

THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

ISCA - Q2 2017 International Speedway Corp Earnings Call

EVENT DATE/TIME: JULY 03, 2017 / 1:00PM GMT



JULY 03, 2017 / 1:00PM, ISCA - Q2 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*

CONFERENCE CALL PARTICIPANTS

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

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

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

PRESENTATION

Operator

Good morning, and welcome to the International Speedway Corporation 2017 Second Quarter Earnings Conference Call. (Operator Instructions) As a reminder, the conference is being recorded on Monday, July 3, 2017.

With us on this morning's call are 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 the forward-looking statements that may be addressed on the call. Forward-looking statements involve risks, uncertainties and assumptions. Actual future performance, outcomes and results may differ materially from those expressed in these forward-looking statements. Please refer to the documents filed by International Speedway Corporation with the SEC, specifically the most recent reports on Form 10-K and 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 John Saunders. Mr. Saunders?

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

Good morning, everyone, and thanks for joining us today on our second quarter call.

The results of the second quarter met expectations previously communicated on our first quarter earnings call. Comparable revenue, excluding onetime charges, was within 1% of the prior year, and our non-GAAP earnings improved to \$0.30 per share from \$0.29 per share in the second quarter of 2016.

The 2017 season is shaping up well. Race format changes implemented by NASCAR have resulted in great on-track competition. Through 17 races, 10 drivers have already secured a spot in NASCAR's playoffs. Up-and-coming drivers, Kyle Larson, Ryan Blaney and Chase Elliott, are positioning themselves among NASCAR's elite, currently holding 3 of the top 16 positions in the Monster Energy Cup Series standings.

During the quarter, we hosted 6 Monster Energy NASCAR Cup Weekends, 1 IndyCar weekend, Bike Week at Daytona and the second annual Country 500 music festival. Attendance for Cup events held during the quarter was down on average of approximately 6.5%. While some events experienced a greater decline, Cup events at Talladega and Auto Club saw admissions revenue comparable to 2016.

Looking into the third quarter to date, we have held Cup weekends at Michigan and Daytona with mixed results. This past weekend, we held a successful Coke Zero 400 event at Daytona with increases in both attendance and admissions revenue. In August, our Watkins Glen track will also hold a Cup weekend, with advanced sales for that event tracking in line with 2016.



JULY 03, 2017 / 1:00PM, ISCA - Q2 2017 International Speedway Corp Earnings Call

Advanced sales for the remaining events in the third and fourth quarter are currently down approximately 5%. We remain confident our consumer-focused marketing strategies are working to slow recent attendance-related revenue trends. 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 avids 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 for our fans, 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 94% of our gross corporate sales goal for 2017. We currently have one open entitlement for a Cup event in the fourth quarter. This compares to 96% and one open Cup entitlement at the same time last year. We remain confident we will achieve our gross corporate sales goal for the year.

TV viewership for NASCAR events remains strong, among the strongest -- remains among the strongest of all sports properties. The 2017 DAYTONA 500 recorded approximately 12 million viewers, positioning the event among the top most-watched sporting events for the year. For 2017 to date, Monster Energy Cup Series events have averaged over 5 million viewers per weekend. Viewership of NASCAR events continues strong among millennials aged 18 to 34. In 2017, the Cup Series has experienced a growth in millennial viewers for 13 of 16 events.

It's important to look at NASCAR or any sports property by cross-platform consumption, as TV viewership in general has been -- experienced a decline in Households Using Television, or HUT, levels. Industry web and mobile apps have been -- 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 partners' strategy to remain competitive, relevant and compelling with content generation. These strong viewership statistics have competitively positioned the Monster Energy NASCAR Cup series against other sports programming and provided for our broadcasters to recognize increased ad revenue during NASCAR broadcasts.

Recently, NASCAR announced the schedule for 2018. Some ISC events were impacted. Most significantly, Chicagoland will move from the first race in the playoffs to a more desirable date in July. Also, Richmond will move its spring event back to Saturday night, supporting fan feedback, and its fall event will move from the last event of the regular season to the second event in the playoffs. We believe these changes will better position Richmond to stabilize future attendance trends.

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 \$9.9 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 in fall of 2017.

Leasing demand remains strong. We've recently announced 6 new tenants, including several first-to-market brands. They join a lengthy list of previously announced tenants that will open later this year. The second hotel, a Marriott Autograph Collection property, recently broke ground with an anticipated opening in late 2018.

In April, our Board of Directors approved an additional \$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 Shops at ONE DAYTONA. We expect the improvements to The Shops 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 Shops is targeted for late 2018. Upon completion and stabilization of operations for ONE DAYTONA and The Shops, we expect projects to -- both projects to contribute approximately \$10 million of incremental EBITDA.



JULY 03, 2017 / 1:00PM, ISCA - Q2 2017 International Speedway Corp Earnings Call

Construction at Phoenix continues. Steel installation has begun, signaling a significant milestone for the project. The redevelopment will focus on new and upgraded seating areas, vertical transportation options, new concourses, an enhanced hospitality offering -- offerings and an intimate infield fan experience with greater accessibility to pre-race activities. The cost of the project will be approximately \$178 million, which includes approximately \$60 million of critical maintenance.

Recently, our board approved a maintenance project to renovate the infield at Richmond and introduce innovative fan experiences. Specific details of the project have not been disclosed. However, the costs have been contemplated in the fiscal 2017 capital expenditure guidance and our 5-year capital allocation plan.

ISC maintains strong visibility of future cash flow, with over half of its revenue secured through the industry's 10-year broadcast agreement and multi-year 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 and ONE DAYTONA, will provide further growth and shareholder value.

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

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 second quarter comparability. These include, in the second quarter of 2017: equity earnings from the Hollywood Casino joint venture reflect certain assets being fully depreciated; we received a legal settlement of approximately \$1 million related to certain facility operations; we incurred approximately \$2.4 million of certain costs, mostly noncash, associated with the Phoenix Redevelopment project, which are not capitalized, including marketing and consulting, accelerated depreciation and removal of assets not fully depreciated; and we capitalized interest of approximately \$800,000 related to ONE DAYTONA and the Phoenix Redevelopment projects.

In the second quarter of 2016, we recognized a gain on sale of certain assets of approximately \$200,000, and we recognized approximately \$13.6 million related to the completion of the sale of Staten Island, comprised of a deferred operating gain of \$1.9 million recognized in other revenue, and \$11.7 million of interest and other nonoperating consideration recognized below operating income. All of these are outlined in the earnings news release and are included in the GAAP to non-GAAP reconciliation where appropriate.

Now looking at the income statement. Admissions revenue for the second quarter was \$28.7 million, a decrease of approximately \$1.8 million compared to the same period in 2016. The approximate 5.9% decrease is primarily related to lower attendance at certain events held during the quarter. The average ticket price for Monster Energy NASCAR Cup series events held during the quarter was \$71.96, comparable to the same period in 2016. The increase in motorsports-related revenues to \$122.3 million is primarily due to increased TV broadcast rights and, to a lesser extent, track rentals, partially offset by corporate partnerships and other related revenues. ISC's domestic television broadcast and ancillary revenues were \$91.2 million for the quarter.

The decrease in food, beverage and merchandise revenue to \$9.5 million is primarily due to lower attendance at certain NASCAR events held during the quarter. The decrease in other revenue to \$4.8 million is primarily due to the previously mentioned gain of \$1.9 million related to the completion of the sale of Staten Island property recognized in the second quarter of 2016, partially offset by a legal settlement in 2017 and, to a lesser extent, rents received from tenants at the ONE DAYTONA project.

NASCAR event management fees increased to \$48.3 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.



JULY 03, 2017 / 1:00PM, ISCA - Q2 2017 International Speedway Corp Earnings Call

Motorsports-related expense decreased to \$34.7 million. The decrease is primarily related to reductions in operating expenses at NASCAR events. Food, beverage and merchandise expense decreased to \$7.2 million. The decrease is related to lower concessions and catering expenses related to the previously discussed decline in food, beverage and merchandise revenues. Food, beverage and merchandise expense as a percentage of associated revenue increased to approximately 76.1%.

Other operating expense increased to \$656,000. This is primarily related to operating the costs associated with ONE DAYTONA. General and administrative expense decreased to \$27.3 million. The decrease is primarily due to reductions in certain operating and maintenance costs, partially offset by increases in certain administrative costs. Depreciation and amortization expense increased to \$28.3 million for the quarter, largely due to accelerated depreciation related to the Phoenix Redevelopment project and new assets placed in service associated with ONE DAYTONA.

Losses on asset retirements increased to \$400,000, primarily related to the removal of assets associated with the Phoenix Redevelopment project, for which there were no comparable costs in the prior year.

Interest income is comparable to the prior year. Interest expense decreased to \$3.1 million, primarily related to higher capitalized interest for ONE DAYTONA and the Phoenix Redevelopment projects in 2017.

Equity in net income from equity investments of approximately \$5.8 million represents our 50% interest in Hollywood Casino at Kansas Speedway. This compares to approximately \$4.2 million in the second 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 May 31, 2017, was \$13.2 million or \$0.29 per diluted share on approximately 44.9 million shares outstanding. However, when you exclude certain marketing and preopening costs, removal of assets and accelerated depreciation incurred in connection with the Phoenix Redevelopment project, the legal settlement and capitalized interests related to ONE DAYTONA and the Phoenix Redevelopment projects, we posted earnings of \$0.30 per diluted share for the second quarter of fiscal 2017 compared to non-GAAP net income for the second quarter of 2016 of \$0.29 per diluted share.

Now as for the balance sheet and future liquidity. At quarter-end, our combined cash and cash equivalents totaled \$312.1 million, and shareholders' equity was \$1.4 billion. Our deferred income was approximately \$91.5 million, down approximately \$2.2 million as compared to the same period in the prior year. The decrease is primarily related to certain partnership agreements.

At the end of the quarter, total principal outstanding on debt was approximately \$264.6 million, which includes \$165 million in senior notes, \$52.2 million in TIF bonds associated with Kansas Speedway and \$47.4 million of our term loan on our headquarters office building.

As it relates to capital spending, for the 3 months ended May 31, 2017, we spent approximately \$19 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 repurchases of our shares under our stock purchase plan. We operate under a 5-year capital allocation plan adopted by our Board of Directors covering fiscal years 2017 through 2021. 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 2017 through 2021. This allocation will fund an estimated \$178 million reinvestment at Phoenix, the previously discussed infield project in Richmond as well as other maintenance and guest experience capital expenditures for the remaining existing facilities. While many of these components expect -- of the 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 mid-single digits.

In 2017, we began the redevelopment of Phoenix, with completion targeted in late 2018. Upon completion, the Phoenix Redevelopment 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

JULY 03, 2017 / 1:00PM, ISCA - Q2 2017 International Speedway Corp Earnings Call

revenue and expense related to components of the project placed in service and/or benefits provided to partners 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 Shops at ONE DAYTONA. Since commencement of construction for ONE DAYTONA in fiscal 2016 through May 31, 2017, capital expenditures totaled \$48.4 million. The remaining approximate \$58.6 million for ONE DAYTONA will be spent in fiscal years '17 and '18. At stabilization, we expect this phase of ONE DAYTONA and The Shops 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 approximately \$100 million to \$115 million for existing facilities, including \$75 million to \$80 million for Phoenix Redevelopment project; and an additional \$50 million to \$60 million in capital expenditures related to the construction for 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 \$4.7 million in mostly noncash charges over the 22-month project span.

Despite not issuing debt to fund our projects, accounting rules dictate that the company capitalize a portion of the interest on existing outstanding debt during the construction period. For fiscal years 2017 to 2018, we estimate to record approximately \$7.5 million to \$8 million and \$4 million to \$4.5 million of capitalized interest for Phoenix and ONE DAYTONA, respectively.

Through the second quarter of fiscal 2017, we recorded total capitalized interest of approximately \$1.4 million for these projects and expect a total of approximately \$5.1 million in fiscal 2017.

Return of capital to shareholders through dividends and share repurchases is a significant pillar of our capital allocation. In fiscal 2017, 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.

Also, for the 6 months ended May 31, 2017, we repurchased approximately 438,000 shares of ISCA on the open market at an average price of \$36.48 for a total of approximately \$6 million. At May 31, 2017, we had approximately \$190.6 million remaining repurchase authority under the current \$530 million stock purchase plan.

For 2017 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 open market repurchase 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 of capital expenditures for reinvesting in our existing facilities, \$107 million for development of ONE DAYTONA and The Shops at ONE DAYTONA and \$280 million in dividends and share repurchases.

We will continue to explore development 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 The Street information of such opportunities.

And now for our outlook for 2017. In an effort to enhance the comparability and understandability of our forward-looking financial guidance, we adjust for certain nonrecurring items that will be included in our future GAAP reporting. We believe this adjustment information best represents our expectations for 2017 core business performance.

For fiscal 2017, our non-GAAP guidance excludes any nonrecurring preopening income statement impact attributable to the construction of Phoenix Redevelopment project, including noncapitalized costs and losses associated with retirements of certain other long-lived assets, partially



JULY 03, 2017 / 1:00PM, ISCA - Q2 2017 International Speedway Corp Earnings Call

offset by capitalized 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 cost or income related to legal settlements; gain or loss on sale of other assets; and accelerated depreciation of 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 Redevelopment, resulting from 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 fiscal 2017 guidance includes total revenues to range between \$660 million and \$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 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. From an earnings perspective, the fourth quarter will be our most significant, followed by the first, second and third quarters, respectively.

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

We look forward to speaking with you on our next earnings conference call in October. And with that, I'll turn 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 is from the line of Jaime Katz with Morningstar

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

I'm curious, you guys had mentioned that advanced sales were down about 5% for 3 and 4Qs. Can you give us some insight maybe into the split between volume and price with that number?

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

Yes, Jaime. This is Greg. It's mostly volume-related at this time. We've been holding pretty consistent with our average ticket price through the year.

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

Okay. And then in the commentary, you guys called out industry and -- like, the industry has been picking up through web and mobile apps, there had been strong growth. Have you guys thought about maybe different ways to monetize that growth outside of just the regular race format? I don't know what the right way to do that is, but maybe you have some ideas on how you're progressing with that sort of direction.



JULY 03, 2017 / 1:00PM, ISCA - Q2 2017 International Speedway Corp Earnings Call

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

Good question, Jaime. NASCAR, when NASCAR entered into this current broadcast agreement, they -- the broadcasters acquired, on an exclusive basis, the digital platform. So they're currently contemplated in the existing agreement. Having said that, NASCAR is very closely monitoring the evolution of consumption through the digital and social platforms. And engagement in NASCAR content is up dramatically through those channels. We will see the market play out over time as we push towards the 2024 expiration. You'll see other sports, other leagues renew their media rights agreements. But they're paying very, very close attention to the landscape and how it's evolving, and more importantly, how it's going to be monetized.

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

So is there no way to monetize it now because it's embedded in their side of the contract and you can't extract any economics out of that? And then is there any other way to extract economics, I guess?

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

Yes. It's all contained in the current broadcast agreement. You are seeing sports like the NFL doing deals with Twitter and Amazon Prime. But currently, the NBC and FOX agreements preclude that.

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

Okay. And then for consumer-focused sales strategies that seemed to be working, has there been anything different that you guys can capitalize, maybe, on going forward, that you're seeing? Trends that have changed versus how consumers are responding in the past? It sounds like you're maybe targeting youth a little bit more and doing different sort of VIP package deals. But is there something that's working better than maybe worked before that you can give us insight to?

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

Well, I would say that the most important initiative we have is focused on youth. And we're seeing a lot of families come to these events, driven by our youth pricing. I'd also say that all of our track operators are very, very focused on enhancing the live event experience. Just by way of example, this past weekend at the Coke Zero 400, we had mixed martial arts competition in the fan zone, which was a huge hit with our fans, and more importantly, although we haven't seen the data, more anecdotally, that 18 to 34 demographic. So activation on property, youth initiatives, really building on content around the racing event itself, almost generating more of a festival atmosphere. And we're pretty excited about that. But there are short-term opportunities here, and there are some things that are going to take longer term to resonate.

Operator

Your next question is from the line of Greg Pendency with Fidelity (sic) [Sidoti].

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

It's Sidoti. I just wanted to ask, I think you guys called out the motorsports-related. Just the fact that the broadcast revenues, obviously, the escalators was a positive. You said it was offset by -- a little bit by the corporate side. Was the majority of that just the Monster to Sprint reset?



JULY 03, 2017 / 1:00PM, ISCA - Q2 2017 International Speedway Corp Earnings Call

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

Yes, as we gave guidance, Greg, this is Greg, the beginning of the year, with the exit of Sprint, there was going to be a little bit of contraction in the sponsorship-related that falls in our motorsports income. So that was what was reflected in there.

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

Okay. And then also just holding average ticket prices flat, how much was mix impacting? I assume kids pricing would be sort of a headwind for that. Was it anything material? Is it -- and is it something we should be -- think about going forward?

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

Yes, Greg. This is Greg again. We had been doing kids pricing for quite some time. And when the industry got behind it, it really wasn't any significant impact to our average ticket price. We don't see that as a headwind. We actually see it as an opportunity to help in growing the fan base and recovering attendance and admissions at our events.

Operator

(Operator Instructions)

Your next question is from the line of Barry Lucas with Gabelli & Company.

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

John, I just want to make sure I have this right. The -- you don't have the streaming rights for -- or NASCAR doesn't -- did not retain the streaming rates for the broadcast.

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

That's correct.

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

Okay. Let me get back to something we've talked about on several occasions. So you've got more kids coming. You've got more millennials engaged in social media. But TV ratings are down and your physical attendance at the track is down -- at the tracks are down, despite what is clearly a better on-track product, more things going on associated with races. So where is the disconnect in an improving economy? And I guess, what I'm saying is, it feels like your core fan is either declining or just not coming to races as often as they used to.

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

Yes. I would -- I think one of the big drivers to the headwinds that we're experiencing right now, Barry, is the star power. We've -- since our -- I believe since our last call, Dale Jr. has announced his retirement at the conclusion of the season. And I should say his retirement from full cup racing. You'll still see him racing Xfinity races and so forth. But when you look at Jeff Gordon and Tony Stewart and, certainly, Dale Jr., that's having an impact. Now the good news is, is that we're seeing these younger drivers. And they're younger, 19-year-old kids, coming along. And you've got Kyle Larson and Chase Elliott and Ryan Blaney has won this year. And as the emotional connection is made with these drivers, I think we're going to see a resurgence and with a younger demographic. So as I said earlier, there are some short-term things that are working, and then there are some things that are going to take a little bit longer to resonate. But I would point to that. But the format -- and we haven't seen the impact really



JULY 03, 2017 / 1:00PM, ISCA - Q2 2017 International Speedway Corp Earnings Call

play out yet on the playoffs, but the contract -- as you pointed out, the on-track competition's been -- has been very, very, very good. So -- but we're going to be going through a retirement of these very, very popular drivers and need to make that connection with the younger ones.

Operator

And at this time, there are no further questions. Please continue with any closing comments.

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

I'd just like to thank everybody for joining us on our second quarter call. And we look forward to talking to you on our third quarter call.

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

Thank you.

Operator

Ladies and gentlemen, this does conclude International Speedway Corporation 2017 Second Quarter Earnings Conference Call. Thank you for your participation. You may now disconnect.

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.

