

Handle, Takeout and Churn Review and Recommendations

Presented by William Nader

Handle, Takeout and Churn

Review and Recommendations

HANDLE - KEY TO ALL INDUSTRY STAKEHOLDERS

Owners and Breeders  Purse Money Funding

Race Tracks  Business Owners

TAKEOUT - the **PRICE** customers pay to participate through pari-mutuel wagering on our sport of horse racing

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10-YEAR INDUSTRY TREND

YEAR	PURSES (in millions)	HANDLE (in millions)	RACE	FIELD SIZE
2007	1,180.6	14,725	51,304	8.18
2008	1,165.0	13,362	50,120	8.19
2009	1,098.2	12,315	49,368	8.26
2010	1,031.3	11,419	46,379	8.20
2011	1,061.2	10,770	45,417	8.06
2012	1,127.8	10,882	45,086	7.90
2013	1,127.2	10,887	43,139	7.88
2014	1,111.7	10,552	41,276	7.71
2015	1,093.7	10,675	38,941	7.85
2016	1,083.7	10,774	37,614	7.79
% Change	-8.2	-27.0	-26.7	-4.8
		-34.7		

- Handle exceeded \$15 billion in years 2002-2004.
- Foal Crop declined approximately 39% during this period.

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GAME CHANGERS

Competition we are linked to:

- VLT's
- Historical Horse Racing (\$1 billion)
- Sports Betting (possible)

Bay Meadows died August 2008 (age 73)

New York City OTB died December 2010 (age 40)

Hollywood Park died December 2013 (age 74)

New England extinct

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KEENELAND FALL (17 DAYS)

	2017	2016	% CHANGE
Takeout	17.5 / 22	16 / 19	*11.50
On-Track Handle Average	17,597,035 1,035,120	17,793,419 1,046,672	-1.10
All-Sources Handle Average	121,712,704 7,159,574	132,937,720 7,819,866	-8.44
Attendance Average	270,555 15,815	276,543 16,267	-2.17
Races	160	159	Nil
Off The Turf	8	2	
Average Field Size	9.2	9.1	

- **Takeout increased 9.4% and 15.8%, blending to 11.5%**

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10-YEAR WAGERING TREND AS % OF TOTAL

	2007	2016	CHANGE
SINGLE RACE			
WPS	33.1	32.4	-0.7
EXACTA	26.2	23.4	-2.8
TRIFECTA	21.6	15.9	-5.7
SUPER	7.2	9.9	2.7
QUINELLA	0.5	0	-0.5
MULTI-RACE			
P3 and P6	5.0	5.8	0.8
P4 and P5	3.0	7.7	4.7
Double	3.2	4.2	1.0

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HONG KONG TURNOVER BY BET TYPE

WP	37
QUINELLA	26
QUINELLA PLACE	22

- 85% of TOTAL Turnover on Standard, Single-Race Bets
- \$153 million of \$180 million per race day (US dollars)
- **Rebate policy on these bet types only. Requires a min. bet of \$1,285 per transaction**
- **Fractional Investment allowed on multi-race, jackpot bet types**

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TAKEOUT STIMULUS PACKAGE

OBJECTIVE

- **Make a concerted effort to increase handle through a reduced takeout on WPS and Exacta wagering, allowing dollars to “turn over” and create churn. All shareholders absorb a pro-rata share of the reduction.**
- **Re-build the foundation to grow the business.**

EXECUTION

- **This will NOT work in isolation. It requires a collective agreement from a number of major race tracks interested in sustainable growth. A commitment to a one-year period is needed to properly measure impact.**
- **Status quo will only continue the 7-year trend of \$10.7 billion, unadjusted for inflation.**

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SLIDING TAKEOUT SCALE

- Flexibility of takeout structure should allow for a further reduction in takeout on WPS and Exacta pools when field sizes are 5 horses or less. “Reduced for quick sale” mindset.

PICK 6 FLEXIBILITY

- Allow 50-cent and \$1 dollar wagering on the Pick 6 and adjust the payout on these fractional bets to match the percentage investment. Based on the current \$2 minimum in California and New York, the 50-cent bet would be eligible for 25% of the payout and the \$1 dollar bet would be a 50% wager.
- *The bettor would be required to bet a minimum \$24 to participate in the fractional Pick 6 wager.*
- If, for example, the Pick 6 payout is based on a \$2 minimum bet and the only winning ticket is a \$50-cent unit, a net pool of \$100,000 would be divided \$25,000 to the winning ticket and \$75,000 carried over to the next race day.

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POSITIONING

- **We are in a business that features unique sporting entertainment – a combination of Horse Racing AND Pari-Mutuel Wagering.**

- **Work on the fundamentals:**
 - **Quality Racing**
 - **Field Size**
 - **Integrity**
 - **Liquidity**

- **Time to implement real change.**

THANK YOU