



The current state and prospective future of Thoroughbred breeding and racing in North America

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Economic Indicators 2005 - 2010

- U.S. Foal Crop ↓ 20.7%
- Sales of Yearlings ↓ 45.4% (gross)
- U.S. Handle ↓ 21.6%
- U.S. Purses ↓ 4.9%
- U.S. Races ↓ 11.2%
- Avg. Yearling Sales Price ↓ 27.2%

An examination of the current course of the sport in North America and where it would be over the next 10 years without change

An evaluation of a range of alternatives that could be undertaken to improve the short- and long-term health of the sport

A broad strategy for implementing the most promising courses of action

Driving sustainable growth for Thoroughbred racing and breeding



Round Table Conference Presentation
August 14, 2011

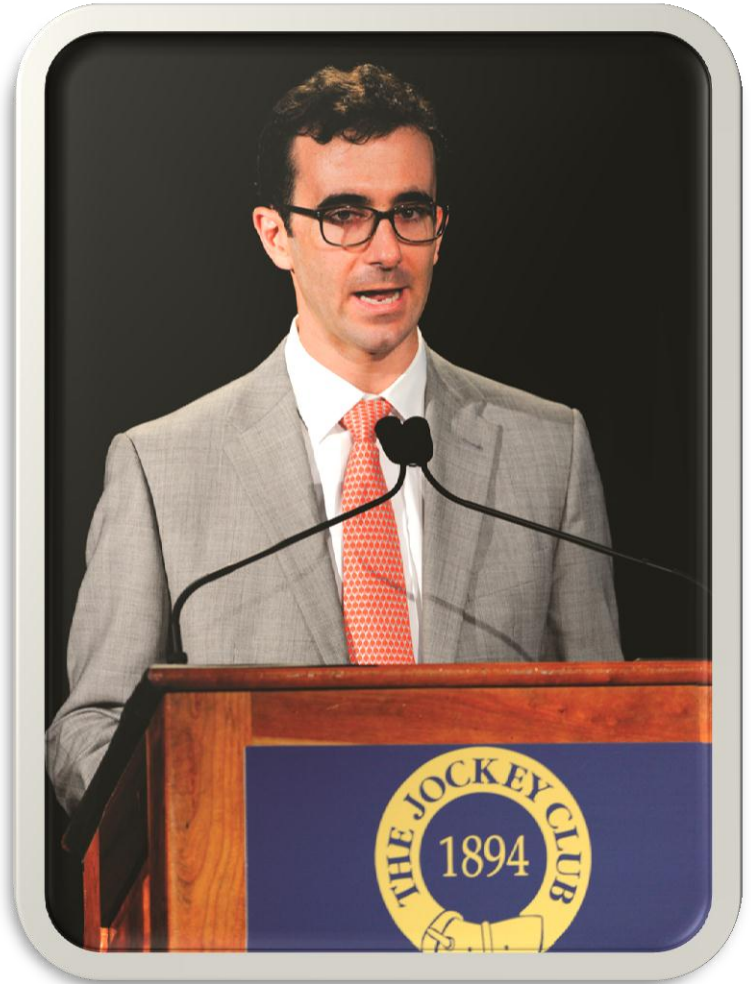
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Dan Singer



Mike Lamb

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2011 Round Table Conference on Matters Pertaining to Racing

Video Replay - click on image to start
(scroll down for agenda)



[Slideshow Part 1](#) (Flash required)

[Slideshow Part 2](#) (Flash required)

[Industry Study: Driving sustainable growth for Thoroughbred racing and breeding](#) (PDF)

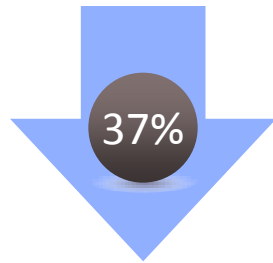
[Transcripts](#)

Thoroughbred racing is in decline

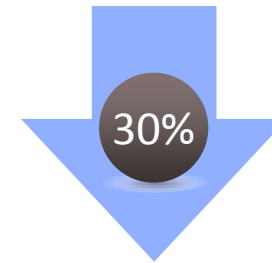
Change in the last decade



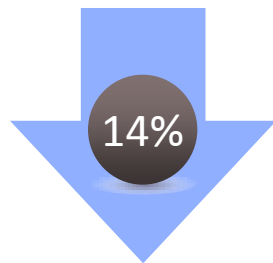
Handle



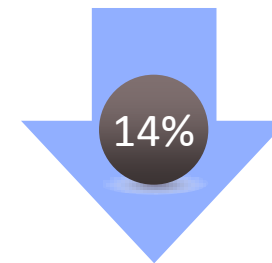
Attendance



Starts per horse



Race days



Other sports are also suffering

NBA Finals TV ratings



24%

MLB All-Star Game TV ratings



38%

NASCAR Daytona 500 TV ratings



19%

US Open Tennis Men's final TV ratings



35%

The core of racing is strong

Why do fans like racing?

Sense of camaraderie
at the track

45%

Respect from others
while on a winning
streak

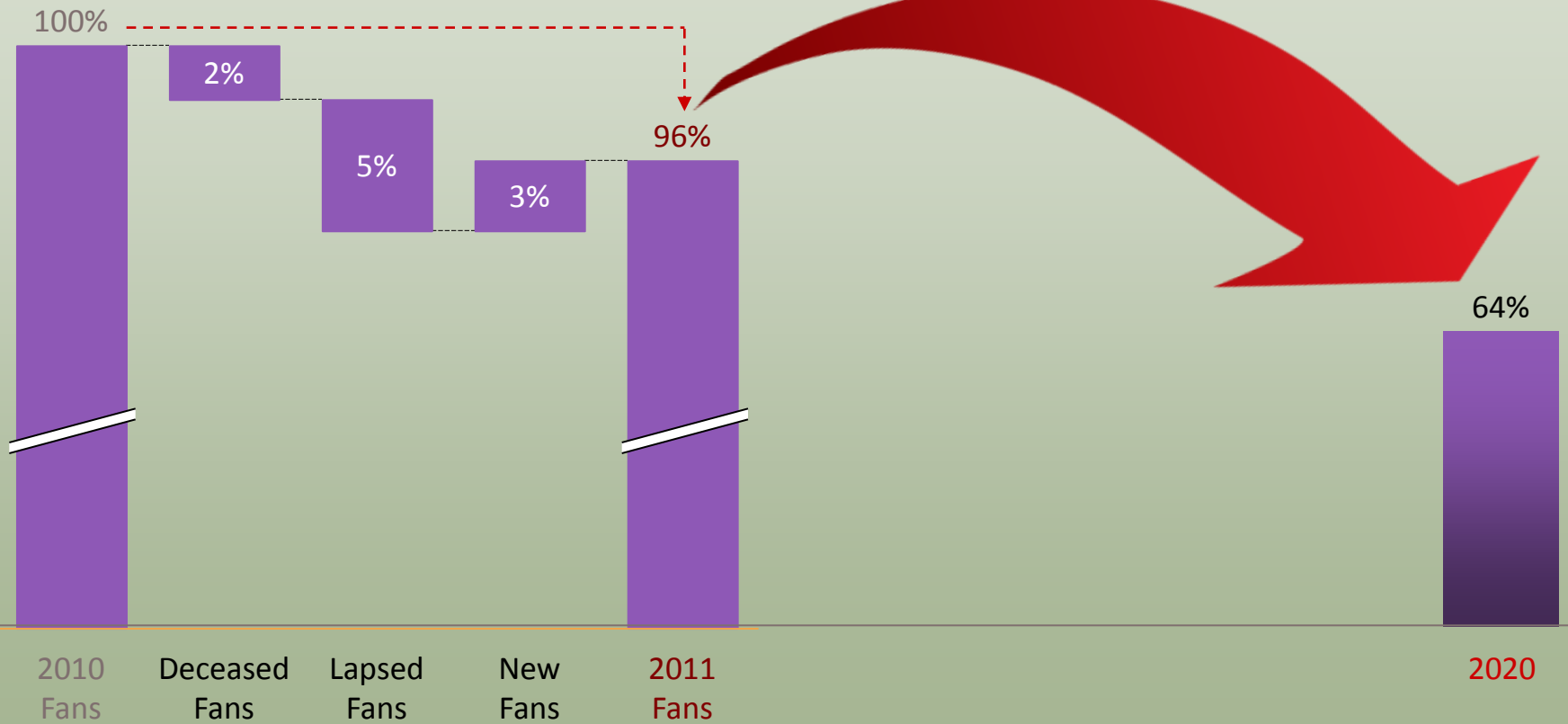
37%

Win "big money"

34%

The fan base is shrinking

Thoroughbred racing is losing
4% of fans each year



Methodology

- Regression analysis on 600,000+ races spanning 11 years
- Developed a model of the industry and its likely evolution
- 150+ interviews with industry stakeholders
- 1,800 current and potential fans surveyed
- 30+ in-depth fan interviews
- 920 Thoroughbred owners surveyed
- 200+ interviews with regulators and opinion leaders

Competition from other forms of gambling



Brand Perception

General public who have positive impression of Thoroughbred racing

22%



Percent of fans who would recommend sport to others

Baseball fans

82%

Football fans

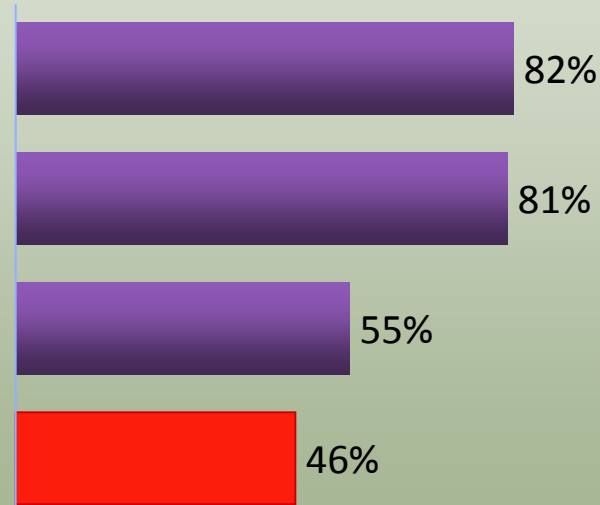
81%

Poker players

55%

Thoroughbred racing fans

46%



[Click](#) here to watch Movie

Dilution

Oaklawn, Keeneland and Aqueduct each featured a Grade I Stakes race within a period of 22 minutes

	Oaklawn	Keeneland	Aqueduct
Post Time	4:57 PM	5:05 PM	5:19 PM
New Post Time	4:57 PM	5:15 PM	5:31 PM

Handle increase

\$47K

\$130K

\$110K

% change in handle

↑ 4%

↑ 9%

↑ 5%

Average handle increase

6%

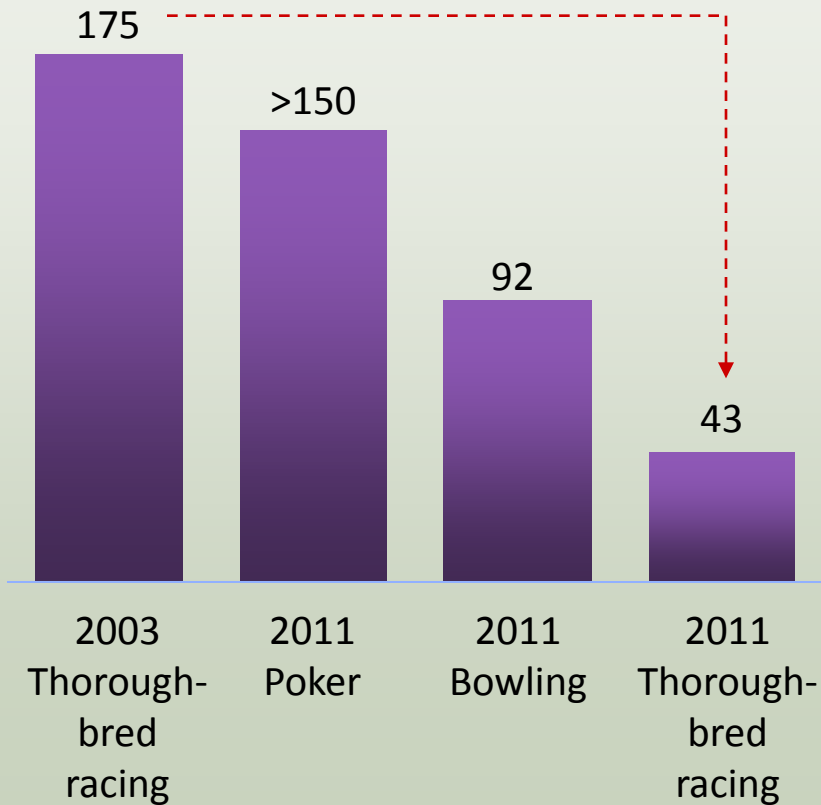
Fan Experience

What are the main reasons why your experience at the track was not good?

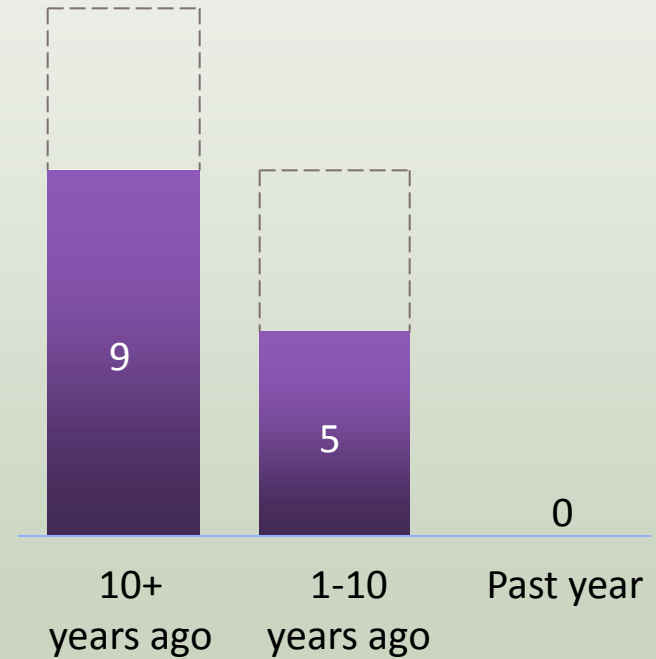


Fragmented Distribution

Coverage is at an all time low
National TV hours

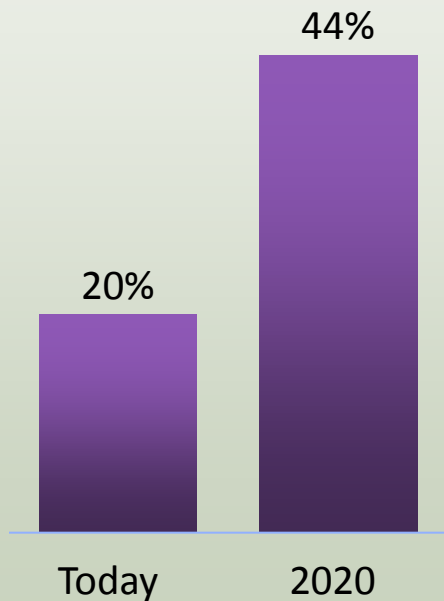


TV is an important source of race fans
Percent



Fragmented Distribution

ADWs
as a % of industry handle



Fans introduced to the sport through ADW

ADW sign-up success rate

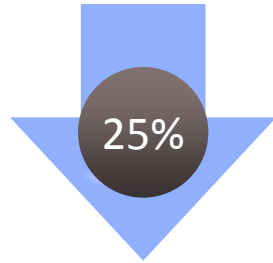


Only 53% of fans who attempt to sign up for an ADW account successfully fund an account and place a bet

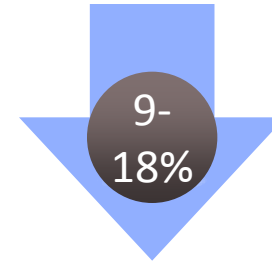
Projected 2020 economics without industry action



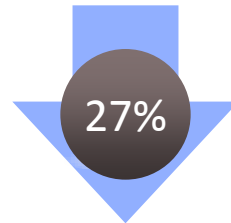
Handle



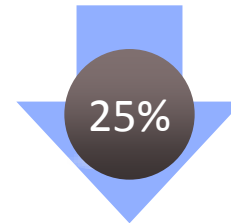
Foal crop



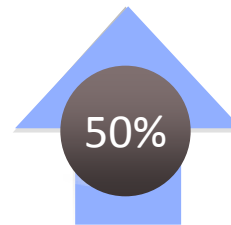
Tracks



State revenue



Owners' losses





Growth strategy for Thoroughbred racing

- 1 Fewer, better race days
- 2 Innovative wagering platforms
- 3 Integrated rewards
- 4 New televised racing initiatives



AUTUMN AT
KEENEELAND

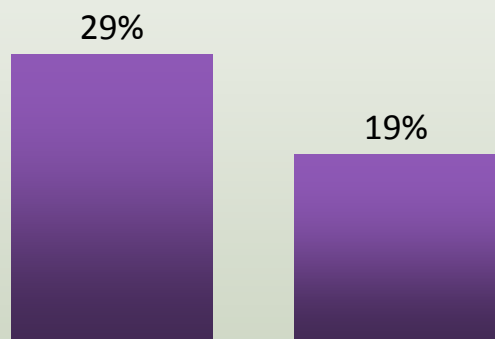


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- 5 Simplified betting via free-to-play game

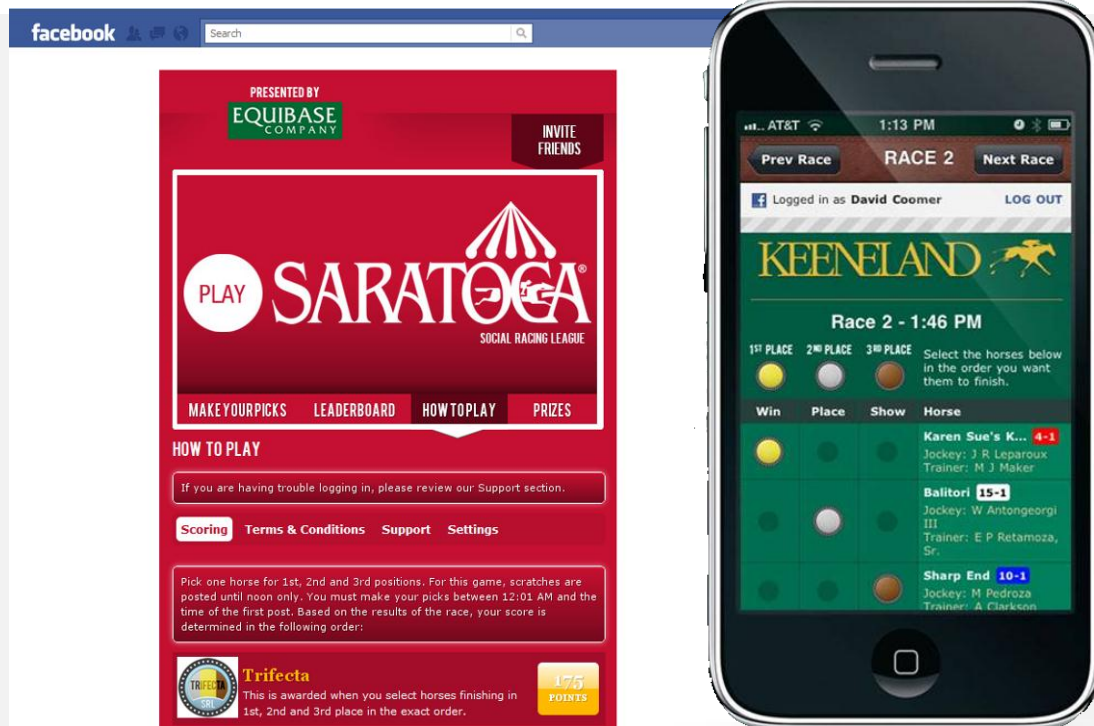
Free-to-play game

Consumers find the sport difficult to play



Bettors who say difficulty handicapping is a major issue

Consumers who don't bet because it's too complicated



- Worked elsewhere
- Over 32 million fantasy sports players in U.S.
- 37% of consumers would probably/definitely try it
- Could simplify betting for new fans

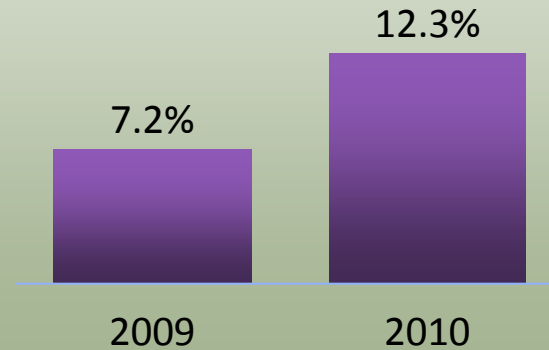
Growth strategy for Thoroughbred racing

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- 6 Social game

Social Gaming

Facebook

Share of consumer Internet time



30M

Users who play FarmVille everyday

\$9/month

Average amount spent on casual online games by users who pay

24%

Consumers who would probably/ definitely try a Thoroughbred social game

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- 7 Integrity and safety reforms
- 8 Ownership tools
- 9 Disseminating best practices among tracks

Growth strategy for Thoroughbred racing

- Accelerate the pace of innovation
- Address the legitimate concerns of fans and handicappers
- Position racing for a new generation
- Return racing to economic stability and long-term growth



\$10 million



Progress on Initiatives

Television: we have an agreement in principle with a major network to televise spring races that lead to the Triple Crown.

Social Game and Free-to-Play: we have hired developers and are targeting launches in early 2012.

Scheduling Tool: we have created sophisticated scheduling software that will help tracks make decisions based on comprehensive information.

Ownership Tool: we are in the design phase and have received positive feedback from current and prospective owners about what they would like to see in such a tool.

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Medication



RCI Leaders Call for Phase Out of Drugs

RACING COMMISSIONERS INTERNATIONAL

Jockey Club Strongly Urges Drug-Free Racing

BloodHorse.com

International Community Backs U.S. Drug Ban

THOROUGHBREDTIMES®

Trainers: Do Not Ban Anti-Bleeder Medications

BloodHorse.com

Horsemen Oppose Current Plan to Eliminate Race-Day Medication

THOROUGHBREDTIMES®

REFORMED RACING MEDICATION RULES

AUGUST 2011

The intent of these reformed racing medication regulations are to heighten the integrity of horse racing by eliminating the influences of Drugs and/or Medications on the outcome of competitions.

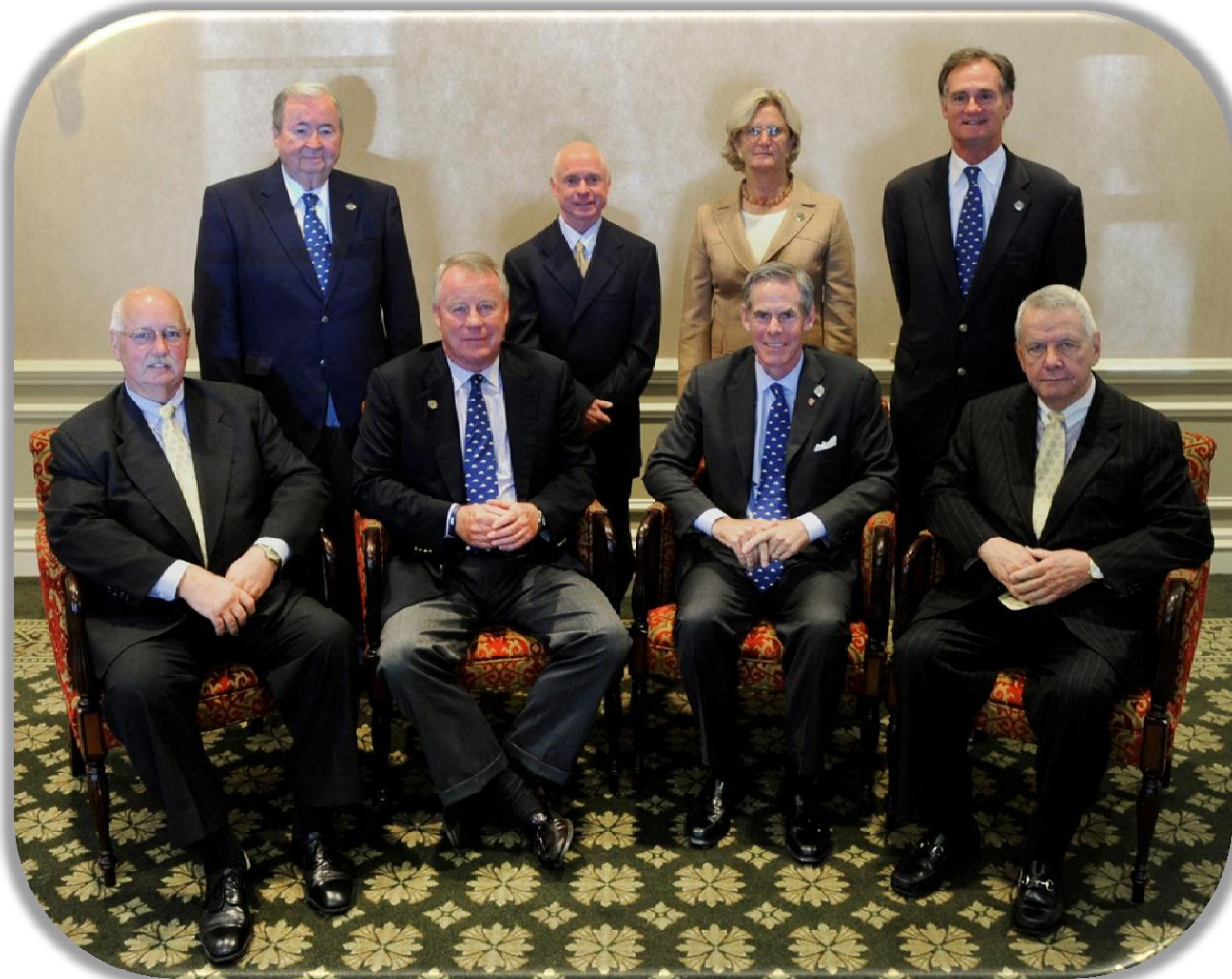
1. Definitions

a. The terms and words used in this Section shall mean:

- i. Medication. Any drug, medication or other substance or relevant metabolite or analog thereof which can exert a pharmacological effect on any physiological system of a horse. For purposes of these rules, a Medication may be further classified and subsequently defined as either a Controlled Therapeutic Medication or a Prohibited Substance.
- ii. Legend Medication. Any Medication requiring the following legend on its label: "Caution: Federal Law prohibits dispensing without a prescription."
- iii. Administer or Administration. Any action which causes a Medication to enter into the body of a horse at dosage(s) and route(s) of administration as either recommended by the manufacturer or as generally accepted in equine veterinary medical practice.
- iv. Laboratory. The official racing chemical detection laboratory designated by the relevant racing regulatory authority and fully accredited by the Racing Medication and Testing Consortium (RMTC).

Example. A substance or inclusion but not

Thoroughbred Safety Committee



**John Barr ● Christopher J. McCarron ● Dell Hancock ● James G. Bell
Dr. Larry Bramlage ● Stuart S. Janney III (chairman)
C. Steven Duncker ● Dr. Hiram C. Polk Jr.**



2012

All 2-year-old Thoroughbreds
racing free of medication







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