

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

**CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported): April 11, 2023

Churchill Downs Incorporated

(Exact name of registrant as specified in its charter)

Kentucky
(State or other jurisdiction
of incorporation)

001-33998
(Commission
File Number)

61-0156015
(I.R.S. Employer
Identification No.)

600 North Hurstbourne Parkway, Suite 400
Louisville, Kentucky
(Address of Principal Executive Offices)

40222
(Zip Code)

(502) 636-4400
(Registrant's telephone number, including area code)

N/A
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions.

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, No Par Value	CHDN	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Explanatory Note

On November 1, 2022, Churchill Downs Incorporated (“CDI”) completed its previously announced acquisition of the following properties from Peninsula Pacific Entertainment Holdings, LLC (“P2E”): Colonial Downs Racetrack in New Kent, Virginia, six historical racing entertainment venues across Virginia, del Lago Resort & Casino in Waterloo, New York, and the Hard Rock Hotel & Casino in Sioux City, Iowa.

Item 8.01. Other Events

On April 11, 2023, CDI issued a press release relating to a proposed offering (the “Notes Offering”) of \$600 million aggregate principal amount of its senior notes due 2031 (the “Notes”). A copy of the press release is attached hereto as Exhibit 99.2 and is incorporated by reference into this Item 8.01.

The information in this Current Report on Form 8-K, including the information contained in the exhibits attached hereto, is neither an offer to sell nor a solicitation of an offer to buy any securities.

Item 9.01. Financial Statements and Exhibits**(a) Pro Forma Financial Information**

The following pro forma information of CDI after giving effect to the acquisition of P2E is filed as Exhibit 99.1 and is incorporated by reference in this report.

The unaudited pro forma condensed combined statement of income for the year ended December 31, 2022;

Exhibit Number	<u>Description</u>
99.1	Unaudited Pro Forma Condensed Combined Financial Information
99.2	Press Release, dated April 11, 2023, issued by Churchill Downs Incorporated
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto, duly authorized.

April 11, 2023

CHURCHILL DOWNS INCORPORATED

/s/ Marcia A. Dall

By: Marcia A. Dall

Title: Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

On November 1, 2022 (the “Closing Date”), pursuant to that certain Purchase Agreement (as amended by the Amendment, the “Purchase Agreement”), dated as of February 18, 2022, as amended September 2, 2022 (the “Amendment”), by and between Churchill Downs Incorporated, a Kentucky corporation (the “Company” or “CDI”) and Peninsula Pacific Entertainment Holdings LLC (“P2E Holdings”), the Company completed its previously announced acquisition of the following properties (the “P2E Transaction”): Colonial Downs Racetrack in New Kent, Virginia, six historical racing entertainment venues across Virginia, del Lago Resort & Casino in Waterloo, New York, and the Hard Rock Hotel & Casino in Sioux City, Iowa.

The Company paid an aggregate consideration of US\$2.75 billion in cash in connection with the P2E Transaction, subject to customary adjustments for working capital, indebtedness and certain other adjustments as set forth in the Purchase Agreement.

The unaudited pro forma condensed combined financial information has been prepared in accordance with Article 11 of Regulation S-X as amended by the final rule, Release No. 33-10786 “Amendments to Financial Disclosures about Acquired and Disposed Businesses.” The unaudited pro forma condensed combined statement of income for the year ended December 31, 2022 gives effect for the acquisition as if they had occurred on the first day of period presented.

The historical consolidated financial information of CDI and Peninsula Pacific Entertainment, LLC (“P2E”) has been adjusted in the unaudited pro forma condensed combined financial information. The unaudited pro forma condensed combined financial information is based on various assumptions, including assumptions related to the consideration paid and the allocation thereof to the assets acquired and liabilities assumed from P2E based on estimates of fair value. The pro forma assumptions and adjustments are described in the accompanying notes to the unaudited pro forma condensed combined financial information. The unaudited pro forma condensed combined financial information were based on and should be read in conjunction with the following historical consolidated financial statements and accompanying notes of CDI and P2E for the applicable periods:

- Consolidated financial statements and related notes of CDI as of and for the year ended December 31, 2022 included in CDI’s Annual Report on Form 10-K that CDI filed with the SEC on February 22, 2023; and
- Combined and consolidated financial statements and related notes of P2E as of and for the year ended December 31, 2021 included in Exhibit 99.1 of this Form 8-K/A.

The pro forma adjustments have been made solely for the purposes of developing the pro forma financial information for illustrative purposes necessary to comply with the requirements of the SEC. The actual results reported by the combined company in periods following the acquisition may differ significantly from that reflected in these unaudited pro forma condensed combined financial information for a number of reasons, including but not limited to cost savings from operating efficiencies, synergies and the impact of the incremental costs incurred in integrating the companies. As a result, the pro forma condensed combined financial information is not intended to represent and does not purport to be what the combined company’s financial condition or results of operations would have been had the acquisition been completed on the applicable dates of this pro forma condensed combined financial information. In addition, the pro forma condensed combined financial information does not purport to project the future financial condition and results of operations of the combined company. The final purchase price and the allocations thereof may differ from that reflected in the pro forma condensed combined financial information after final valuation procedures are performed and amounts are finalized following completion of the acquisition. The unaudited pro forma condensed combined financial information set forth below supersedes the pro forma financial information previously disclosed in the filings incorporated by reference.

The Company funded the acquisition with cash on hand and from the proceeds from (i) the issuance of 5.750% senior notes due 2030, (ii) draws under the revolving credit facility and from a senior secured delayed draw term loan A credit facility due 2029, in each case, under its senior secured credit agreement and (iii) the sale of excess land near Calder Casino in the second quarter of 2022 (the “Related Financing Transactions”).

Churchill Downs Incorporated
Pro Forma Condensed Combined Statement of Income
For the year ended December 31, 2022
(Unaudited)

	Historical		Transaction Accounting Adjustments			
	For the year ended December 31, 2022 Company	For the ten months ended October 31, 2022 P2E	Reclassification Adjustments (Note 1)	P2E Excluded Entities (Note 1)	Pro Forma Adjustments (Notes 2 and 3)	Pro Forma Combined
<i>(in millions, except per common share data)</i>						
Net revenue:						
Live and Historical Racing	\$ 614.6	\$ —	\$ 303.6	\$ —	\$ —	\$ 918.2
TwinSpires	436.4	—	—	—	—	436.4
Gaming	755.9	197.4	38.1	—	—	991.4
Historical Horse Racing	—	278.5	(278.5)	—	—	—
Live and Simulcast Racing	—	7.9	(7.9)	—	—	—
Food and Beverage	—	23.7	(23.7)	—	—	—
Hotel	—	9.5	(9.5)	—	—	—
All Other	2.9	22.1	(22.1)	—	—	2.9
Total net revenue	1,809.8	539.1	—	—	—	2,348.9
Operating expense:						
Live and Historical Racing	400.9	—	153.6	—	1.0(A)	555.5
TwinSpires	293.6	—	—	—	—	293.6
Gaming	537.9	80.8	43.0	—	2.6(A)	664.3
All Other	11.0	6.1	—	(0.1)	—	17.0
Selling, general and administrative	164.2	146.7	0.6	(5.0)	—	306.5
Historical Horse Racing	—	108.2	(108.2)	—	—	—
Live and Simulcast Racing	—	9.7	(9.7)	—	—	—
Asset Impairments	38.3	—	—	—	—	38.3
Transaction expense, net	42.1	—	—	—	—	42.1
Food and Beverage	—	19.5	(19.5)	—	—	—
Hotel	—	4.1	(4.1)	—	—	—
Marketing	—	22.7	(22.7)	—	—	—
Management Fees	—	17.9	—	(0.3)	—	17.6
Depreciation and Amortization	—	32.5	(32.4)	(0.1)	—	—
Development Expense	—	4.6	(0.3)	(4.3)	—	—
Pre-opening Expense	—	0.9	(0.5)	(0.4)	—	—
Loss on Disposal	—	(0.2)	0.2	—	—	—
Total operating expense	1,488.0	453.5	—	(10.2)	3.6	1,934.9
Operating income (loss)	321.8	85.6	—	10.2	(3.6)	414.0
Other income (expense):						
Interest expense, net	(147.3)	—	—	—	(58.2)(C)	(205.5)
Interest income	—	0.5	—	—	(0.5)(B)	—
Interest expense	—	(59.5)	—	—	59.5(B)	—
Equity in income of unconsolidated investments	152.7	—	—	—	—	152.7
Gain on Calder land sale	274.6	—	—	—	—	274.6
Miscellaneous, net	7.0	—	—	—	—	7.0
Total other income (expense)	287.0	(59.0)	—	—	0.8	228.8
Income (loss) from operations before provision for income taxes	608.8	26.6	—	10.2	(2.8)	642.8
Income tax (provision) benefit	(169.4)	—	—	—	(9.4)(D)	(178.8)
Net income (loss)	\$ 439.4	\$ 26.6	\$ —	\$ 10.2	\$ (12.2)	\$ 464.0
Net income per common share data:						
Basic net income	\$ 11.58					\$ 12.23
Diluted net income	\$ 11.42					\$ 12.06
Weighted average shares outstanding:						
Basic	37.9					37.9
Diluted	38.5					38.5

See accompanying notes to unaudited pro forma condensed combined financial information.

Churchill Downs Incorporated
Notes to unaudited Pro Forma Condensed Combined Financial Information

Note 1 – Basis of Presentation

The unaudited pro forma condensed combined financial information was prepared using the acquisition method of accounting and was based on the historical audited financial statements of the Company for the year ended December 31, 2022 and unaudited financial statements of P2E for the ten months ended October 31, 2022. The unaudited pro forma condensed combined financial information has been prepared in accordance with Article 11 of Regulation S-X as amended by the final rule, Release No. 33-10786 “Amendments to Financial Disclosures about Acquired and Disposed Businesses.” Certain reclassifications have been made to the historical financial statements of P2E to conform to the Company’s presentation.

The Purchase Agreement contemplated the acquisition by the Company of the following properties: Colonial Downs Racetrack in New Kent, Virginia, six historical racing entertainment venues across Virginia, del Lago Resort & Casino in Waterloo, New York, and the Hard Rock Hotel & Casino in Sioux City, Iowa. Certain entities owned by P2E were not included in the P2E Acquisition, and have been excluded in the unaudited pro forma condensed combined financial information in a column titled “P2E Excluded Entities”.

The unaudited pro forma condensed combined statement of income for the year ended December 31, 2022 gives effect to the P2E Acquisition and the interest expense on the Related Financing Transactions as if these transactions had occurred on the first day of the earliest period presented.

A consolidated balance sheet as of December 31, 2022, that includes the results of the P2E Acquisition is included in our Annual Report on Form 10-K for the year ended December 31, 2022 and incorporated by reference in this offering memorandum.

The acquisition method of accounting is based on authoritative guidance for business combinations and uses the fair value concepts defined in authoritative guidance. The unaudited pro forma condensed combined financial information was prepared using the acquisition method of accounting under U.S. GAAP.

The authoritative guidance for business combinations requires, among other things, that assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date if fair value can be reasonably estimated. If the fair value of an asset or liability that arises from a contingency cannot be determined, the asset or liability is recognized if it is probable that an asset existed or a liability has been incurred at the acquisition date and the amount of such asset or liability can be reasonably determined. In addition, the guidance establishes that the consideration transferred be measured at the Closing Date at the then-current market price.

Fair value is defined in the authoritative guidance as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.” This is an exit price concept for the valuation of the asset or liability. Market participants are assumed to be buyers and sellers in the principal (or the most advantageous) market for the asset or liability. Fair value measurements for an asset assume the highest and best use by these market participants. Many of these fair value measurements can be highly subjective and it is also possible that other professionals, applying reasonable judgment to the same facts and circumstances, could develop and support a range of alternative estimated amounts.

The Transaction Adjustments include the impact of the P2E excluded entities on the Pro Forma Combined results.

The pro forma adjustments described below have been developed using currently available information and assumptions that are deemed appropriate by the Company’s management.

The unaudited pro forma condensed combined financial information is provided for illustrative purposes only and do not purport to represent what the actual consolidated results of operations or the consolidated financial position of the Company would have been had the P2E Acquisition and Related Financing Transactions occurred on the dates assumed, nor is the unaudited pro forma condensed combined financial information necessarily indicative of future consolidated results of operations or financial position.

The unaudited pro forma condensed combined financial information does not reflect any cost savings from operating efficiencies, synergies or other restructurings that may be realized by the P2E Acquisition.

The Company has been determined to be the acquirer under the acquisition method of accounting based on various considerations. The Company paid cash as the acquisition consideration. Further, the Board of Directors and senior management of the combined company is comprised primarily of current Company board members and senior management, respectively.

The Company performed a review of P2E's accounting policies to determine whether any adjustments were necessary to ensure comparability in the pro forma condensed combined financial information. The Company is not aware of any differences that would have a material impact on the pro forma condensed combined financial information.

Note 2 – Related Financing Transactions

The Company funded the acquisition with cash on hand and from the proceeds from (i) the issuance of 5.750% senior notes due 2030, (ii) draws under the revolving credit facility and from a senior secured delayed draw term loan A credit facility due 2029, in each case, under its senior secured credit agreement which bear interest at secured overnight financing rate (“SOFR”) plus 10 basis points, plus a variable applicable margin which is determined by the Company's net leverage ratio and (iii) the sale of excess land near Calder Casino in the second quarter of 2022 (the “Related Financing Transactions”).

The weighted-average interest rate on the Related Financing Transactions was 4.86% as of December 31, 2022.

Note 3 – Adjustments to Unaudited Pro Forma Condensed Combined Statements of Income

- (A) Represents the incremental depreciation expense related to the property and equipment, net after adjustment to the preliminary fair value.
- (B) Primarily to eliminate the interest income and expense incurred by P2E for the period ended October 31, 2022. The P2E debt was paid off at closing of the P2E Acquisition and included in the purchase consideration.
- (C) Represents the incremental interest expense under the Related Financing Transactions for the year ended December 31, 2022, as described further in the table below:

<i>(in millions)</i>	For the year ended December 31, 2022
Revolver Capacity	\$ 1.1
Revolving Credit Facility	12.9
Term Loan A-1	25.1
Senior Unsecured Notes	19.1
Total interest expense	<u>\$ 58.2</u>

- (D) The pro forma adjustment to the income tax provision represents the tax effect of the adjustments to income from continuing operations before provision for income taxes related to the results of the acquired P2E entities, elimination of P2E's interest expense, and the Company's incremental interest expense related to the Related Financing Transactions. The Company has assumed a 27.8% blended income tax rate representing the estimated combined U.S. federal and state statutory rates in effect for the year ended December 31, 2022.

CHURCHILL DOWNS

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FOR IMMEDIATE RELEASE

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Churchill Downs Incorporated Announces Proposed Offering of \$600 Million of Senior Notes due 2031

LOUISVILLE, KY., (April 11, 2023) - Churchill Downs Incorporated (“CDI” or the “Company”) (Nasdaq: CHDN) today announced that it intends to offer, subject to market and customary conditions, \$600 million in aggregate principal amount of senior notes due 2031 (the “Notes”) in a private offering.

CDI intends to use the net proceeds from the offering to (i) to repay indebtedness outstanding under its Term Loan B Facility, (ii) to fund related transaction fees and expenses and (iii) for working capital and other general corporate purposes.

The offer and sale of the Notes have not been registered under the Securities Act of 1933, as amended (the “Securities Act”), or any state securities laws and may not be offered or sold within the United States to, or for the benefit of, U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being sold only to persons reasonably believed to be qualified institutional buyers in accordance with Rule 144A under the Securities Act and offered and sold outside the United States to non-U.S. persons in accordance with Regulation S under the Securities Act.

The Company will agree to register the Notes for resale to the extent they are not freely tradable under the Securities Act a year after their issuance. The Notes will not be listed on any securities exchange or automated quotation system.

This press release is issued pursuant to Rule 135c of the Securities Act, is for informational purposes only and shall neither constitute an offer to sell nor the solicitation of an offer to buy the Notes or any other securities. The offering of the Notes is not being made to any person in any jurisdiction in which the offer, solicitation or sale is unlawful. The offering has not been approved by any gaming regulatory authority having jurisdiction over any of CDI’s casino operations.

About Churchill Downs Incorporated

Churchill Downs Incorporated (NASDAQ: CHDN) has been creating extraordinary entertainment experiences for nearly 150 years, beginning with the Company’s most iconic and enduring asset, the Kentucky Derby. Headquartered in Louisville, Kentucky, CDI has expanded through the development of live and historical racing entertainment venues, the growth of the TwinSpires horse racing online wagering business and the operation and development of regional casino gaming properties.

This news release contains various “forward-looking statements” within the meaning of the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995, such as the use of the net proceeds from the offering. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to be correct. Important factors, among others, that may materially affect actual results or outcomes include those described under the heading “Risk Factors” in our most recent Annual Report on Form 10-K and other filings we make with the Securities and Exchange Commission. We do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.