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ISCA - Q3 2016 International Speedway Corp Earnings Call

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CORPORATE PARTICIPANTS

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

John Saunders *International Speedway Corporation - President*

Dan Houser *International Speedway Corporation - EVP, CFO, and Treasurer*

CONFERENCE CALL PARTICIPANTS

Jaime Katz *Morningstar - Analyst*

Tim Conder *Wells Fargo Securities, LLC - Analyst*

Matthew Brooks *Macquarie Capital Markets - Analyst*

Barry Lucas *Gabelli & Co. - Analyst*

PRESENTATION

Operator

Good morning and welcome to the International Speedway Corporation 2016 third-quarter earnings conference call. (Operator Instructions) As a reminder, this conference call is being recorded on Thursday, October 13, 2016.

With us on this morning's call are Lesa France Kennedy, Chief Executive Officer; John Saunders, President; and Dan Houser, Executive Vice President and Chief Financial Officer. After formal remarks, John Saunders and Dan Houser will conduct a question-and-answer period, at which time we will remind you the procedure to enter the question queue.

Before we start, the Company would like to address forward-looking statements that may be addressed on the call. Forward-looking statements involve risk, uncertainties, and assumptions. Actual future performance, outcomes, and results may differ materially from those expressed in forward-looking statements.

Please refer to the documents filed by International Speedway Corporation with the SEC, specifically the most recent report 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 Lesa Kennedy. Lesa?

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

Good morning, everyone. We want to thank you today for joining us on our third-quarter call.

We are pleased with our third-quarter results, which exceeded expectations. Our revenues for the quarter increased as a result of contracted broadcast rights and our strong corporate partnerships.

We realized increased admissions for comparable events during the quarter, driven by the Coke Zero 400 and a second consecutive sellout of the reserved grandstand seats for the NASCAR event at Watkins Glen. We also hosted two successful music festivals at the Auto Club Speedway and Michigan, entertaining our guests to a star-studded lineup over multiple days.

With four races complete, the 2016 Chase for the NASCAR Sprint Cup Championship is surging into the next round with great storylines and exciting competition. For the first time, this elimination format has expanded to the XFINITY and Camping World Truck Series, promising to deliver a thrilling showdown for all three series at the Ford Championship Weekend at the Homestead-Miami Speedway.



Construction for ONE DAYTONA is progressing nicely. We expect Cobb Theatres to open later this year and Bass Pro Shops early in 2017. The Fairfield Inn has commenced vertical construction and is expected to be complete in the latter part of 2017. VCC was awarded the role of general contractor and will oversee construction of the retail, dining, and entertainment component, including Victory Circle and the parking garage.

We also recently announced several new tenants to ONE DAYTONA. We are excited about the opportunities that 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 still creating value for our shareholders. We are targeting the completion of ONE DAYTONA in late 2017.

In September, we announced the amendment and extension of our \$300 million revolving credit facility, ensuring a strong capital structure for the Company into the future.

So with that, I will now turn the call over to John Saunders. He's going to tell you a little bit more about the third quarter and the outlook for 2016. Thank you.

John Saunders - *International Speedway Corporation - President*

Thanks, Lesa, and good morning, everyone. Before we discuss the results of the quarter, I want to provide you an update following Hurricane Matthew that hit Florida's East Coast last weekend.

We did receive moderate damage around Daytona International Speedway and are currently accessing the extent of that damage. We expect the financial impact, which will be mostly recognized through operating expenses in our fourth quarter of fiscal 2016, will not exceed \$0.01 earnings per share.

I'm pleased to report the new motorsports stadium, DAYTONA Rising, received no structural damage. Also, there was no significant damage reported at ONE DAYTONA, where we are moving forward with all construction and remain on schedule as we look forward to the planned opening of Cobb Theatres later this year.

As reported last week, we had an exciting third quarter. We hosted four NASCAR Sprint Cup weekends and MSA event at Watkins Glen, and an NHRA event at Route 66 Chicagoland.

During the third quarter, we also hosted two music festivals promoted by our partner Live Nation, including the fourth-annual Faster Horses in Michigan and HARD Summer at Auto Club Speedway. These were a great complement to the Country 500 music festival promoted by AEG at Daytona in our second quarter.

The large footprint and camping amenities at our facilities position us to provide a great guest experience for these multi-day events. We are pleased with the partnerships with both AEG and Live Nation providing A-list talent and entertaining events for our guests.

The festivals provide a low-risk opportunity for us to increase utilization of our facilities as we receive a facility rental plus additional fees and earn income for sale of concessions. In 2016, we earned over \$2.5 million related to music festivals held at our facilities.

As Lesa mentioned, admissions for comparable Cup events held during the quarter was up approximately 1% compared to the third quarter of 2015. This was mostly attributable to a successful Coke Zero 400 at Daytona and a second consecutive sellout at Watkins Glen.

Partially offsetting was the softening in attendance-related sales for both NASCAR weekends at Michigan. The average ticket price for Cup events increased approximately 8% to \$83.11, mostly a result of the Coke Zero 400. For all Cup events held year to date through the third quarter, the average ticket price has increased 8% to approximately \$96.14, again primarily driven by the events at Daytona.



The chase is off to a great start, and despite softening in attendance-related revenue, we remain optimistic to achieve a sellout for the NASCAR Sprint Cup championship at Homestead. For the fourth quarter to date, we have seen lower attendance-related revenue for Cup weekends at Darlington, Richmond, and Chicagoland. Advanced sales for the remaining events are down approximately 10% on average.

Our consumer marketing initiatives are targeting new and lapsed customers through our media, social, and digital channels. We continue to provide value-added options that enhance the live motorsports experience for our fans, including exclusive VIP hospitality experiences with driver appearances and Q&A sessions.

The [arrow] changes implemented by NASCAR have resulted in exciting on-track competition, and the elimination format of the Chase continues to drive corporate and consumer interest. We feel NASCAR's decision to expand this Chase format to the XFINITY and Truck Series will have similar results for those series championships.

The Fanatics merchandise operation is performing well. Results to date have realized an increase of approximately 6% in per-capita sales, which is partially offsetting the decline in gross merchandise sales due to lower attendance. We continue to believe this merchandising model will enhance the event experience for our fans and grow the operating margin contribution from the line of business.

Corporate sales remain a bright spot for us. For 2016, we have exceeded our corporate sales target, an increase of approximately 12% from 2015, and we expect to announce shortly the partner for our remaining open Cup entitlement. Also, we continue to see agreements contracted for longer terms, providing us with greater visibility into future results.

We are in the second year of the industry broadcast agreement with Fox and NBC. Viewership remains strong, averaging 5 million per NASCAR Sprint Cup weekend, and the events continue to be the number one or number two most-watched sport for 16 of the 27 weekends.

It is 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 hot levels. Our web and mobile apps have 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 partner strategy to remain competitive, relevant, and compelling with content generation.

DAYTONA Rising remains on track to achieve expected results of delivering \$15 million in incremental EBITDA by the end of fiscal 2016. We expect to sustain this profit heading into 2017, supported by our previously announced partnerships and value-added guest experiences.

While the NASCAR racing season at Daytona is complete for 2016, we continue to seek opportunities to increase utilization of the facility on a year-round basis. In December, for the first time in history, the Ferrari World Finals will take place in North America. The Ferrari World Finals will bring together competitors from the European, North American, and Asian-Pacific series of the Ferrari challenge to battle for the world championship on Daytona's 3.56 mile road course.

Our Hollywood Casino at Kansas Speedway joint venture continues to be a strong contributor to earnings and cash flow. Equity earnings for the third quarter decreased approximately 4% to \$3.3 million, primarily a result of construction on major highways surrounding the property resulting in closure of key exit ramps servicing the casino.

Cash contributions for fiscal 2016 through the third quarter totaled \$19 million. For 2016, we expect cash contributions from the casino to be approximately \$27 million.

Construction continues for ONE DAYTONA, our mixed-use development across from the Daytona International Speedway. As Lesa mentioned, we expect Cobb Theatres to open later this year, while Bass Pro Shops and the Fairfield Inn are scheduled to open in 2017.

The retail, dining, and entertainment component of ONE DAYTONA will be owned and operated 100% by ISC. The total square footage is approximately 300,000 square feet.

In September, we announced VCC as the general contractor that will oversee construction for ISC's portion of the retail, dining, and entertainment, including Victory Circle and the parking garage. VCC has an outstanding national reputation for quality and a proven track record leading and managing the development and construction of some of the country's most engaging mixed-use developments.

We recently announced several new tenants, including MidiCi: The Neapolitan Pizza Company, Rock Bottom Restaurant and Brewery, and Oklahoma Joe's Barbecue. We are in active discussions with other potential tenants to be announced in the near future.

Complementing the RD&E will be hotel and residential development. We have executed agreements with Shaner Hotels and Prime Hospitality to construct both a Marriott Autograph Collection Hotel, the ONE DAYTONA (sic - see Press Release - The DAYTONA), and a limited-service Fairfield Inn.

Additionally, Prime Group has been selected for an approximately 276-unit luxury apartment community. As part of these agreements, our contribution of equity will be limited to our land and we will share in the profits of the joint ventures.

We expect ISC's cash contribution for Phase I of ONE DAYTONA to be approximately \$95 million to be spent in fiscal years 2016 and 2017. At stabilization, we expect to deliver revenue and EBITDA of approximately \$12 million and \$9 million, respectfully (sic), with returns to exceed our cost of capital.

We remain optimistic for achieved desired results for 2016. We continue our strategic focus on consumer marketing and guest experience initiatives which have positioned ISC for stabilization and growth in our core business.

We have improved the live event experience for both our corporate partners and consumers with projects like DAYTONA Rising and capacity management initiatives. We introduced new experiences, including VIP areas, clubs, and expanded pre-race activities.

In addition, our focus on technology has provided the necessary data connectivity and social interaction through our mobile apps and access to social networks. Further complementing these initiatives are improvements instituted by NASCAR that have resulted in thrilling on-track competition, setting up another great Chase and championship for the three national touring series.

I will now turn the call over to Dan to give you the financial review and guidance on 2016.

Dan Houser - *International Speedway Corporation - EVP, CFO, and Treasurer*

Thanks, John, and good morning, everyone. We experienced year-over-year growth in total revenue and net income in our third quarter, driven by increases in broadcast rights and corporate partnerships.

Items affecting comparison of our third-quarter 2016 results include: costs recognized in the third quarter of 2015 associated with DAYTONA Rising, which were not capitalized, including certain nonrecurring preopening costs, accelerated depreciation, and demolition and relocation of assets, partially offset by capitalized interest; other asset retirements, primarily interminable to our capacity management initiatives and facility improvements other than DAYTONA Rising; capitalized interest related to ONE DAYTONA; a net gain on sale of certain assets, primarily attributable to the transition of merchandise operations in 2015; and a favorable settlement relating to certain ancillary operations in the third quarter 2016. These are outlined in the earnings news release and are included in our GAAP to non-GAAP reconciliation.

Other factors impacting the comparability of our third-quarter 2016 results include: the XFINITY event held at Chicagoland and the IndyCar event held at Auto Club Speedway, both in 2015. There were no comparable events in the same period 2016; the HARD summer music festival at Auto Club Speedway in 2016. Comparatively, we held the Phish Magnaball music festival at Watkins Glen in the third quarter of 2015. For these events,

we earned a facility rental and other fees as well as providing concessions operations; and certain nonrecurring revenue and expenses incurred in 2015 associated with the strategic change in the business model for merchandising officially licensed apparel and souvenirs.

Looking to the income statement, third-quarter admissions revenue of \$22.8 million declined from the prior year by approximately \$1.2 million, largely due to admissions for events held at Chicagoland and Auto Club Speedway in 2015 for which there were no comparable events in 2016.

As John mentioned, admissions for comparable Cup events were up, with increases for the Coke Zero 400 and Watkins Glen offsetting lower admissions at Michigan. Average ticket price for NASCAR Cup events held during the third quarter was approximately \$83.11, an increase of approximately 8% from the prior year.

The increase in motorsports and other event-related revenue to \$90.2 million was primarily attributable to sponsorship and hospitality increases and contracted increases in television broadcast revenue, partially offset by events held at Chicagoland and Auto Club Speedway in 2015 for which there were no comparable events in 2016. For the quarter, ISC's domestic television and broadcast ancillary revenues were approximately \$56.8 million.

The increase in food, beverage, and merchandise revenue to \$10.8 million is primarily related to catering and concessions at NASCAR events and music festivals, partially offset by the previously discussed non-comparable events held at Chicagoland and Auto Club Speedway in 2015 and nonrecurring transactions in 2015 associated with the transition of merchandise operations. Other revenue increased to \$5.1 million, primarily due to the previously mentioned settlement.

NASCAR event management fees decreased to \$31.3 million. The decrease is primarily related to the event held at Chicagoland in 2015 for which there was no comparable event in 2016, partially offset by higher television broadcast rights fees for NASCAR Sprint Cup, XFINITY, and Camping World Truck Series events, as standard NASCAR-sanctioned agreements require a specific percentage of television broadcast rights fees be paid to competitors.

Higher non-TV NEM fees also contributed to the increase. Motorsports-related expense decreased to \$32 million, largely due to the non-comparable events held at Chicagoland and Auto Club Speedway in 2015.

Food, beverage, and merchandise expense decreased to \$8.6 million, primarily related to the non-comparable event held at Auto Club Speedway in 2015 and nonrecurring transactions in 2015 associated with the transition of merchandise operations, partially offset by catering and concessions at music festivals. The food, beverage, and merchandise margin improvement is due to the nonrecurring merchandise transactions from 2015 and lower F&B cost of sales resulting from menu engineering and production strategies.

General and administrative expense decreased to \$27.2 million for the quarter. The decrease is primarily due to costs related to the opening of DAYTONA Rising and transition of merchandise operations in 2015 for which there were no comparable costs in 2016, partially offset by the increase in certain property taxes.

Depreciation increased to \$26 million, primarily due to assets placed in service related to DAYTONA Rising. Interest income was comparable to the same period of the prior year. Interest expense increased to \$3.6 million, primarily due to lower capitalized interest associated with DAYTONA Rising, partially offset by capitalized interest related to ONE DAYTONA.

Equity and net income from equity investments of approximately \$3.3 million represents our 50% equity interest in the Hollywood Casino at Kansas Speedway. This compares to \$3.5 million in the third quarter of 2015.

Cash distributions to ISC from the casino joint venture totaled \$19 million for the 9 months ending August 31, 2016. We expect 2016 cash distributions from the casino to be approximately \$27 million in total.



Both equity earnings and cash distributions are received on a pre-tax basis. Of note is that this cash flow is incremental to EBITDA, which we calculate as adding back depreciation and amortization to operating income as it flows through equity earnings line below GAAP operating income. Income taxes for the quarter increased to \$1.4 million and the effective tax rate was approximately 38.4%.

Net income for the 3 months ended August 31, 2016, was \$2.2 million or \$0.05 per diluted share on approximately 45.7 million shares outstanding. However, when you exclude asset retirements, capitalized interest on ONE DAYTONA, and the settlement, we posted earnings of \$0.03 per diluted share for the 2016 fiscal third quarter. As described in the release, this is compared to non-GAAP loss for 2015's third quarter of \$0.01 per diluted share.

As for the balance sheet and future liquidity, at quarter end, our combined cash and cash equivalents totaled \$265.3 million. Current deferred income was approximately \$84.1 million, and shareholders' equity was \$1.4 billion.

At the end of the quarter, total debt was approximately \$267.8 million, which includes approximately \$165 million in senior notes, \$54.7 million in TIF bonds associated with Kansas Speedway, and \$48.1 million for the term loan on our headquarters office building. In September, subsequent to the third-quarter end, we closed on an amendment and extension of our \$300 million credit facility under substantially similar terms for a five-year period plus two one-year extensions.

As it relates to capital spending, for the 9 months ending August 31, 2016, we spent approximately \$110.2 million on capital expenditures for projects at our existing facilities, including DAYTONA Rising and to a lesser extent a variety of other improvements and renovations.

Since 2013, we have been operating under a five-year capital allocation plan providing for \$600 million in existing facility capital expenditures, including DAYTONA Rising, and anchored by principles that maintain a strong investment grade balance sheet. It is important to remember that this plan was developed prior to 2013 during a time when many trends, both macroeconomic and industry-specific, were unclear.

For ISC itself, these included post-2014 media rights, core business recovery, extension of our tax depreciation provision, and the principal payment due on the Staten Island property. Consequently, we developed a plan that we believed would enable us to maintain a commitment to a strong financial position, even in a scenario with less-than-favorable outcomes during that five-year period.

I'm happy to say from our viewpoint in late fiscal 2016 that many variables noted during the development of the 2013 \$600 million plan have had a positive outcome, and the Company is today in a very strong liquidity position. This fact leads management and the Board to look forward from its current perspective on future capital allocation.

Everyone who follows ISC knows we are in a capital-intensive business and that our long-term core business success depends on hosting events at facilities that meet the expectations of today's leisure and sports entertainment audience. With DAYTONA Rising, we established the preeminent position of Daytona International Speedway and the Daytona 500 not only in the sport of NASCAR racing, but in the class of elite spectator facilities and events worldwide.

While we don't plan to make investment of similar magnitude at our other facilities, we will continue to aspire to providing a cutting-edge fan experience across the business and will focus in particular where existing facility reimbursement can have the most impact.

For 2017, we expect that we will have approximately \$40 million remaining under the 2013 \$600 million plan and that those funds will be used as contemplated for a number of projects at our existing facilities. In 2017, we will also begin the redevelopment plans for Phoenix International Raceway with completion targeted in late 2018.

For 2017 through 2021, we expect a total of \$500 million in capital expenditures to cover all of our existing facilities, which includes \$40 million for 2017 carried over from the 2013 \$600 million plan. This spending will fund the reinvestment in Phoenix, a first phase of redevelopment at Richmond, as well as all other maintenance and guest experience CapEx for the remaining existing facilities.



We hope to provide information on annual CapEx amounts as part of our 2017 guidance in late January, but with the Phoenix construction in 2017 and 2018, you should expect spending to be somewhat frontloaded. While many components of these expected project will have returns that exceed weighted average cost of capital, considerable maintenance CapEx will likely result in a blended return of this invested capital in the mid-to low-single digits.

In addition, we continue to expect that we'll have \$90 million of CapEx in 2016 through 2017, possibly running somewhat into 2018, related to ONE DAYTONA, with 40% and 60% recorded in 2016 and 2017, respectively. We expect this investment to exceed our weighted average cost of capital.

As we have discussed previously, return of capital to shareholders will be a significant pillar of capital allocation going forward. This year, we increased our dividend approximately 58% to \$0.41 per share. We expect the dividend to continue increasing in 2017 and beyond by approximately 4% to 5% annually.

We also repurchased approximately 1.1 million of ISCA shares on the open market at a weighted average price of approximately \$34.04 for a total of \$37.4 million in 2016 through the end of Q3.

For 2017 through 2021, we expect our return of capital program will be approximately \$280 million, comprised of close to \$100 million in total annual dividends and the balance being open market share 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.

So in summary, we are providing the following guidance regarding capital allocation starting in 2017 extending through 2021. First of all, like the 2013 plan, this new plan is developed based on conservative assumptions that we believe enable us to maintain commitment to a strong financial position and investment-grade metrics, even in scenarios with less-than-favorable outcomes during the five-year period.

We expect \$500 million of CapEx at existing motorsports facilities, which includes \$40 million carried forward into 2017 from the 2013 \$600 million plan. This allocation will include the Phoenix track redevelopment, a first phase of redevelopment at Richmond, and maintenance and guest experience CapEx for all of our other motorsports facilities.

In addition to CapEx for existing facilities, we expect approximately \$95 million of CapEx for ONE DAYTONA in 2016 through 2017 and approximately \$280 million in return of capital to shareholders, comprised of close to \$100 million in dividends and the balance in ISCA open market share repurchases.

We will continue to explore development and/or acquisition opportunities beyond the initiatives discussed above 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.

Transitioning to the guidance for the remainder of 2016, 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 of our 2016 core business performance.

For 2016, our non-GAAP guidance excludes any nonrecurring preopening income statement impact attributable to the completion of the DAYTONA Rising project, including non-capitalized cost and losses associated with retirements of certain long-lived assets, partially offset by capitalized interest expense; potential nonrecurring non-capitalized costs or charges that could be recognized and related to our ONE DAYTONA development; 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 illegal settlements; the gain on the sale of our Staten Island property; gain or loss on the sale of other assets; and accelerated depreciation and future loss on retirements, mostly non-cash, or relocation of certain long-lived assets, which could be recorded as part of capital improvements other than DAYTONA Rising, resulting from removal of assets prior to the end of their actual useful life.



In terms of our 2016 financial outlook, we are reiterating our previous guidance and are most comfortable toward the lower end of the range. We expect total revenues for fiscal 2016 to range between \$658 million and \$665 million, EBITDA margin to range between 32.1% and 32.6%, with EBITDA ranging between \$211 million and \$217 million. As previously mentioned, incremental to this EBITDA is approximately \$27 million in pre-tax cash distributions from Hollywood Casino.

Operating margin is estimated between 16.3% and 17%. We expect \$15 million to \$15.5 million of non-GAAP interest expense. Our non-GAAP effective tax rate is forecasted at 38.5% to 39%, and non-GAAP earnings per share of \$1.45 to \$1.55 per diluted share.

The earnings outlook is our best estimate of financial results for fiscal 2016, which includes results for the first nine months of the year and expectations for the fourth quarter. Contributing significantly to our 2016 growth are results from Daytona as we securely position to deliver on objectives for the DAYTONA Rising project, which includes the targeted incremental \$20 million in revenue and \$15 million in EBITDA.

Concerning ISCA stock, I'm sure you are aware of the Tick Size Pilot that the NASDAQ is enacting under the direction of the SEC. The pilot is a two-year program that commenced October 3, 2016, and runs through October 2, 2018.

The SEC's objective of the pilot is to determine whether bigger tick size as well as restrictions on trading inside and at the NBBO (sic - NBBO) improve market quality of small and mid-cap stocks. ISCA was selected to be in test group one, which means the stock will be quoted in nickel increments, but may trade in penny increments as normal.

ISC was selected to this test group and did not have the option to opt in or out of a particular group. This time, we do not expect the pilot program to have a material impact on ISCA trading volume or price. We will monitor trading volumes in price throughout the pilot program along with NASDAQ.

In closing, I assume you saw the press release announcing my retirement effective November 30, 2016. I have had a challenging and rewarding career here at ISC, but it is now time for me to turn the page to the next phase of my life. It has been an honor and a privilege to have had the trust and support of the France family, the Board of Directors, and all of this great Company's shareholders, and I have done my best to fairly and transparently serve your varied interests.

On December 1, I hand the baton to Greg Motto, who is well prepared to assume the duties of Chief Financial Officer. Greg has served the Company for 16 years in financial roles of increasing responsibility. Many of you have met or spoken to Greg over the past couple of years.

Greg and I have been working closely for the last 18 months in anticipation of my retirement, so he is well prepared and has the full confidence of the France family and the Board of Directors.

While I will remain an advisor to the Company through 2017, this will be the last time I speak to you on the quarterly conference call. However, as I remain a shareholder, I, too, will be listening in.

Thanks for joining us today, and I'll turn the call over to the operator for the Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Jaime Katz, Morningstar.



Jaime Katz - Morningstar - Analyst

Good morning, and congratulations on your retirement, Dan. Can we walk through a little bit of this CapEx spend? It looks like you have the \$500 million; it's more heavily weighted to the front end. And then you have maybe roughly \$60 million of the \$95 million for Phase I on top of that.

So is it right to think about next year's CapEx? And I know you haven't guided to it, but thinking about it widely, it's going to be probably between \$150 million to \$200 million. Am I doing the math right on that?

Dan Houser - International Speedway Corporation - EVP, CFO, and Treasurer

You know, it's roughly in there. We definitely -- with ONE DAYTONA, you know, we may have a little bit bleed over into 2018 just because of the timing of payments, but it won't exceed that \$95 million in total over the construction period.

So we think we probably have \$35 million, \$40 million for ONE DAYTONA next year. And so we're probably more toward --

Jaime Katz - Morningstar - Analyst

That's included in the \$500 million, right, that's going to be frontloaded?

Dan Houser - International Speedway Corporation - EVP, CFO, and Treasurer

No, it is not.

Jaime Katz - Morningstar - Analyst

Okay.

Dan Houser - International Speedway Corporation - EVP, CFO, and Treasurer

The \$500 million is for existing motorsports facilities.

Jaime Katz - Morningstar - Analyst

So it's \$40 million plus roughly \$60 million from Phase I?

Dan Houser - International Speedway Corporation - EVP, CFO, and Treasurer

Let me back up, okay? The \$40 million that will carry over from the 2013 plan, the \$600 million plan, is included in the \$500 million. The \$95 million for ONE DAYTONA is separate from the \$500 million, because the \$500 million is for existing motorsports facilities.

And going forward, I think that the Company will consistently speak to CapEx in this way. We'll talk about existing motorsports facilities and then we'll talk about other strategic ventures separately. Okay?

So in 2016, you've roughly got -- I mean, 2017, you roughly got \$35 million to \$40 million for ONE DAYTONA plus what there will be for the existing facility. So it's probably more toward the lower range that you were speaking to.

As I said, by the time that Greg gets to -- and John get to the 2017 guidance and things like that, we'll be giving you some clarity on that timing.

Jaime Katz - *Morningstar - Analyst*

Okay. And then anything for whatever would happen in the next phase of ONE DAYTONA is not included in that. So is there any insight to what happens after Phase I of ONE DAYTONA that you guys want to share with us?

Dan Houser - *International Speedway Corporation - EVP, CFO, and Treasurer*

I think that I would say -- we would hope that there will be additional phases because we believe we have an advantage of capitalizing on the overall infrastructure costs that Phase 1 are supporting so that future phases have -- we would expect would have a higher return.

But anything that we do in addition, any Phase 2, for example, at ONE DAYTONA will come with specific information on the investment, and the expected returns and that that would -- those would be targeted to exceed cost of capital. So this is kind of in -- again, in a separate dimension from existing motorsports facilities, where you have a mix of investment that is -- you've got things that are exceeding cost of capital on the returns, but you've also got maintenance CapEx that results in a lower blended return.

Jaime Katz - *Morningstar - Analyst*

Okay. And then maybe I missed it, but is there any news on the Sprint Cup sponsorship that's expiring?

John Saunders - *International Speedway Corporation - President*

Jamie, the short answer of that is no. NASCAR -- I think we talked about it on the last quarter. And NASCAR's intent -- and I believe it remains their intention -- was to get something announced this fall. But that's all the information we have at this point in time.

Jaime Katz - *Morningstar - Analyst*

Okay. Thanks so much.

Operator

Tim Conder, Wells Fargo.

Tim Conder - *Wells Fargo Securities, LLC - Analyst*

Thank you, gentlemen, and Dan, congrats on the retirement. I'm sure you're going to be catching some big waves in different areas of the world. And Greg, good luck on the new duties.

A couple questions -- Dan, well deserved and enjoy. Enjoy. A couple questions, gentlemen, here. Maybe following a little bit on Jaime -- what Jamie was asking there. I think you alluded in your preamble that the \$15 million is kind of what you are expecting in incremental EBITDA from DAYTONA Rising.

And before, I think you talked in a \$15 million to \$20 million range. Is that range still valid or are there things that are going to kind of keep it at the lower end of that range from the incremental benefit here?



And then on the admissions and other pieces here, Dan or John or whoever wants to take this, can you kind of break out, if you take out the Coke Zero at Daytona, what that increase was? Because clearly this year, Daytona is driving year over year a lot of the increases, which is what you want. But if we pull that out and kind of look at the remaining core business, just maybe want to get a little bit more color on that.

John Saunders - *International Speedway Corporation - President*

Sure. This is John, Tim. First of all, with relative to the DAYTONA Rising guidance that we had talked about throughout the project, the \$20 million that you were referencing was \$20 million in revenues and \$15 million in EBITDA. And so that remains -- as I noted in my remarks, that remains intact. That's our view for 2017.

With regards to the admissions, yes, we had an increase at the Coke Zero 400. And as I mentioned, Watkins Glen achieved another sellout with an increase.

What was challenging for us -- and I don't have a quantification for you, but what was challenging for us at Michigan is that we were asked by our broadcast partners to accommodate a date change because of the Olympics in Rio. And that date change pushed Michigan right up against the start of school, which impacted them. So that was a bit of a disappointment.

The good news is that their 2017 date has returned to their traditional early -- I think it's the second week in August date. And so we are hopeful for a rebound there.

Dan Houser - *International Speedway Corporation - EVP, CFO, and Treasurer*

I think it's important, Tim, that that decrease that we saw over the quarter was really driven by those events that didn't recur in 2016, which were really not contributing to the bottom line. But made up a big -- a bunch of revenue dollars, but they also took out a lot of expense.

Tim Conder - *Wells Fargo Securities, LLC - Analyst*

Okay. And then again, following on the prior questions here. On the CapEx investments and going forward, the comment I guess that was a little troubling is the low-single-digits to maybe at best mid-single-digit returns that you are expecting from the CapEx investments here. And a decent amount of that being below your weighted average cost of capital.

I mean, there's always a trade-off where you have to keep investing in the business; I understand that. But on the other hand, too, you have to at some point earn more than your cost of capital.

Where -- I guess how is the thought process in that. And where do you guys kind of at some point say: Okay, here is a line. Maybe let's reevaluate a little bit broader to have projects that generate above that weighted average cost of capital? I guess just a little maybe more color on the process there to come to the investment decisions?

Dan Houser - *International Speedway Corporation - EVP, CFO, and Treasurer*

Well, I'd start with, you know, probably the one major project that's in that five-year period, which is Phoenix. And maybe John and Greg will have an investor day out there at some point.

But I think if you saw the state of that facility, you would understand the portion of that that's really -- that's a maintenance CapEx kind of a baseline experience improvement. We still think that that investment will throw off overall a blended return that's not embarrassing. You know, that a lot of the components do exceed weighted average cost of capital.



At this point, what we do in Richmond is very nebulous. There is -- it's kind of a different animal. It isn't as in need of just basic infrastructure and construction upgrade as Phoenix. There is probably a little more opportunity to drive some higher return there.

And then with the investment in the other facilities, there is a very strong initiative going on in here -- going here internally to require a -- that the pecking order, the kind of the selection of what projects go forward, is heavily driven by where can we demonstrate return. So very, very conscious of that.

But, again, we are in a capital-intensive business. We are always going to have to maintain these facilities. I think that over the past decade, we've made a very strong surge to turn that around. We've had kind of gradually, without any big named projects done a lot at Michigan. We've done a lot at Phoenix. We've done other -- not Phoenix. I mean, Talladega and Michigan.

And so I think we've been doing a good job at turning that tide. I don't think it's an unending process. But we've got some that still need to be pushed over the top.

On the other hand, when it comes to things like ONE DAYTONA or other initiatives, which we are constantly on the outlook for, and really, I think as we go forward, will be opportunities to drive shareholder value, those are definitely exceed-your-cost-of-capital type of hurdles that have to be made.

Tim Conder - Wells Fargo Securities, LLC - Analyst

Okay. Thank you. Thanks for the explanation, and again, Dan, congrats and enjoy retirement, sir.

Operator

Matthew Brooks, Macquarie.

Matthew Brooks - Macquarie Capital Markets - Analyst

I was wondering, John, can you just repeat what you said? I missed part of it. I think you said -- suggested that upcoming events -- events bookings were down maybe 10%.

And the background here is I think that you said previously that you thought the Chase was driving more interested in events later in the season.

John Saunders - International Speedway Corporation - President

Yes. I mentioned that our advanced sales are down for the upcoming events in the quarter -- the fourth quarter, although we do anticipate a sellout at Homestead-Miami.

And, you know, there is a confluence of things going on. You saw where the NFL -- and they were more referencing they're down in double digits on their ratings, but they were referencing the election, the presidential election, and some of the apathy that has generated.

We find ourselves in a sport with star power opportunities. I won't call them challenges; I'll call them opportunities. We have a generation of drivers who are starting to retire in that and we believe that that's having an impact.

And when I think back to the last generation of drivers that retired -- such as a Bobby Allison; we lost Dale Earnhardt Sr; Rusty Wallace; Ricky Rudd, that generation of drivers -- the sport was in that double-digit growth era. And so we had -- we rode that wave, if you will.



And so, what's key for us on the attendance side is to stay focused on our strategies, our consumer strategies, and really, really honing in on the live entertainment value of these events, the social experience of these events, and building that driver connectivity, star power. We've got great drivers coming up the ranks -- young guys, young guns.

And so we are -- and the other thing that I would add is that working in partnership with NASCAR that the content that we are generating on track and around the event is very, very compelling. So we find ourselves a little bit in a transitional era that's having some impact on -- you know, you look at Dale Jr -- he's been our most -- he's been our LeBron James for I don't know how many years, 10-plus.

And so those are some of the challenges, but we are staying focused on strategy. We're going to continue to execute on strategy and build that back.

Matthew Brooks - *Macquarie Capital Markets - Analyst*

All right. Given those kind of issues, the retirements, etc., can you say anything about what your long-term assumption is for attendance in your capital plan? Are you assuming that attendance revenues are roughly flat? Will they grow a little bit?

John Saunders - *International Speedway Corporation - President*

Our expectation is they will grow. Keep in mind that we are also very proactive in managing our supply and demand, our capacity, where we are able to rightsize these facilities. And part of that process is actually improving sightlines, improving the quality of the seating, and doing other things like, as I mentioned, the VIP experiences, value-add programs.

So we don't view the longer term as being flat on admissions. We think we can manage it through supply and demand as well as attracting casual fans, youth initiatives, Millennial strategies, and so forth.

Matthew Brooks - *Macquarie Capital Markets - Analyst*

I think you said that the ticket price was up 8%. That's mainly Daytona. Do you have a figure for what the ticket price increase was ex-Daytona so far this year?

John Saunders - *International Speedway Corporation - President*

About flat, about flat. One other point I'd like to add on the consumer side is we continue to see growth in camping and across most of our venues. And we are very focused on those experiences and what we can do to enhance that opportunity.

And that's a real differentiator between us and other major league sports is that we are multi-day and people do camp because we have the infrastructure for it on our properties.

Matthew Brooks - *Macquarie Capital Markets - Analyst*

All right. Thank you. That's all for me.

Operator

Barry Lucas, Gabelli & Company.

Barry Lucas - *Gabelli & Co. - Analyst*

Thanks and good morning, and thank you, Dan, for your help over the years. I'd like to come back to Phoenix for just a minute. So these -- and we've talked about this before. But these are needed improvements to get to track into the 21st century.

But were there other decision factors that kind of limit the opportunity as opposed to Richmond and Daytona? I'm thinking about the size of facility, where you have less land, or its location, or you know. So I'm just trying to figure out what are the factors that go into the decision-making process to up the ante or not?

John Saunders - *International Speedway Corporation - President*

Well, in the case of Phoenix, I think Dan touched on it. We've got to -- consumer expectations are changing in sports facilities and we've got to keep up.

And in the case of Phoenix, you know, Daytona we've already talked about as being our flagship, the biggest brand of NASCAR. But Phoenix is wore down. It's not -- it's got bad seating and it needs to be upgraded.

And so we went through a process -- management went through a process that we shared with our Board back in 2013 where we evaluated our facilities and what kind of master planning they needed -- what kind of infusion they would need over an extended period of time.

And so there's a priority and a prioritization that's going on, and Phoenix is sort of the next in line. And the Richmond project -- you know, we don't anticipate that happening at the same time as Phoenix. So there is a process that we are looking at in terms of where we are going to deploy the capital.

Barry Lucas - *Gabelli & Co. - Analyst*

Okay. Thanks, John. One more on the kind of big-picture issue, and you've addressed this on numerous times on these calls.

But again, trying to get at the disconnect, particularly this year, where the racing has been really exciting, the changes have made the cars better, and improved competition on track. And yet, continue to struggle with attendance, even after tweaks in the Chase format and the -- you couple that with -- and I don't know that there's a direct correlation, but inability at the NASCAR level to bring in a new sponsor to replace Sprint, at least thus far.

And so bigger picture, you know, there are reasons to be concerned. And maybe you could address the health state, whatever, of the nation.

John Saunders - *International Speedway Corporation - President*

Well, let's talk about the media landscape first. That, as you know, is evolving. We hear about cord-cutting. We hear about consumption on the -- you know, the explosive consumption on digital and social platforms. And nobody has really figured out how that is going to play out over the next several years from how it's monetized.

But having said that, and the counsel we get from NASCAR is what's most important is that we stay focused on the live event experience and being a strong partner, not just with NASCAR and in alignment with their initiatives, which speak to the product, race formats, and so forth. But also a strong partner with the broadcasters and where we are working together in unison to have compelling content.



Because the view that's being expressed to us is that content will be king; there will be bidders for content. And as long as we stick to providing the things and participating in the initiatives that I spoke to that there will be people -- channels of distribution interested in the NASCAR content. So that's sort of on the media side.

On the attendance side, we are doing a number of things internally where we are looking at the next generation of fans and how we reach them. We've talked before about aging fans -- avid fans that are aging out.

We have repositioned resources within the Company and currently are working through and resourcing how we recruit the next generation of fans. We've got to be very aggressive in that space, and we are. We are ramping it up more than ever.

And I don't believe -- as you spoke to, Barry, we've got great racing. But we've got to get these folks to the track. We've got to get them exposed to the live experience, and from there, we'll build retention.

So, as I mentioned, there is some short-term issues here, but I think the bigger picture is a good one for the sport. And again, we are not unlike what other sports are going through right now. We are all having the same similar challenges, but I'm confident we'll get through it.

Barry Lucas - *Gabelli & Co. - Analyst*

Great. Thanks for that color, John.

Operator

That does conclude the questions for today's conference call. I will now turn it back over for any closing or additional remarks.

John Saunders - *International Speedway Corporation - President*

This is John. I just want to thank everybody for joining us on the third-quarter call. Greg and I will look forward to talking to you on the fourth-quarter call with guidance at some point.

And again, want to wish Dan Houser the best, although he will be looking over our shoulder as we go forward. So thanks, everybody, for joining us on the call today.

Dan Houser - *International Speedway Corporation - EVP, CFO, and Treasurer*

Thanks.

Operator

Ladies and gentlemen, thank you for joining us for the International Speedway Incorporation 2016 third-quarter earnings conference call. You may now disconnect your lines.



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