



2018 Strategy Refresh

August 2018



2011 Trends

Percent change, 2000 - 2010

Handle

↓ 37%

Attendance

↓ 30%

Starts per horse

↓ 14%

Race days

↓ 14%



SOURCE: The Jockey Club Fact book, Selected racetracks

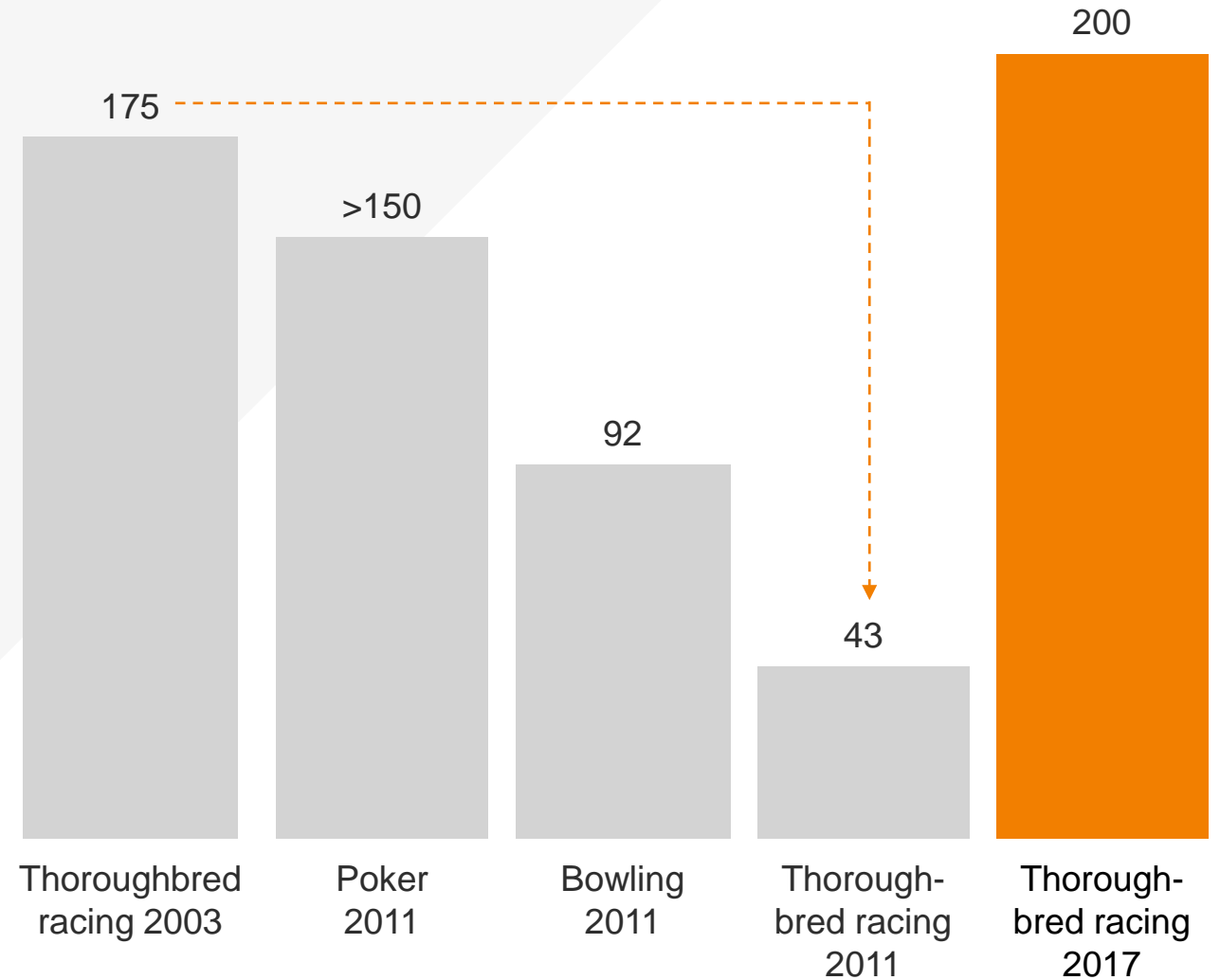
2011 Growth strategy for Thoroughbred racing

- 1 Fewer, better race days
- 2 Innovative wagering platforms
- 3 Integrated rewards
- 4 New televised racing initiatives
- 5 Simplified betting via free-to-play game
- 6 Social game
- 7 Integrity and safety reforms
- 8 Ownership tools
- 9 Disseminating best practices among tracks

Racing on national broadcast/ basic cable TV



In 2011, coverage was at an all time low
National TV hours



SOURCE: Network schedules

Tech/media developments since 2011



Pay TV
Subscribers

2011

88%

Today

79%



Millennials
watching TV

↓ 37%



Stick-and-ball
sports ratings

↓ 6% p.a.



Netflix
subscribers

10 million

125 million

Growth Themes



Innovations in venues



Digital content, data, and marketing



Advanced analytics



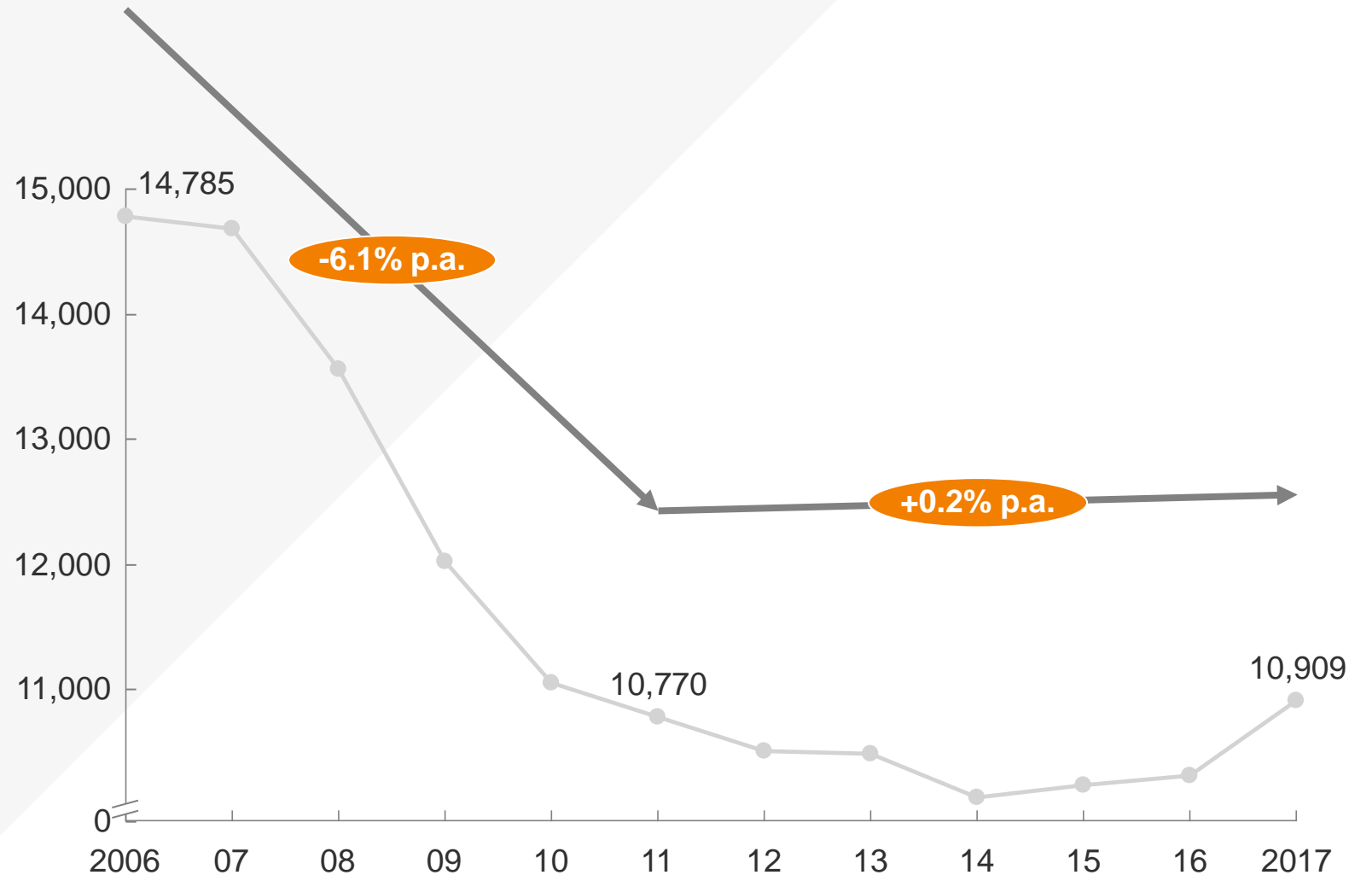
Legalization of sports betting



Situation Analysis: Horseracing today

After declining
through 2011,
handle has
stabilized

United States Thoroughbred handle, 2006-2017
USD Millions



The Thoroughbred industry 2011-2018



Foal Crop

↓ 1%
per year

Total Starters

↓ 4%
per year

Field Size

↓ 8.04
to 7.7

Number of US Races

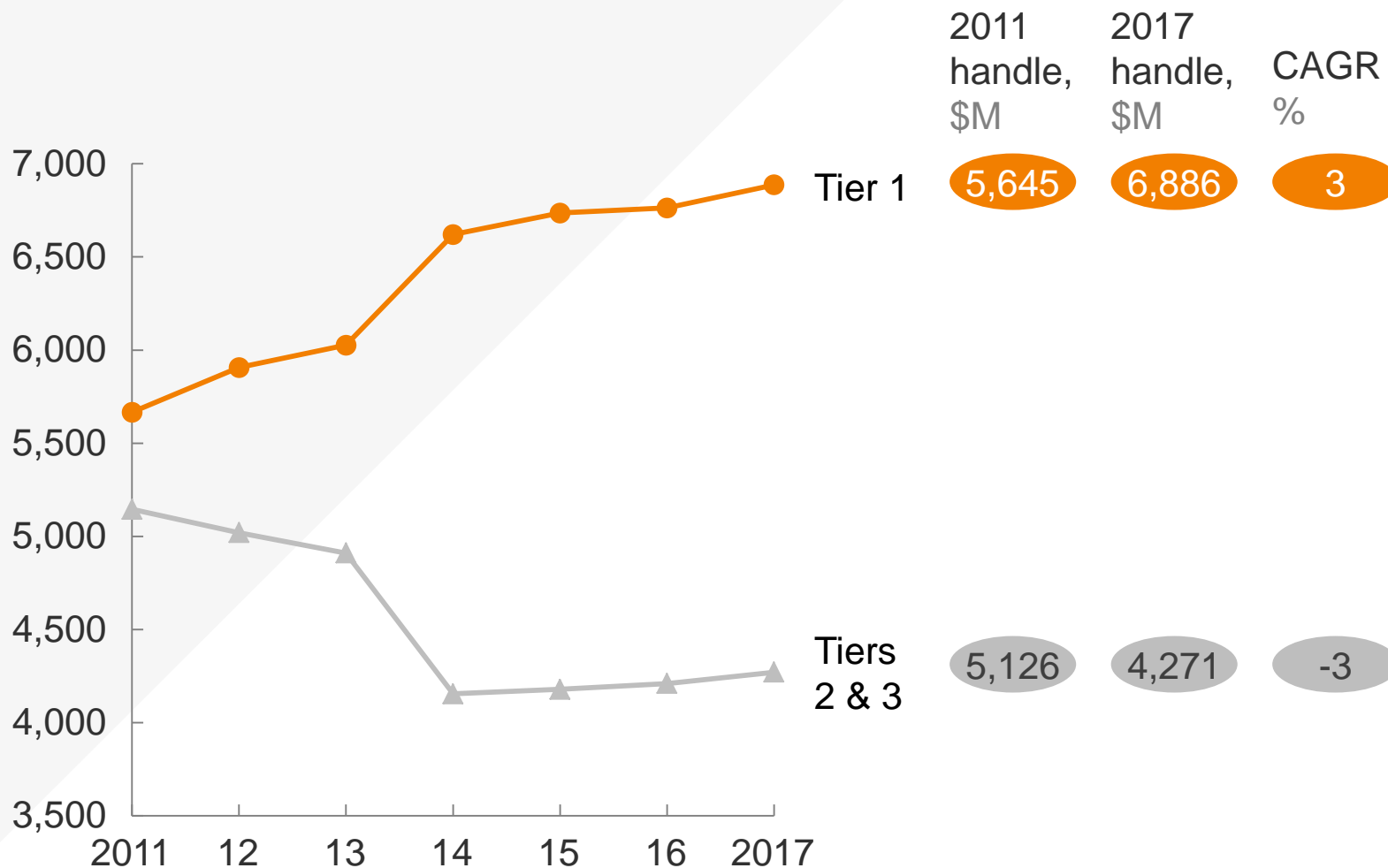
↓ -3%
per year

Handle is becoming concentrated in Tier 1 tracks



Handle by track tier, 2011-2017

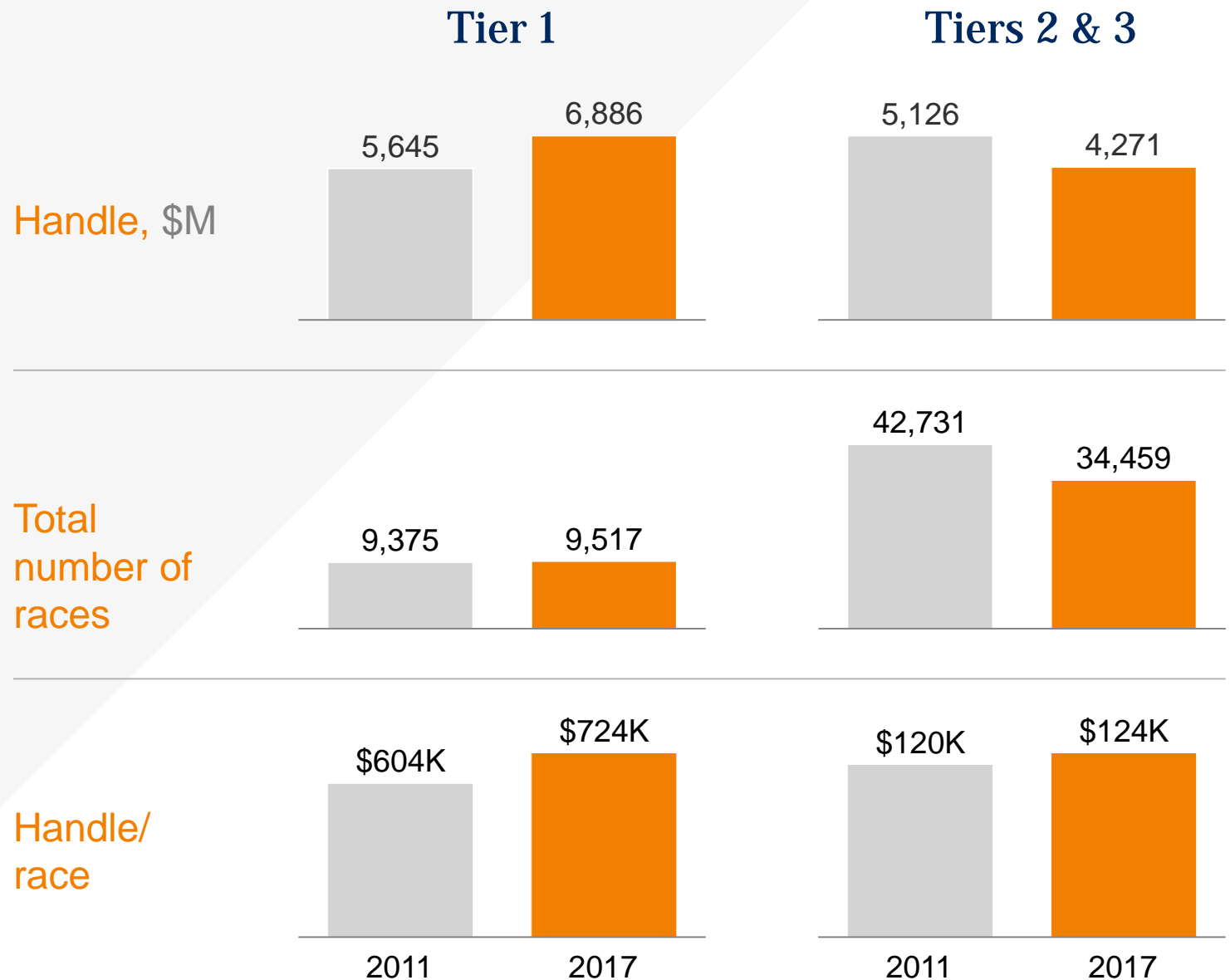
\$ M



Note: 12 tracks in Tier 1, 27 tracks in Tier 2, 57 Tracks in Tier 3

SOURCE: Equibase

Tier 1 vs. Tiers 2 & 3: races and handle per race

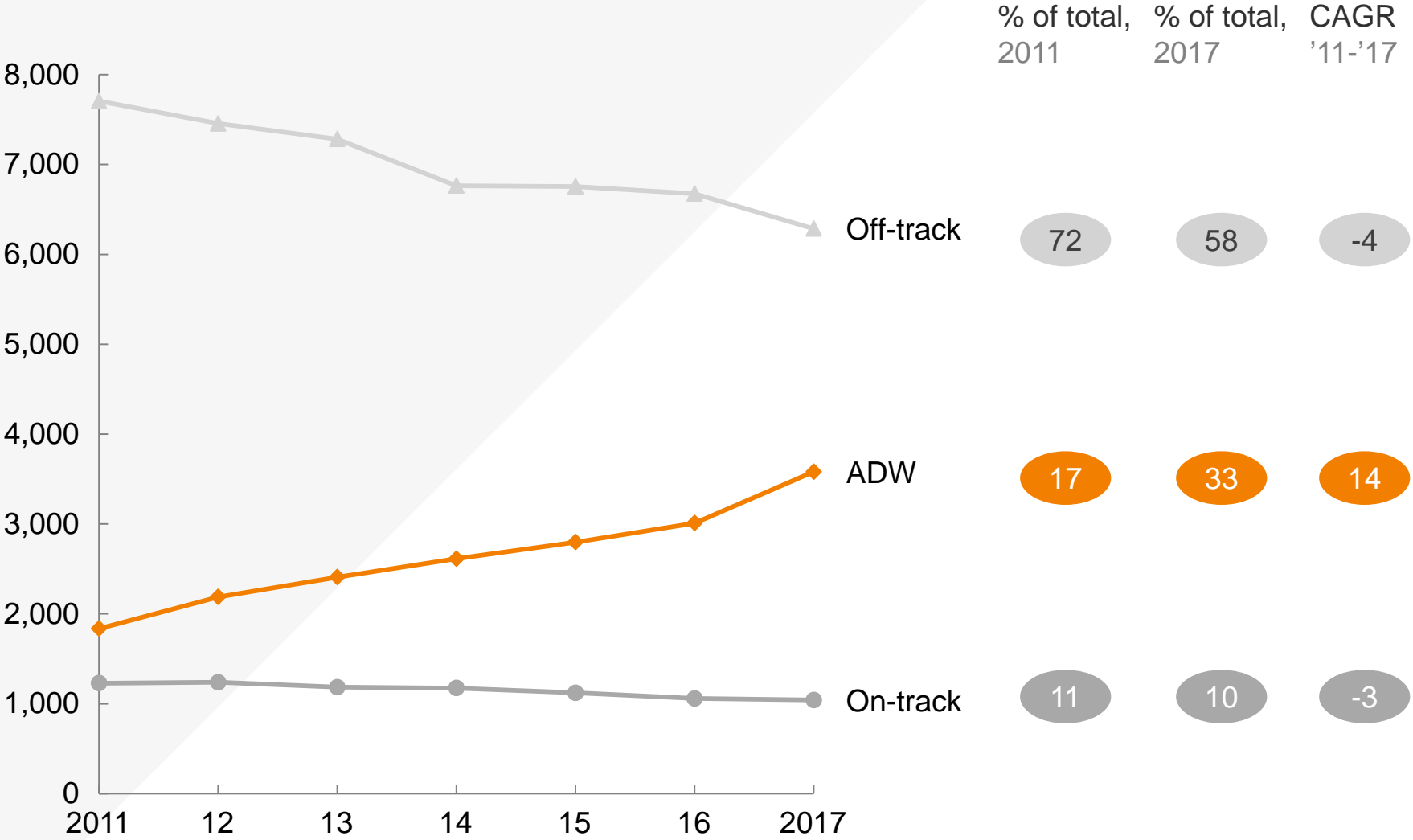


Handle has increased in the 'best racing'

2017 # of Races	Race Class	2017 Total handle/race	% handle change over 7 years
240	Grade I / Grade II	\$3,575K	3% ↑
1,792	Other Stakes	\$464K	5% ↑
4,776	Maidens	\$334K	3% ↑
7,394	Allowance	\$276K	2% ↑
26,644	Claiming and Other	\$209K	-1% ↓

ADWs are now 33% of handle

Handle by betting channel, 2011-2017
USD M

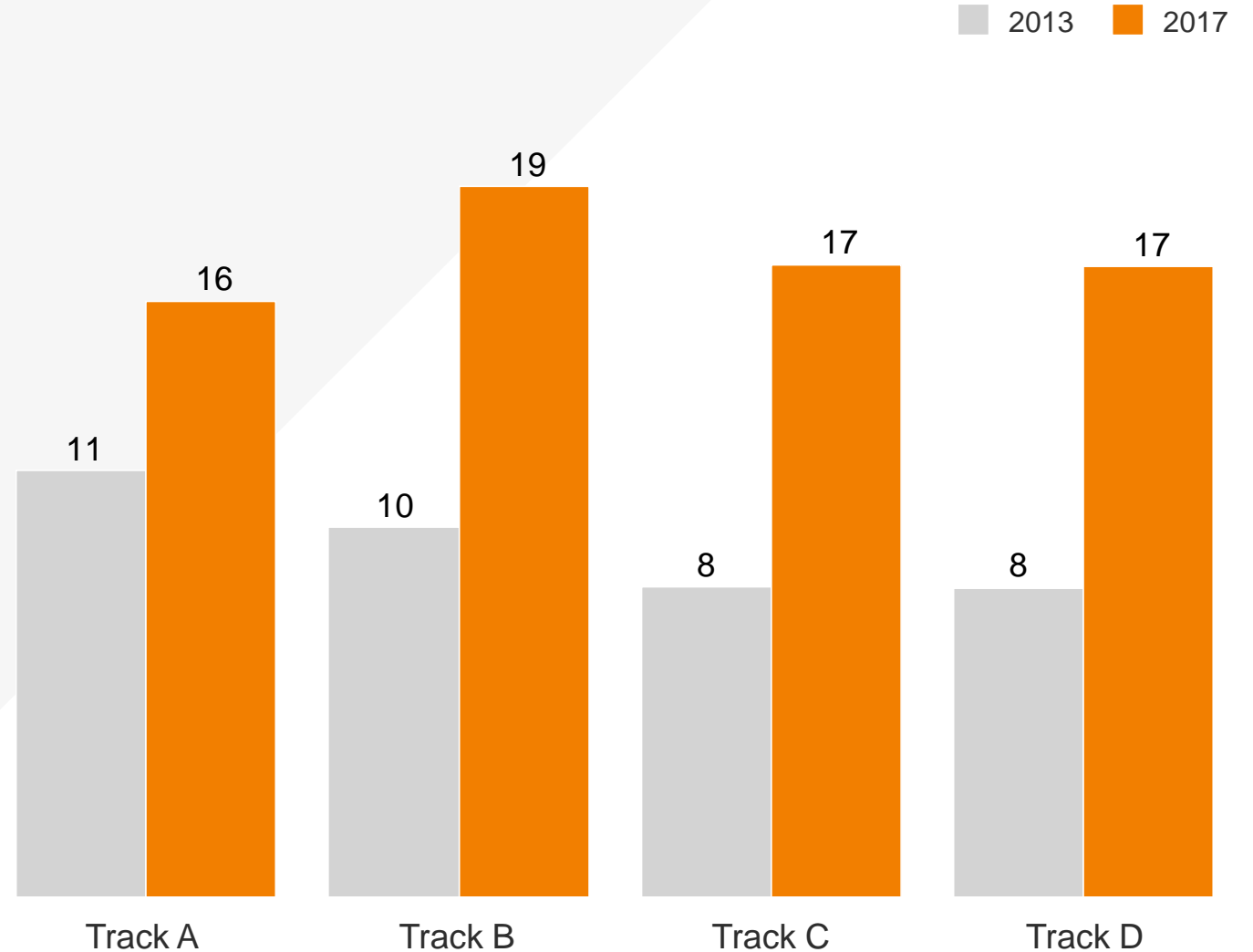


SOURCE: TJC Factbook, State Racing Commissions

Computer assisted
wagering now
represents 16% to 19%
of total handle



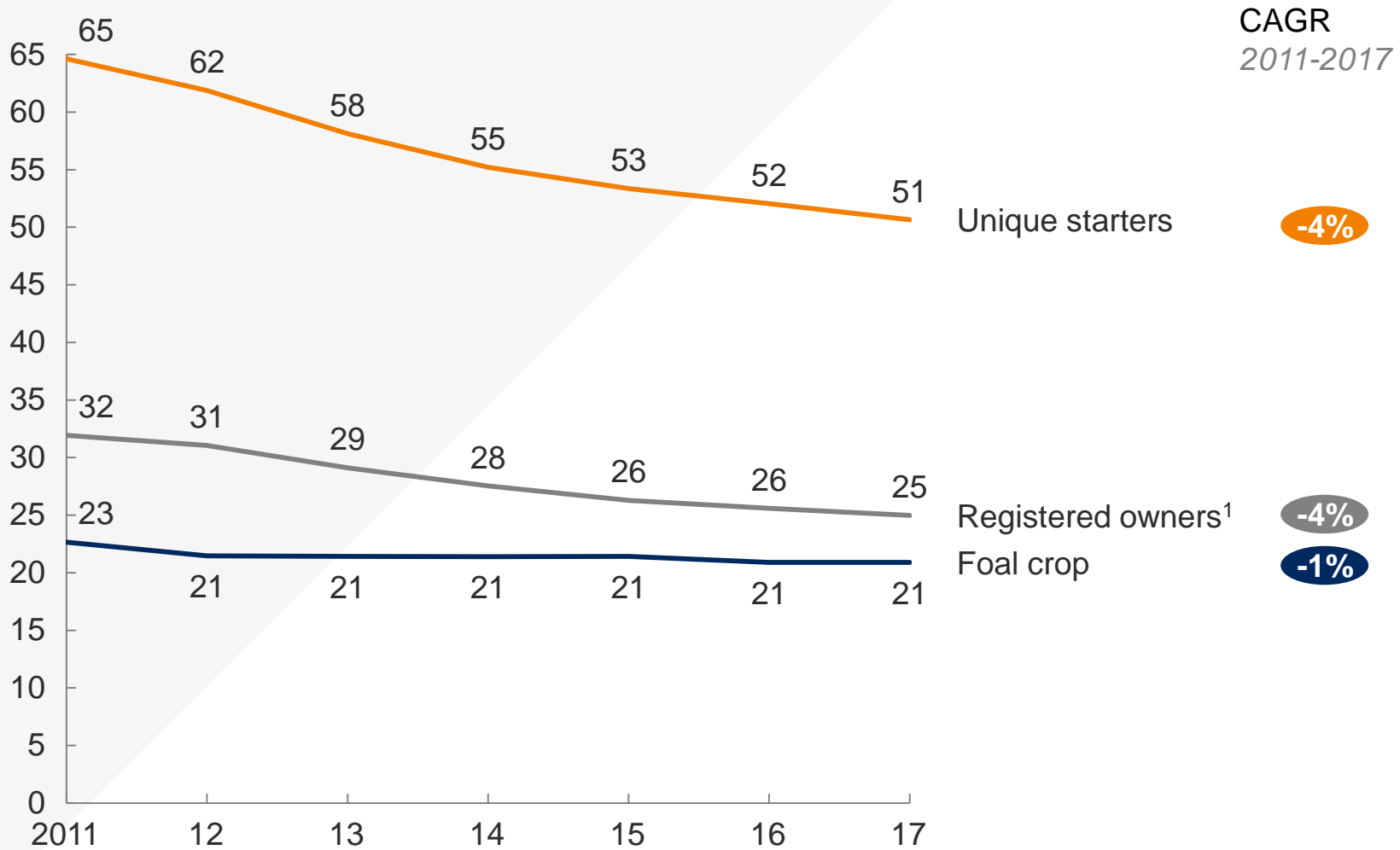
CAW as a percent of handle for sample Tier 1 tracks



SOURCE: Sample data from four racetracks

Starters, owners and foal crop

In thousands



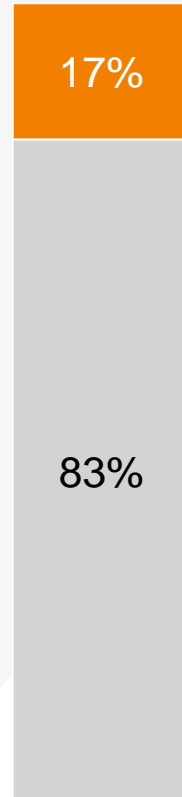
¹ Unique owners registered for a starter at each race

SOURCE: TJC Factbook, Equibase

Super trainers¹



Starters



2017

Annual earnings



2017

Super trainers
Other

Starts per horse (indexed)



2017

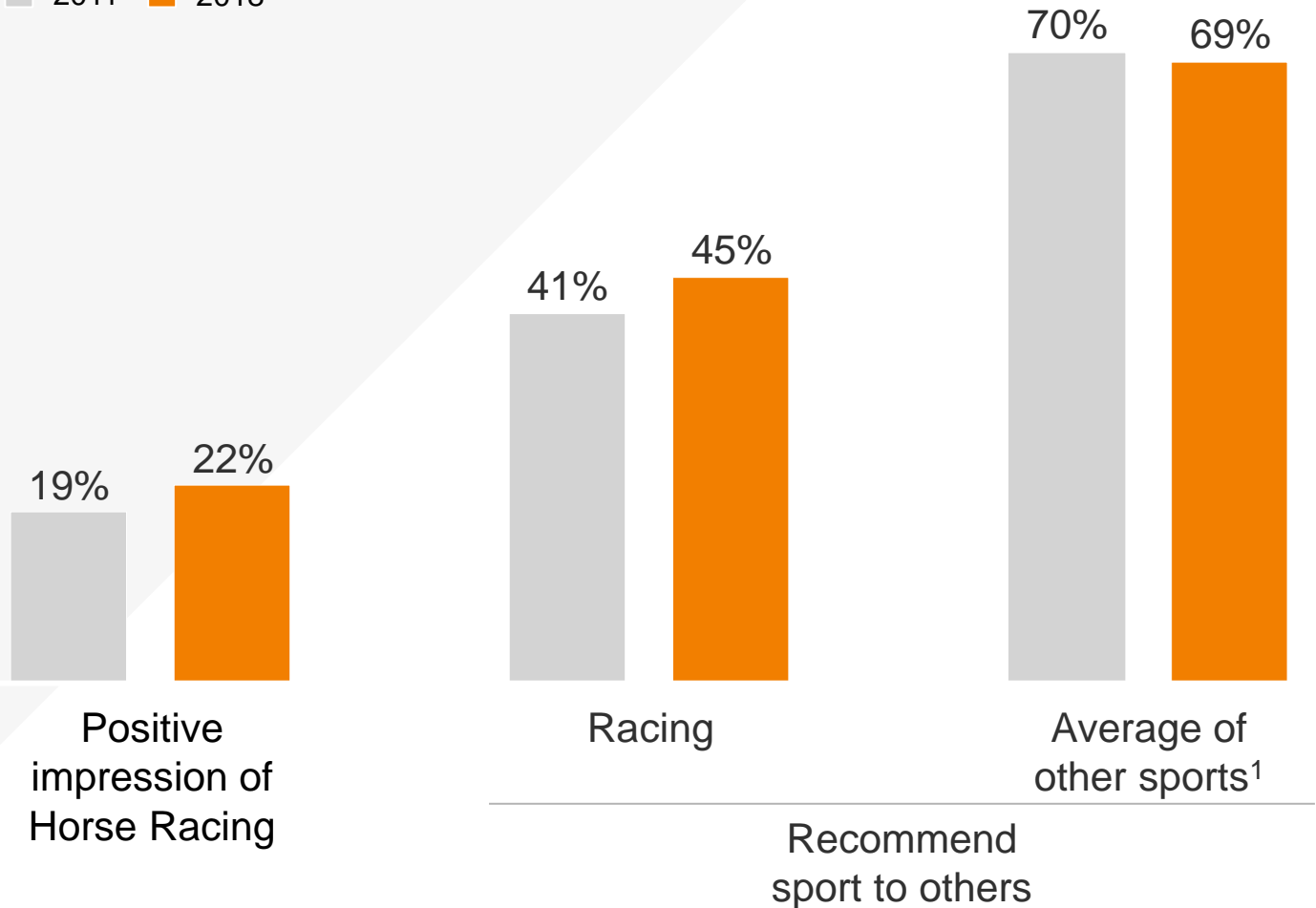
¹ Super trainers defined as those having at least 100 active horses or more in a year

Note: horses that switch trainers during the year are counted for both trainers, but only for their starts for each trainer, which lowers the overall starts/year. As a result, starts/year for super trainers is not directly comparable to starts/year for all horses or for graded stakes horses.

Horse racing has seen an improvement in public perception since 2011

% who agree/strongly agree

■ 2011 ■ 2018



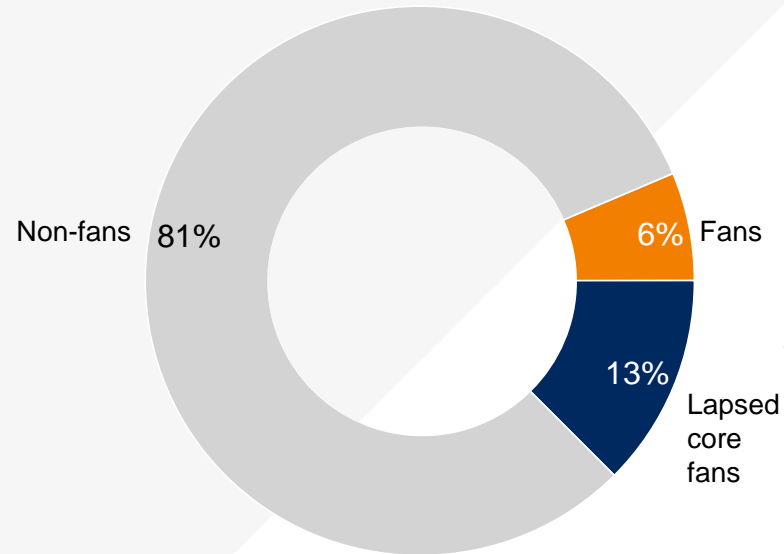
¹ Other sports include NFL Football, NBA Basketball, NASCAR 7 and MLB Baseball

SOURCE: 2018 Thoroughbred Racing Consumer Survey (N=1,351), "Digital Diaries"

~16M Americans (~6% of U.S. adults) follow Thorough- bred racing



Racing fans as a percent
of US adult population



2017 US adult population =
~251.5M people

Racing fans

Total: 16M

320

Whales
Bet at least
\$600K/ year

0.5M¹

Fans using ADW
Fans with an
ADW account

2.6M

Avid fans
Bet or attend 12+
times a year

5.0M

Casual fans
Bet or attend 3-11
times a year

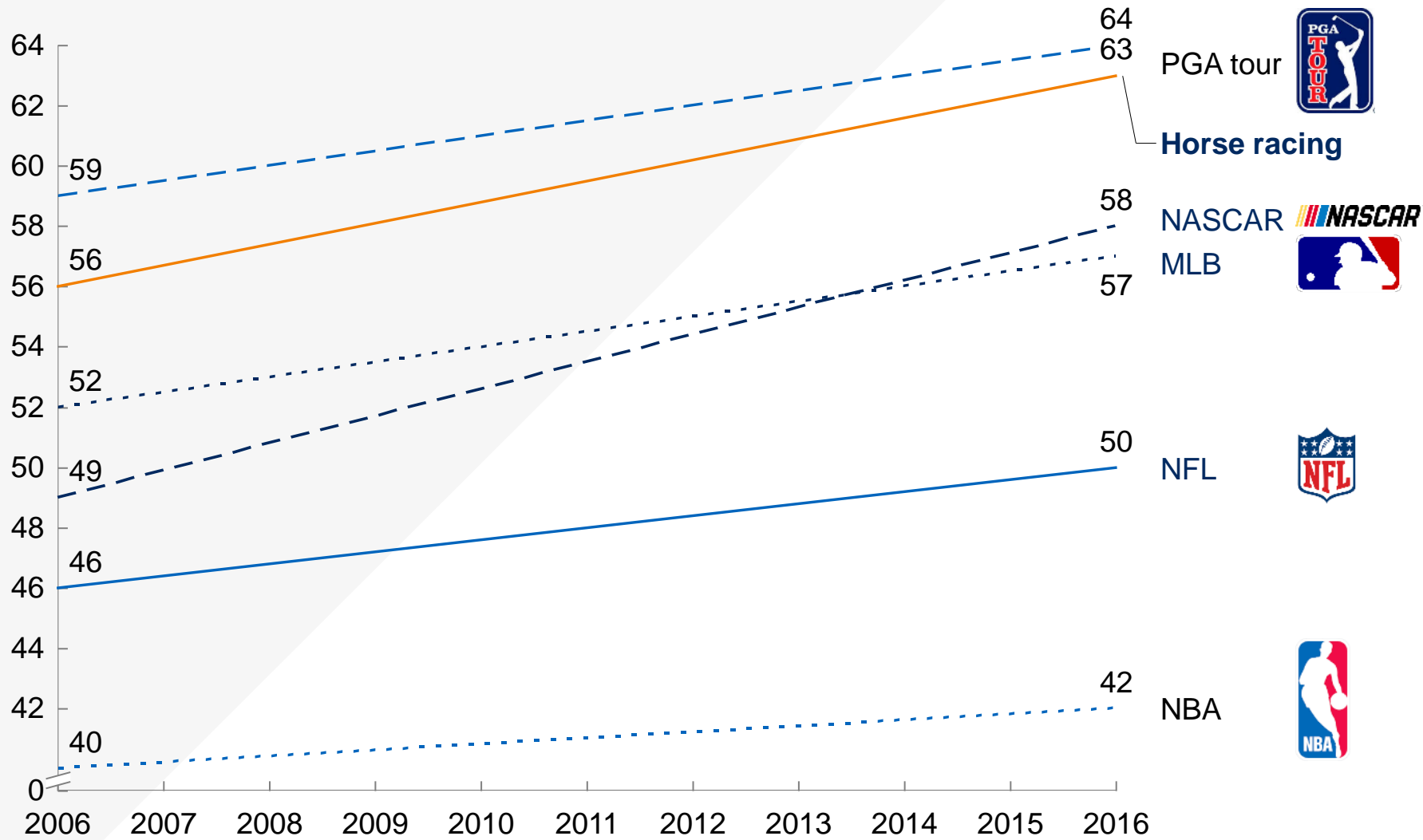
8.3M

Occasional
Bet or attend 1-2
times a year

¹ Survey data suggests 22% of casual and avid fans use ADW, which would imply 1.7M fans using ADW

Average age of fans

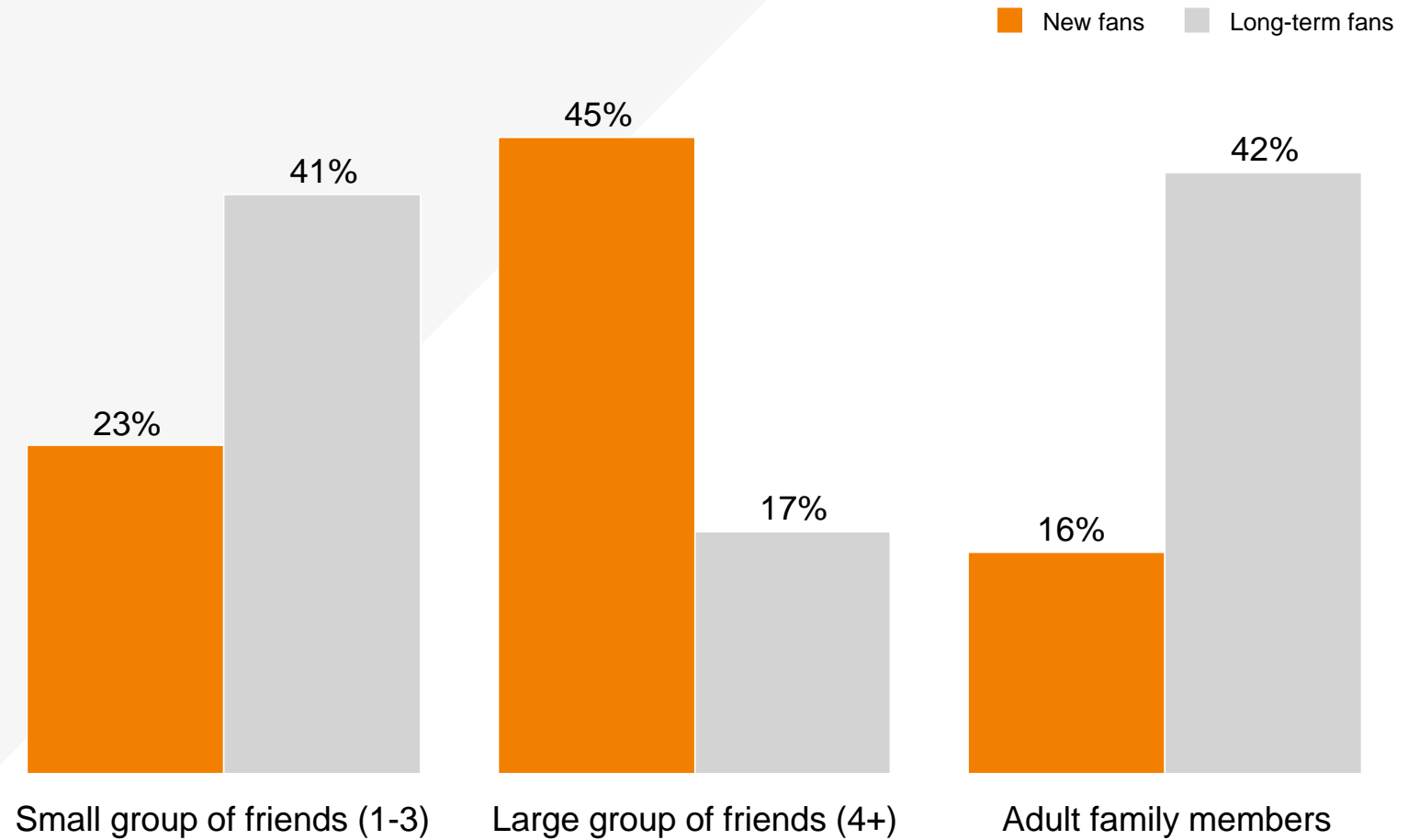
Median age of television viewers by sport



SOURCE: MAGNA Global, Sports Business Journal

New fans see racing as a group social experience

New and long-term¹ fans at the track
% of fans attending the racetrack with...



¹ New fans defined as those joining the sport in the past 5 years; long-term fans defined as those joining the sport prior to 5 years ago

SOURCE: 2018 Thoroughbred Racing Consumer Survey (N=1,351), 2018 Digital Diaries Consumer Research

Summary of Situation Analysis



Handle has stabilized



Volume of racing in slow decline



The best racing still growing



Bettors rapidly switching to digital



Progress on public perception

A dark, grayscale photograph of several horses running on a racetrack, with a white fence visible in the background. The image is used as a background for the title slide.

2018 Growth Strategy for Thoroughbred Racing

Growth Themes



Innovation in venues



Digital content, data, and marketing



Advanced analytics



Legalization of sports betting



Innovation in venues and the game-day experience

64% of fans are introduced to racing by going to the track

Single most important reason for getting involved with racing (% of new fans)

I went with friends or relatives to a racetrack

64

I watched an important / exciting race on TV

10

My family has always been involved with horses

9

I came across online information about horse racing

3



1 New fans defined as those getting involved in the sport in the past 5 years, and betting or attending at least 3 times a year

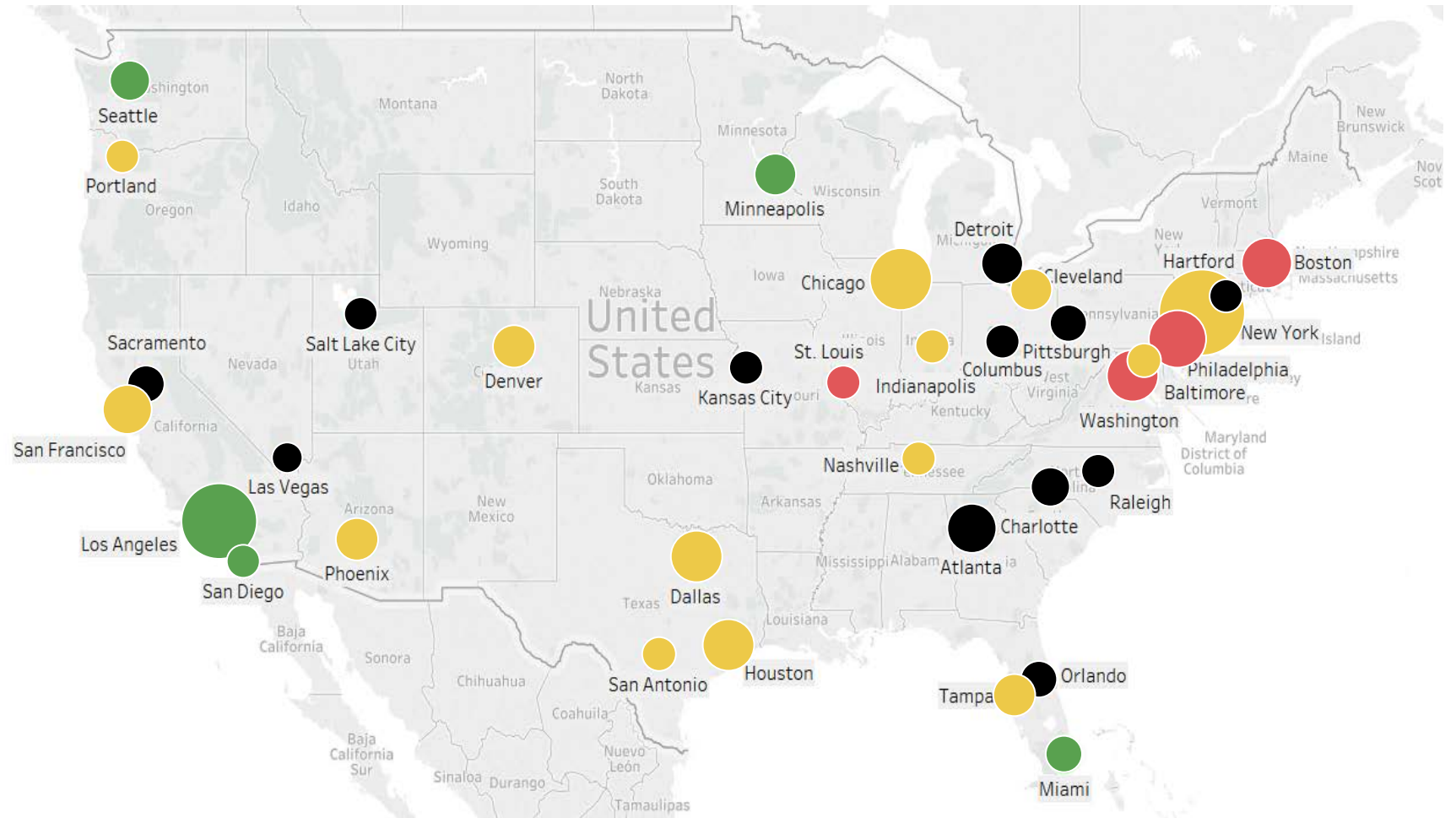
SOURCE: 2018 Thoroughbred Racing Consumer Survey (N=1,351), 2018 Digital Diaries

Other major leagues are raising the bar on gameday



Only 5 of the top 35 cities have a major league track

Top 35 metro areas covered by Thoroughbred racetracks



Highest TripAdvisor track rating in metro area

● 4.5+ ● 3.5 and under
● 4.0 ● No track in DMA

1 Population covered defined as that located within 40 miles of a racetrack

NOTE: Las Vegas is ranked 40th but considered 35th here given its relevance in betting industry and proximity in size to the 36-39th DMAs
SOURCE: 2016 American Community Survey (ACS) 5-year estimates, Nielsen DMA ranking



Digital content, data and marketing

Mobile Media



Smartphone shipments



Time spent on mobile digital media



TV viewing

2011

500 million per year

24 minutes per day

 **580** million users

 **15** million users

18-24 (-44%)

25-34 (-32%)

Today

under **1.4B**

3 hours and **20** minutes per day

 **2** billion users

 **1** billion users

The NBA leads sports in terms of social media fans



@NBA on Facebook
has 36mm followers

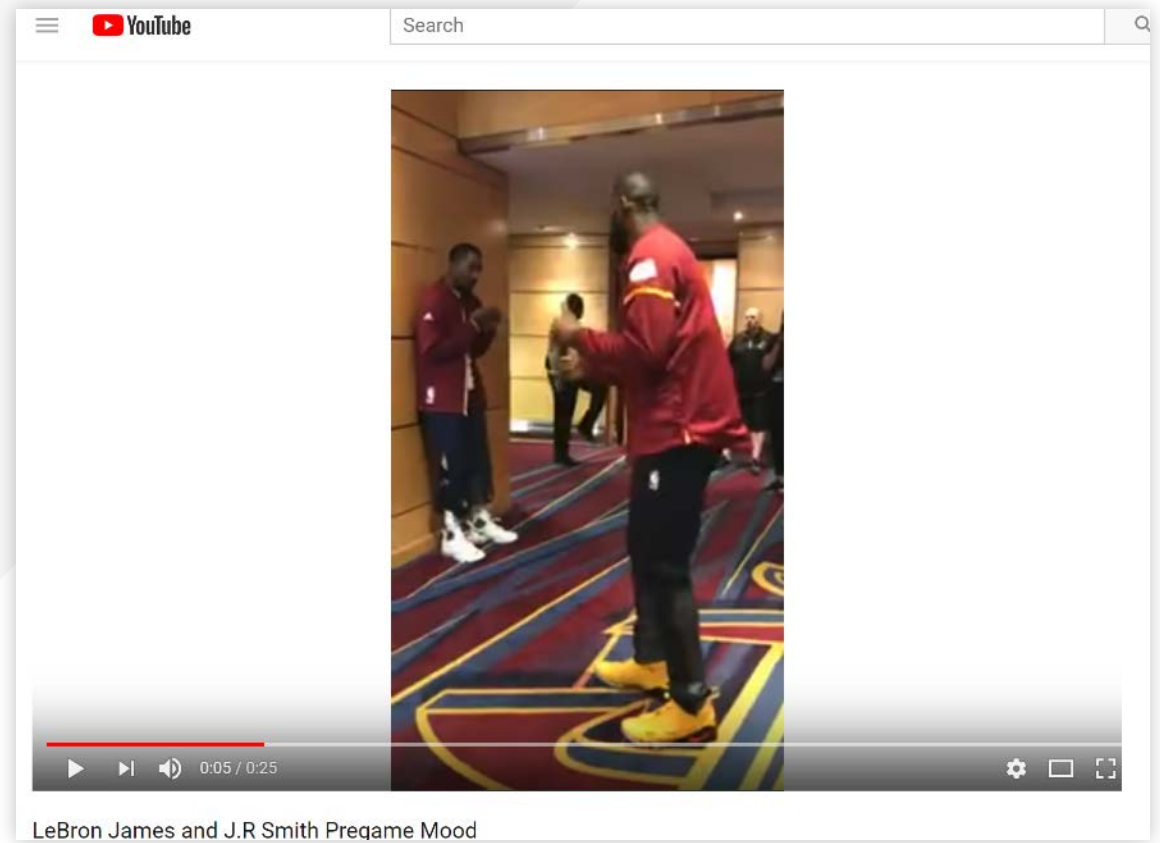


@NBA on Twitter has
27mm followers

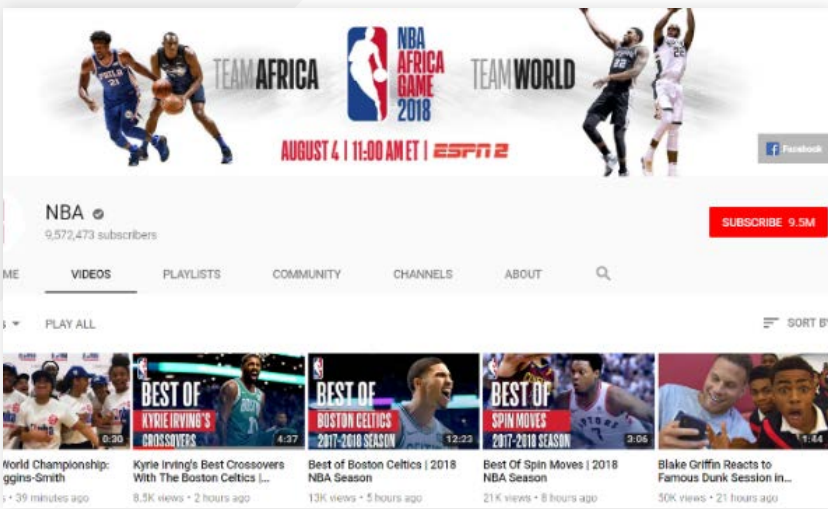


@NBA on Instagram
has 30mm followers

NBA Mobile Content



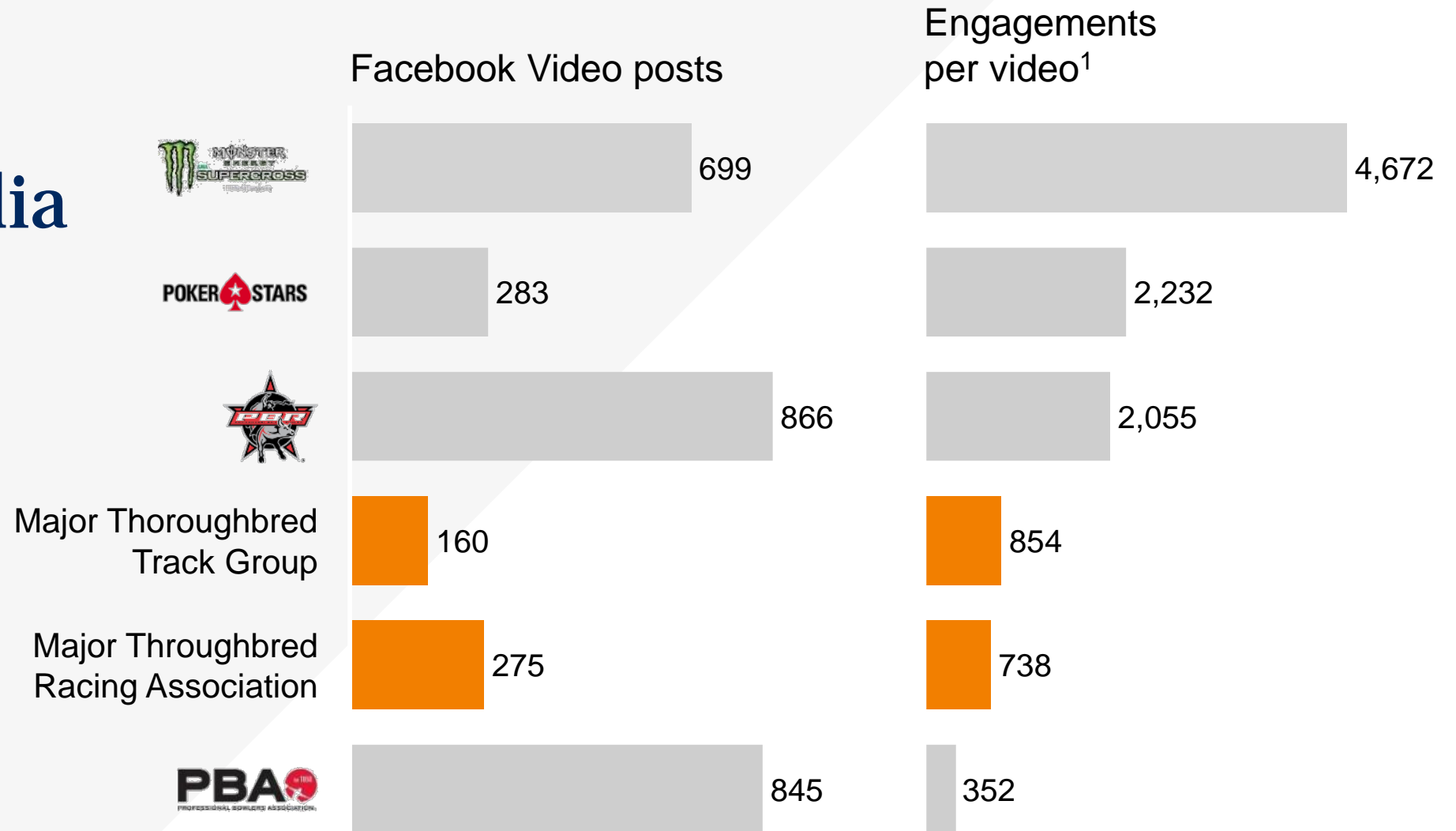
NBA Social Media





Mobile content creation

Racing needs more video engagement on social media



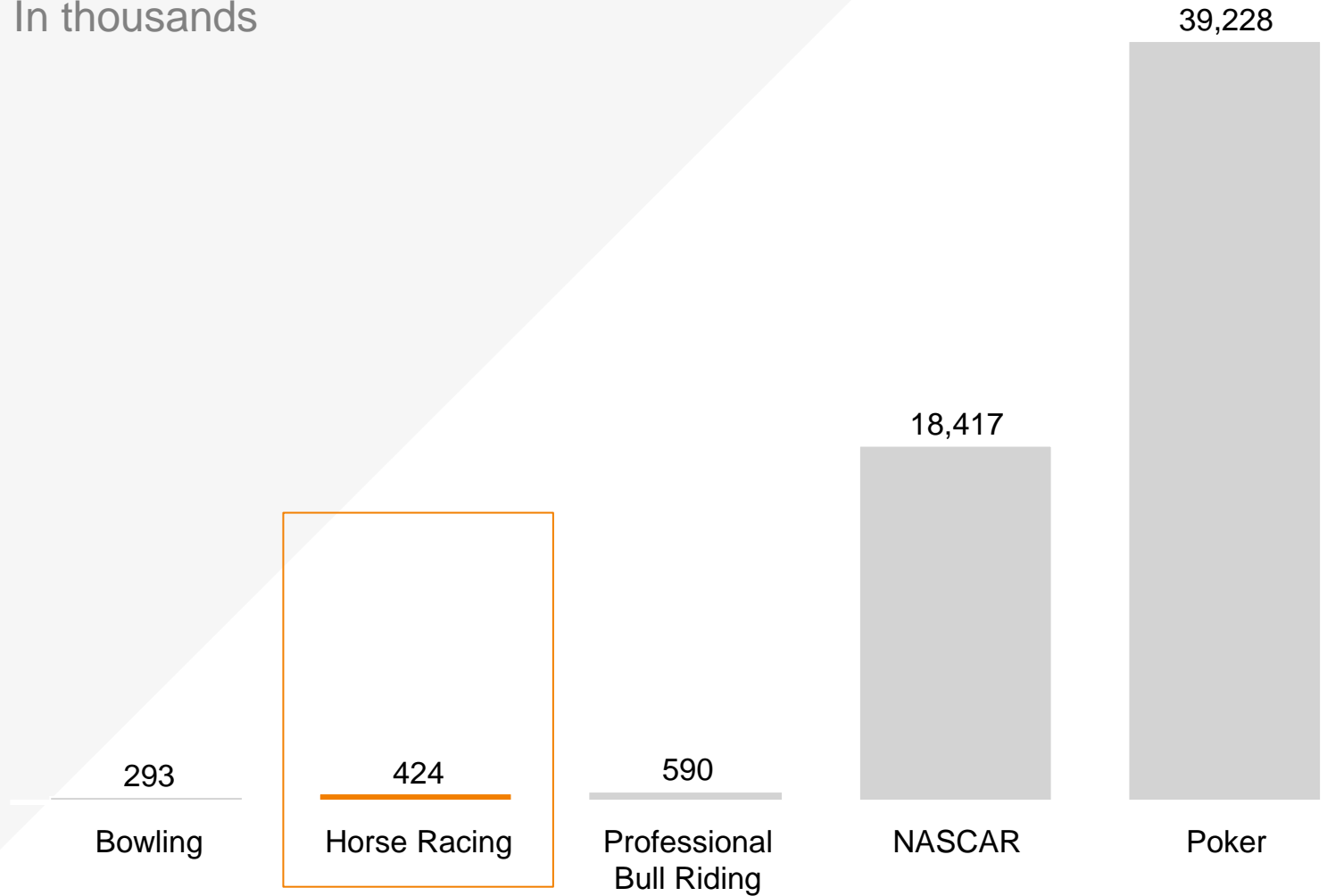
¹ Total likes, dislikes and comments / total uploads

SOURCE: Unmetric

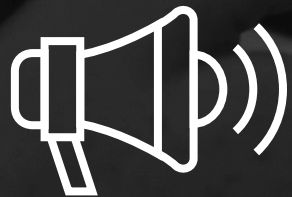
Influencers

Followers for the top 5 influencer accounts by sport¹

In thousands



¹ Poker - Dan Bilzerian, Daniel Negreanu, Phil, Liv Boeree, Jason Mercier; Bowling - Jason Belmonte, Marshall Kent, Jesper Svensson, EJ Tackett, AJ Chapman, Professional bull riding -Guilherme Marchi, Luciano de Castro, Derek Kolbaba, Cooper Davis, Ryan Dirteater; NASCAR – Danica Patrick, Ralph Dale Earnhardt Jr., Jimmie Johnson, Jeff Gordon, Kevin Harvick; Racing - Victor Espinoza, Justin Zayat, Richard Hoiles, Graham Motion, and Joe Talamo



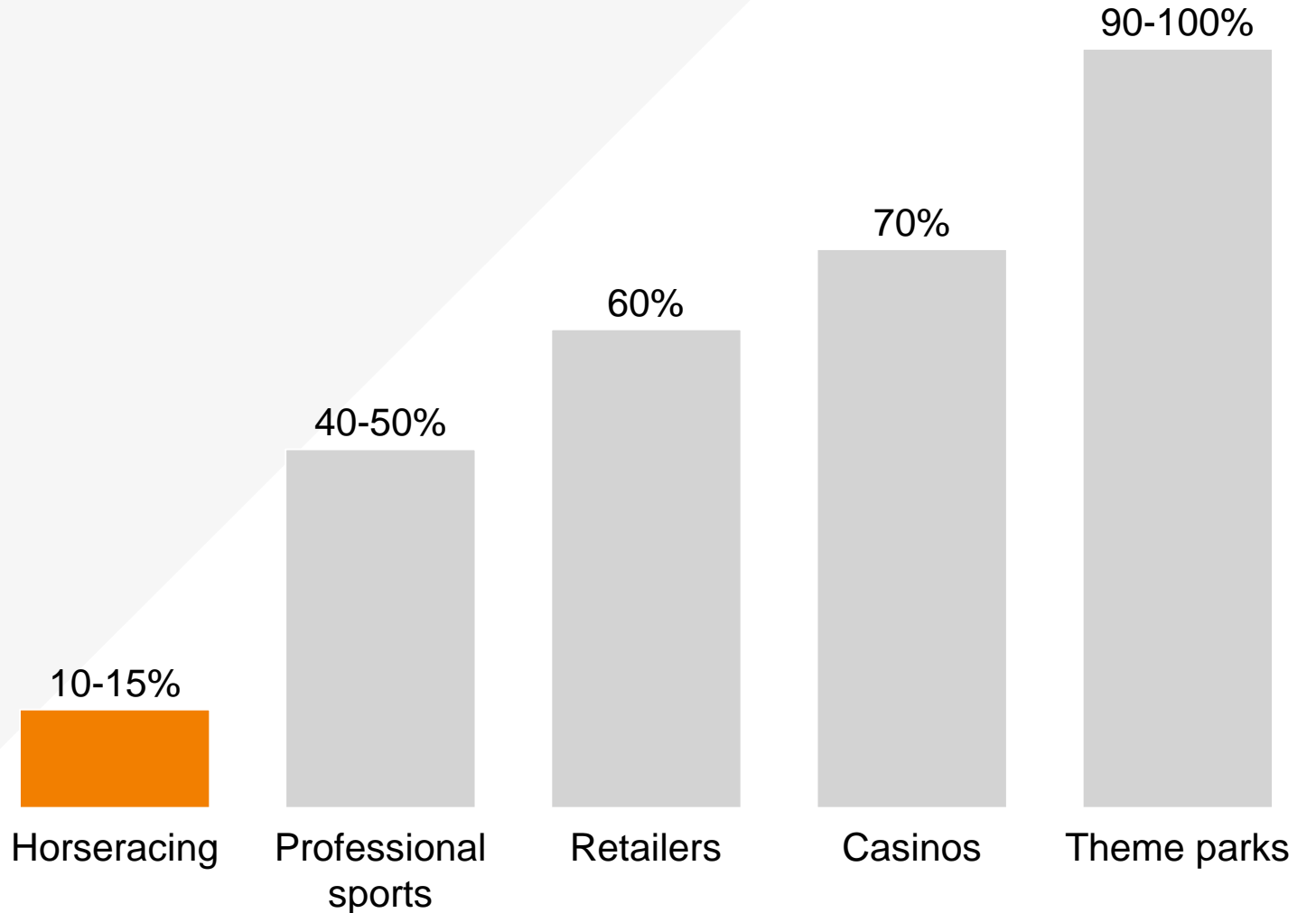
Promotion
of the best
mobile content

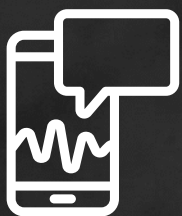


Fan data and personalized digital marketing

Racing trails other industries when it comes to obtaining data on its customers

% of fans / customers “known” by industry leaders

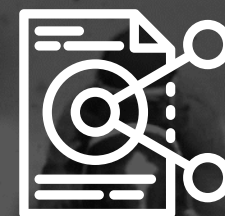




Mobile content
creation



Promotion of
the best mobile
content



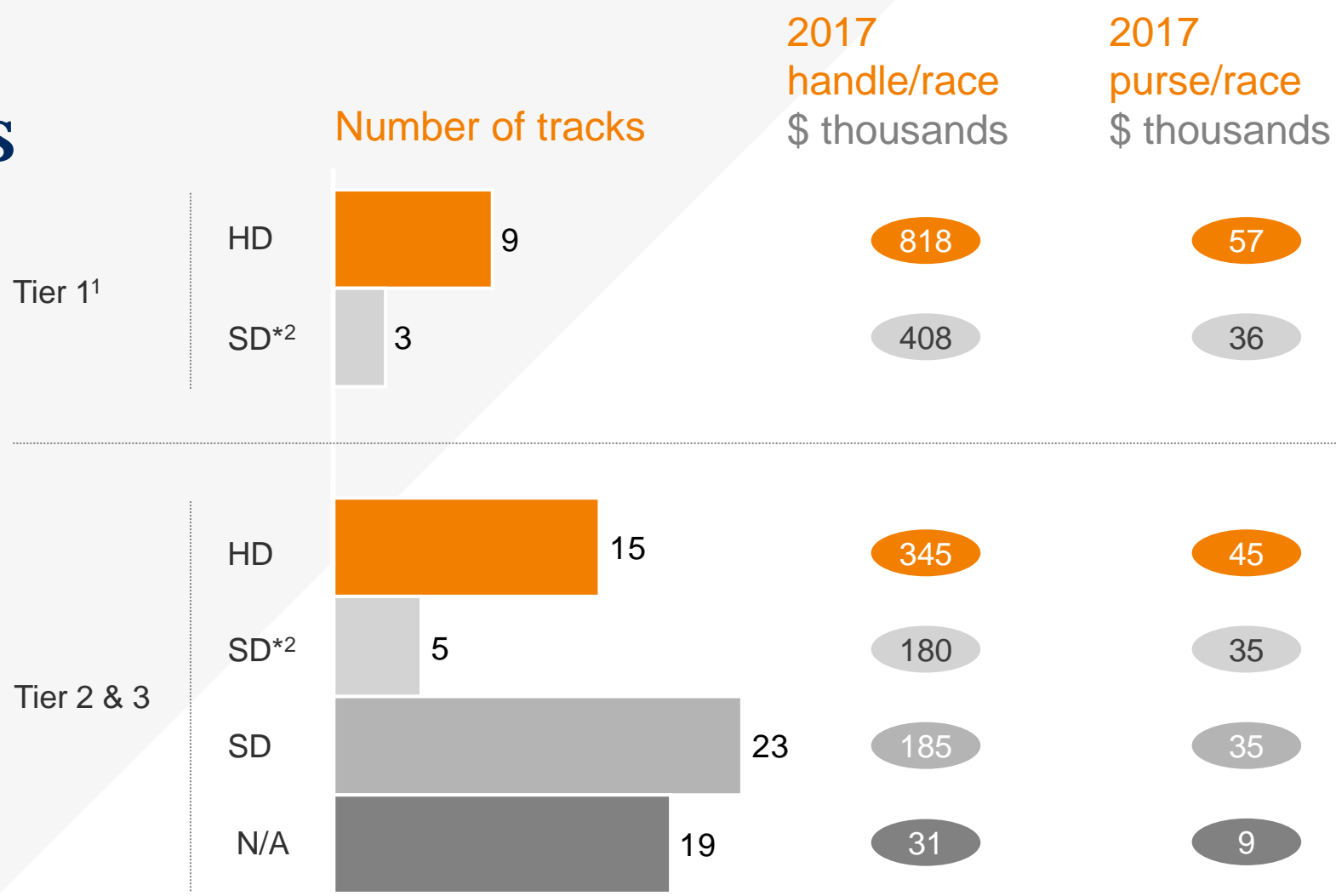
Fan data and
personalized
digital marketing



Television



Only 24 of 74 tracks with races on TVG provide HD signals



¹ The three tracks that do not provide HD signals are Churchill Downs, Arlington, and Fair Grounds, but they all have HD cameras installed
² SD - 4x3 definition, SD* - 16x9, anamorphic signal, N/A – no data (track not covered by TVG)



Advanced Analytics

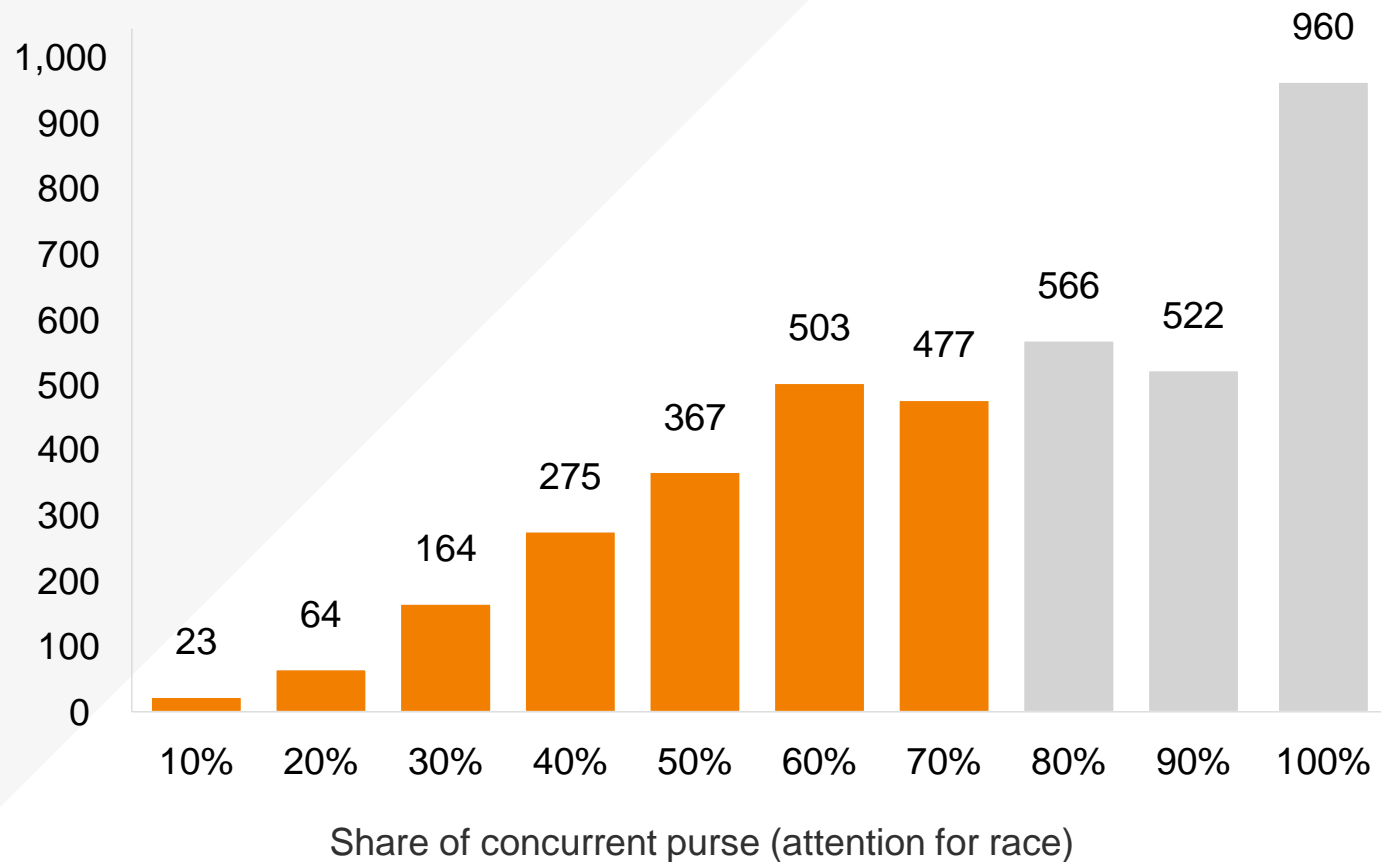
- Scheduling
- Takeout optimization
- Simplified handicapping
- Trainer metrics

Many great races fail to dominate their slot



System-wide overlap

Number of races > \$50,000 purse

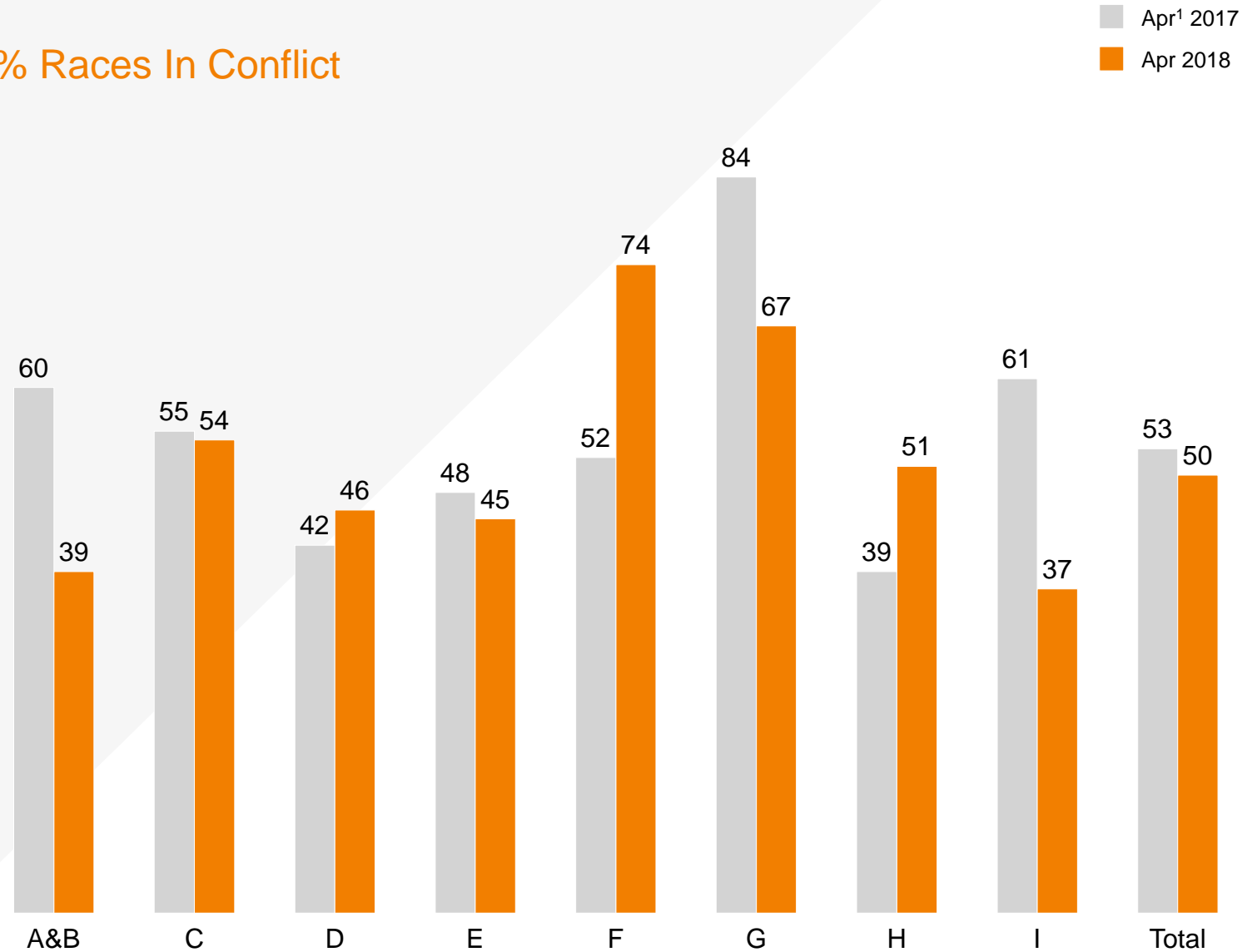


\$1.2 billion of handle is in these 2,000 races that do not dominate their start time

NOTE: Percentage of total purse of races which post within 5 minutes this race represents. Purse is used as proxy for share of attention the race is receiving
SOURCE: Equibase

April scheduling pilot: Races in conflict reduced from 53% to 50% compared to 2017

% Races In Conflict



¹ April 2017 includes April 2nd - May 1st as these are the days of the week that match up with April 1st -April 30th of 2018, the days the pilot ran

SOURCE: Equibase

35% of avid fans believe high takeout rates are one of the top three issues affecting the sport

% of avid racing fans ranking the following as most important issues affecting horseracing

Insufficient or inadequate efforts to reach out to new fans

47%

Use of horse medications and drugs

42%

Low quality races (e.g., too few horses, races are not close enough)

39%

High take-out rates

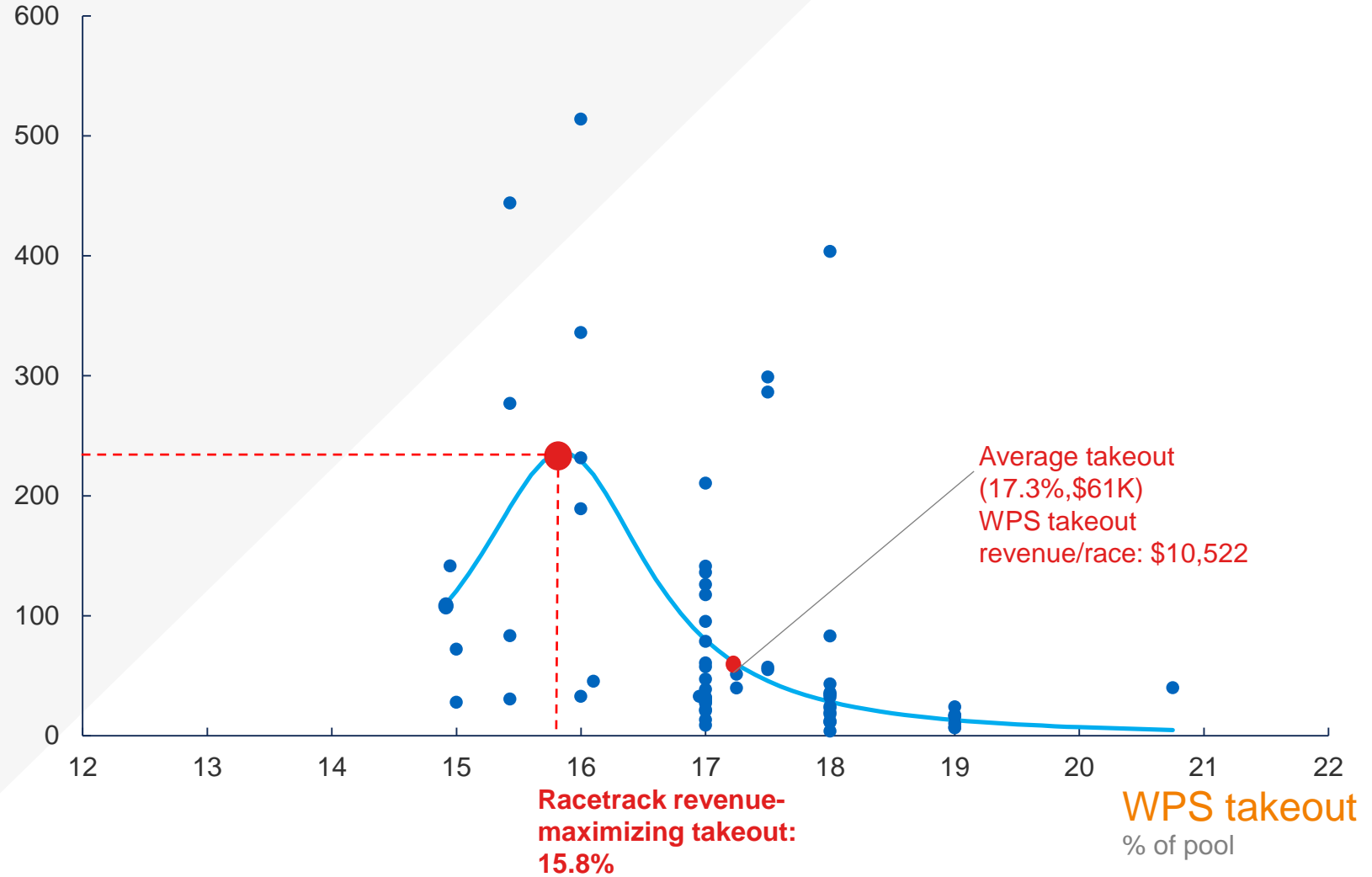
35%

Limited awareness due to low advertising

35%

For WPS bets,
our regression
model suggests
optimal takeout
is 15.8%

WPS Handle
per race
\$ thousands



Betting complexity

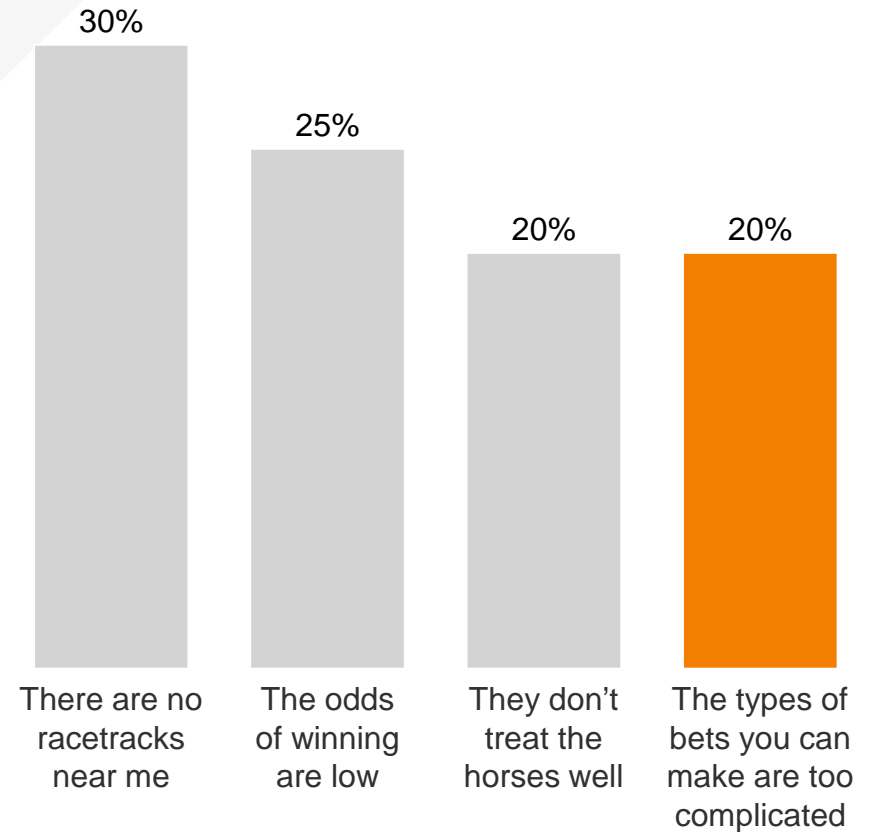
“Difficulty learning to handicap” is a top-3 issue

% of racing fans ranking as a top issue affecting horseracing

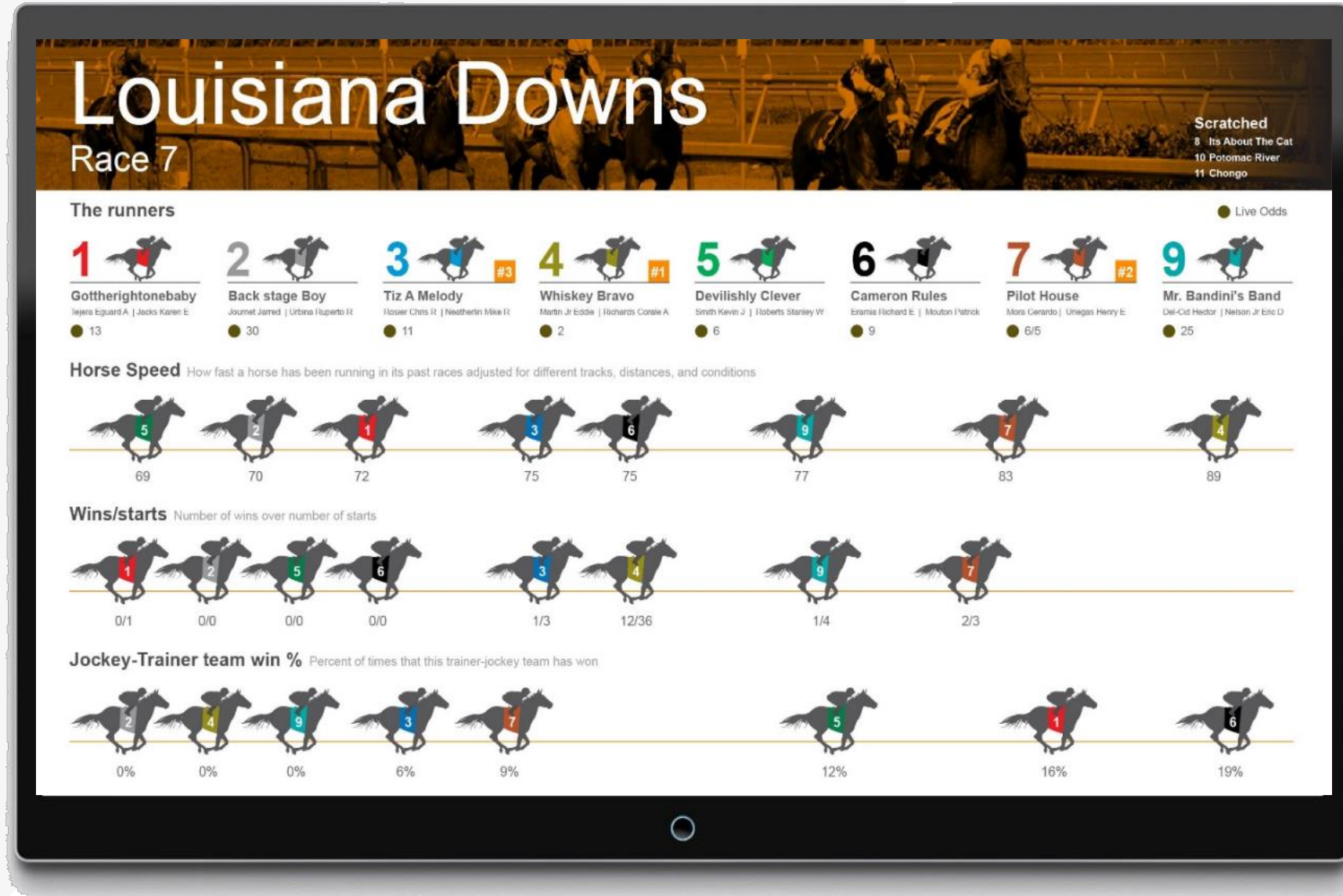


20% of consumers don't bet because it's too complicated

% selecting main reason for not betting

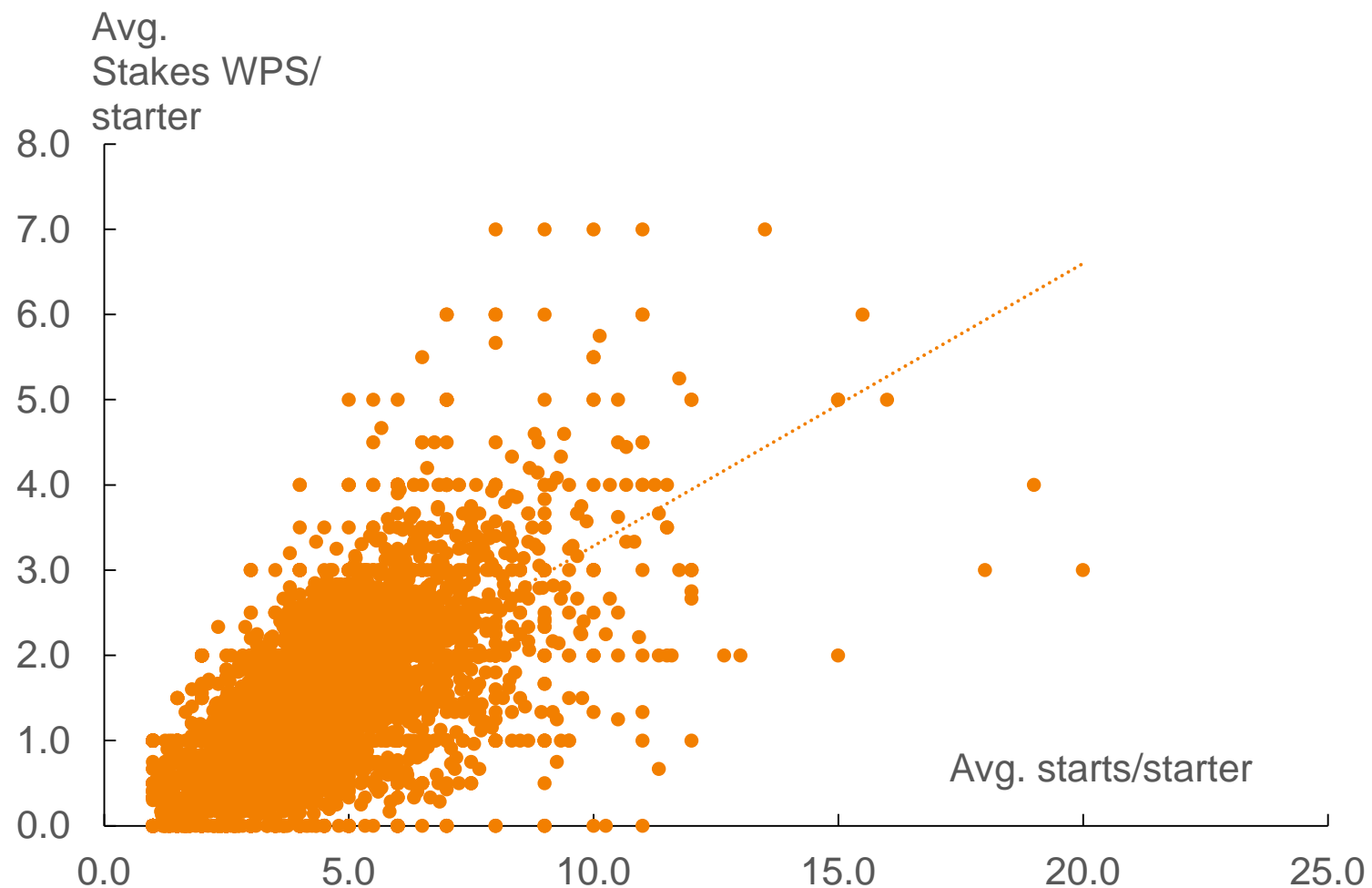


Simple angles for new bettors



Trainer Metrics

'Stakes WPS/starter' strongly correlates with starts/starter/year



A grayscale photograph of several horses running on a grassy track, with a jockey visible on one of the horses. The image is dark and serves as a background for the text.

Legal sports betting

10 states likely to legalize sports betting

Adult population

■ Priority 10: 2018 - 2019

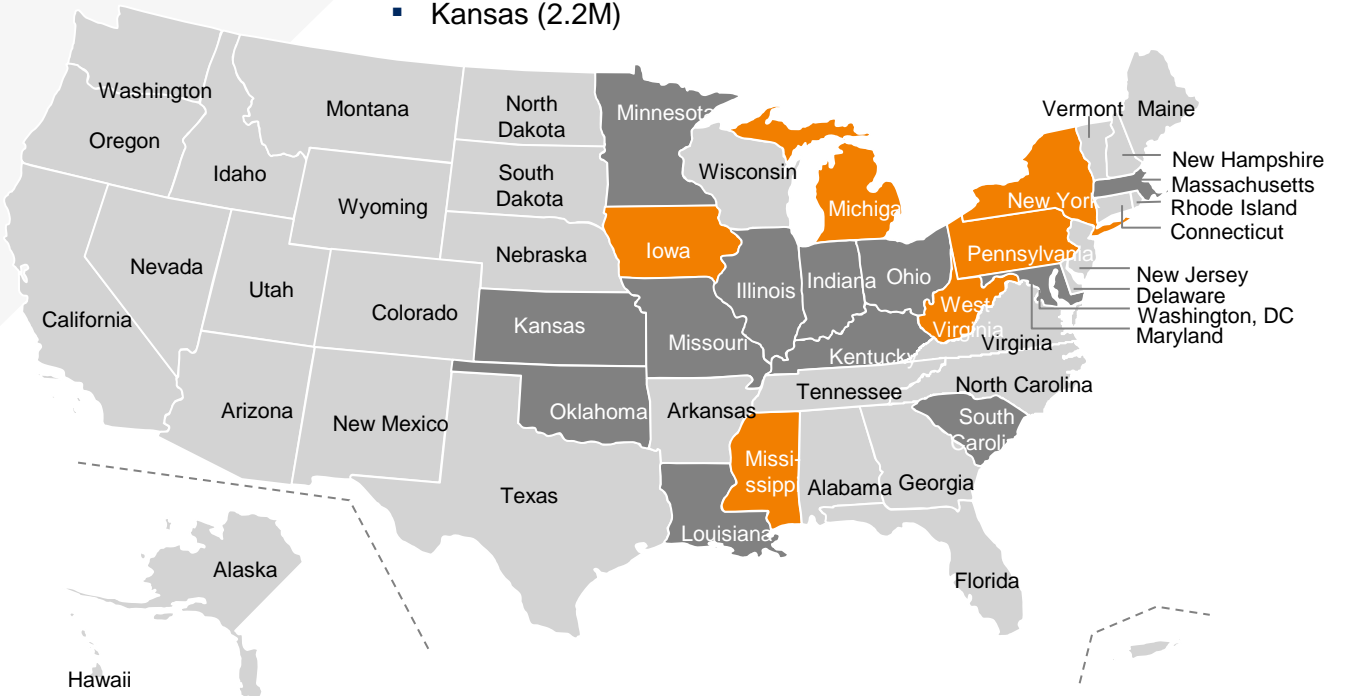
- **New York (15.3M)**
- **Pennsylvania (10M)**
- Michigan (7.6M)
- **New Jersey (6.9M)**
- Connecticut (2.8M)
- Iowa (2.4M)
- Mississippi (2.2M)
- West Virginia (1.4M)
- **Delaware (0.8M)**
- Rhode Island (0.8M)

Second 12: 2020 - 2021

- **Illinois** (9.8M)
- Ohio (8.8M)
- Massachusetts (5.4M)
- **Indiana** (5M)
- **Maryland** (4.7M)
- Missouri (4.7M)
- Minnesota (4.2M)
- South Carolina (3.9M)
- **Louisiana** (3.5M)
- **Kentucky** (3.3M)
- Oklahoma (2.9M)
- Kansas (2.2M)

Large followers: 2021+

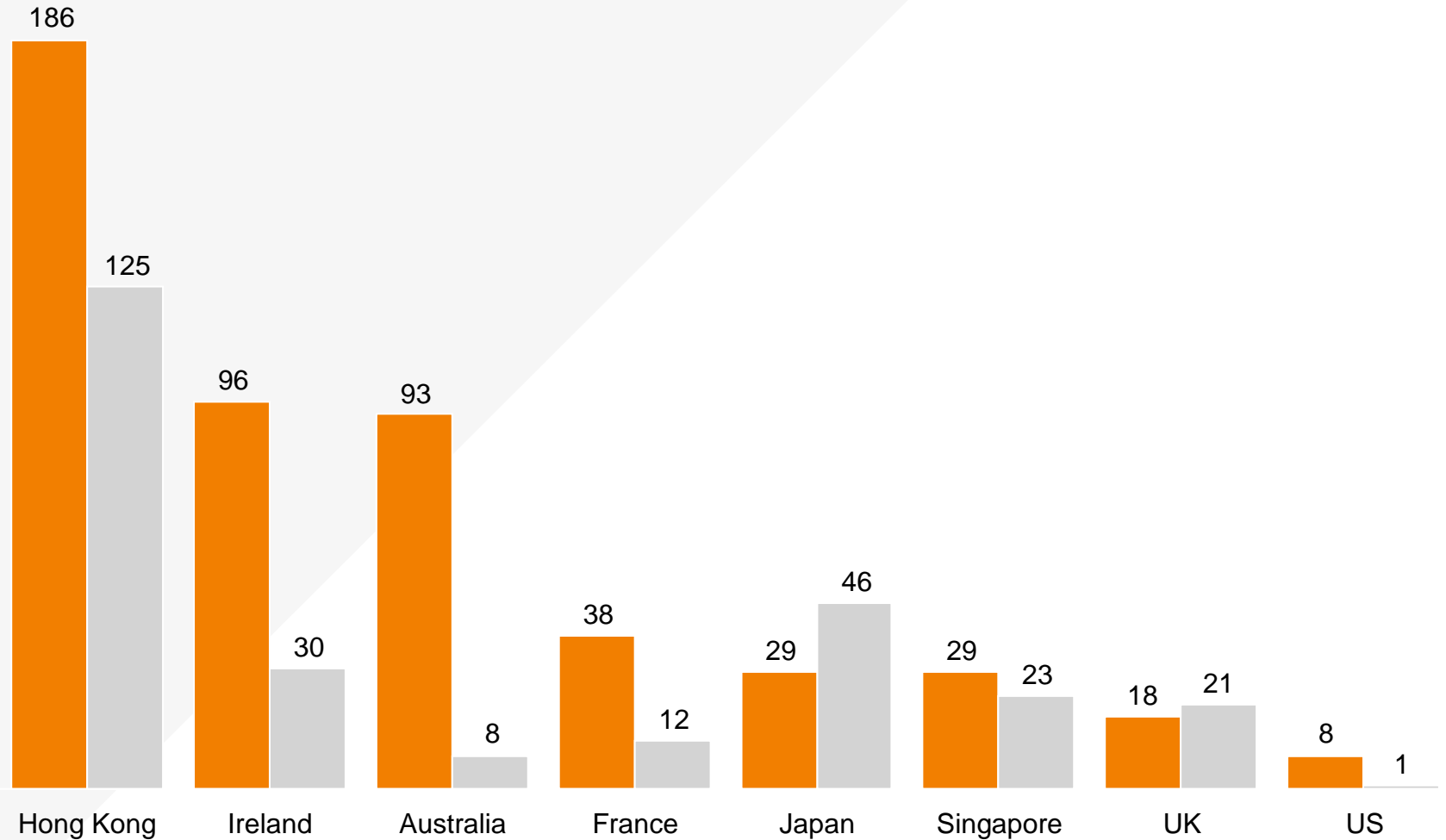
- **California** (30.5M)
- **Texas** (20.9M)
- **Florida** (16.8M)



Racing has continued to prosper in many countries with legal sports betting

Total gross win in 2017 on horse racing and sports wagering per capita¹, USD

■ Horse racing ■ Sports

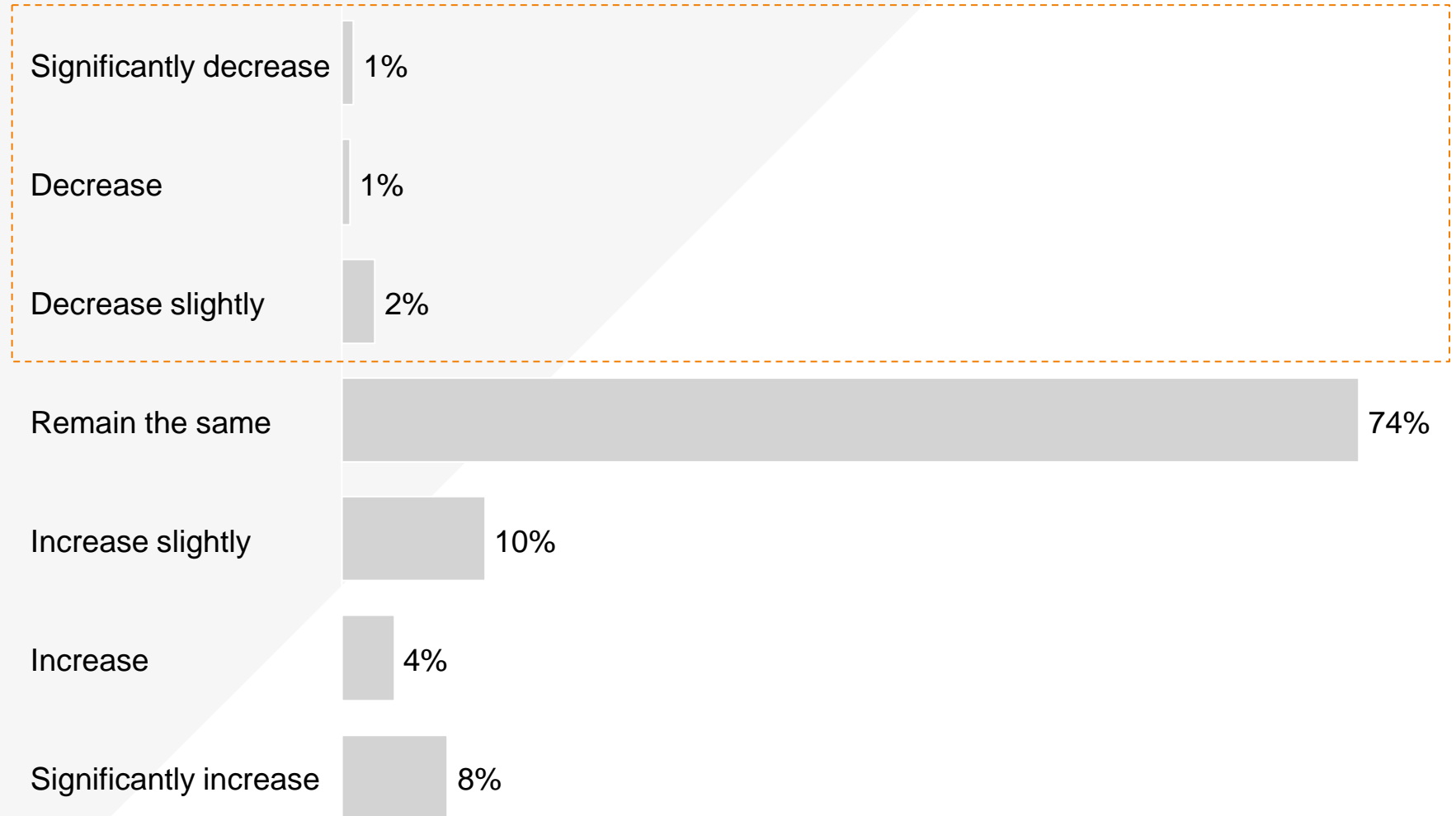


¹ Land-based wagering only, excludes interactive (online) gambling; online betting tends to skew more towards sports, but there is no comprehensive data set

SOURCE: H2 Gambling Capital

**4% of horse
race bettors
will bet less on
racing
if sports
betting is
legalized**

Impact of legalization of sports betting on horse race bets
by horse racing bettors (N=264)



Cross-selling to sports bettors

Minimal friction in placing a bet...

- 2-minute cross-sell opportunity (fill downtime during game breaks)
- Minimizing friction:
 - same registration
 - same account
 - racing tab
 - same user experience
- Parlays across racing and other sports

...avoiding split regulatory oversight

- Risks:
 - Incompatible **registration** requirements
 - Incompatible **operating** requirements
 - Incompatible rules on **marketing**



Fixed odds for WPS bets

Conditions for success



Commission



Mechanism for setting odds



Regulatory changes

Growth Themes



Innovations in venues



Digital content, data, and marketing



Advanced analytics



Legalization of sports betting



Stuart S. Janney III

Chairman
The Jockey Club

Develop plans to consider track ownership / operations

Develop a capital improvement grant fund for HD (high definition) conversion and track improvements

Expand America's Best Racing into a full-fledged digital media services company

Further invest in live racing on national television

Fund a permanent office of race day scheduling



Advocate for tracks to experiment with decreased win/place/show takeout rates

Partner to fund a U.S. pilot of single pool betting

Promote cross-marketing of sports betting and horserace betting

Lobby for a horse racing fixed odds betting pilot





The Jockey Club Round Table Conference on Matters Pertaining to Racing

August 12, 2018