

**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): October 30, 2019**

**Churchill Downs Incorporated**

(Exact name of registrant as specified in its charter)

<b>Kentucky</b> (State or other jurisdiction of incorporation)	<b>001-33998</b> (Commission File Number)	<b>61-0156015</b> (I.R.S. Employer Identification No.)
<b>600 North Hurstbourne Parkway, Suite 400</b> <b>Louisville , Kentucky</b> (Address of Principal Executive Offices)		<b>40222</b> (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.

**Item 2.02. Results of Operations and Financial Condition.**

A copy of the news release issued by Churchill Downs Incorporated (the "Company") on October 30, 2019 announcing the results of operations and financial condition for the quarter ended September 30, 2019 is attached hereto as Exhibit 99.1 and incorporated by reference herein.

The information provided pursuant to this Item 2.02, including Exhibit 99.1, is being furnished and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") or otherwise subject to the liabilities under that Section and shall not be deemed incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in any such filing.

**Item 9.01. Financial Statements and Exhibits.**

(d)	Exhibits
99.1	Press Release dated October 30, 2019 issued by Churchill Downs Incorporated
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

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**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.

October 30, 2019

**CHURCHILL DOWNS INCORPORATED**

/s/ Marcia A. Dall

By: Marcia A. Dall

Title: Executive Vice President and Chief Financial Officer

(Principal Financial and Accounting Officer)

# CHURCHILL DOWNS

I N C O R P O R A T E D

## FOR IMMEDIATE RELEASE

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## CHURCHILL DOWNS INCORPORATED REPORTS 2019 THIRD QUARTER RESULTS

**LOUISVILLE, Ky. (October 30, 2019)** - Churchill Downs Incorporated (Nasdaq: CHDN) ("CDI" or "the Company") today reported business results for the third quarter ended September 30, 2019.

### Third Quarter 2019 Highlights

- Net revenue of \$306.3 million, up 38% over the prior year quarter
- Net income of \$14.8 million compared to \$56.3 million in the prior year quarter
  - Adjusted net income of \$22.3 million, compared to \$21.9 million in the prior year quarter
- Adjusted EBITDA of \$88.0 million, up 42% over the prior year quarter

### CONSOLIDATED RESULTS

*(in millions, except per share data)*

	Third Quarter	
	2019	2018
Net revenue	\$ 306.3	\$ 221.3
Net income from continuing operations	\$ 15.2	\$ 58.0
Diluted earnings per share ("EPS") from continuing operations	\$ 0.37	\$ 1.42
Net income	\$ 14.8	\$ 56.3
Diluted EPS	\$ 0.36	\$ 1.38
Adjusted net income <sup>(a)</sup>	\$ 22.3	\$ 21.9
Adjusted diluted EPS <sup>(a)</sup>	\$ 0.55	\$ 0.53
Adjusted EBITDA <sup>(a)</sup>	\$ 88.0	\$ 62.1

*(a) This is a non-GAAP measure. See explanation and reconciliation of non-GAAP measures below.*

### THIRD QUARTER 2019 NET INCOME

The Company's third quarter 2019 net income of \$14.8 million was comprised of \$15.2 million in net income from continuing operations and \$0.4 million in net loss from discontinued operations. The prior year quarter net income of \$56.3 million was comprised of \$58.0 million in net income from continuing operations and \$1.7 million in net loss from discontinued operations.

The following items impacted the comparability of the Company's third quarter net income from continuing operations:

- \$42.3 million after-tax non-cash gain in the third quarter of 2018 on the acquisition of the remaining 50% equity interest in Ocean Downs Casino & Racetrack in exchange for the 25% equity interest in Saratoga New York and Saratoga Colorado properties;
- \$3.0 million after-tax increase in expenses due to legal reserves;
- \$2.2 million after-tax impact related to our equity portion of the non-cash change in fair value of Midwest Gaming Holdings LLC's ("Midwest Gaming") interest rate swaps;

- \$0.5 million non-cash tax expense related to the re-measurement of our net deferred tax liabilities from changes in state enacted rates;
- Partially offset by \$4.8 million after-tax decrease in expenses related to lower transaction, pre-opening, and other expenses.

Excluding these items, third quarter 2019 net income from continuing operations increased \$0.4 million primarily due to the following:

- \$7.7 million after-tax increase driven by the results of operations and equity in income from unconsolidated affiliates.
- Partially offset by \$5.1 million after-tax increase in interest expense associated with higher outstanding debt balances and \$2.2 million tax expense related to a higher effective tax rate compared to the prior year period due to an increase in income attributable to states with higher tax rates.

The Company's third quarter 2019 net loss from discontinued operations decreased by \$1.3 million compared to the prior year quarter related to lower legal expenses related to Big Fish Games. Big Fish Games is reported as discontinued operations for all periods presented.

## SEGMENT RESULTS

The summaries below present net revenue from external customers and intercompany revenue from each of our reportable segments:

### Churchill Downs

(in millions)

	Third Quarter	
	2019	2018
Net revenue	\$ 32.7	\$ 11.8
Adjusted EBITDA	5.2	(2.8)

For the third quarter of 2019, net revenue increased \$20.9 million from the third quarter of the prior year due to a \$20.2 million increase from Derby City Gaming due to continued growth and a full quarter of results compared to the prior year quarter with the September 2018 opening and a \$0.7 million increase at Churchill Downs Racetrack, primarily due to an increase in handle.

Adjusted EBITDA increased \$8.0 million from the third quarter of the prior year due to an \$8.9 million increase from Derby City Gaming due to the increase in net revenue, partially offset by a \$0.9 million decrease from Churchill Downs Racetrack primarily due to increased salaries and related benefits and increased property taxes.

### Online Wagering

(in millions)

	Third Quarter	
	2019	2018
Net revenue	\$ 70.4	\$ 72.1
Adjusted EBITDA	15.0	20.8

For the third quarter of 2019, Online Wagering revenue decreased \$1.7 million from the prior year primarily due to the exit of certain existing high volume / low margin customers in the Velocity group within TwinSpires net revenue. TwinSpires handle, which does not include handle from customers in the Velocity group, grew 7.9% during the third quarter of 2019 compared to the prior year and compared favorably to a 1.9% decrease in U.S. thoroughbred industry handle. Active players increased 2.6% for the quarter compared to the prior year while net revenue per active player declined 1.1%. Our Online Sports Betting and iGaming net revenues were negative \$0.1 million for the third quarter of 2019 as sign-up

bonus incentives in New Jersey outpaced gross revenue. Gross revenues were \$0.6 million, which were more than offset by \$0.7 million of sign-up bonus incentives during the third quarter of 2019.

Adjusted EBITDA decreased \$5.8 million from the third quarter of the prior year primarily due to \$5.0 million of costs associated with the launch of our online sports betting and iGaming operations and increased marketing spend in New Jersey, and a \$0.8 million decrease from TwinSpires due to the decrease in net revenue.

## Gaming

(in millions)

	Third Quarter	
	2019	2018
Net revenue	\$ 178.6	\$ 110.5
Adjusted EBITDA	71.7	44.7

For the third quarter of 2019, net revenue increased \$68.1 million from the prior year primarily driven by:

- \$38.3 million increase due to the acquisition of Presque Isle Downs & Casino ("Presque Isle");
- \$18.6 million increase due to the consolidation of Ocean Downs Casino and Racetrack ("Ocean Downs") as a result of the acquisition of the remaining 37.5% of Ocean Downs in August 2018;
- \$10.0 million increase due to the Company's assumption of management and acquisition of certain assets of Lady Luck Casino Nemacolin ("Lady Luck Nemacolin") in Farmington, Pennsylvania;
- \$2.0 million increase at our Mississippi properties primarily due to increased attendance driven by the August 2018 opening of our retail BetAmerica Sportsbooks;
- \$0.5 million increase at our Louisiana properties due to an additional off-track betting and video poker facility and successful marketing and promotional activities;
- \$0.4 million increase at Calder from successful marketing and promotional activities; and
- Partially offsetting these increases was a \$1.7 million decrease at Oxford due to table games performance and from promotional activity of a new market entrant in the Boston area.

Adjusted EBITDA increased \$27.0 million from the third quarter of the prior year primarily driven by:

- \$26.4 million increase from our equity investment in Midwest Gaming and the acquisition of Presque Isle and Lady Luck Nemacolin;
- \$0.9 million increase from our Mississippi properties primarily due to increased attendance driven by the August 2018 opening of our retail BetAmerica Sportsbooks;
- \$0.7 million increase from continued growth at Miami Valley Gaming ("MVG");
- \$0.7 million net increase from Ocean Downs due to the acquisition of the remaining 37.5% of Ocean Downs partially offset by the liquidation of our equity investments in Saratoga as a result of the Ocean Downs/Saratoga Transaction; and
- \$0.4 million increase from other sources.
- Partially offsetting these increases were a \$1.5 million decrease at Oxford due primarily to the decrease in net revenue and a \$0.6 million decrease at Calder associated with the May 2019 opening of the jai alai operation.

## All Other

All Other Adjusted EBITDA decreased \$3.3 million primarily from a \$2.3 million decrease from increased salaries and related benefits at the corporate level and a \$1.0 million decrease at Arlington primarily due to a decrease in net revenue due to a decrease in handle and lower attendance.

## **Capital Management**

The Company repurchased 202,449 shares of its common stock in conjunction with its \$300.0 million publicly announced share repurchase program at a total purchase price of \$25.0 million in the third quarter of 2019, based on trade date. We had approximately \$200.0 million repurchase authority remaining under this program as of September 30, 2019, based on trade date.

## **Annual Dividend**

In October 2019, the Company's Board of Directors approved an annual cash dividend on CDI's common stock of \$0.581 per outstanding share, a 7 percent increase over the prior year. The dividend is payable on January 3, 2020, to shareholders of record as of the close of business on December 6, 2019, with the aggregate cash dividend paid to each stockholder rounded to the nearest whole cent. This marks the ninth consecutive year that the Company has increased the dividend.

## **Conference Call**

A conference call regarding this news release is scheduled for Thursday, October 31, 2019, at 9 a.m. ET. Investors and other interested parties may listen to the teleconference by accessing the online, real-time webcast and broadcast of the call at <http://ir.churchilldownsincorporated.com/events.cfm>, or by dialing (877) 372-0878 and entering the pass code 3959348 at least 10 minutes before the appointed time. International callers should dial (253) 237-1169. An online replay will be available at approximately noon ET on Thursday, October 31, 2019, and will continue to be available for two weeks. A copy of the Company's news release announcing quarterly results and relevant financial and statistical information about the period will be accessible at [www.churchilldownsincorporated.com](http://www.churchilldownsincorporated.com).

## **Use of Non-GAAP Measures**

In addition to the results provided in accordance with GAAP, the Company also uses non-GAAP measures, including adjusted net income, adjusted diluted EPS, EBITDA (earnings before interest, taxes, depreciation and amortization) and Adjusted EBITDA.

The Company uses non-GAAP measures as a key performance measure of the results of operations for purposes of evaluating performance internally. These measures facilitate comparison of operating performance between periods and help investors to better understand the operating results of the Company by excluding certain items that may not be indicative of the Company's core business or operating results. The Company believes the use of these measures enables management and investors to evaluate and compare, from period to period, the Company's operating performance in a meaningful and consistent manner. The non-GAAP measures are a supplemental measure of our performance that is not required by, or presented in accordance with, GAAP, and should not be considered as an alternative to, or more meaningful than, net income or diluted EPS (as determined in accordance with GAAP) as a measure of our operating results.

We use Adjusted EBITDA to evaluate segment performance, develop strategy and allocate resources. We utilize the Adjusted EBITDA metric to provide a more accurate measure of our core operating results and enable management and investors to evaluate and compare from period to period our operating performance in a meaningful and consistent manner. Adjusted EBITDA should not be considered as an alternative to operating income as an indicator of performance, as an alternative to cash flows from operating activities as a measure of liquidity, or as an alternative to any other measure provided in accordance with GAAP. Our calculation of Adjusted EBITDA may be different from the calculation used by other companies and, therefore, comparability may be limited.

Adjusted net income and adjusted diluted EPS exclude discontinued operations net income or loss; changes in fair value for interest rate swaps related to Midwest Gaming; recapitalization costs related to

the Midwest Gaming transaction; transaction expense, which includes acquisition and disposition related charges, Calder Racing exit costs, as well as legal, accounting, and other deal-related expense; pre-opening expense; and certain other gains, charges, recoveries, and expenses.

Adjusted EBITDA includes the Company's portion of 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;
- Midwest Gaming's impact on our investments in unconsolidated affiliates from:
  - The impact of changes in fair value of interest rate swaps; and
  - Recapitalization and transaction costs;
- Asset impairments;
- Gain on Ocean Downs/Saratoga Transaction;
- Loss on extinguishment of debt;
- Legal reserves;
- Pre-opening expense; and
- Other charges, recoveries and expenses

For purposes of segment reporting, Adjusted EBITDA includes intercompany revenue and expense totals that are eliminated in the condensed consolidated statements of comprehensive income. Refer to the reconciliation of comprehensive income to Adjusted EBITDA included herewith for additional information.

## **About Churchill Downs Incorporated**

Churchill Downs Incorporated (Nasdaq: CHDN), headquartered in Louisville, Ky., is an industry-leading racing, online wagering and gaming entertainment company anchored by our iconic flagship event - *The Kentucky Derby*. We own and operate Derby City Gaming, a historical racing machine facility in Louisville. We also own and operate the largest online horseracing wagering platform in the U.S., TwinSpires.com, and are a leader in brick-and-mortar casino gaming with approximately 11,000 slot machines / video lottery terminals and 200 table games in eight states. We also operate sports wagering and iGaming through our BetAmerica platform in multiple states. Additional information about CDI can be found online at [www.churchilldownsincorporated.com](http://www.churchilldownsincorporated.com).

*Information set forth in this news release contains various "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Act"), which provides certain "safe harbor" provisions. All forward-looking statements made in this presentation are made pursuant to the Act. Forward-looking statements are typically identified by the use of terms such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "might," "plan," "predict," "project," "seek," "should," "will," and similar words, although some forward-looking statements are expressed differently.*

*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 that could cause actual results to differ materially from expectations include the following: the effect of economic conditions on our consumers' confidence and discretionary spending or our access to credit; additional or increased taxes and fees; public perceptions or lack of confidence in the integrity of our business; loss of key or highly skilled personnel; restrictions in our debt facilities limiting our flexibility to operate our business; general risks related to real estate ownership, including fluctuations in market values and environmental regulations; catastrophic events and system failures disrupting our operations; online security risk, including cyber-security breaches; inability to recover under our insurance policies for damages sustained at our properties in the event of inclement weather and casualty events; increases in insurance costs and inability to obtain similar insurance coverage in the future; inability to identify and complete acquisition, expansion or divestiture projects, on time, on budget or as planned; difficulty in integrating recent or future acquisitions into our operations; number of people attending and wagering on live horse races; inability to respond to rapid technological changes in a timely manner; inadvertent infringement of the intellectual property of others; inability to protect our own intellectual property rights; payment-related risks, such as risk associated with fraudulent credit card and debit card use;*



*compliance with the Foreign Corrupt Practices Act or applicable money-laundering regulations; work stoppages and labor issues; difficulty in attracting a sufficient number of horses and trainers for full field horseraces; inability to negotiate agreements with industry constituents, including horsemen and other racetracks; personal injury litigation related to injuries occurring at our racetracks; our inability to utilize and provide totalisator services; weather conditions affecting our ability to conduct live racing; increased competition in the horseracing business; changes in the regulatory environment of our racing operations; changes in regulatory environment of our online horseracing business; increase in competition in our online horseracing; uncertainty and changes in the legal landscape relating to our online wagering business; continued legalization of online sports betting and iGaming in the United States and our ability to predict and capitalize on any such legalization; inability to expand our sports betting operations and effectively compete; failure to comply with laws requiring us to block access to certain individuals could result in penalties or impairment with respect to our mobile and online wagering products; increased competition in our casino business; changes in regulatory environment of our casino business; costs, delays, and other uncertainties relating to the development and expansion of casinos; and concentration and evolution of slot machine manufacturing and other technology conditions that could impose additional costs.*

**CHURCHILL DOWNS INCORPORATED**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
<i>(in millions, except per common share data)</i>				
<b>Net revenue:</b>				
Churchill Downs	\$ 31.4	\$ 10.8	\$ 234.6	\$ 167.7
Online Wagering	70.2	71.8	228.9	228.7
Gaming	178.3	110.4	524.7	330.0
All Other	26.4	28.3	60.9	63.6
<b>Total net revenue</b>	<b>306.3</b>	<b>221.3</b>	<b>1,049.1</b>	<b>790.0</b>
<b>Operating expense:</b>				
Churchill Downs	30.8	19.5	127.8	87.4
Online Wagering	52.2	49.1	159.3	152.6
Gaming	137.3	81.2	395.5	238.9
All Other	22.9	23.7	59.9	62.0
Selling, general and administrative expense	34.4	21.9	89.4	63.4
Transaction expense, net	0.9	5.4	5.0	8.9
<b>Total operating expense</b>	<b>278.5</b>	<b>200.8</b>	<b>836.9</b>	<b>613.2</b>
<b>Operating income</b>	<b>27.8</b>	<b>20.5</b>	<b>212.2</b>	<b>176.8</b>
<b>Other income (expense):</b>				
Interest expense, net	(18.9)	(9.9)	(52.0)	(29.2)
Equity in income of unconsolidated affiliates	14.1	9.1	27.7	24.4
Gain on Ocean Downs transaction	—	54.9	—	54.9
Miscellaneous, net	0.2	0.1	0.6	0.5
<b>Total other expense</b>	<b>(4.6)</b>	<b>54.2</b>	<b>(23.7)</b>	<b>50.6</b>
Income from continuing operations before provision for income taxes	23.2	74.7	188.5	227.4
Income tax provision	(8.0)	(16.7)	(53.1)	(52.1)
Income from continuing operations, net of tax	15.2	58.0	135.4	175.3
(Loss) income from discontinued operations, net of tax	(0.4)	(1.7)	(1.9)	166.1
<b>Net income</b>	<b>\$ 14.8</b>	<b>\$ 56.3</b>	<b>\$ 133.5</b>	<b>\$ 341.4</b>
<b>Net income (loss) per common share data - basic:</b>				
Continuing operations	\$ 0.38	\$ 1.43	\$ 3.37	\$ 4.22
Discontinued operations	\$ (0.01)	\$ (0.04)	\$ (0.05)	\$ 4.00
Net income per common share data - basic	\$ 0.37	\$ 1.39	\$ 3.32	\$ 8.22
<b>Net income (loss) per common share data - diluted:</b>				
Continuing operations	\$ 0.37	\$ 1.42	\$ 3.33	\$ 4.19
Discontinued operations	\$ (0.01)	\$ (0.04)	\$ (0.05)	\$ 3.97
Net income per common share data - diluted	\$ 0.36	\$ 1.38	\$ 3.28	\$ 8.16
Weighted average shares outstanding:				
Basic	40.0	40.7	40.2	41.6
Diluted	40.7	41.0	40.7	41.8
<b>Other comprehensive income (loss):</b>				
Foreign currency translation, net of tax	\$ —	\$ —	\$ —	\$ 0.6
Change in pension benefits, net of tax	—	0.2	—	(0.2)
Other comprehensive income (loss)	—	0.2	—	0.4
<b>Comprehensive income</b>	<b>\$ 14.8</b>	<b>\$ 56.5</b>	<b>\$ 133.5</b>	<b>\$ 341.8</b>

**CHURCHILL DOWNS INCORPORATED**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(Unaudited)

<i>(in millions)</i>	<b>ASSETS</b>	<b>September 30, 2019</b>	<b>December 31, 2018</b>
Current assets:			
Cash and cash equivalents		\$ 189.8	\$ 133.3
Restricted cash		44.0	40.0
Accounts receivable, net		35.4	28.8
Income taxes receivable		1.4	17.0
Other current assets		31.3	22.4
Total current assets		<u>301.9</u>	<u>241.5</u>
Property and equipment, net		895.2	757.5
Investment in and advances to unconsolidated affiliates		625.0	108.1
Goodwill		363.8	338.0
Other intangible assets, net		355.8	264.0
Other assets		20.8	16.1
Total assets		<u>\$ 2,562.5</u>	<u>\$ 1,725.2</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Current liabilities:			
Accounts payable		\$ 75.8	\$ 47.0
Purses payable		26.3	15.8
Account wagering deposit liabilities		31.1	29.6
Accrued expense		124.5	89.8
Current deferred revenue		14.1	47.9
Current maturities of long-term debt		4.0	4.0
Dividends payable		—	22.5
Total current liabilities		<u>275.8</u>	<u>256.6</u>
Long-term debt, net of current maturities and loan origination fees		384.8	387.3
Notes payable, net of debt issuance costs		1,085.4	493.0
Non-current deferred revenue		17.4	21.1
Deferred income taxes		209.8	78.2
Other liabilities		38.9	15.7
Total liabilities		<u>2,012.1</u>	<u>1,251.9</u>
Commitments and contingencies			
Shareholders' equity:			
Preferred stock, no par value; 0.3 shares authorized; no shares issued or outstanding		—	—
Common stock, no par value; 150.0 shares authorized; 39.9 shares issued and outstanding at September 30, 2019 and 40.4 shares at December 31, 2018		—	—
Retained earnings		551.3	474.2
Accumulated other comprehensive loss		(0.9)	(0.9)
Total shareholders' equity		<u>550.4</u>	<u>473.3</u>
Total liabilities and shareholders' equity		<u>\$ 2,562.5</u>	<u>\$ 1,725.2</u>

**CHURCHILL DOWNS INCORPORATED**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW**  
(unaudited)

<i>(in millions)</i>	Nine Months Ended September 30,	
	2019	2018
<b>Cash flows from operating activities:</b>		
Net income	\$ 133.5	\$ 341.4
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	64.3	45.8
Distributions from unconsolidated affiliates	24.7	14.4
Equity in income of unconsolidated affiliates	(27.7)	(24.4)
Stock-based compensation	17.6	16.5
Deferred income taxes	22.0	24.7
Gain on sale of Big Fish Games	—	(219.5)
Gain on Ocean Downs/Saratoga transaction	—	(54.9)
Other	2.0	(1.8)
Changes in operating assets and liabilities, net of business acquisitions and dispositions:		
Income taxes	15.5	31.2
Deferred revenue	(36.0)	(43.6)
Other assets and liabilities	44.3	5.6
Net cash provided by operating activities	260.2	135.4
<b>Cash flows from investing activities:</b>		
Capital maintenance expenditures	(37.7)	(19.9)
Capital project expenditures	(53.3)	(105.6)
Acquisition of businesses, net of cash acquired	(172.1)	13.1
Investments in and advances to unconsolidated affiliates	(410.1)	—
Distributions of capital from unconsolidated affiliates	5.8	—
Acquisition of gaming licenses	(22.1)	—
Proceeds from sale of Big Fish Games	—	970.7
Other	(1.1)	(9.4)
Net cash (used in) provided by investing activities	(690.6)	848.9
<b>Cash flows from financing activities:</b>		
Proceeds from borrowings under long-term debt obligations	1,236.0	129.7
Repayments of borrowings under long-term debt obligations	(639.0)	(374.7)
Repayment of Ocean Downs debt	—	(54.7)
Payment of dividends	(22.2)	(23.5)
Repurchase of common stock	(66.8)	(501.8)
Taxes paid related to net share settlement of stock awards	(7.7)	(12.9)
Debt issuance costs	(8.9)	—
Big Fish Games earnout payment	—	(31.8)
Big Fish Games deferred payment	—	(26.4)
Other	(0.5)	(3.0)
Net cash provided by (used in) financing activities	490.9	(899.1)
<b>Net increase in cash, cash equivalents and restricted cash</b>	60.5	85.2
Effect of exchange rate changes on cash flows	—	(0.6)
Cash, cash equivalents and restricted cash, beginning of period	173.3	85.5
Cash, cash equivalents and restricted cash, end of period	\$ 233.8	\$ 170.1

**CHURCHILL DOWNS INCORPORATED**  
**SUPPLEMENTAL INFORMATION**  
(Unaudited)

<i>(in millions)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
GAAP net income	\$ 14.8	\$ 56.3	\$ 133.5	\$ 341.4
Adjustments, continuing operations:				
Changes in fair value of interest rate swaps related to Midwest Gaming	3.2	—	15.4	—
Recapitalization and transaction costs related to Midwest Gaming	—	—	4.7	—
Transaction expense, net	0.9	5.4	5.0	8.9
Legal reserves	3.3	—	3.6	—
Pre-opening expense and other expense	1.2	2.8	3.6	4.1
Gain on Ocean Downs transaction	—	(54.9)	—	(54.9)
Income tax impact on net income adjustments <sup>(a)</sup>	(2.0)	10.6	(7.9)	7.5
Re-measurement of net deferred tax liabilities	0.5	—	2.7	—
Total adjustments, continuing operations	7.1	(36.1)	27.1	(34.4)
Gain on Big Fish Transaction, net of tax <sup>(b)</sup>	—	—	—	(168.3)
Big Fish Games net loss <sup>(b)</sup>	0.4	1.7	1.9	2.2
Total adjustments	7.5	(34.4)	29.0	(200.5)
Adjusted net income	\$ 22.3	\$ 21.9	\$ 162.5	\$ 140.9
Adjusted diluted EPS	\$ 0.55	\$ 0.53	\$ 4.00	\$ 3.37
Weighted average shares outstanding - Diluted	40.7	41.0	40.7	41.8

(a) The income tax impact for each adjustment is derived by applying the effective tax rate, including current and deferred income tax expense, based upon the jurisdiction and the nature of the adjustment.

(b) Due to the Big Fish Transaction, Big Fish Games is presented as a discontinued operation.

<i>(in millions)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
<b>Total Handle</b>				
Churchill Downs Racetrack	\$ 53.4	\$ 45.4	\$ 576.4	\$ 523.3
TwinSpires <sup>(a)</sup>	368.7	341.8	1,141.9	1,097.9

(a) Total handle generated by Velocity is not included in total handle from TwinSpires.

**CHURCHILL DOWNS INCORPORATED**  
**SUPPLEMENTAL INFORMATION**  
(Unaudited)

<i>(in millions)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
<b>Net revenue from external customers:</b>				
<b>Churchill Downs:</b>				
Churchill Downs Racetrack	\$ 8.9	\$ 8.5	\$ 172.2	\$ 165.4
Derby City Gaming	22.5	2.3	62.4	2.3
Total Churchill Downs	31.4	10.8	234.6	167.7
<b>Online Wagering:</b>				
TwinSpires	70.3	71.8	228.8	228.7
Online Sports Betting and iGaming	(0.1)	—	0.1	—
Total Online Wagering	70.2	71.8	228.9	228.7
<b>Gaming:</b>				
Oxford	27.2	28.9	77.4	79.3
Calder	24.4	24.0	75.4	74.9
Riverwalk	13.6	12.8	44.1	40.8
Harlow's	13.3	12.1	41.9	37.9
Fair Grounds and VSI	25.0	24.5	93.4	88.4
Ocean Downs	26.7	8.1	67.0	8.1
Presque Isle	38.1	—	104.9	—
Lady Luck Nemaquin	10.0	—	20.6	—
Saratoga	—	—	—	0.6
Total Gaming	178.3	110.4	524.7	330.0
All Other	26.4	28.3	60.9	63.6
Net revenue from external customers	\$ 306.3	\$ 221.3	\$ 1,049.1	\$ 790.0
<b>Intercompany net revenue:</b>				
Churchill Downs	\$ 1.3	\$ 1.0	\$ 12.6	\$ 10.7
Online Wagering	0.2	0.3	0.9	1.1
Gaming	0.3	0.1	1.8	1.2
All Other	3.4	3.2	9.0	9.2
Eliminations	(5.2)	(4.6)	(24.3)	(22.2)
Intercompany net revenue	\$ —	\$ —	\$ —	\$ —

**CHURCHILL DOWNS INCORPORATED**  
**SUPPLEMENTAL INFORMATION**  
(Unaudited)

**Three Months Ended September 30, 2019**

(in millions)

**Net revenue from external customers**

Pari-mutuel:

	<b>Churchill Downs</b>	<b>Online Wagering</b>	<b>Gaming</b>	<b>Total Segments</b>	<b>All Other</b>	<b>Total</b>
Live and simulcast racing	\$ 5.4	\$ 67.1	\$ 6.2	\$ 78.7	\$ 15.0	\$ 93.7
Historical racing	21.3	—	—	21.3	—	21.3
Racing event-related services	1.6	—	0.8	2.4	3.1	5.5
Gaming <sup>(a)</sup>	—	—	153.2	153.2	—	153.2
Other <sup>(a)</sup>	3.1	3.1	18.1	24.3	8.3	32.6
<b>Total</b>	<b>\$ 31.4</b>	<b>\$ 70.2</b>	<b>\$ 178.3</b>	<b>\$ 279.9</b>	<b>\$ 26.4</b>	<b>\$ 306.3</b>

**Three Months Ended September 30, 2018**

(in millions)

**Net revenue from external customers**

Pari-mutuel:

	<b>Churchill Downs</b>	<b>Online Wagering</b>	<b>Gaming</b>	<b>Total Segments</b>	<b>All Other</b>	<b>Total</b>
Live and simulcast racing	\$ 4.8	\$ 68.8	\$ 4.3	\$ 77.9	\$ 16.6	\$ 94.5
Historical racing	2.2	—	—	2.2	—	2.2
Racing event-related services	2.0	—	0.8	2.8	3.5	6.3
Gaming <sup>(a)</sup>	—	—	92.8	92.8	—	92.8
Other <sup>(a)</sup>	1.8	3.0	12.5	17.3	8.2	25.5
<b>Total</b>	<b>\$ 10.8</b>	<b>\$ 71.8</b>	<b>\$ 110.4</b>	<b>\$ 193.0</b>	<b>\$ 28.3</b>	<b>\$ 221.3</b>

(a) Food and beverage, hotel, and other services furnished to customers for free as an inducement to gamble or through the redemption of our customers' loyalty points are recorded at their estimated standalone selling prices in Other revenue with a corresponding offset recorded as a reduction in Gaming revenue. These amounts were \$8.9 million for the three months ended September 30, 2019 and \$6.6 million for the three months ended September 30, 2018.

**CHURCHILL DOWNS INCORPORATED**  
**SUPPLEMENTAL INFORMATION**  
(Unaudited)

**Nine Months Ended September 30, 2019**

<i>(in millions)</i>	<b>Churchill Downs</b>	<b>Online Wagering</b>	<b>Gaming</b>	<b>Total Segments</b>	<b>All Other</b>	<b>Total</b>
<b>Net revenue from external customers</b>						
Pari-mutuel:						
Live and simulcast racing	\$ 48.1	\$ 218.7	\$ 23.9	\$ 290.7	\$ 34.7	\$ 325.4
Historical racing	58.7	—	—	58.7	—	58.7
Racing event-related services	115.0	—	3.1	118.1	5.3	123.4
Gaming <sup>(b)</sup>	—	0.1	442.4	442.5	—	442.5
Other <sup>(b)</sup>	12.8	10.1	55.3	78.2	20.9	99.1
<b>Total</b>	<b>\$ 234.6</b>	<b>\$ 228.9</b>	<b>\$ 524.7</b>	<b>\$ 988.2</b>	<b>\$ 60.9</b>	<b>\$ 1,049.1</b>

**Nine Months Ended September 30, 2018**

<i>(in millions)</i>	<b>Churchill Downs</b>	<b>Online Wagering</b>	<b>Gaming</b>	<b>Total Segments</b>	<b>All Other</b>	<b>Total</b>
<b>Net revenue from external customers</b>						
Pari-mutuel:						
Live and simulcast racing	\$ 45.6	\$ 219.5	\$ 19.3	\$ 284.4	\$ 38.1	\$ 322.5
Historical racing	2.2	—	—	2.2	—	2.2
Racing event-related services	111.6	—	2.9	114.5	5.7	120.2
Gaming <sup>(b)</sup>	—	—	267.8	267.8	—	267.8
Other <sup>(b)</sup>	8.3	9.2	40.0	57.5	19.8	77.3
<b>Total</b>	<b>\$ 167.7</b>	<b>\$ 228.7</b>	<b>\$ 330.0</b>	<b>\$ 726.4</b>	<b>\$ 63.6</b>	<b>\$ 790.0</b>

(b) Food and beverage, hotel, and other services furnished to customers for free as an inducement to gamble or through the redemption of our customers' loyalty points are recorded at their estimated standalone selling prices in Other revenue with a corresponding offset recorded as a reduction in Gaming revenue. These amounts were \$24.7 million for the nine months ended September 30, 2019 and \$19.5 million for the nine months ended September 30, 2018.



**CHURCHILL DOWNS INCORPORATED**  
**SUPPLEMENTAL INFORMATION**  
(Unaudited)

Adjusted EBITDA by segment is comprised of the following:

**Three Months Ended September 30, 2019**

<i>(in millions)</i>	<b>Churchill Downs</b>	<b>Online Wagering</b>	<b>Gaming</b>	<b>Total Segments</b>	<b>All Other</b>	<b>Eliminations</b>	<b>Total</b>
Net revenue	\$ 32.7	\$ 70.4	\$ 178.6	\$ 281.7	\$ 29.8	\$ (5.2)	\$ 306.3
Taxes & purses	(10.2)	(4.4)	(71.2)	(85.8)	(5.5)	—	(91.3)
Marketing & advertising	(1.1)	(3.6)	(5.5)	(10.2)	(0.5)	0.1	(10.6)
Salaries & benefits	(6.8)	(3.0)	(26.6)	(36.4)	(7.1)	—	(43.5)
Content expense	(0.5)	(36.5)	(1.6)	(38.6)	(1.7)	4.8	(35.5)
Selling, general & administrative expense	(2.1)	(1.8)	(7.9)	(11.8)	(12.9)	0.3	(24.4)
Other operating expense	(6.9)	(6.1)	(21.2)	(34.2)	(6.0)	—	(40.2)
Other income	0.1	—	27.1	27.2	—	—	27.2
Adjusted EBITDA	<u>\$ 5.2</u>	<u>\$ 15.0</u>	<u>\$ 71.7</u>	<u>\$ 91.9</u>	<u>\$ (3.9)</u>	<u>\$ —</u>	<u>\$ 88.0</u>

**Three Months Ended September 30, 2018**

<i>(in millions)</i>	<b>Churchill Downs</b>	<b>Online Wagering</b>	<b>Gaming</b>	<b>Total Segments</b>	<b>All Other</b>	<b>Eliminations</b>	<b>Total</b>
Net revenue	\$ 11.8	\$ 72.1	\$ 110.5	\$ 194.4	\$ 31.5	\$ (4.6)	\$ 221.3
Taxes & purses	(3.6)	(4.2)	(37.9)	(45.7)	(6.2)	—	(51.9)
Marketing & advertising	(0.6)	(0.6)	(3.6)	(4.8)	(0.6)	0.1	(5.3)
Salaries & benefits	(4.5)	(2.1)	(16.8)	(23.4)	(7.6)	—	(31.0)
Content expense	(0.5)	(37.3)	(0.9)	(38.7)	(2.0)	4.2	(36.5)
Selling, general & administrative expense	(0.8)	(1.4)	(4.5)	(6.7)	(10.0)	0.2	(16.5)
Other operating expense	(4.6)	(5.7)	(14.8)	(25.1)	(5.7)	0.1	(30.7)
Other income	—	—	12.7	12.7	—	—	12.7
Adjusted EBITDA	<u>\$ (2.8)</u>	<u>\$ 20.8</u>	<u>\$ 44.7</u>	<u>\$ 62.7</u>	<u>\$ (0.6)</u>	<u>\$ —</u>	<u>\$ 62.1</u>

**CHURCHILL DOWNS INCORPORATED**  
**SUPPLEMENTAL INFORMATION**  
(Unaudited)

**Nine Months Ended September 30, 2019**

<i>(in millions)</i>	<b>Churchill Downs</b>	<b>Online Wagering</b>	<b>Gaming</b>	<b>Total Segments</b>	<b>All Other</b>	<b>Eliminations</b>	<b>Total</b>
Net revenue	\$ 247.2	\$ 229.8	\$ 526.5	\$ 1,003.5	\$ 69.9	\$ (24.3)	\$ 1,049.1
Taxes & purses	(52.1)	(12.0)	(204.7)	(268.8)	(13.7)	—	(282.5)
Marketing & advertising	(5.8)	(9.1)	(15.7)	(30.6)	(1.1)	0.3	(31.4)
Salaries & benefits	(24.5)	(8.2)	(76.5)	(109.2)	(18.5)	—	(127.7)
Content expense	(1.8)	(120.4)	(4.5)	(126.7)	(6.2)	23.0	(109.9)
Selling, general & administrative expense	(5.8)	(5.5)	(21.2)	(32.5)	(33.5)	0.8	(65.2)
Other operating expense	(28.8)	(20.5)	(62.0)	(111.3)	(14.7)	0.2	(125.8)
Other income	0.1	—	70.7	70.8	0.2	—	71.0
Adjusted EBITDA	<u>\$ 128.5</u>	<u>\$ 54.1</u>	<u>\$ 212.6</u>	<u>\$ 395.2</u>	<u>\$ (17.6)</u>	<u>\$ —</u>	<u>\$ 377.6</u>

**Nine Months Ended September 30, 2018**

<i>(in millions)</i>	<b>Churchill Downs</b>	<b>Online Wagering</b>	<b>Gaming</b>	<b>Total Segments</b>	<b>All Other</b>	<b>Eliminations</b>	<b>Total</b>
Net revenue	\$ 178.4	\$ 229.8	\$ 331.2	\$ 739.4	\$ 72.8	\$ (22.2)	\$ 790.0
Taxes & purses	(31.6)	(12.2)	(111.4)	(155.2)	(15.3)	—	(170.5)
Marketing & advertising	(4.1)	(4.5)	(10.7)	(19.3)	(1.3)	0.3	(20.3)
Salaries & benefits	(17.3)	(6.6)	(49.3)	(73.2)	(20.2)	—	(93.4)
Content expense	(1.8)	(119.3)	(2.9)	(124.0)	(6.4)	20.3	(110.1)
Selling, general & administrative expense	(3.0)	(4.4)	(12.3)	(19.7)	(28.6)	0.9	(47.4)
Other operating expense	(21.6)	(19.7)	(44.2)	(85.5)	(14.7)	0.7	(99.5)
Other income	0.1	—	36.4	36.5	0.5	—	37.0
Adjusted EBITDA	<u>\$ 99.1</u>	<u>\$ 63.1</u>	<u>\$ 136.8</u>	<u>\$ 299.0</u>	<u>\$ (13.2)</u>	<u>\$ —</u>	<u>\$ 285.8</u>

**CHURCHILL DOWNS INCORPORATED**  
**SUPPLEMENTAL INFORMATION**  
(Unaudited)

<i>(in millions)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
<b>Reconciliation of Comprehensive Income to Adjusted EBITDA:</b>				
<b>Comprehensive income</b>	\$ 14.8	\$ 56.5	\$ 133.5	\$ 341.8
Foreign currency translation, net of tax	—	—	—	(0.6)
Change in pension benefits, net of tax	—	(0.2)	—	0.2
<b>Net income</b>	14.8	56.3	133.5	341.4
Loss (income) from discontinued operations, net of tax	0.4	1.7	1.9	(166.1)
Income from continuing operations, net of tax	15.2	58.0	135.4	175.3
Additions:				
Depreciation and amortization	22.0	16.7	64.3	45.8
Interest expense	18.9	9.9	52.0	29.2
Income tax provision	8.0	16.7	53.1	52.1
<b>EBITDA</b>	\$ 64.1	\$ 101.3	\$ 304.8	\$ 302.4
Adjustments to EBITDA:				
Selling, general and administrative:				
Stock-based compensation expense	\$ 5.5	\$ 3.9	\$ 17.6	\$ 13.1
Legal reserves	3.3	—	3.6	—
Pre-opening expense and other expense	1.2	2.8	3.6	4.1
Transaction expense, net	0.9	5.4	5.0	8.9
Gain on Ocean Downs/Saratoga transaction	—	(54.9)	—	(54.9)
Other income, expense:				
Interest, depreciation and amortization expense related to equity investments	9.7	3.6	22.9	12.2
Changes in fair value of Midwest Gaming's interest rate swaps	3.2	—	15.4	—
Midwest Gaming's recapitalization and transactions costs	—	—	4.7	—
Other	0.1	—	—	—
Total adjustments to EBITDA	23.9	(39.2)	72.8	(16.6)
<b>Adjusted EBITDA</b>	\$ 88.0	\$ 62.1	\$ 377.6	\$ 285.8
<b>Adjusted EBITDA by segment:</b>				
Churchill Downs	\$ 5.2	\$ (2.8)	\$ 128.5	\$ 99.1
Online Wagering	15.0	20.8	54.1	63.1
Gaming	71.7	44.7	212.6	136.8
Total segment Adjusted EBITDA	91.9	62.7	395.2	299.0
All Other	(3.9)	(0.6)	(17.6)	(13.2)
<b>Total Adjusted EBITDA</b>	\$ 88.0	\$ 62.1	\$ 377.6	\$ 285.8

**CHURCHILL DOWNS INCORPORATED**  
**SUPPLEMENTAL OPERATIONAL METRICS**  
(Unaudited)

<i>(in millions)</i>	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	Change	2019	2018	Change
<b>Gaming Segment</b>						
Revenue	\$ 178.6	\$ 110.5	\$ 68.1	\$ 526.5	\$ 331.2	\$ 195.3
Adjusted EBITDA	71.7	44.7	27.0	212.6	136.8	75.8
Margin	40.1 %	40.5 %	(0.4)%	40.4 %	41.3 %	(0.9)%
Wholly-owned casino margin <sup>(a)</sup>	27.5 %	33.4 %	(5.9)%	29.2 %	34.3 %	(5.1)%
Same store wholly-owned casino margin <sup>(b)</sup>	31.9 %	33.3 %	(1.4)%	34.2 %	34.3 %	(0.1)%

(a) Wholly-owned casino margin only includes the following casino related results:

- Calder
- Fair Grounds Slots and VSI
- Harlow's
- Lady Luck Nemaquin
- Ocean Downs
- Oxford
- Presque Isle
- Riverwalk

(b) Same store wholly-owned casino margin excludes Ocean Downs, Presque Isle and Lady Luck Nemaquin results for the three and nine months ended September 30, 2019.

**CHURCHILL DOWNS INCORPORATED**  
**UNCONSOLIDATED AFFILIATES' FINANCIAL RESULTS**  
**(Unaudited)**

Summarized below are the financial results for our unconsolidated affiliates:

<i>(in millions)</i>	<b>Summarized Income Statement</b>			
	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2019<sup>(a)</sup></b>	<b>2018<sup>(b)</sup></b>	<b>2019<sup>(a)</sup></b>	<b>2018<sup>(b)</sup></b>
Net revenue	\$ 160.8	\$ 105.2	\$ 416.6	\$ 322.1
Operating and SG&A expense	113.7	76.4	293.8	240.5
Depreciation and amortization	3.6	5.9	9.1	19.0
Total operating expense	117.3	82.3	302.9	259.5
<b>Operating income</b>	43.5	22.9	113.7	62.6
Interest and other, net	(17.6)	(1.0)	(59.9)	(5.6)
<b>Net income</b>	\$ 25.9	\$ 21.9	\$ 53.8	\$ 57.0

<i>(in millions)</i>	<b>Summarized Balance Sheet</b>	
	<b>September 30, 2019<sup>(a)</sup></b>	<b>December 31, 2018<sup>(c)</sup></b>
<b>Assets</b>		
Current assets	\$ 59.2	\$ 24.0
Property and equipment, net	244.0	95.7
Other assets, net	236.2	106.7
Total assets	\$ 539.4	\$ 226.4
<b>Liabilities and Members' Equity</b>		
Current liabilities	\$ 75.1	\$ 21.2
Long-term debt	740.5	—
Other liabilities	25.5	—
Members' (deficit) equity	(301.7)	205.2
Total liabilities and members' (deficit) equity	\$ 539.4	\$ 226.4

(a) Three and nine months ended September 30, 2019 summarized income statement information and September 30, 2019 summarized balance sheet information include the following equity investments: MVG, Midwest Gaming from the transaction date of March 5, 2019, and two other immaterial joint ventures.

(b) Three and nine months ended September 30, 2018 summarized income statement information include the following equity investments: MVG, two other immaterial joint ventures, Saratoga New York, Saratoga Colorado, and Ocean Downs up to the transaction date of August 31, 2018.

(c) December 31, 2018 summarized balance sheet information included MVG and two other immaterial joint ventures.