

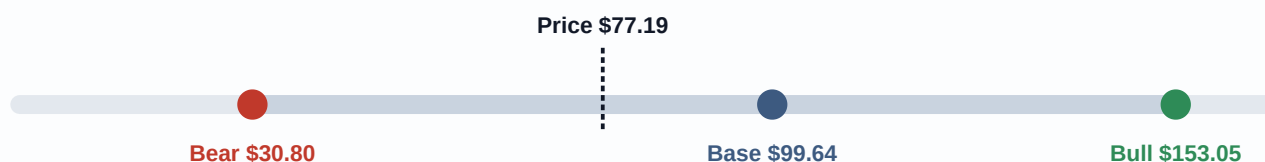
Initiated 2026-09-28 (re-initiation of 2026-09-25) · Price \$77.19 (as of 2026-09-28 11:57 ET, stockanalysis.com) · Mkt cap \$5.38bn · Consumer discretionary / gaming and racing · Model: verified

Rating: Buy — Conviction: Low

Churchill Downs trades at ~9.1x EBITDA on filed figures, down 18.6% over 52 weeks, while its racing and historical-racing (HRM) segment grew revenue 7% in H1 2026 at a ~51% segment margin. The base case sits above the price on both valuation methods, including the exit-multiple method, which assumes a slight de-rating. Conviction is Low because the Buy depends on the discount rate: at ~4.2x net leverage the equity is highly rate-sensitive, and the bear case is deep.

Conviction tests (3a-v-c): T1 fail (Buy → Hold at +1pp) · T2 fail (exit method alone +15% against a -60% bear reads Hold) · T3 pass · T4 pass

MODEL VALUE RANGE VS PRICE



Business overview

Churchill Downs owns the Kentucky Derby, HRM venues mainly in Kentucky and Virginia, the TwinSpires online wagering business and regional casinos. H1 2026 revenue was \$1,643mm (+4.2%): Live and Historical Racing \$840mm (Adjusted EBITDA \$431mm), Wagering Services and Solutions \$276mm (\$97mm), and Gaming \$527mm (\$256mm, revenue -0.4%). FY2025 revenue was \$2,926mm. Earnings turn on HRM growth and state tax regimes, Derby pricing, and regional casino spend. On 2026-07-29 it said it is exploring the sale of nine regional casinos (including Presque Isle, del Lago and Oxford), individually or in small clusters, with no price or timetable.

Competition

TwinSpires competes with FanDuel Racing and other advance-deposit wagering platforms for a shrinking pool. US thoroughbred handle was \$7.56bn through August 2026, down 4.8% year on year, and August alone fell 6.4%. It was the fourth straight month down at least 4% (Equibase, reported 2026-09-08), so wagering growth has to come from share, not the market. The casinos and HRM venues compete with regional operators and skill games; pressure shows first in gaming revenue, flat in H1. On one aggregator basis (stockanalysis, lease-inclusive EV), CHDN's 10.3x EV/EBITDA sits between Boyd (6.8x) and Red Rock (10.8x), level with Monarch (10.0x).

Bull case

- HRM keeps compounding.** Live and Historical Racing revenue rose 7.3% in H1 2026 and its Adjusted EBITDA rose 8.0%, at a margin above half of revenue. Plays out if Kentucky and Virginia keep current HRM regimes. *Model: rev_growth, ebitda_margin*

2. **The Derby and new capacity add high-margin revenue.** Victory Run at Churchill Downs (April 2028) adds premium seating, and Rockingham Grand Casino (mid-2027) adds a new venue. Plays out if premium Derby demand holds. *Model: rev_growth, ebitda_margin*
3. **Selling the flat segment re-rates what's left.** Without the casinos, CHDN is a faster-growing, less levered racing and HRM company, priced nearer Red Rock or Monarch than Boyd. Plays out if the properties sell at reasonable multiples and the proceeds mostly repay debt. *Model: exit_ev_ebitda*

Bear case

1. **Wagering is in secular decline.** Handle is down 4.8% year to date and race days 2.3% (Equibase). Plays out if it continues or spreads to HRM. *Model: rev_growth, ebitda_margin*
2. **Regional gaming stalls and HRM hits a regulatory ceiling.** Gaming revenue was flat in H1 2026. Plays out if a state raises HRM taxes or legalises skill games, or casino spend weakens with jobs. *Model: rev_growth, ebitda_margin*
3. **The build programme keeps absorbing cash.** FY2025 capex was \$275mm (9.4% of revenue) against \$70mm of maintenance, and 2026 project capex is guided at \$180–220mm. Plays out if new projects earn less than the HRM build-out did. *Model: capex_pct_rev*
4. **Leverage pins it to a regional-casino multiple.** Debt is \$4.8bn, 4.2x FY2025 EBITDA net of cash on this model's basis. \$600mm of 5.50% notes are due in 2027 and \$700mm of 4.75% notes in 2028. If the sale disappoints, the market can price the whole company like Boyd. *Model: exit_ev_ebitda*

Valuation & balance sheet

Metric (definition)	Current	Own history (range or 5y avg)	Peers (Boyd · Red Rock · Monarch)	Source, as-of
Forward P/E (consensus NTM EPS)	11.1x	n/a (unverified)	9.5x · 22.2x · 17.0x	stockanalysis.com, 2026-09-28
EV/EBITDA, aggregator (lease-inclusive EV)	10.3x	n/a (unverified)	6.8x · 10.8x · 10.0x	stockanalysis.com, 2026-09-28
EV/EBITDA, model basis (EV \$10.05bn / FY2025 EBITDA \$1,103.8mm)	9.1x	EBITDA margin FY2021–FY2025 34.2–38.7%	n/a (peers not restated)	model-inputs.json, 10-K
FCF yield (TTM FCF / market cap)	10.2%	FY2023 FCF negative (build-out year)	0.7% · 3.8% · 7.3%	stockanalysis.com, 2026-09-28

Model-implied value range (from `model-summary.json`; generic module, Gordon-growth DCF and exit-EV/EBITDA DCF, midpoints): Bear \$30.80 · Base \$99.64 · Bull \$153.05 per share, i.e. implied returns of –60.1% / +29.1% / +98.3% vs \$77.19. *These ranges show how the bull and bear drivers translate into value; they are not price targets.* The price sits about a third of the way from base to bear: the market prices part of the leverage risk and none of the bull case.

Re-rating. Today 9.1x on the model's basis; the base methods differ by 25%:

- **Exit method: \$88.60 (+15%).** 9.0x Year-5 EBITDA, a ~1% de-rating: the clean test.
- **Gordon method: \$110.68 (+43%).** Implies ~10.7x Year-5 EBITDA (est., backed out from base Y5 unlevered cash flow), a ~18% re-rating.

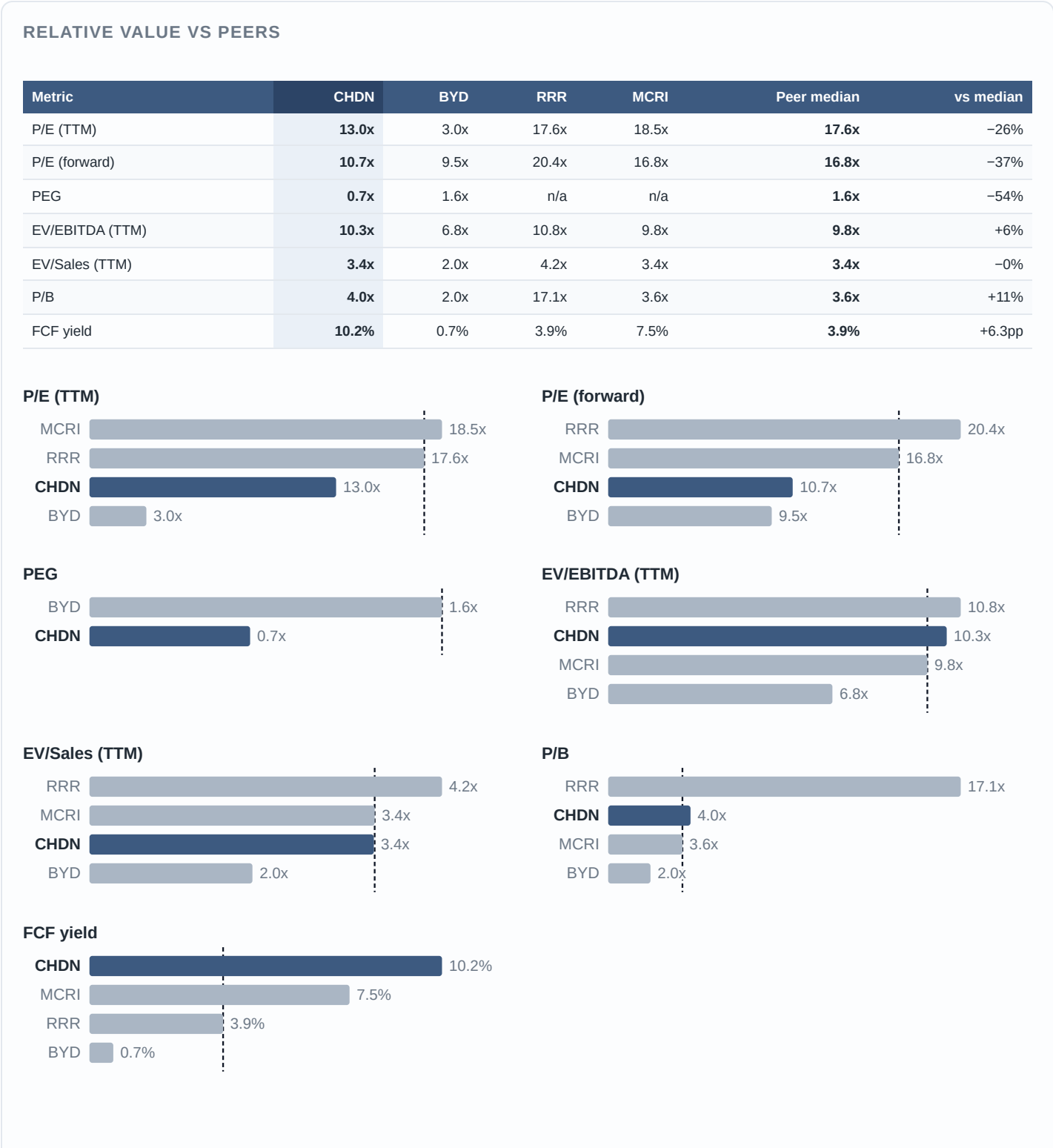
Tail, quantified. The bear case is a plateau, so a harsher case was run: revenue +1%, –3%, –3%, –2%, 0%; EBITDA margin 36% falling to 32%; capex 10–10.5% of revenue; NWC –11% of revenue; 6.5x exit; 10% WACC; 1% terminal growth. It gives **\$3.82 (–95%)**: the Gordon method floors at \$0 and the exit method gives \$7.63.

Balance sheet: net leverage 4.17x FY2025 EBITDA (model basis), 3.7x on the company's net bank leverage definition. Coverage 4.0x. Liquidity: \$196mm cash at 2026-06-30; revolver drawn \$329mm (availability not verified). Maturities: \$600mm of 5.50% notes due 2027, then \$700mm of 4.75% notes due 2028. A 2026-09-25 amendment extended the revolver and Term Loan A to 2031 and replaced Term Loan B-1 (\$284mm, 2028) with a \$500mm TLB due 2033 at SOFR+175bp (8-K 2026-09-28). Debt fell from \$5,155mm to \$4,795mm in H1 2026 with buybacks paused. Ratings: n/a (unverified). Base case: 2.7x by Year 5 without sale proceeds.

Model note: tier `full` , status `built` , verification `verified` (3,207 formula cells matched in LibreOffice). Unverified inputs: none. Assumptions without basis: none. Scenario consistency: `OK` on all 14 rows.

Every historical series comes from the FY2025 and FY2023 10-K statements; the 2026-09-25 model's aggregator D&A ran \$5–7mm a year below the filed figure. EBITDA adds back net asset impairments (\$47.5mm in FY2025) and is after stock-based compensation. Debt is at 2026-06-30 principal; the September refinancing and the casino sale are not modelled. Base Y1 EPS of \$6.85 is 1% below the ~\$6.93 implied by the forward P/E (est.); there is no company guidance.

WACC 8.3% is straight CAPM on the regional-peer median beta (1.31), not CHDN's own 0.67, which isn't credible at this leverage; the prior model used 7.5%.



As of 2026-10-09. One source and one definition for every company: aggregator TTM and consensus-forward multiples, lease-inclusive EV. Not the model's own EV basis (see the report's valuation table). Quotes taken 11:40-11:58 ET on 2026-10-09 with the market open, so multiples reflect intraday prices. Dashed line = peer median. Source: [stockanalysis.com /stocks/<ticker>/statistics/](https://stockanalysis.com/stocks/<ticker>/statistics/), fetched 2026-10-09.

Notes. No PEG on the source for Red Rock or Monarch. Boyd's trailing P/E of 3.0x is the source's figure and looks distorted by a one-off gain; it has not been checked against filings.

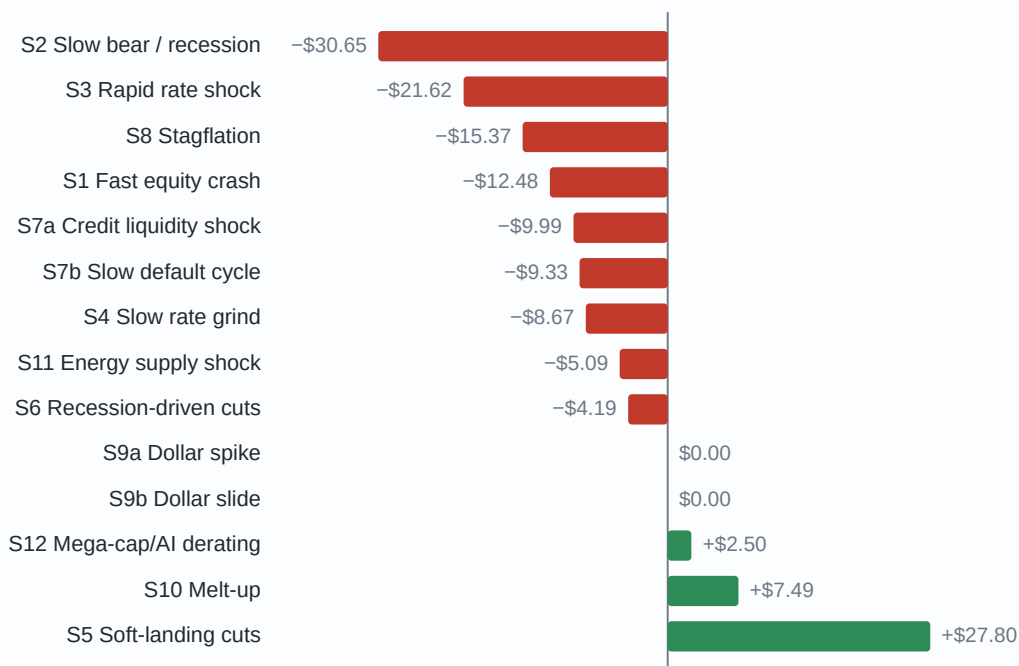
Scenario stress test

Reasoned from the bull/bear drivers above. The model column comes from the scenario overlays (Base case + shock).

Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base (\$/sh)
S1 Fast equity crash	–	De-risking hits a levered equity through the multiple; no operating channel over weeks	Med	–\$12.48
S2 Slow bear / recession	–	Regional casino and HRM spend falls with jobs; Derby pricing holds. Less than half of Base – Bear on purpose: a recession is transitory, while the bear case is a permanent handle decline	High	–\$30.65
S3 Rapid rate shock	–	Higher discount rate and lower multiple; \$1.3bn of 2027–2028 notes refinance at higher coupons (EPS only in the model)	High	–\$21.62
S4 Slow rate grind	–	Same channels, grinding	Med	–\$8.67
S5 Soft-landing cuts	+	Consumer intact, lower discount rate, cheaper refinancing for a levered issuer	High	+\$27.80
S6 Recession-driven cuts	–	Loss of gaming spend outweighs the lower discount rate; no multiple shock, which is why it is far milder than S2	Low	–\$4.19
S7a Credit liquidity shock	–	High-yield issuer with \$600mm due 2027; spreads gap and the equity de-rates	Med	–\$9.99
S7b Slow default cycle	–	Levered credit re-prices; mild spend effect through stretched households	Med	–\$9.33
S8 Stagflation	–	Wage and construction inflation outpace machine win; real gaming spend squeezed; higher discount rate	Med	–\$15.37
S9a Dollar spike	0	No material effect, not modeled (domestic business)	—	\$0.00
S9b Dollar slide	0	No material effect, not modeled	—	\$0.00
S10 Melt-up	+	Risk appetite re-rates a levered, de-rated equity	Med	+\$7.49
S11 Energy supply shock	–	Drive-in regional casinos and HRM venues lose visits to gasoline prices; utility costs rise	Low	–\$5.09
S12 Mega-cap/AI derating	±	No operating link; possible rotation toward domestic value, sign uncertain	Low	+\$2.50

Currently active/on watch per the playbook: S3 crossed per `logs/macro-2026-09.md` since 2026-09-24 (`state.md` still reads "partially active"); S8, S10 and S11 on watch.

MODEL VALUE CHANGE VS BASE, BY SCENARIO



What would change the call

Upgrades if: a casino sale closes near CHDN's own multiple with proceeds to debt and net bank leverage heading below 3x; or racing/HRM Adjusted EBITDA keeps growing high single digits as handle stabilises. **Downgrades if:** sales price near Boyd's ~7x or proceeds go to buybacks at today's leverage; a Kentucky or Virginia HRM tax increase; racing/HRM growth below low single digits; or the 2027 notes refinance well above 6.75%.

Watch items

- **W1:** Live and Historical Racing Adjusted EBITDA growth — $\geq$ mid-single digits year on year — Q3 2026 10-Q — late October 2026 — *Model: rev_growth, ebitda_margin*
- **W2:** First casino sale agreement — price as a multiple of property EBITDA vs ~7x, and use of proceeds — 8-K — date unknown — *Model: exit_ev_ebitda*
- **W3:** US thoroughbred handle — monthly decline worse than -5% for September/October — Equibase monthly indicators — early October / early November 2026 — *Model: rev_growth*
- **W4:** Refinancing of the \$600mm 5.50% 2027 notes — new coupon vs 6.75% — 8-K — before the 2027 maturity — *Model: cost_of_debt (EPS only)*

Sources

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- 10Y yield: `logs/macro-2026-09.md`, 2026-09-25 entry

Independent single-name research. Directional characterization, not a price target, execution instruction, or portfolio recommendation.