



CHURCHILL DOWNS  
INCORPORATED

## **Investor Road Show**

**New York, NY**

April 26-27, 2012

*Bill Mudd, EVP & CFO*

*Mike Anderson, VP & Treasurer*

# Forward Looking Statements

*In addition to historical facts or statements of current conditions, this document contains forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements that include projections, expectations or beliefs about future events or results, or otherwise are not statements of historical fact. The actual performance of the Company may differ materially from what is projected in such forward-looking statements.*

*Investors should refer to statements included in reports filed by the Company with the Securities and Exchange Commission for discussion of additional information concerning factors that could cause our actual results of operation to differ materially from the forward-looking statements made in this presentation.*

*The information being provided today is as of this date only, and Churchill Downs Incorporated expressly disclaims any obligation to release publicly any updates or revisions to these forward-looking statements to reflect any changes in expectations.*

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

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

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

## Who is Churchill Downs Incorporated?



**We are a 138 year old, publicly traded company (ticker: CHDN) and host of the Kentucky Oaks and Kentucky Derby**

# Diversified Racing, Gaming, Online & Entertainment Company



- 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



- 86 Live Days, \$548MM Handle
- 11 OTB's



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- 50/50 JV w/ Delaware North to purchase Lebanon Raceway
- \$225 MM VLT gaming facility project



- Provides pari-mutuel wagering IT infrastructure
- Processed ~\$3B Wagers in 2011
- Fastbet Mobile wagering launch



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



- 1,196 Slot Machines, 29 Poker tables
- 141 Live Days, \$535MM Handle



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



- 626 Slot Machines, opened 2008
- 11 OTB's, 700+ Video Poker units
- 84 Live Days, \$341 MM Handle



- The #1 source for Thoroughbred information



- Multimedia poker content company
- Industry-leader poker periodical





# 2011 Kentucky Derby and Oaks by the Numbers



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



## 2012 Kentucky Derby and Oaks – positioned for growth



- ✓ YUM! Brands sponsorship agreement Year 2 of 5
- ✓ NBC Sports agreement Year 2 of 5
- ✓ Opening Night – year 2 under the lights
- ✓ 4 new partnerships announced for 2012
  - ✓ Stella Artois
  - ✓ Moët & Chandon Champagne
  - ✓ BLUE04
  - ✓ SandRidge Energy

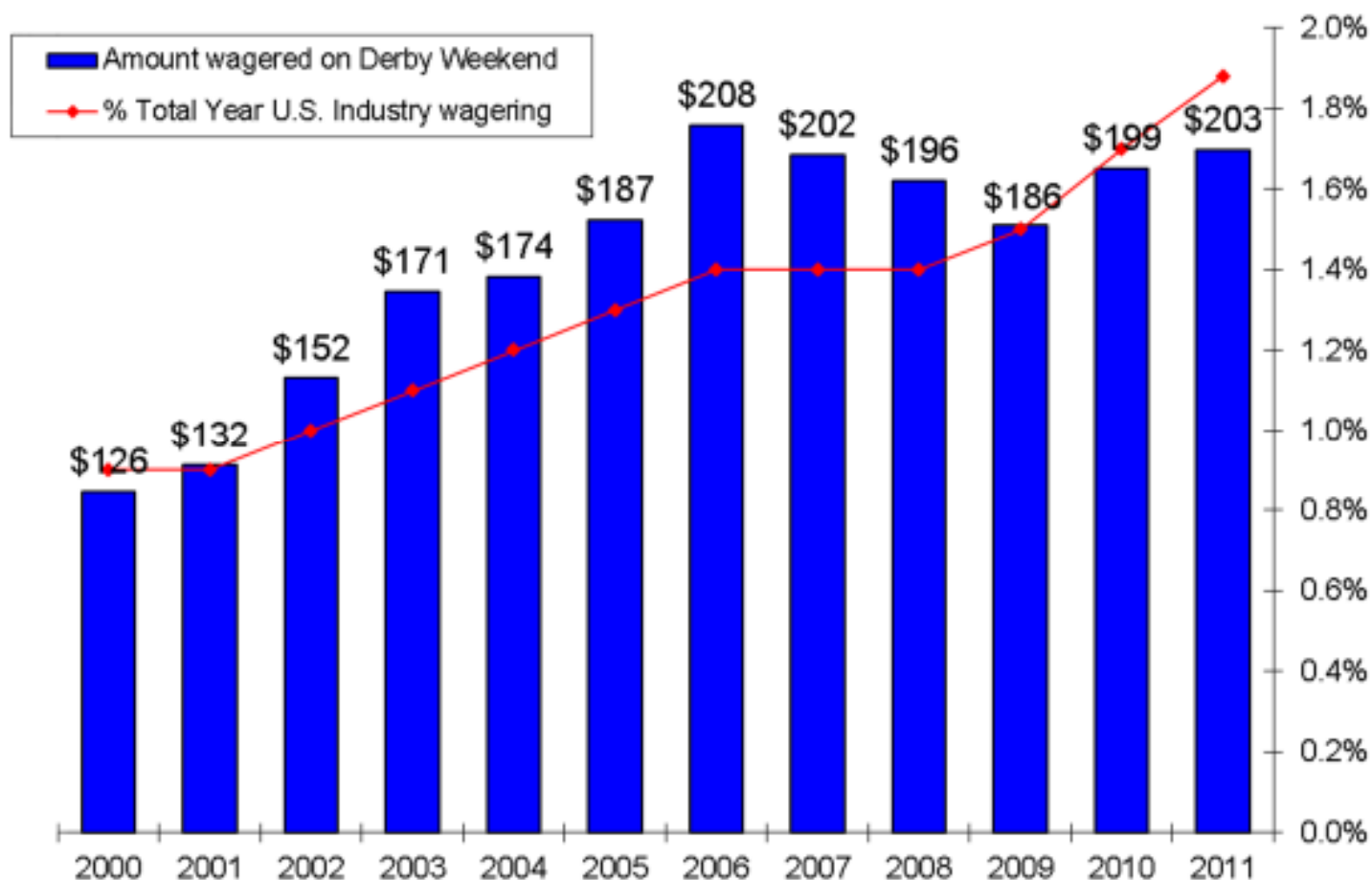




## Kentucky Derby & Oaks Wagering

Dollars in Millions

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



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

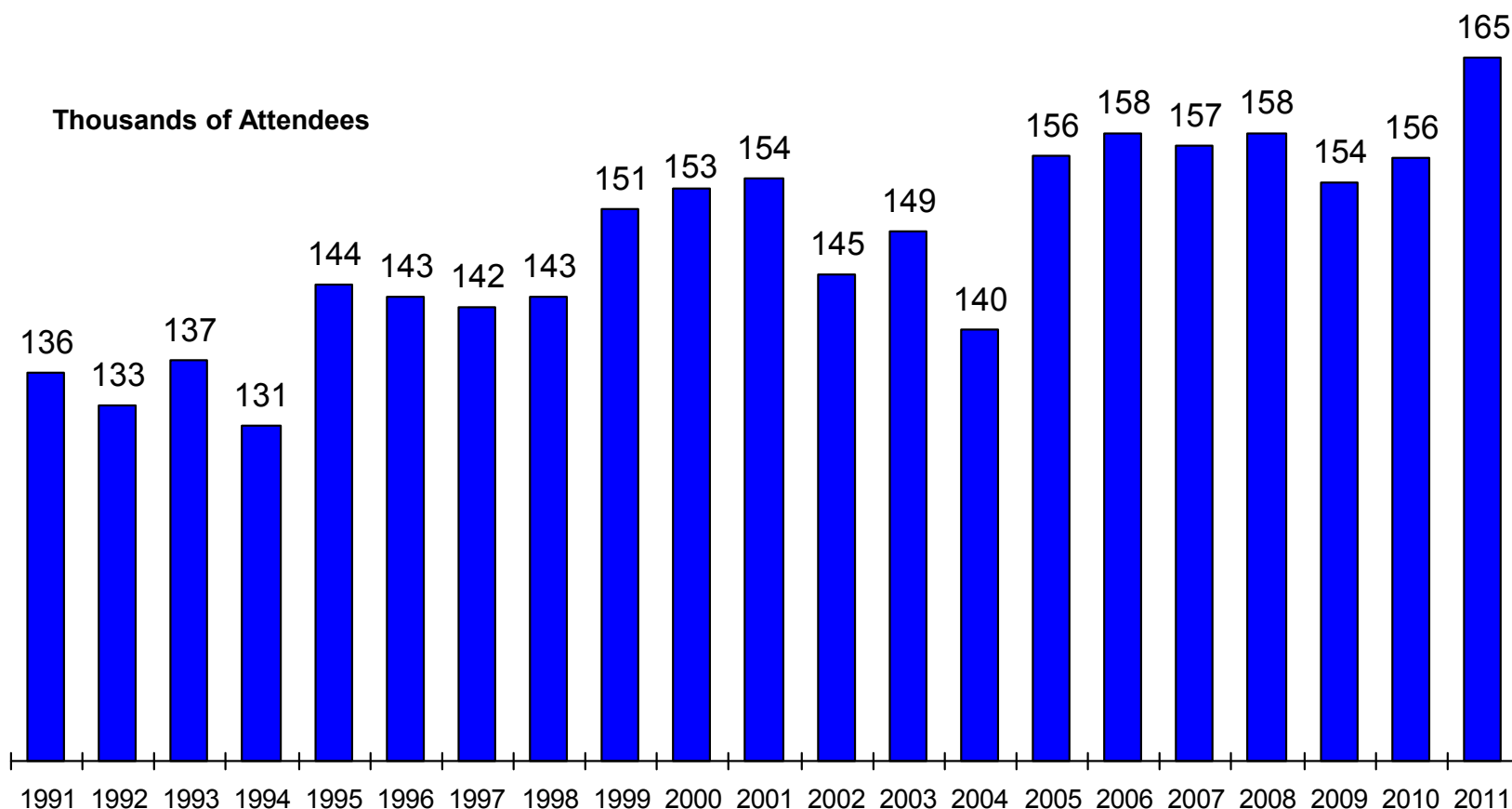




## Kentucky Derby Attendance

Attendance at all-time record level in 2011 despite economic realities

- Variability primarily driven by general admission which, in turn, is driven by weather



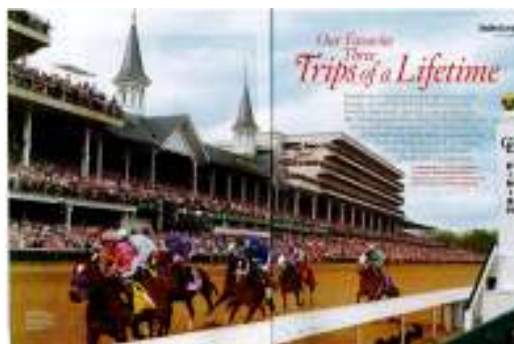


## Kentucky Derby Media Coverage—more than just a sporting event



135TH KENTUCKY DERBY  
CURRENT ODDS

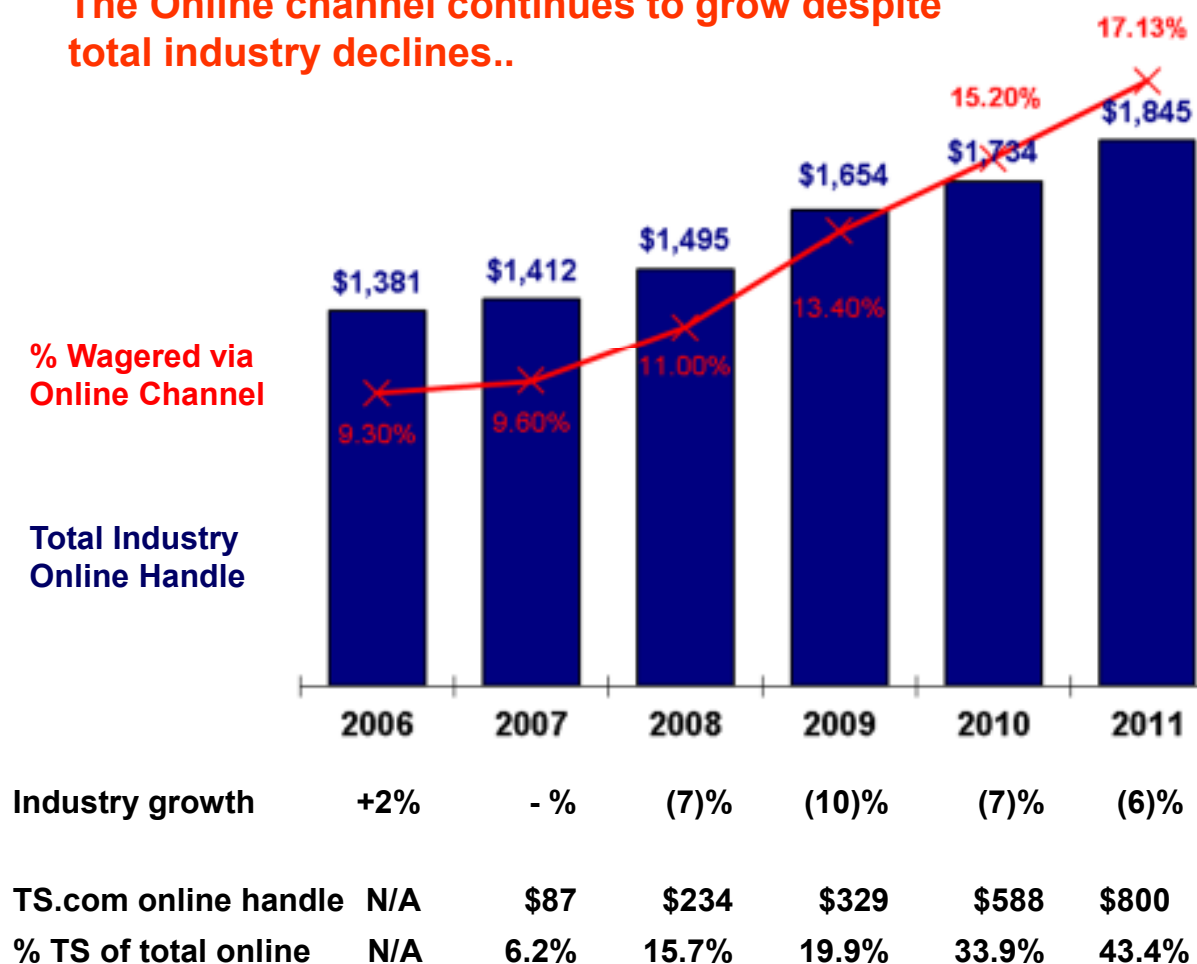
1. LOOKIN AT LUCKY	9-1
2. ICE BOX	10-1
3. NOBLE'S PROPOSAL	24-1
4. SUPER SAVING	8-1
5. LINE OF DAVID	18-1
6. STATUE VICTOR	18-1
7. AMERICAN LION	21-1
8. DEAN'S KITTEN	22-1
9. MAKE ME A MAN	27-1
10. PACIFY O' PRADO	11-1



# Online / ADW channel should continue to grow

Dollars in Millions

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



Five year Industry Online CAGR of 7% despite a negative 7.5% total industry CAGR

- Only 17.1% of total wagers are via the Online channel
- ~11.4 % of total wagers are On Track
- Room to grow...consider other industries:
  - USA travel booked online 39%
  - Digitally distributed music 31%
  - Digital home video 25%

CDI / TwinSpires is well positioned

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

Source: U.S Industry from Equibase.com; Online handle from Oregon Racing Commission and SEC filings



- Travel industry figures per PhoCusWright's U.S. Online Travel Overview Eleventh Edition, Nov 2011
- Digital music distribution 2010 per PwC 12<sup>th</sup> annual edition of Global entertainment and media outlook, June 2011
- Home video penetration figures from NPD Group 3/15/2011



## TwinSpires: a brief history

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

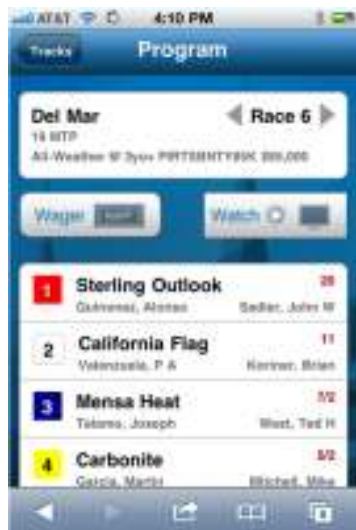
- Jan. 2007 - TwinSpires formed (Mtn. View, CA)
- May 2007 - TwinSpires.com launched
- June 2007 - CDI acquires AmericaTAB and BRIS
- June 2010 - CDI acquires Youbet.com
- Nov. 2010 - Youbet, TwinSpires platforms merged
- April 2011 - NYRA outsources telephone wagering to TwinSpires
- Aug. 2011 - Keeneland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



# TwinSpires innovations deliver for our partners

## iPhone app

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



## Keeneland white label platform



## Single account wagering

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

## Case studies

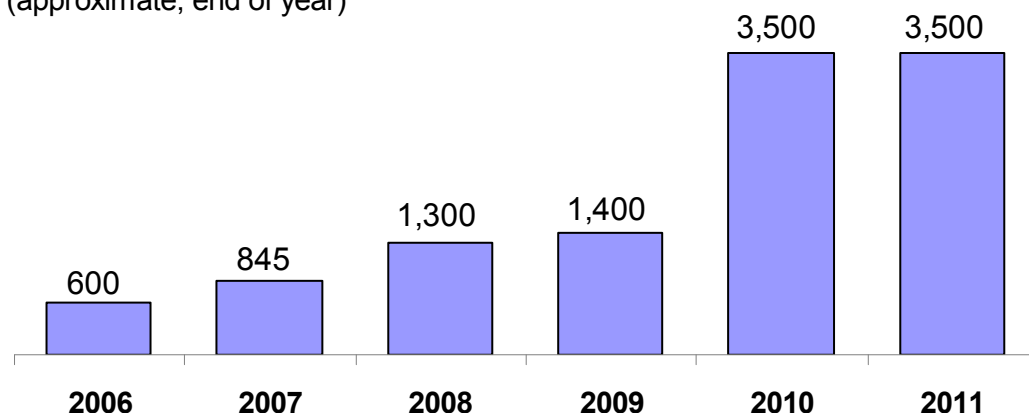
- When Keeneland decided to launch its own ADW, it turned to TS.com to provide a complete, turnkey solution
- When NYRA saw its call volume increase 400%, it partnered with TS.com to handle all live operator telephone wagering



# Gaming - growing Our Brick-and-Mortar Entertainment

## Number of Gaming Positions

(approximate, end of year)



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



**Fair Grounds Race Course & Slots**



**Calder Casino & Race Course**



**Harlow's Resort Casino & Hotel**

*Note: Positions obtained from Form 10-K for periods 2006-2011*

## Harlow's – expansion in progress following '11 MS River flooding



➤ 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
- Event center will be multi-functional and able to host a number of events
- Construction now underway in early 2012
- All renovation and remodeling work should be finished by early 2013

## 2012 Investment - Ohio VLT facility development and racetrack purchase

- On February 29 – we announced a Joint Venture (“JV”) with Delaware North Companies to purchase Lebanon Raceway 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 from Carlo and Nixon families who currently own and operate Lebanon Raceway at the Warren County Fairgrounds
- \$60 million purchase price (\$10 M cash and \$50 M note) with \$10 M tail to sellers
- 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
- Both Carlo and Nixon families have agreed to remain involved as consultants

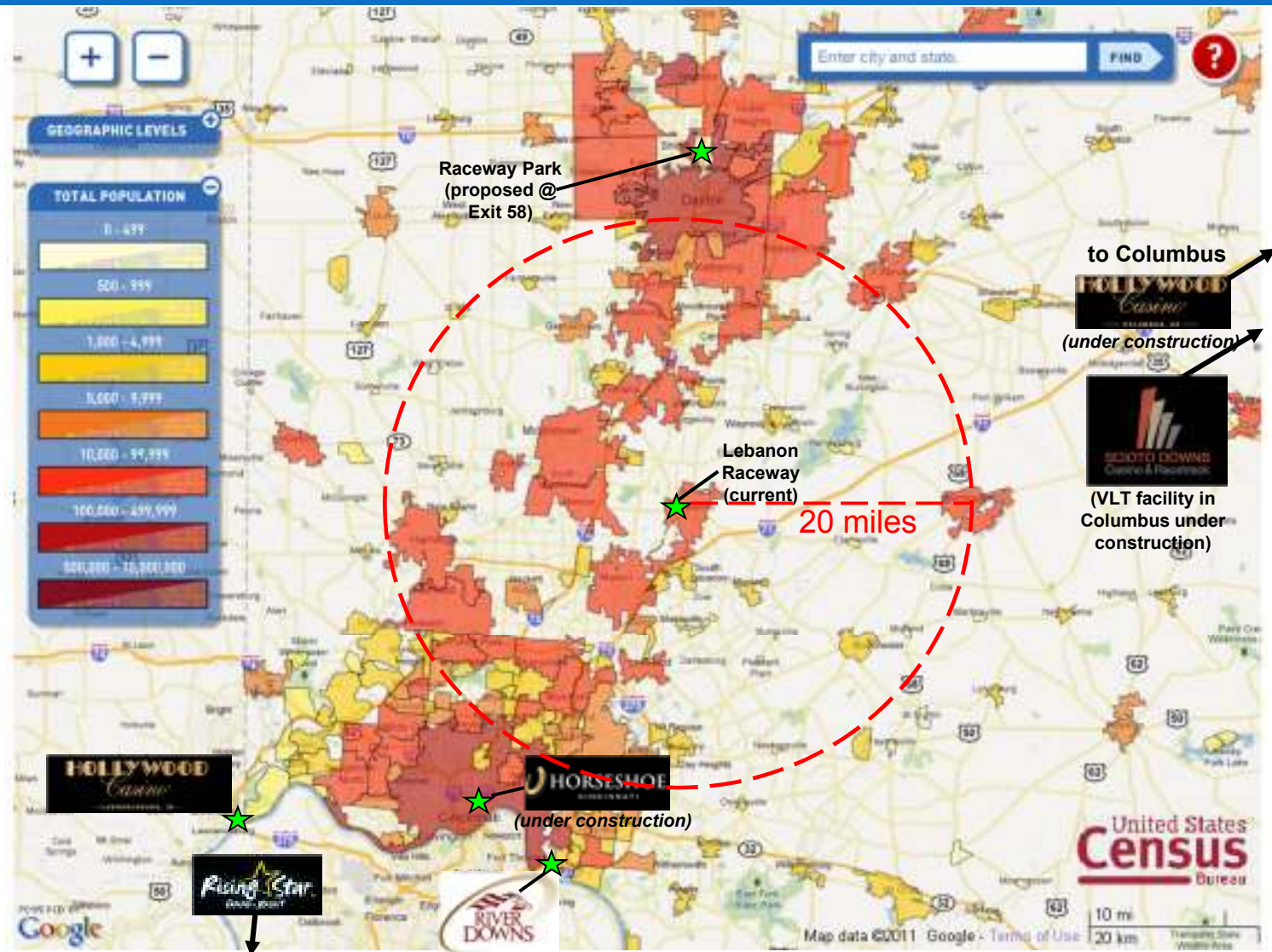


## JV to construct new gaming and racing facility along I-75 corridor

- Gaming facility and racetrack to be built at a new location which provides more room for construction of facility and easier access to Interstate 75
- \$225 million total estimated project cost
  - ✓ \$50 M upfront license fee
  - ✓ \$175 M additional investment in facilities (including cost of VLT's)
- Allowed up to max 2,500 VLT's
- OH VLT tax rate of 33.5%
- Horseman purse subsidy to range between 5-15%
- JV will apply for a 10-year VLT license
- Both partners, combined, will contribute up to \$90 M (\$45 M CDI share) in equity to fund the purchase of racing licenses, VLT license, racetrack assets and acquisition costs of land selected for development – remainder of funding through debt
- Development expected to generate 700 jobs and provide \$24 M economic impact on local area



## Cincinnati / Dayton area is an attractive gaming market





## 2012 Investment - We recently acquired assets of Bluff Media



- Bluff Media, an Atlanta-based multimedia poker content, brand and publishing co.
- Industry-leading poker periodical, **BLUFF Magazine**
- Online counterpart BluffMagaizine.com
- ThePokerDB, an online database - ranks poker players and tournaments
- Various URL's, including *Bluff.com* and *Bluffpoker.com*
- Premier mixed martial arts periodical, **Fight! Magazine**
- Online counterpart, FightMagazine.com

### Wire Act of 1961 – Federal Clarification

- Dec '11, the U.S. DOJ clarified its position on the federal Wire Act which had historically been interpreted to outlaw all forms of gambling across state lines
- The DOJ's recent legal opinion states the Wire Act only applies to sports betting
- Several states are moving to legalize online poker on an intrastate basis



## Additional Gaming Opportunities –KY

### Casino Gaming at Churchill Downs Racetrack (KY)

- KY Governor Steve Beshear, who easily won re-election in Nov 2011, says expanded gaming is a top priority for his second term
- Pushing for proposed constitutional amendment in November 2012 to allow KY voters to decide on expanded gaming – in order to generate more revenue for state government and the horse industry
- Recent polling in KY (87%) favors a vote on expanded gaming with 64% saying that would vote in favor
- KY facing state budget deficit – biennial state budget to be approved by end of legislative session in April 2012, expecting deep spending cuts
- Spectrum Gaming Group released a market analysis study on January 17, 2012 that the Churchill Downs Racetrack location annual revenues would exceed \$250 million
- Senate Bill 151 introduced on February 14, 2012 supporting a constitutional amendment to create up to 7 casinos – which could not be within 60 miles of existing racetracks unless owned by the racetrack
- Senate Bill 151 passed out of Committee on February 22<sup>nd</sup> – moved to Senate Floor where Bill was defeated 21 -16 (required 23 votes – 3/5<sup>th</sup> approval for passage)
- Continue to work with legislators and educate KY voters on importance of gaming to pari-mutuel industry

# Additional Gaming Opportunities – IL

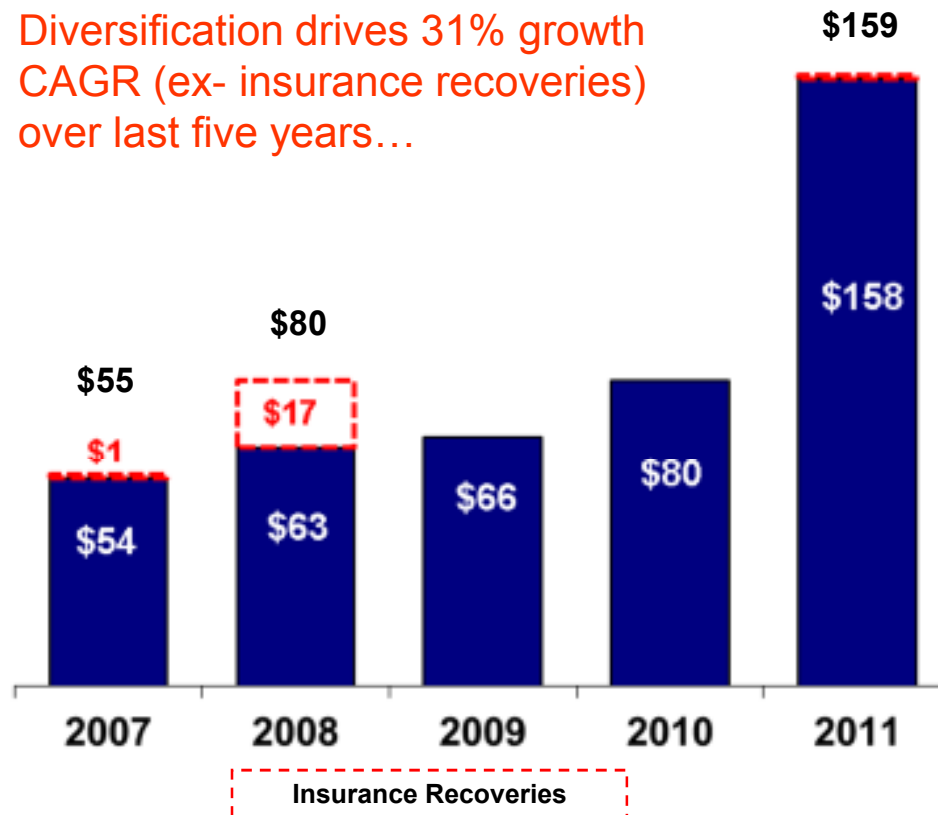
## Alternative Gaming at Arlington Park (IL)

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

# Proven EBITDA Growth

Dollars in Millions

Diversification drives 31% growth CAGR (ex- insurance recoveries) over last five years...



**Record EBITDA performances in 2011 and 2010**

## ✓ 2011 Record EBITDA

- Nearly doubles 2010 levels (up 97%)
- Gaming increased \$28.5 MM from organic growth and through acquisition
  - Harlow's acquisition adds \$16.3 MM (despite 25 day closure)
  - Calder grew \$10 MM (gaming tax rate reduced 15% on 7/1/10)
  - Louisiana gaming grew \$2.2 MM
- Online more than doubles (\$20.5 MM increase) driven by merger-related cost synergies plus 5 add'l months of Youbet
- Racing increased \$27.8 MM
  - IL HRETf proceeds \$19.3 MM
  - Derby Week growth of \$6.4 MM
  - KY TIF proceeds of \$3.1 MM
  - Pari-mutuel handle declines of 6.4% offset improvements above

## ✓ Other unusual items in 2011

- \$2.7 MM gain on conversion of related party convertible note
- \$3.2 MM reduced in development expenses (relating to 2010 acquisitions)
- \$1.0 MM insurance recoveries in '11

# Proven Cash Generation

Dollars in Millions

## Cash provided by operating activities

Gaming, Online and Derby Week expansion plus unusual items help drive \$113 MM growth in operating cash flow....



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

## Very Strong Cash Generation...

- ✓ 2011 proves to be a record year
  - Full year impact of acquisition growth
  - Derby Week expansion
  - Organic growth from Gaming & Online
  - IL Horse Racing Equity Trust Fund proceeds net \$12.4 MM (non-recurring)
  - Tax refunds of \$10.3 MM
  - \$8.5 MM receipt of Hoosier Park contingent consideration (non-recurring)
- ✓ 2010 was impacted by unusual items
  - Acquisition cost \$(3.9)
  - Youbet.com integration cost \$(4.4)
  - Equity compensation correction \$(1.4)
  - Tax overpayments of \$(9)
- ✓ 2012 cash opportunities
  - Continued EBITDA improvements
  - Additional insurance recoveries from Harlow's flood and wind events
  - Additional KY TIF proceeds and tax refunds from amended returns

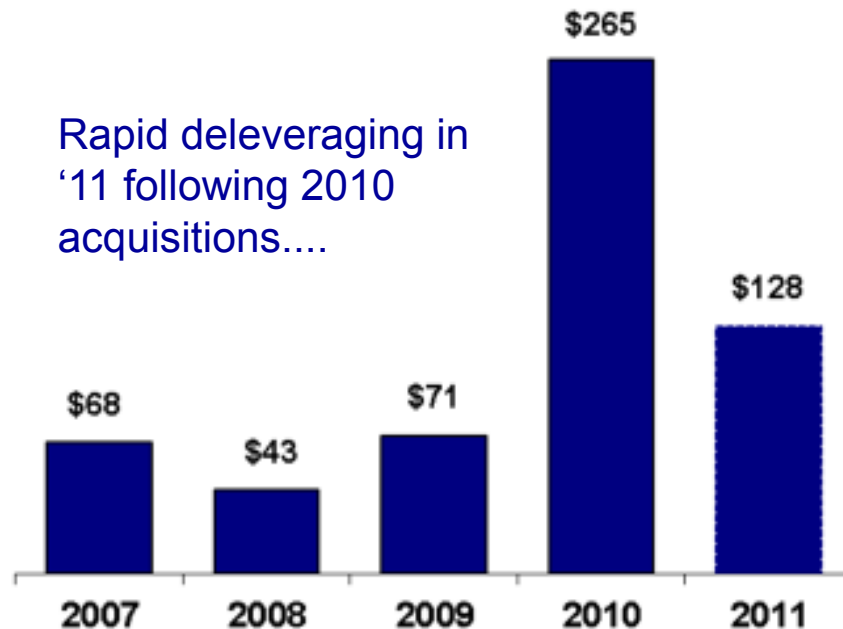


# Attractive Balance Sheet

Dollars in Millions

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

Rapid deleveraging in '11 following 2010 acquisitions....



	Gaming Industry <sup>-a)</sup>	Churchill Downs, Inc.
Total Debt / EBITDA (LTM)	5.4 x	0.85 x
EBITDA / Interest (LTM)	3.5 x	17.8 x

(a – Gaming industry peer group comprised of PENN, BYD, ASCA, ISLE, PNK  
Source: Company filings and Factset (as of 12/31/11)

(b – Excludes convertible note payable, related party (for years 2007-2010)

## Very Strong Balance Sheet...

- ✓ Long term debt (“LTD”) decreased \$137 MM in 2011 on strong free cash flows from operations
- ✓ LTD spiked in 2010 driven by Youbet.com (June ‘10) & Harlow’s (Dec ‘10) acquisitions
- ✓ Amended and expanded credit facility provides capacity to \$375 MM ... very low interest cost on current debt at L + 1.625% (currently <2.0% total)
- ✓ Leverage and coverage ratios among industry best after 2010 actions and 2011 growth
  - Positioned to improve on continued growth + cash generation
  - Ability to do more meaningful acquisitions
- ✓ Cash flow values backstopped with hard assets/real estate
  - 336 acres in Arlington Heights, IL
  - 231 acres in Miami Gardens, FL
  - 147 acres in Louisville, KY
  - 145 acres in New Orleans, LA



# Summary

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

