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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Churchill Downs, Incorporated third-quarter 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 call is being recorded. I'd now like to introduce your host for today's conference, Mike Anderson, Vice President, Treasury and Investor Relations. Sir, you may begin.

Mike Anderson - *Churchill Downs, Inc. - VP Corporate Finance, Treasury, IR*

Thank you. First, let me apologize for the delayed beginning. We've had a few technical difficulties with the bridge line today. But good morning, and welcome to our third-quarter earnings conference call. After the Company's prepared remarks, we will open the call for your questions.

The Company's 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 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-K and Form 10-Q.

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 10-Q are available on our website at churchilldownsincorporated.com.

And now, let me turn the call over to our Chief Executive Officer, Bill Carstanjen.

Bill Carstanjen - *Churchill Downs, Inc. - CEO*

Thanks, Mike. With me today are several members of our team including Bill Mudd, our President and Chief Operating Officer, Alan Tse, our General Counsel, Mike Anderson, our Vice President of Corporate Finance, Treasury, and Investor Relations, Scott Graff, our Vice President and Controller, and last but certainly not least, Marcia Dall, our new CFO. Welcome, Marcia.

I'll make a few general comments about the third quarter and then turn this over to Marcia. After she is finished with her comments, Bill Mudd, Marcia and I will be happy to take your questions.

The Company delivered record net revenues of 61% over third quarter 2014, and record adjusted EBITDA up 117% over third quarter 2014. We also generated cash from operating activities through the first three quarters of 2015 of $223.2 million, up 95% over prior year.

The most significant catalyst for this growth is Big Fish Games. But it is important to mention that our three other operating segments, TwinSpires, regional casinos, and even racing also made nice contributions to our adjusted EBITDA in the quarter.

I'm going to begin with a few brief comments about these three operating segments and then provide more detailed commentary regarding our Big Fish Games segment.

With respect to TwinSpires, wagering was up 9.4% in the third quarter over prior year on a strong uptick in unique players resulting in adjusted EBITDA growth of 24%. Marcia will go into some of the details surrounding these results in her comments.

From a bit of a higher-level perspective, the topline was better than I thought both with respect to our business and the industry as a whole. Handle was up 3.7% in the third quarter across the industry. Our team's marketing and customer retention strategies appear to be increasingly effective, and we also continue to focus and see results from our efforts around mobile.

In the coming quarters, I think this business will benefit from some of the learnings and capabilities of the Big Fish team, particularly around business analytics. Long term, we need to keep getting better at cost effectively acquiring and then understanding the long-term value of our customers. While you might say, well, what business doesn't, longer-term success in the online and mobile space really requires constant improvement in theses capabilities.

Two final points on TwinSpires. The first is operationally efficiency. Trends in horse racing are poor over the last number of years, so we will remain very focused on utilizing technology, best practices, and other levers as we find to keep improving our cost efficiencies. Second, we are excited that TwinSpires is the official wagering partner of the Breeders' Cup, which runs tomorrow and Saturday. You'll see a strong TwinSpires presence across the Breeders' Cup network broadcast on NBC and its sister channel, the NBC Sports Network.

Our regional casino segment was essentially flat in the third quarter on both the revenue and adjusted EBITDA lines. But our portfolio is very stable as a whole. Some markets are a bit better than others, but we were negatively impacted in this quarter by the New Orleans smoking ban, and continued weakness at our Harlow's facility in Greenville, Mississippi.

Our leadership team in this segment is very solid and very experienced. We asked them to focus quite a bit on cost controls and driving operating efficiencies. In a macro environment which isn't giving us any broad, consistent lift, this is how we maximize value from these assets.

We are excited to have closed on our 25% purchase of Saratoga Casino Holdings, LLC, which consists primarily of the Saratoga Casino and Raceway in Saratoga Springs, New York. We also have the management contract to manage the property. This investment is a nice addition to our portfolio, and we look forward to the completion of the $40 million hotel expansion currently under construction and scheduled to open in the summer of 2016.

Moving on to our racing division, the third quarter is generally a quiet one for racing in our Company. The improvement in our adjusted EBITDA is largely the consequence of no longer conducting racing at Calder and our continued focus on cost-out.

The big change for next year will be the completion of our $18 million project at Churchill Downs racetrack. As we had previously said, improvements to several of the premium seating areas, including the Turf Club will be just in time for the 2016 Kentucky Derby. So far, the feedback from our customers has been very positive, and I'm personally very excited that these enhancements will make for a better experience for years to come.

Every year we want to be able to demonstrate how we made the event meaningfully better compared to the prior year, and I am confident that with these capital improvements, we will meet this standard in 2016.

And finally, I would like to provide additional perspective on the performance of Big Fish Games and on our strategy for long-term growth in this segment. To remind everyone, we closed on the purchase of Big Fish last December. We knew the business was especially good at several things. Big Fish is both a major content producer as well as a marketing and distribution machine.

With respect to content, we operate five internal studios, each targeting different game genres and utilizing different content creation strategies to achieve the same goal of producing popular and profitable mobile games. We also work with a large network of third-party developers to greatly supplement our internal game production capabilities. The approach is always to have a portfolio of content against which we can apply our world-class user acquisition, marketing, and our business analytics to promotes our most promising games, whether those are existing games we continue to innovate around or entirely new games.

While Big Fish Casino has been the flagship, we are fortunate that we are successfully creating an increasing portfolio of other games. Big Fish contributed over $100 million of revenues and $33 million of adjusted EBITDA in the third quarter, and has become a significant part of our overall results.

You'll note that our EBITDA margin expanded in the third quarter. I want to talk about this for a moment because it is important that you understand some of the dynamics at play in this business. Adjusted EBITDA for Big Fish Games is going to vary from quarter to quarter, driven largely by one, our customer acquisition spend as we invest in marketing our newer gains, and two, as the results of prior marketing spending in earlier quarters drives increasing revenues for our existing titles in subsequent quarters.

With the free-to-play game, user acquisition expense, or UA as we call it, is recognized immediately. But the revenue associated with said marketing expense is realized over an extended period of time based on the retention and monetization patterns of the customers we acquired. In the third quarter, we did not release any significant new titles until we released Dungeon Boss toward the end of the quarter. And thus, we didn't see any large pops in our marketing expenses.

Throughout the quarter, we instead primarily focused on investments in our still growing but somewhat maturing existing successful titles like Big Fish Casino and Gummy Drop. Thus, we saw our adjusted EBITDA increase. Yes, improved margins are generally a good thing. But what we like our product improvements and existing games plus a healthy pipeline for new games so that we can spend aggressively now for bigger returns later.

The good news is that we recently launched two promising new games, Dungeon Boss and Sunken Secrets. Both of these games show early metrics that suggest we should begin nicely increasing our UA spend during the fourth quarter. If those metrics hold up as we increase our ad spend, well, then we will begin to more substantially invest in these games, and that will drive future adjusted EBITDA growth even more.

As you know, we do not make forward projections, and I am not doing so here. My point is simply that both these games are looking quite strong early on and warrant increasing our user acquisition spending for the fourth quarter. We will then see that the results are.

Dungeon Boss is what we call a mid-core game designed for a largely younger adult male demographic looking for a more complex, immersive gaming experience. This is our first foray into this very large segment. We were thrilled to receive prominent featuring by the Apple and Android stores, and that was a nice way to start our worldwide launch late in the third quarter.

We have several significant new features that we will be rolling out over the fourth quarter. On the other hand, Sunken Secrets is a casual, fantasy simulation that we soft-launched in Canada approximately five months ago and have tinkered with extensively before launching it worldwide this month.

This game has strong retention, engagement, and monetization attributes. And thus, we will see if we can scale it over the next several quarters. The customer demographics are likely to skew female and a bit older like we see with Gummy Drop. I will talk a bit more about our current games in a moment.

First, the larger point I'm making to you is that we do not manage the business based on adjusted EBITDA or adjusted EBITDA margins quarter to quarter, nor would we be a growth Company if we were trying to do so. We are focused on growing efficiently our best existing games while also producing new mobile games we can scale to hits. I think you have now seen some evidence over 2014 and 2015 that Big Fish is quite capable of this. We will continue our strategy into 2016 with games like Dungeon Boss and Sunken Secrets.

A few comments on our current games. Big Fish Casino, which is actually a social platform as opposed to a game, continues to be a leader in the social casino segment. The growth rate for both this market segment as well as for Big Fish Casino is decelerating, and this was particularly visible during the traditionally slower summer months.

In the face of this deceleration, our focus has been on improving our product in a myriad of ways. Big Fish Casino has completed a platform upgrade and implemented some new content and features. You will see us continuing to consistently publish new slot themes, but also introduce or improve on new features including improved social features around gifting, social status, and achievement recognition. That is what we think matters over time.

We are already starting to see positive results with improved user retention and engagement. What we have been careful not to do is to increase user acquisition spend when we don't have the metrics to support it. In fact, every game in Big Fish has to prove with a high level of confidence there is a favorable spread between the cost pre-install and the lifetime value of that customer before we commit to high levels of user acquisition spending.

We still see cause for optimism in the segment of Big Fish, but recognize that the growth rate is decelerating from its recent lofty levels both for us and for everyone else in the space.

Moving on to our other games, as you all know, our interest in Big Fish and our objectives have always been broader than the social casino space. Gummy Drop, our most successful casual mobile game continues to perform strongly. While the growth rate decelerated during the seasonally soft summer period, we are introducing some very innovative new features and content that we hope will further drive customer engagement going forward. We remain bullish on this game.

We often tend to talk about Big Fish Casino and Gummy Drop, but we also have a stable of existing casual games which, while unlikely to scale to the hit level of Big Fish Casino or Gummy Drop, are already at a meaningful revenue level and continue to grow at the top and bottom lines with steady improvements in engagement metrics. Fairway Solitaire, Fairway Blast, and Cascade fall into this category.

Finally, the premium game PC segment, i.e., our traditional personal computer-based pre-paid games business. This segment continues to experience secular decline as we expected, as consumer preference shift towards free-to-play preference and mobile devices. While it continues to contract consistently as it has over the last number of quarters, it also continues to be a profitable business. We aim to harvest what we can by operating it efficiently and sensibly.

To wrap up, for Big Fish and for the Company as a whole, this has been a great quarter, and we feel we have much we can build on over the rest of the year and beyond. Now I'd like to turn this call over to Marcia Dall, our new CFO, to provide some additional details on the quarter. After that, we'll answer any questions. Thank you. Marcia?

Marcia Dall - *Churchill Downs, Inc. - CFO*

Thanks, Bill. It was a great pleasure to have joined the Churchill Downs leadership team. As you know, I joined Churchill a little over two weeks ago. I'm looking forward to meeting with many of you in the upcoming months.

As Bill shared with you, and as you can see from our press release, we delivered a strong performance in the third quarter with record levels of net revenues, adjusted EBITDA, and net cash flows from operating activities.

Big Fish Games provided a significant lift to our year-over-year performance, and we were also able to grow adjusted EBITDA for our casino, TwinSpires, and racing operations compared to the third quarter of last year. I will first give you additional insight into our third-quarter financial performance, which will include a brief update on the Big Fish earn-out. And then I'll provide additional perspective regarding our dividend and share repurchase announcement.

Beginning with a summary of our financial performance, total net revenue was $280 million, up $106 million or 61% compared to the third quarter of last year primarily driven by the performance of Big Fish Games. Big Fish bookings, which reflects the revenue recognized plus the change in deferred revenue in the quarter grew 34% on a comparative basis. Our casino and free-to-play games had strong growth in the quarter that was partially offset by the expected continued decline in premium games.

In our casino platform on a comparative basis, we did see a slight decline year over year in average paying users that was more than offset by a 9% increase in average bookings per paying user. Our free-to-play casual games benefited from the continued success of a Gummy Drop program that was launched in 2014 as well as the worldwide launch in September of what we hope is our newest hit game, Dungeon Boss.

The decline in the premium games reflects to ongoing shift from paid PC games to free-to-play mobile games as well as the impact of a strengthening US dollar as nearly 40% of these bookings come from non-US dollar currencies.

We also had solid growth in net revenues for the quarter from TwinSpires based on a higher handle of 9%, which outpaced the parimutuel industry growth by nearly 6 percentage points. And our casino revenues grew $1.1 million primarily from the addition of new and upgraded video poker machines, and our Video Services Louisiana properties. We did see a decline in our racing net revenues for the quarter from lower revenue at our Arlington facility.

Adjusted EBITDA is an important metric for our Company, and we are pleased that we delivered record adjusted EBITDA in the quarter of $71 million, up $38 million compared to the third quarter of last year.

Big Fish generated $33 million of adjusted EBITDA in the third quarter. The sequential quarterly growth in the adjusted EBITDA for this division largely reflects the free-to-play game revenue growth from prior-period user acquisition spending exceeding the current period spending to acquire customers along with the maturing social casino segment becoming less reliant on heavy marketing spend.

Our adjusted EBITDA also benefited from the elimination of racing-related expenses at Calder and from the TwinSpires revenue growth in the quarter. As Bill mentioned, our brick and mortar casino business was relatively flat overall. We saw growth at most of our properties, however we did see some softness at our Fairgrounds properties as a result of the New Orleans smoking ban and at our Harlow's property from increased competition.

Our net earnings grew 19% in the third quarter. Our strong adjusted EBITDA performance was partially offset by three significant items related to the Big Fish acquisition. First, $13 million related to depreciation and amortization expenses.

Second, $10.9 million related to higher levels of deferred revenues as bookings exceeded revenue recognized in the quarter as well as the impact of business combination accounting rules that required deferred balances assumed as part of acquisitions to be written down to fair value.

And third, a $2.8 million non-cash item related to the fair valuing of the earn-out payment and deferred founders consideration. We are assuming that the full $350 million related to the earn-out will be paid over the next three years. We also recognized a non-cash impairment charge of $12.7 million in the third quarter related to the planned demolition of the Calder grand stand.

We produced record net operating cash flow of $223 million for the first nine months of the year, and maintained our discipline related to maintenance capital spending. One item to note is that our net operating cash flow includes $17.7 million of tax refunds that belong to the prior owners of Big Fish and of which $11.8 million is shown as an outflow in the financing section of the cash flow statement. The balance of the Big Fish tax refund will be paid to prior owners of Big Fish in the fourth quarter 2015.

Our strong cash flow generation enables is to pay down over $180 million of debt so far this year, and we ended the quarter with outstanding debt of $587 million.

And finally, turning to our announcement regarding dividends and share repurchases, as Bill said in our earnings release, our primary focus remains on driving shareholder value through organic growth and through strategic acquisitions as well as other investment opportunities.

We are fortunate that the Company's growth and free cash flow and its strong balance sheet allow us to create value for our shareholders in numerous ways. We are pleased that on Monday our Board of Directors approved a 15% increase to our dividend to be paid on January 6th, 2016, and also authorized a new $150 million share repurchase program.

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

Bill Carstanjen - *Churchill Downs, Inc. - CEO*

Thanks, Marcia. We're ready to take your questions. So fire away.

QUESTIONS AND ANSWERS

Operator

(Operator instructions)

Brian Davis, Telsey Advisory.

David Katz - *Telsey Advisory Group - Analyst*

Hi, good morning. It's David Katz. Just a -- if we could talk about Big Fish. And I know the policy is not to give any forward-looking guidance. But if we could just talk qualitatively about the three different pieces of that business.

And specifically the casino business, which you refer to as maturing. Is that something where you still see a flood of competition coming? How do you think about the size of that pie and the prospective slices that you could capture of it?

And then as far as the premium side of the business, is that something that you expect stabilizes at some point or evolves away entirely over some long period of time? That would be helpful.

Bill Carstanjen - *Churchill Downs, Inc. - CEO*

Sure. Hi, David. It's Bill. I'll start on this and my colleague Bill Mudd may join. That was a multi-part question. So I'll start at the top with the social casino segment. When we described it as maturing, we're really referring to the fact that this is a space that saw 100% quarter to prior quarter growth rates in the beginning, and it's trended down over the last number of quarters.

So it was a reference to the fact that the growth rate has been decelerating and we're harvesting the fact that we've spent a lot of marketing dollars over time and now have a very stable, large group of customers that play on our platform. And that's a good thing.

Again, respecting the construct of being a public company and not making forward-looking statements, if you read some of the reports that are out there and you look at some of the trends, this is still a space that you see organic growth in. It's just not at quite the same incredibly lofty levels that it had been previously, which is not an uncommon story to see play out.

You do see lots of innovation coming into the space, lots of smaller, newer startups that are offering interesting innovations and different takes on the social casino genre. So that's good to see. We support innovation. It gives us lots of ideas for what we should do ourselves.

But for us, we're an established, significant platform that's been around since early on in this space. And that is a great place to be both for purposes of to keep giving your customers what they like, and also a platform to innovate and try new things. So without crossing the line with forward-looking statements or anything like that, this is a space we're very glad we're in. This is a space where there still seems like there's lots of opportunities.

And if you look at evidence -- looking for evidence of that, look at some of the folks that have come into it, and look at some of the ideas and some of the innovations going on in the space. So hopefully that answers that question.

On the premium side, you've seen secular decline there for quite a while. And I do think it stabilizes at some point. I'm not sure when. But when we purchased Big Fish, the trends were already obvious and clear. People are moving towards mobile devices. They're moving toward free-to-play games. And that, by definition, means they're moving away from what had historically been our premium business.

So it's a very good business. It'll be around for a while. Where will it stabilize? I'm not sure. It's a great business to have. A lot of those folks have transitioned over to free-to-play opportunities. And then there's lots of crossover, and there's still quite a bit of health there.

So it's not a bad thing. That's just part of life in a space where there's a lot of change, where there's a lot of pivoting, and a lot of evolution in a relatively short period of time. You've got to keep up with the times, and you got to change with the times, and you got to go where the opportunities are.

Bill Mudd - *Churchill Downs, Inc. - President & COO*

I would add to that, Bill, just a couple things. One is, in the premium segment, there are some franchises that will be around for as long as people want to continue to buy them. The biggest weekend in the premium segment is when we release some of the franchise titles right around the Thanksgiving holiday.

But the other thing I would say is, that business, there's still going to be a niche in that business. And one of the big products -- not big products, but one of the very successful products we launched this year is a product called Lifeline on the iWatch. That's actually a premium product that you purchase the game and you own the game. So you'll probably see a little bit of shift to games like that rather than kind of the hidden object games that you play on PC.

But the real growth in games is really in the free-to-play genre, as Bill mentioned. And he gave you a little bit of a teaser in his comments about, you know, we've got two games now that show very good signs of promise. And as we've talked before, the way that we invest in these products is really in the form of user acquisition. The cost to build a game is small relative to that.

And we've seen early signs of being able to recoup our ad spend on those games. And the more data you have, so the longer the game's out there, the more confident you are in the lifetime value of those customers, we're going to start spending more money in the fourth quarter on user acquisition for both Dungeon Boss and Sunken Secrets.

So that should give you an indication of what you think is going to happen with the way of spending in the fourth quarter. And hopefully, that results in some growth in some subsequent quarters as Bill had mentioned in his comments. Hopefully that helps.

David Katz - *Telsey Advisory Group - Analyst*

It does. And I think you've both sort of gone back to the UA spending in the near term. One of the things we could use a little more help in thinking about is the volatility levels on the margin in that business as a result and how you think about managing that over time. Is it conceivable that we, at some point, could see quarters with no margin that are made up down the road? How wide should we be thinking about the volatility of the margin of that business the long term?

Bill Carstanjen - *Churchill Downs, Inc. - CEO*

I think if you look at the quarters we've already reported on for this business, you can see a bit of a range. I think more than any kind of significant foreshadowing, what we were trying to just indicate in the comments is, the goal right now when you have hit games is not to maximize the adjusted EBITDA, it's to grow the business over time. But that doesn't mean that there's a massive range at play here. I'm limited with respect to, as a public company, providing guidance.

But what I would encourage you to do, David, is just go look at the margins that have been present in this business since we've owned it. And you'll just see a bit of a range. And really the important point is, that's not necessarily a giant range, it's just there is a range there. And it's a function of what the opportunities are and what's going on in the business at the time.

But we don't want to send the signal that we're sacrificing future growth in order to maximize the adjusted EBITDA margin in any given quarter. You're going to see variability. In a healthy business in this segment, there will be some variability in your adjusted EBITDA margin, and it's a function in part of your user acquisition opportunities. So hopefully that helps a bit and gives you some sense of perspective.

David Katz - *Telsey Advisory Group - Analyst*

It does. And one last one. As we see the casino side maturing a bit, what gives you comfort that the casual free-to-play has a fair amount of runway before it matures? And I hope I'm not putting words in your mouth, but my impression is that you do think there's a significant runway on that business before it starts to mature in a similar way. What gives you comfort with that?

Bill Carstanjen - *Churchill Downs, Inc. - CEO*

Well, a lot of times we look at information and metrics that are well beyond our business and what we do. And there's a lot out there that talks about the spending patterns on mobile devices and user habits on mobile devices, what do people spend their time doing, what do people spend their money, how much time are they spending on these devices?

I think there's some pretty interesting data out there that I would encourage you to look at and look for. It's the same data anybody can see. And it suggests that this is a healthy economic opportunity, a healthy space for those companies that can pivot as they see changes in people's preferences and can develop a product that meet those preferences. And there are pretty good metrics beyond our Company that you can find in some of the publicly available data, pretty good metrics for many folks that are making these sorts of products.

Bill Mudd - *Churchill Downs, Inc. - President & COO*

The other thing I would add to that, David, is that we're a very tiny fish in a huge pond when it comes to the free-to-play, outside-of-casino genre. And even in-casino genre, our share is still relatively small. So that's why we need to continue to innovate. We need to continue to bring out a portfolio of products.

We find those couple of products that work, and that's where we put our business analytics and user acquisition capabilities to work. And that's what's beautiful about that business. Whenever we go spend money on user acquisition, which is the real cost of this business, our team is so quantitative, they really understand the spread between the lifetime value of the customer and the cost to install that customer.

So I think the play here is, even if the market for games slows, we have huge potential to grow share. So that's how we think about it, by innovation.

David Katz - *Telsey Advisory Group - Analyst*

Got it. Appreciate it. Thanks very much.

Operator

Adam Trivision, Gabelli & Company.

Adam Trivision - *Gabelli & Company - Analyst*

Hey, everyone. Thank you for taking my call, or my question. I guess first up, can you give us an update on how you're thinking about Arlington Park assuming slots at tracks doesn't happen, or kind of how you're planning there in terms of monetizing the assets?

Bill Mudd - *Churchill Downs, Inc. - President & COO*

Yes, I mean, right now as you know, there's a budget impasse in Illinois. They've got to get through that before they get back to the gaming bill. We still feel very bullish on our ability to get a gaming bill passed. The State certainly needs the money and the horse racing industry needs the money to compete on the purse levels.

So we continue to look at the value of that land versus the value of that land as a casino and racing establishment. And right now, it still makes sense to continue to play for the casino and racing establishment. And if it gets to a point where we don't think we're going to get casino, then we'll reevaluate.

Adam Trivision - *Gabelli & Company - Analyst*

Okay. And I guess secondly and relatedly, maybe can you give us some color on how you're thinking about Calder given the kind of back and forth between the Seminoles and the State and their ability to have table games?

Bill Carstanjen - *Churchill Downs, Inc. - CEO*

You know, Adam, that's a tough question because that's a play in which we only have a bit part. So we certainly are following very carefully the interplay between the Seminoles and the governor and the legislature. And certainly, if and when there is a new compact, there is hopefully and opportunity for the parimutuels such as us to participate in the legislative process to improve our lot in life.

So beyond saying that it's a significantly important issue for the Company, we pay a lot of attention to it, and we're very involved in the process down there, I don't know that I can read the tea leaves for you in any way that would be helpful. We'll be looking for opportunities for ourselves as there is change in Florida as a result of the fact that the -- at least the compact with respect to table games expires this week. And at some point they're going to have to address between the Seminoles and the State what to do about that fact that it has expired.

Adam Trivision - *Gabelli & Company - Analyst*

Okay. And then I guess lastly, could you just kind of update us on your thoughts in terms of where you're targeting leverage and where you're seeing potential acquisitions? I know traditionally you guys had acquired casino properties. But with your commentary regarding some of the interesting social casino or social gaming companies you're seeing start up, would there be any interest there?

Bill Mudd - *Churchill Downs, Inc. - President & COO*

Well, as you know, we can't really say what we're doing on the acquisition front. I think it's fair to say that we look at any opportunity, whether it be a brick and mortar casino or a social casino.

What I think is also fair to say is that we have a platform already in the Big Fish acquisition both on the casino side, on the free-to-play side. So anything we do in that business is most likely to be kind of a bolt-on acquisition where we can create a lot of value either through cost synergies or revenue synergies or use of our business analytics capability.

On the casino side, very opportunistic, we're going to be -- we'll look at stuff that makes sense from a pricing perspective.

Adam Trivision - *Gabelli & Company - Analyst*

Okay, great. Thank you very much.

Operator

(Operator instructions)

And I'm showing no further questions at this time. I would now like to turn the call back over for any further remarks.

Bill Carstanjen - *Churchill Downs, Inc. - CEO*

Thanks, (inaudible). Thank you, everybody. Thanks for your support. Thanks for your time today. Look forward to speaking to you next time. Have a good weekend.

Operator

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