

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): July 26, 2017 (July 25, 2017)

**CHURCHILL DOWNS**  
I N C O R P O R A T E D  
(Exact name of registrant as specified in its charter)

**Kentucky**  
(State of incorporation)

**001-33998**  
(Commission file number)

**61-0156015**  
(IRS Employer Identification No.)

**600 North Hurstbourne Parkway, Suite 400, Louisville, Kentucky 40222**  
(Address of principal executive offices)  
(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))

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 July 26, 2017 announcing the results of operations and financial condition for the quarter ended June 30, 2017 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 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.**

On July 25, 2017, upon the recommendation of the Nominating and Governance Committee, the Board of Directors (the "Board") of Churchill Downs Incorporated (the "Company") appointed Douglas C. Grissom as a Class III Director of the Company, effective as of July 25, 2017, to fill a vacancy in Class III of the Board. Mr. Grissom's term will expire with the other Class III Directors at the 2020 Annual Meeting of the Shareholders of the Company.

At the time of filing this Current Report, Mr. Grissom has not been named to any committees of the Board. Mr. Grissom's compensation will be consistent with that of other non-employee directors as summarized in the Company's 2017 Proxy Statement under "Director Compensation for Fiscal Year Ended December 31, 2016."

A copy of the press release announcing the appointment of Mr. Grissom to the Board is attached hereto as Exhibit 99.2 and incorporated by reference herein.

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

(d)	Exhibits
99.1	Press Release dated July 26, 2017 issued by Churchill Downs Incorporated
99.2	Press Release dated July 26, 2017 issued by Churchill Downs Incorporated

**SIGNATURE**

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.

July 26, 2017

**CHURCHILL DOWNS INCORPORATED**

/s/ Marcia A. Dall

By: Marcia A. Dall

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

## EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
Exhibit 99.1	Press Release dated July 26, 2017 issued by Churchill Downs Incorporated
Exhibit 99.2	Press Release dated July 26, 2017 issued by Churchill Downs Incorporated

# CHURCHILL DOWNS

INCORPORATED

## FOR IMMEDIATE RELEASE

Contact: Lauren DePaso  
(502) 636-4506  
Lauren.DePaso@kyderby.com

## CHURCHILL DOWNS INCORPORATED REPORTS 2017 SECOND QUARTER RESULTS

**LOUISVILLE, Ky. (July 26, 2017)** - Churchill Downs Incorporated (NASDAQ: CHDN) (CDI or Company) today reported business results for the second quarter ended June 30, 2017.

### Second Quarter 2017 Highlights

- Record net revenue of \$451.9 million, 3% increase over the prior year
- Record net income of \$78.3 million, 12% increase over the prior year
- Record diluted net income per share of \$4.81, 17% higher than the prior year
- Record Adjusted EBITDA of \$173.0 million, 8% increase over the prior year

### CONSOLIDATED RESULTS

*(in millions, except per share data):*

	Second Quarter	
	2017	2016
Net revenue	\$ 451.9	\$ 438.5
Net income	78.3	69.8
Diluted net income per share	\$ 4.81	\$ 4.11
Adjusted EBITDA <sup>(a)</sup>	173.0	160.2

*(a) Adjusted EBITDA is a non-GAAP measure. See explanation of non-GAAP measures below.*

In the quarter, net revenue increased \$13.4 million primarily from a \$12.1 million increase from TwinSpires, a \$9.2 million increase in Racing and a \$3.9 million increase from Casinos. Partially offsetting these increases was a \$12.6 million decrease from Big Fish Games.

The \$8.5 million increase in net income and \$0.70 increase in diluted net income per share was primarily a result of a \$12.1 million increase in operating income from our segments and a \$2.9 million increase in income from our equity investments, partially offset by a \$5.8 million increase in taxes relating to higher operating income and \$0.7 million increase primarily due to higher interest expense associated with higher outstanding debt balances.

Adjusted EBITDA increased \$12.8 million primarily from a \$7.4 million increase in Racing primarily as result of a strong Kentucky Derby week performance and a \$4.2 million increase from Casinos due to equity investments and organic growth at certain properties.

### OPERATING SEGMENT RESULTS:

We use Adjusted EBITDA to evaluate segment performance, develop strategy and allocate resources. We utilize the Adjusted EBITDA metric because we believe the inclusion or exclusion of certain recurring items is necessary to provide a more accurate measure of our core operating results and enables 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 U.S.

Generally Accepted Accounting Principles (“U.S. GAAP”). Our calculation of Adjusted EBITDA may be different from the calculation used by other companies and, therefore, comparability may be limited.

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

<b>Racing</b>	<b>Second Quarter</b>	
	<b>2017</b>	<b>2016</b>
<i>(in millions):</i>		
Net revenue	\$ 175.7	\$ 164.7
Adjusted EBITDA	98.7	91.3

During the quarter, net revenue increased \$11.0 million from the prior year primarily driven by a \$9.0 million increase in net revenue at Churchill Downs primarily from a successful Kentucky Derby week and a \$1.5 million increase at Arlington driven by increased handle and admissions during their meet.

Adjusted EBITDA increased \$7.4 million from the prior year driven by a \$6.5 million increase at Churchill Downs primarily from a successful Kentucky Derby week and \$1.1 million increase at Arlington driven by increased handle and admissions during their meet, partially offset by a \$0.2 million decrease from other sources.

<b>Casinos</b>	<b>Second Quarter</b>	
	<b>2017</b>	<b>2016</b>
<i>(in millions):</i>		
Net revenue	\$ 88.3	\$ 84.4
Adjusted EBITDA	37.5	33.3

During the quarter, net revenue increased \$3.9 million from the prior year primarily driven by a \$2.0 million increase at Oxford, a \$1.3 million increase at Calder, and a \$0.6 million increase at Harlow's, all of which resulted from successful marketing and promotional activities.

Adjusted EBITDA grew \$4.2 million primarily driven by a:

- \$3.7 million increase from strong performance from the Company's equity investments, including our new equity investment in Ocean Downs in January 2017.
- \$0.9 million increase at Oxford driven by the increase in revenues.
- Partially offsetting these increases was a decrease of \$0.7 million primarily from a decrease at Fairgrounds and Riverwalk.

<b>TwinSpires</b>	<b>Second Quarter</b>	
	<b>2017</b>	<b>2016</b>
<i>(in millions):</i>		
Net revenue	\$ 80.8	\$ 68.7
Adjusted EBITDA	19.3	18.8

During the quarter, net revenue increased \$12.1 million primarily due to a 34.0% increase in active players. TwinSpires handle grew 19.6%, outpacing the U.S. thoroughbred industry performance by 18.4 percentage points.

Adjusted EBITDA increased \$0.5 million driven by a \$2.2 million favorable impact of the increased wagering, net of costs, associated with the increase in active players and handle. This increase was partially offset by a \$1.7 million 2016 Pennsylvania tax refund which did not recur.

## Big Fish Games

(in millions):

	Second Quarter		First Quarter		Second Quarter
	2017		2017		2016
Bookings					
Social casino	\$ 49.5	\$	46.4	\$	46.3
Casual and mid-core free-to-play	41.9		43.8		57.5
Premium	20.6		20.7		24.0
Total bookings <sup>(b)</sup>	\$ 112.0	\$	110.9	\$	127.8
			Second Quarter		
			2017		2016
Net revenue		\$	112.6	\$	125.2
Adjusted EBITDA			18.3		17.8

(b) Bookings is an operational metric that reflects the amount of virtual currency, virtual goods and premium games that consumers have purchased through third-party app stores or on the Big Fish Games website, as well as in-game advertising revenue and licensing agreement revenue.

On a sequential basis from first quarter 2017 to second quarter 2017, total bookings increased \$1.1 million, or 1.0%.

- Social casino bookings increased by \$3.1 million.
- Casual and mid-core free-to-play bookings declined \$1.9 million as expected based on the user acquisition expense reduction.
- Premium bookings declined \$0.1 million.

Compared to second quarter of 2016, total bookings declined \$15.8 million, or 12.4%.

- Social casino bookings increased by \$3.2 million.
- Casual and mid-core free-to-play bookings declined \$15.6 million as expected based on the significant user acquisition expense reduction.
- Premium bookings declined \$3.4 million primarily driven by customers continuing to shift from paid PC games to free-to-play mobile games.

Compared to second quarter of 2016, net revenue decreased \$12.6 million, driven primarily by a:

- \$12.1 million decrease in casual and mid-core free-to-play revenue.
- \$3.5 million decrease in premium revenue.
- Partially offsetting these decreases was a \$3.0 million increase in social casino.

Compared to second quarter of 2016, Adjusted EBITDA increased \$0.5 million, driven primarily by an:

- \$9.1 million decrease in user acquisition spending.
- \$4.0 million decrease in all other expenses.
- Partially offsetting these decreases was a \$12.6 million decline in revenues.

## Capital Management

CDI repurchased 1,077,029 shares of its common stock in conjunction with its stock repurchase program at a total cost of approximately \$171.7 million in the second quarter of 2017. CDI had approximately \$78.3 million of repurchase authority remaining under this program as of June 30, 2017. Included in our repurchases during the second quarter of 2017 was an agreement with an affiliate of The Duchossois Group to repurchase 1,000,000 shares of the Company's common stock for \$158.78 per share in a privately negotiated transaction.

## Conference Call

A conference call regarding this news release is scheduled for Thursday, July 27, 2017 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 53523063 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, July 27, 2017 and continue 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 U.S. GAAP, the Company also uses non-GAAP measures, including EBITDA (earnings before interest, taxes, depreciation and amortization) and Adjusted EBITDA as described in the Company's Annual Report on Form 10-K ("Adjusted EBITDA").

Adjusted EBITDA includes CDI's portion of the EBITDA from our equity investments.

Adjusted EBITDA excludes:

- Acquisition expense, net which includes:
  - Acquisition-related charges, including fair value adjustments related to earnouts and deferred payments; and,
  - Transaction expense, including legal, accounting, and other deal-related expense
- Stock-based compensation expense;
- Gain on Calder land sale;
- Calder exit costs; and
- Other charges and recoveries

For purposes of segment reporting, Adjusted EBITDA includes intercompany revenue and expense totals that are eliminated in the Consolidated Statements of Comprehensive Income. Refer to the reconciliation of Comprehensive Income to Adjusted EBITDA included herewith for additional information.

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

The Company updated its definition of Adjusted EBITDA to exclude changes in Big Fish Games deferred revenue during the fourth quarter of 2016. Additionally, during the first quarter of 2017, certain revenue previously included in our Corporate segment was deemed by management to be more closely aligned with our TwinSpires segment. The prior year amounts were reclassified to conform to this presentation.

## About Churchill Downs Incorporated

Churchill Downs Incorporated (CDI) (NASDAQ:CHDN), headquartered in Louisville, Ky., is an industry-leading racing, gaming and online entertainment company anchored by our iconic flagship event - *The Kentucky Derby*. We are a leader in brick-and-mortar casino gaming with approximately 10,090

gaming positions in eight states, and we are the largest legal online account wagering platform for horseracing in the U.S., through our ownership of TwinSpire.com. We are also one of the world's largest producers and distributors of mobile games through Big Fish Games, Inc. Additional information about CDI can be found online at [www.churchilldownsincorporated.com](http://www.churchilldownsincorporated.com).

*Information set forth in this press release contains various "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. The Private Securities Litigation Reform Act of 1995 (the "Act") provides certain "safe harbor" provisions for forward-looking statements. All forward-looking statements made in this press release are made pursuant to the Act.*

*The reader is cautioned that such forward-looking statements are based on information available at the time and/or management's good faith belief with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in the statements. Forward-looking statements speak only as of the date the statement was made. We assume no obligation to update forward-looking information to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information. 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 of integrity or other lack of confidence in 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, including the impact of natural and other disasters on our operations and our ability to obtain insurance recoveries in respect of such losses; 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; legalization of online real money gaming in the United States, and our ability to capitalize on and predict such legalization; inability to respond to rapid technological changes in a timely manner; adverse infringement of the intellectual property of others; inability to protect our own intellectual property rights; security breaches and other security risks related to our technology, personal information, source code and other proprietary information, including failure to comply with regulations and other legal obligations relating to receiving, processing, storing and using personal information; payment-related risks, such as chargebacks for fraudulent credit 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; the inability of our totalisator company, United Tote, to maintain its processes accurately, keep its technology current or maintain its significant customers; weather conditions affecting our ability to conduct live racing; increased competition in the horseracing business; changes in the regulatory environment of our racing operations; declining popularity in horseracing; seasonal fluctuations in our horseracing business due to geographic concentration of our operations; increased competition in our casino business; changes in regulatory environment of our casino business; development and expansion of casinos is costly and susceptible to delays, cost overruns and other uncertainties; concentration and evolution of slot machine manufacturing and other technology conditions that could impose additional costs; impact of further legislation prohibiting tobacco smoking; geographic concentration of our casino business; changes in regulatory environment for our advanced deposit wagering business; increase in competition in the advanced deposit wagering business; inability to retain current customers or attract new customers to our advanced deposit wagering business; uncertainty and changes in the legal landscape relating to our advanced deposit wagering business; failure to comply with laws requiring us to block access to certain individuals could result in penalties or impairment in our ability to offer advanced deposit wagering; operating in an evolving and highly competitive market related to our Big Fish Games; inability to maintain relationships with third party mobile platforms related to our Big Fish Games; failure to develop and publish mobile games that achieve market acceptance; inability to secure new or ongoing content from third party development partners on favorable terms; programming errors or flaws or other technical difficulties, diminishing our customers' experience; "cheating" programs, scam offers, black-markets and other actions by third parties that seek to exploit our games and players may affect our reputation and harm our operating results; slower than expected growth in use of smartphone and tablet devices to facilitate game platforms; and financial volatility quarter-to-quarter relating to our Big Fish Games.*



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

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<i>(in millions, except per common share data)</i>				
<b>Net revenue:</b>				
Racing	\$ 165.3	\$ 156.1	\$ 189.2	\$ 182.3
Casinos	88.3	84.4	175.8	170.9
TwinSpires	80.5	68.4	132.5	118.0
Big Fish Games	112.6	125.2	224.6	247.3
Other Investments	5.2	4.4	9.3	8.4
<b>Total net revenue</b>	<b>451.9</b>	<b>438.5</b>	<b>731.4</b>	<b>726.9</b>
<b>Operating expense:</b>				
Racing	76.5	72.3	112.9	107.9
Casinos	62.1	60.4	124.8	121.4
TwinSpires	51.4	41.4	87.8	76.0
Big Fish Games	89.4	105.6	176.3	215.0
Other Investments	4.9	4.1	8.8	8.0
Corporate	0.5	0.4	1.2	1.0
Selling, general and administrative expense	26.7	24.6	50.8	47.7
Research and development	9.9	9.7	20.2	20.5
Calder exit costs	0.2	1.5	0.6	1.9
Acquisition expenses, net	0.8	1.1	1.0	3.8
<b>Total operating expense</b>	<b>322.4</b>	<b>321.1</b>	<b>584.4</b>	<b>603.2</b>
<b>Operating income</b>	<b>129.5</b>	<b>117.4</b>	<b>147.0</b>	<b>123.7</b>
<b>Other income (expense):</b>				
Interest expense	(11.6)	(11.1)	(23.4)	(21.7)
Equity in income of unconsolidated investments	7.7	4.8	13.8	8.6
Miscellaneous, net	0.2	0.4	0.2	(0.1)
<b>Total other expense</b>	<b>(3.7)</b>	<b>(5.9)</b>	<b>(9.4)</b>	<b>(13.2)</b>
Income from operations before provision for income taxes	125.8	111.5	137.6	110.5
Income tax provision	(47.5)	(41.7)	(52.0)	(37.9)
<b>Net income</b>	<b>\$ 78.3</b>	<b>\$ 69.8</b>	<b>\$ 85.6</b>	<b>\$ 72.6</b>
<b>Net income per common share data:</b>				
Basic net income	\$ 4.86	\$ 4.16	\$ 5.27	\$ 4.32
Diluted net income	\$ 4.81	\$ 4.11	\$ 5.18	\$ 4.27
Weighted average shares outstanding:				
Basic	16.1	16.5	16.2	16.5
Diluted	16.3	17.0	16.5	17.0
<b>Other comprehensive loss:</b>				
Foreign currency translation, net of tax	(0.3)	0.2	(0.4)	0.2
Other comprehensive (loss) gain	(0.3)	0.2	(0.4)	0.2
<b>Comprehensive income</b>	<b>\$ 78.0</b>	<b>\$ 70.0</b>	<b>\$ 85.2</b>	<b>\$ 72.8</b>

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

<i>(in millions)</i>	<b>June 30, 2017</b>	<b>December 31, 2016</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 41.8	\$ 48.7
Restricted cash	31.6	34.3
Accounts receivable, net	70.6	81.4
Receivable from escrow	—	13.6
Income taxes receivable	—	7.6
Game software development, net	10.6	9.6
Other current assets	54.2	50.8
<b>Total current assets</b>	208.8	246.0
Property and equipment, net	602.8	574.4
Game software development, net	8.7	6.3
Investment in and advances to unconsolidated affiliates	168.0	139.1
Goodwill	847.2	832.2
Other intangible assets, net	434.2	445.7
Other assets	12.3	10.7
<b>Total assets</b>	\$ 2,282.0	\$ 2,254.4
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 87.3	\$ 53.2
Purses payable	23.2	12.5
Account wagering deposit liabilities	25.0	25.0
Accrued expense	93.9	100.1
Income taxes payable	42.3	—
Deferred revenue - Big Fish Games	79.6	81.3
Deferred revenue - all other	11.5	64.3
Big Fish Games deferred payment, current	28.1	27.8
Big Fish Games earnout liability, current	33.8	67.9
Current maturities of long-term debt	16.5	14.2
Dividends payable	—	21.8
<b>Total current liabilities</b>	441.2	468.1
Long-term debt, net of current maturities and loan origination fees	459.9	312.8
Notes payable, including premium and net of debt issuance costs	595.3	594.7
Deferred revenue - all other	20.7	24.4
Deferred income taxes	145.3	153.1
Other liabilities	18.3	16.3
<b>Total liabilities</b>	1,680.7	1,569.4
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, no par value; 0.3 shares authorized; no shares issued	—	—
Common stock, no par value; 50.0 shares authorized; 15.4 shares issued at June 30, 2017 and 16.5 shares issued at December 31, 2016	—	116.5
Retained earnings	602.8	569.7
Accumulated other comprehensive loss	(1.5)	(1.2)
<b>Total shareholders' equity</b>	601.3	685.0
<b>Total liabilities and shareholders' equity</b>	\$ 2,282.0	\$ 2,254.4

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

<i>(in millions)</i>	<b>Six Months Ended June 30,</b>	
	<b>2017</b>	<b>2016</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 85.6	\$ 72.6
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	49.3	53.9
Game software development amortization	8.7	7.5
Acquisition expenses, net	1.0	3.8
Distributed earnings from equity investments	8.7	8.2
Big Fish Games earnout payment	(2.5)	(19.7)
Earnings from equity investments, net	(13.8)	(8.6)
Stock-based compensation	11.7	9.4
Other	0.7	1.1
Increase (decrease) in cash resulting from changes in operating assets and liabilities, net of business acquisitions and dispositions:		
Other current assets and liabilities	25.1	20.2
Game software development	(11.3)	(10.1)
Income taxes payable	50.0	35.8
Deferred revenue	(34.9)	(4.2)
Other assets and liabilities	(7.2)	(3.1)
Net cash provided by operating activities	171.1	166.8
<b>Cash flows from investing activities:</b>		
Capital maintenance expenditures	(17.9)	(16.3)
Capital project expenditures	(46.1)	(18.2)
Receivable from escrow	13.6	—
Acquisition of businesses	(23.1)	—
Investment in unconsolidated affiliates	(24.0)	—
Other	0.2	(1.1)
Net cash used in investing activities	(97.3)	(35.6)
<b>Cash flows from financing activities:</b>		
Borrowings on bank line of credit	543.6	442.1
Repayments of bank line of credit	(394.2)	(298.8)
Big Fish Games earnout payment	(31.7)	(261.9)
Payment of dividends	(21.8)	(19.1)
Repurchase of common stock	(181.0)	(17.6)
Other	3.8	4.4
Net cash used in financing activities	(81.3)	(150.9)
<b>Net decrease in cash and cash equivalents</b>	(7.5)	(19.7)
Effect of exchange rate changes on cash flows	0.6	0.3
Cash and cash equivalents, beginning of period	48.7	74.5
Cash and cash equivalents, end of period	\$ 41.8	\$ 55.1

**CHURCHILL DOWNS INCORPORATED**  
**SUPPLEMENTAL INFORMATION BY OPERATING UNIT**  
(Unaudited)

<i>(in millions)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
<b>Net revenue from external customers:</b>				
Racing:				
Churchill Downs	\$ 136.7	\$ 129.1	\$ 139.0	\$ 131.4
Arlington	18.0	16.8	26.5	25.8
Fair Grounds	10.0	9.5	22.5	23.8
Calder	0.6	0.7	1.2	1.3
Total Racing	165.3	156.1	189.2	182.3
Casinos:				
Oxford Casino	23.1	21.1	44.0	41.0
Riverwalk Casino	12.0	12.4	23.5	25.1
Harlow's Casino	12.5	11.9	26.0	24.9
Calder Casino	21.8	20.5	43.2	40.8
Fair Grounds Slots	8.8	8.8	19.0	19.4
VSI	9.8	9.5	19.5	19.3
Saratoga	0.3	0.2	0.6	0.4
Total Casinos	88.3	84.4	175.8	170.9
TwinSpires	80.5	68.4	132.5	118.0
Big Fish Games:				
Social casino	49.5	46.5	95.7	94.0
Casual and mid-core free-to-play	43.9	56.0	89.2	106.4
Premium	19.2	22.7	39.7	46.9
Total Big Fish Games	112.6	125.2	224.6	247.3
Other Investments	5.2	4.4	9.3	8.4
Net revenue from external customers	\$ 451.9	\$ 438.5	\$ 731.4	\$ 726.9
<b>Intercompany net revenue:</b>				
Racing:				
Churchill Downs	\$ 8.4	\$ 7.0	\$ 8.7	\$ 7.3
Arlington	1.9	1.6	2.9	2.6
Fair Grounds	0.1	—	1.0	1.0
Total Racing	10.4	8.6	12.6	10.9
TwinSpires	0.3	0.3	0.6	0.6
Other Investments	1.3	1.4	2.7	2.3
Eliminations	(12.0)	(10.3)	(15.9)	(13.8)
Intercompany net revenue	\$ —	\$ —	\$ —	\$ —

**CHURCHILL DOWNS INCORPORATED**  
**SUPPLEMENTAL INFORMATION BY OPERATING UNIT**  
(Unaudited)

Adjusted EBITDA by segment is comprised of the following:

**Three Months Ended June 30, 2017**

<i>(in millions)</i>	<b>Racing</b>	<b>Casinos</b>	<b>TwinSpires</b>	<b>Big Fish Games</b>	<b>Other Investments</b>	<b>Corporate</b>	<b>Eliminations</b>	<b>Total</b>
Net revenue	\$ 175.7	\$ 88.3	\$ 80.8	\$ 112.6	\$ 6.5	\$ —	\$ (12.0)	\$ 451.9
Taxes & purses	(32.9)	(29.7)	(4.1)	—	—	—	—	(66.7)
Platform & development fees	—	—	—	(40.4)	—	—	—	(40.4)
Marketing & advertising	(2.2)	(3.0)	(4.6)	(28.0)	—	—	0.2	(37.6)
Salaries & benefits	(13.5)	(13.4)	(2.6)	(6.9)	(3.3)	—	—	(39.7)
Content expense	(4.7)	—	(40.2)	—	—	—	11.3	(33.6)
Selling, general & administrative expense	(4.2)	(5.6)	(3.0)	(5.1)	(0.7)	(1.8)	0.3	(20.1)
Research & development	—	—	—	(9.9)	—	—	—	(9.9)
Other operating expense	(20.0)	(9.8)	(7.0)	(3.6)	(1.2)	(0.3)	(0.1)	(42.0)
Other income (expense)	0.5	10.7	—	(0.4)	—	—	0.3	11.1
Adjusted EBITDA	<u>\$ 98.7</u>	<u>\$ 37.5</u>	<u>\$ 19.3</u>	<u>\$ 18.3</u>	<u>\$ 1.3</u>	<u>\$ (2.1)</u>	<u>\$ —</u>	<u>\$ 173.0</u>

**Three Months Ended June 30, 2016**

<i>(in millions)</i>	<b>Racing</b>	<b>Casinos</b>	<b>TwinSpires</b>	<b>Big Fish Games</b>	<b>Other Investments</b>	<b>Corporate</b>	<b>Eliminations</b>	<b>Total</b>
Net revenue	\$ 164.7	\$ 84.4	\$ 68.7	\$ 125.2	\$ 5.8	\$ —	\$ (10.3)	\$ 438.5
Taxes & purses	(30.3)	(28.1)	(2.0)	—	—	—	—	(60.4)
Platform & development fees	—	—	—	(45.9)	—	—	—	(45.9)
Marketing & advertising	(1.9)	(3.1)	(3.2)	(37.1)	—	—	0.1	(45.2)
Salaries & benefits	(12.7)	(12.7)	(2.3)	(6.1)	(2.8)	—	—	(36.6)
Content expense	(4.8)	—	(33.5)	—	—	—	9.7	(28.6)
Selling, general & administrative expense	(4.0)	(5.3)	(2.8)	(4.3)	(0.9)	(2.2)	0.4	(19.1)
Research & development	—	—	—	(9.7)	—	—	—	(9.7)
Other operating expense	(19.9)	(9.7)	(6.1)	(4.0)	(1.0)	—	0.1	(40.6)
Other income (expense)	0.2	7.8	—	(0.3)	0.2	(0.1)	—	7.8
Adjusted EBITDA	<u>\$ 91.3</u>	<u>\$ 33.3</u>	<u>\$ 18.8</u>	<u>\$ 17.8</u>	<u>\$ 1.3</u>	<u>\$ (2.3)</u>	<u>\$ —</u>	<u>\$ 160.2</u>

**Six Months Ended June 30, 2017**

<i>(in millions)</i>	<b>Racing</b>	<b>Casinos</b>	<b>TwinSpires</b>	<b>Big Fish Games</b>	<b>Other Investments</b>	<b>Corporate</b>	<b>Eliminations</b>	<b>Total</b>
Net revenue	\$ 201.8	\$ 175.8	\$ 133.1	\$ 224.6	\$ 12.0	\$ —	\$ (15.9)	\$ 731.4
Taxes & purses	(43.1)	(58.8)	(7.1)	—	—	—	—	(109.0)
Platform & development fees	—	—	—	(81.9)	—	—	—	(81.9)
Marketing & advertising	(2.9)	(6.0)	(5.6)	(52.5)	—	—	0.3	(66.7)
Salaries & benefits	(22.1)	(26.5)	(4.8)	(13.9)	(6.2)	—	—	(73.5)
Content expense	(7.9)	—	(65.6)	—	—	—	14.1	(59.4)
Selling, general & administrative expense	(8.0)	(10.8)	(5.7)	(9.8)	(1.5)	(4.0)	0.6	(39.2)
Research & development	—	—	—	(20.2)	—	—	—	(20.2)
Other operating expense	(29.3)	(21.2)	(11.8)	(7.3)	(2.5)	(0.5)	0.6	(72.0)
Other income (expense)	0.5	20.3	—	(0.4)	0.1	—	0.3	20.8
Total segment Adjusted EBITDA	\$ 89.0	\$ 72.8	\$ 32.5	\$ 38.6	\$ 1.9	\$ (4.5)	\$ —	\$ 230.3

**Six Months Ended June 30, 2016**

<i>(in millions)</i>	<b>Racing</b>	<b>Casinos</b>	<b>TwinSpires</b>	<b>Big Fish Games</b>	<b>Other Investments</b>	<b>Corporate</b>	<b>Eliminations</b>	<b>Total</b>
Net revenue	\$ 193.2	\$ 170.9	\$ 118.6	\$ 247.3	\$ 10.7	\$ —	\$ (13.8)	\$ 726.9
Taxes & purses	(41.5)	(56.5)	(4.8)	—	—	—	—	(102.8)
Platform & development fees	—	—	—	(90.0)	—	—	—	(90.0)
Marketing & advertising	(2.7)	(6.5)	(4.2)	(79.9)	—	—	0.3	(93.0)
Salaries & benefits	(21.1)	(24.8)	(4.6)	(12.2)	(5.5)	—	—	(68.2)
Content expense	(8.1)	—	(57.4)	—	—	—	12.7	(52.8)
Selling, general & administrative expense	(7.9)	(10.4)	(5.6)	(9.2)	(1.6)	(4.0)	0.7	(38.0)
Research & development	—	—	—	(20.5)	—	—	—	(20.5)
Other operating expense	(28.3)	(19.4)	(11.1)	(7.9)	(1.7)	(0.3)	0.1	(68.6)
Other income (expense)	0.3	14.3	—	(0.9)	0.2	—	—	13.9
Total segment Adjusted EBITDA	\$ 83.9	\$ 67.6	\$ 30.9	\$ 26.7	\$ 2.1	\$ (4.3)	\$ —	\$ 206.9

**CHURCHILL DOWNS INCORPORATED**  
**SUPPLEMENTAL INFORMATION BY OPERATING UNIT**  
(Unaudited)

<i>(in millions)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
<b>Reconciliation of Comprehensive Income to Adjusted EBITDA:</b>				
<b>Comprehensive income</b>	\$ 78.0	\$ 70.0	\$ 85.2	\$ 72.8
Foreign currency translation, net of tax	0.3	(0.2)	0.4	(0.2)
<b>Net income</b>	78.3	69.8	85.6	72.6
Additions:				
Depreciation and amortization	24.8	26.9	49.3	53.9
Interest expense	11.6	11.1	23.4	21.7
Income tax provision	47.5	41.7	52.0	37.9
<b>EBITDA</b>	\$ 162.2	\$ 149.5	\$ 210.3	\$ 186.1
Adjustments to EBITDA:				
Selling, general and administrative:				
Stock-based compensation expense	\$ 6.7	\$ 5.3	\$ 11.7	\$ 9.4
Other charges	—	0.3	0.1	0.3
Other income, expense:				
Interest, depreciation and amortization expense related to equity investments	3.1	2.5	6.6	5.0
Other charges and recoveries, net	—	—	—	0.4
Acquisition expense, net	0.8	1.1	1.0	3.8
Calder exit costs	0.2	1.5	0.6	1.9
<b>Total adjustments to EBITDA</b>	10.8	10.7	20.0	20.8
<b>Adjusted EBITDA</b>	\$ 173.0	\$ 160.2	\$ 230.3	\$ 206.9
Adjusted EBITDA by segment:				
Racing	\$ 98.7	\$ 91.3	\$ 89.0	\$ 83.9
Casinos	37.5	33.3	72.8	67.6
TwinSpires	19.3	18.8	32.5	30.9
Big Fish Games	18.3	17.8	38.6	26.7
Other Investments	1.3	1.3	1.9	2.1
Corporate	(2.1)	(2.3)	(4.5)	(4.3)
<b>Adjusted EBITDA</b>	\$ 173.0	\$ 160.2	\$ 230.3	\$ 206.9

**CHURCHILL DOWNS INCORPORATED**  
**SUPPLEMENTAL INFORMATION BY OPERATING UNIT**  
(Unaudited)

<i>(in millions)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
<b>Corporate allocated expense:</b>				
Racing	\$ (1.4)	\$ (1.5)	\$ (2.8)	\$ (2.8)
Casinos	(1.8)	(1.7)	(3.5)	(3.2)
TwinSpires	(1.3)	(1.4)	(2.5)	(2.6)
Big Fish Games	(0.7)	(0.6)	(1.4)	(1.3)
Other Investments	(0.4)	(0.4)	(0.7)	(0.7)
Corporate allocated expense	5.6	5.6	10.9	10.6
Total Corporate allocated expense	\$ —	\$ —	\$ —	\$ —



**CHURCHILL DOWNS INCORPORATED**  
**JOINT VENTURE FINANCIAL STATEMENTS**  
(Unaudited)

Summarized financial information for Miami Valley Gaming, LLC is comprised of the following:

<i>(in millions)</i>	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Casino revenue	\$ 40.2	\$ 36.6	\$ 79.5	\$ 72.6
Non-casino revenue	1.8	2.0	3.9	4.0
<b>Net revenue</b>	<b>42.0</b>	<b>38.6</b>	<b>83.4</b>	<b>76.6</b>
Operating and SG&A expense	29.0	26.5	57.6	53.3
Depreciation & amortization	3.2	3.3	6.3	6.5
<b>Operating income</b>	<b>9.8</b>	<b>8.8</b>	<b>19.5</b>	<b>16.8</b>
Interest and other expense, net	(0.6)	(0.9)	(1.3)	(1.8)
<b>Net income</b>	<b>\$ 9.2</b>	<b>\$ 7.9</b>	<b>\$ 18.2</b>	<b>\$ 15.0</b>

<i>(in millions)</i>	<b>June 30, 2017</b>	<b>December 31, 2016</b>
<b>Assets</b>		
Current assets	\$ 18.1	\$ 18.7
Property and equipment, net	105.4	109.8
Other assets, net	105.0	105.0
<b>Total assets</b>	<b>\$ 228.5</b>	<b>\$ 233.5</b>

**Liabilities and Members' Equity**

Current liabilities	\$ 8.6	\$ 12.5
Current portion of long-term debt	8.3	8.3
Long-term debt, excluding current portion	10.6	14.0
Other liabilities	0.1	0.1
Members' equity	200.9	198.6
<b>Total liabilities and members' equity</b>	<b>\$ 228.5</b>	<b>\$ 233.5</b>

# CHURCHILL Downs

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

## FOR IMMEDIATE RELEASE

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## CHURCHILL DOWNS INCORPORATED APPOINTS DOUGLAS C. GRISSOM AS NEW BOARD MEMBER

**LOUISVILLE, Ky. (July 26, 2017)** - Churchill Downs Incorporated (NASDAQ: CHDN) (CDI or the Company) announced today that Douglas C. Grissom, a Managing Director for Madison Dearborn Partners, LLC, was appointed as a Class III director to the Company's board of directors, filling the current vacancy in that class of directors.

Grissom will serve on the board for the remainder of the full term of the Class III directors, which expires in 2020. Prior to Madison Dearborn Partners, LLC, Mr. Grissom was with Bain Capital, McKinsey & Company and Goldman Sachs.

Grissom graduated with a B.A. from Amherst College and an M.B.A. from Harvard Business School.

### About Churchill Downs Incorporated

Churchill Downs Incorporated (CDI) (NASDAQ:CHDN), headquartered in Louisville, Ky., is an industry-leading racing, gaming and online entertainment company anchored by our iconic flagship event - *The Kentucky Derby*. We are a leader in brick-and-mortar casino gaming with approximately 10,090 gaming positions in eight states, and we are the largest legal online account wagering platform for horseracing in the U.S., through our ownership of TwinSpires.com. We are also one of the world's largest producers and distributors of mobile games through Big Fish Games, Inc. Additional information about CDI can be found online at [www.churchilldownsincorporated.com](http://www.churchilldownsincorporated.com).

*Information set forth in this press release contains various "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. The Private Securities Litigation Reform Act of 1995 (the "Act") provides certain "safe harbor" provisions for forward-looking statements. All forward-looking statements made in this press release are made pursuant to the Act.*

*The reader is cautioned that such forward-looking statements are based on information available at the time and/or management's good faith belief with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in the statements. Forward-looking statements speak only as of the date the statement was made. We assume no obligation to update forward-looking information to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information. 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 of integrity or other lack of confidence in 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, including the impact of natural and other disasters on our operations and our ability to obtain insurance recoveries in respect of such losses; 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; legalization of online real money gaming in the United States, and our ability to capitalize on and predict such legalization; inability to respond to rapid technological changes in a timely manner; adverse infringement of the intellectual property of others; inability to protect our own intellectual property rights; security breaches and other security risks related to our technology, personal information, source code and other proprietary information, including failure to comply with regulations and other legal obligations relating to receiving, processing, storing and using personal information; payment-related risks, such as chargebacks for fraudulent credit 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; the inability of our totalisator company, United Tote, to maintain its processes accurately, keep its technology current or maintain its significant customers; weather conditions affecting our ability to conduct live racing; increased competition in the horseracing business; changes in the regulatory environment of our racing operations; declining popularity in horseracing; seasonal fluctuations in our horseracing business due to geographic concentration of our operations; increased competition in our casino business; changes in regulatory environment of our casino business; development and expansion of casinos is costly and susceptible to delays, cost overruns and other uncertainties; concentration and evolution of slot machine manufacturing and other technology conditions that could impose additional costs; impact of further legislation prohibiting tobacco smoking; geographic concentration of our casino business; changes in regulatory environment for our advanced deposit wagering business; increase in competition in the advanced deposit wagering business; inability to retain current customers or attract new customers to our advanced deposit wagering business; uncertainty and changes in the legal landscape relating to our advanced deposit wagering business; failure to comply with laws requiring us to block access to certain individuals could result in penalties or impairment in our ability to offer advanced deposit wagering; operating in an evolving and highly competitive market related to our Big Fish Games; inability to maintain relationships with third party mobile platforms related to our Big Fish Games; failure to develop and publish mobile games that achieve market acceptance; inability to secure new or ongoing content from third party development partners on favorable terms; programming errors or flaws or other technical difficulties, diminishing our customers' experience; "cheating" programs, scam offers, black-markets and other actions by third parties that seek to exploit our games and players may affect our reputation and harm our operating results; slower than expected growth in use of smartphone and tablet devices to facilitate game platforms; and financial volatility quarter-to-quarter relating to our Big Fish Games.*

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