefit in 2015 arose from accounting rules regarding game technology and rights, which require an asset to be recorded at the time of the acquisition that is then amortized over the life -- the remaining life of the asset. We estimate that the total year impact will be an $8 million to $9 million drag on the Big Fish adjusted EBITDA growth from 2015 to 2016.

So, in summary for Big Fish, we had a year-over-year decline in adjusted EBITDA, and recognize that bookings were essentially flat sequentially, primarily driven by the seasonal nature of this business and the headwinds facing the Big Fish Casino, as this game matures at a faster pace than the growth in the bookings for our new games. However, we were pleased with the $5.5 million sequential growth in adjusted EBITDA for Big Fish, as well as the sequential growth and adjusted EBITDA margin as a percentage of bookings from 11.7% in the first-quarter 2016 to 16% in second-quarter 2016.

Regarding free cash flow, we generated $91.8 million of free cash flow in the quarter. This was $3.9 million lower than the prior-year, primarily driven by lower cash flow from operations from Big Fish Games and higher interest that was partially offset by strong operating cash flow from our other segments.

We used part of our strong free cash flow in the quarter to repurchase 121,858 of our shares in the second quarter based on trade date at an average price of approximately $123 per share for a total of $15 million in the open market. We have $135 million of repurchase authority remaining under our current stock repurchase program. We also used our free cash flow to reduce our total leverage from 2.9 at the end of March to 2.7 times adjusted EBITDA at the end of June.

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

Bill Carstanjen *- Churchill Downs Incorporated - CEO*

Thank you, Marcia. Okay, everyone, I think we are ready to take questions.

QUESTION AND ANSWER

Operator

(Operator Instructions) Cameron McKnight, Wells Fargo.

Cameron McKnight *- Wells Fargo Securities, LLC - Analyst*

First question on Big Fish. The tickup in UA spend that we saw last quarter, when do you expect that to start flowing through to revenues? Have you started to see that bear fruit? Or is that something that's a second-half 2016 or early 2017 event?

Bill Carstanjen *- Churchill Downs Incorporated - CEO*

It continues quarter-to-quarter. It's starting to bear fruit now, and it becomes a question of how long we retain the customers that we acquired with that UA spend. So, every time we spend UA, we are picking up new customer cohorts. And depending on game, ranging anywhere from 6 to 18 months is when we sort of harvest the returns from the customers that we acquired.

Cameron McKnight *- Wells Fargo Securities, LLC - Analyst*

Got it, thanks. And then on the gaming segment, I mean, you guys have outperformed the regional gaming industry in the second quarter. Can you talk through the revenue environment and what you're doing on costs?

Bill Mudd *- Churchill Downs Incorporated - President and COO*

Yes, I'd be happy to, Cameron. This is Bill Mudd. If you look at each of our casino properties, I think Calder Casino was up 3%, which equated to about $600,000. And Fairground Slots is down about $200,000, which was down about 2%. Everything else was within $100,000 of last year.

So I would characterize, from a broad perspective, a very stable environment, and certainly not in the growth stage. But I would say that -- again, it comes down to regions. And in Florida, we did a good job of picking up some high-end customers. And in the Oxford market, we had a tough comparison to prior-year, because we had great weather last year. But we continue to see kind of stable middle-tier customers and some strong unrated play from low fuel prices. And then in New Orleans, we were struggling with a little bit of the softness in the oil industry.

So, I would say that we view the casinos as stable from a revenue perspective. On a cost perspective, it's something that we continuously look at, taking ways -- finding ways to be more efficient, predominantly through food and beverage, but also through some more marketing programs, and the way that we engage the customer, as well as we have properties that are in close proximity with one another, we look at ways to combine roles to maximize our profitability and efficiency. So, that's how we think about it.

Cameron McKnight *- Wells Fargo Securities, LLC - Analyst*

Great. Thanks. And then one last one, if I may. Just back to Big Fish. I mean, we had a big announcement from Caesar's yesterday -- big valuation, a big multiple in terms of the sale of their social gaming business. Were you guys surprised by that? Or does it just affirm the value that you guys see in Big Fish long-term?

Bill Carstanjen - ***Churchill Downs Incorporated - CEO***

Cameron, it's Bill Carstanjen. I think just over the course of a career, you see more M&A activity in spaces where there is segment growth. And so, the games -- the social games, the mobile games segment in general is an area where, over the last number of years, you've seen a lot of market growth. And I think there's an expectation, as these devices become even more integral to people's lives, that the market may grow.

So I think there is a macro environment there that attracts attention. And then the growth and steadiness of social casino has also been a bright spot for some within the larger market. So I'm not surprised -- just commenting on an observer of M&A activity in lots of spaces, including the spaces that we ourselves are in -- I'm not surprised that you see optimism and investment in spaces like this. That makes sense, and I think you've seen that over a long period of time in different industries.

That said, specifically, I can't compare and contrast the play ticket. That wouldn't make sense for me to do. So we keep our heads down and try to do better what we do, and certainly pay attention to the market as a whole, and are nothing but encouraged by it. But like I said, we don't compare ourselves to others. And we keep our heads down and our focus on building our business as sensibly as we can, to create as much value as we can for our investors.

Cameron McKnight - ***Wells Fargo Securities, LLC - Analyst***

Okay, got it. Thank you very much.

Operator

David Katz, Telsey Group.

David Katz - ***Telsey Advisory Group - Analyst***

So a couple of details first, if you don't mind. So, Marcia, in your comments, you talked about a slight decrease in the second-half in UA spend. Is there anything that you can share with us in terms of understanding that the UA spend and revenue generation are not necessarily linear? Is there anything you can share with us about what you can foretell in terms of revenue for the back-half of the year so far?

Marcia Dall - ***Churchill Downs Incorporated - EVP and CFO***

Yes, David, as you know, we don't give guidance. We wanted to give investors an understanding of what we anticipate from a UA spend for the second-half of the year. But, as you know, we don't give revenue guidance or any other guidance.

David Katz - ***Telsey Advisory Group - Analyst***

Are there any new games that are -- that you expect to enter the portfolio in the back-half of the year that might drive revenue one way or the other -- drive bookings one way or the other?

Bill Carstanjen - ***Churchill Downs Incorporated - CEO***

I don't think so. There are new games that will enter the portfolio, but in terms of games where you might see ebb and flow of our UA dollars in any kind of meaningful way, they are largely already out there.

As I mentioned in my comments, Jackpot City is a game that's already been launched worldwide. And hopefully, we see some reasons to invest more dollars in that over the rest of the year. But certainly within the studio, there are some exciting things we are working on, but nothing I expect that will be launched and move the needle in any kind of material way in the second-half.

I would say when you think about first-half versus second-half, while our Big Fish division is a large division and a profitable division, in many ways, it's still very early in its development as a business. You know, we're not a company that had a large portfolio of games to invest in at any one time. And that has changed over the end of last year and through the first-half of this year.

Now we do have a portfolio of games, so we are learning a lot on how these games relate to each other, how we should invest in one versus invest in another, and we're just drawing a lot of parallels between these games. And it's sort of sharpening our philosophies on where to invest UA dollars and where not to.

So I think if you look at the first-half of our behavior, it's not -- we're a company that's maturing in terms of our strategies and processes around how to invest UA dollars when you have a portfolio of opportunities to actually invest those dollars in. So I think we'll get better at that.

David Katz - ***Telsey Advisory Group - Analyst***

Very helpful. I appreciate it. Now, with respect to the Social Casino business, without going back to the issue of the other deals that have been out there, would it be fair to suggest that one of the takeaways is that they -- that there is a high value on branded content within Social Casinos. And is that a potential strategy that you could consider about adding established brands within your Social Casino portfolio, to drive performance and value?

Bill Carstanjen - ***Churchill Downs Incorporated - CEO***

So, let me make sure I answer the question you asked. You are really inquiring about using sort of branded content within the Big Fish brand or another company using branded slots within their Social Casino brand. We, as a strategy, have not focused on doing very much of that, because the owner of the licensed IP is another mouth that you have to feed.

So we're -- certainly there are plenty of people that are successful doing that. But we're just, by nature and background, always thinking about margin and always thinking about the cost and association with the revenue. So our first instinct is always to be a bit careful and considerate in our thinking about whether we want to pay more miles out of our revenue stream.

So we always weigh that. We do -- we are willing to do some of it. It just hasn't been our primary strategy for how to grow in the space. But other people are very -- you see them out there. Other people have found great success doing that, so I hope there's more than one way to skin the cat over time. But the way Big Fish built its business and the way we think about it now, it's not a primary component of our philosophy to try to rely on branded IP.

David Katz - ***Telsey Advisory Group - Analyst***

Understood. And if I can ask one other sort of bigger picture question? Presumably there is a couple of different ways to increase value, one of which is to grow earnings. And the other is to command a higher multiple or a higher valuation.

I think your re paths along the first one are clear. How do you think about that second area? Because I think stepping back and looking at the Derby and its inherent value, people are asking about Big Fish and its prospective value out in the market. And clearly, there are people that look at your stock and think, gee -- and I would be one of them -- you know, gee, I think that they should be able to command a higher multiple.

How do you think about strategies around that? And how does that relate to your capital allocation decisions?

Bill Carstanjen - ***Churchill Downs Incorporated - CEO***

Well, I would say that's -- there's some complexity in that question, and I hope the audience in general followed you, and I'm pretty sure that I did. So I would say the first thing that I think about in the morning when it comes to our Company is, how do we increase shareholder value? How do we build wealth?

And whether that be in our brick-and-mortar casino space or in the Kentucky Derby or in Big Fish, all those businesses arguably drive different multiples in the markets when they are standalone assets. But my first thought in the morning is not to play games between those, but to figure out ways with our team where we can create shareholder value in those different segments. So -- and I think that's the smart way long-term to think about growing a business and running a company.

I do understand and think about sort of the sort of philosophical -- and it's more than philosophical -- you know, the reality that multiples can be different across our properties. And when we do buy an asset in one business, it might be changing the blended multiple of all. But I don't have a great philosophical answer for you on that, other than to commit to our investors that when we do make a strategic move, when we do an M&A transaction, we are always doing so under the expectation that we think we see a way to create shareholder value, even if the multiples at which we are doing it aren't particularly or entirely clear.

David Katz - ***Telsey Advisory Group - Analyst***

Okay, I appreciate that. And just to be clear about the context of the question, I think it should be -- it's certainly obvious to me -- and I'm sure it should be obvious to everyone -- that the businesses in and of themselves are being run very, very well. And I didn't mean to suggest that they are not; because they are.

Bill Carstanjen - ***Churchill Downs Incorporated - CEO***

Well, thanks for saying that, David. And I understood that. I was --

---

David Katz - ***Telsey Advisory Group - Analyst***

Okay.

Bill Carstanjen - ***Churchill Downs Incorporated - CEO***

Yes, I understood exactly where you're going with that question. I hope the rest of the audience did. It was a multiples question, and the fact that there might be different multiples attached to our businesses, because our businesses are different from each other. We have some variability in our portfolio of businesses.

And I think I got your question right. Tell me if I didn't.

David Katz - ***Telsey Advisory Group - Analyst***

You did. You did. Thank you very much.

Bill Carstanjen - ***Churchill Downs Incorporated - CEO***

Sure.

Operator

Adam Trivison, Gabelli & Co.

Adam Trivison - ***Gabelli & Co. - Analyst***

Thanks for taking my question. The first on Big Fish. Maybe could you talk about any impact you've seen from the release of Pokemon Go, maybe more so in terms of stealing time on device rather than actual dollars? And I guess related to that, you guys have spoken in the past about R&D and virtual reality, and I guess have you guys looked at augmented reality? Or do you have any initiatives that could build out a game in that genre?

Bill Carstanjen - ***Churchill Downs Incorporated - CEO***

So, let me address that -- it's Bill Carstanjen again. I mean, I get excited any time you see a phenomena like Pokemon Go, because it just stands for the proposition that innovation can really drive interest to the space in general, and create new opportunities for all of us, especially those of us that are willing to be fast followers when we are capable of doing it.

So. Pokemon Go as a concept is just exciting -- seeing 40-year-old man stumble around, tripping over benches in the mall as they try to find the Pokemon creatures -- that's great to see. That's fun.

I would say that we haven't really seen or noticed any impact on our other games. I think within your question was a question -- does Pokemon Go maybe hurt us because time on device -- there's only 24 hours a day and --

---

Adam Trivison *- Gabelli & Co. - Analyst*

Yes.

Bill Carstanjen *- Churchill Downs Incorporated - CEO*

-- Pokemon Go driving our customer base to spend their time doing Pokemon Go instead of playing some of our games. It's a valid theory to consider. We haven't really seen it. We will have to keep our eye on it. But I don't -- there's a lot of variables out there at any given time. And I'm not sure that -- we've talked about that question, and I'm not sure we have anything interesting to report on it. It's not something that we can directly see.

In terms of that technology or similar, that is augmented reality, taking advantage of the massive capability of Google Maps and whatnot. That is an interesting space. Virtual reality, which is distinguishable, that's another interesting space. Absolutely, we look at both spaces' opportunity. Virtual reality, we do have some resources internally that are focused on that space. We don't know how virtual reality or other forms of augmented reality will impact social mobile games.

We don't expect to necessarily be the ones that spot the great innovation that takes those technologies to critical mass on the social mobile space. But we are built and our mindset is to be fast followers, and to find variations of where we see success in the marketplace.

So, we keep our eyes on those spaces and invest upfront to try to develop some of the internal capabilities, so that we can respond as those markets -- and again, I'm drawing a distinction between augmented reality and virtual reality games -- as those markets develop and mature. Right now, they are not developed and mature. It's more speculative. But Pokemon Go certainly stands for the proposition that there might be good things to come in those spaces for the companies that develop the capabilities to develop in those spaces.

Adam Trivison *- Gabelli & Co. - Analyst*

Okay, that's helpful. And I guess related to the acquisition of Ocean Downs, and I guess the Saratoga relationship more broadly, can you kind of give us a sense of where this all fits into your longer-term strategic plans?

Bill Carstanjen *- Churchill Downs Incorporated - CEO*

I'll take that one. I encourage the team jump in if -- because some of these questions are fairly broad, and I want to give a thoughtful answer to broader questions.

We like the segments we are in. We found ourselves with the opportunity to get into brick-and-mortar gaming originally because we were a race track company that had the right to develop racinos on a couple of our properties. And that's how we learned the brick-and-mortar casino business.

And we sort of -- we try to be clear-eyed and dispassionate about how to grow it. We've seen a lot of cost-out opportunities; a lot of our team originally comes from General Electric and we've learned some basic business skills that have helped us in those travels. And we see efficiency opportunities that have helped us grow, even when same-store sales in the brick-and-mortar casino space tend to be relatively stable.

So, the growth possibilities within brick-and-mortar gaming, since same-store sales tend to be relatively flat, really comes from M&A opportunities and from greenfield opportunities. We have a couple in our Company with Kentucky and Illinois.

And so we dispassionately analyze those. And where we see places where we can create shareholder value, we're going to do it. And that's our strategy. That's our approach and that's our strategy for that place -- for that space.

Churchill Downs and particularly the Kentucky Derby, that's its own thing -- as I'd commented in my comments, that that's its own thing. It's something that we have been able to consistently grow off of it and expand, and we will keep working to try to do that. But that's one of those iconic events that really doesn't fall into a common category that's easy to analyze. We just have a very experienced team and we work hard to improve on what we currently do.

Then in the social games space, that's a space that's showing a lot of market growth, a lot of segment growth. So it's about being good not necessarily quarter-to-quarter, but over time, being good to harvest and do better than your competitors in that space. So that's one of those organic spaces where there's just flat-out organic opportunities to try to harvest.

And then I guess the last segment I really didn't talk about was TwinSpires, our online horse racing wagering business. And I don't mean to leave that last; that one is very dear to my heart. I spent a lot of time earlier in my career in Church Hill working to build that team and develop that business with our development folks.

That's just been a real juggernaut. That team has really proven that there is growth even in a flat industry, whether it be through converting customers that are playing through other sources or just finding new customers to the game. So, that's been a real juggernaut and it's working for us, so we're going to keep doing it while it's working for us. We haven't found the ceiling yet.

So, the larger context of my comments is, each segment has its possibilities and really works a little bit differently than the other segments. And right now, we are focused and see past to make improvement in each of those segments. So we're doing that. Because when we do that, we create shareholder value long-term.

Adam Trivison *- Gabelli & Co. - Analyst*

Okay, great. Thank you very much.

Operator

Thank you. This concludes today's Q&A session. I would now like to turn the call back over to Bill Carstanjen for any closing remarks.

Bill Carstanjen *- Churchill Downs Incorporated - CEO*

Okay, thanks very much. We appreciate everybody joining us and participating with us. Again, thank you for your investment in our Company. We will try to meet your expectations and keep this thing growing. Thanks very much, everybody. Bye bye.

Operator

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