

CHURCHILL DOWNS INC
Form 10-Q
April 27, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the quarterly period ended March 31, 2015

OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the transition period from _____ to _____
Commission file number 001-33998
(Exact name of registrant as specified in its charter)
Kentucky
(State or other jurisdiction of incorporation or organization)

61-0156015
(I.R.S. Employer Identification No.)

600 North Hurstbourne Parkway, Suite 400 Louisville,
Kentucky 40222

(502) 636-4400

(Address of principal executive offices) (zip code) (Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares outstanding of Registrant's common stock at April 23, 2015 was 17,581,280 shares.

CHURCHILL DOWNS INCORPORATED
INDEX TO QUARTERLY REPORT ON FORM 10-Q
For the Quarter Ended March 31, 2015

	<u>Part I-FINANCIAL INFORMATION</u>	
<u>Item 1.</u>	<u>Financial Statements</u>	
	<u>Condensed Consolidated Balance Sheets, March 31, 2015 and December 31, 2014 (Unaudited)</u>	<u>3</u>
	<u>Condensed Consolidated Statements of Comprehensive Loss for the three months ended March 31, 2015 and 2014 (Unaudited)</u>	<u>4</u>
	<u>Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2015 and 2014 (Unaudited)</u>	<u>5</u>
	<u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u>	<u>7</u>
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>20</u>
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>38</u>
<u>Item 4.</u>	<u>Controls and Procedures</u>	<u>38</u>
	<u>Part II-OTHER INFORMATION</u>	
<u>Item 1.</u>	<u>Legal Proceedings</u>	<u>38</u>
<u>Item 1A.</u>	<u>Risk Factors</u>	<u>40</u>
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>40</u>
<u>Item 3.</u>	<u>Defaults Upon Senior Securities</u>	<u>41</u>
<u>Item 4.</u>	<u>Mine Safety Disclosures</u>	<u>41</u>
<u>Item 5.</u>	<u>Other Information</u>	<u>41</u>
<u>Item 6.</u>	<u>Exhibits</u>	<u>41</u>
	<u>Signatures</u>	<u>42</u>
	<u>Exhibit Index</u>	<u>43</u>

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
CHURCHILL DOWNS INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited) (in thousands)

	March 31, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$49,525	\$67,936
Restricted cash	20,772	26,065
Accounts receivable, net of allowance for doubtful accounts of \$4,206 at March 31, 2015 and \$4,246 at December 31, 2014	60,361	75,890
Deferred income taxes	17,707	18,519
Income taxes receivable	14,560	29,455
Game technology and rights, net	4,617	530
Other current assets	35,131	24,135
Total current assets	202,673	242,530
Property and equipment, net	590,170	595,315
Investment in and advances to unconsolidated affiliate	108,606	109,548
Goodwill	840,947	840,947
Other intangible assets, net	535,732	549,972
Other assets	24,242	24,192
Total assets	\$2,302,370	\$2,362,504
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$51,988	\$45,597
Bank overdraft	1,291	544
Purses payable	6,162	11,169
Account wagering deposit liabilities	19,294	18,137
Accrued expenses	85,934	93,286
Tax refund due to Big Fish Games former equity holders	6,313	18,087
Deferred revenue	75,758	51,833
Deferred revenue - Big Fish Games	54,623	41,747
Big Fish Games deferred payment, current	27,710	27,180
Current maturities of long-term debt	12,500	11,250
Dividends payable	—	17,419
Total current liabilities	341,573	336,249
Long-term debt, net of current maturities	387,257	459,105
Notes payable	300,000	300,000
Big Fish Games deferred payment, net of current amount due	52,690	51,620
Big Fish Games earnout liability	332,600	327,800
Other liabilities	23,119	21,718
Deferred revenue	17,196	16,489
Deferred income taxes	149,192	149,522
Total liabilities	1,603,627	1,662,503
Commitments and contingencies		
Shareholders' equity:		

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Preferred stock, no par value; 250 shares authorized; no shares issued	—	—
Common stock, no par value; 50,000 shares authorized; 17,581 shares issued at March 31, 2015 and 17,472 shares issued at December 31, 2014	262,967	262,280
Accumulated other comprehensive loss	(512) (125)
Retained earnings	436,288	437,846
Total shareholders' equity	698,743	700,001
Total liabilities and shareholders' equity	\$2,302,370	\$2,362,504

The accompanying notes are an integral part of the condensed consolidated financial statements.

CHURCHILL DOWNS INCORPORATED
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
 (Unaudited)
 (in thousands, except per common share data)

	Three Months Ended March 31,	
	2015	2014
Net revenues:		
Big Fish Games	\$91,903	\$—
Casinos	85,415	86,386
TwinSpires	45,315	46,084
Racing	24,438	30,579
Other	3,839	4,092
	250,910	167,141
Operating expenses:		
Big Fish Games	82,159	—
Casinos	60,781	62,046
TwinSpires	31,781	33,577
Racing	36,510	43,220
Other	5,603	5,698
Research and development	10,232	—
Selling, general and administrative expenses	21,572	21,465
Acquisition related charges	6,400	—
Insurance recoveries, net of losses	—	—