



# CHURCHILL Downs

INCORPORATED

Jefferies Non-Deal Roadshow  
Toronto

March 26-27, 2019

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This presentation includes certain “non-GAAP financial measures” as defined in the Securities and Exchange Commission’s Regulation G. A reconciliation of these non-GAAP financial measures to the most directly comparable GAAP measures is included in the appendix of this presentation.



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# **Company Overview and the Case for Investing**

# ***The Kentucky Derby***



**The longest continuously held  
annual sporting event in the United States**

# TwinSpires.com

**BET ANYWHERE,  
ANYTIME**  
Bet on racetracks all  
around the world.



**TOP RACING DATA**  
Leading source of  
online data



**SIMPLE,  
FAST WAGERING**  
Place multiple bets  
at a time

**LIVE STREAMING**

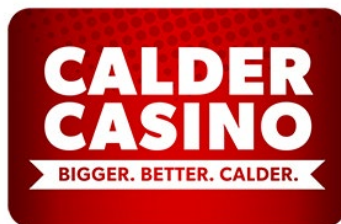
**BET LIKE A PRO**  
Get the inside edge  
with leading  
handicapping  
information



**EARN  
CASH**  
Earn cash  
bonuses to  
bet on the  
races

**The largest, legal online horseracing  
wagering platform in the U.S.**

## Regional Casino Properties



We are a leader in brick-and-mortar casino gaming with ~11,000 slot machines and VLTs and ~200 table games in eight states after our acquisition of a majority interest in Rivers Casino in Des Plaines, Illinois and the Lady Luck Nemacolin transaction.

**Iconic asset - *The Kentucky Derby***

**Industry leading, diversified business platforms**

**Organic growth opportunities**

**Ongoing expansion opportunities**

**Strong balance sheet and financial performance**

**Proven management team**



## Iconic asset - *The Kentucky Derby*



*The magic and mystique of The Kentucky Derby create once-in-a-lifetime experiences for our guests*



## Industry leading, diversified business platforms

### *The Kentucky Derby*



**An iconic and irreplaceable asset**  
**Four consecutive years of record all source wagering**  
**Consistent profitable growth over the past nine years**

### **TwinSpires**



**The largest, legal online horseracing wagering platform in the U.S.**  
**Multiple brands providing best in class betting experience**

### **Casino Properties**



**Industry leading regional casino margins**  
**Diverse regional portfolio in eight states providing market access for sports betting and iGaming opportunities**

### Continuous organic growth opportunities

***The Kentucky Derby***



Create and enhance guest experiences to enable greater pricing differentiation  
Capital investments to convert general admission guests to reserved seating and to upgrade existing reserved seating customers to higher end seating  
Expand Japan Road to the Derby and European Road to the Derby

**TwinSpires**



Best in class racing content access and data driven marketing strategy capitalizes on major race dates, including *The Kentucky Derby*

**Casino Properties**



Modest, disciplined capital investments to expand facilities and optimize return on invested capital

### Ongoing expansion opportunities

#### Historical Racing Machines



**Derby City Gaming – 900 machine facility opened in Louisville, KY on Sept. 14, 2018**

**Plan to add 100 machines in 2Q 2019; potential to add 1,000+ additional machines at Derby City Gaming or Churchill Downs Oak Grove – Awarded racing license with plans to build up to 1,500 machine facility in Oak Grove, KY (~1 hour north of Nashville, TN)**

#### M&A



**Closed Presque Isle and Nemaquin acquisitions in 1Q'19**

**Closed investment to acquire 61% of Rivers Casino Des Plaines in Illinois**

**Disciplined buyer of strategic brick-and-mortar gaming assets**

#### Sports Betting and iGaming



**Retail self service BetAmerica Sportsbooks opened Aug. 2018 at Riverwalk and Harlow's Casinos in Mississippi**

**Launched online BetAmerica Sportsbook and iGaming in New Jersey in 1Q'19**

**Plan to launch retail and online BetAmerica Sportsbook and iGaming in Pennsylvania in 2019**

## **Strong balance sheet and financial performance**

**Low leverage provides financial flexibility**

**Consistent growth in Adjusted EBITDA from continuing operations**

**Strong free cash flow**

**Disciplined project capital investment to generate industry leading return on invested capital**

### Proven management team

**Proven, results driven leadership team focused on creating shareholder value over the long-term**

**CDI team has unique combination of diverse, yet complementary strengths and talents**

- Average tenure at CDI is ~10 years
- Racing site leaders have an average of ~21 years of racing experience
- Gaming site leaders have an average of ~19 years of gaming industry experience
- Online gaming leaders have an average of ~13 years of mobile and online sports betting and iGaming experience



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# ***The Kentucky Derby***



***The Kentucky Derby* utilizes  
the mystique and magic of Churchill Downs  
to create unique experiences for our guests**

**Historic  
Americana**



**Sophisticated Luxury**



**Contagious  
Excitement**



## ***The Kentucky Derby Growth Strategy***

### **Leverage unique experiences and make strategic capital investments**

- Enhance guest experience to enable pricing differentiation for ~60,000 reserved seats
- Execute capital investments to enable segmentation of ~110,000 guests who do not have a reserved seat
- Expand Derby Week offerings and attractions

### **Attract additional sponsorships**

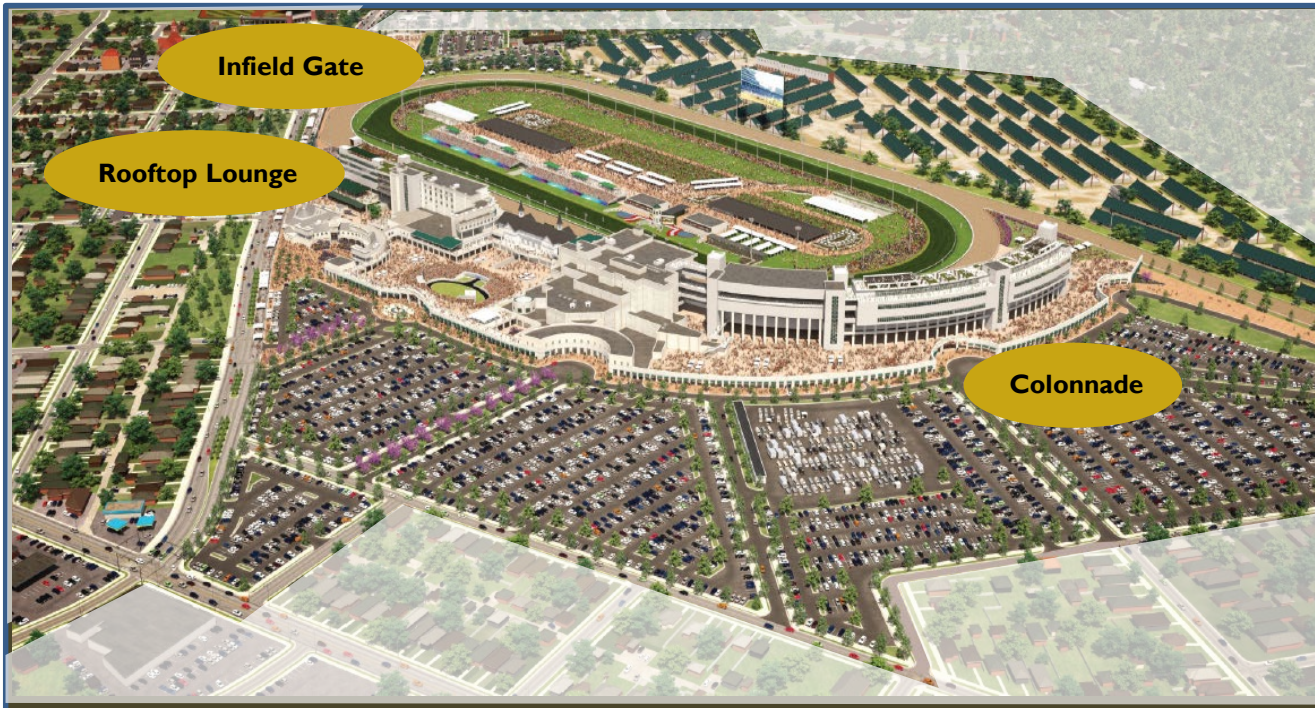
### **Expand European Road to Derby and Japan Road to Derby**

## **Nearly \$170 million in major capital improvements at Churchill Downs in past nine years**

### **Major Capital Improvements at Churchill Downs Since 2010**

2010	Permanent Lighting for Track
2013	Paddock Plaza and The Mansion
2014	Big Board and Grandstand Pavilion
2015	Winners Circle Suites and The Courtyard
2016	Stakes Room and Turf Club
2017	Loft at Aristides Lounge and 2 <sup>nd</sup> Floor Clubhouse
2018	Starting Gate Suites and Colonnade, Parking, and Transportation Project

## Future build-out of facility supports long-term growth of *The Kentucky Derby*



### 2019

- Rooftop Lounge
- Infield Gate
- Colonnade

### Future Concepts

- Hotel
- Premium renovations
- 1<sup>st</sup> Turn building
- Paddock
- Grandstand amenities
- Infield seating

## Multi-year sponsorships with staggered renewals support long-term growth strategy

### 2019 Sponsorship Update

- 99% of 2018 sponsorship revenue dollars were contractually committed 6 months in advance of 2019 Derby Week
- Building relationships with new sponsors in the pipeline to grow sponsorship revenue for 2019



**RAM**

**INSPIRATO®**

**SENTIENT  
JET**



## **Three unique Roads to the Derby for a horse to qualify in one of 20 coveted Derby starting positions**

### **United States**

**Horses compete for a  
Derby starting position  
through 35 races from  
September through April**

### **Japan**

**Started in 2016  
Horses compete for one  
Derby starting position  
through four Japanese  
races**

### **European**

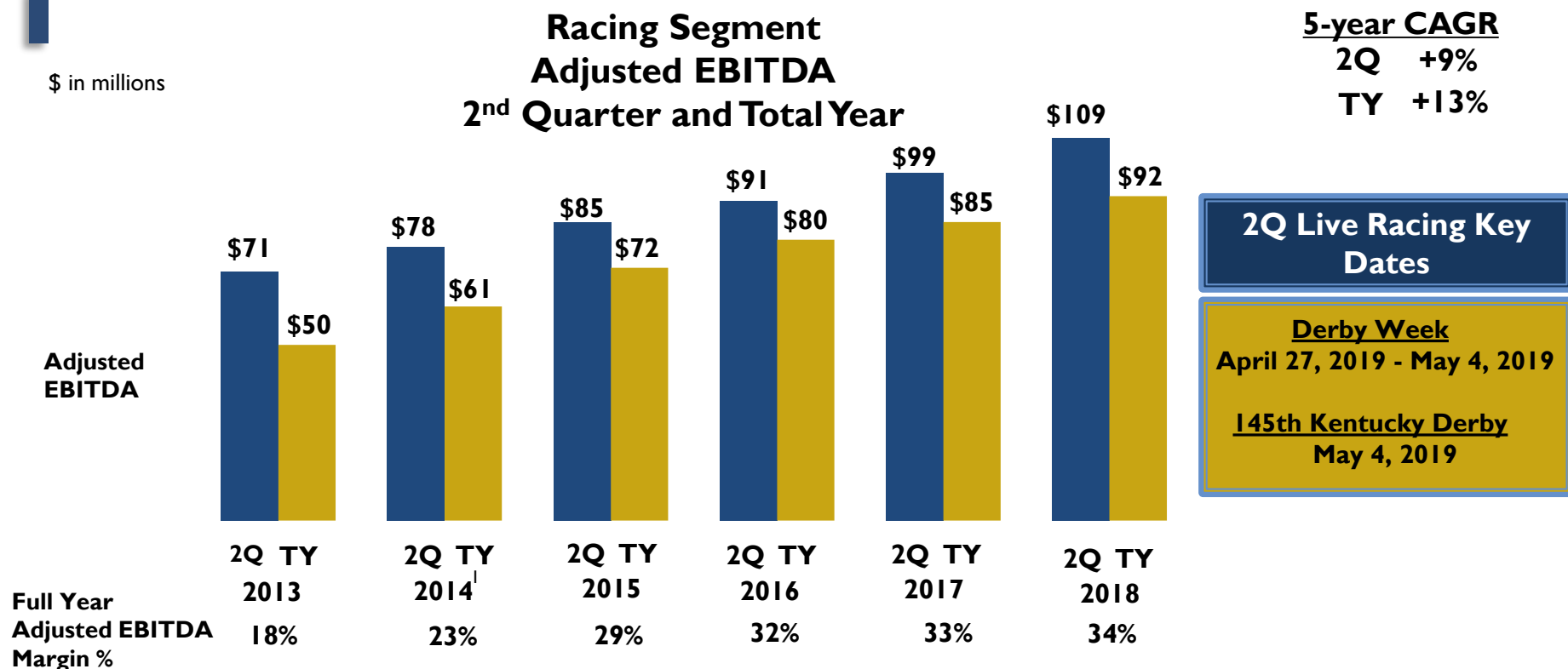
**Started in 2018  
Horses compete for one  
Derby starting position  
through seven European  
races**

### **Growth Potential**

**New customers for the Derby  
Additional wagering  
Provides extended marketing opportunity for sponsors**



## Second Quarter Live Racing is Primary Driver of Annual Racing Growth



2Q'18 Racing Segment Adjusted EBITDA of \$109 million, up \$10 million from 2017  
2018 Kentucky Derby Week – Another Record Year of Growth with Adjusted EBITDA up \$12 million<sup>2</sup>

<sup>1</sup> Beginning in July 2014, the Calder Racing Operations were leased to The Stronach Group which significantly improved the Racing Segment total year Adjusted EBITDA

<sup>2</sup> Includes \$2.5 million of favorability related to the adoption of the new revenue accounting standard ASC606

# TwinSpires

## TwinSpires delivers handicapping data, live race video, and best in class betting

### Overview

**Launched in 2007**

**Official mobile betting partner of the Kentucky Derby, the Breeders' Cup World Championships, and Churchill Downs Racetrack**

**Benefits from CDI ownership of:**

- **United Tote** - provides totalisator services
- **Brisnet** - provides historical handicapping data



### 2018 Key metrics

\$ in millions	<u>2018</u>	<u>VPY %</u>
<b>TwinSpires Handle<sup>1</sup></b>	<b>\$1,390</b>	<b>8%</b>
<b>Revenue</b>	<b>\$292</b>	<b>14%</b>
<b>Adjusted EBITDA</b>	<b>\$73</b>	<b>13%</b>

<sup>1</sup> TwinSpires handle excludes Velocity

### Multiple brands leverage infrastructure



## TwinSpires' strategic advantages

Linkage to *The Kentucky Derby* and the other Triple Crown / Breeders' Cup events



- Inexpensively acquire new customers each year with an affinity for horseracing
- Access to premier content because of ownership of *The Kentucky Derby*

Business intelligence analytics



- Utilize analytics on customer behavior to drive efficient customer acquisition, retention and activation

Customer relationships



- Differentiate VIP relationships to build loyalty and retention
- Unique ability to create once in a lifetime experiences at *The Kentucky Derby*

Management team

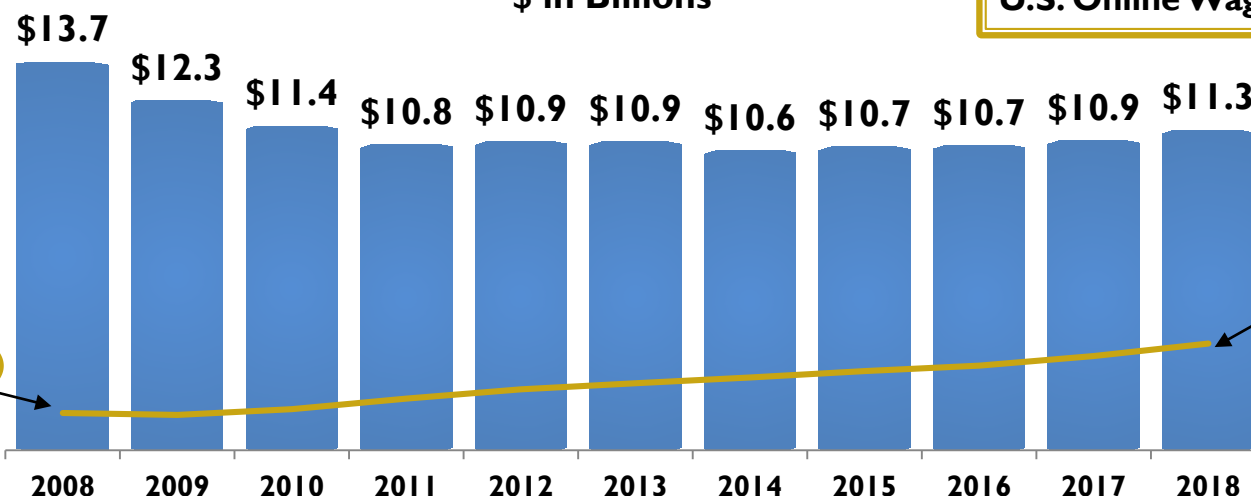


- Significant online wagering experience in Europe and the U.S.
- Deep technology expertise throughout core team
- Team's experience positions us well for growth in online sports betting and iGaming markets

## Online horseracing wagering has potential for additional market penetration

**Total Horseracing Wagering<sup>1</sup>  
in the United States  
\$ in Billions**

U.S Horseracing	CAGR	
	2008-16	2016-18
Total Wagering	(3.0)%	2.4%
U.S. Online Wagering	10.8%	12.1%

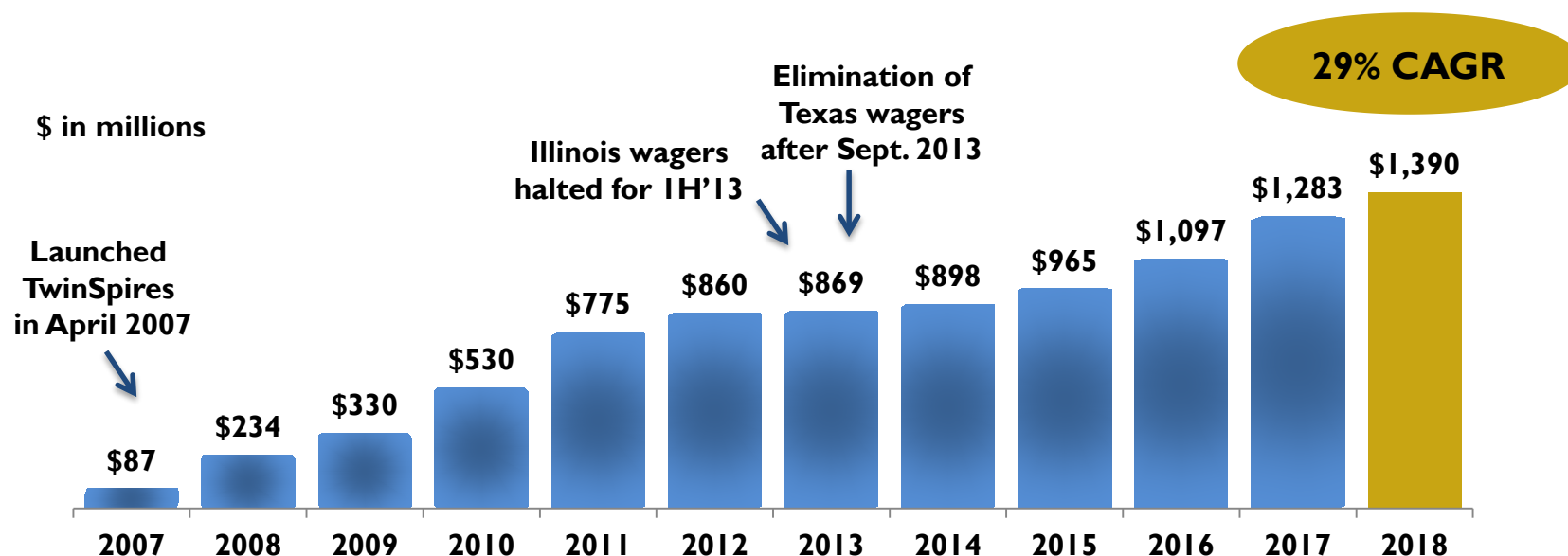


**U.S. Online Wagering<sup>2</sup> as % of  
Total Horseracing Wagering**

<sup>1</sup> Source: Equibase

<sup>2</sup> Online Wagering excludes Velocity

## TwinSpires handle<sup>1</sup> has grown significantly over the past decade



<sup>1</sup> TwinSpires handle excludes Velocity



## We are attracting new fans and younger fans to horseracing

### New Fans

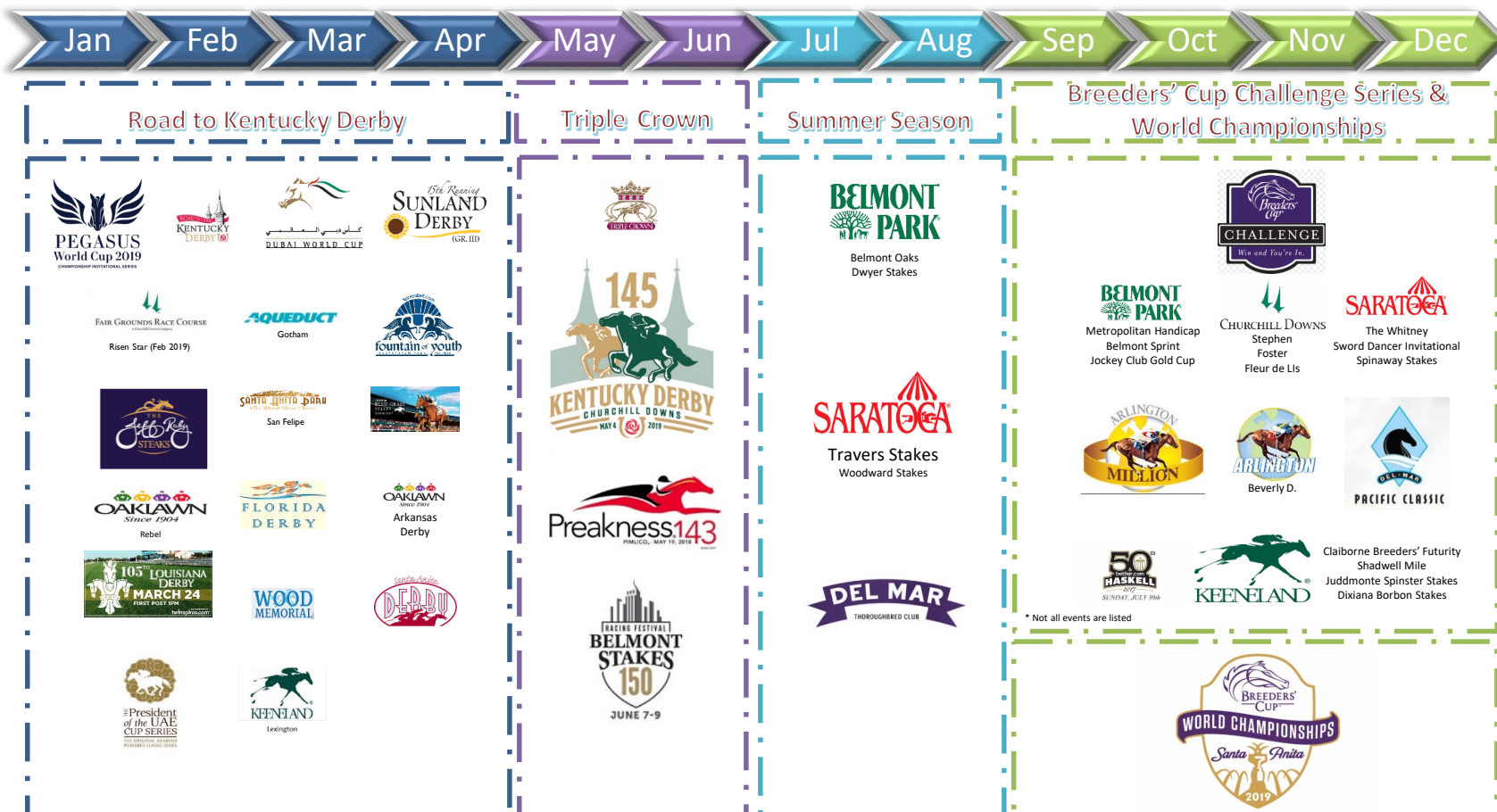


Based on survey of August 2017 new customers

### Median New Player Age

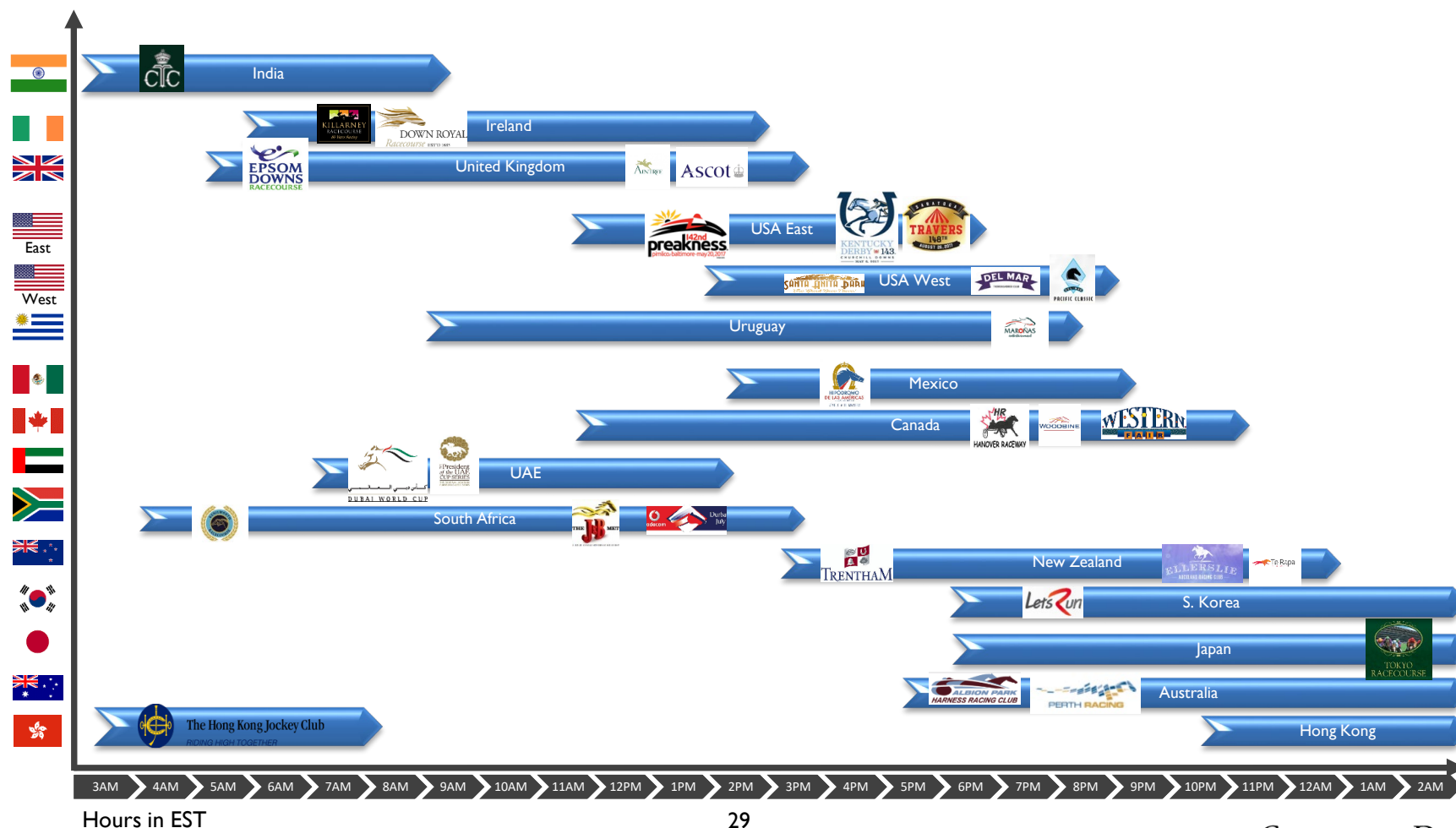


TwinSpires offers betting on ~132,000 races at 330 racetracks 365 days a year



\* Not all events are listed

# TwinSpires offers betting 24/7 from 14 countries

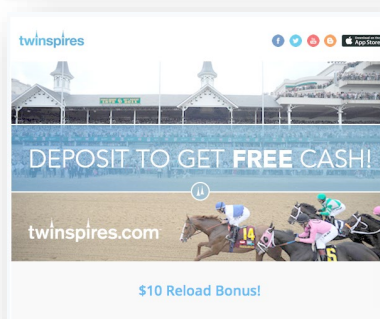


## We leverage data to drive user acquisition, retention, and activation

### User Acquisition



### User Retention



### User Activation



## We have the unique ability to create once in a lifetime experiences at *The Kentucky Derby*

### Winner's Toasts



### Trophy Presentations



### VIP Events

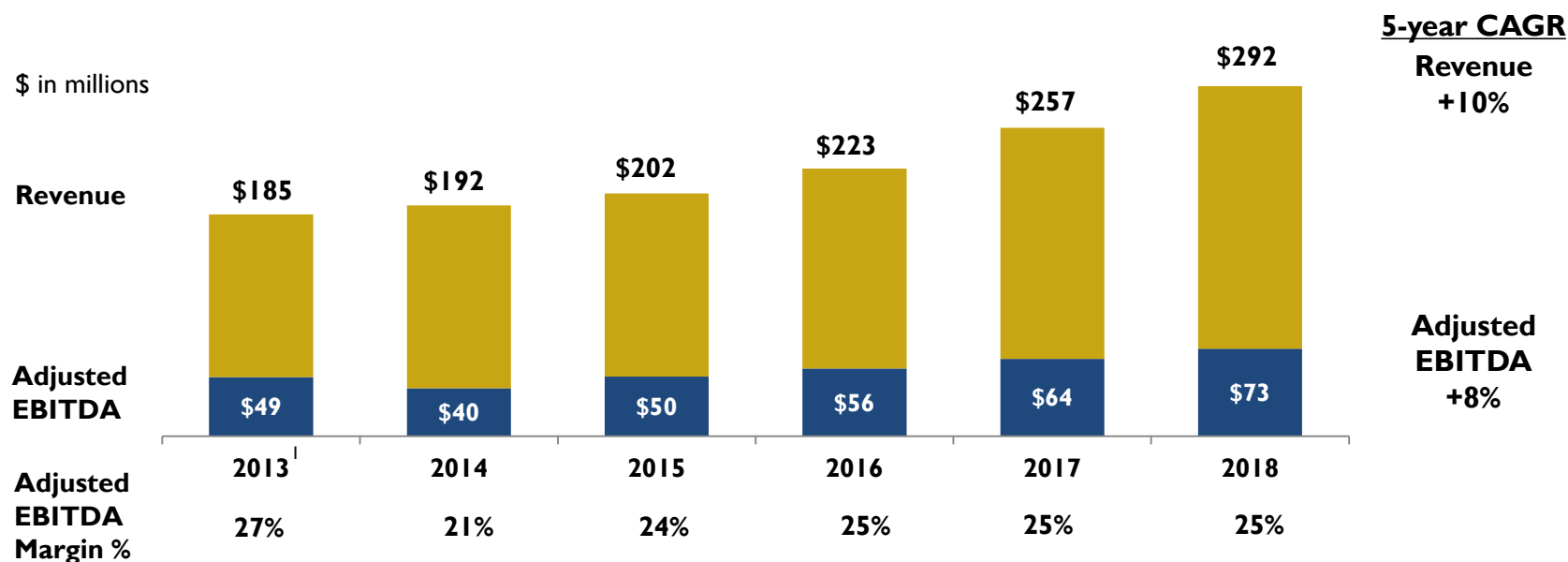


### Behind-the-Scene Tours



## TwinSpires Segment Financial Performance

### TwinSpires delivers strong growth



<sup>1</sup> In 1H'13, TwinSpires stopped taking wagers from Illinois residents until June 2013 when Illinois resident wagering resumed with passage of new law. In Sept. 2013, TwinSpires stopped taking wagers from Texas residents after court ruling upheld a Texas law requiring all wagering to take place at racetracks.





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# Casino Properties



## Diverse portfolio of gaming properties

### Overview

#### Ten casinos and three hotels in eight states

- Seven wholly owned, two joint ventures, and one management contract
- Local brands and community connection
- Smaller bets in diverse geographic and economic environments

**Retail self service BetAmerica Sportbooks opened at two Mississippi properties in August 2018**

### 2018 Key metrics

\$ in millions	<u>2018</u>	<u>VPY %</u>
<b>Revenue</b>	<b>\$411</b>	<b>17%</b>
<b>Adjusted EBITDA</b>	<b>\$170</b>	<b>16%</b>
<b>Wholly owned casino margin<sup>1</sup></b>	<b>33.2%</b>	<b>170 pts</b>

**Industry leading margins for wholly owned casinos**

<sup>1</sup> Excludes corporate overhead, Ocean Downs, and joint ventures

## Our casino properties' strategic advantages

Local approach	➔	<ul style="list-style-type: none"> <li>▪ Unique brands and marketing strategies</li> <li>▪ Menus and offerings reflect local tastes</li> <li>▪ Promotions catered to customer base</li> <li>▪ Loyal player base</li> </ul>
Business intelligence analytics	➔	<ul style="list-style-type: none"> <li>▪ Utilize analytics on customer behavior to optimize customer trips and casino / food &amp; beverage offerings</li> </ul>
Leverage corporate gaming expertise	➔	<ul style="list-style-type: none"> <li>▪ Gaming floor layout and game mix optimized</li> <li>▪ Central slot purchasing to leverage size</li> <li>▪ Disciplined reporting and communication strategy</li> <li>▪ Central marketing resource facilitates shared best practices</li> </ul>
Regional property gaming leaders	➔	<ul style="list-style-type: none"> <li>▪ Significant overall gaming experience</li> <li>▪ Stable executive leadership maintains local market focus</li> </ul>

### Florida and Louisiana Casinos & Video Poker

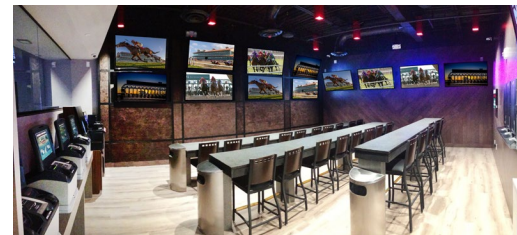
#### Calder Casino – Miami Gardens, Florida

- **Property:**
  - Located in Miami Gardens, FL, near Hard Rock Stadium (home of the Miami Dolphins)
  - Facility opened in Jan. 2010
  - 170 acres of land with casino and racetrack
  - ~1,150 slot machines
- Agreement with The Stronach Group to operate and manage Calder's racetrack and live horseracing under Calder's racing permits until Dec. 31, 2020
- In Nov. 2016, we sold 61 acres of excess real estate at Calder for \$434k per acre<sup>1</sup>
- Expanded smoking patio opened May 2018
- Received Jai Alai permit in Feb. 2018 with event dates beginning in May 2019



#### Fair Grounds Slots & Video Poker - Louisiana

- **Property:**
  - Racetrack and slots facility located in New Orleans, LA
  - Slots facility opened in Oct. 2008
    - ~620 slot machines
  - Fair Grounds operates 14 OTB's across southeast LA of which 12 have ~940 video poker machines
- Opened Destrehan OTB in May 2018
  - 65 video poker machines
  - Pari-mutuel horseracing self-service
- Opened Meraux OTB in Aug. 2018
  - 60 video poker machines
  - Pari-mutuel horseracing self-service



<sup>1</sup> Excluding real estate commissions paid

### Maine and Maryland Casinos

#### Oxford Casino – Oxford, Maine

- Property:
  - Located in Oxford, Maine
  - ~940 slot machines, 30 table games and 2 dining facilities
  - 97 acres of land
- Purchased in July 2013
- In Nov. 2017, opened new \$25 million expansion
  - Attached 107-room hotel
  - Expanded gaming floor to add 100 slot machines
  - Added new pub restaurant



#### The Casino at Ocean Downs – Berlin, Maryland

- Property:
  - Located near Ocean City
  - Casino opened in 2010
  - Harness racetrack opened in 1949
  - ~900 video lottery terminals and 18 table games
- Ownership history
  - Purchased 50% equity stake in Jan. 2017
  - Acquired remaining 50% equity stake in Aug. 2018 through swap of 25% ownership interest in Saratoga New York and Colorado with Saratoga Casino Holdings
- Realized an effective 10 percentage point tax reduction starting Aug. 2017 by purchasing 800 slot machines from the state of Maryland
- Added 10 table games and 100VLTs in Dec. 2017 and an additional 8 tables in July 2018



### Mississippi Casinos

#### Harlow's Casino Resort & Spa

- Property:
  - Located in Greenville, Mississippi
  - Facility opened in 2007
  - ~730 slot machines, 15 table games
  - 4 dining facilities
  - 105-room attached hotel
  - Located on ~85 acres of leased land
- Purchased in Dec. 2010
- Opened retail BetAmerica Sportsbook in Aug. 2018
  - 39 self-service betting terminals
  - 21 big screen displays broadcasting over 100 different HD channels of sporting events and information

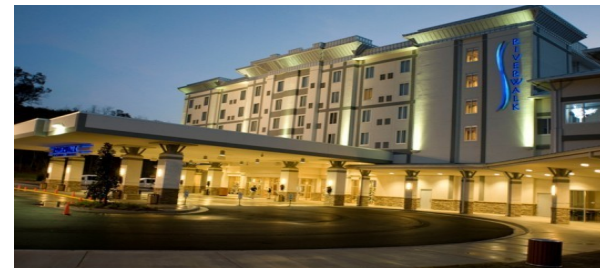
*Harlow's*  
Casino Resort & Spa



#### Riverwalk Casino Hotel

- Property:
  - Located in Vicksburg, Mississippi
  - Facility opened in 2008
  - ~650 slot machines, 16 table games
  - 2 dining areas
  - 5-story, 80-room attached hotel
  - 22 acres of land
- Purchased in Oct. 2012
- Opened retail BetAmerica Sportsbook in Aug. 2018
  - 38 self-service betting terminals
  - 55 big screen displays broadcasting over 100 different HD channels of sporting events and information

  
RIVERWALK  
CASINO • HOTEL



Guests can bet on major professional sports including NFL, NBA, NHL, MLB and collegiate sports as well as sporting events happening all over the world



### Pennsylvania Casinos

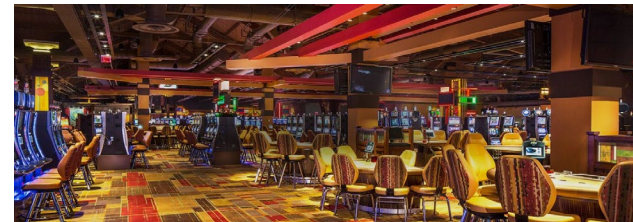
#### Presque Isle Casino

- Property:
  - Located in Erie, Pennsylvania
  - ~1,600 slot machines, 32 table games and a 7 table poker room in 153,400 sq. ft. facility
  - ~100 live thoroughbred race dates each year
  - Located on ~270 acres of land
- Purchased in January 2019
- Potential sports betting / iGaming upside
  - Approved for sports betting and iGaming; ultimate go live date not yet determined.
  - Have begun construction of new retail BetAmerica Sportsbook and plan to open in 2Q'19



#### Lady Luck Nemacolin

- Property:
  - Located in Farmington, PA
  - ~1 mile from Nemacolin Woodlands Resort's main entrance
  - ~ 600 slot machines, 27 table games and a casual dining restaurant and lounge
- Purchased in March 2019; Paid \$100,000 for:
  - Management agreement to operate casino until July 2023
  - All fixed assets (e.g. slot machines and table games)



### Casino Joint Ventures Overview

#### Two of our casinos are joint ventures

##### MiamiValley Gaming (50% Equity Investment)

- Opened in December 2013
- Located in Lebanon, OH (North of Cincinnati, south of Dayton)
- ~1,870 video lottery terminals
- Joint venture (50/50) with Delaware North
- Added smoking patio, high limit area, and expanded gaming in 4Q'17



##### Rivers Casino Des Plaines (61% Equity Investment)

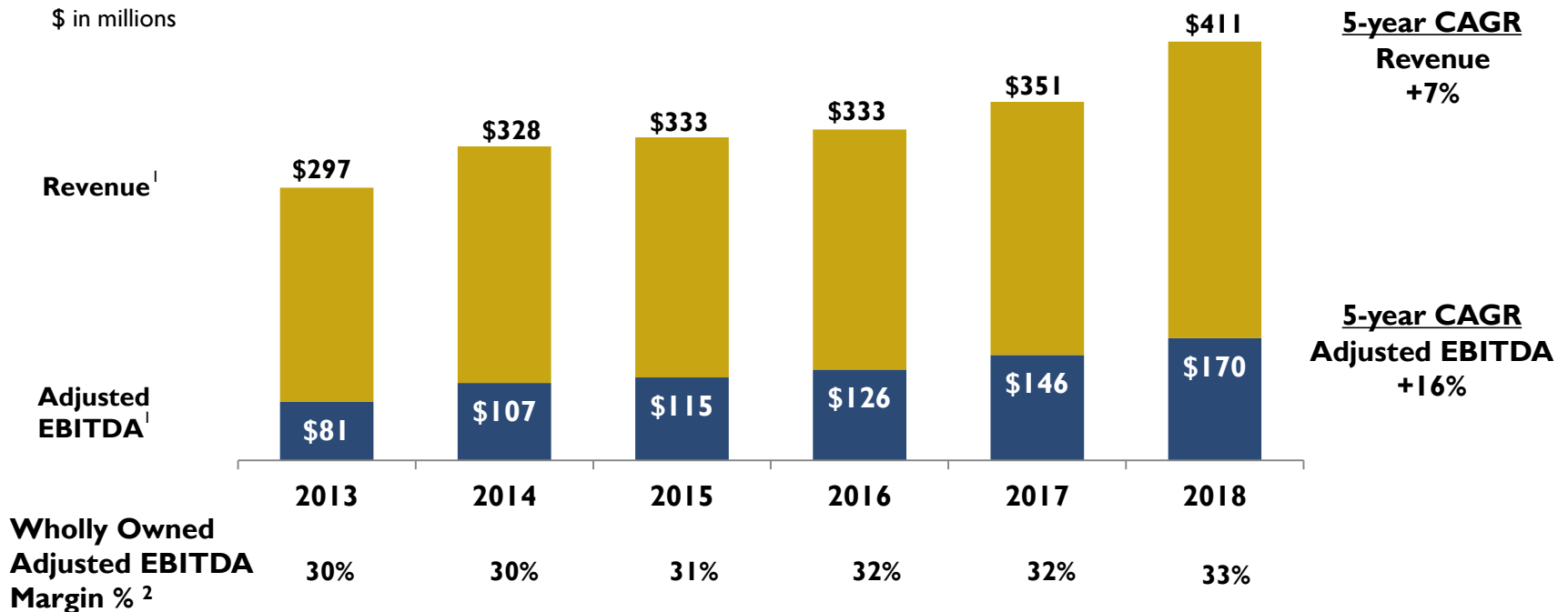
- Opened in July 2011
- CDI investment closed on March 5, 2019
- Located in Des Plaines, IL
- ~980 slot machines and ~58 table games<sup>1</sup>
- Joint venture with High Plains Gaming, LLC, an affiliate of Rush Street Gaming, LLC
- Favorably positioned for online sports betting / iGaming upside should Illinois permit those activities



<sup>1</sup> The Illinois Gaming Board limits the number of Gaming positions to 1,200. For purposes of statutory requirements, slot machines are counted as 0.9 positions and table games are determined based on type of game (Craps tables have 10 positions, all others have 5 positions).

## Casino Segment Financial Overview

**Multiple, smaller bets in various geographies provides for solid growth profile**



**1Q'19 additions include Presque Isle Downs and Casino, Lady Luck Nemacolin, and equity investment in Rivers Des Plaines**

<sup>1</sup> Net revenue does not include the net revenue of our equity investments in casino properties; Adjusted EBITDA includes Churchill Down's portion of the Adjusted EBITDA of our equity investments in casino properties based on our ownership percentage; Financials exclude Presque Isle / Nemacolin; We took full ownership of Ocean Downs on August 31, 2018

<sup>2</sup> Wholly Owned Adjusted EBITDA margins excluding corporate overhead, Ocean Downs, and joint ventures





# **Additional Growth Opportunities**

## Organic Growth Opportunities

### ***The Kentucky Derby* strategic capital investments**

- Enhance guest experience to enable pricing differentiation for ~60,000 reserved seats
- Execute capital investments to enable segmentation of ~110,000 guests who do not have a reserved seat
- Expand Derby Week offerings and attractions

### **Historical Racing Machines (“HRM’s”)**

- Derby City Gaming
- Oak Grove, Kentucky facility

### **Sports Betting and iGaming**

- Existing brick-and-mortar casino properties and mobile
- Strategic market access deals

# Background on Historical Racing Machines in Kentucky

**In 2010, Kentucky's Horse Racing Commission enacted regulations to permit wagering on historical horse races on HRM terminals in Kentucky**

- Permitted to have an HRM facility if awarded one of 9 horseracing licenses in Kentucky

**In October 2018, Kentucky state circuit court judge ruled that Exacta Systems HRM's qualify as pari-mutuel wagering and are legal in Kentucky**

**Four HRM facilities currently exist in Kentucky**

- Kentucky Downs opened the state's first HRM facility in Sept. 2011
- Ellis Park opened an HRM facility in 2012
- Red Mile, a joint venture owned by Keeneland and Red Mile, opened an HRM facility in 2015
- Derby City Gaming, owned by Churchill Downs, opened on Sept. 14, 2018 in Louisville, KY

### What is a Historical Racing Machine?

A historical horse racing machine is a gaming device that uses a pari-mutuel math model to approximate the gaming experience of Class II and Class III machines

Gross Commission / Day / Machine <sup>1</sup>				
Kentucky Historical Racing Machine Facilities	TTM Feb. 2018	TTM Feb. 2019	% Change	# of Machines as of Feb. '19
Ellis Park	\$ 91	\$ 110	25.9%	179
Red Mile	\$ 64	\$ 68	4.7%	902
Kentucky Downs	\$ 209	\$ 248	11.8%	753

Gross Commission / Day / Machine <sup>1</sup>						
Property	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
Derby City Gaming	\$ 138	\$ 157	\$ 179	\$ 198	\$ 203	\$ 284

### Nearest casino to Derby City Gaming is Horseshoe Indiana

- ~ 30 to 40 minutes away from Derby City Gaming
- ~1,580 Class III slot machines
- TTM Feb. 2019 Gross Commission / Day / Machine<sup>2</sup> of \$314

<sup>1</sup> Based on Kentucky Horse Racing Commission Monthly Wagering Report for February 2019; Derby City Gaming includes September 2018 (which includes partial month of September, Derby City's Grand Opening was on 9/14/2018).

<sup>2</sup> Based on Indiana Gaming Commission Monthly Gaming Revenue Report for February 2019

### Derby City Gaming

**\$65 million 85,000 square foot HRM facility**

**900 historical racing machines at opening... adding additional 100 machines in early 2Q'19**

**Décor pays homage to Churchill Downs Racetrack's deep history in horse racing**

**Center bar with large format televisions, two food venues, and outdoor gaming patio**

**CDI partnered with Ainsworth Game Technology to build world's most advanced HRM machines**



### Approved for 2<sup>nd</sup> HRM license for Oak Grove, Kentucky facility

**Kentucky Horse Racing Commission awarded racing license in November 2018 for  
12 Standardbred racing dates beginning in October 2019**

**Up to \$150 million investment in a joint venture owned by CDI (95% owner) and  
Keeneland Association Inc. (5% owner)**

- Land
- Racetrack and enclosed grandstand / multi-purpose space
- HRM facility with up to 1,500 machines
- 3,000 person capacity amphitheater and state-of-the art equestrian center including indoor arena
- 125-room hotel with event center and dining options



### Sport Betting and iGaming Opportunity

**In May 2018, the Supreme Court repealed the Professional and Amateur Sports Protection Act of 1992 (“PASPA”) – effectively allowing sports betting in the U.S. on professional and amateur sports, subject to state regulation**

**Five states having enacted sports betting regulations since the repeal<sup>1</sup>**

States	Est. Adult Population <sup>2</sup>	Sports Betting Went Live In	iGaming Went Live in
Pennsylvania	~9.7 million	Nov. 2018	TBD
New Jersey	~ 6.8 million	June 2018	Nov. 2013
Mississippi	~ 2.2 million	Aug. 2018	N/A
West Virginia	~1.4 million	Sept. 2018	N/A
Rhode Island <sup>3</sup>	~ 0.8 million	Nov. 2018	N/A

**We expect a number of additional states to enact legislation to allow sports betting**

<sup>1</sup> As of March. 7, 2019; Delaware and Nevada previously allowed sports betting; Washington, D.C. City Council has voted in favor of sports betting, the bill is under congressional review; Arkansas law has been enacted pending final regulations.

<sup>2</sup> Population Distribution by Age by The Henry J. Kaiser Family Foundation, 2016

<sup>3</sup> State has awarded license to single operator

### CDI is well positioned in key states

State	Adult Population <sup>1</sup> (million)	CDI Property or 3 <sup>rd</sup> Party Agreement	CDI Sports Betting	CDI iGaming
California	~29.5	Card room agreement to offer online poker if legislation is approved	TBD	TBD
Florida	~16.1	Calder Casino	TBD	TBD
New York	~15.1	Agreement with Saratoga Casino Holdings for rights to online sports betting & iGaming until 2033	TBD	TBD
Pennsylvania	~9.7	Acquisition of Presque Isle Downs & Casino in Erie, PA and Nemacolin management agreement from Eldorado closed in 1Q'19	Expected 2019	Expected 2019
Illinois	~9.6	Arlington International Race Course and OTBs and Rivers Joint Venture	TBD	TBD
Ohio	~8.7	Miami Valley Gaming Joint Venture	TBD	TBD
<b>New Jersey</b>	<b>~6.8</b>	<b>Agreement with Golden Nugget Atlantic City for Sports Betting &amp; iGaming skin</b>	<b>Launched 1Q'19</b>	<b>Launched 1Q'19</b>
Maryland	~4.5	The Casino at Ocean Downs	TBD	TBD
Colorado	~4.2	Agreement with Saratoga Casino Holdings for rights to online sports betting & iGaming until 2033	TBD	TBD
Louisiana	~3.4	Fair Grounds Slots and VSI and Fair Grounds Race Course	TBD	TBD
Kentucky	~3.3	Churchill Downs Racetrack	TBD	TBD
<b>Mississippi</b>	<b>~2.2</b>	<b>Harlow's and Riverwalk Casinos opened BetAmerica Sportsbooks in Aug. 2018</b>	<b>Aug. 2018</b>	<b>N/A</b>
Maine	~1.1	Oxford Casino	TBD	TBD

<sup>1</sup> Population Distribution by Age by The Henry J. Kaiser Family Foundation, 2016



**We have demonstrated M&A is a core discipline of our team**

### Typical M&A Target Screen

**Regional casino assets with future growth potential**  
**Well positioned competitively – existing gaming and future gaming expansion**  
**Strategic growth potential into sports betting and iGaming**  
**Accretive to free cash flow and earnings per share with returns above cost of capital**

**And, we have shown our ability to be a disciplined seller of assets**

#### Calder Race Course Land Sale

**Sold 61 acres of excess land for \$26.5 million or \$434k per acre<sup>1</sup>**  
**Used like-kind-exchange to permanently defer \$14 million of gain on sale through purchase of property at Churchill Downs**

#### Big Fish Games

**Purchased for \$835 million<sup>2</sup> Dec. 2014**  
**Sold for \$990 million<sup>2</sup> Jan. 2018**  
**> 50% levered IRR**

#### Saratoga – New York and Colorado

**Swapped 25% equity ownership in Saratoga – New York and Colorado for remaining 50% equity ownership in Ocean Downs Casino**  
**Retained rights to online sports betting and iGaming if regulation allows in the future**

<sup>1</sup> Excluding real estate commissions paid

<sup>2</sup> Gross, prior to settlement of working capital adjustments and transaction costs

## **Calder Race Course and Casino Opportunity**

**170 acres of land remaining in Miami Gardens, Florida with casino and racetrack**

- Near the Hard Rock Stadium, home of the Miami Dolphins
- In Nov. 2016, we closed the sale of 61 acres of excess real estate at Calder Race Course for \$26.5 million or \$434k per acre<sup>1</sup>

**Agreement with The Stronach Group to operate and manage Calder's racetrack and live horseracing under Calder's racing permits until Dec. 31, 2020**

**Obtained Jai Alai license and 2019 event dates and are in process of building a Jai Alai facility on the property**

**In Oct. 2018, the Florida Department of Business and Professional Regulation's Division of Pari-Mutuel Wagering granted Calder's petition for a declaratory statement that it can maintain its "eligible facility" status to operate slot machine gaming by operating a full schedule of jai alai performances**

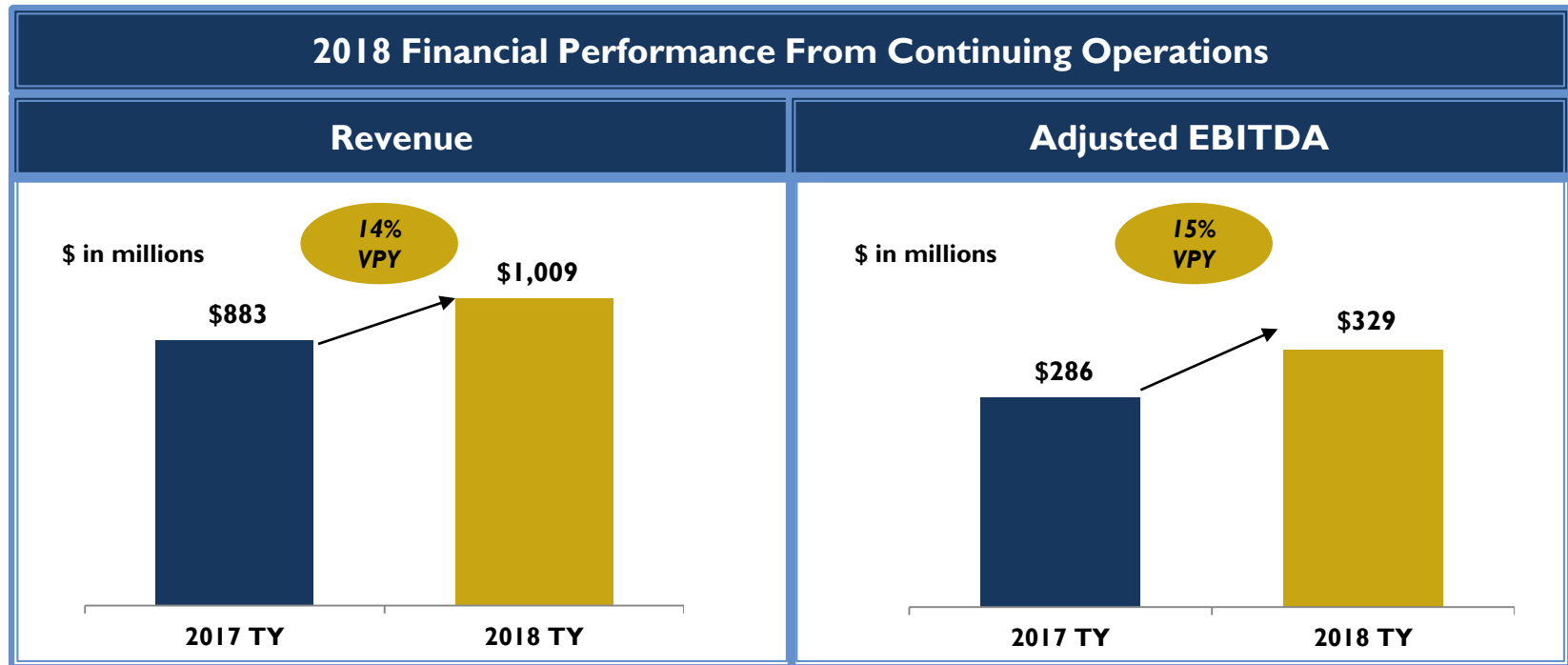
<sup>1</sup> Excluding real estate commissions paid



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## **Financial Highlights and Insights**

## Double-digit growth driven by organic investments and strategic acquisitions



Note: Audited financials excluding Big Fish Games. Revenues from Casino JV's excluded from total CDI Revenues.

## **Capital management philosophy based on creating long-term shareholder value**

### **Maintain broad and expedient access to the capital markets**

- Ideal target is 3.0x-4.0x net leverage...willing to go higher for a strategic investment

### **Engage in open and active dialogue with rating agencies and institutional investors**

### **Investments focused on creating long-term shareholder value**

- Invest in organic investments to expand offerings in high growth areas with returns above cost of capital
- Pursue strategic acquisitions
- Dividends are considered annually by the Board of Directors based on the health of the Company
- Opportunistic share repurchases dependent upon free cash flow generation, leverage levels and other investment opportunities to grow the business

## Derby investments provide strong returns creating long-term shareholder value

### The Mansion



#### Return Profile

**Built in 2013**  
**\$4.6 million investment**  
**< 3 year payback**

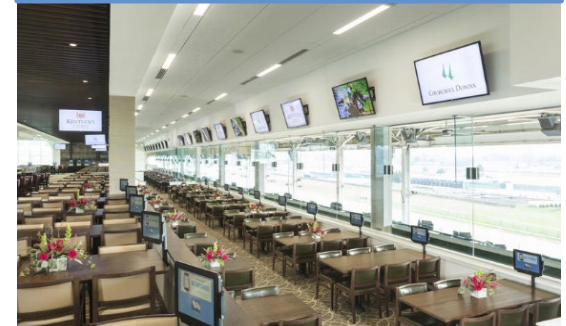
### Winners' Circle Suites and Courtyard



#### Return Profile

**Built in 2015**  
**\$4.3 million investment**  
**< 5 year payback**

### Turf Club / Stakes Room



#### Return Profile

**Renovated in 2016**  
**\$18.4 million investment**  
**< 5 year payback**

## Targeted casino investments enhance existing properties and provide favorable returns

### Ocean Downs Expansion



#### Return Profile

**Opened Dec. 2017**  
**\$18 million investment**  
**< 3 year payback**

### Ocean Downs Slot Floor Purchase



#### Return Profile

**Purchased Aug. 2017**  
**\$13 million investment**  
**< 2 year payback**

### Oxford Hotel & Floor Expansion



#### Return Profile

**Opened Nov. 2017**  
**\$27 million investment**  
**< 6 year payback**

### Miami Valley Gaming Expansion



#### Return Profile

**Opened Oct. 2017**  
**\$5 million investment**  
**< 2 year payback**

## **CDI has returned over \$1 billion of capital to shareholders over the last 5 years**

### **Dividends**

- **2019 dividend paid was the 8<sup>th</sup> consecutive increase in the dividend per share**
- **\$104 million paid to shareholders in dividends over the last 5 years**

### **Share Repurchases**

- **Returned \$931 million to shareholders through share repurchases over the last 5 years**
  - Includes \$500 million repurchased with a portion of the Big Fish Games sale proceeds through a Dutch Auction in February 2018



### **Board of Directors approved a 3-for-1 Stock Split and proportionate increase in the number of authorized shares**

#### **Key Dates**

**Record Date – January 11, 2019**

**Distribution Date – January 25, 2019**

**Trade at new post-split price – January 28, 2019**

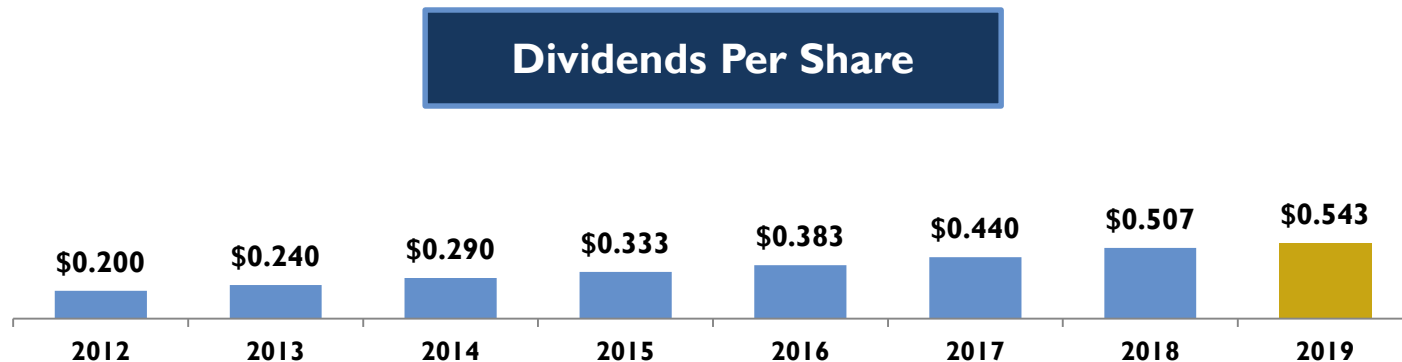
#### **Rationale**

- **Enable CDI's stock to be more accessible to investors**
- **Potentially increase the transparency and liquidity of CDI's stock**
- **We believe in CDI's long-term growth prospects**

## Eighth consecutive year of growth in dividends

**Board of Directors declared dividend of \$0.543 per share (+ 7.2%) on October 30, 2018**

- Record date of December 7, 2018
- Payment date of January 4, 2019



All share information has been adjusted to reflect the 3-for-1 stock split effective in January 2019. Note there were no dividends paid during fiscal year 2013 as there were 2 payments made in 2012 (1/23/2012 and 12/21/2012). The second dividend payment has been included in 2013 for comparability.

## **\$300 million share repurchase program authorized on October 31, 2018**

### **Update:**

- \$32 million repurchased in 4Q'18
- \$268 million of capacity remaining at December 31, 2018

### **Rationale:**

- We believe in CDI's long term growth prospects and ability to finance its growth initiatives
- Viewed as tax efficient way to return capital to our shareholders
- Accretive to earnings per share
- Offsets dilution from equity compensation plans

**Reflects our commitment to efficiently return capital to shareholders  
unless there are other more attractive growth opportunities**



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# *Appendix*

### **Bill Carstanjen Chief Executive Officer**

- Chief Executive Officer since Aug. 2014; Director since 2015
- President and COO, Mar. 2011 – Aug. 2014; COO, Jan. 2009 – Mar. 2011
- EVP, General Counsel & Chief Development Officer, July 2005 – Jan. 2009
- Former Executive of GE
- Began career as attorney with Cravath, Swaine, & Moore LLP in NYC
- Columbia Law School

### **Bill Mudd President & Chief Operating Officer**

- Chief Operating Officer since Sept. 2015
- President and Chief Financial Officer, Aug. 2014 – Oct. 2015
- Chief Financial Officer from Oct. 2007 to Aug. 2014
- 15 year multi-industry, multi-business background with GE
- Former Captain in the U.S. Army Reserves
- B.A. in Mathematics from Bellarmine University; M.B.A

### **Marcia Dall EVP & Chief Financial Officer**

- Chief Financial Officer since Oct. 2015
- Public company Chief Financial Officer for Erie Insurance Group / Erie Indemnity (Nasdaq: ERIE), Mar. 2009 to Oct. 2015
- 20+ year tenure with GE / GE Capital in finance / operational leadership roles
- B.S. in Accounting – Indiana University; Masters of Management – Kellogg School of Management at Northwestern University; CPA

**Kevin Flanery**  
**SVP, President**  
**Churchill Downs**  
**Racetrack**

- President of Churchill Downs Racetrack since July 2009 (13<sup>th</sup> in history)
- SVP – National Public Affairs and Communications from Mar. 2008 - July 2009
- Former President and COO of Hagan Properties
- Previously Secretary of Finance and Administration Cabinet of Kentucky and Deputy Secretary and Legislative Liaison for Kentucky's Transportation Cabinet
- B.A. from Bellarmine University; J.D. from University of Kentucky College of Law

**Austin Miller**  
**SVP, Casino**  
**Operations**

- SVP, Gaming Operations since Aug. 2013
- President of Calder Casino from 2010 - 2013 and Fair Grounds Race Course & Slots from 2007 - 2010
- 16 years of prior casino experience
- B.A. from University of Minnesota – Twin Cities

**Ian Williams**  
**President, Online**  
**Gaming**

- President, Online Gaming since Feb. 2018
- VP - Marketing for TwinSpires from 2014-2018
- 19 years of experience in real money online gaming across sports betting, horse racing, casino, and poker verticals both B2C & B2B
- Vast experience in Asia, Europe & North American gaming markets
- B.A. from Leeds Beckett University

**Nick Zangari**  
**VP, Investor Relations,**  
**Treasury, and Risk**  
**Management**

- VP – Treasury, Investor Relations, and Risk Management since July 2017
- Sr. Director – Financial Planning and Analysis from Sept. 2016 - July 2017
- 12 year background with Morgan Stanley
- B.S. in Finance and International Business from Penn State; M.B.A. from New York University

The Company uses non-GAAP measures, including EBITDA (earnings before interest, taxes, depreciation and amortization) and Adjusted EBITDA. We believe that the use of Adjusted EBITDA as a key performance measure of results of operations enables management and investors to evaluate and compare from period to period our operating performance in a meaningful and consistent manner. Our chief operating decision maker utilizes Adjusted EBITDA to evaluate segment performance, develop strategy and allocate resources. Adjusted EBITDA is a supplemental measure of our performance that is not required by, or presented in accordance with, GAAP. Adjusted EBITDA should not be considered as an alternative to, or more meaningful than, net income (as determined in accordance with GAAP) as a measure of our operating results.

Adjusted EBITDA is defined as earnings before interest, taxes, depreciation and amortization, adjusted for the following:

Adjusted EBITDA includes our portion of the EBITDA from our equity investments.

**Adjusted EBITDA excludes:**

- Transaction expense, net which includes:
  - Acquisition and disposition related charges, including fair value adjustments related to earnouts and deferred payments
  - Calder Racing exit costs; and
  - Other transaction expense, including legal, accounting and other deal-related expense;
- Stock-based compensation expense;
- Asset impairments;
- Gain on Ocean Downs/Saratoga Transaction;
- Gain on Calder land sale;
- Loss on extinguishment of debt;
- Pre-opening expense; and
- Other charges, recoveries and expenses

# Reconciliation of Comprehensive Income to Adjusted EBITDA

	Year Ended December 31, 2018
(in millions)	
<b>Comprehensive income</b>	\$ 353.2
Foreign currency translation, net of tax	(0.6 )
Change in pension benefits, net of tax	0.2
<b>Net income</b>	352.8
Income from discontinued operations, net of tax	(170.2 )
Income from continuing operations, net of tax	182.6
Additions:	
Depreciation and amortization	63.6
Interest expense	40.1
Loss on extinguishment of debt	—
Income tax provision (benefit)	51.3
<b>EBITDA</b>	<b>\$ 337.6</b>
Adjustments to EBITDA:	
Selling, general and administrative:	
Stock-based compensation expense	\$ 17.7
Other, net	(0.6 )
Pre-opening expense	4.8
Other income, expense:	
Interest, depreciation and amortization expense related to equity investments	13.9
Other charges and recoveries, net	—
Gain on Ocean Downs/Saratoga transaction	(54.9 )
Transaction expense, net	10.3
Impairment of tangible and other intangible assets	—
Gain on Calder land sale	—
Total adjustments to EBITDA	(8.8 )
<b>Adjusted EBITDA</b>	<b>\$ 328.8</b>

	Year Ended December 31, 2018
(in millions)	
Adjusted EBITDA by segment:	
Racing	\$ 92.4
Online Wagering	72.8
Casino	169.5
Other Investments	5.3
Corporate	(11.2 )
<b>Adjusted EBITDA</b>	<b>\$ 328.8</b>



## Reconciliation of Comprehensive Income to Adjusted EBITDA

	Year Ended December 31, 2017
(in millions)	
<b>Comprehensive income</b>	\$ 140.4
Foreign currency translation, net of tax	0.1
Change in pension benefits, net of tax	—
<b>Net income</b>	140.5
Income from discontinued operations, net of tax	(18.1 )
Income from continuing operations, net of tax	122.4
<b>Additions:</b>	
Depreciation and amortization	56.0
Interest expense	49.3
Loss on extinguishment of debt	20.7
Income tax provision (benefit)	(19.9 )
<b>EBITDA</b>	<u>\$ 228.5</u>
<b>Adjustments to EBITDA:</b>	
Selling, general and administrative:	
Stock-based compensation expense	\$ 16.0
Other, net	0.5
Pre-opening expense	0.5
Other income, expense:	
Interest, depreciation and amortization expense related to equity investments	16.7
Other charges and recoveries, net	—
Gain on Ocean Downs/Saratoga transaction	—
Transaction expense, net	2.3
Impairment of tangible and other intangible assets	21.7
Gain on Calder land sale	—
Total adjustments to EBITDA	57.7
<b>Adjusted EBITDA</b>	<u>\$ 286.2</u>

	Year Ended December 31, 2017
(in millions)	
<b>Adjusted EBITDA by segment:</b>	
Racing	\$ 84.5
Online Wagering	64.4
Casino	146
Other Investments	3.7
Corporate	(12.4 )
<b>Adjusted EBITDA</b>	<u>\$ 286.2</u>