

CANTERBURY PARK

2016 TAKEOUT REDUCTION

RESULTS & ANALYSIS



2016 UNIVERSITY OF ARIZONA SYMPOSIUM ON RACING AND GAMING
WEDNESDAY, DECEMBER 7, 2016



Canterbury Park 2012-Present

- ▶ Signed \$75 Million Purse Enhancement Agreement in June 2011
 - ▶ 11-year agreement that currently contributes \$7 million per year towards purses and an additional \$1 million annually toward cooperative marketing efforts
- ▶ This agreement has provided for significant increases in Purses, Race Days & Races for both thoroughbreds and quarter horses in Minnesota
- ▶ These substantial gains have been realized during a time of modest decline in similar metrics throughout the U.S. thoroughbred industry



CANTERBURY PARK – 2016 TAKEOUT REDUCTION

Canterbury 2011-2015 Key Racing Metrics

Metric/Year	2011	2012	2013	2014	2015	% Change '11 vs '15
Race Days	56	62	69	68	70	↑ 20.0%
Attendance	344,021	408,870	459,276	432,531	468,641	↑ 36.2%
# of Races	512	576	645	641	655	↑ 21.8%
# of Starters	4,001	4,451	5,341	5,171	5,179	↑ 29.4%
Avg. Field	7.81	7.73	8.28	8.07	7.91	↑ 1.3%
Purse Money	\$6.40 mm	\$9.66 mm	\$12.46 mm	\$13.12 mm	\$14.14 mm	↑ 120.9%
Live Handle	\$9.63 mm	\$11.41 mm	\$13.30 mm	\$12.30 mm	\$12.51 mm	↑ 30.0%
Off-Track Handle	\$12.83 mm	\$16.64 mm	\$24.41 mm	\$24.64 mm	\$28.62 mm	↑ 123.1%
Total Handle	\$22.46 mm	\$28.05 mm	\$37.71 mm	\$36.94 mm	\$41.13 mm	↑ 83.1%
Handle/Race	\$43,870	\$48,700	\$58,465	\$57,630	\$62,790	↑ 43.1%
Handle/Starter	\$5,610	\$6,300	\$7,060	\$7,140	\$7,940	↑ 41.6%



CANTERBURY PARK – 2016 TAKEOUT REDUCTION

CBY vs U.S. 2011-2016 Racing Metrics

Metric/Year	2011	2012	2013	2014	2015	% Change '11 vs '15
CBY # of Races	512	576	645	641	655	↑ 21.8%
U.S. # of Races	45,417	45,086	43,139	41,277	38,941	↓ 14.3%
CBY Average Field	7.81	7.73	8.28	8.07	7.91	↑ 1.3%
U.S. Average Field	8.04	7.89	7.85	7.69	7.82	↓ 2.7%
CBY Purse Money	\$6.40 mm	\$9.66 mm	\$12.46 mm	\$13.12 mm	\$14.14 mm	↑ 120.9%
U.S. Purse Money	\$1,061 mm	\$1,128 mm	\$1,127 mm	\$1,112 mm	\$1,094 mm	↑ 3.1%
CBY Total Handle	\$22.46 mm	\$28.05 mm	\$37.71 mm	\$36.94 mm	\$41.13 mm	↑ 83.1%
U.S. Total Handle	\$10,770 mm	\$10,882 mm	\$10,877 mm	\$10,552 mm	\$10,675 mm	↓ 0.9%



Takeout Reduction Conceptualization

- ▶ Over the previous four meets, we had experienced great growth but believed we were poised to take the “next step”

- ▶ Have a history of trying to be innovative in our thought processes & approach:
 - ▶ Original Host of Claiming Crown
 - ▶ Significantly based on an attendance driven business model
 - ▶ Unique alternative purse source in the Shakopee Mdewakanton Sioux

- ▶ Our takeout rates had been relatively stagnant since 1985 implementation

- ▶ Captive and significant in-state market and on-track handle
 - ▶ Canterbury would assume meaningful risk and would avoid shifting total cost onto outlets
 - ▶ Expected meaningful feedback in an experimental setting



2016 Canterbury Takeout Reduction

- ▶ Historically, Canterbury Takeout Set at 17% WPS & 23% Exotics
- ▶ Previously experimented with reduced Pick 3 & Pick 4 takeout (14%)
- ▶ Decided to try a larger reduction in 2016: 15% WPS & 18% Exotics
 - ▶ Reduction in blended take from approximately 20.5% to 16.5%
- ▶ Determined break-even was approximately up 2-3% on-track and up 35-40% off-track
- ▶ Results were mixed in that total handle increased but revenue did not increase enough to account for the reduction



CANTERBURY PARK – 2016 TAKEOUT REDUCTION

2015 vs 2016 Key Racing Metrics

% Change '11 vs '15	% Change '14 vs '15	Metric/Year	2015	2016	% Change '15 vs '16
↑ 20.0%	↑ 2.9%	Race Days	70	69	↓ 1.4%
↑ 36.2%	↑ 8.3%	Attendance	468,641	452,646	↓ 3.4%
↑ 21.8%	↑ 2.2%	# of Races	655	654	↓ 0.2%
↑ 29.4%	↑ 0.2%	# of Starters	5,179	5,072	↓ 2.1%
↑ 1.3%	↓ 1.9%	Avg. Field	7.91	7.76	↓ 1.9%
↑ 120.9%	↑ 7.8%	Purse Money	\$14.14 mm	\$14.40 mm	↑ 1.8%
↑ 30.0%	↑ 1.7%	Live Handle	\$12.51 mm	\$12.14 mm	↓ 2.9%
↑ 123.1%	↑ 16.2%	Off-Track Handle	\$28.62 mm	\$31.16 mm	↑ 8.9%
↑ 83.1%	↑ 11.3%	Total Handle	\$41.13 mm	\$43.30 mm	↑ 5.3%
↑ 43.1%	↑ 9.0%	Tot Handle/Race	\$62,790	\$66,200	↑ 5.4%
↑ 41.6%	↑ 11.2%	Tot Handle/Starter	\$7,940	\$8,530	↑ 7.4%



CANTERBURY PARK – 2016 TAKEOUT REDUCTION

2015 vs 2016 Financial Comparison

Metric/Year	2015	2016	\$ Change '15 vs '16	% Change '15 vs '16
Live Handle	\$12,508,524	\$12,140,436	↓ \$368,088	↓ 2.9%
Gross Commission	\$2,401,156	\$1,986,246	↓ \$414,910	↓ 17.3%
Statutory Purse Contribution (8.4%)	\$1,050,716	\$1,019,797	↓ \$30,919	↓ 2.9%
Breeders' Fund Contribution (1%)	\$125,085	\$121,404	↓ \$3,681	↓ 2.9%
CBY Net Commission	\$1,225,355	\$845,045	↓ \$380,310	↓ 31.0%
Off-Track Handle	\$28,621,480	\$31,163,538	↑ \$2,542,058	↑ 8.9%
Gross Host Fee Revenue	\$1,112,929	\$1,210,249.43	↑ \$97,321	↑ 8.7%
CBY Host Fee Share	\$482,119	\$543,520	↑ \$61,401	↑ 12.7%
CBY Commission + Host Fee Share	\$1,707,474	\$1,388,565	↓ \$318,909	↓ 18.7%



CANTERBURY PARK – 2016 TAKEOUT REDUCTION

2015 vs 2016 Total Handle by Pool

Pool	2015 Handle	% of Total	2016 Handle	% of Total	% Change
Win	\$10,030,960	24.4%	\$10,533,652	24.3%	↑ 5.0%
Place	\$3,707,689	9.0%	\$3,804,776	8.8%	↑ 2.6%
Show	\$3,579,263	8.7%	\$3,279,451	7.6%	↓ 14.3%
Win, Place & Show	\$17,317,912	42.1%	\$17,617,879	40.7%	↑ 1.7%
Exacta	\$9,095,706	22.1%	\$9,544,360	22.0%	↑ 4.9%
Trifecta	\$7,414,650	18.0%	\$7,702,198	17.8%	↑ 3.9%
Superfecta	\$4,133,957	10.1%	\$4,138,580	9.6%	↑ 0.1%
Hi-5	\$ -	- %	\$111,039	0.3%	-
Vertical Exotic	\$20,644,313	50.2%	\$21,496,177	49.6%	↑ 4.1%
Daily Double	\$425,980	1.0%	\$892,320	2.1%	↑ 109.5%
Pick 3	\$1,075,619	2.6%	\$1,221,270	2.8%	↑ 13.5%
Pick 4	\$1,666,179	4.1%	\$1,627,948	3.8%	↓ 2.3%
Pick 5	\$ -	- %	\$448,382	1.0%	-
Multi-Race Exotic	\$3,167,779	7.7%	\$4,189,920.2 6	9.7%	↑ 33.3%
Grand Total	\$41,130,004		\$43,303,976		↑ 5.3%



CANTERBURY PARK – 2016 TAKEOUT REDUCTION

2015 vs 2016 Live Handle by Pool

Pool	2015 Handle	% of Total	2016 Handle	% of Total	% Change
Win	\$3,372,534	27.0%	\$3,389,967	27.9%	↑ 0.5%
Place	\$1,594,761	12.7%	\$1,576,416	13.0%	↓ 1.2%
Show	\$1,833,283	14.7%	\$1,669,288	13.7%	↓ 8.9%
Win, Place & Show	\$6,800,578	54.4%	\$6,635,671	54.6%	↓ 2.4%
Exacta	\$2,035,935	16.3%	\$1,974,871	16.3%	↓ 3.0%
Trifecta	\$1,717,363	13.7%	\$1,641,350	13.5%	↓ 4.4%
Superfecta	\$675,220	5.4%	\$568,345	4.7%	↓ 15.8%
Hi-5	\$ -	- %	\$38,472	0.3%	-
Vertical Exotic	\$4,428,518	35.4%	\$4,223,037	34.8%	↓ 4.6%
Daily Double	\$103,604	0.8%	\$163,370	1.3%	↑ 57.7%
Pick 3	\$422,807	3.4%	\$351,761	2.9%	↓ 16.8%
Pick 4	\$753,018	6.0%	\$565,568	4.7%	↓ 24.9%
Pick 5	\$ -	- %	\$201,030	1.7%	-
Multi-Race Exotic	\$1,279,429	10.2%	\$1,281,728	10.6%	↑ 0.2%
Grand Total	\$12,508,524		\$12,140,436		↓ 2.9%



CANTERBURY PARK – 2016 TAKEOUT REDUCTION

2015 vs 2016 Player Club Handle by Pool

Pool	2015 Handle	% of Total	2016 Handle	% of Total	% Change
Win	\$808,087	20.1%	\$853,230	21.3%	↑ 5.6%
Place	\$395,605	9.9%	\$425,492	10.6%	↑ 7.6%
Show	\$467,588	11.6%	\$411,983	10.3%	↓ 11.9%
Win, Place & Show	\$1,671,280	41.6%	\$1,690,705	42.2%	↑ 1.2%
Exacta	\$605,086	15.1%	\$625,214	15.6%	↑ 3.3%
Trifecta	\$530,282	13.2%	\$512,877	12.8%	↓ 3.3%
Superfecta	\$281,519	7.0%	\$241,239	6.0%	↓ 14.3%
Hi-5	\$ -	-	\$22,140	0.6%	-
Vertical Exotic	\$1,416,886	35.3%	\$1,401,469	35.0%	↓ 1.1%
Daily Double	\$60,247	1.5%	\$95,396	2.4%	↑ 58.3%
Pick 3	\$285,492	7.1%	\$241,644	6.0%	↓ 15.4%
Pick 4	\$580,441	14.5%	\$430,463	10.7%	↓ 25.8%
Pick 5	\$ -	-	\$145,654	3.6%	-
Multi-Race Exotic	\$926,180	23.1%	\$913,156	22.8%	↓ 1.4%
Grand Total	\$4,014,346		\$4,005,330		↓ 0.2%



CANTERBURY PARK – 2016 TAKEOUT REDUCTION

2015 vs 2016 Signal Distribution

Source Type	2015 Sites	% of Total	2016 Sites	% of Total	% Change
Tracks/OTBs	322	74.9%	295	72.3%	↓ 8.4%
ADW/Account	60	14.0%	65	15.9%	↑ 4.9%
Non-Nevada Casinos	22	5.1%	19	4.7%	↓ 13.6%
High Volume	17	3.9%	20	4.9%	↑ 17.6%
Nevada	8	1.9%	8	2.0%	-
In-State Simulcast	1	0.2%	1	0.2%	-
Grand Total	430		408		↓ 5.1%



CANTERBURY PARK – 2016 TAKEOUT REDUCTION

2015 vs 2016 Handle by Source

Source Type	2015 Handle	% of Total	2016 Handle	% of Total	% Change
Live Handle	\$12,508,524	30.4%	\$12,140,436	28.0%	↓ 2.9%
High Volume	\$11,392,982	27.7%	\$12,169,379	28.1%	↑ 6.8%
Tracks/OTBs	\$8,189,724	19.9%	\$7,962,972	18.4%	↓ 2.8%
ADW/Account	\$7,663,479	18.6%	\$9,852,472	22.8%	↑ 28.6%
Nevada	\$759,919	1.8%	\$612,677	1.4%	↓ 19.4%
Other Casinos	\$385,284	0.9%	\$378,197	0.9%	↓ 1.8%
In-State Simulcast	\$230,091	0.6%	\$187,853	0.4%	↓ 18.4%
Grand Total	\$41,130,004		\$43,303,976		↑ 5.3%



CANTERBURY PARK – 2016 TAKEOUT REDUCTION

2015 vs 2016 Average Handle by Month

Month	2015 Days	2015 Average Handle	2016 Days	2016 Average Handle	% Change
May	10	\$525,447	7	\$612,278	↑ 16.5%
June	16	\$580,419	16	\$598,396	↑ 3.1%
July	18	\$636,925	19	\$636,873	-
August	18	\$532,566	16	\$662,352	↑ 24.4%
September	8	\$692,250	11	\$613,226	↓ 11.4%
Grand Total	70	\$587,571	69	\$627,594	↑ 6.8%



CANTERBURY PARK – 2016 TAKEOUT REDUCTION

2015 vs 2016 Handle by Day of Week

Day of Week	2015 Days	2015 Average Handle	2016 Days	2016 Average Handle	% Change Handle
Thursday	15	\$731,832	14	\$670,417	↓ 8.4%
Friday	17	\$550,507	18	\$651,778	↑ 18.4%
Saturday	17	\$569,678	18	\$576,840	↑ 1.3%
Sunday	16	\$446,623	14	\$554,068	↑ 24.1%
Holidays	5	\$729,187	5	\$809,207	↑ 11.0%
Grand Total	70	\$587,571	69	\$627,594	↑ 6.8%



CANTERBURY PARK – 2016 TAKEOUT REDUCTION

2015 vs 2016 Handle by Field Size

Field Size	2015 # of Races	2015 Average Handle	2016 # of Races	2016 Average Handle	% Change Handle
3 Horses	0	\$ -	1	\$23,832	-
4 Horses	5	\$30,022	7	\$26,563	↓ 11.5%
5 Horses	32	\$43,133	42	\$42,266	↓ 2.0%
6 Horses	102	\$47,089	104	\$56,030	↑ 19.0%
7 Horses	162	\$54,294	160	\$58,792	↑ 8.3%
8 Horses	135	\$58,304	154	\$62,605	↑ 7.4%
9 Horses	110	\$63,630	84	\$61,974	↓ 2.6%
10 Horses	51	\$67,446	57	\$58,539	↓ 13.2%
11 Horses	32	\$73,578	21	\$76,261	↑ 3.6%
12 Horses	25	\$82,922	20	\$86,253	↑ 4.9%
13 Horses	1	\$72,911	2	\$84,429	↑ 15.8%
14 Horses	0	\$ -	1	\$119,448	-
17 Horses	1	\$101,822	0	\$ -	-
18 Horses	0	\$ -	1	\$96,781	-



Other Variables that Impacted Results

- ▶ Decrease in unpaid promotion by simulcast outlets
 - ▶ Obvious that numerous outlets that have promoted our product in the past instead chose to promote higher margin products

- ▶ Unseasonably wet summer that caused more off-tracks than typical
 - ▶ Record rainfall in parts of the summer generated less than ideal track conditions and a substantial number of races being taken off the turf
 - ▶ 43 races taken off the turf in 2016 vs 15 races taken off in 2015
 - ▶ 119 off-turf scratches in 2016 vs 57 off-turf scratches in 2015

- ▶ Lack of familiarity with racing product
 - ▶ Numerous comments about unfamiliarity of trainers, long layoffs of state-bred runners and lack of a defined circuit



Results without Takeout Reduction

- ▶ What would have happened to 2016 handle without a takeout reduction?

- ▶ 2016 Tracks of Note with Decrease in Handle:
 - ▶ Arlington Park - Down ~ 10%
 - ▶ Prairie Meadows - Down ~ 20%
 - ▶ Monmouth @ Meadowlands - Down ~ 13% (15% takeout)

- ▶ 2016 Tracks of Note with Increase in Handle
 - ▶ Lone Star Park - Up ~ 2%
 - ▶ Emerald Downs - Up ~ 16%
 - ▶ Indiana Grand - Up ~ 16%



Summary of 2016 Takeout Change

- ▶ Total Handle increased 5.3%; Handle Revenue decreased 18.7%
 - ▶ Live Handle decreased 2.9%; Live Handle Revenue decreased 31.0%
 - ▶ Off-Track Handle increased 8.9 %; Off-Track Host Fees Increased 8.7%
 - ▶ Total cost of takeout reduction to Canterbury Park ~ \$319k

- ▶ Number & complexity of variables makes it challenging isolate takeout
 - ▶ Field size, weather, competition (local & national), familiarity, post times, etc.
 - ▶ Continue to look at statistical models that will help in future decision-making

- ▶ Our results are challenging to extrapolate to other facilities
 - ▶ High % of on-track business requires less than ideal post-times for market
 - ▶ High % of on-track business made this significantly more risky for Canterbury
 - ▶ Lack of familiarity with product certainly hindered growth potential