



**CHURCHILL DOWNS**  
I N C O R P O R A T E D

**Sidoti & Company, LLC**

**Road Show**

August 17, 2010

*Bill Mudd, EVP & CFO*

*Mike Anderson, VP Finance & Treasurer*

*Boston, MA*

## Forward-Looking Statements

*In addition to historical facts or statements of current conditions, this document contains forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements that include projections, expectations or beliefs about future events or results, or otherwise are not statements of historical fact. The actual performance of the Company may differ materially from what is projected in such forward-looking statements.*

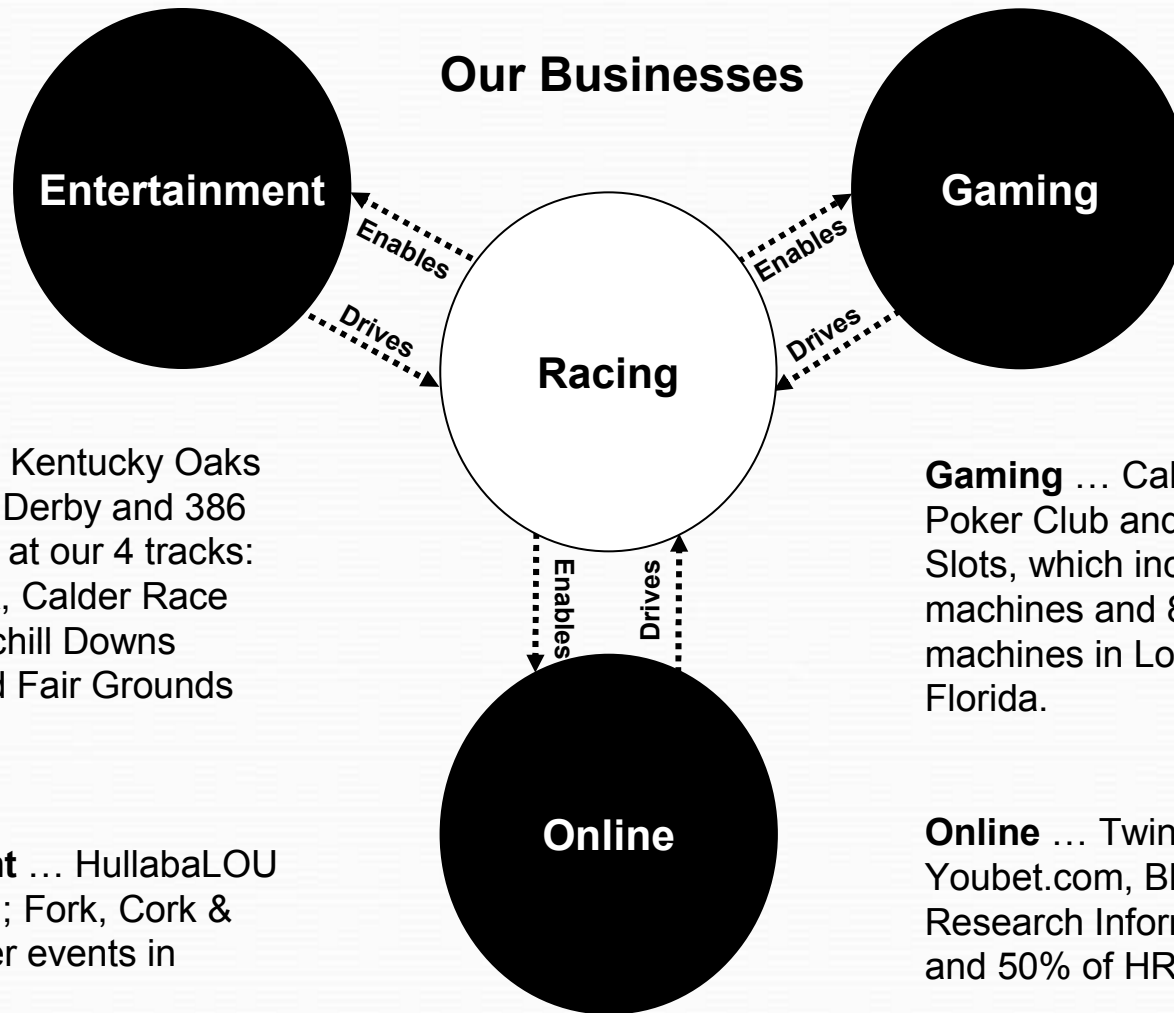
*Investors should refer to statements included in reports filed by the Company with the Securities and Exchange Commission for discussion of additional information concerning factors that could cause our actual results of operation to differ materially from the forward-looking statements made in this presentation.*

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

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# Company Overview



**Racing** ... the Kentucky Oaks and Kentucky Derby and 386 days of racing at our 4 tracks: Arlington Park, Calder Race Course, Churchill Downs Racetrack and Fair Grounds Race Course.

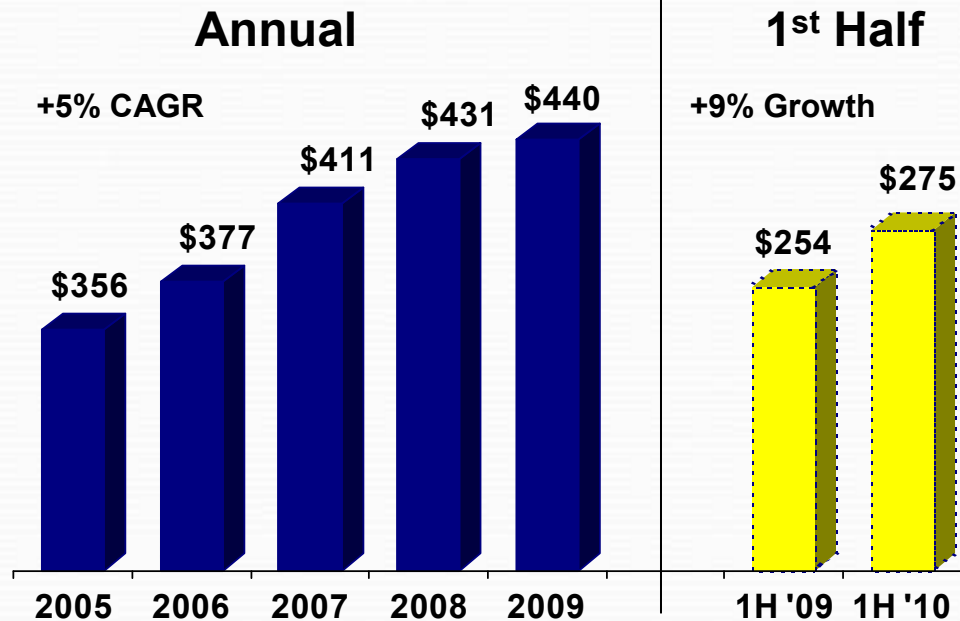
**Entertainment** ... HullabaLOU Music Festival; Fork, Cork & Style and other events in development.

**Gaming** ... Calder Casino, Studz Poker Club and Fair Grounds Slots, which includes 1,863 slot machines and 809 video poker machines in Louisiana and Florida.

**Online** ... TwinSpires.com, Youbet.com, Bloodstock Research Information Services and 50% of HRTV.

# Financials - Revenue

Dollars in Millions



Diversification drives growth...

- ✓ Five year CAGR +5%, First half up 9% vs prior year
- ✓ Racing revenues down 6% thru first half on an 8% industry decline;- a) Kentucky Derby Week strength continues
- ✓ Gaming up 64% - now 20% of total ... growing with new Calder Casino (opened 1/22/10)
- ✓ Online up 26% - now 17% of total ... growing with Youbet.com acquisition (closed on 6/2/10)

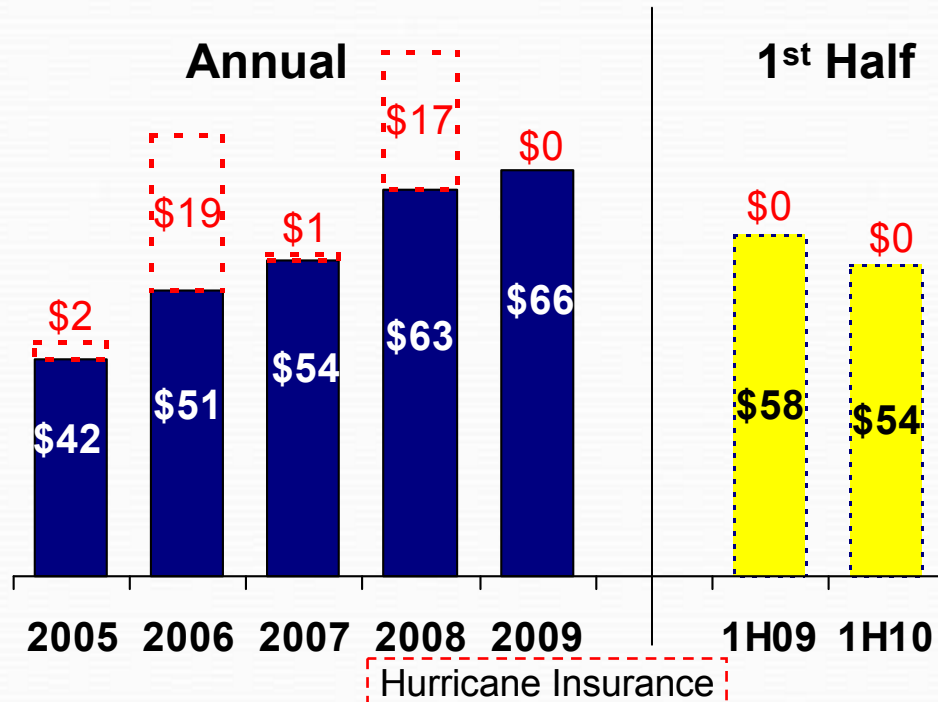
## % of Total Company Revenues

	2005	2006	2007	2008	2009	1H09	1H10
Racing/Derby	97%	93%	87%	75%	70%	72%	62%
Gaming	3%	6%	7%	12%	14%	15%	20%
Online	0%	0%	5%	13%	16%	13%	17%

(a – U.S. Thoroughbred racing handle as reported by Equibase)

# Financials - EBITDA

Dollars in Millions



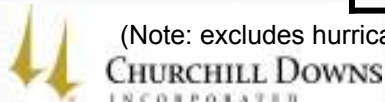
Well positioned for future growth...

- ✓ 1<sup>st</sup> half decline driven by investments to drive future growth ... Youbet.com transaction cost, Calder Casino pre-opening costs, Entertainment Group start-up investment
- ✓ Total Racing/Derby 1<sup>st</sup> half declined 3%, but Derby growth (up \$3.4 million) partly offsetting racing headwind
- ✓ Online 16% of total and growing...growth slowed with Youbet.com transaction costs (closed on 6/2/10), but well positioned for grow with acquisition & synergies (~\$12 million)
- ✓ Gaming 22% of total and growing...Florida tax rate reduced 15 bps to 35% on 7/1/10 boosting EBITDA approximately \$2 million / quarter after purse contribution

## % of Total Company EBITDA

	2006	2007	2008	2009	1H09	1H10
Racing/Derby	84%	86%	63%	53%	66%	68%
Gaming	21%	21%	30%	28%	20%	22%
Online	0%	(3)%	10%	21%	6%	16%
Corp/Other	(5)%	(4)%	(3)%	(2)%	(1)%	(6)%

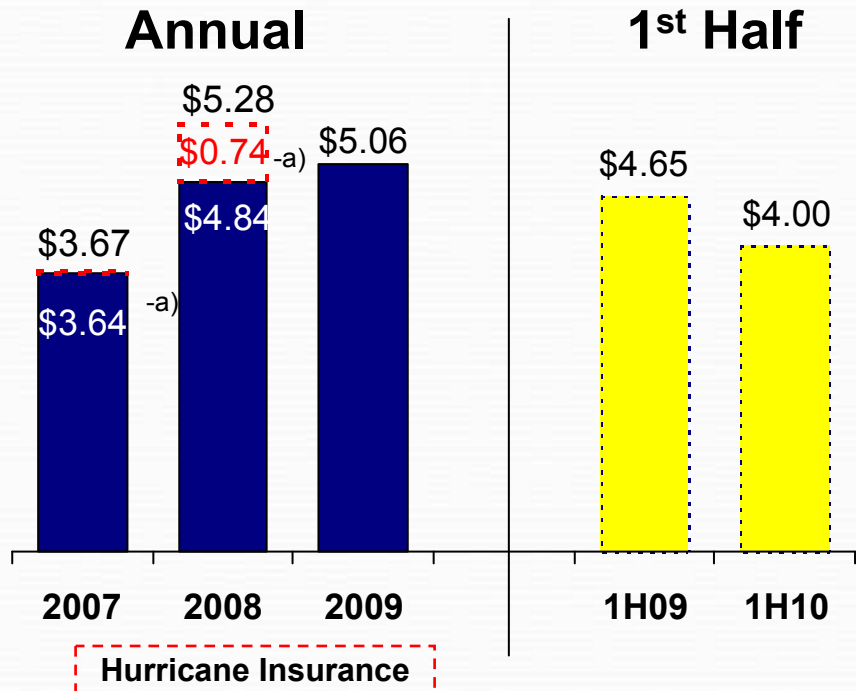
(Note: excludes hurricane insurance recoveries in each year)



# Financials – Cash Flow

Dollars/Shares in Millions  
(except CFOA/diluted common share)

Cash provided by operating activities per diluted common share



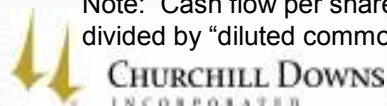
## Very Strong Balance Sheet...

- ✓ Very strong cash flow generation
- ✓ 1st half 2010 dip driven by investments to drive future growth
- ✓ 2008 includes a pre-tax gain of \$17.2 million for hurricane insurance recoveries (approximately \$0.74 per share after tax)
- ✓ Amended and expanded credit facility in December, 2009 to \$275 million
- ✓ Cash flow values back-stopped with hard assets/real estate

	2007	2008	2009	1H09	1H10
CFOA	\$51	\$78	\$71	\$65	\$58
Diluted Shares	14.0	14.0	14.0	14.0	14.5

(a – Hurricane recoveries tax effected at 40%)

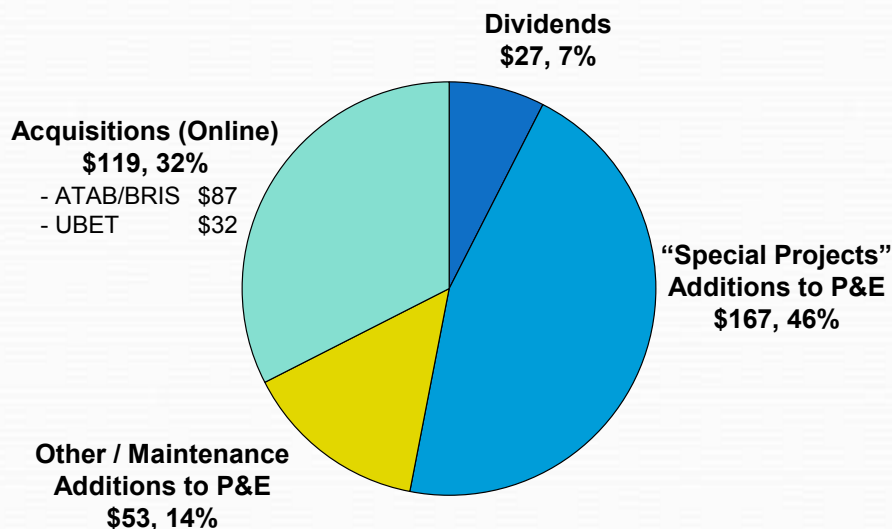
Note: Cash flow per share was calculated by dividing “cash flows provided by operating activities” divided by “diluted common shares” as presented in our periodic reports on Forms 10K and 10Q



# Financials – Cash Allocation

Dollars in Millions

## Additions to P&E, Dividends and Acquisition Expenditures 2007 to 1<sup>st</sup> Half 2010



### Disciplined Cash Allocation..

- ✓ Special projects primarily driven by organic revenue generating opportunities with good cash/cash returns
- ✓ Investing in new higher growth Online segment via acquisition to diversify business
- ✓ Minimum maintenance capital required – CDRT \$120 million upgrade in 2004, FG Slots new in 2008, Calder Slots new in 2010, Online platforms easily scalable
- ✓ Returned \$27 million to shareholders via dividends over the period

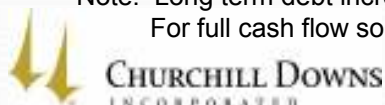
#### Additions to Plant & Equipment Since 2007

	2007	2008	2009	1H10	Total
New Casinos/New OTBs	\$8	\$24	\$67	\$16	\$115
Arlington PolyTrak / Dorms	16	1	-	-	17
Churchill Lights / HDTV	-	-	2	5	7
Arlington Land	-	-	4	24	28
Other / Maintenance capital	22	15	9	7	53
<b>Total additions to P&amp;E</b>	<b>\$46</b>	<b>\$40</b>	<b>\$82</b>	<b>\$52</b>	<b>\$220</b>

} "Special Projects" \$167

Note: Acquisitions only include cash expenditures and do not include equity issued in association with the Yobet.com transaction

Note: Long term debt increased from \$0 to \$114 million over the period. For full cash flow sources/uses, please see Form 10-K.





# Gaming

We know how to get good cash returns in gaming...

## Development Principles

- Built for the locals
- Experienced GMs (Harrah's)
- Room to expand
- Layout focused on productivity

## Louisiana Gaming Operations

- ✓ \$56 million invested
  - New 606 Slot Machine casino - \$33 million
  - 809 Video Poker machines in 9 OTBs - \$23 million
- ✓ \$21.4 million EBITDA generated in 2009

## Florida Gaming Operations

- ✓ \$82 million invested
  - 1,246 Slot Machines
  - 29 table "Studz" Poker Room
- ✓ On pace to meet expected \$80 - \$100 million in annual GGR
- ✓ Tax rate dropped 15 basis points to 35% effective July 1, 2010
  - Expected to add approximately \$2 million per quarter in EBITDA after purse contributions (5 bps to purses, 10 bps to Calder)
- ✓ Currently #2 among South Florida pari-mutuel gaming operators



Fair Grounds Slots



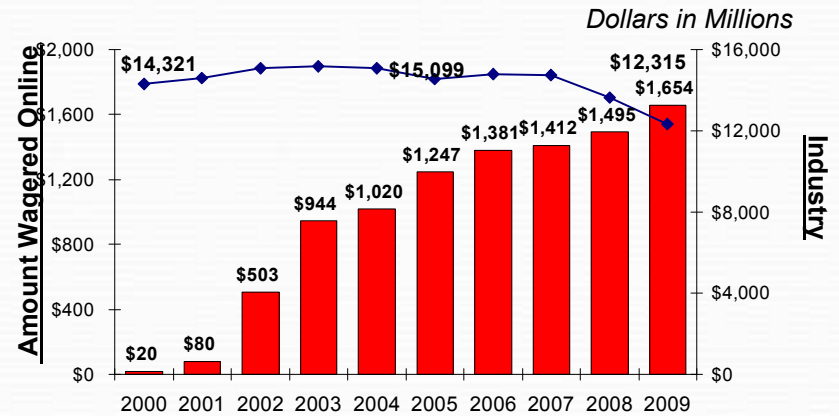
Calder Casino



# Online

Our Online Business should continue to grow with the acquisition of Youbet.com which was completed June 2, 2010....

Online wagering growing despite industry declines....



-a) Source: Oregon Racing Commission and Youbet.com SEC filings



	2007 (7 Months for TwinSpires.com)	2008	2009	1H 2010 (6 months)
CDI Online Business Handle	\$86.6 mil.	\$234.4 mil.	\$329.7 mil.	\$192.3 mil.
Youbet.com Handle	\$484.2 mil.	\$438.3 mil.	\$480.3 mil.	\$240.3 mil.
<b>Total Handle</b>	<b>\$570.8 mil.</b>	<b>\$672.7 mil.</b>	<b>\$810.0 mil.</b>	<b>\$432.6 mil.</b>
% of Total U.S. Thoroughbred Handle	3.8%	4.9%	6.1%	7.2%

# Online - Youbet.com Acquisition

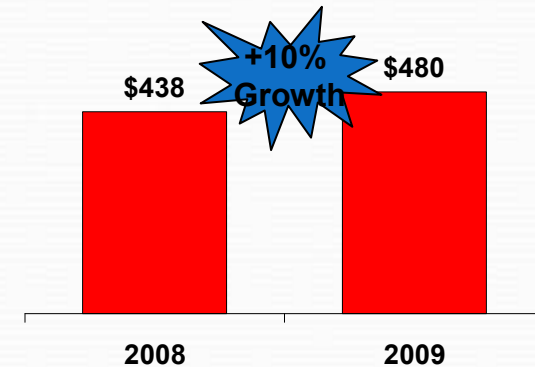
Dollars in Millions

The rate of growth of our Online Business EBITDA should outpace the rate of growth in revenue due to the \$12 million of annualized costs synergies...

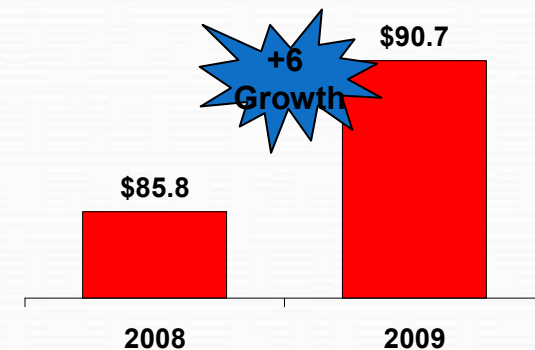
## Acquisition Notes

- ✓ Online wagering channel is growing despite industry declines
- ✓ Overlapping resources should yield annualized cost synergies of \$12 M / year
  - \$8.4 completed as of June 30<sup>th</sup>
- ✓ Cash tax savings of \$20 million from the efficient use of federal net operating losses
- ✓ Better positioned to pursue other online business opportunities should they become available
- ✓ Better innovation & features for our customers

## Youbet.com Handle



## Youbet.com Revenue



# Entertainment

Inaugural HullabaLOU Music Festival held at Churchill Downs Racetrack July 23 – 25<sup>th</sup>

## An artistic success ...

- ✓ 3 day, 67 act music & arts festival targeted at 35-54 year old demographic (potential for lucrative sponsorships)
- ✓ 5 themed stages, music genre to match market research
- ✓ Nearly 79,000 attended over the 3 days from 47 states + Canada
- ✓ Exit surveys very positive – artists along with customers

## ...not as successful financially...

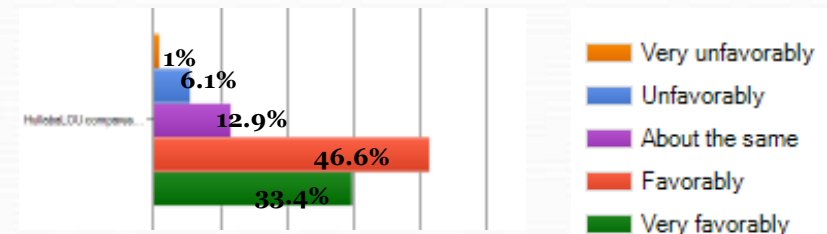
- ✓ Approximately \$5 million loss, roughly double our projection
- ✓ Temperatures between 96 – 99 degrees each day of the festival affected walk-up attendance which research indicated to be strong
- ✓ Pollstar reported a 22% decline in box office and 30% decline in attendance for the 1<sup>st</sup> half of 2010 vs prior year

## ...requiring us to rethink all aspects of the event

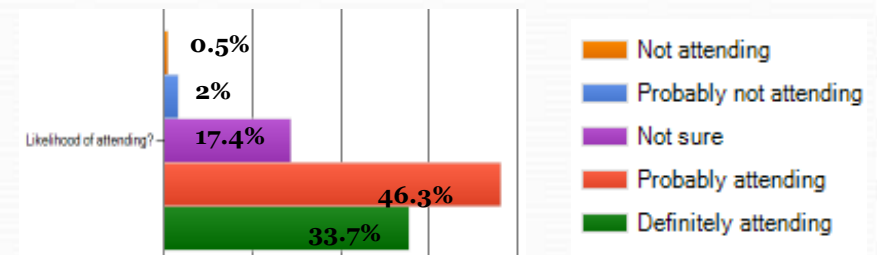
- ✓ Analyzing costs savings opportunities, sponsorships, festival length, time of year, talent lineup
- ✓ Need to prove we can make money, or we will discontinue the event



**Of those who had attended a music festival, 80% rated HullabaLOU more favorably than any other music festival**



**79.7% of attendees say they are likely to attend next year  
99% of attendees would recommend to a friend**



# Summary

- Racing only a small part of the business excluding the Kentucky Derby
- Diversified and proven growth strategy
- Strong balance sheet, back stopped with real assets
- Strong cash flow with access to capital for continued growth
- Disciplined capital allocation process
- Gaming positioned for growth with Calder Casino
- Online positioned for growth with Youbet.com acquisition
- Proven management team with a record of success