



Leveraging the casino experience to grow the racing industry

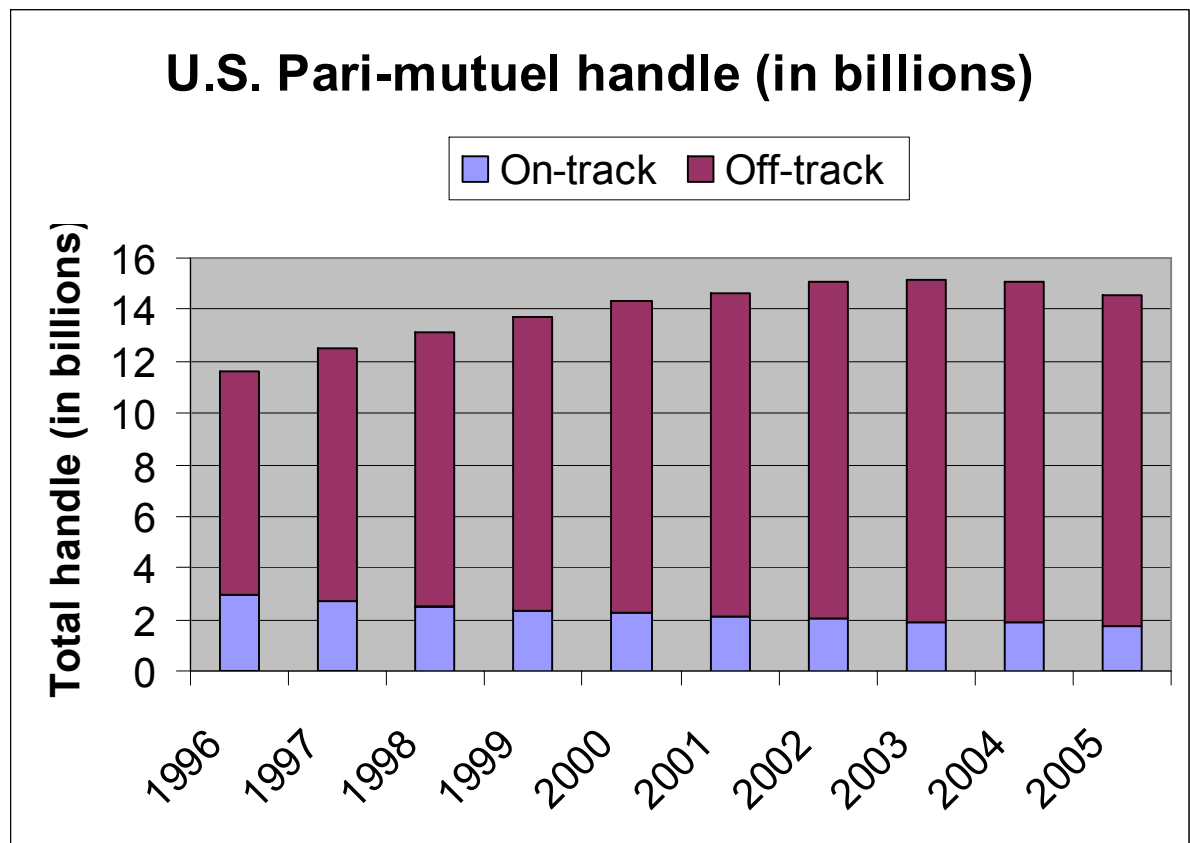
University of Arizona
Symposium on Racing and Gaming

Mark Midland
Vice President of Racing Operations
Harrah's Louisiana Downs
December 5, 2006



Racing handle

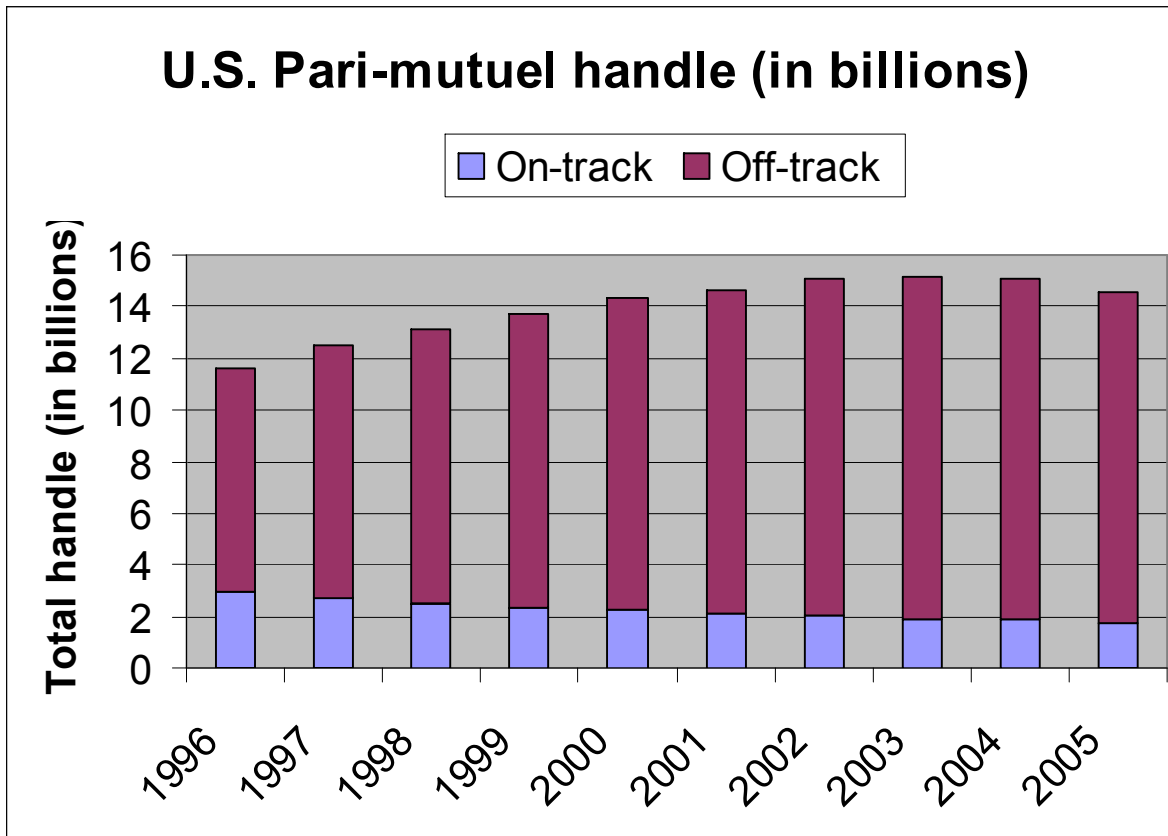
- Racing handle is stagnant
- Simulcasting is king





Racing handle

- Racing handle is stagnant
- Simulcasting is king



How to grow racing from a \$15 billion to a \$20 billion Industry?



2010 ?



Casinos

Casino gamers 52.8 million (25% of adults)
6.1 trips per year
322.1 million visits

*Source: Harrah's Survey 2006 Profile of the American Casino Gambler



Slots - Easy to Play

- Every spin is a chance to win big
- Every machine and player is a potential big winner
- The potential win is known – it is the top payoff





Easy to Sell

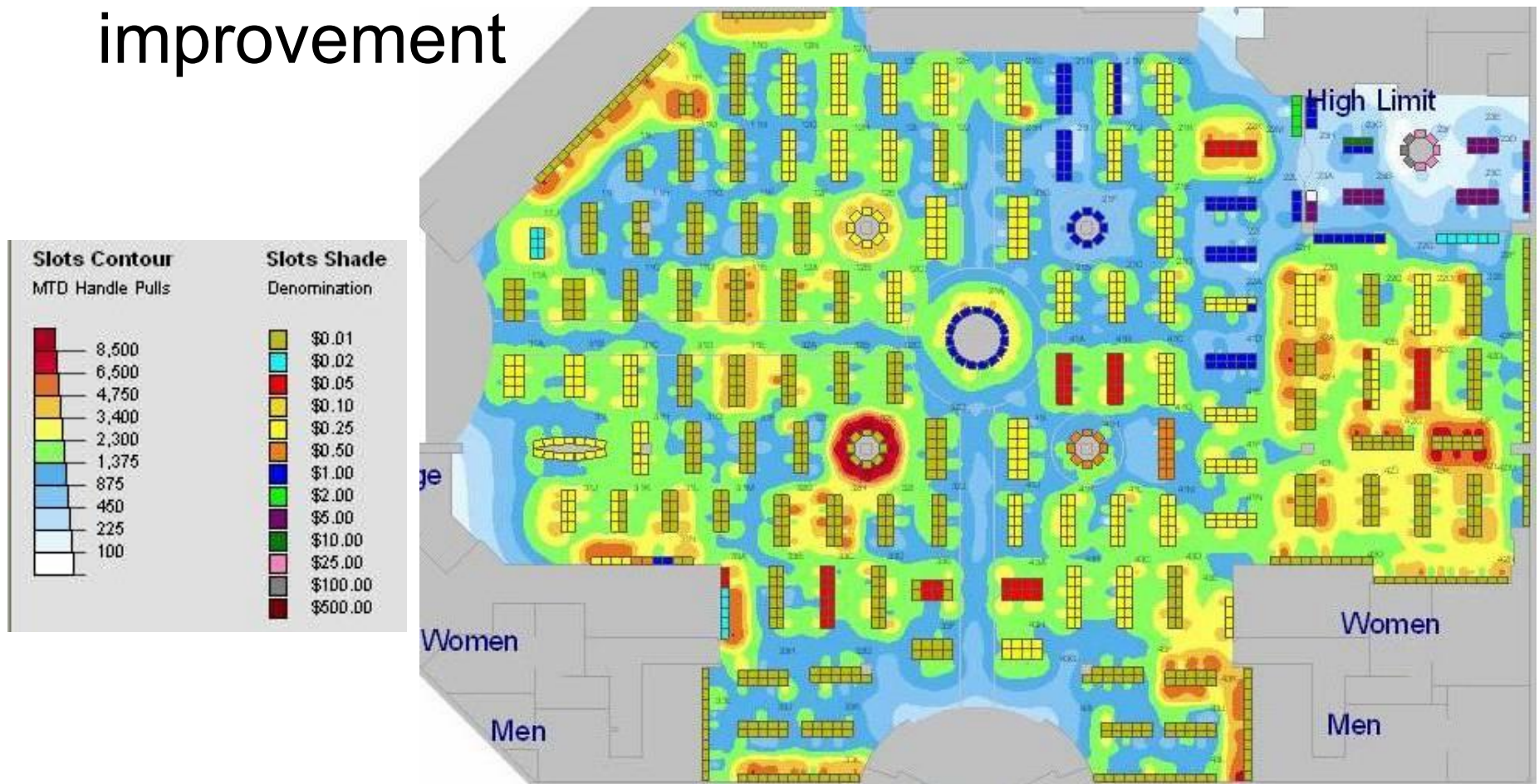
- Promote winners
- Chance to win big
- Entice with promotions





Data analysis is key to casinos

- Data is analyzed for continuous improvement





Slot floors are efficient

- Slots spaced to maximize play
- 24x7x365, high asset utilization





Data analysis

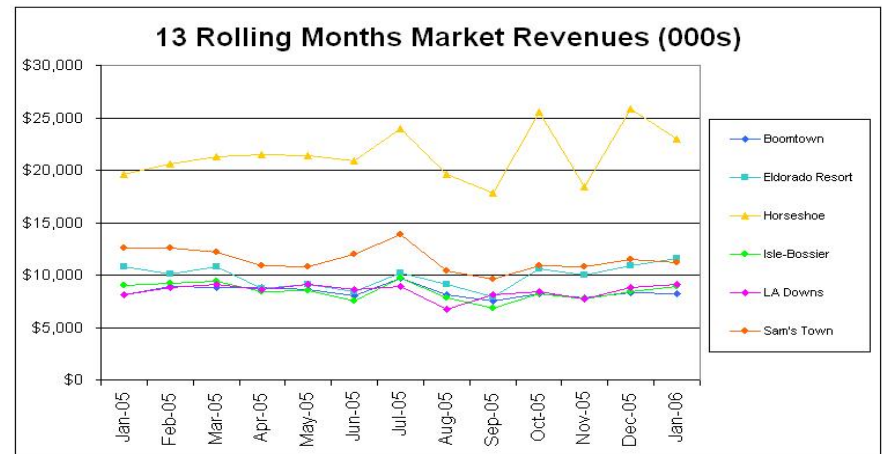
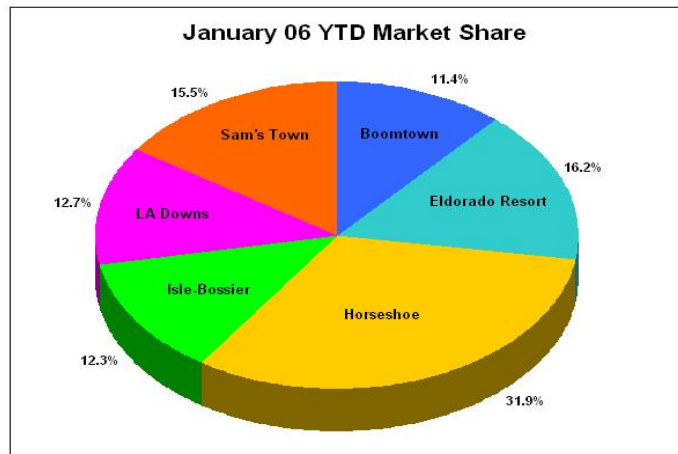
- Industry reports are available and detailed

NORTHWEST LOUISIANA MARKET REVENUES JANUARY 2006

	REVENUE		REVENUE VARIANCE	3 MONTH SHARE TREND			FAIR SHARE PREM/(DEF)*			3 MONTH GROWTH/CHANGE OVER PRIOR YEAR		
	2006	2005		November	December	January	November	December	January	November	December	January
BOOMTOWN	\$8,226	\$8,158	0.8%	12.5%	11.3%	11.4%	(2.1) pts	(3.4) pts	(3.7) pts	1.2%	5.6%	0.8%
ELDORADO RESORT	\$11,629	\$10,760	8.1%	16.0%	14.8%	16.2%	(3.8) pts	(5.0) pts	(3.4) pts	(1.0)%	19.5%	8.1%
HORSESHOE	\$22,983	\$19,599	17.3%	29.5%	35.1%	31.9%	8.9 pts	14.4 pts	10.1 pts	1.0%	30.5%	17.3%
ISLE-BOSSIER	\$8,891	\$8,971	(0.9%)	12.4%	11.4%	12.3%	(1.6) pts	(2.7) pts	(1.4) pts	(6.0)%	4.2%	(0.9%)
LA DOWNS	\$9,116	\$8,165	11.6%	12.3%	12.0%	12.7%	(3.2) pts	(3.6) pts	(2.1) pts	8.8%	10.6%	11.6%
SAM'S TOWN	\$11,152	\$12,532	(11.0%)	17.2%	15.5%	15.5%	1.9 pts	0.2 pts	0.5 pts	(4.5)%	(2.1)%	(11.0%)
TOTAL	\$71,996	\$68,185	5.6%							(0.3%)	14.3%	5.6%

Source: Louisiana State Police Gaming Revenue Reports <http://www.lsp.org/gsrnr.nsf>

	Ytd 2006	Mkt Shr	Ytd 2005	Mkt Shr	Var	% Cha
BooMtown	\$8,226	11.4%	\$8,158	12.0%	\$68	0.8%
Eldorado Resort	\$11,629	16.2%	\$10,760	15.8%	\$869	8.1%
Horseshoe	\$22,983	31.9%	\$19,599	28.7%	\$3,384	17.3%
Isle-Bossier	\$8,891	12.3%	\$8,971	13.2%	(\$80)	(0.9%)
LA Downs	\$9,116	12.7%	\$8,165	12.0%	\$951	11.6%
Sam's Town	\$11,152	15.5%	\$12,532	18.4%	(\$1,380)	(11.0%)
Total	\$71,997	100.0%	\$68,185	100.0%	\$3,812	5.6%





Data analysis

We can learn from analyzing market share:

Track	Thursday 2004-10-28	Market Share	Friday 2004-10-29	Market Share	Saturday 2004-10-30	Market Share	Sunday 2004-10-31	Market Share	Week	Market Share
Aqueduct	\$5,945,231	15.9%	\$7,710,326	14.3%	\$4,966,818	2.9%	\$8,963,705	19.2%	\$34,164,935	9.4%
Bay Meadows	\$2,421,058	6.5%	\$2,300,864	4.3%	\$4,916,710	2.9%	\$3,827,913	8.2%	\$15,943,811	4.4%
Calder	\$1,858,873	5.0%	\$2,638,462	4.9%	\$4,490,089	2.6%	\$2,476,358	5.3%	\$13,467,499	3.7%
Churchill Downs	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$7,334,195	15.7%	\$7,334,195	2.0%
Hoosier Park	\$1,485,567	4.0%	\$1,707,101	3.2%	\$1,972,212	1.1%	\$1,042,936	2.2%	\$7,477,124	2.1%
Keeneland	\$4,880,560	13.0%	\$6,778,381	12.6%	\$3,936,282	2.3%	\$0	0.0%	\$20,476,309	5.6%
Lone Star Park	\$3,200,482	8.5%	\$6,365,494	11.8%	\$113,961,330	66.4%	\$2,302,272	4.9%	\$125,829,578	34.5%
Louisiana Downs	\$1,690,793	4.5%	\$2,133,070	4.0%	\$4,031,437	2.3%	\$1,197,758	2.6%	\$9,412,463	2.6%
Meadowlands	\$2,050,150	5.5%	\$2,697,207	5.0%	\$2,334,395	1.4%	\$0	0.0%	\$10,697,766	2.9%
Mountaineer Park	\$0	0.0%	\$1,602,501	3.0%	\$1,752,077	1.0%	\$1,453,407	3.1%	\$7,755,847	2.1%
Oak Tree at SA	\$4,600,449	12.3%	\$6,460,352	12.0%	\$7,603,091	4.4%	\$9,258,275	19.8%	\$32,985,592	9.0%
Woodbine	\$1,873,913	5.0%	\$2,834,111	5.3%	\$3,790,637	2.2%	\$2,033,033	4.4%	\$12,379,746	3.4%
Market	\$37,459,944		\$53,980,350		\$171,671,813		\$46,688,573		\$364,593,616	

Track	Thursday 2003-10-23	Market Share	Friday 2003-10-24	Market Share	Saturday 2003-10-25	Market Share	Sunday 2003-10-26	Market Share	Week	Market Share
Bay Meadows	\$2,327,684	6.1%	\$1,413,659	2.7%	\$6,530,199	4.0%	\$4,338,975	10.0%	\$17,290,452	4.9%
Belmont Park	\$7,871,625	20.6%	\$9,018,433	16.9%	\$5,987,915	3.7%	\$8,300,871	19.2%	\$38,774,321	10.9%
Calder	\$2,018,695	5.3%	\$2,724,515	5.1%	\$3,352,960	2.0%	\$3,458,279	8.0%	\$13,669,394	3.9%
Churchill Downs	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$6,288,231	14.6%	\$6,288,231	1.8%
Hoosier Park	\$1,366,474	3.6%	\$1,974,591	3.7%	\$1,679,097	1.0%	\$1,179,362	2.7%	\$7,521,422	2.1%
Keeneland	\$5,225,379	13.7%	\$6,857,195	12.9%	\$4,186,827	2.6%	\$0	0.0%	\$21,637,422	6.1%
Louisiana Downs	\$2,024,834	5.3%	\$2,353,219	4.4%	\$4,381,113	2.7%	\$1,466,675	3.4%	\$10,225,841	2.9%
Meadowlands	\$1,695,855	4.4%	\$2,151,885	4.0%	\$1,980,298	1.2%	\$0	0.0%	\$9,598,328	2.7%
Mountaineer Park	\$0	0.0%	\$1,878,359	3.5%	\$1,994,906	1.2%	\$1,448,546	3.4%	\$8,620,216	2.4%
Oak Tree at SA	\$5,834,439	15.3%	\$10,324,646	19.4%	\$112,941,883	68.9%	\$7,608,947	17.6%	\$142,105,871	40.0%
Woodbine	\$1,537,425	4.0%	\$1,816,904	3.4%	\$2,791,370	1.7%	\$1,855,102	4.3%	\$9,445,296	2.7%
Market	\$38,139,022		\$53,295,887		\$163,806,874		\$43,213,155		\$355,004,478	



Slot Jackpots

- The hold on each machine is set for the life of the machine.
- Progressive jackpots are tied to banks of machines, or intra-state, not nationwide.





Comps

- Business model designed for comps
- Soft cost amenities – Buffet and hotel – drive trips and play
- Free drinks





How to make racing fun and easy

- Not easy to play
- Not easy to understand
- Not easy to sell
- Need to make racing fun and easy!!!



Racing – the product is simulcasting

- 80% of U.S. handle off-track
- 90% of revenue is from simulcast customers
– whether on location or remote



Racing – the product is simulcasting

- 80% of U.S. handle off-track
- 90% of revenue is from simulcast customers – whether on location or remote
- Simulcasting is the product that must be simplified, but who is driving the bus???



Louisiana Downs – handle revenue breakdown

- 15% live handle (93 race days)
- 30% simulcast export (93 race days)
- 55% simulcast import (364 days)

- We have limited control or ability to market to 85% of our revenues.



What is the goal?

- Simplify and grow simulcasting
- Make simulcasting fun and easy!



Can the industry grow from its core customers?

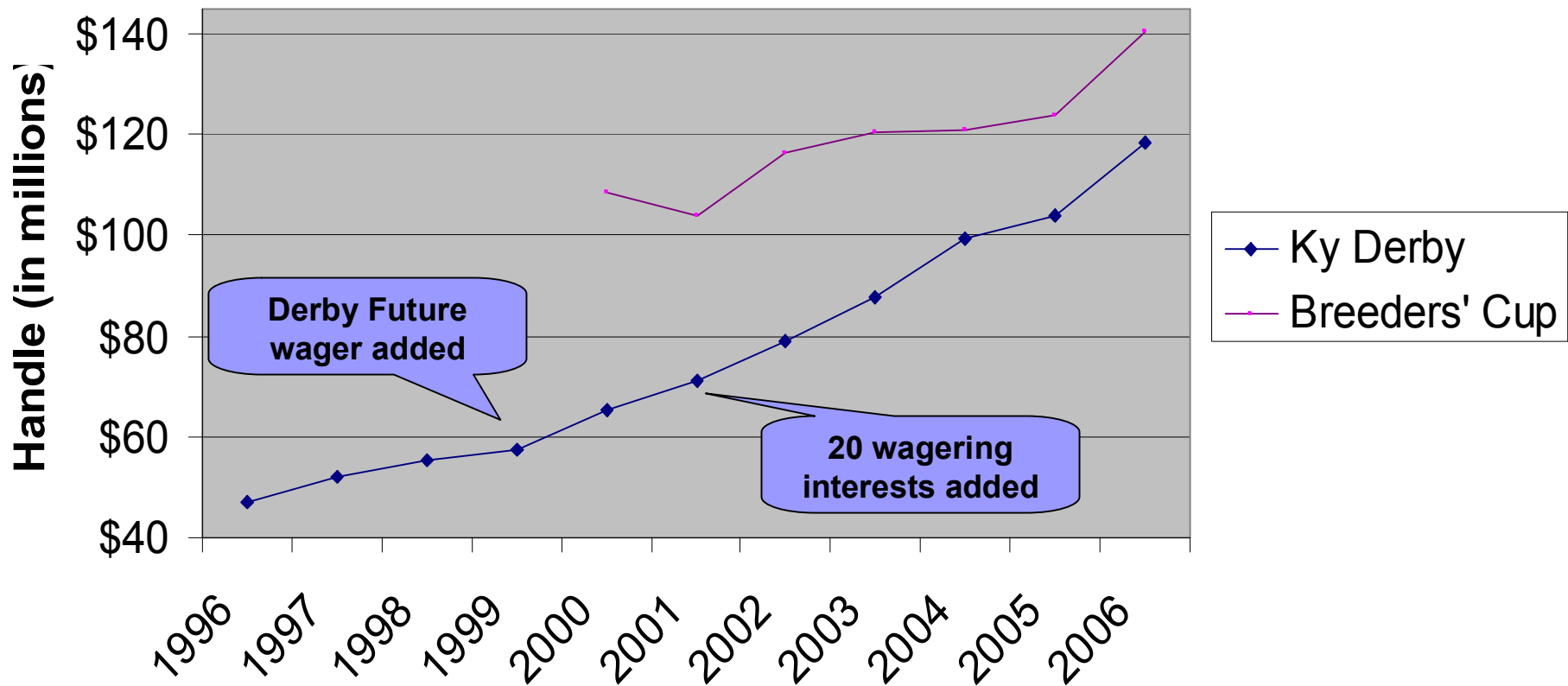
Handle is stagnant, what is the constraint?

- # of races?
- # of players and dollars available?
- # of exciting wagering opportunities?



Derby and Breeders' Cup say growth is possible

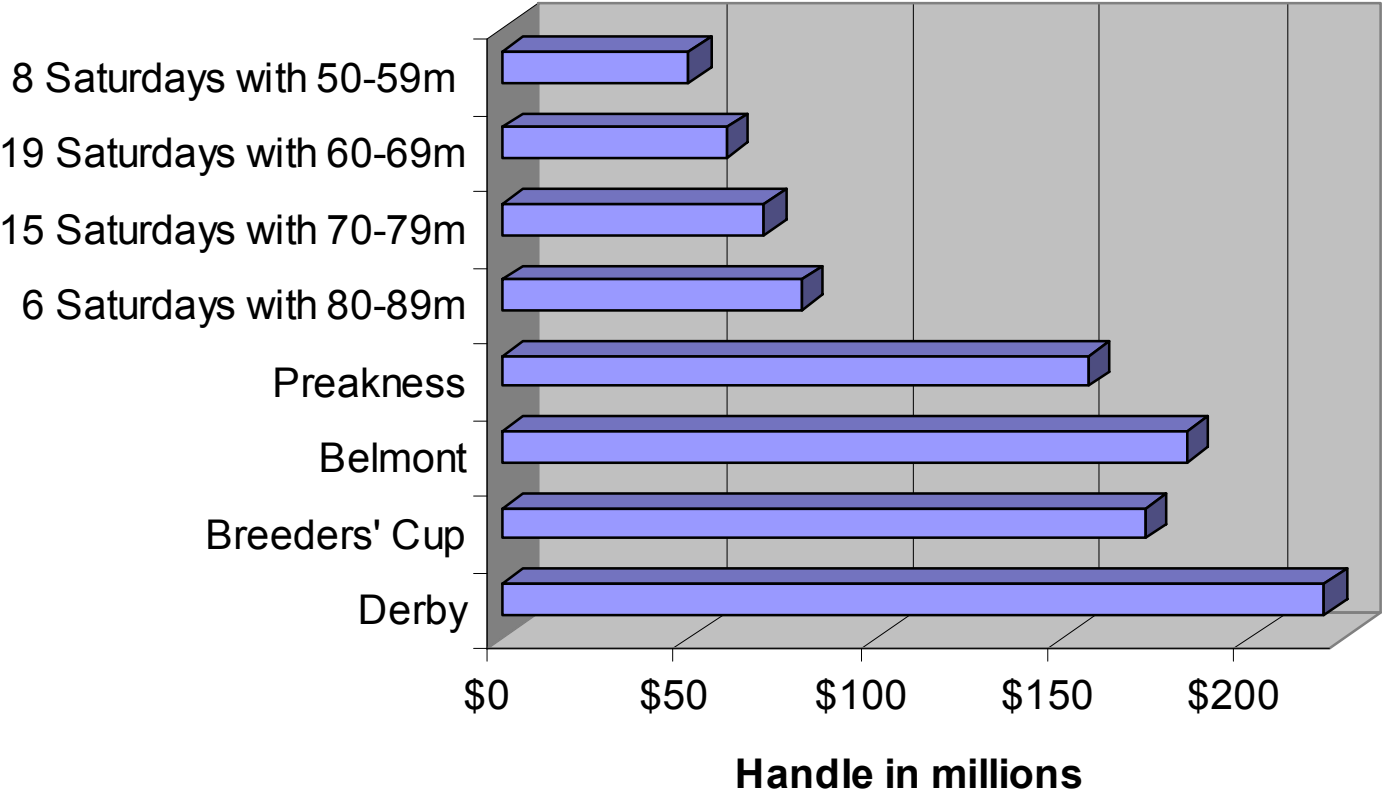
Growth of Derby and Breeders' Cup wagering (1996-2006)





Can the industry grow from its core customers?

Total Thoroughbred Handle on individual Saturdays in 2004





Organize races and days

Post times

- Organize by time of day like UK and Australia
- 1:05, 1:10, 1:15, 1:20, 1:25, 1:30...
- Minimize overlaps to maximize handle
- Every overlap means lost revenue and purses
- Develop consistency – like a grocery store?
- Save on labor



Organized posts pay off

- In 2006, La Downs average race was up 15% off-track, even with a field size decline
- Each day, we chart our post times in relations to other major tracks

Saturday, September 23, 2006

Time	Track	Race	Field Size	LAD Handle
1250	CRC	1	7	
	100 BEL	1	8	
	107 LAD	1	10	260,082
	110 TP	1	8	
	117 CRC	2	8	
	130 BEL	2	8	
	137 LAD	2	10	234,267
	140 TP	2	9	
	146 CRC	3	10	
	202 BEL	3	8	
	210 TP	3	9	
	214 CRC	4	9	
	214 LAD	3	10	234,945
	233 BEL	4	12	
	236 TP	4	7	
	242 CRC	5	6	
	244 LAD	4	10	362,996
	306 BEL	5	9	
	307 TP	5	9	
	312 CRC	6	11	
	316 LAD	5	11	423,242
	336 BEL	6	9	
	338 TP	6	9	
	339 CRC	7	11	
	349 LAD	6	9	655,453



Organize races and days

Post times

- Organize by time of day like UK and Australia
- 1:05, 1:10, 1:15, 1:20, 1:25, 1:30...
- Minimize overlaps to maximize handle
- Save on labor

What if customers could bet one more race every other weekend day?

Average 20 races a day

One more race a weekend is 2.5% growth

Weekend handle is 46% racing industry, \$13bn simulcast
\$150-million



Organize races and days – easier to sell

Draw times

- Move to 72-hour or 96-hour draw
- If it's good for Derby and BC, it's good every day
- Give players more time to prepare
- Give media and marketing more time to promote



Night racing – a growth opportunity

- At \$2bn, night racing is 13% of handle
- Surprisingly low given the U.S. workforce
- Weakness of pari-mutuel is the need to build pools first – “build it and they will come”
- Night racing would benefit greatly from better promotion, consistency and organization
- Major growth opportunity for industry
- Grow purses and revenues at each outlet, plus source market – better asset utilization



Jackpots – a growth opportunity for racing

- Pick 6 carryovers are not a consistent marketing tool
- Lotteries and casinos have jackpots built in
- Once a jackpot is hit, it is seeded to reset at a marketable level, never at zero!!!





Jackpots – a growth opportunity for racing

- Racing defines takeout stringently by race
- Slot machine hold is defined for the life of the machine
- Racing could duplicate slots seeding mechanism by defining takeout by season
- For example, take the Hollywood Pick 6:
 - Hollywood averages \$4m per month on the P6
 - Holding back 2.5% for seeding leaves \$100k for a jackpot or carryover each month
 - Creates an automatic draw on big days
 - Any “unpaid” seed money would be paid out closing day



Jackpots – a growth opportunity for racing

- U.S. racing handle is \$300m each week
- Holding back 0.25% of each wager creates \$750k for jackpots each week
- Create a self-funding mechanism where the game promotes itself
- Jackpots can't be booked!!!



Jackpots – a growth opportunity for racing

What could be done with \$750k each week:

- A national P6 every Saturday with a built in \$250k carryover
- A \$100k seeded P4 on Fri-Sat-Sun
- A \$50k seeded P4 on Fri-Sat-Sun nights
- Let the game market itself!



Organize big event days – make them easy to sell

We need the NTRA's help:

- NTRA Pick 4's have been very successful
- Organize guaranteed Pick 4's every Saturday, smaller ones on Friday/Sunday
- NTRA and DRF could promote all guaranteed wagers in one single format like the National Hcp. Contest ads
- Promote events weeks ahead of time
- Maximize interest and wagering



Key differences between managing casinos and racing

	<u>Casinos</u>	<u>Racing</u>
Optimization of operations	Local	National
Jackpots/pools	Local	National
Marketing	Local	Local/national

- National operations and marketing is more difficult, but ultimately more rewarding



Looking to the future

- The game has never been better
- The game is simulcasting!
- But, the business model is broken!
- And simulcasting needs an owner...
- Racing must re-invent itself to grow!