



**CHURCHILL DOWNS**  
INCORPORATED

**Bank of America**  
**Merrill Lynch**

**2012 Gaming Conference**

**Las Vegas, NV**

January 19, 2012

*Bill Mudd, EVP & CFO*

# 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.*

*CDI expressly does not adopt, endorse or provide comment upon any projections by analysts or projections contained in this presentation.*

## CDI: Racing, Gaming & Entertainment Delivered Onsite & Online

- I. Who we are & where we are located
- II. Growing Kentucky Derby “Week”
- III. Growing our Online business
- IV. Growing our Gaming portfolio
- V. Additional Gaming opportunities
- VI. Proven financial performance
- VII. Summary
- VIII. Q&A

## Who is Churchill Downs Incorporated?



**We are a 137 year old, publicly traded company (ticker: CHDN) and host of the Kentucky Derby**

# Diversified Racing, Gaming & Entertainment Company



- Leading Online pari-mutuel wagering (“ADW”) company
- \$588 MM in 2010 handle; \$608 MM handle 3Q YTD ‘11



- 867 Slot Machines, 15 table games + Poker room
- 105 room attached hotel



- 91 Live Days, \$576MM Handle
- 10 OTB's



- Provides pari-mutuel wagering IT infrastructure
- Processed >\$3B Wagers in 2010
- Mobile wagering development



- 24 hour horse racing channel, joint venture with the Stronach Group
- Access to over 70 tracks



- 626 Slot Machines, opened 2008
- 11 OTB's, 700+ Video Poker units
- 79 Live Days, \$365MM Handle



- The #1 source for Thoroughbred information



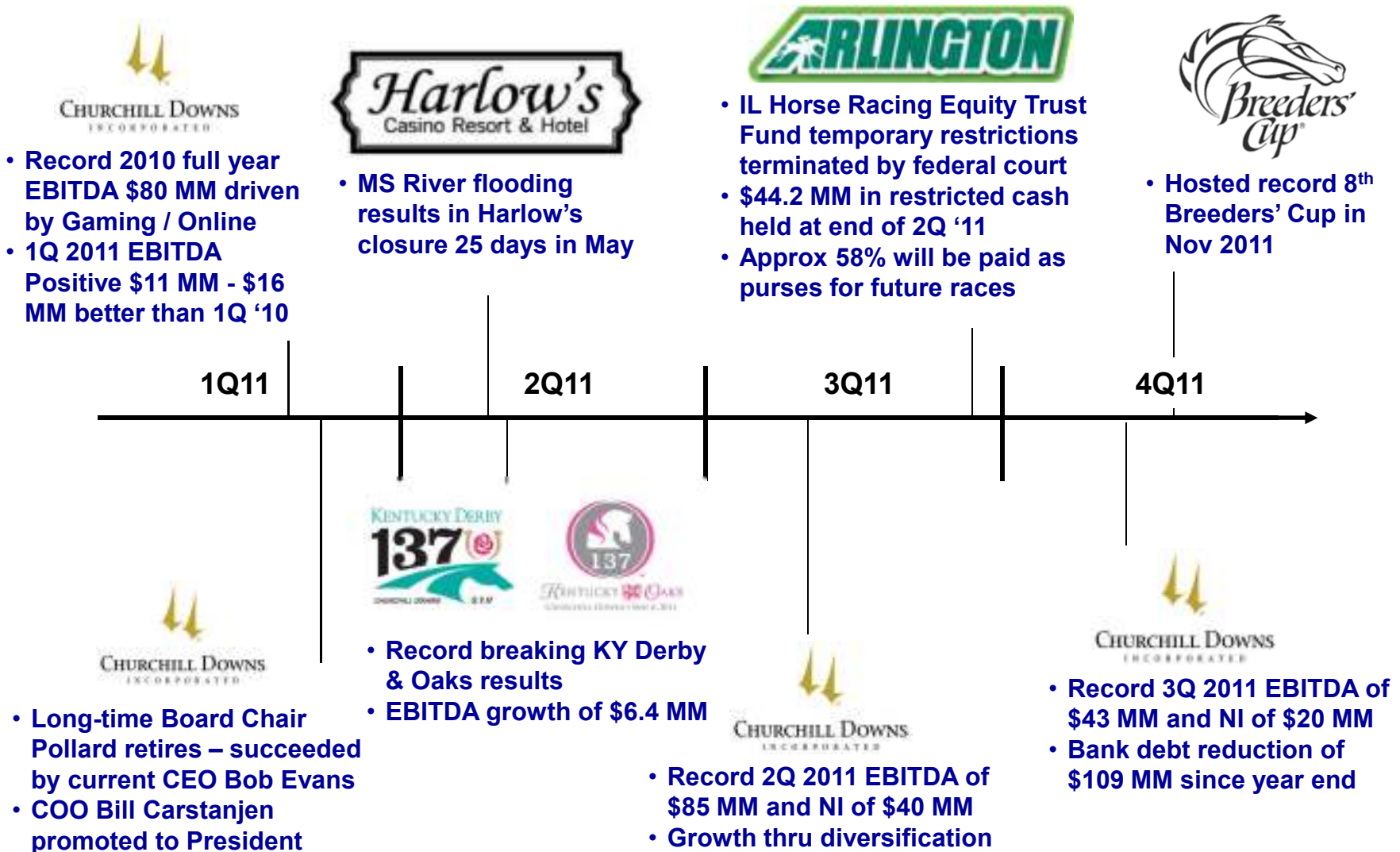
- Home of the Kentucky Derby & Oaks since 1875
- 8-time host of Breeders' Cup Championships
- 63 Live Days, \$623MM Handle



- 1,196 Slot Machines, 29 Poker tables
- 151 Live Days, \$600MM Handle



# 2011 – Record #'s / Leadership changes



# 2011 Kentucky Derby and Oaks by the Numbers



- ✓ Derby Week EBITDA sets a **new record**.....up \$6.4 million over 2010
- ✓ Derby attendance up 5.8% vs 2010...164,858 attendees (**new record** breaking the 100<sup>th</sup> anniversary mark from 1974)
- ✓ Derby Day wagering up 1.5%...\$165.2 million wagered
- ✓ Oaks wagering up 4.2%...\$37.5 million wagered (**new record**)

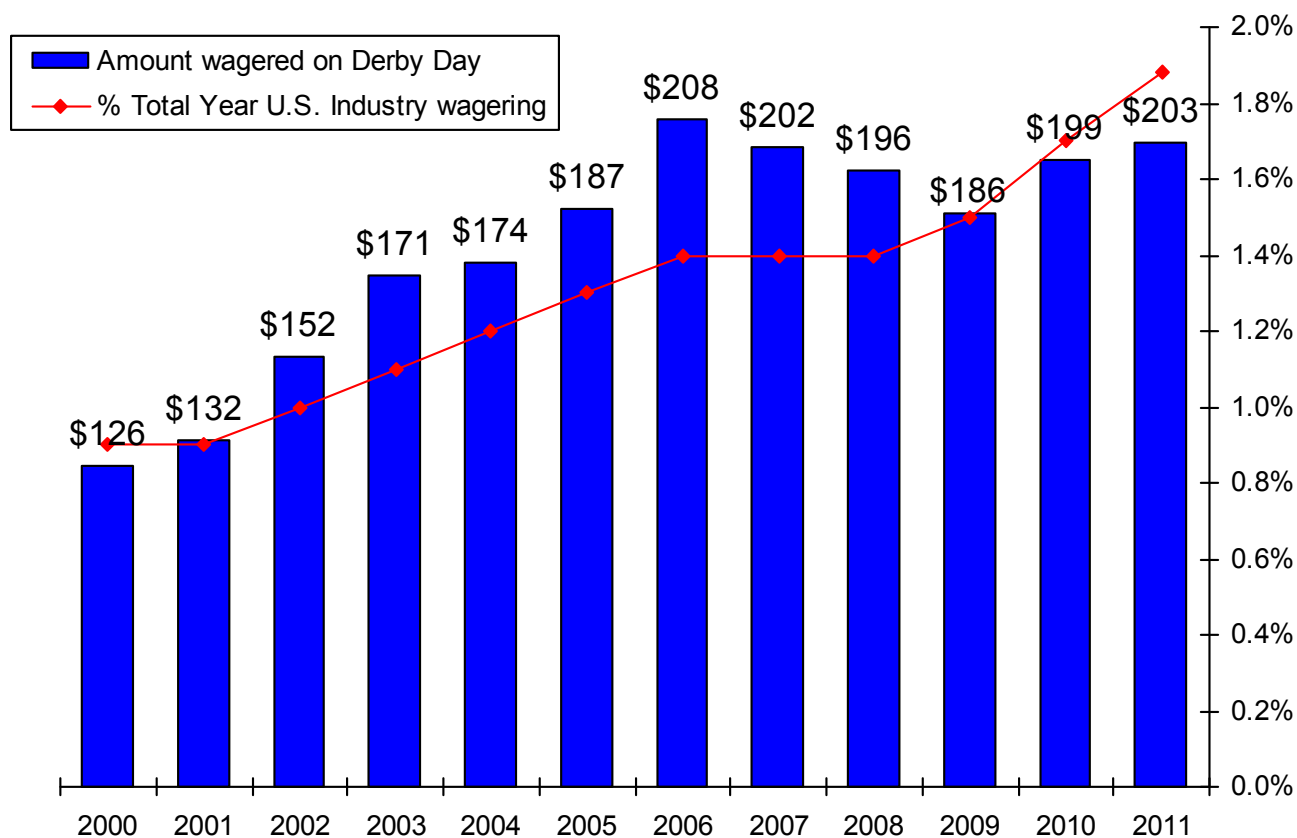




# Kentucky Derby & Oaks Wagering

Dollars in Millions

Wagering on Kentucky Derby Weekend continues to grow despite industry trends  
- Two days, One track ... nearly 2.0% of annual U.S. Thoroughbred Handle



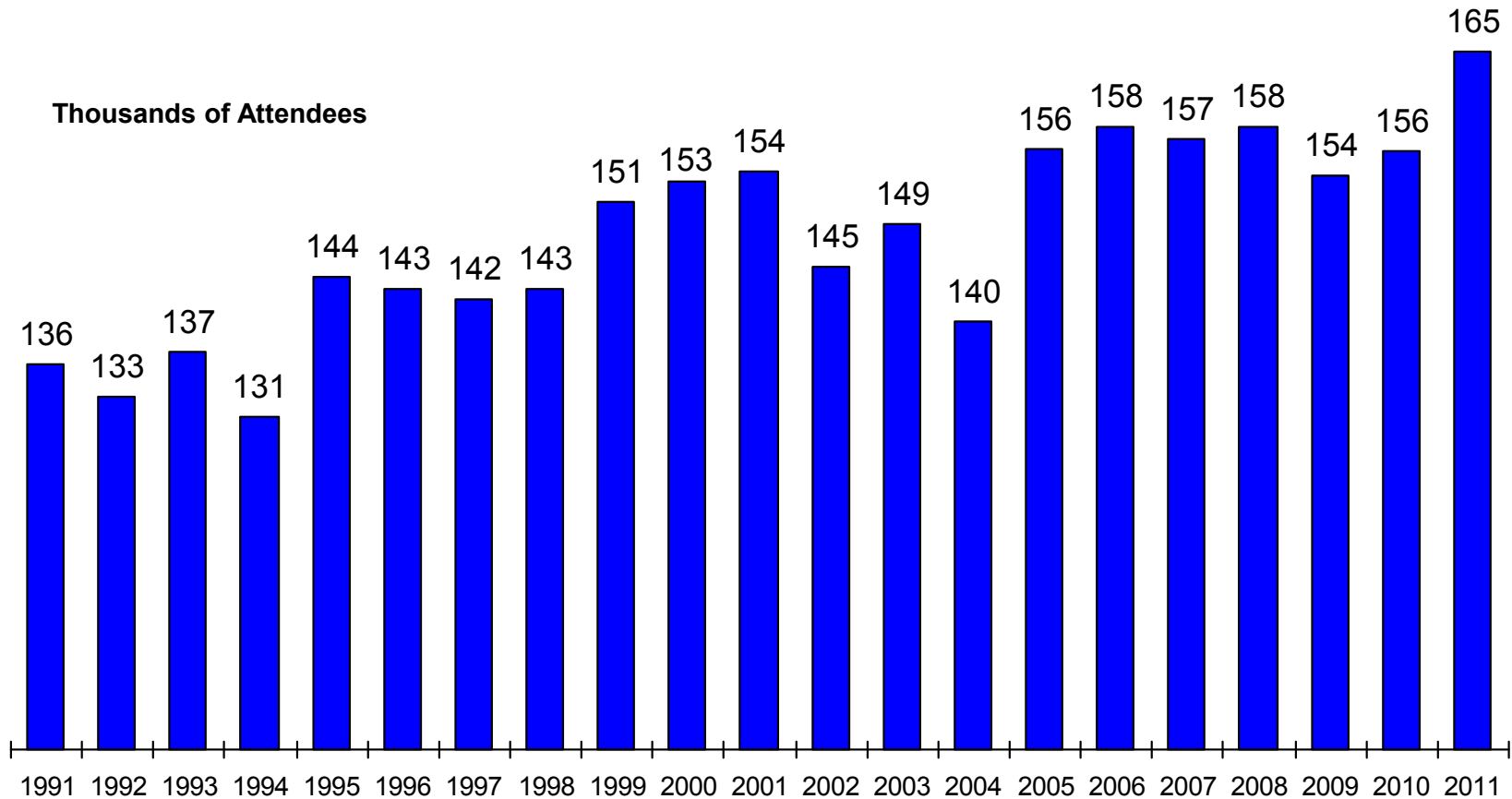
U.S. Industry Source: Equibase.com, December 2011 YTD





# Kentucky Derby Attendance

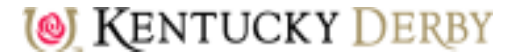
Attendance at all-time record level in 2011 despite economic realities  
- Variability primarily driven by general admission which, in turn, is driven by weather



# Growing Kentucky Derby "Week"



- Celebrity chefs serve signature tastes from racing markets with wine pairings
- Event nearly doubling in size from 2010 launch



- Red Carpet celebrity arrivals
- Expanded live coverage on Versus and NBC Sports
- All-time record crowd of 164,858

**April 30**

**May 5**

**May 6**

**May 7**

## OPENING NIGHT

- First-ever night racing event to kick off Derby Week
- 38,142 – largest non-KY Derby, KY Oaks, Breeders Cup attendance
- Celebrities, Red Carpet, live music, fashion, fine dining



- Third annual PINK OUT
- Partnership with breast cancer charities
- Survivor's Parade
- Third-highest attended KY Oaks with 110,122
- Record wagering in 2011
- Live coverage on Versus
- \$1 million Oaks purse



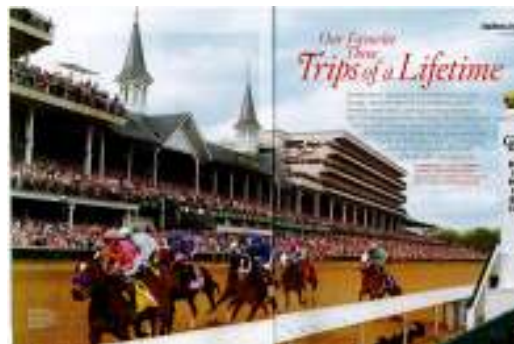


# Kentucky Derby Media Coverage—more than just a sporting event



155TH KENTUCKY DERBY  
CURRENT ODDS

1. LOOKIN AT LUCKY	7-1
2. ICE BOY	10-1
3. NOBLE'S PROPOSAL	24-1
4. SUPER SAYER	8-1
5. LINE OF DAVID	18-1
6. STATUE VICTOR	18-1
7. AMERICAN LION	21-1
8. DEAN'S KITTEN	22-1
9. MAKE PRIDE FOR ME	27-1
10. PADDY O'PRADO	114-1





## Kentucky Oaks—Charitable focus has helped grow the event

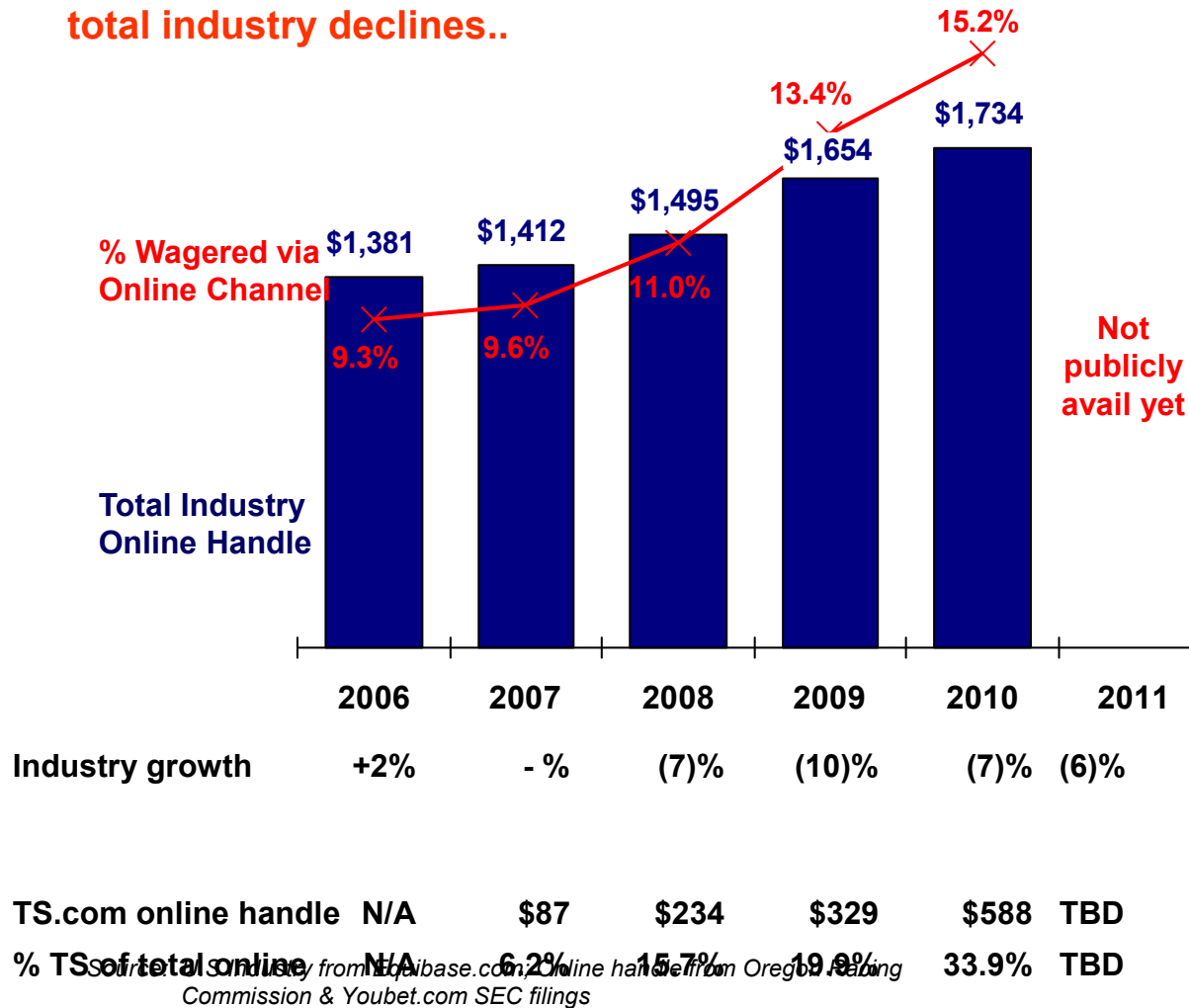
- Since 2009, Churchill Downs has partnered with Susan G. Komen for the Cure, leveraging the Kentucky Oaks to raise awareness and funds for breast cancer.
  - Annual “pink out” where patrons are encouraged to wear pink in support of breast cancer awareness
  - Churchill has contributed more than \$350,000 to Susan G. Komen for the Cure and Kentucky-based Horses & Hope
- Prior to the running of the Kentucky Oaks, Churchill Downs invites breast cancer survivors to participate in an on-track parade of honor and hope, which is included as part of the national telecast



# Online / ADW channel should continue to grow

Dollars in Millions

The Online channel continues to grow despite total industry declines..



Five year Industry Online CAGR of 7% despite a negative 6.3% total industry CAGR

- Only 15.2% of total wagers are via the Online channel
- ~11% of total wagers are On Track
- Room to grow...consider other industries:
  - USA travel booked online 39%
  - Digitally distributed music 38%
  - Digital home video 25%

CDI well positioned

- ✓ Continue to drive share growth thru:
  - Best technology team, better innovation
  - Ability to offer integrated data
  - Customized rewards & marketing programs

- Travel industry figures per PhoCusWright's U.S. Online Travel Overview Eleventh Edition, Nov 2011
- Music distribution 2009 per PwC 11<sup>th</sup> annual edition of Global entertainment and media outlook
- Home video penetration figures from NPD Group 3/15/2011



## TwinSpires: a brief history

### TwinSpires has grown from a start-up in 2007 to an industry leader in 2012....

- Jan. 2007 - TwinSpires formed (Mtn. View, CA)
- May 2007 - TwinSpires.com launched
- June 2007 - CDI acquires AmericaTAB and BRIS
- June 2010 - CDI acquires Youbet.com
- Nov. 2010 - Youbet, TwinSpires platforms merged
- April 2011 - NYRA outsources telephone wagering to TwinSpires
- Aug. 2011 - Keeneland white label ADW launched

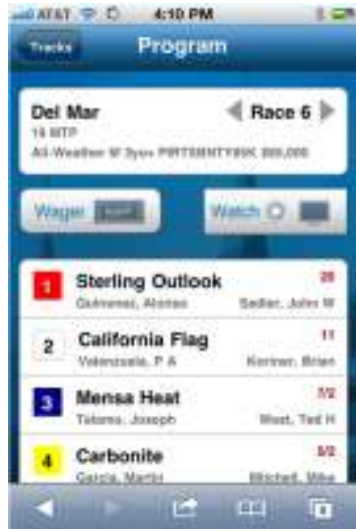
*With over \$200 million invested in development and acquisitions, TwinSpires.com is the largest ADW platform in the U.S.*



# TwinSpires innovations deliver for our partners

## iPhone app

- Lookup entries & odds
- Wager
- Watch live video
- Check results



## Keeneland white label platform



## Single account wagering

- TS.com enables single account wagering at tracks, OTBs and online
  - ✓ Available today at Fair Grounds, Arlington and over 20 OTBs
- Wager, deposit, withdraw ADW funds at brick & mortar locations

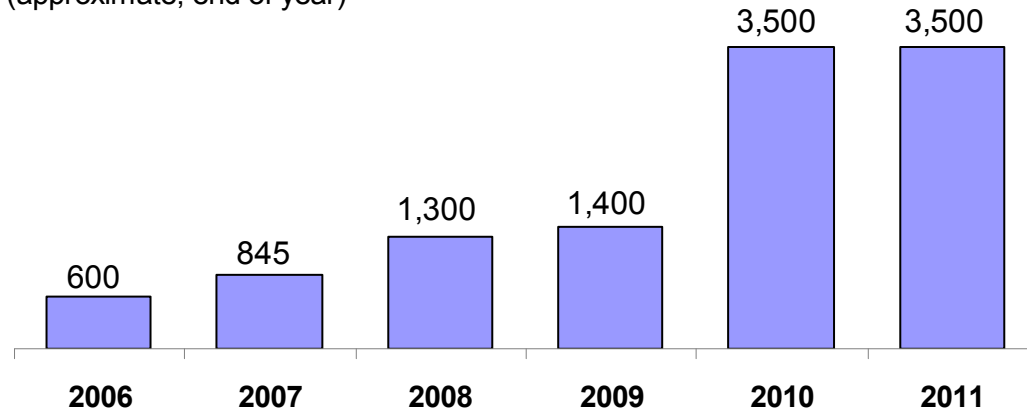
## Case studies

- When Keeneland decided to launch its own ADW, it turned to TS.com to provide a complete, turnkey solution
- When NYRA saw its call volume increase 400%, it partnered with TS.com to handle all live operator telephone wagering

# Growing Our Brick-and-Mortar Entertainment

## Number of Gaming Positions

(approximate, end of year)



- ✓ Fair Grounds permanent gaming facility opened October 2008 with 600 machines
- ✓ Calder Casino opened in January 2010 with ~1,200 machines and 29 poker tables
- ✓ Acquired Harlow's Resort & Casino in December, 2010
  - Our first non-racing casino
  - ~900 slots & 15 table games, 105 room hotel
- We will continue to grow in this market thru acquisition and building out owned properties (Arlington, Quad City Downs, Churchill Downs) where permitted

*Note: Positions obtained from Form 10-K for periods 2006-2010, 2011 est.*



**Fair Grounds Race Course & Slots**



**Calder Casino & Race Course**



**Harlow's Resort Casino & Hotel**



We acquired our newest gaming property, Harlow's, on Dec. 16, 2010



- 33,000 sq. ft. gaming floor
- 800 slot machines
- 105-room hotel
- 3 dining areas

# Additional Gaming Opportunities –KY

## Casino Gaming at Churchill Downs Racetrack (KY)

- KY Governor Steve Beshear, who easily won re-election in Nov 2011, says expanded gaming is a top priority for his second term
- Pushing for proposed constitutional amendment in November 2012 to allow KY voters to decide on expanded gaming – in order to generate more revenue for state government and the horse industry
- Recent polling in KY (87%) favors a vote on expanded gaming with 64% saying that would vote in favor
- KY facing state budget deficit – biennial state budget to be approved by end of legislative session in April 2012, expecting deep spending cuts
- Spectrum Gaming Group released a market analysis study on January 17, 2012 that the Churchill Downs Racetrack location annual revenues would exceed \$250 million

## Historical Racing Machines (HRMs)

- July, 2010, KHRC approved regulations to allow HRMs, declaratory judgment upholding regulations under appeal
- Kentucky Downs facility in Franklin, KY offering 200 HRM's since Sept 1, 2011
- CDI will await final appeals on HRM's and potential expanded gaming legislation

# Additional Gaming Opportunities – IL

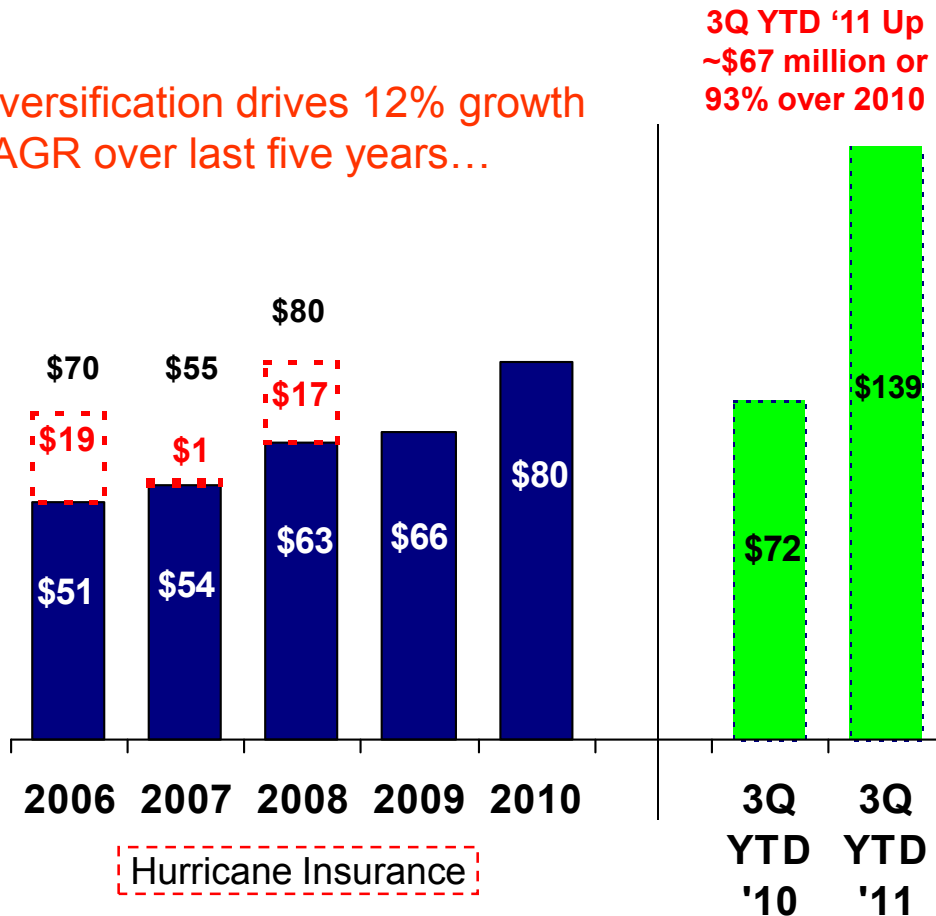
## Alternative Gaming at Arlington Park (IL)

- IL General Assembly passed major gaming expansion Senate Bill 744 (SB 744) on May 31, 2011 which adds a downtown Chicago casino, slots at airports, slots at horse tracks and 4 free-standing casinos throughout the state
- Arlington Park could have up to 1,200 slot or video poker machines & Quad City Downs up to 900 machines
- Proposed gaming taxes graduated from 10% to 40% of GGR
- However, in Oct 2011 IL Governor Quinn issued statement saying that he would veto the bill citing he was not in favor of the full expansion that this bill provided including slots at racetracks in IL
- Discussions still underway between Gov Quinn, Chicago Mayor Emanuel and IL Senate President Cullerton on expanded gaming
- Without support of lawmakers who support slots at horse racetracks, passage is expected to be difficult
- Gov. Quinn wants to provide a subsidy from existing casinos to the racetracks and purse accounts in lieu of alternative gaming
- IL is currently running in significant budget deficit and is looking for ways to increase revenue and pay for construction projects across the state

# Proven EBITDA Growth

Dollars in Millions

Diversification drives 12% growth CAGR over last five years...



**Record EBITDA in 2010 followed by record setting 2011 quarterly performances**

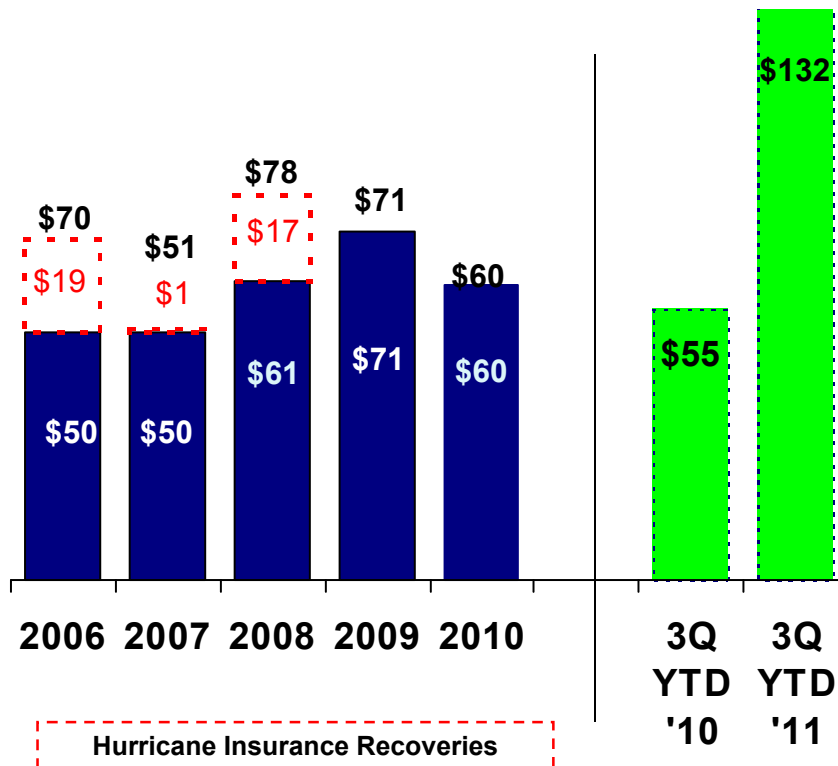
- ✓ 2011 Derby Week EBITDA up \$6.4 MM over prior year after record setting 2010
- ✓ 3Q YTD 2011
  - EBITDA - \$67 MM improvement over 3Q YTD '10
  - Online nearly doubles to \$28.7 MM on Youbet acquisition and TwinSpire organic growth
  - \$12.4 MM online acquisition synergy savings
  - Gaming grows to \$43.5 MM (up 123%) on Harlow's acquisition (12/16/10) and continued growth at Calder and Fair Grounds
  - Calder gaming tax rate reduced 15% on July 1, 2010
- ✓ Unusual items 2011
  - 3Q - \$19 MM IL Horse Racing Equity Trust Fund proceeds
  - 2Q - \$2.9 MM KY tax-increment financing
  - 2Q – MS River flooding forcing Harlow's shutdown for 25 days



# Proven Cash Generation

Dollars in Millions

## Cash provided by operating activities



**Cash flow growth in 2011 allows for many options including acquisitions, debt Repayment in 2012**

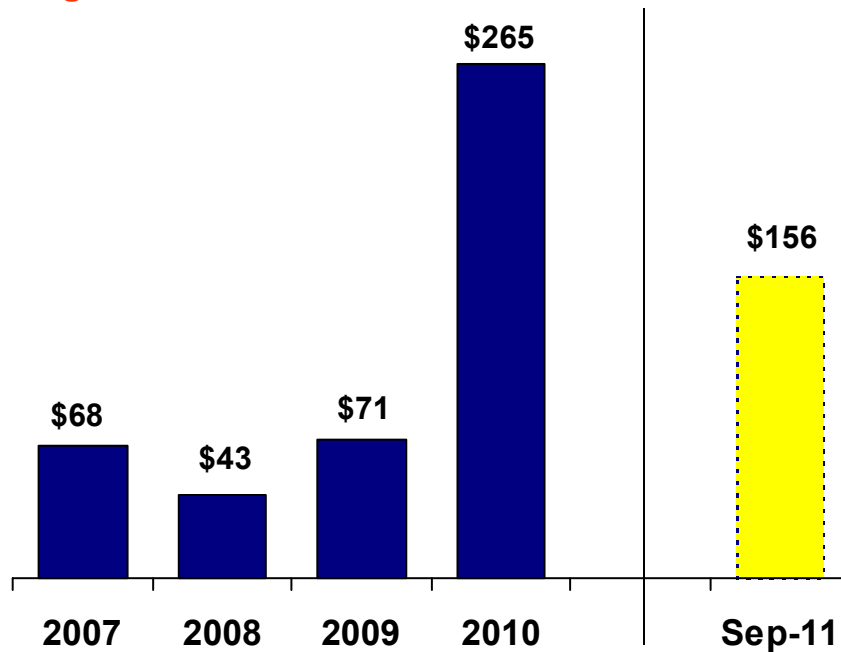
## Very Strong Cash Generation...

- ✓ 2010 impacted by unusual items
  - Acquisition cost \$(3.9)
  - Youbet integration cost \$(4.4)
  - Equity compensation correction \$(1.4)
  - Tax overpayments of \$(9)
- ✓ 3Q YTD '11 cash flow increase driven by improved EBITDA from acquisitions, Derby Week, organic growth plus working capital improvements and tax refunds
- ✓ 4Q '11 cash opportunities
  - Continued EBITDA improvements
  - Additional tax refunds from amended returns
  - \$8.5 from Centaur bankruptcy settlement
- ✓ Tax efficient acquisitions
  - Acquired NOLs of ~\$28 with Youbet.com
  - Harlow's asset acquisition structure allows intangible tax deductions ~\$36 over 15 years

# Attractive Balance Sheet

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

## Long Term Debt <sup>-c)</sup>



	Gaming Industry <sup>-a)</sup>	Churchill Downs, Inc.
Total Debt / EBITDA (LTM)	5.7 x	1.1 x <sup>-b)</sup>
EBITDA / Interest (LTM)	3.0 x	16.0 x

(a – Gaming industry peer group comprised of PENN, BYD, ASCA, ISLE, PNK  
Source: Company filings and Factset

(b – Does not include pro-forma credit for acquisition EBITDA of Harlow's

(c – Excludes convertible note payable, related party

## Very Strong Balance Sheet...

- ✓ Long term debt increased \$194 in 2010 driven by Youbet.com & Harlow's acquisitions
- ✓ Debt reduced \$109 on free cash flow through first 9 months of 2011
- ✓ Amended and expanded credit facility in 2010 to \$375 million ... very low interest cost on current debt at L + 1.875% (~2.2% total)
- ✓ Leverage and coverage ratios still among industry best after 2010 actions
  - Continues to improve on '11 growth + cash generation
  - Ability to do more meaningful acquisitions
- ✓ Cash flow values backstopped with hard assets/real estate
  - 336 acres in Arlington Heights, IL
  - 231 acres in Miami Gardens, FL
  - 147 acres in Louisville, KY
  - 145 acres in New Orleans, LA



# Summary

- CDI is a diversified regional operator of racing, gaming and online businesses
- Online should continue to grow
- Focused on growing our gaming assets
- The Kentucky Derby franchise is as strong as ever and KY Oaks continues to grow with cause-based marketing initiatives
- Proven record of EBITDA growth, strong balance sheet



Questions?