



Brean Murray Carret & Co.  
Consumer, Gaming, and Technology Conference  
June, 2012



## Safe Harbor / 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.*



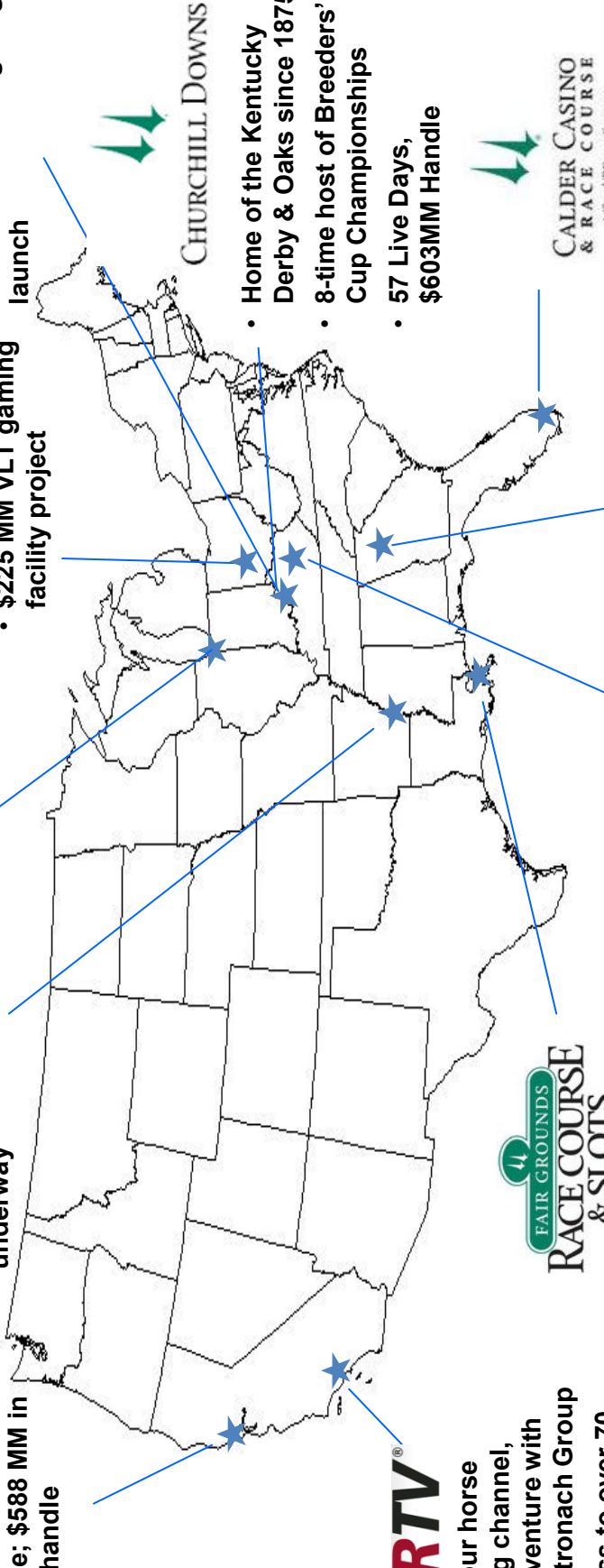
# Overview: Diversified Racing, Gaming, Online & Entertainment Company

## **twinspires**

- Leading Online pari-mutuel wagering (“ADW”) company
- \$800 MM in 2011 handle; \$588 MM in 2010 handle
- 900 Slot Machines, 15 table games + Poker room
- 105 room attached hotel
- \$15 MM renovation project underway



- CHURCHILL DOWNS INCORPORATED
- Provides pari-mutuel wagering IT infrastructure
  - Processed ~\$3B Wagers in 2011
  - Fastbet Mobile wagering launch
  - \$225 MM VLT gaming facility project
  - 50/50 JV w/ Delaware North to purchase Lebanon Raceway
  - \$603MM Handle



## **HRTV**

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



- CHURCHILL DOWNS INCORPORATED
- Home of the Kentucky Derby & Oaks since 1875
  - 8-time host of Breeders' Cup Championships
  - 57 Live Days, \$603MM Handle



- CHURCHILL DOWNS INCORPORATED
- Multimedia poker content company
  - Industry-leader poker periodical
  - 1,196 Slot Machines, 29 Poker tables
  - 141 Live Days, \$535MM Handle

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# Investment Rationale

## Diversified Asset Portfolio

- Largest legal online gaming platform in the U.S.(TwinSpires.com)
  - ~3,500 Gaming positions in three casinos and 10 OTBs
  - Four premier Thoroughbred Race Tracks
  - Iconic Kentucky Oaks & Derby Brands
- Tote business, Poker media company, minority owner of TV Channel

## Significant Growth Opportunities

- ~\$285 million JV with Delaware North Companies to develop a gaming & racing operation in Lebanon, OH with up to 2,500 positions
- Online horse race wagering continues to grow at double digit rates
- Luckity.com – to be launched in summer, 2012 –mobile and online gaming platform legal, licensed & regulated in the U.S.
- Potential for casino gaming at Arlington International Racecourse
- Potential for casino gaming at Churchill Downs Race Track
- Positioned to play in the U.S. Online Poker industry upon legalization

## Shareholder Focused Management Team

- Diverse backgrounds with multi-industry, technology and international experience
- Proven record of capital allocation, revenue & earnings growth
- Disciplined acquisition strategy
- 500 technology resources focused on growing our online offerings (includes United Tote)

## Strong Financial Position

- 12% Revenue CAGR and 26% EBITDA CAGR since 2007
- Strong balance sheet with 0.7x EBITDA leverage, backstopped with valuable real estate
- Strong free cash flow from Kentucky Derby, Online assets and Casino assets less than 4 years old
- 20% dividend increase in 2012
- Disciplined approach to capital allocation



# Shareholder Focused Management Team

## Chairman & CEO, Robert Evans



- ✓ CEO since 2006
- ✓ Diverse background – manufacturing, software, private equity
- ✓ Technology focused
- ✓ Led CDI's diversified growth strategy

## EVP & CFO, Bill Mudd



- ✓ CFO since 2007
- ✓ 15 year multi-industry / multi-business background with GE
- ✓ International experience
- ✓ Leads strategic, finance and development teams

**Diverse and results-driven leaders with proven records of innovation and growth.**

## President & COO, Bill Carstanjen



- ✓ President and COO, 7 years with CDI
- ✓ M&A background with Cravath, Swaine & Moore LLP and GE
- ✓ Previously led legal and development teams
- ✓ Formerly GE Capital
- ✓ Columbia Law School

## EVP & General Counsel, Alan Tse



- ✓ General Counsel since 2011
- ✓ Oversees all legal, corporate governance and compliance
- ✓ Former GC for LG Electronics
- ✓ Background in technology focused industries
- ✓ Harvard Law School

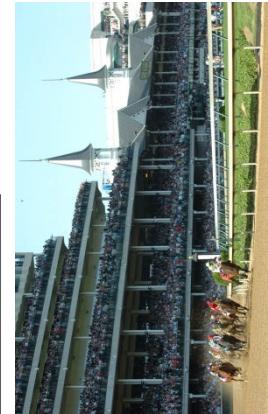
# Racing Properties – Foundation which led to diversification

## Arlington International Racecourse



- 336 acres in western Chicago suburb, Arlington Heights
- 11 OTB's
- 20 minutes from O'Hare airport
- Rich history with the "Arlington Million"

## Churchill Downs Racetrack



- Home of the Kentucky Oaks and Kentucky Derby
- National historic landmark
- 138 consecutive years of international event
- Night racing series beginning in 2009

- CDI was built around Racing .... But traditional racing pressures have prompted executive management to diversify and grow through other revenue streams.

- **"To millions of people worldwide, 'Churchill Downs' means...The Kentucky Derby. Thoroughbred racing. But, while that's what our brands mean, it is no longer our business model, meaning how we will grow and earn an acceptable return on our shareholders' investment. Our business model has changed dramatically"**

*Robert L. Evans, CEO and Chairman of the Board*

## Calder Race Course



- 231 acres in Miami Gardens, FL with convenient access off Florida Turnpike
- Sits adjacent to Sun Life Stadium – home of the NFL's Miami Dolphins

## Fair Grounds Race Course



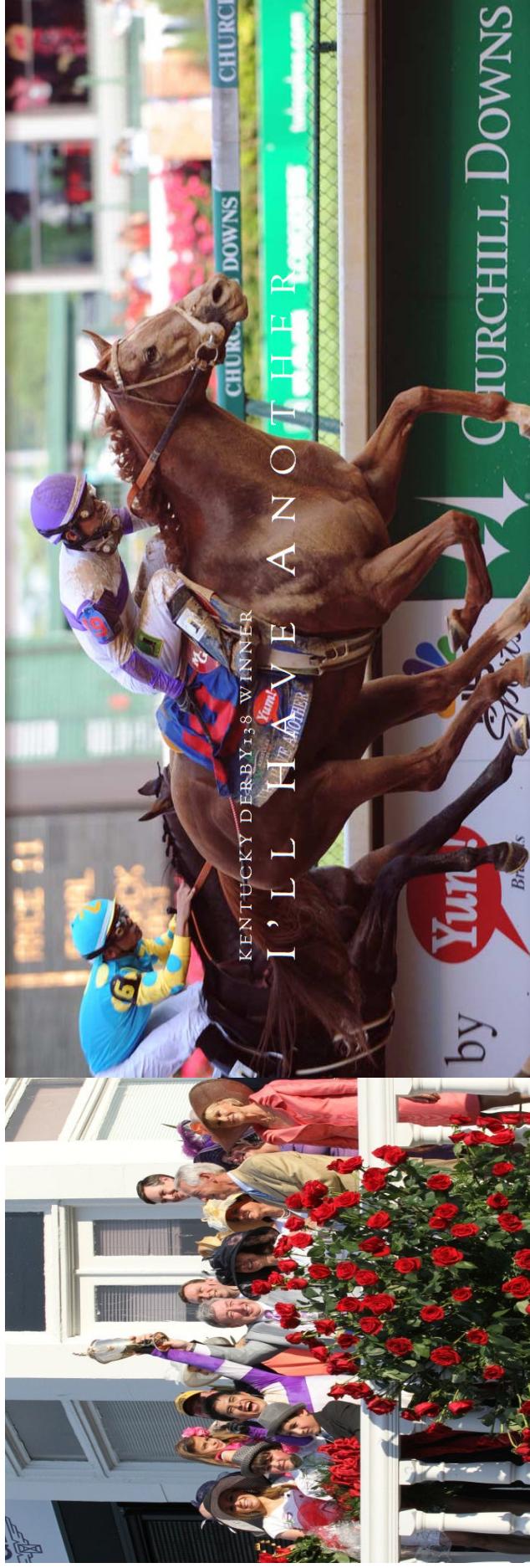
- 145 acres in New Orleans, LA
- Network of 11 OTB's
- Video poker machines in 9 of the OTB's
- Home of the "Louisiana Derby"
- New Orleans Jazz Festival host since 1972



## Brand Power – Kentucky Derby



- ✓ The Kentucky Derby is not just “The Greatest Two Minutes in Sports” but rather an annual cultural and social phenomena
- ✓ The longest continuously running sporting event in North America – 138 years
- ✓ Diverse revenue/profit streams – premium ticketing, sponsorships, wagering, TV revenues, F&B, parking, etc.
- ✓ Attendance & popularity of events have withstood economic downturns





## The Kentucky Derby has proven resilient...



### 2012 Results

- ✓ Record Derby Week EBITDA for the third consecutive year estimated to be \$4.5 to \$5.5 million higher than the 2011
- ✓ 2011 Derby Week EBITDA was up \$6.4 million over 2010, 2010 EBITDA up \$3.4 million over 2009
- ✓ Derby attendance sets new all-time record of 165,307....breaks record, set in the prior year
- ✓ Derby Day wagering was a record \$187 million up 13% over 2011...nearly 7% above previous record set in 2006
- ✓ Yum! Brands presenting sponsor and NBC Sports TV agreements both completed Year 2 of 5-year deals
- ✓ Oaks attendance was the second largest in history.....112,552 attended the "ladies day" of racing
- ✓ Oaks Day wagering up 6.5% over 2011... and sets new record of \$39.9 million wagered
- ✓ 4 new partnerships / sponsorships announced in 2012



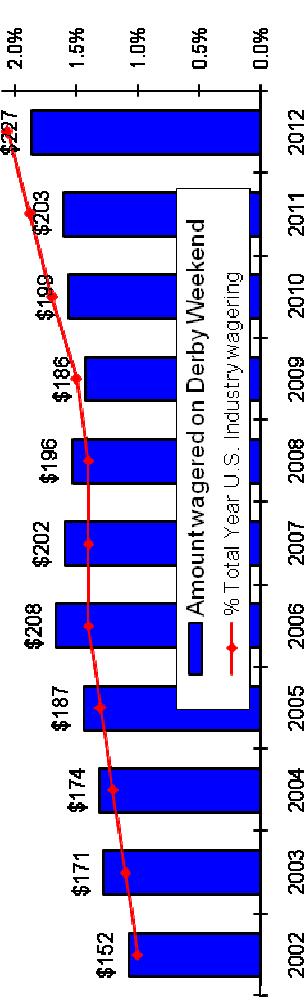


## Kentucky Oaks & Derby Numbers

Dollars in Millions

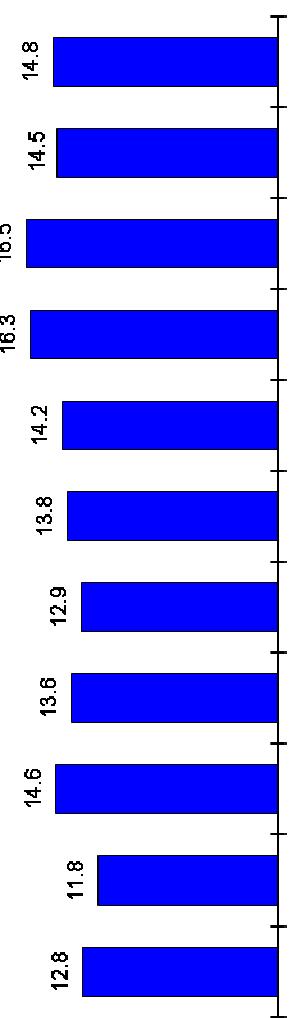
**Wagering on Kentucky Derby Weekend continues to grow despite industry trends**

### Kentucky Derby Weekend Wagering

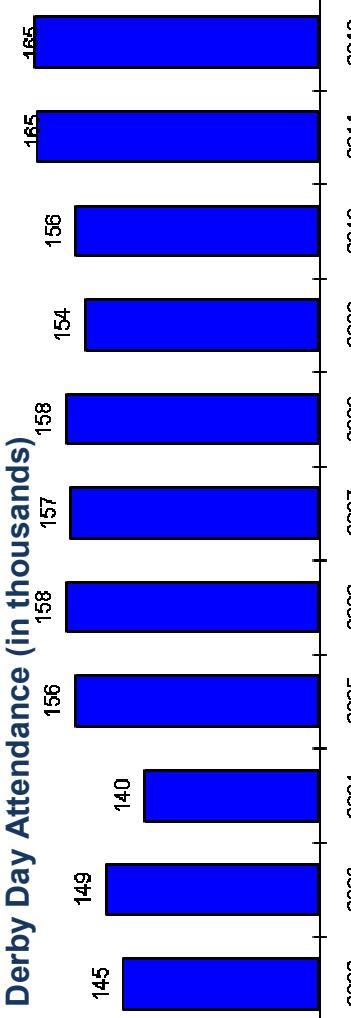


**Third most watched Derby in 23 years at 14.8 million viewers; Only annual sporting event that draws more female viewers**

### NBC Telecast Viewership (in millions)



**Attendance at all-time record level in 2012 – showing the popularity and strength of the brand**



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U.S. Industry Source: Equibase.com, December 2011 YTD  
2012 handle extrapolated based on April 2012 YTD trend (+2.11%)



## Online Business – The Basics

- Horse race wagering in the U.S. via the internet is legal under the Interstate Horseracing Act
- Advance Deposit Wagering (“ADW”) is pari-mutuel wagering on horse racing through the internet, telephone & mobile devices
- Our Online Business is operated and branded through [TwinSpires.com](http://TwinSpires.com), headquartered in Mountain View, CA
- Licensed & regulated in the state of Oregon
- Industry studies indicate ADW is the fastest growing segment of pari-mutuel wagering



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## Online History: TwinSpires launch

**TwinSpires has grown from a start-up in 2007 to the 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

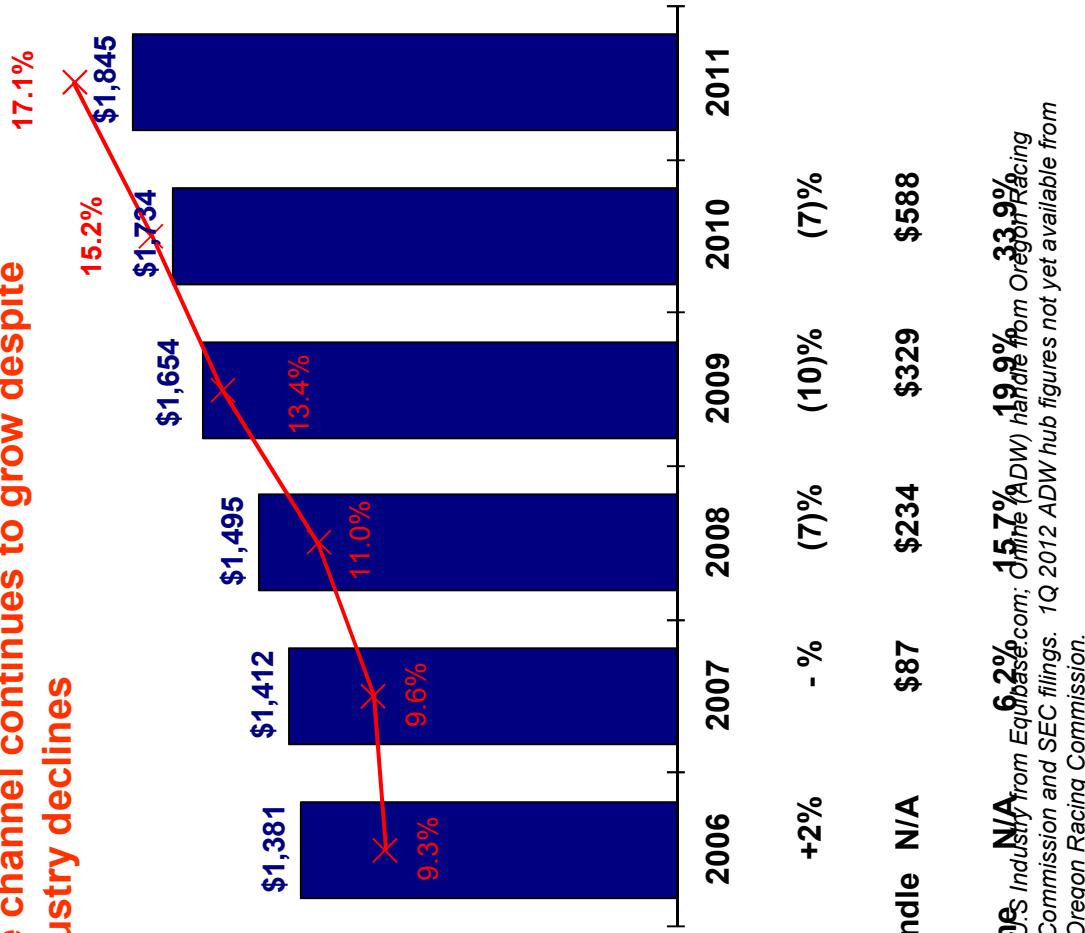
**twinspires.com**



# Online / ADW channel should continue to grow

Dollars in Millions

The Online channel continues to grow despite racing industry declines



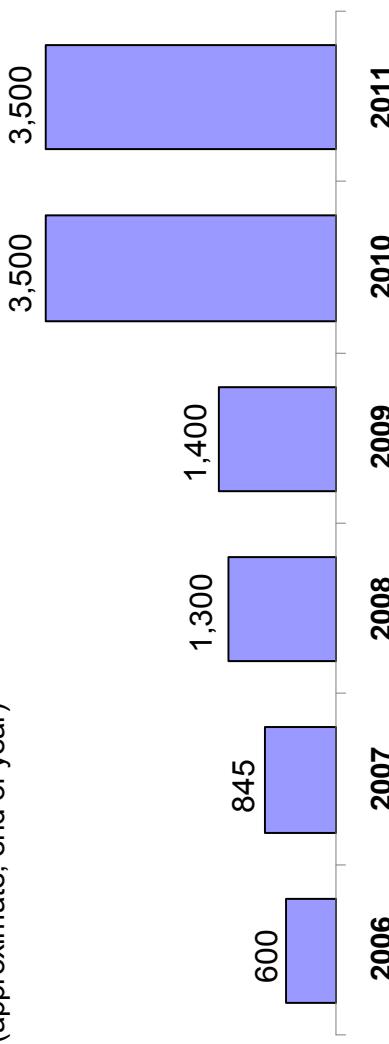
N/A from Equibase.com; 15.7% (ADW) handle from Oregon Racing Commission and SEC filings. 1Q 2012 ADW hub figures not yet available from Oregon Racing Commission.

Five year Online Channel CAGR of 6.0% despite a negative 6.1% total industry CAGR...Online outpacing industry by 12.1%

- Ability to continue growing based on channel shift, 2011 figures:
  - ✓ Online channel share is 17.1%
  - ✓ On-track live accounts for 11.4%
  - ✓ Other locations share of 71.5%
- Online wagering channel share gains driven by convenience, accessibility and ease of use
- Scalable business...segment EBITDA 4.7% of handle in 2011
- CDI / Twinspires is well positioned to continue growing:
  - ✓ Best technology, best innovation
  - ✓ Ability to offer integrated data
  - ✓ Customized rewards & marketing programs

## Gaming Properties – Building the product offerings

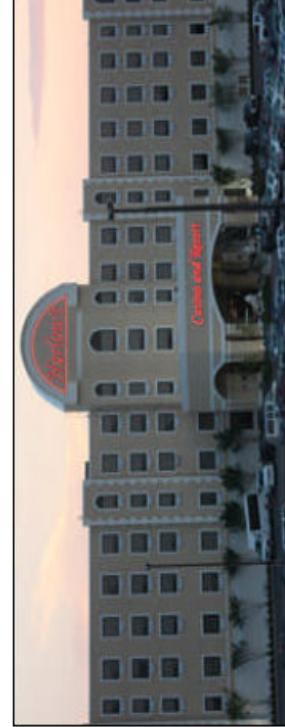
**Number of Gaming Positions**  
(approximate, end of year)



Fair Grounds Race Course & Slots (3 ½ years old)



Calder Casino & Race Course (2 ½ years old)



Harlow's Resort Casino & Hotel (4 ½ years old)

- ✓ Fair Grounds permanent gaming facility opened October 2008 with over 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
- ✓ Well positioned to continue to grow in this market thru acquisition and building out owned properties (Arlington, Quad City Downs, Churchill Downs) where permitted
- ✓ Ohio joint venture with DNC announced in 1Q '12.....gaming asset planned to be built following favorable resolution of legal challenges
- ✓ "Young" Gaming assets require less maintenance-related cap-ex

## Harlow's – renovation in progress following 2011 flood

- Improvements under construction include the following amenities:
  - ✓ Buffet area
  - ✓ Steakhouse
  - ✓ Business center
  - ✓ Spa facility
  - ✓ Fitness center
  - ✓ Pool
  - ✓ Multi-purpose event center



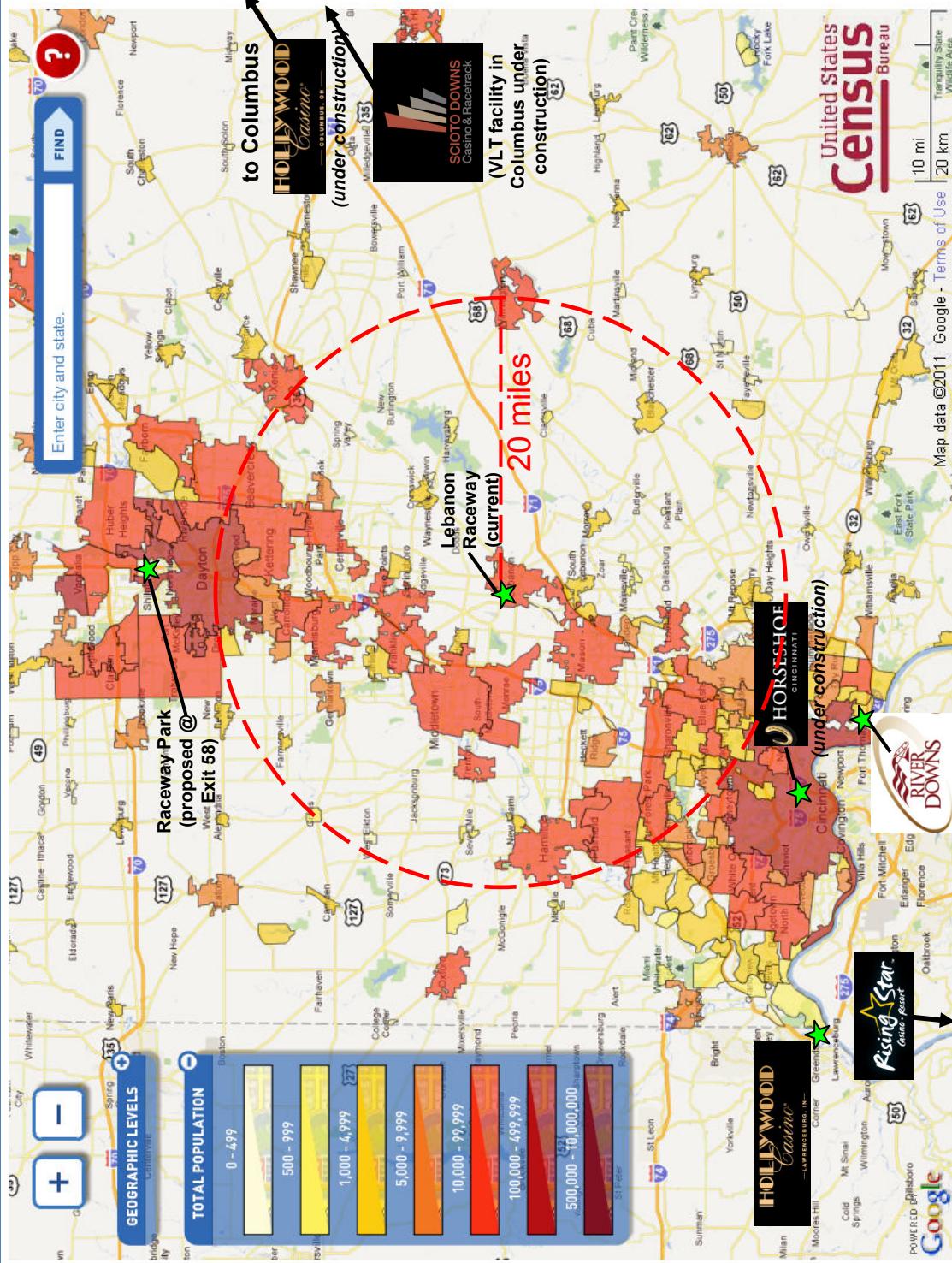
- New event center will replace 2,600-seat arena (now razed), which sustained significant damage during the MS River flooding in May 2011
- ~ \$15 M in capital spending expected, fully funded by our flood insurance collections
- Construction now underway in 2012
- All renovation and remodeling work expected to be finished by late 2012

## Growth Opportunity - Ohio VLT facility development

- On February 29 – we announced a Joint Venture (“JV”) with Delaware North Companies to purchase Lebanon Raceway license in Ohio to develop a new Video Lottery Terminal (“VLT”) facility and harness racetrack
  - 50/50 Joint Venture will manage the development and operation of the VLT facility and racetrack – after acquisition of racing licenses and assets
  - \$60 million purchase price (\$10 M cash and \$50 M note) with \$10 M contingent payment to sellers based on performance
  - \$225 million project cost (\$50M license fee + \$175M development including VLT cost)
  - Sale contingent upon approval of JV’s application to Ohio Lottery Commission and Ohio State Racing Commission as well as resolution of outstanding legal challenges threatening the legality of VLT gaming
- In May 2012, a Franklin County OH judge dismissed a lawsuit attempting to prevent the state of Ohio from permitting slots at seven racetracks, remains to be seen whether decision will be appealed – but one step closer to “breaking ground”



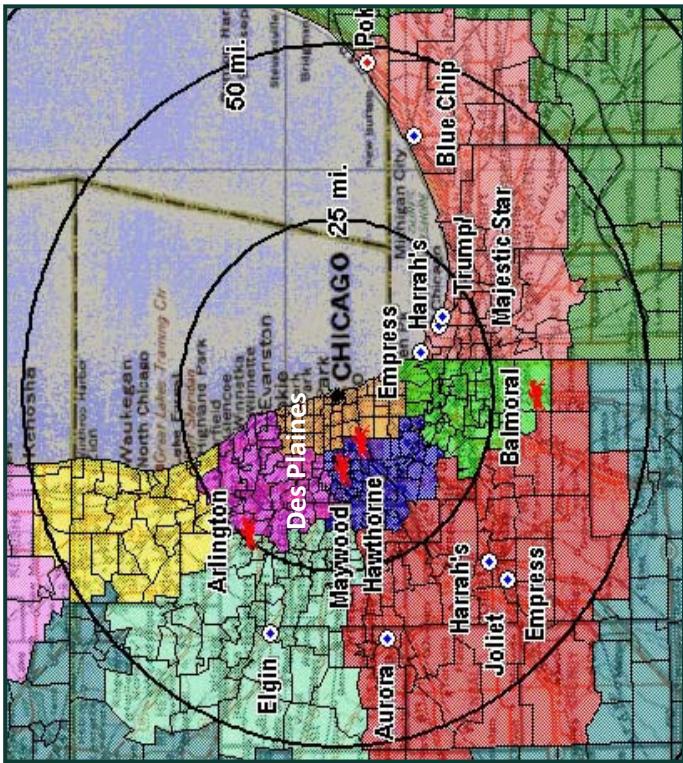
# Cincinnati / Dayton OH area is an attractive gaming market



# Growth Opportunity – Gaming in IL

## Gaming legislation once again has passed through the IL legislature with the Governor as the final hurdle.....

- On May 23, 2012 the Illinois House of Representatives passed a gaming expansion bill (SB 1849) sponsored by Rep. Lou Lang by a vote of 69-47
  - On May 31, 2012 the Illinois Senate passed SB 1849 by a vote of 30-26
    - Would allow 5 new casinos, including one in Chicago and to permit slot machines at race tracks
    - This year's House vote falls only 2 votes shy of a veto proof majority (71 votes needed) and the Senate vote falls 6 votes short of veto-proof majority (36 votes needed)
  - Senator Link filed SB 3925 addressing a number of Gov. Quinn's governance concerns. A vote on this bill is expected in the next session, but it is unclear if this will be enough to address the Gov's issues.
  - Bill would allow for Class III gaming at racetracks including 1,200 at Arlington Park, eliminates prior language for slots at state fairgrounds and airports



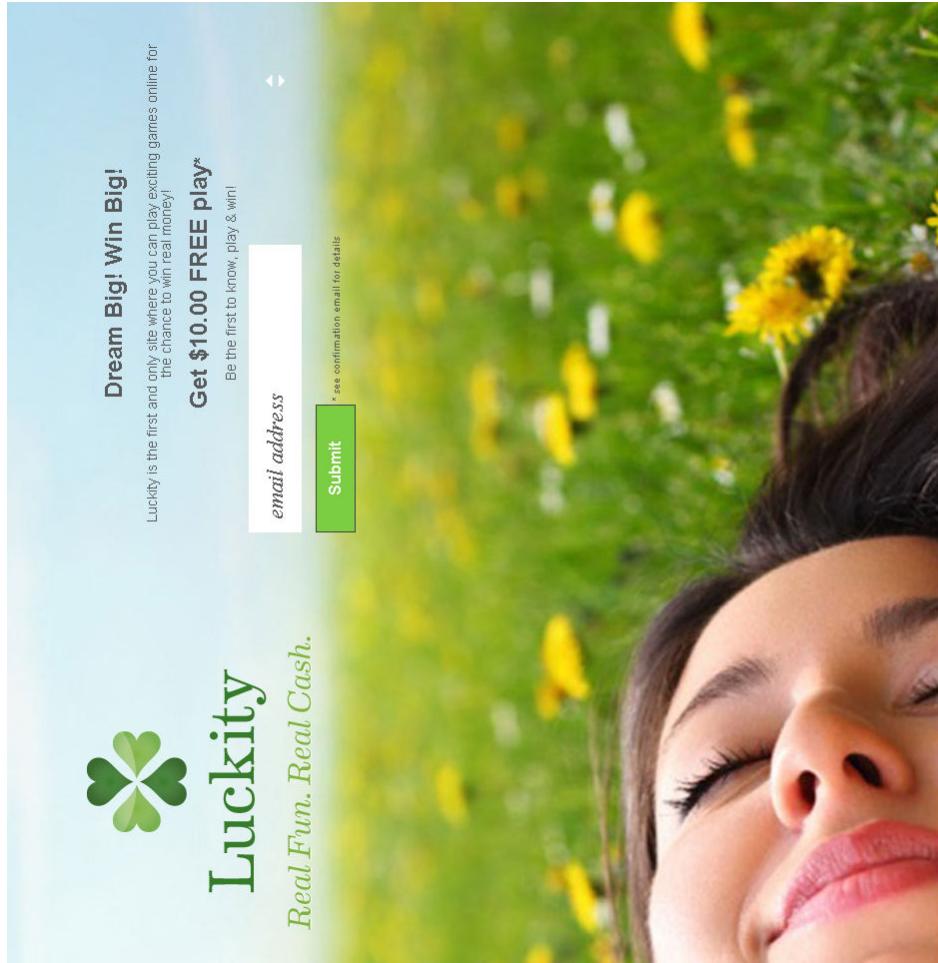
- ✓ Arlington is in an attractive location
  - Approximately 25 miles from downtown
  - Train station on the property
- ✓ A very competitive market
  - Des Plaines 9 miles away (\$759 slot WPU in 2011 per Wells Fargo High Yield Research)
  - Grand Victoria, Elgin 19 miles



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## Growth Opportunity – Luckity.com

**New product offering to launch in summer 2012.....**



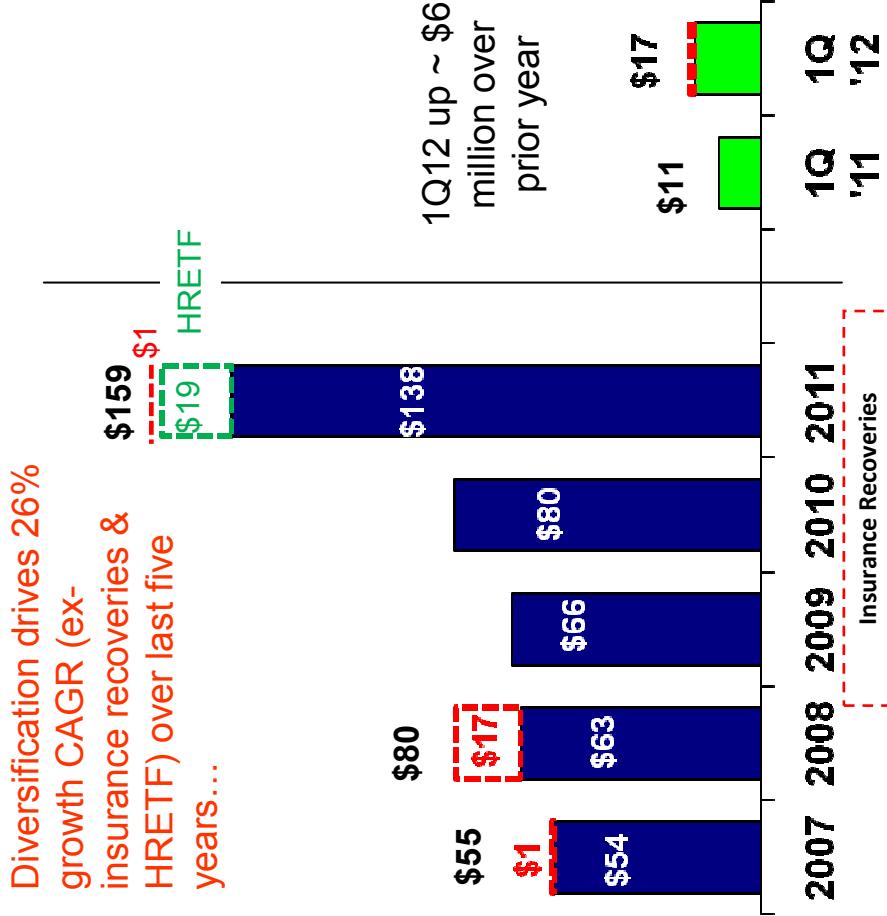
- Luckity.com is our next exciting new online initiative
- A mobile and online gaming platform that will offer fun, simple, exciting and easy-to-play games with the opportunity to win real money
- Plays like a social game but pays like a real-money game
- Licensed, regulated and legal for U.S. residents
- Currently in private “beta” testing, we hope to launch this summer with an initial set of games that will grow over time



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## Financials - Proven EBITDA Growth

Dollars in Millions



- ✓ 1Q12 EBITDA up 54% over prior quarter
  - All three business segments improved
  - Online business grew handle 15% resulting in EBITDA growth of 38%
- ✓ 2Q12... Derby Week expected to be up \$4.5 to \$5.5 million
- ✓ 2011 Record EBITDA following 2010 record
  - Nearly doubles 2010 levels (up 97%)
  - Gaming increased \$28.5 M from organic growth and through acquisition
    - Harlow's acquisition adds \$16.3 M (despite 25 day closure)
    - Calder grew \$10 M (gaming tax rate reduced 15% on 7/1/10)
    - Louisiana gaming grew \$2.2 M
  - Online more than doubles driven by merger-related cost synergies plus additional five months of Youbet.com
  - Racing increased \$27.8 M
    - IL HRETF proceeds \$19.3 M
    - Derby Week growth of \$6.4 M
    - KY TIF proceeds of \$3.1 M

**Record EBITDA results continue in 1Q 2012 following record annual performances in 2011 and 2010**



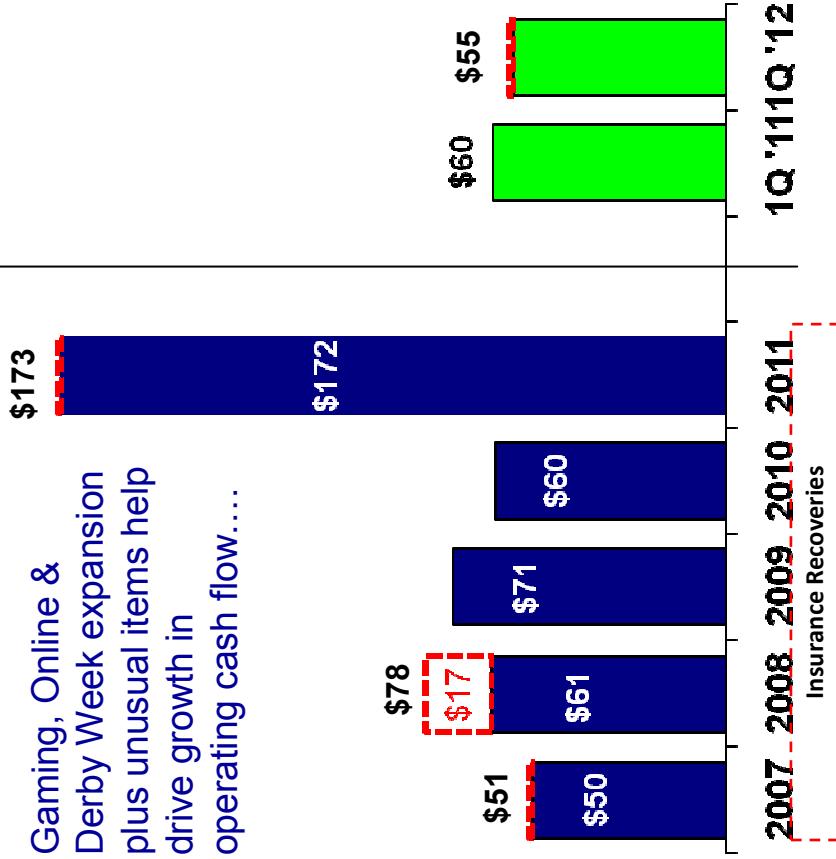
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# Financials - Strong Cash Generation

Dollars in Millions

## Cash provided by operating activities

Gaming, Online &  
Derby Week expansion  
plus unusual items help  
drive growth in  
operating cash flow....



## Very Strong Cash Generation....

- ✓ 1Q 2012 continues robust cash generation
  - Strong Derby advanced billing collections
  - YOY decrease result of Q1 '11 tax refunds
- ✓ 2011 proves to be a record year
  - Full year impact of acquisition growth
  - Organic growth from Derby Week, Gaming & Online
  - IL Horse Racing Equity Trust Fund proceeds net \$12.4 M (non-recurring)
  - Tax refunds of \$10.3 M
  - \$8.5 M receipt of Hoosier Park contingent consideration (non-recurring)
- ✓ 2012 cash opportunities
  - EBITDA growth, lower interest expense

- Continued use of acquired NOLs and acquisition tax amortization
  - Additional insurance recoveries from Harlow's 2011 flood event
  - Additional KY TIF proceeds

**Cash flow growth in 2011 allows for many options including acquisitions, increased dividends and debt repayment in 2012**

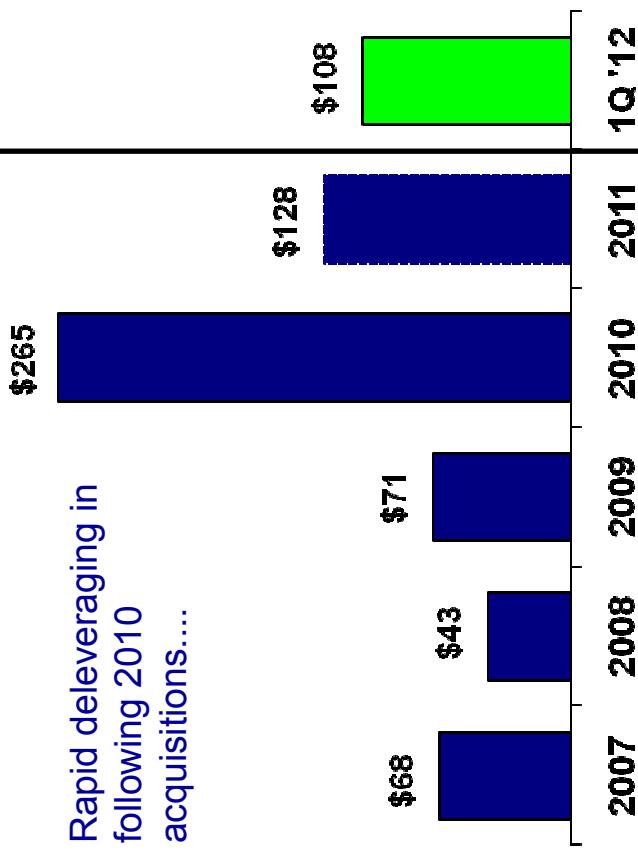


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## Financials - Attractive Balance Sheet

Dollars in Millions

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



Rapid deleveraging in  
following 2010  
acquisitions....

### Very Strong Balance Sheet...

- ✓ 1Q 2012 Long -term debt ("LTD") down \$20 million in the quarter and down \$157 million since 2010 year end
- ✓ LTD spiked in 2010 driven by Youbet.com (June '10) & Harlow's (Dec '10) acquisitions
- ✓ Credit facility provides capacity to \$375 M ... very low interest cost on current debt (currently <2.0%); matures Dec, 2013
- ✓ Leverage and coverage ratios among industry best
- ✓ 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

	Gaming Industry -a)	Churchill Downs, Inc.
Total Debt / EBITDA (LTM)	5.4 x	0.7 x
EBITDA / Interest (LTM)	3.7 x	21.5 x

(a – Gaming industry peer group averages comprised of PENN, BYD, ASCA, ISLE, PNK  
Source: Company filings and Factset (as of 3/31/12)  
(b – Excludes convertible note payable, related party (for years 2007-2010)

