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ISCA - Q4 2016 International Speedway Corp Earnings Call

EVENT DATE/TIME: JANUARY 26, 2017 / 2:00PM GMT



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## CORPORATE PARTICIPANTS

**Lesa Kennedy** *International Speedway Corporation - Vice Chairman and CEO*

**John Saunders** *International Speedway Corporation - President*

**Greg Motto** *International Speedway Corporation - VP, CFO and Treasurer*

## CONFERENCE CALL PARTICIPANTS

**Barry Lucas** *Gabelli & Co. - Analyst*

## PRESENTATION

### Operator

Good morning and welcome to the International Speedway Corporation 2016 fourth-quarter earnings conference call. (Operator Instructions) As a reminder, this conference is being recorded on Thursday, January 26, 2017. With us on this morning's call are Lesa France Kennedy, Chief Executive Officer; John Saunders, President; and Greg Motto, Vice President and Chief Financial Officer. After formal remarks, John Saunders and Greg Motto will conduct a question and answer period. I will instruct you again on procedures at that time.

Before we start, the Company would like to address forward-looking statements that may be addressed on the call. Forward-looking statements involve risks, uncertainties, and assumptions. Actual future performance, outcomes, and results may differ materially from those expressed in these forward-looking statements. Please refer to the documents filed by International Speedway Corporation with the SEC, specifically the most recent reports on Form 10-K and Form 10-Q, which identify important risk factors which could cause actual results to differ from those contained in these forward-looking statements.

So with these formalities out of the way, I will turn the call over to Lesa Kennedy. Lesa?

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**Lesa Kennedy** - *International Speedway Corporation - Vice Chairman and CEO*

Yes, and good morning. We are pleased to report solid financial results for 2016. We recognized increases in both revenue and operating income driven by the success of DAYTONA Rising and the strength of our corporate and broadcast partnerships. The 2016 season concluded in dramatic fashion, with Jimmie Johnson earning his seventh championship in front of a sold-out crowd at the Homestead-Miami Speedway. As we enter the 2017 season, we are optimistic we will see a resurgence in consumer demand and increasing admissions revenue as we continue executing our consumer marketing strategies.

In 2017, we will also welcome Monster Energy as the new series sponsor of NASCAR's Premier series -- only the third NASCAR Cup series sponsor in the sport's history. Monster Energy is a brand built on excitement and enthusiasm and with a strong presence in racing and motorsports. We're looking forward to aligning our brands to provide a thrilling motorsports experience and excitement to our fans and partners in the Monster Energy NASCAR Cup series.

Construction for ONE DAYTONA is progressing nicely. The much-anticipated December opening of Cobb Theatres was well received by moviegoers. Bass Pro is on schedule to open mid-February, while remaining components of the project are scheduled to open late 2017. We are excited about the opportunities ONE DAYTONA will bring, creating synergy with the Daytona International Speedway through enhanced customer and partner experiences and leveraging our real estate on a year-round basis, while creating value for our shareholders.

We recently announced ISC's Board has approved a significant redevelopment project to commence in 2017 at Phoenix Raceway. Upon completion in late 2018, the project will deliver incremental profit to ISC and elevate the fan experience with new amenities and hospitality offerings. We also announced the Board's authorization for an additional \$200 million capacity to our share repurchase program, demonstrating ISC's commitment to delivering value and providing a long-term strategy for returning capital to our shareholders.



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With that, I'll turn it over to John. Thank you.

### **John Saunders** - *International Speedway Corporation - President*

Thanks, Lesa, and good morning, everyone. During our fourth quarter, we hosted eight NASCAR Cup weekends and one IndyCar event at Watkins Glen. In Darlington, we hosted the second annual throwback event on its historic Labor Day weekend, where the theme centered on the 1975 through 1984 era. The success of the campaign has been recognized industrywide. Most recently, NASCAR has now recognized the Bojangles 500 at Darlington as the official throwback weekend of NASCAR.

In 2017, the event will celebrate the 1985 through 1989 era, a time of exceptional growth and exposure for NASCAR. The year culminated with another sold-out crowd at Homestead-Miami Speedway. This was our third sold-out NASCAR Cup series event in 2016, joining the DAYTONA 500 and Watkins Glen. The championship race did not disappoint, as the four competitors raced at the front of the pack for the entire race, ending with a spectacular finish and Jimmie Johnson earning his seventh championship, a feat unmatched in the modern era of racing.

In the fourth quarter, we experienced similar softening in admissions and attendance-related revenues as we did in the second quarter. Fourth quarter admissions decreased approximately 9.3% and the average ticket price for NASCAR Cup events declined to \$79.62, or less than 1%. For the full year, the average ticket price for NASCAR Cup events increased to \$90.12, or 5.4% increase, mostly a result of DAYTONA Rising. We believe several factors influenced the softened attendance and 2016. The impact of Jeff Gordon's retirement was underestimated, which was compounded with Tony Stewart and Dale Junior missing races throughout the season.

The lack of activation from the outgoing series sponsor and the distraction of the presidential election season further exacerbated the situation. Our focused consumer marketing initiatives have proven successful in recent years in the face of challenging macroeconomic and industry-specific headwinds. We have strengthened these initiatives by partnering with multiple research affiliations and councils, key industry stakeholders, and NASCAR.

Our objective is to stabilize attendance and grow admissions to trends with increasing engagement of core and casual fans through digital and social media channel distribution, continuing improvements to the live event experience with more access to data connectivity, segmented hospitality experiences, and thrilling on-track competition.

Heading into 2017, we see advanced sales for the DAYTONA 500 at comparable levels to 2016. We are optimistic we will announce a second consecutive sellout for the DAYTONA 500 in February. Looking toward the second quarter, while still early in the sales cycle, we are currently trending slightly ahead of 2016 for the West Coast Swing events at Phoenix and Auto Club Speedway.

Corporate sales remain a bright spot for ISC. In 2016, we recognized an increase slightly over 12% in gross corporate partnership revenue, driven mostly by DAYTONA Rising. Our tracks and sport remain a great marketing platform for our corporate partners, providing a high return for their advertising dollar. We remain optimistic for future growth in this area of the business.

As Lesa noted, NASCAR will transition to a new series sponsor this year and its premier series will become known as the Monster Energy NASCAR Cup series. It is important to note that 2016 was the last year of our revenue included agreements between ISC and Sprint for various inventory and activation rights at ISC racetracks. These agreements were originally negotiated in the mid-2000s, pre-recession. While we currently expect to have similar agreements in place with Monster Energy, we anticipate the economics of the agreements will result in a reset in 2017.

Our current estimate for gross corporate sales is to decline approximately 1% in 2017 due to the reset of these agreements. Excluding this one-time reset of the series entitlement, we expect at this time an increase between 1% and 2% in 2017, with escalators in the low to mid single digits going forward.

ISC continues to support NASCAR and our broadcast partner strategy to remain competitive and relevant with compelling content. While TV ratings on average were down in 2016, NASCAR continues to draw a large viewership, averaging over 4.6 million viewers per weekend and ranked as the number one or number two sports broadcast 17 times during the 2016 season.



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It is important to look at NASCAR, or any sports property, by cross-platform consumption, as TV viewership in general has been experiencing a ratings decline in households using television, or HUT levels. On the other hand, our web and mobile apps have seen strong demand for consumption of written and video content. Social media continues as an ever important and growing channel for content distribution, and ISC and NASCAR remain highly active in this space.

This past Monday, NASCAR, after extensive collaboration with industry stakeholders, announced a new race format for all three national touring series beginning this year at Daytona. Races, which will continue to run their established distances, will now include three stages: stage I, stage II, and the final stage. The enhanced format will allow established breaks after stage winning moments, providing natural breaks for fans and commercial windows for broadcasters that minimize green flag interruptions.

Drivers, many of whom participated in the format development, will be rewarded points for top 10 finishes in stages one and two. There is also a provision that rewards bonus points to the winner of each of the two stages as well as the overall race winner at the conclusion of the final stage. Regular-season points will continue to be rewarded for finishes upon the completion of the official race. Simply stated, this new format means every lap of every race matters for the overall run to the series championship.

Design of this new format was a great example of collaborative effort by an all industry stakeholders, including drivers, teams, broadcasters, NASCAR, and track promoters. We, along with NASCAR and industry stakeholders, believe this new format will create more excitement throughout the race. The race will have two more winning moments and more urgency to ensure every lap matters, with winning becoming more important than ever.

DAYTONA Rising was a multifaceted success for ISC in 2016, exceeding expectations of guests and industry stakeholders, while delivering over \$15 million in incremental EBITDA. Daytona International Speedway was awarded facility of the year at the 2016 sports business -- Sports Journal business awards held in May of 2016. Like Daytona, many of our facilities continue to require significant maintenance capital in order to maintain competitive in providing our guests a comfortable and entertaining experience.

In November our Board of Directors approved the redevelopment of Phoenix Raceway, which was originally constructed in 1964. The redevelopment will focus on new and upgraded seating areas, vertical transportation options, new concourses, enhanced hospitality offers, and an intimate infield fan experience with greater accessibility to prerace activities. The cost of the project will be approximately \$178 million and is part of our ISC's capital allocation plan of 2017 through 2021. Following completion in November of 2018, we expect Phoenix to contribute \$8.5 million to \$9 million in incremental EBITDA.

Our Hollywood Casino at Kansas Speedway joint venture continues to be a strong contributor to earnings and cash flow. Equity earnings for 2016 increased 6% to \$14.9 million and cash contributions for the year totaled \$25.9 million. The construction on major highways surrounding facility that began in 2016 is nearly complete. Casino management did a great job of target marketing guests located in the construction areas and effectively managing operating margins to minimize the impact. For 2017, we expect cash contributions from the casino to be approximately \$26 million to \$27 million.

This week, ONE DAYTONA, our mixed-use development across from the Daytona International Speedway, announced two new fashion retail tenants earlier this week. Lindbergh and [Designer Markets] are two Denmark-based companies, bringing an international flair to ONE DAYTONA, featuring some of the most in demand designer fashion for men and women. Lindbergh and Designers Market joined the growing list of elite tenants for ONE DAYTONA. Construction continues for the project. As noted earlier, Cobb Theatres opened in December and Bass Pro Shops is on schedule to open mid-February. The remaining components of the project are expected to open in late 2017.

I will now turn the call over to Greg to give you the financial review and guidance on 2017. Greg?

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### **Greg Motto** - *International Speedway Corporation - VP, CFO and Treasurer*

Thanks, John, and good morning, everyone. Before reviewing the financial results, it's important to note several items impacting our year-over-year fourth-quarter comparability. These include: in 2016, certain marketing and consulting costs recognized in general and administrative expense associated with the redevelopment of Phoenix Raceway; in 2015, certain costs associated with the 2016 opening of DAYTONA Rising, which are



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not capitalized, including marketing and consulting, accelerated depreciation, demolition and relocation of assets, partially offset by capitalized interest; removal of assets not fully depreciated at certain facilities; capitalized interest associated with ONE DAYTONA and Phoenix redevelopment; non-cash gain in the fourth quarter of 2016 related to the transition of merchandise operations; and DAYTONA Rising project placed in service during 2016, which increased depreciation expense. All of these are outlined in the earnings news release and are included in the GAAP to non-GAAP reconciliation where appropriate.

Looking at the income statement, admissions revenue for the fourth quarter was \$38.4 million, a decrease of approximately \$3.9 million compared to the same period in 2015. The approximate 9.3% decrease is primarily related to lower attendance at NASCAR Cup weekends. The increase in motorsports related revenues to \$167.2 million is primarily due to increased TV broadcast rights and, to a lesser extent, sponsorship in other track facility rentals. ISC domestic television broadcast and ancillary revenues were \$119.9 million for the quarter and \$325.1 million for the year. The increase in food, beverage, and merchandise revenue to \$12.5 million is primarily a result of catering provided during disaster relief efforts related to Hurricane Matthew in October and catering at certain other events during the quarter. Partially offsetting was a decrease in concessions, primarily a result of lower attendance.

NASCAR event management fees increased to \$65.9 million. The increase is due to variable costs driven by higher television broadcast rights fees for the NASCAR Cup, XFINITY, and Camping World Truck Series events and contracted increases in non-TV NASCAR event management fees. Motorsports related expense increased to \$40.4 million. The increase is primarily related to an increase in track rentals during the quarter. Food, beverage, and merchandise expense of \$7.8 million was comparable to last year. Food, beverage, and merchandise expense as a percentage of associated revenue improved to approximately 62%. General and administrative expense decreased to \$29.5 million. The decrease is primarily due to certain personnel related expense and other cost-containment initiatives, partially offset by increase in maintenance and utility costs associated with operating the new stadium in Daytona.

Depreciation and amortization expense increased to \$25.1 million for the quarter, largely due to assets placed in service during 2016 associated with DAYTONA Rising. Losses on asset retirements decreased to \$1.8 million, primarily related to the completion of DAYTONA Rising, and partially offset by the removal of certain assets not fully depreciated at other properties. Interest income was approximately \$113,000, comparable to the same period in the prior year. Interest expense increased to \$3.4 million due to lower capitalized interest related to DAYTONA Rising recognized in the fourth quarter of 2015, partially offset by capitalized interest associated with ONE DAYTONA in 2016.

Equity and net income from equity investments of approximately \$3.4 million represents our 50% interest in the Hollywood Casino at Kansas Speedway. For the full-year fiscal 2016, equity and net income was \$14.9 million compared to \$14.1 million in fiscal 2015. During fiscal 2016, cash distributions from the casino to ISC totaled \$25.9 million compared to \$32.1 million in fiscal 2015. The decrease is primarily related to a one-time change from quarterly to monthly distributions in 2015. Net income for the three months ended November 30, 2016, was \$32.4 million, or \$0.72 per diluted share on approximately 45.4 million shares outstanding.

However, when you exclude certain costs incurred in connection with the Phoenix redevelopment project, removal of assets not fully depreciated at certain facilities, capitalized interest related to ONE DAYTONA and Phoenix redevelopment, non-cash gain related to merchandise operations, and a de minimis net gain on asset sale, we posted earnings of \$0.72 per diluted share for the fiscal fourth quarter compared to non-GAAP net income for the 2015 fourth quarter of \$0.74 per diluted share.

As for the balance sheet and future liquidity, at November 30 our combined cash and cash equivalents totaled \$263.7 million and shareholders' equity was \$1.4 billion. Our deferred income was approximately \$39.4 million, slightly higher than the prior year. At the end of the quarter, total debt was approximately \$265 million, which includes \$165 million in senior notes, \$52.1 million in TIF bonds associated with Kansas Speedway, and \$47.9 million for our term loan on our headquarters office building.

As it relates to capital expenditures for the fiscal year 2016, we spent approximately \$140 million in capitalized -- including capitalized interest and labor. Since 2013, we have managed capital expenditures to the \$600 million five-year capital plan discussed on previous calls covering the period 2013 through 2017. This plan encompassed capital expenditures for reinvestment in our existing facilities, including the DAYTONA Rising project. DAYTONA Rising was completed on time and on budget and contributed over \$15 million in incremental EBITDA. Additionally, in 2016, our financial



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and liquidity position was strengthened by the receipt of final payment related to the sale of Staten Island and our motorsports tax depreciation provision passed by Congress in December 2015.

As discussed on our third quarter call, ISC's Board of Directors endorsed a new capital allocation plan covering fiscal years 2017 through 2021. Under this new plan, we will transition remaining commitments as of November 30, 2016, totaling approximately \$59 million from the 2013 \$600 million plan. This new capital allocation plan is anchored by the principles that maintain a strong, investment grade balance sheet and provide for a balance of resources of capital expenditures for reinvestment in existing facilities with return of capital to shareholders.

As you are aware, ISC operates in a capital intensive business. Maintenance capital for our existing facilities range between \$40 million and \$60 million annually. As a result, we expect blended returns to be lower than our weighted average cost of capital. Over the period 2017 through 2021, we expect to invest up to \$500 million of capital expenditures for existing facilities. This includes the previously discussed maintenance capital and \$178 million for the development of Phoenix Raceway. Like Daytona, the Phoenix redevelopment includes maintenance capital required to bring the property up to current expectations of modern-day sports facilities.

Upon completion in November 2018, we expect Phoenix to contribute between approximately \$8.5 million to \$9 million in incremental EBITDA, which will be recognized over a two-year period in fiscal 2018 and 2019 and sustained thereafter. Despite not anticipating the need for additional long-term debt to fund this project, accounting rules dictate that we capitalize a portion of the interest on existing outstanding debt during the construction period. We estimate to recognize between approximately \$4 million to \$4.5 million of capitalized interest from fiscal 2017 through fiscal 2018.

For fiscal 2017, we expect capital expenditures related to the redevelopment of Phoenix to total approximately \$70 million to \$75 million, capitalized interest of approximately \$1.2 million, and accelerated depreciation of approximately \$2.5 million. We expect total capital expenditures reinvested in existing facilities for fiscal 2017 to range between \$100 million and \$115 million, which includes the Phoenix redevelopment.

In addition to the \$500 million in capital expenditures for existing facilities, we expect we will have an additional \$95 million of capital expenditures related to ONE DAYTONA, net of incentives. ONE DAYTONA commenced construction in fiscal 2016 and we expect capital expenditures will run through 2018. At stabilization, we expect the first phase of ONE DAYTONA to deliver annual revenue and EBITDA of approximately \$12 million and \$9 million, respectively, and deliver an unlevered return above our weighted average cost of capital. We expect to add leverage to the ONE DAYTONA development post stabilization.

Through November 30, 2016, we have spent approximately \$22 million for ONE DAYTONA. For fiscal 2017, we expect capital spending for ONE DAYTONA to range between approximately \$50 million and \$60 million, capitalized interest to be approximately \$2.9 million. We expect to recognize revenue and expense totaling approximately \$2 million and \$2.2 million, respectively, inclusive of approximately \$0.5 million of incremental depreciation.

Return of capital to shareholders is a significant pillar of our capital allocation plan. In fiscal 2016, we increased our dividend approximately 58% to \$0.41 per share. We expect dividends to increase in 2017 and beyond by approximately 4% to 5% annually. Concerning the share repurchase program, in fiscal 2016 we purchased approximately 1.7 million shares of ISCA on the open market at a weighted average share price of \$33.25 for a total of approximately \$55.1 million. In November, our Board authorized an incremental \$200 million to our share repurchase program, bringing the balance available for future share purchases to \$206.6 million.

For 2017 through 2021 we expect our return of capital program will be approximately \$280 million, comprised of \$100 million in total annual dividends and \$180 million in open market repurchase of ISCA shares over the five-year period. At this time, we expect this spending to be evenly allocated per year, although we will scale the repurchase program to buy opportunistically.

In summary, we have built a capital allocation plan based on conservative estimates that will maintain a strong financial position, prudently and disciplined reinvestment in the business, and provide stable and growing returns to shareholders. This includes \$500 million of capital expenditures for reinvestment in our existing facilities, including Phoenix, \$95 million for development of ONE DAYTONA, and \$280 million in dividends and share repurchases. We will continue to explore development and/or acquisition opportunities beyond the initiatives discussed above that build



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shareholder value and exceed our weighted average cost of capital. Should such initiatives be pursued, we will provide discrete information on the timing, scope, cost, financing, and expected returns of such opportunities.

And now for our outlook for 2017. In an effort to enhance the comparability and understandability of our forward-looking financial guidance, we adjust for certain nonrecurring items that will be included in our future GAAP reporting. We believe this adjustment information best represents our expectations for our 2017 core business performance. For fiscal 2017, our non-GAAP guidance excludes any nonrecurring preopening income statement impact attributable to the construction of Phoenix redevelopment project, including non-capitalized costs and losses associated with retirements of certain other long-lived assets, partially offset by capitalized interest; potential nonrecurring non-capitalized costs or charges that could be recognized related to our ONE DAYTONA development, offset by capitalized interest; start up and/or financing costs should our Hollywood Casino at Kansas Speedway joint venture pursue construction of an adjacent hotel; any cost or income related to legal settlements; gain or loss on sale of other assets; and accelerated depreciations and future loss on retirements, mostly non-cash, for relocation of certain long-lived assets which could be recorded as part of capital improvements other than the Phoenix redevelopment, resulting from the removal of assets prior to the end of their actual useful life.

So for 2017, we expect total revenues to range between \$660 million and \$670 million. The increase is primarily attributable to the contracted broadcast rights for NASCAR's top three national touring series. We expect attendance related revenue and corporate sales to increase less than 1%. EBITDA margin will range between 31.5% and 32.5%, with EBITDA ranging between \$208 million to \$218 million. Incremental to this EBITDA is approximately \$26 million to \$27 million in pretax cash distributions from the Hollywood Casino. Operating margin is estimated between 15.5% and 17%. We expect certain expense increases during the year, including approximately 3.8% in NASCAR event management fees related to the variable component of broadcast rights and other sanctioned prize money contracted in our five-year sanction agreements.

Other event related and general administrative operating expenses will increase less than 1%. Net interest expense on a non-GAAP basis will be between \$15 million to \$15.5 million. Our non-GAAP effective tax rate is forecasted at 38% to 38.5%. And non-GAAP earnings of \$1.50 to \$1.65 per diluted share. From an earnings perspective, the fourth quarter will be our most significant, followed by the first, second, and third quarters, respectively. Contributing to earnings per share in 2017 is between approximately \$18.5 million and \$19.5 million in equity and net income from equity investments recognized as our 50% share of the Hollywood Casino. The approximate \$3.6 million to \$4.6 million increase compared to 2016 is primarily attributable to lower depreciation expense associated with fully depreciated assets. Casino management does not expect any meaningful increase in capital expenditures that would impact cash distributions.

In closing, we maintain a solid financial position developed over many years that affords us the ability to follow our disciplined capital allocation strategy and maintain our leadership position in the motorsports industry. We have extended our capital allocation plan through fiscal 2021, demonstrating our ongoing commitment to building long-term value. For the future we are well-positioned to balance the strategic capital needs of our business with returning capital to our shareholders. We look forward to speaking with you on our next earnings conference call in April.

And with that, I'll turn it back over to the operator who will lead us through the Q&A portion of the call. Operator?

## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Barry Lucas, Gabelli & Co.

### Barry Lucas - Gabelli & Co. - Analyst

Good morning. A couple of items. I'm just trying to look at the outlook and think about the guidance, which is essentially flattish with fiscal 2016. And your comments regarding sponsorship and attendance revenues would seem to embed about -- something like 4% or 5% decline -- another decline in attendance revenues. Is that fair, John?

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**Greg Motto** - *International Speedway Corporation - VP, CFO and Treasurer*

Berry, this is Greg. I'll answer that. On the upper end of our guidance, we're considering stable to some slight growth in those areas of revenue. On the lower end, as we noted in the press release, would assume continued erosion that we saw from the second and fourth quarters of fiscal 2016.

**Barry Lucas** - *Gabelli & Co. - Analyst*

Okay. And just two on some of the changes. So, with Monster, obviously very early days -- less than two months into this -- but body language, anecdotal evidence that Monster will provide some lift, some increase in interest by Millennials? I guess basically what I'm asking, what have you heard so far either from other track promoters or fans? Or what's your sense there?

**John Saunders** - *International Speedway Corporation - President*

Barry, it's John. We are encouraged. The product, Monster Energy, speaks to a younger demographic, which is promising for us. And when this was announced in Las Vegas back in early December, I think it was Brian France that couched their enthusiasm as edgy and fun. And they know motorsports. They sponsor the current Formula 1 champion, Nico Rosberg. They sponsor Kyle and Kurt Busch. They are very, very active in Supercross, and they are all about activation. They are all about fun and activation, and we are currently in negotiations with them about what those footprints would look like at the ISC racetracks.

And we're encouraged. We're encouraged about what we're hearing and what we're hearing from NASCAR and the other tracks. And we've got a lot of work to do. Daytona is right around the corner, but they are thinking out of the box, and I think is going to bring a whole new live entertainment component to the Cup weekends.

**Barry Lucas** - *Gabelli & Co. - Analyst*

Great. Thanks, John. Last one: how concerned are you about -- how am I going to put it? -- confusion with regard to the new scoring system and potentially turning off some of your existing or traditional fans, shall we say??

**John Saunders** - *International Speedway Corporation - President*

We're not concerned. We had Joie Chitwood, our Chief Operating Officer, and Pat Warren, our President of Kansas Speedway, along with their counterparts at other racetracks, drivers -- Brad Keselowski, Denny Hamlin, Joey Logano -- team ownership, and the broadcasters, along with NASCAR, in a series of highly collaborative meetings. And if you step back and look at this, the integrity of the race has not been changed. What you have is -- if you really look -- on the surface, it may sound confusing -- but when you really look at what's going on with the points, drivers and teams are incented to race every lap of every stage. And these accumulation of points will carry over into -- will no longer be known as the chase, but the playoffs.

And we believe -- and so essentially, when you look at it, outside of bicycle racing, we were the only other sport that didn't award points during the conduct of the sporting event and now we do. And this is going to have an emphasis, as I said, on performance once that green flag drops until the checkered flag. And of course we now have winning moments within the race. And one of the complaints we heard from fans, loudly, was they were challenged with -- particularly the viewing audience, when television had to break for commercials during green flag runs.

This now presents an opportunity for them to break and not interrupt the on-track activity. So, what we've seen from fans is overwhelmingly positive, and it's only been a week into the announcement. And the other good news about this is this format applies to the Duel here in Daytona, which in recent years there was not a real compelling incentive for teams to race in what is a pretty big day for our Speed Weeks here in Daytona. So we're encouraged, we're excited about it.



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**Barry Lucas** - *Gabelli & Co. - Analyst*

Great. Thanks, John.

**Operator**

(Operator Instructions) Tim Conder, Wells Fargo.

**Unidentified Participant**

Good morning. This is Karen calling in for Tim. I just wanted to start off and talk about the optimism you expressed in the 2017 admissions revenue line. I wanted to see if you could highlight some top reasons or data points that really point to the strength that you might experience in 2017. Perhaps is it because you've kind of said there's a bottoming and recovery of the consumer, of your core consumer? Is it perhaps some significant marketing initiatives you are launching this year? Or even results of the election that might bode well toward your core consumer? If you could just highlight some of those points that would be great.

**John Saunders** - *International Speedway Corporation - President*

Sure. This is John. If I heard your question correctly, we mentioned in the script -- in the scripted remarks about strengthening our initiatives. And one of the things that's happened in the last 12 to 18 months is this collaboration between all the industry stakeholders that has been sponsored and led by NASCAR. We have driver councils, we have OEM councils, we have track councils and owners' councils. And in these meetings strategy is discussed. How do you improve on the live event experience? How do you improve in the on-track experience? How do you improve on the broadcast experience? And so you see a coming together of the industry, which was not always the case when you go back several years or even decades. And so just that process that is now embedded in the ecosystem has got us excited for the future.

Now, some specifics -- I mentioned the formats. We think that's going to resonate well. We are continuing to fine-tune our advertising and media mix, market by market, and adopting where we have success those best practices across our Company. When you look at youth and Millennial, we for the first time in the history of the sport, we have a unified message for youth and Millennials, particularly on pricing. Across the industry, youth can attend -- under 12 years of age can attend the Camping World Truck Series and the XFINITY Series for free. And all the tracks have agreed to that. I've spoken about Monster Energy and the enthusiasm they bring.

And we touched on what's been kind of tough for us is these three retiring drivers. And so initiatives and working with NASCAR's IMC and the teams and managing the future star power, connecting with these younger drivers to drive equity. We have an opportunity here with Daniel Suarez, who is now coming into the Cup series. So there's a long list of things, but those are the tops of the waves. But at the core of all of that is the industry coming together to unite and grow it.

**Unidentified Participant**

Thank you, that's very helpful. And my next question is just around some of the strength you've seen in your average ticket and corporate dollars in 2016. It seems like a lot of that is driven by the initiation of Daytona and the one-time related event. Just want to see if you think there's additional opportunities to continue to drive both of those two items. I know you've highlighted it a lot in your prepared remarks and also in the release, but just your sense for where those two are headed.



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**Greg Motto** - *International Speedway Corporation - VP, CFO and Treasurer*

Karen, this is Greg. I'll address that. And yes, 2016 is -- the total average ticket price did increase substantially driven by the Daytona. And across all of our facilities otherwise we were relatively flat year-over-year for average ticket price. Maintaining our integrity of pricing is important to us. And as we've talked about previously, always providing the best price to early ticket buyers is the philosophy that we have stuck with through the recession and has done us well.

What we have done is we take pricing throughout the sales cycle. So as you noted, over the past couple of years we have seen an increase in our average ticket price because as you go through the sales cycle we will take pricing. And as it gets to the week of the event we may take \$5 or \$10 of additional pricing at that point in time. Other things that we're doing, like in Daytona is you have these segmented experiences. So in Daytona we didn't really do a broad brush price increase across the facility. What we had is more seats available at higher price points and better experiences. And so in turn what that resulted in was in a higher average ticket price. So we're looking at those opportunities as we look at this Phoenix redevelopment project and as we look at other capacity opportunities at our tracks.

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**Unidentified Participant**

Okay. Great. And then, Greg, also on the corporate side it sounds like with the Monster deal there's a one-time reset, but then you also expect a 1% to 2% increase. Does that sound like you are expecting flattish year over year on the corporate sponsorship side, or did I misunderstand that?

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**Greg Motto** - *International Speedway Corporation - VP, CFO and Treasurer*

It's actually about flattish, maybe slightly down a little bit after that reset. But corporate partnerships does remain strong for us. We have an increasing amount of partners that the sales team has been signing up. I think we have one of the best sales teams in the industry here. And they are getting longer terms and good dollars on these deals and bringing more partners into the sport. We just signed recently with Advance Auto Parts who hasn't been in the sport in a while; is now the title sponsor for The Clash here in Daytona. So we continue to look at corporate partnerships as an opportunity for us.

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**Unidentified Participant**

Okay. Great. Thanks for taking our questions.

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**Operator**

At this time there are no further questions. I will now return the call to John Saunders for any additional or closing remarks.

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**John Saunders** - *International Speedway Corporation - President*

I just want to say, as we head into the Rolex 24 this weekend, which is looking to be another record for us, I just want to thank everybody for joining us on the Q4 call. And we look forward to talking to you in Q1 2017, so thanks for joining today.

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**Greg Motto** - *International Speedway Corporation - VP, CFO and Treasurer*

Thank you.

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**Operator**

Thank you for participating in the International Speedway Corporation 2016 fourth-quarter earnings conference call. You may now disconnect.



## JANUARY 26, 2017 / 2:00PM, ISCA - Q4 2016 International Speedway Corp Earnings Call

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