

Churchill Downs Incorporated -- 2011 Third-Quarter Financial Tables

CHURCHILL DOWNS INCORPORATED CONDENSED CONSOLIDATED STATEMENTS OF NET EARNINGS For the three months ended Sept. 30, 2011, and 2010 (Unaudited)

(in thousands, except per common share data)

	Three Months Ended		
	September 30,		
	2011	2010	% Change
Net revenues			
Racing	\$ 66,539	\$ 67,348	(1)
Gaming	51,922	34,667	50
Online	42,015	39,232	7
Other	5,873	6,299	(7)
	<u>166,349</u>	<u>147,546</u>	13
Operating expenses			
Racing	64,681	67,083	(4)
Gaming	39,051	27,978	40
Online	30,584	28,559	7
Other	5,808	5,350	9
Selling, general and administrative expenses	16,138	15,281	6
	<u>10,087</u>	<u>3,295</u>	F
Operating income			
Other income (expense):			
Interest income	116	30	F
Interest expense	(1,576)	(1,625)	(3)
Equity in loss of unconsolidated investments	(467)	(470)	(1)
Miscellaneous, net	19,934	1,832	F
	<u>18,007</u>	<u>(233)</u>	F
Earnings from continuing operations before provision for income taxes	28,094	3,062	F
Income tax provision	<u>(8,374)</u>	<u>638</u>	U
Earnings from continuing operations	19,720	3,700	F
Discontinued operations, net of income taxes	<u>60</u>	<u>(4,389)</u>	F
Net earnings (loss)	<u>\$ 19,780</u>	<u>\$ (689)</u>	F
Net earnings (loss) per common share data:			
Basic			
Earnings from continuing operations	\$ 1.17	\$ 0.22	F
Discontinued operations	-	(0.26)	F
Net earnings (loss)	<u>\$ 1.17</u>	<u>\$ (0.04)</u>	F
Diluted			
Earnings from continuing operations	\$ 1.16	\$ 0.22	F
Discontinued operations	0.01	(0.26)	F
Net earnings (loss)	<u>\$ 1.17</u>	<u>\$ (0.04)</u>	F
Weighted average shares outstanding			
Basic	16,858	16,311	
Diluted	16,974	16,768	

NM: Not meaningful

U: > 100% unfavorable

F: > 100% favorable

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CHURCHILL DOWNS INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF NET EARNINGS
For the nine months ended Sept. 30, 2011, and 2010
(Unaudited)
(in thousands, except per common share data)

	Nine Months Ended		
	September 30,		
	2011	2010	% Change
Net revenues			
Racing	\$ 246,372	\$ 247,801	(1)
Gaming	160,468	104,263	54
Online	125,344	87,374	43
Other	15,405	8,666	78
	<u>547,589</u>	<u>448,104</u>	22
Operating expenses			
Racing	201,356	209,918	(4)
Gaming	118,690	88,502	34
Online	85,800	61,950	38
Other	16,591	7,961	U
Selling, general and administrative expenses	50,443	43,937	15
Operating income	74,709	35,836	F
Other income (expense):			
Interest income	240	158	52
Interest expense	(7,497)	(4,303)	74
Equity in earnings of unconsolidated investments	(423)	(317)	33
Miscellaneous, net	23,549	2,485	F
	<u>15,869</u>	<u>(1,977)</u>	F
Earnings from continuing operations before provision for income taxes	90,578	33,859	F
Income tax provision	<u>(34,054)</u>	<u>(10,034)</u>	U
Earnings from continuing operations	56,524	23,825	F
Discontinued operations, net of income taxes:			
Earnings (loss) from operations	61	(5,577)	F
Gain on sale of assets	157	-	F
	<u>157</u>	<u>-</u>	
Net earnings	<u>\$ 56,742</u>	<u>\$ 18,248</u>	F
Net earnings per common share data:			
Basic			
Earnings from continuing operations	\$ 3.36	\$ 1.56	F
Discontinued operations	0.01	(0.36)	F
Net earnings	<u>\$ 3.37</u>	<u>\$ 1.20</u>	F
Diluted			
Earnings from continuing operations	\$ 3.34	\$ 1.56	F
Discontinued operations	0.01	(0.36)	F
Net earnings	<u>\$ 3.35</u>	<u>\$ 1.20</u>	F
Weighted average shares outstanding			
Basic	16,555	14,796	
Diluted	16,939	15,257	

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CHURCHILL DOWNS INCORPORATED
SUPPLEMENTAL INFORMATION BY OPERATING UNIT
For the three months ended Sept. 30, 2011, and 2010
(in thousands, except per common share data)

	Three Months Ended		
	September 30,		
	2011	2010	% Change
Net revenues from external customers:			
Churchill Downs	\$ 5,911	\$ 6,005	(2)
Arlington Park	30,875	30,208	2
Calder	23,673	24,396	(3)
Fair Grounds	6,080	6,739	(10)
Total Racing Operations	<u>66,539</u>	<u>67,348</u>	(1)
Calder Casino	20,251	17,089	19
Fair Grounds Slots	9,880	9,329	6
VSI	8,350	8,249	1
Harlow's Casino	13,441	-	F
Total Gaming	<u>51,922</u>	<u>34,667</u>	50
Online Business	42,015	39,232	7
Other Investments	5,820	6,235	(7)
Corporate	53	64	(17)
Net revenues	<u>\$ 166,349</u>	<u>\$ 147,546</u>	13
Intercompany net revenues:			
Churchill Downs	\$ 381	\$ 336	13
Arlington Park	1,468	1,199	22
Calder	582	557	4
Fair Grounds	21	39	(46)
Total Racing Operations	<u>2,452</u>	<u>2,131</u>	15
Online Business	186	152	22
Other Investments	1,148	589	95
Eliminations	(3,786)	(2,872)	32
Net revenues	<u>\$ -</u>	<u>\$ -</u>	
Reconciliation of Segment EBITDA to net earnings:			
Racing	\$ 20,414	\$ 1,254	F
Gaming	13,148	7,892	67
Online	9,818	5,818	69
Other Investments	1,157	1,792	(35)
Corporate	(1,540)	296	U
Total EBITDA	<u>42,997</u>	<u>17,052</u>	F
Depreciation and amortization	(13,443)	(12,395)	8
Interest (expense) income, net	(1,460)	(1,595)	(8)
Income tax expense	(8,374)	638	U
Earnings from continuing operations	<u>19,720</u>	<u>3,700</u>	F
Discontinued operations, net of income taxes	60	(4,389)	F
Net earnings	<u>\$ 19,780</u>	<u>\$ (689)</u>	F

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CHURCHILL DOWNS INCORPORATED
SUPPLEMENTAL INFORMATION BY OPERATING UNIT
For the nine months ended Sept. 30, 2011, and 2010
(in thousands, except per common share data)

	Nine Months Ended		
	September 30,		
	2011	2010	% Change
Net revenues from external customers:			
Churchill Downs	\$ 104,072	\$ 100,609	3
Arlington Park	62,273	63,994	(3)
Calder	45,753	48,015	(5)
Fair Grounds	34,274	35,183	(3)
Total Racing Operations	246,372	247,801	(1)
Calder Casino	62,574	48,848	28
Fair Grounds Slots	31,510	29,979	5
VSI	26,566	25,436	4
Harlow's Casino	39,818	-	F
Total Gaming	160,468	104,263	54
Online Business	125,344	87,374	43
Other Investments	15,143	8,599	76
Corporate	262	67	F
Net revenues	<u>\$ 547,589</u>	<u>\$ 448,104</u>	22
Intercompany net revenues:			
Churchill Downs	\$ 3,993	\$ 2,872	39
Arlington Park	3,160	2,542	24
Calder	1,129	932	21
Fair Grounds	799	586	36
Total Racing Operations	9,081	6,932	31
Online Business	601	533	13
Other Investments	2,900	1,604	81
Eliminations	(12,582)	(9,069)	39
Net revenues	<u>\$ -</u>	<u>\$ -</u>	
Reconciliation of Segment EBITDA			
to net earnings:			
Racing	\$ 66,223	\$ 37,819	75
Gaming	43,479	19,537	F
Online	28,671	14,467	98
Other Investments	2,110	2,918	(28)
Corporate	(1,329)	(2,327)	(43)
Total EBITDA	139,154	72,414	92
Depreciation and amortization	(41,319)	(34,410)	20
Interest (expense) income, net	(7,257)	(4,145)	75
Income tax expense	(34,054)	(10,034)	U
Earnings from continuing operations	56,524	23,825	F
Discontinued operations, net of income taxes	218	(5,577)	F
Net earnings	<u>\$ 56,742</u>	<u>\$ 18,248</u>	F

CHURCHILL DOWNS INCORPORATED
SUPPLEMENTAL INFORMATION BY OPERATING UNIT
For the three and nine months ended Sept. 30, 2011, and 2010
(in thousands, except per common share data)

Management fee expense (income):	Three Months Ended		Change	
	September 30,		\$	%
	2011	2010		
Racing Operations	\$ 2,830	\$ 1,676	\$ 1,154	69%
Gaming	2,053	809	1,244	U
Online Business	1,659	1,258	401	32%
Other Investments	595	244	351	U
Corporate Income	(7,137)	(3,987)	(3,150)	79%
Total management fees	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

Management fee expense (income):	Nine Months Ended		Change	
	September 30,		\$	%
	2011	2010		
Racing Operations	\$ 8,820	\$ 9,148	\$ (328)	-4%
Gaming	5,540	3,123	2,417	77%
Online Business	4,349	3,284	1,065	32%
Other Investments	951	387	564	U
Corporate Income	(19,660)	(15,942)	(3,718)	23%
Total management fees	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

CHURCHILL DOWNS INCORPORATED
SUPPLEMENTAL INFORMATION BY OPERATING UNIT
For the three and nine months ended Sept. 30, 2011, and 2010
(in thousands, except per common share data)

	Three Months Ended September 30, 2010		
	Previously Reported	Revised	Effect of Change
Net revenues from external customers:			
Churchill Downs	\$ 5,449	\$ 6,005	\$ 556
Arlington Park	29,445	30,208	763
Calder	21,604	24,396	2,792
Fair Grounds	5,942	6,739	797
Total Racing Operations	<u>62,440</u>	<u>67,348</u>	<u>4,908</u>
Calder Casino	13,161	17,089	3,928
Fair Grounds Slots	8,600	9,329	729
VSI	6,545	8,249	1,704
Total Gaming	<u>28,306</u>	<u>34,667</u>	<u>6,361</u>
Online Business	38,739	39,232	493
Other Investments	6,195	6,235	40
Corporate	64	64	-
Net revenues from external customers	<u><u>\$ 135,744</u></u>	<u><u>\$ 147,546</u></u>	<u><u>\$ 11,802</u></u>

	Nine Months Ended September 30, 2010		
	Previously Reported	Revised	Effect of Change
Net revenues from external customers:			
Churchill Downs	\$ 96,979	\$ 100,609	\$ 3,630
Arlington Park	61,533	63,994	2,461
Calder	42,848	48,015	5,167
Fair Grounds	32,367	35,183	2,816
Total Racing Operations	<u>233,727</u>	<u>247,801</u>	<u>14,074</u>
Calder Casino	34,906	48,848	13,942
Fair Grounds Slots	27,716	29,979	2,263
VSI	20,202	25,436	5,234
Total Gaming	<u>82,824</u>	<u>104,263</u>	<u>21,439</u>
Online Business	86,089	87,374	1,285
Other Investments	8,599	8,599	-
Corporate	67	67	-
Net revenues from external customers	<u><u>\$ 411,306</u></u>	<u><u>\$ 448,104</u></u>	<u><u>\$ 36,798</u></u>

CHURCHILL DOWNS INCORPORATED
CONDENSED, CONSOLIDATED BALANCE SHEETS
(in thousands)

	September 30,	December 31,
	2011	2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 26,883	\$ 26,901
Restricted cash	50,472	61,891
Accounts receivable, net of allowance for doubtful accounts of \$4,164 in 2011 and \$4,098 in 2010	33,083	33,307
Deferred income taxes	16,417	16,136
Income taxes receivable	-	11,674
Other current assets	18,782	20,086
Total current assets	<u>145,637</u>	<u>169,995</u>
Property and equipment, net	482,005	507,476
Goodwill	213,712	214,528
Other intangible assets, net	106,729	113,436
Other assets	8,787	12,284
Total assets	<u><u>\$ 956,870</u></u>	<u><u>\$ 1,017,719</u></u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 42,512	\$ 47,703
Bank overdraft	10,279	5,660
Purses payable	23,315	12,265
Accrued expenses	47,826	49,754
Income taxes payable	16,120	-
Dividends payable	-	8,165
Deferred revenue	18,750	24,512
Deferred riverboat subsidy	-	40,492
Total current liabilities	<u>158,802</u>	<u>188,551</u>
Long-term debt	156,270	265,117
Convertible note payable, related party	-	15,075
Other liabilities	30,181	17,775
Deferred revenue	17,025	15,556
Deferred income taxes	8,803	9,431
Total liabilities	<u>371,081</u>	<u>511,505</u>
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, no par value; 250 shares authorized; no shares issued	-	-
Common stock, no par value; 50,000 shares authorized; 17,166 shares issued at September 30, 2011 and 16,571 shares issued at December 31, 2010	259,336	236,503
Retained earnings	326,453	269,711
Total shareholders' equity	<u>585,789</u>	<u>506,214</u>
Total liabilities and shareholders' equity	<u><u>\$ 956,870</u></u>	<u><u>\$ 1,017,719</u></u>

CHURCHILL DOWNS INCORPORATED
CONDENSED, CONSOLIDATED STATEMENT OF CASH FLOWS
For the nine months ended Sept. 30, 2011, and 2010
(unaudited)
(in thousands)

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Net earnings	\$ 56,742	\$ 18,248
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	41,319	34,410
Asset impairment loss	482	1,598
Gain on sale of business	(271)	-
Equity in losses of unconsolidated investments	423	317
Gain on derivative instruments	(3,096)	(612)
Share-based compensation	4,332	2,388
Other	2,139	1,192
Increase (decrease) in cash resulting from changes in operating assets and liabilities, net of business acquisitions:		
Restricted cash	11,536	(20,395)
Accounts receivable	1,825	2,099
Other current assets	(3,865)	(1,549)
Accounts payable	229	(6,656)
Purses payable	11,051	4,367
Accrued expenses	3,099	7,250
Deferred revenue	2,121	(3,225)
Deferred riverboat subsidy	(40,492)	14,648
Income taxes payable	27,560	(554)
Other assets and liabilities	16,498	1,815
Net cash provided by operating activities	<u>131,632</u>	<u>55,341</u>
Cash flows from investing activities:		
Additions to property and equipment	(16,802)	(56,493)
Acquisition of business, net of cash acquired	-	(32,408)
Purchases of minority investments	(158)	(400)
Acquisition of gaming license	(2,250)	(2,750)
Proceeds on sale of property and equipment	50	16
Change in deposit wagering asset	(117)	(37)
Net cash used in investing activities	<u>(19,277)</u>	<u>(92,072)</u>
Cash flows from financing activities:		
Borrowings on bank line of credit	230,311	204,260
Repayments on bank line of credit	(339,158)	(141,849)
Repayment of note payable, related party	-	(24,043)
Change in book overdraft	4,618	6,929
Payment of dividends	(8,165)	(6,777)
Repurchase of common stock	(732)	(1,354)
Common stock issued	635	459
Change in deposit wagering liability	118	(4)
Net cash (used in) provided by financing activities	<u>(112,373)</u>	<u>37,621</u>
Net (decrease) increase in cash and cash equivalents	(18)	890
Cash and cash equivalents, beginning of period	26,901	13,643
Cash and cash equivalents, end of period	<u>\$ 26,883</u>	<u>\$ 14,533</u>