The Jockey Club Round Table Conference on Matters Pertaining to Racing

August 12, 2018
States are free to authorize sports betting, Supreme Court rules
BUILDING A WORLD-CLASS DRUG DETECTION SYSTEM FOR THE RACING INDUSTRY

A NATIONAL STRATEGIC PLAN

Final Report
May 11, 1991
Driving sustainable growth for Thoroughbred racing and breeding

Round Table Conference Presentation
August 14, 2011
Laura Barillaro
Executive Vice President & Chief Financial Officer
The Jockey Club
6.5 million unique visitors

Five Key Takeaways from Saratoga's Opening Weekend

Tom Pedulla presents five takeaways from opening weekend at Saratoga Race Course:
60% younger than 50
85% younger than 44
1) Gmax Server retrieves racecard information, track survey data, and configures Base Station.

2) Weighing room official assigns trackers to horses, and places the trackers into pockets in the cloths.

3) Trackers estimate their position using multiple satellite navigation and augmentation systems.

4) Trackers transmit details of their movement by UHF radio to Base Station.

5) Base Station generates real-time data feeds to local or off-site subscribers.

6) Gmax Server stores and presents race data for analysis.

7) Gmax Race system packed for transport to next fixture.
GPS Automated Tracking
The Jockey Club Scholarships

Jacqueline Schumacher
TJC Jack Goodman Scholarship

Brianna Vitt
The Jockey Club Scholarship
Some key industry statistics and economic indicators:

**Estimated number of horses in the U.S.**

7.2 million

**Estimated number of horses by activity**

- Recreation- 3,141,449
- Showing- 1,227,986
- Racing- 1,224,482
- Working- 537,261
2019 Foal Crop Estimate

21,500
“All licensed racing and training facilities to include monitoring and recording information in the Equine Industry Database concerning fatalities and horses observed lame by an official veterinarian during training hours in addition to recording relevant information related to soundness issues of the horse.”
Laura Barillaro
Executive Vice President &
Chief Financial Officer
The Jockey Club
The Jockey Club
Round Table Conference
on Matters Pertaining to Racing
August 12, 2018
THE JOCKEY CLUB
1750, today and tomorrow
Simon Bazalgette
Group Chief Executive
HOW IT ALL BEGAN...
1750
EARLY BEGINNINGS
Founded in 1750 by a group of prominent figures in British society

- As a club for those passionate about the Thoroughbred and horseracing
- Established an early stated purpose for meeting to “promote the improvement of the Thoroughbred and the prosperity of the Turf”
- Soon The Jockey Club established rules to ensure races on Newmarket’s ‘Heath’ were run fairly – the basis of the Rules of Racing globally today
The Jockey Club established a key role at the heart of horseracing

- Over time, The Jockey Club took on the responsibility of becoming the official governing body of horseracing in Britain
- Members have included many members of the British Royal Family – and overseas Royalty – and no fewer than six Prime Ministers
- When the sport needed The Jockey Club’s help to save many of its leading assets, this set a course for it to play a very different future role
The Jockey Club

TODAY

The Jockey Club is the largest commercial group in British Racing and our operations include staging several of Britain’s most iconic events.
Governed by Royal Charter, The Jockey Club’s mission is to act for the long-term good of British Racing in all that we do.

In practice, this means:

- Investing all our profits back into racing
- Promoting excellence (e.g. quality racing)
- Driving and introducing innovation
- Working with others with a similar vision
- Always taking decisions for the long-term
For British horse racing to be the best in the world for many years to come and to inspire millions to enjoy it.
**OUR STRUCTURE**

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**The Jockey Club**

**Board, Executive and Group Functions**

- **Jockey Club Racecourses**
  - The Jockey Club owns 15 leading racecourses across the UK, which stage some of Britain’s most iconic racing and are used as busy conference and events venues.

- **Jockey Club Estates**
  - The Group’s property and land management arm is responsible for more than 5,000 acres of land, including more than 3,000 acres of world-class racehorse training grounds at Newmarket, Lambourn and Epsom Downs, and the historic Jockey Club Rooms.

- **The National Stud**
  - The Group’s Thoroughbred breeding, boarding and educational arm in Newmarket provides stallion services, seasonal and permanent boarding, foaling, sales preparation, spelling facilities, world-class education courses and public tours.

- **Racing Welfare**
  - The Jockey Club’s charity offers support and guidance to racing’s people in need. Through a nationwide network of regional welfare officers, the charity helps the unseen army of dedicated staff whose work is vital to British racing.

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**MAJOR SHAREHOLDINGS INCLUDE**:

- Racing UK
- QIPCO
- British Champions Series
- The Jockey Club Live
GREATEST FOCUS OF PREVIOUS 10 YEARS?
THE EXPERIENCE IS EVERYTHING

Putting the CUSTOMER at the centre of all we do:

- Investing to get the customer experience right
- Instead of starting with what we want or we think

Areas this has included:

- Major investment in facilities
- Data insights & analysis
- CRM & loyalty
- Fan engagement
- Brand development
- New products
- Innovations
- Partnerships & joint ventures
- Dynamic pricing model
- Enhancing experience vs profit
CUSTOMER GROWTH STRATEGY
(TACKLING ‘1.2 TIMES’ A YEAR)

Acquisition
To identify and convert Crowd and Community into ticket buying customers

Result:
Book for the first time

Retention
To maintain a relationship with the Customer in order to get them to repeat any event once the following year or season

Result:
Repeat book for an event the following year (and engage with our content and / or watch broadcast)

Frequency
To inspire the Customer to visit more than one event in our portfolio in that year or season

Result:
Book for multiple events in a year (and engage with our content and partners, watch broadcast, purchase merchandise, consider racehorse ownership)

A) Engaging customers and b) providing them with a fantastic experience are key to this journey
DATA & CUSTOMER INSIGHT AT THE HEART OF OUR STRATEGY
MORE FANS = MORE EVERYTHING

Casual link between the size of your engaged fan base and:

- Attendances → increased atmosphere & revenues
- Media consumption → increased profile & media rights revenues
- Racehorse owners & syndicate members → increased horse population
- Commercial Partners → bigger / better deals & activations
- Betting turnover → returns for racing

At The Jockey Club:

- Prizes money
- Facilities for customers & participants
- Investment in innovations & people

↑ Profits = ↑ to sustain, improve & grow the sport
SUCCESSES AND CHALLENGES
RECENT SUCCESSES:
1. FINANCES

Wins include:

• Revolutionising media landscape – unlocking significant value

• Resolving Horserace Betting Levy leakage – after offshore moves and with a highly competitive betting market, not a racing-controlled monopoly

• Attracting a wide range of new commercial partners to get involved

• These have powered our ability to provide record prize money to horsemen and major investment in facilities for customers and participants
RECENT SUCCESSES:
2. STRUCTURE

Wins include:
• Introducing an effective ‘tri-partite’ governance structure for British Racing
• Creating championships and series to follow and world’s best fixture on ratings (British Champions Day)
RECENT SUCCESSES: 3. REACH

Wins include:

• Increasing awareness and interest levels
• Attracting major terrestrial broadcaster (100+ fixtures)
• Increasing media coverage and social media engagement
• Attracting new commercial partners for promotion and funding
The horse comes first

• We view the welfare of racehorses as our sport’s number one priority
  • Without them we are nothing!
• But also our sport’s greatest weakness – public perception is all
• Is there more we can do on a global basis to tackle the challenge?

CHALLENGES OF OUR TIME:
1. EQUINE WELFARE
Bracing for a commercial hit
- Just when revenue lines we control are doing well and Levy leaks resolved
- The UK Government is cracking-down on Fixed Odds Betting Terminals in licensed betting offices – likely to result in widespread shop closures
- Independent estimates suggest a multi-million pound adverse impact on British Racing’s funding from a) reduction in media rights and b) Levy

CHALLENGES OF OUR TIME: 2. FUNDING
Providing a ‘reason to care’ about racing / reaching the next generation

• The fight for relevance seems to be the same the world over
• We are up against global players such as football, Olympic sport and F1, along with locally popular sports, leisure and entertainment properties
• Can we do more together promoting racing in a globally-connected world?
INCREASED AWARENESS - INTEREST DOUBLED IN FIVE YEARS

Source: ComRes omnibus surveys commissioned by The Jockey Club
CONSIDERATION AND COMMITMENT IS TO COME…

Source: Two Circles study commissioned by Racecourse Association and Great British Racing (results 2016)
The Jockey Club has introduced a series of initiatives, including:

• Investing in targeted digital content
• Championship Horse Racing – Team Racing
• City Racing – street races in major cities
• Championing diversity – all fans & talent
• Rewards4Racing – loyalty scheme
• Working with influencers & celebrities
• ‘Horseplay’ family concept
• ‘Racing Explained’
• Series including ‘Chase Triple Crown’
STARTED TO CONSIDER BRITISH RACING – AND THE JOCKEY CLUB – AS A BRAND
TO CONCLUDE: A RALLYING CALL
Do we have a shared ambition?

No matter where we are in the world or our particular piece of the puzzle…

To leave Thoroughbred horseracing in better shape than we found it?
THANK YOU

@SimonBazalgette
simon.bazalgette@thejockeyclub.co.uk
The Jockey Club
Round Table Conference on Matters Pertaining to Racing

August 12, 2018
2018 Strategy Refresh
August 2018
2011 Trends
Percent change, 2000 - 2010

Handle

↓ 37%

Attendance

↓ 30%

Starts per horse

↓ 14%

Race days

↓ 14%
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
Pay TV Subscribers
2011: 88%
Today: 79%

Millennials watching TV
2011: 37%
Today: 6% p.a.

Stick-and-ball sports ratings
2011: 10 million
Today: 125 million

SOURCE: Nielsen, Netflix
Growth Themes

- Innovations in venues
- Digital content, data, and marketing
- Advanced analytics
- Legalization of sports betting
James L. Gagliano
President and Chief Operating Officer
The Jockey Club
Situation Analysis: Horseracing today
After declining through 2011, handle has stabilized.
The Thoroughbred industry 2011-2018

Foal Crop

↓ 1% per year

Field Size

↓ 8.04 to 7.7

Total Starters

↓ 4% per year

Number of US Races

↓ -3% per year
Handle is becoming concentrated in Tier 1 tracks

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, $M**

<table>
<thead>
<tr>
<th></th>
<th>Tier 1</th>
<th>Tiers 2 &amp; 3</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>5,645</td>
<td>6,886</td>
</tr>
<tr>
<td></td>
<td>5,126</td>
<td>4,271</td>
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</table>

**Total number of races**

<table>
<thead>
<tr>
<th></th>
<th>Tier 1</th>
<th>Tiers 2 &amp; 3</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>9,375</td>
<td>9,517</td>
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<tr>
<td></td>
<td>42,731</td>
<td>34,459</td>
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</table>

**Handle/race**

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2017</th>
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</thead>
<tbody>
<tr>
<td>Tier 1</td>
<td>$604K</td>
<td>$724K</td>
</tr>
<tr>
<td>Tiers 2 &amp; 3</td>
<td>$120K</td>
<td>$124K</td>
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</tbody>
</table>

SOURCE: Equibase
Handle has increased in the ‘best racing’

<table>
<thead>
<tr>
<th>Race Class</th>
<th>2017 Total handle/race</th>
<th>% handle change over 7 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grade I / Grade II</td>
<td>$3,575K</td>
<td>3%</td>
</tr>
<tr>
<td>Other Stakes</td>
<td>$464K</td>
<td>5%</td>
</tr>
<tr>
<td>Maidens</td>
<td>$334K</td>
<td>3%</td>
</tr>
<tr>
<td>Allowance</td>
<td>$276K</td>
<td>2%</td>
</tr>
<tr>
<td>Claiming and Other</td>
<td>$209K</td>
<td>-1%</td>
</tr>
</tbody>
</table>

2017 # of Races: 240, 1,792, 4,776, 7,394, 26,644

SOURCE: Equibase
ADWs are now 33% of handle

Handle by betting channel, 2011-2017

USD M

% of total, 2011  % of total, 2017  CAGR ‘11-’17

Off-track  72  58  -4

ADW  17  33  14

On-track  11  10  -3

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

Unique starters
-4%

Registered owners
-4%

Foal crop
-1%

CAGR 2011-2017

1 Unique owners registered for a starter at each race

SOURCE: TJC Factbook, Equibase
Super trainers

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.

SOURCE: Equibase
Horse racing has seen an improvement in public perception since 2011

% who agree/strongly agree

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2018</th>
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<tbody>
<tr>
<td>Positive impression of Horse Racing</td>
<td>19%</td>
<td>22%</td>
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<tr>
<td>Horse Racing</td>
<td></td>
<td></td>
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<tr>
<td>Average of other sports</td>
<td></td>
<td></td>
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<tr>
<td>Recommend sport to others</td>
<td>70%</td>
<td>69%</td>
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</tbody>
</table>

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

~16M Americans (~6% of U.S. adults) follow Thoroughbred racing

Racing fans as a percent of US adult population

Non-fans 81%

Fans 6%

Lapsed core fans 13%

2017 US adult population = ~251.5M people

Racing fans

Total: 16M

Whales
Bet at least $600K/ year

320

Fans using ADW
Fans with an ADW account

0.5M

Avid fans
Bet or attend 12+ times a year

2.6M

Casual fans
Bet or attend 3-11 times a year

5.0M

Occasional
Bet or attend 1-2 times a year

8.3M

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

SOURCE: United States Census Bureau, McKinsey 2018 Thoroughbred Racing Consumer Survey (N=1,351), NYRA Bets 2016-17 data
Average age of fans

Median age of television viewers by sport

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<tr>
<td>PGA tour</td>
<td>64</td>
<td>63</td>
<td>62</td>
<td>61</td>
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<td>58</td>
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<tr>
<td>Horse racing</td>
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<td>NASCAR</td>
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<td>44</td>
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<td>42</td>
<td>41</td>
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<tr>
<td>MLB</td>
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<td>NFL</td>
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<td>NBA</td>
<td>42</td>
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<td>36</td>
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<td>32</td>
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SOURCE: MAGNA Global, Sports Business Journal
New fans see racing as a group social experience

New and long-term\(^1\) fans at the track
% of fans attending the racetrack with…

- Small group of friends (1-3): New fans 23%, Long-term fans 41%
- Large group of friends (4+): New fans 45%, Long-term fans 17%
- Adult family members: New fans 16%, Long-term fans 42%

\(^1\) 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

The Jockey Club
Round Table Conference
on Matters Pertaining to Racing

August 12, 2018
Ian D. Highet
Secretary-Treasurer
The Jockey Club
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