

THOMSON REUTERS STRETEVENTS

# EDITED TRANSCRIPT

ISCA - Q3 2017 International Speedway Corp Earnings Call

EVENT DATE/TIME: OCTOBER 05, 2017 / 1:00PM GMT



OCTOBER 05, 2017 / 1:00PM, ISCA - Q3 2017 International Speedway Corp Earnings Call

## CORPORATE PARTICIPANTS

**Gregory S. Motto** *International Speedway Corporation - CFO, EVP and Treasurer*

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

**Lesla France Kennedy** *International Speedway Corporation - Vice Chairwoman and CEO*

## CONFERENCE CALL PARTICIPANTS

**Barry Lewis Lucas** *G. Research, LLC - Senior Analyst*

**Gregory R. Pandy** *Sidoti & Company, LLC - Research Analyst*

**Jaime M. Katz** *Morningstar Inc., Research Division - Equity Analyst*

**Karen Tan** *Wells Fargo Securities, LLC, Research Division - Associate Analyst*

**Matthew John Brooks** *Macquarie Research - Securities Analyst*

## PRESENTATION

### Operator

Good morning, and welcome to the International Speedway Corporation 2017 Third Quarter Earnings Conference Call. (Operator Instructions) As a reminder, this conference is being recorded on Thursday, October 5, 2017.

With us on this morning's call are Lesla France Kennedy, CEO; John Saunders, President; and Greg Motto, Senior Vice President and Chief Financial Officer. After formal remarks, John Saunders and Greg Motto will conduct a question-and-answer period. (Operator Instructions)

Before we start, the company would like to address forward-looking statements that may be addressed on the call. Afterward -- 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 the International Speedway Corporation with the SEC, specifically the most recent reports on Form 10-K and 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 Lesla France Kennedy. Ms. Kennedy?

---

### **Lesla France Kennedy** - *International Speedway Corporation - Vice Chairwoman and CEO*

Yes, and good morning, everyone. I want to thank all of you for joining us today on our third quarter call. We're pleased to report strong financial results for the third quarter. Revenue for comparable events has increased, driven by contracted broadcast rights and our corporate partnerships. During the quarter, we increased admissions for the Coke Zero 400 and announced the third consecutive sellout of reserved grandstands for the Monster Energy NASCAR Cup Series event at Watkins Glen. Also, our Phoenix Raceway Project that is powered by DC Solar is progressing nicely. Last week, we announced a partnership with ISM Connect for a multiyear agreement that includes naming rights for the Raceway. Beginning in 2018, the ISM Raceway will be one of only 2 motorsports facilities that have partnership naming rights. At completion, the modernized facility will feature ISM's groundbreaking digital fan engagement experience. This will be a great complement to the many world-class fan amenities that are being constructed at the facility. We expect components of the project to be in service as early as November 2017.

I'm pleased to have the finish line in sight for ONE DAYTONA. The Fairfield Inn & Suites, along with several first-to-market tenants, are planned to open later this year. We are eager to welcome the community here to celebrate the holidays in a big way. Additional tenant announcements and the anticipated opening of the second hotel named The DAYTONA, a Marriott Autograph Collection property, are planned in 2018.



## OCTOBER 05, 2017 / 1:00PM, ISCA - Q3 2017 International Speedway Corp Earnings Call

I'm now going to turn the call over to John Saunders, and he's going to tell you a little bit more about our successful third quarter. So John?

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

Thank you, Lesa, and good morning, everyone. First of all, let me mention we are fortunate to have weathered Hurricane Irma safe and sound with only minor damage to our Daytona and Homestead-Miami facilities.

The results of the third quarter were in line with previously communicated expectations and highlighted by increases in all categories of comparable revenues. Combined with holding down controllable costs, our non-GAAP earnings improved to \$0.06 per share from \$0.03 per share in the third quarter of 2016. Key to this improved performance is strong contracted revenues; our investment in DAYTONA Rising, delivering on attendance, admissions and corporate sales; and increased contribution from the Hollywood Casino.

The 2017 NASCAR playoffs are well underway, with the first round of eliminations resetting the field last weekend. Race format changes implemented by NASCAR continue to deliver great on-track competition. Up-and-coming drivers, Kyle Larson, Ryan Blaney and Chase Elliott, will continue to battle members of NASCAR's elite, all with the goal of capturing the Monster Energy Cup at Homestead-Miami in November.

During the quarter, we hosted 4 Monster Energy NASCAR Cup events, 3 NASCAR Xfinity events and 1 NASCAR Camping World Truck Series event. We also hosted an ARCA event at Michigan and an IMSA weekend at Watkins Glen. In addition, Michigan hosted the fifth annual Faster Horses Festival with its biggest crowd to date.

Attendance and admissions for Cup events were comparable to the prior year, a welcome sign of stability. Increased attendance for the Coke Zero 400 and a third consecutive sellout of grandstand seating at the Glen's Cup event were offset by some softness at the Michigan Cup events. With the combined increase in average ticket price and ticket fees, overall admissions actually increased for comparable events versus prior year.

Looking into the fourth quarter. To date, we have held Cup events at Darlington, Richmond and Chicagoland, with results in line with expectations. Advance sales for the remaining events in the fourth quarter are trending comparable to prior-year quarter. We remain confident our consumer-focused marketing and sales strategies are working to bring ticket sales in line to deliver stronger results. Our initiatives will continue to target new and lapsed customers through all traditional media, social and digital channels. The objective here is to reignite and protect the base, grow casuals into avid fans and spark interest and demand with the next generation of fans.

Our strategies are focused on value-added options that enhance the live motorsports experience, including exclusive VIP hospitality experiences with driver appearances and Q&A sessions. We have included ticket packages aimed at youth and younger demographics with kid pricing and family-targeted promotions. We're pleased with the year-over-year to date increases in younger demographics attending events.

Our financial position is strengthened by our contracted corporate sales and broadcast agreements that provide long-term visibility. Corporate sales remain strong. To date, we have secured approximately 99% of our gross corporate sales goal for 2017 and currently have only one open entitlement for a Monster Energy NASCAR Cup Series event. We remain confident we will achieve our gross corporate sales goal for the year.

TV viewership for NASCAR events remains strong -- among the strongest of all sports properties. For 2017 to date, Monster Energy Cup Series events have averaged over 4.5 million viewers per weekend. Viewership is strong among millennials aged 18 to 34. In 2017, the Monster Energy NASCAR Cup Series has experienced growth in the proportion of millennial viewers to the total audience for 20 of 28 events.

It's important to look at NASCAR or any sports property by cross-platform consumption as TV viewership, in general, has been experiencing a decline in Households Using Television, or HUT, levels. Our mobile and web apps have been -- seen strong demand for consumption of written and video content. Social media is an important and growing channel for content distribution. ISC continues to support NASCAR and our broadcast partners' strategy to remain competitive, relevant and compelling with content generation. These strong viewership statistics have competitively positioned the Monster Energy Cup Series against other sports programming and enabled our broadcast partners to capture increased ad revenue during NASCAR broadcasts.



## OCTOBER 05, 2017 / 1:00PM, ISCA - Q3 2017 International Speedway Corp Earnings Call

Our Hollywood Casino at Kansas Speedway joint venture continues to be a strong contributor to earnings and cash flow. Cash distributions from the casino to ISC for fiscal 2017 to date totaled \$19.1 million. For 2017, we expect cash distributions from the casino to be approximately \$25 million to \$26 million.

Construction for ONE DAYTONA is progressing. Anchor tenants, Cobb Theatres and Bass Pro Shops continue to experience results exceeding expectations since opening in the first quarter of 2017. The Fairfield Inn is scheduled to open this fall. Leasing activity is ongoing, seeking to add to a lengthy list of previously announced tenants, including several first-to-market brands that will open later this year. Construction continues on the second hotel, a Marriott Autograph Collection property named The DAYTONA, with an anticipated opening in late 2018.

In April, our Board of Directors approved additional -- an additional approximately 20 -- \$12 million of capital expenditures to further develop the Volusia Point retail property previously purchased in 2011. Volusia point is adjacent to ONE DAYTONA and will be rebranded the Shoppes at ONE DAYTONA. We expect the improvements to the Shoppes will generate an incremental EBITDA of approximately \$1 million to the ONE DAYTONA pro forma through increased square footage and securing tenants for currently vacant spaces. Completion of the Shoppes is targeted for late 2018. Upon completion and stabilization of operations for ONE DAYTONA and the Shoppes, we expect the combined projects to contribute approximately \$10 million of incremental EBITDA.

Construction at Phoenix Raceway continues. The redevelopment will focus on new and upgraded seating areas, vertical transportation options, new concourses, enhanced hospitality offerings and intimate infield fan experience with greater accessibility to prerace activities. The cost of the project will be approximately \$178 million, which includes approximately \$60 million of critical maintenance.

As Lesa mentioned, last week, we announced a partnership with ISM Connect for a multiyear agreement that includes naming rights for the Raceway. ISM's 360-degree Connect network will provide a modernized venue with advanced, robust technology and data capabilities to create meaningful connections between fans, partners and the venue itself. This will be done through the use of digital display screens, interactive experiences, social media integrations and a mobile app that will give fans access to unique content, in-seat ordering and more. The ISM Connect network will power various fan activations and experiences throughout the venue, including the new infield fan zone, a new pedestrian tunnel connecting the infield to the new seating areas and one of the 2 new Canyons, the immersive, interactive facility entrances. As part of the partnership, ISM Connect will also receive naming rights for one of the Canyons, providing over 20,000 square feet of fan engagement and brand activation that vertically spans multiple concourse levels.

As we mentioned in the last quarter, our board approved a maintenance project to renovate the infield at Richmond and introduce innovative fan experiences. The costs of the project are fully covered in the fiscal 2017 capital expenditure guidance and our 5-year capital allocation plan.

ISC maintains strong visibility of future cash flows, with over half of its revenue secured through the industry's 10-year broadcast agreement and multiyear partnership agreements. We will continue our strategic focus on consumer marketing initiatives to deliver growth through our core business. We will seek opportunities for increased utilization of our facilities through ancillary events, and investments in qualified developments like the casino in ONE DAYTONA will provide further growth in shareholder value.

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

---

### **Gregory S. Motto** - International Speedway Corporation - CFO, EVP and Treasurer

Thanks, John, and good morning, everyone. Before reviewing the financial results, it's important to note several items impacting fiscal year-over-year third quarter comparability. These include: in the third quarter 2016, we received a legal settlement of approximately \$1.1 million related to certain facility operations. In the third quarter 2017, we recognized a gain on the sale of assets of approximately \$330,000. Equity earnings from the Hollywood Casino joint venture reflect certain assets being fully depreciated. We incurred approximately \$2.2 million of costs, mostly noncash, associated with the Phoenix Raceway Project and projects at other facilities which are not capitalized, including accelerated depreciation and removal of assets not fully depreciated and to a lesser extent, marketing and consulting expenses. We incurred comparable charges of less than \$200,000 in the third quarter of 2016. We capitalized interest of approximately \$1 million related to ONE DAYTONA and the Phoenix Raceway Project compared to approximately \$360,000 in the third quarter of 2016. And we recorded a nonrecurring, noncash charge to income tax expense



## OCTOBER 05, 2017 / 1:00PM, ISCA - Q3 2017 International Speedway Corp Earnings Call

of approximately \$2.1 million in the third quarter of 2017 related to the impairment of a deferred tax asset. All of these are outlined in the earnings news release and are included in the GAAP to non-GAAP reconciliations where appropriate.

Looking at the income statement. Admissions revenue for the third quarter was \$22.8 million, a decrease of less than \$100,000 or less than 1% compared to the same period in 2016. The average ticket price for Monster Energy NASCAR Cup Series events held during the quarter was approximately \$85.60, an increase of 3% compared to the same period in 2016. The increase in motorsports and other event-related revenues of -- to \$94 million is primarily due to increased TV broadcast rights, corporate partnerships and advertising revenues. ISC domestic television broadcast and ancillary revenues were \$59.1 million for the quarter.

The increase in food, beverage and merchandise revenue to \$11.1 million is primarily related to catering and concession operations provided by our Americrown subsidiary at non-ISC motorsports facilities. The decrease in other income to \$4 million is primarily due to the previously mentioned legal settlement of \$1.1 million recognized in the third quarter of 2016, partially offset by rents received from tenants of ONE DAYTONA in 2017.

NASCAR event management fees increased to \$32.5 million. The increase is due to variable costs, driven by higher television broadcast rights fees for the NASCAR Monster Energy Cup, Xfinity and Camping World Truck Series events and contracted increases in non-TV NASCAR event management fees.

Motorsports and other event-related expense increased slightly to \$32.2 million. The increase of less than 1% is primarily related to the improvement of guest services at NASCAR events, partially offset by certain cost-containment initiatives. Food, beverage and merchandise expense increased to \$9.1 million. The increase is related to higher catering and concession operations provided at non-ISC motorsports facilities. Food, beverage and merchandise expense as a percentage of associated revenue increased to approximately 81.9%.

The other operating expense increase to \$293,000 is primarily related to operating costs associated with ONE DAYTONA. General and administrative expense increased to \$27.7 million. The increase is primarily due to increases in certain administrative costs, partially offset by reductions in property taxes.

Depreciation and amortization expense increased to \$27.8 million for the quarter, largely due to accelerated depreciation relating to the Phoenix Raceway Project and other capital improvements at Richmond Raceway and new assets placed in service associated with ONE DAYTONA. Losses on asset retirements are comparable to the prior year.

Interest income increased approximately \$200,000 for the quarter, primarily related to higher yield on short-term investments. Interest expense decreased to \$2.8 million, primarily related to higher capitalized interest for the Phoenix Raceway Project and ONE DAYTONA in 2017.

Equity and net income from equity investments of approximately \$4.6 million represent our 50% interest in the Hollywood Casino at Kansas Speedway. This compares to approximately \$3.3 million in the third quarter of 2016. The increase is primarily due to lower depreciation expense related to certain assets that are fully depreciated.

Net income for the 3 months ended August 31, 2017, was \$265,000 or \$0.01 per diluted share on approximately 44.5 million shares outstanding. However, when you exclude certain marketing and preopening costs, removal of assets and accelerated depreciation incurred in connection with the Phoenix Raceway Project and the infield project at Richmond, net gain on sale of certain assets, the legal settlement, capitalized interest related to ONE DAYTONA and the Phoenix Raceway Projects and the nonrecurring, noncash charge, we posted earnings of \$0.06 per diluted share for the third quarter of fiscal 2017 compared to non-GAAP net income for the third quarter of 2016 of \$0.03 per diluted share.

As for the balance sheet and future liquidity. At quarter end, our combined cash and cash equivalents totaled \$268.9 million, and shareholders' equity was \$1.4 billion. Our deferred income was approximately \$84.2 million, comparable to the same period in the prior year. At the end of the quarter, total principal outstanding on debt was approximately \$264.4 million, which includes \$165 million in senior notes, \$52.2 million in TIF bonds associated with the Kansas Speedway and \$47.2 million for our term loan on our headquarters office building.



## OCTOBER 05, 2017 / 1:00PM, ISCA - Q3 2017 International Speedway Corp Earnings Call

We currently have no borrowings drawn on our \$300 million revolving credit facility. During the quarter, we exercised one of the 2 options to extend the term of the revolver for 12 months. Under the amended agreement, the maturity for our revolving credit facility is now September 2022.

As it relates to capital spending, for the 3 months ended August 31, 2017, we spent approximately \$37 million, including capitalized interest and labor. We have established a long-term capital allocation plan to ensure we generate sufficient cash flow from operations to fund our working capital needs, capital expenditures at existing facilities, return of capital through payments of an annual cash dividend and repurchase of our shares under our stock purchase plan. We operate under a 5-year capital allocation plan adopted by the Board of Directors covering fiscal years 2017 through '21. Components of this plan include capital expenditures at existing facilities, the ONE DAYTONA development project and return of capital to shareholders. Our plan anticipates capital expenditures for existing facilities up to \$500 million from fiscal '17 through fiscal '21. This allocation will fund an estimated \$178 million reinvestment at Phoenix, the previously discussed infield project at Richmond as well as other maintenance and guest experience capital expenditures for the remaining facilities. While many of the components of these expected projects will exceed the weighted average cost of capital, considerable maintenance capital expenditures estimated at approximately \$40 million to \$60 million annually will likely result in a blended return of invested capital in the low to single -- low to mid-single digits.

In 2017, we began the redevelopment of Phoenix, with the completion targeted in the fall of fiscal '18. Upon completion, the Phoenix Raceway Project is expected to provide a full fiscal year incremental EBITDA lift of approximately \$8.5 million to \$9 million. However, as accounting rules dictate, we will recognize revenue and expense related to components of the project placed in service and/or benefits provided to partners beginning in 2017 prior to full completion in November of 2018.

In addition to the \$500 million in capital expenditures for existing facilities, we expect we will have an additional \$107 million of capital expenditures related to ONE DAYTONA, including the Shoppes. Since commencement of construction for ONE DAYTONA, from fiscal 2016 through August 31, 2017, capital expenditures totaled \$80.3 million. The remaining approximate \$26.7 million for ONE DAYTONA and the Shoppes will be spent in fiscal years '17 and '18. At stabilization, we expect this phase of ONE DAYTONA and the Shoppes to deliver incremental annual EBITDA of approximately \$10 million and an unlevered return above our weighted average cost of capital. We expect to add leverage to ONE DAYTONA post-stabilization.

For fiscal 2017, we expect total capital expenditures associated with our capital allocation plan to range between \$150 million and \$175 million. This includes between \$100 million and \$115 million for existing facilities and \$50 million to \$60 million in capital expenditures related to the construction of ONE DAYTONA.

Based on our current plans for Phoenix, we have identified existing assets that are expected to be impacted by the redevelopment and will require accelerated depreciation or losses on asset retirements totaling approximately \$6.1 million in mostly noncash charges over the 22-month project span.

Despite not issuing specific debt to fund our projects, accounting rules dictate that the company capitalizes a portion of the interest on existing outstanding debt during the construction period. For fiscal years '17 through '18, we estimate to record approximately \$6 million to \$6.5 million and \$4 million to \$4.5 million of capitalized interest for Phoenix and ONE DAYTONA, respectively. Through the third quarter of fiscal '17, we recorded capitalized interest for these projects of approximately \$2.5 million and expect a total of approximately \$4.1 million in fiscal '17.

Return of capital to shareholders through dividends and share repurchases is a significant pillar of our capital allocation. In fiscal '17, we increased our dividend approximately 5% to \$0.43 per share. We expect dividends to increase in 2018 and beyond by approximately 4% to 5% annually. For the 9 months ended August 31, 2017, we repurchased approximately 979,000 shares of ISCA on the open market at an average price of \$35.76 for a total of approximately \$35 million. At August 31, 2017, we had approximately \$171.6 million remaining repurchase authority under the current \$530 million stock purchase plan. For '17 through 2021, we expect our return of capital program to be approximately \$280 million comprised of close to \$100 million in total annual dividends and \$180 million in open-market repurchases of ISCA shares over the 5-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 the 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 return to shareholders. This includes \$500 million capital expenditures



## OCTOBER 05, 2017 / 1:00PM, ISCA - Q3 2017 International Speedway Corp Earnings Call

for reinvestment in our existing facilities, \$107 million for development of ONE DAYTONA and the Shoppes and \$280 million in dividends and share repurchases.

We will continue to explore development and/or acquisition opportunities beyond the previously discussed initiatives that build 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 adjusted information best represents our expectations for our 2017 core business performance.

For fiscal 2017, our non-GAAP guidance excludes any nonrecurring reopening income statement impact attributable to construction of the Phoenix Raceway Project, including noncapitalized costs and losses associated with the retirements of certain other long-lived assets, partially offset by capital interest expense; any nonrecurring and noncapitalized costs or charges that could be recognized related to our ONE DAYTONA development, partially offset by capitalized interest expense; startup and/or financing costs should our Hollywood Casino at Kansas Speedway joint venture pursue construction of an adjacent hotel; any costs or income related to legal settlements; gain or loss on sale of other assets; nonrecurring income tax charges or benefits; and accelerated depreciation and future loss on retirements, mostly noncash or relocation of certain long-lived assets, which could be recorded as part of capital improvements other than the Phoenix Raceway Project, resulting in the removal of assets prior to the end of their actual useful life.

So for fiscal 2017, we are reiterating our previous guidance. We are most comfortable at the midpoint of these ranges. Our full year fiscal 2017 guidance includes total revenues to range between \$660 million to \$670 million; EBITDA margin between 31.5% to 32.5%, with EBITDA ranging between \$208 million to \$218 million. Incremental to this EBITDA is approximately \$25 million to \$26 million in pretax cash distributions received from the Hollywood Casino. Operating margin is estimated between \$15.5% and 17%. Net interest expense on a non-GAAP basis will be between \$15 million and \$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.

In closing, we are pleased with the results from our third quarter and off to a good start for our fourth quarter. We continue to realize the desired results from our impact capital project at Daytona and progressing well with the projects at Phoenix, Richmond and ONE DAYTONA. We maintain a solid financial position developed over many years that afford 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 January.

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) And your first question comes from the line of Jaime Katz with MorningStar.

### Jaime M. Katz - Morningstar Inc., Research Division - Equity Analyst

So I have a question, I guess, on 2 different parts of the commentary. The first is that advance sales look like they've improved pretty significantly. I think last quarter, you guys implied that advance sales were down 5% for the third and fourth quarter, and now it sounds like they are tracking



## OCTOBER 05, 2017 / 1:00PM, ISCA - Q3 2017 International Speedway Corp Earnings Call

in line with the prior year. So I'm curious, what has changed there? Or what has motivated people to get involved, if you have any insight to that? Because then, on the flip side of that, it sounds like viewership maybe has slowed down a little bit, and I know you've talked about the trends of -- in TV viewership. But maybe if you could sort of triangulate how one has improved and one has maybe slowed quarter-over-quarter, that would be a little bit helpful.

---

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

Sure, Jaime. This is John. We're actually -- we said that we're comparable over prior year quarter. We're actually trending just up a tick versus last year. And we see some -- you've got the new playoff format, which was -- with the segments that were instituted starting with Daytona really resonating with the fans. And we've got some up-and-coming young drivers, whose brands are developing and that I think is resonating well with our fan base. We've talked about our consumer initiatives, the kids' pricing, the results we're starting to see from that. Kids bring parents, which are paid tickets. So we're starting to see a little bit of stabilization in the Q. We don't have a lot of visibility to Q1 in 2018 just yet. So we're pleased. We're pleased with what we're seeing at the moment. Now with regard to your question on television, we are now into the football season. And even though that started towards the end of our Q, and so we've got competition out there, even though other sports are seeing some declines. It's important to note, though, and we've talked about this a lot, that the total consumption is growing. And there's an evolution moving towards the social and digital platforms. And we've got to do all sports. We've got to do a better job of aggregating what that audience is. But what's important for us to focus on is the live event experience and making that a very compelling proposition for the consumer. And the other thing that -- through counsel from NASCAR and from our broadcasters, is that the important thing is we have content. And whatever the pipes are going to look like in the future, they're going to need content. And so I can't predict what all that's going to look like. I'm not sure anybody can at this point. You're seeing some experimentation with -- in the NFL with some of their streaming properties. But as I noted in my comments, the -- we're starting to see a younger demographic as a percentage of the overall viewership watching these events. So that's encouraging.

---

**Jaime M. Katz** - *Morningstar Inc., Research Division - Equity Analyst*

Okay. And then for the Fairfield projects in Daytona, I think you guys have said it was going to open in the fall, and it doesn't look like booking is open for that property yet. Is it still sort of largely on the same timeline? And have there been any other sort of incremental delays for anything else that's opening down there? Because I think fall was the original target and it's fall now, so just curious.

---

**Gregory S. Motto** - *International Speedway Corporation - CFO, EVP and Treasurer*

Yes, Jaime. It's Greg. We're still progressing nicely on it. They're -- actually, we're looking out the window now. And a lot of the landscaping is going in, and they're getting ready for opening here shortly in the latter part of fiscal 2017.

---

**Jaime M. Katz** - *Morningstar Inc., Research Division - Equity Analyst*

Okay, excellent. And then lastly -- yes, go ahead.

---

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

And Jaime, I would add to that, that as everyone well knows, Hurricane Irma took out a lot of power. And it's not -- we don't consider it a material delay. But in terms of infrastructure installment for the project, there was some delay as crews all over the state were putting businesses and residents back online.



## OCTOBER 05, 2017 / 1:00PM, ISCA - Q3 2017 International Speedway Corp Earnings Call

**Jaime M. Katz** - Morningstar Inc., Research Division - Equity Analyst

Of course. And then maybe I missed it in the commentary. Did you guys have attendance to Cup events? I think you gave the ticket to the advance, but I think I missed attendance and whether it was up or down.

**Gregory S. Motto** - International Speedway Corporation - CFO, EVP and Treasurer

For the third quarter?

**Jaime M. Katz** - Morningstar Inc., Research Division - Equity Analyst

Yes.

**Gregory S. Motto** - International Speedway Corporation - CFO, EVP and Treasurer

We didn't direct on attendance for the third quarter. It was down slightly and mostly offset by the increase in the average ticket price, which put us at admissions revenue roughly flat with the prior quarter -- prior year.

**Operator**

And your next question is from the line of Tim Conder with Wells Fargo.

**Karen Tan** - Wells Fargo Securities, LLC, Research Division - Associate Analyst

This is Karen on the line for Tim. And also, I was very glad to hear there's minimum damage from Irma on the infrastructure, and hopefully, the same could be said for everyone individually. And then I just had 2 quick questions. I really appreciate the added color this quarter on Richmond, kind of giving the timing and the scope of that project. But it does seem like a lot of the CapEx spending in terms of the front-end loading within the 5-year plan is more in '17 and '18, leaving lower investments in '19 through '21. And I just want to see what's the likelihood, perhaps, that there could be incremental adjacent investments related to maybe Daytona -- ONE DAYTONA, either Phase 1 or maybe the start of Phase 2, that can maybe progress or start within that later year or later 3 years.

**Gregory S. Motto** - International Speedway Corporation - CFO, EVP and Treasurer

Yes, Karen, this is Greg. So let me first kind of reemphasize our CapEx guidance. While it is \$150 million to \$175 million, remember that \$50 million to \$60 million of that is related to ONE DAYTONA, and the ONE DAYTONA is incremental to our \$500 million CapEx plan for the 5-year period. So excluding that, we said that we're down in the closer range of about \$110 million for 2017 for our existing facilities, which really puts us on a pretty good run rate of evenly spending the CapEx through the 5-year plan. Does that help?

**Karen Tan** - Wells Fargo Securities, LLC, Research Division - Associate Analyst

Yes, that helps. I was wondering, there seems to be ancillary projects that sometimes creep up a little bit that are added to ONE DAYTONA. So I wanted to see if there are any other things or projects that you're looking into or perhaps thinking about timing for Phase 2 of the project. But no, that is helpful.



## OCTOBER 05, 2017 / 1:00PM, ISCA - Q3 2017 International Speedway Corp Earnings Call

**Gregory S. Motto** - *International Speedway Corporation - CFO, EVP and Treasurer*

So let me -- I'll explain a little further on the ONE DAYTONA and development projects. Our philosophy on those is if there is any additional spending, any additional scope that has to be justified by additional return that exceeds our cost of capital. So when -- we discussed the expanded investment for the Shoppes and the development property over there, we also discussed the incremental EBITDA contribution that was coming in from that investment. So that's the way that we'll look at if there are any future phases or any expanded scope of the project. We need to be able to contribute incremental EBITDA.

**Karen Tan** - *Wells Fargo Securities, LLC, Research Division - Associate Analyst*

Okay. And a follow-up question to that is just on whether or not you could give us a longer-term guidance around D&A as these projects are being completed. And then service, just want to see if there's a rule of thumb as we look to modeling out years, starting in '18, '19.

**Gregory S. Motto** - *International Speedway Corporation - CFO, EVP and Treasurer*

Yes. At this point, we haven't provided forward-looking depreciation. You should expect it to increase in the future years. We can -- we'll provide that guidance on our fourth quarter call in January.

**Operator**

Your next question is from the line of Matthew Brooks with Macquarie.

**Matthew John Brooks** - *Macquarie Research - Securities Analyst*

I've got a couple of questions, then maybe jump back in the queue. First, can you confirm that the TV revenue doesn't depend on the ratings that are achieved by Fox or NBC or whether there's some other sort of material change of conditions clause that could affect that payment between now and 2024?

**Gregory S. Motto** - *International Speedway Corporation - CFO, EVP and Treasurer*

Yes, Matt, this is Greg. So primarily, our requirement is that we run the race in the year -- the race schedule in order to receive the broadcast rights. It's not dependent on ratings.

**Matthew John Brooks** - *Macquarie Research - Securities Analyst*

Right. And I might have missed it, did you say the average ticket price for the quarter? Maybe you can tell us, like, how that compares with the last 2 quarters.

**Gregory S. Motto** - *International Speedway Corporation - CFO, EVP and Treasurer*

So the average ticket price for the quarter was about \$85.60 for the Cup events. It increased about 3%. Year-to-date, we're up a couple of percent on the average ticket price. And a lot of this is being driven by demand in some of our higher-priced ticketing areas, not so much pricing. However, we will take pricing later in the cycle as we get closer to the events.



## OCTOBER 05, 2017 / 1:00PM, ISCA - Q3 2017 International Speedway Corp Earnings Call

**Matthew John Brooks** - *Macquarie Research - Securities Analyst*

So the price increases are due to taking up the grandstand, some of the seats, et cetera, in recent years. Is that what you would attribute it to?

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

Some of it is. From a demand standpoint, as you fill the grandstands in higher-priced areas, that will, in turn, increase your average ticket price.

**Matthew John Brooks** - *Macquarie Research - Securities Analyst*

Right. And sort of as you look towards 2018, what are some of the key challenges that you're going to have to face going into next year?

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

Well, this is John, Matthew. Our most popular driver is retiring. And while we don't have any visibility into Q1 on any impact there, the good news is Dale Jr. is going into the booth with NBC. So he will be at the racetracks. Jeff Gordon is in the booth with Fox, which is the first half of the season. But we're really, really focused. One of our primary focus areas with -- in partnership with NASCAR is we've got great, young talent coming along. I mentioned Ryan Blaney. There's Chase Elliott; Kyle Larson; Daniel Suarez; William Byron, a very young, very talented driver. And so we are very focused in partnering with -- and 3 of these guys are in the playoffs. And so the storylines going through Q4 and building their brands are a key focus area. We're -- all sports go through a period of time where big stars, the Peyton Mannings of the world retire, and we're seeing Jeff and Tony Stewart and Dale and others stepping out of the car. And so I wouldn't call it so much of a challenge. I would call it an opportunity. And these are very engaging people. They resonate with younger folks. They're active in engagement on social and digital platforms. So I would say that is one of our greatest opportunities for first quarter and going into 2018.

**Operator**

(Operator Instructions) Your next question comes from the line of Barry Lucas with Gabelli & Company.

**Barry Lewis Lucas** - *G. Research, LLC - Senior Analyst*

I have a couple here. Maybe you could touch base a little bit on the relationship now with ISM, the naming rights, Phoenix and what other opportunities may open up with ISM at other facilities.

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

Yes. It's a very innovative partnership. They -- through the deployment of video screens around the property, it's an opportunity to enhance the guest experience with content. But also, it drives real-time analytics for us through facial recognition and identifying demographics. And as we mentioned in the scripted remarks, that it's a fan experience. It's an additive to the fan experience. And we're working with them to develop this across all of our properties, to your question, what other opportunities are there. And ISM -- just to refresh your memory, ISM joined us initially with replacing Sprint on the vision, the large video screens. And so they have the naming rights to that through all of our properties, and there's going to be an opportunity at some point to grow that relationship into ONE DAYTONA. So it's a nice -- it's a great partner. We're excited about it. They're excited. And we look for good things to come from it.

**Barry Lewis Lucas** - *G. Research, LLC - Senior Analyst*

Great. So John or Greg, how much -- and I think you gave a number for the incremental EBITDA at Phoenix previously. How much do the naming rights or this relationship, if you will, how much did that change the EBITDA? Because it didn't appear to be too much.



OCTOBER 05, 2017 / 1:00PM, ISCA - Q3 2017 International Speedway Corp Earnings Call

**Gregory S. Motto** - *International Speedway Corporation - CFO, EVP and Treasurer*

Well, it's contemplated in our incremental EBITDA, Barry, much like the injectors were at -- for DAYTONA Rising. One of the benefits that we're seeing of a return from these projects is the corporate partnership activation in association with our facilities. So we're pleased to have ISM's interest and partnership at Phoenix, and it's going to, as John mentioned, be a great thing for the long-term future of that property.

**Barry Lewis Lucas** - *G. Research, LLC - Senior Analyst*

Okay. I'll throw one more out there and maybe get back in queue. But this is, I guess, more qualitative. As you think about -- as I think about John's comments on the perception or that the racing product has really improved, and I'm sure you're doing focus group or trying to analyze what's going on. How much of it is these new fresh faces like a Kyle Larson or a Chase Elliott? And how much do you think is that format change in the structure of the playoffs, whether it's these segments really driving elevated fan anchors?

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

Well, I'm not sure I can quantify between younger drivers and the segmented formats. But we clearly believe, and NASCAR does, too, that the product has improved because every lap of every race means something versus, historically, when drivers could build up, you win, you're in. And you may not take -- go the extra mile, so to speak, once -- until you got past Richmond and got into the playoffs. And so -- and you look at what that has done for Martin Truex, who really built up a significant points lead, where he was able to get -- he won in the first playoff round, but he was able to -- if he hadn't, he would have qualified for the second based on his points. So I'm not sure I can quantify what you're saying. But year-over-year, and with these rising stars, we're pretty excited.

**Barry Lewis Lucas** - *G. Research, LLC - Senior Analyst*

Right. I guess what I'm getting at, John, is that the -- it feels like the structural change in the format of the races is a meaningful contributor. And I know you can't really quantify it. And from -- I guess my perspective is that would seem to be longer-lasting or more beneficial than a fresh face, which could be a little bit more ephemeral, shall we say. So it seems that structurally, the format has improved engagement, and that could be more long-lasting. And I'm not trying to put words in your mouth or hype this up, but is that kind of the right way to think of it?

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

Yes, I think so. And I would add that our broadcast partners are very happy with it. And this was not something that was -- when you talk about structural, the people that were in the room when this format was articulated included track operators, the broadcast partners, drivers, team owners. This was very much a collaborative effort with NASCAR to create moments within the racing. And it was successful, and I think it will continue. And it is structural.

**Operator**

And your next question is from the line of Greg Pendy.

**Gregory R. Pendy** - *Sidoti & Company, LLC - Research Analyst*

Just wanted to, I guess, ask about, it seems like you're increasing your retail footprint with Volusia Point. And just given what we're hearing broader picture in the retail environment, bricks-and-mortar is challenging. It looks like you've been successful, I guess, with the Bass Pro Shops opening. But just kind of curious, what type of -- I mean, have you talked about any -- what type of operating leases some of the retailers are willing to commit



## OCTOBER 05, 2017 / 1:00PM, ISCA - Q3 2017 International Speedway Corp Earnings Call

to? Because the overall environment, it seems like people -- a lot of retailers, given the changes that are going on, are looking for shorter leases overall in what they're adding to their retail footprint.

---

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

Well, let me -- and Greg can chime in here as well. It's important to remember, going back almost 10 years now, that it wasn't about necessarily getting into the retail business. It was about unlocking our real estate value over the vast amount of acreage that we owned surrounding these racetracks, but doing it in a way that was complementary to the events that we hold, but also driving year-round returns for the investments we make. And yes, retail is part of ONE DAYTONA, but it's also dining and entertainment. The casino in Kansas Speedway was about a prime piece of property that Penn Gaming had identified as being the ideal location when those licenses were issued several years ago by the state of Kansas. We haven't gotten into discussing on these calls individual leases and terms and that kind of thing, and I don't think we're prepared to do that today. But I do think it's important to, as I've done, revisit the real estate strategy and why we are where we are today. Greg, I don't know if you want to add anything to that.

---

**Gregory S. Motto** - *International Speedway Corporation - CFO, EVP and Treasurer*

Yes, I think that summarizes it well. It's Greg. The ONE DAYTONA project is about an entertainment destination, and those are our anchors for that project. And the expansion into Volusia Point has a footprint to the entrance of ONE DAYTONA. So the improvements being made to that property are going to be complementary to the ONE DAYTONA property, and we're seeing that tenants -- the tenant demand to sign up for those leases are increasing, as we have started communicating the integration, if you will, of the 2.

---

**Operator**

And we have no further questions. Would you like to make any closing remarks?

---

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

I just want to thank everybody for joining us on the third quarter call, and we look forward to speaking to you on the fourth quarter in 3 months. Thanks, everybody, for joining.

---

**Gregory S. Motto** - *International Speedway Corporation - CFO, EVP and Treasurer*

Thank you. Have a great day.

---

**Operator**

This does conclude today's conference. You may now disconnect.

---



## OCTOBER 05, 2017 / 1:00PM, ISCA - Q3 2017 International Speedway Corp Earnings Call

**DISCLAIMER**

Thomson Reuters reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON REUTERS OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2017, Thomson Reuters. All Rights Reserved.