

# NASCAR

## 2017 Review – 2018 Preview



Source: NASCAR

<b>Companies</b>	<b>Ticker</b>	<b>Price</b>	<b>Exchange</b>
Dover Motorsports	DVD	\$ 1.80	NYSE
Intl. Speedway Corp.	ISCA	42.85	NASDAQ
Speedway Motorsports	TRK	19.49	NYSE

## Youth Will Have To Wait

### 2017 Season Wrap Up

Martin Truex Jr. may not have had the best car for the 2017 EcoBoost 400 (although he did lead 78 laps), but eleven years after winning the Rookie of the Year title, he managed to secure his first NASCAR Cup Series Championship, holding off Kyle Busch, to capture a victory at Homestead-Miami Speedway and the title. (Note that Truex also has two Xfinity titles to his credit.)

### Martin Truex Jr. Crosses the Finish Line At Homestead-Miami Speedway For the Win And the Championship



Source: NKP

Truex won eight races in 2017, more than doubling his career total to fifteen. His success in the third race of the season at Las Vegas Motor Speedway essentially assured him of making the 2017 playoffs. But the no. 14 team never backed off, as Martin recorded nineteen top-5s, twenty-six top-10s, and captured three poles. Truex also excelled at stage racing (more about this later), racking up a total of 19 stage wins and 74 playoff points.

Kyle Busch was denied in his quest for a second championship, finishing the race second and was the title runner-up with five victories over the course of the season. Busch had fourteen top-5s, twenty-two top-10s, and took eight poles.

Busch was closing late in the race during a 34-lap run to the checker, but he did not have enough to catch up and get by Truex. Prior to the final sprint, Busch had the best car until a caution sent the pack to the pits where Truex came out first. On the ensuing restart, Truex pulled out to a solid lead, but Busch kept plugging away, passing Kevin Harvick for second place with about eighteen laps to go. Busch managed to close to a couple of car lengths, but Truex extended the lead and ultimately won by 0.681 seconds.

Kyle Larson wound up third in the EcoBoost 400 and eighth overall in standings, while Kevin Harvick ended the race in fourth place and finished third in the standings. Larson had four wins, while Harvick won two races.

Harvick had won the second-to-last race at Texas and placed fifth in the penultimate event in Phoenix and seemed to have some momentum going into the final weekend. He started ninth, but realistic chances of winning were hurt when debris on the racetrack caused damage to his car.

Truex' championship should erase forever a fiasco that occurred in the 2013 Chase when a teammate *may* have deliberately spun his car at Richmond in order to bring out a caution and another pitted out of sequence. The two events would have secured Truex's position in the post-season playoff (what was then termed The Chase). But the upshot was a calamity. Team owner Michael Waltrip lost his primary sponsor – NAPA and Truex was ultimately out of a ride.

An important racing story, or non-story, was the absence of Jimmie Johnson at the finish. The seven-time champion made the playoffs, having won three races and compiling eleven top-10 finishes. Johnson also made it into the round of eight in the post-season. However, there seemed to be something missing from the no. 48 team. It may have been the strength of the Toyotas, or the stars aligning for Truex, but Johnson was not the same factor he had been in past years.

Also high up on the list of 2017 stories was the retirement of Dale Earnhardt Jr. Junior came back from the concussions that sidelined him much of last year and finished twenty-first in points, but never really seemed to be much of a factor. He will be in the broadcast booth for the 2018 season and will start the year as the Grand Marshall for the 2018 Daytona 500.

Joining Dale in retirement (maybe) will be former champion Matt Kenseth (2003).

Other recent retirees include Jeff Gordon, Tony Stewart, Jeff Burton and Carl Edwards in addition to Kenseth and Junior. Combined, those drivers accounted for 256 race wins and eight Cup championships. A crop of newer drivers may be able to take their place behind the wheel, but those retiring individuals were important to track promoters, especially Junior, NASCAR's most popular driver for more than a decade. In addition to those winning competitors mentioned above, Danica Patrick will also be departing NASCAR, although she is expected to race at Daytona. Danica was the most successful female driver in the sport; she will leave a gender gap that will be difficult to fill.

### **Harvick Beat Truex For His Second Win Of the Season And First at TMS**



Source: Motorsports.com



**Exhibit 1**

**2017 Final Monster Energy NASCAR Cup Standings, Top-25**

Position	Driver	Points	Victories	Car No.	Make	Primary Sponsor	Team
1	Martin Truex Jr.	5,040	8	78	Toyota	Bass Pro Shops	Furniture Row Racing
2	Kyle Busch	5,035	5	18	"	M&M's	Joe Gibbs Racing
3	Kevin Harvick	5,033	2	4	Ford	Jimmy John's	Stewart-Haas Racing
4	Brad Keselowski	5,030	3	2	"	Miller Lite	Team Penske
5	Chase Elliott	2,377	0	24	Chevrolet	NAPA Auto Parts	Hendrick Motorsports
6	Denny Hamlin	2,353	2	11	Toyota	FedEx Express	Joe Gibbs Racing
7	Matt Kenseth	2,334	1	20	"	DeWalt	" "
8	Kyle Larson	2,320	4	42	Chevrolet	Target	Chip Ganassi Racing
9	Ryan Blaney	2,305	1	21	Ford	Motorcraft	Woods Brothers Racing
10	Jimmie Johnson	2,260	3	48	Chevrolet	Lowe's	Hendrick Motorsports
11	Austin Dillon	2,224	1	3	"	Dow Corning	Richard Childress Racing
12	Jamie McMurray	2,224	0	1	"	Cessna	Chip Ganassi Racing
13	Ricky Stenhouse Jr.	2,222	2	17	Ford	Fastenal	Roush Fenway Racing
14	Kurt Busch	2,217	1	41	"	Monster Energy	Stewart-Haas Racing
15	Kasey Kahne	2,198	1	5	Chevrolet	Farmers Insurance	Hendrick Motorsports
16	Ryan Newman	2,196	1	31	"	Caterpillar	Richard Childress Racing
17	Joey Logano	930	1	22	Ford	Pennzoil	Team Penske
18	Clint Boyer	871	0	14	"	Mobil 1	Stewart-Haas Racing
19	Erik Jones	863	0	77	Toyota	5-hour Energy	Furniture Row Racing
20	Daniel Suarez	777	0	19	"	Arris	Joe Gibbs Racing
21	Dale Earnhardt Jr.	668	0	88	Chevrolet	Axalta	Hendrick Motorsports
22	Trevor Bayne	660	0	6	Ford	Advocare	Roush Fenway Racing
23	Paul Menard	631	0	27	Chevrolet	Menards	Richard Childress Racing
24	Ty Dillon	593	0	13	"	GEICO	" "
25	Chris Buesher	564	0	37	"	Clorox	JTG Daugherty Racing

Source: NASCAR

**Matt Kenseth In His Final Win At Phoenix**



Source: Motorsports.com

## TV Or Not TV

It was long thought that NASCAR was at least somewhat immune to changing television viewing habits. That said, live sports ratings were under pressure in 2017 and NASCAR proved not to be an exception. In the final race at Homestead, ratings slipped 20% (2.8) and viewership was off 23% to 4.7 million. Many event ratings were down high double-digits, far worse than the decline at NFL (off about 10%). In contrast, the season's opening event at Daytona posted a modest gain over the 2016 Daytona 500, making the rest of the season somewhat more disappointing.

Arguably, rule and format changes probably have not helped, nor have the retirements already noted. Nevertheless, on-track competition has been very good. And the move to stage-racing made sections of each race important, as stage winners took bonus points into the playoffs. It is noteworthy that fans are able to connect with NASCAR in more ways with additional viewing coming on smart phones and other devices.

## Contract Recap

In July 2013, NASCAR announced a new ten-year deal with Comcast and NBC Sports that started with the 2015 season going through 2024. The transaction covered the final twenty Cup races. Thereafter, Fox Sports agreed to pick up the balance of the races not under contract and extended its existing deal through 2024. Fox gets the first part of the season including the Daytona 500, Comcast/NBC obtained the latter part of the season including the finale and Championship weekend.

In aggregate, the rights fees average about \$820 million annually (\$8.2 billion total). We believe there was a modest step-up from the final year of the prior TV deal of an estimated \$630 million. Annual escalators are about 3-4%. Track promoters receive 65% of the rights fees, race teams 25% and the remaining 10% goes to NASCAR. However, individual race splits are not equal. The Daytona 500, hosted by Intl. Speedway, draws the largest TV audience and also receives the largest rights payment. The 2017 race was seen by about 12.0 million viewers.

Although the contract goes out to 2024, a small element of uncertainty may have been added to the mix with Disney acquiring some, but not all Fox assets. Most races and race-related events are aired on FBC or FS1, which are staying with 21<sup>st</sup> Century Fox. Disney will get the regional sports and in the last NASCAR contract, DIS broadcast races on ABC and ESPN. How the transaction alters the landscape may not be apparent until the next contract renewal.

## So Long To The 88



Source: Motorsports.com

## And To Matt And Danica



Source: NASCAR



Source: NASCAR

### 2018 Preview

Rule changes for 2018 appear relatively modest. The number of pit crew members will be reduced to five from six with the aim of improving parity. Additionally, NASCAR is placing limitations on other worker categories – “organizational” and “road crew.” The organizational level consists of competition directors, team managers, etc. Two-car teams will be allowed three organizational positions. Three and four-car teams will be permitted four. Beyond parity, these seem to be cost-reduction moves.

Pit crew members will wear numbers in 2018, a step in highlighting the contributions that pit crews make to the success of their drivers. In another pit crew tweak, the refueler (the large person that comes over the pit wall with the gas can) won't be permitted to do additional chores (tires, chassis changes, etc.).

Aerodynamics will be comparable, so the cars should handle in a similar fashion. However, NASCAR removed ride height requirements at the superspeedways, having discovered that cars with lower ride heights are less likely to go airborne. This change should enhance safety at the superspeedways, especially given the high speeds reached at those venues.

New engine limitations will be in place. This move too appears pointed as much at cost reduction as parity.

There are some interesting schedule changes. The final race of the regular season will take place at Indianapolis Motor Speedway instead of Richmond, with the first playoff race at Las Vegas Motor Speedway. More intriguing, the 2018 playoffs will have a 3.75 mile road course race at Charlotte Motor Speedway. Charlotte has never hosted a Cup race on its road course which incorporates infield turns along with most of the 1.5 mile race track. That race should be interesting.

### Driver Changes

Drivers on the move for some of the major teams include:

The hottest seat in 2018 may be that of Rick Hendrick's 88 to be occupied by Alex Bowman. Talk about big shoes to fill. Bowman subbed ten times for Dale Earnhardt Jr. in 2016, capturing three top-10 finishes.

2017 Xfinity champ William Byron will take over the 24 from Chase Elliott, while Elliott moves to the number 9 NAPA car. Elliott finished fifth overall in 2017.

Kasey Kahne is leaving Hendrick Motorsports and will drive the no. 5 for Leavine Family Racing.

Over at Joe Gibbs Racing, the big change will be Erik Jones stepping into the no. 20 Toyota replacing Matt Kenseth. Jones placed 19<sup>th</sup> overall in 2017 and won the Rookie of the Year title.

Paul Menard shifts gears to the Wood Brothers from Richard Childress Racing.

Stewart-Haas will replace Danica Patrick with Aric Almirola in the no. 10.

Moving up to Richard Petty Motorsports' no. 43 in place Almirola will be Darrell "Bubba" Wallace Jr.

The departure of Junior and Kenseth, along with several other high-profile shifts has opened up some front-line seats for less well-known and newer drivers, the most notable being Alex Bowman with a somewhat limited resume. There was some scuttlebutt that Kenseth was going to move to the no. 88. William Byron's step up to Cup racing seems less controversial given his 2017 Xfinity championship.

It will likely be some time before the newer drivers establish themselves with fans and fill some of the void left by Junior's retirement, although Chase Elliott appears to be the closest to breaking through. That said (and we clearly do not want to put too much weight on his shoulders), putting Bubba Wallace in the no. 43 is very interesting. Bubba will be the first African-American driver with a full-time ride at NASCAR's highest level in years. As an aside, Richard Petty Motorsports is also switching brands to Chevrolet. The last time a Petty won a NASCAR championship in a GM brand, it was Richard's father Lee in an Oldsmobile.

## **NASCAR Scoring Recap**

NASCAR changed its points scoring system in 2017, the largest alteration since the Chase format was adopted in 2004. Each race has three stages: Stage 1, Stage 2 and the Final Stage. The first two segments award points to the driver leading or in the top-ten at the conclusion of the stage. The race winner is determined in the final stage.

Stage 1 commences when the green flag is dropped and will account for 25-30% of the race's total length. The stage will be different for every race, subject to the track and length of the event. (As an example, a 400 mile typically consists of two stages of 100 laps and a final stage of 200 laps.) The first stage ends with a checkered flag, or when necessary, a yellow flag. Drivers running in the first ten positions receive stage bonus points with the leading driver receiving ten points, the second place driver nine, down to the tenth-place driver who receives one point.

There is a caution period between Stages one and two and Stage 2 starts with a green flag. The length of Stage two and bonus points are similar to Stage 1.

After another caution, the Final Stage begins with another green flag and ends with the checkered flag. Points are awarded to all drivers with 40 points to the winner, 35 points for second place and down to one point for drivers that finish 36-40. The race winner receives five bonus points and a spot in the playoffs. NASCAR no longer award bonus points for leading a single lap, or leading the most number of laps in a race, as it had in the past.

## **But wait, there's more...**

The "regular season" champion receives fifteen bonus points, and other drivers that finish in the top-ten in the regular season also receive bonus points – ten for second place, eight for third, seven for fourth, etc.

## **Post-season Play**

At the end of the regular season, each of the sixteen qualifying driver's point total is reset to 2,000 plus all the bonus points he or she has accumulated during the season. The bonus points will carry over into each of the championship rounds with the exception of the final race in Miami. The four drivers that qualify for the championship will start with the same amount of points and the first of the four finalists to the checkered flag wins the title.

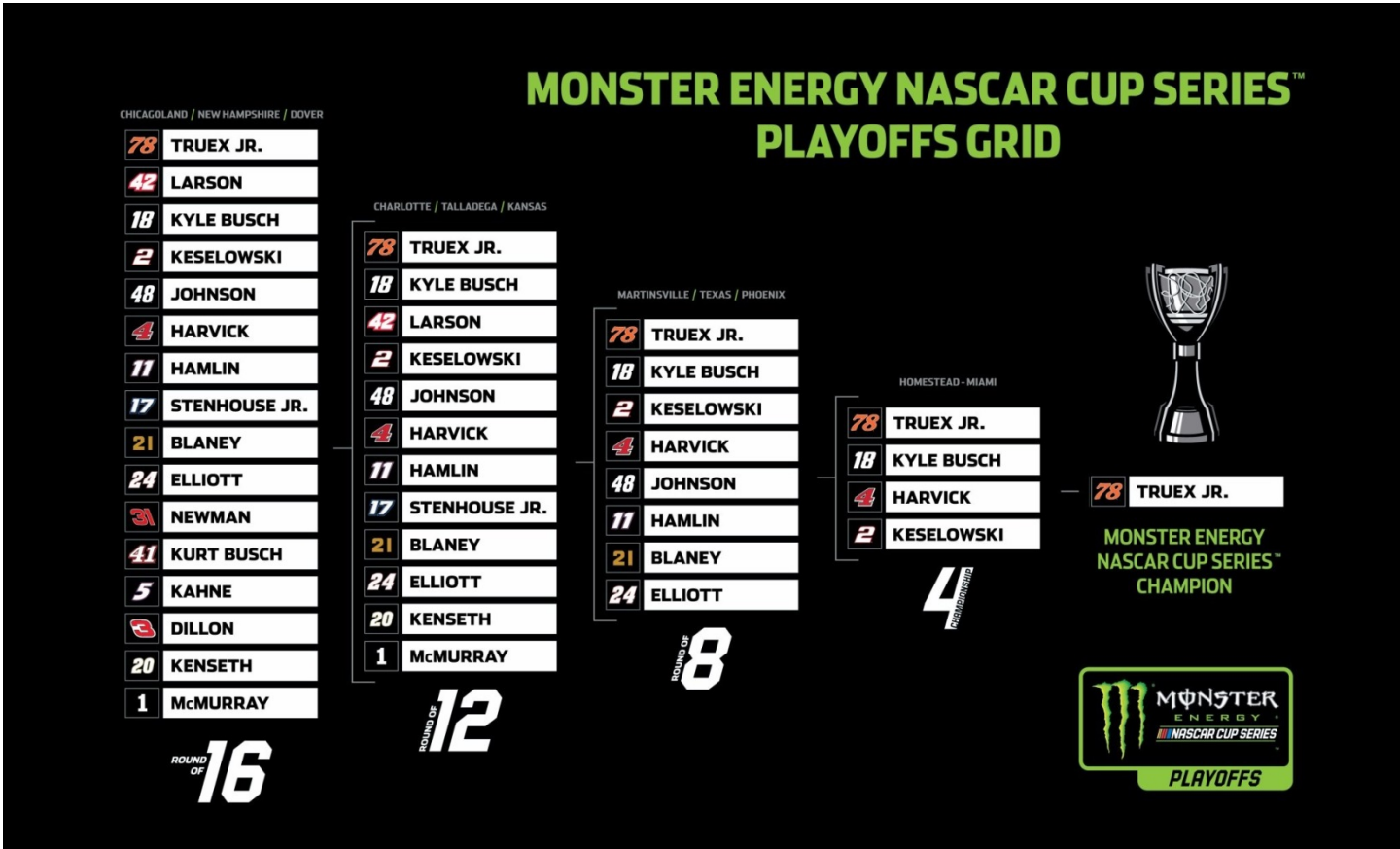


**And the winner is?**

The new scoring system is complex and may have turned off some traditionalists. Nevertheless, we do see meaningful upside. In the past, it was possible for a team to win a race early in the season and essentially be assured of a playoff spot. A driver merely had to remain in the top-thirty in points to be assured of a playoff spot. This allowed teams more flexibility to experiment with car set-ups and not focus solely on races since a winning team was locked into the Chase. Now, the more stages completed successfully, i.e. finishing in the top-ten, the more bonus points to carry through the playoffs. Success in the stages paid off for Martin Truex Jr., who won more stages (19) than any other driver.

We had thought that the scoring system and stage racing would help enhance TV viewer engagement. Instead of watching the start of the race and coming back a few hours later for the finish, fans (especially younger ones) would remain at their sets for more of the race. It doesn't look like that happened in 2017.

**Exhibit 2** **2017 Playoff "Brackets"**



Source: NASCAR



**Exhibit 3**

**2018 Monster Energy NASCAR Cup Series Schedule**

<b>Date</b>	<b>Race</b>	<b>Venue</b>	<b>Owner</b>
11-Feb	Advance Auto Parts Clash	Daytona Intl. Speedway	Intl. Speedway Corp.
11-Feb	Daytona 500 Qualifying	" " "	" " "
15-Feb	Can-Am Duel #1 (a)	" " "	" " "
15-Feb	Can-Am Duel #2 (a)	" " "	" " "
18-Feb	Daytona 500	" " "	" " "
25-Feb	Folds of Honor QuikTrip 500	Atlanta Motor Speedway	Speedway Motorsports
4-Mar	Pennzoil 400	Las Vegas Motor Speedway	" "
11-Mar	Camping World 500	ISM Raceway	Intl. Speedway Corp.
18-Mar	Auto Club 400	Auto Club Speedway	" " "
25-Mar	STP 500	Martinsville Speedway	" " "
8-Apr	O'Reilly Auto Parts 500	Texas Motor Speedway	Speedway Motorsports
15-Apr	Food City 500	Bristol Motor Speedway	" " "
21-Apr	Toyota Owners 400	Richmond Intl. Raceway	Intl. Speedway Corp.
29-Apr	GEICO 500	Talladega Superspeedway	" " "
6-May	AAA 400 Drive for Autism	Dover Intl. Raceway	" " "
12-May	Kansas 400	Kansas Speedway	" " "
19-May	Monster Energy All-Star Race (a)	Charlotte Motor Speedway	Speedway Motorsports
27-May	Coca-Cola 600	" " "	Speedway Motorsports
3-Jun	Pocono 400	Pocono Raceway	Private
10-Jun	FireKeepers Casino 400	Michigan Intl. Raceway	Intl. Speedway Corp.
24-Jun	Toyota/Save Mart 350	Sonoma Raceway	Speedway Motorsports
1-Jul	TheHouse.com 400	Chicagoland Speedway	Intl. Speedway Corp.
7-Jul	Coke Zero 400	Daytona Intl. Speedway	Intl. Speedway Corp.
14-Jul	Quaker State 400	Kentucky Speedway	Speedway Motorsports
21-Jul	New Hampshire 301	New Hampshire Motor Speedway	" "
29-Jul	Overton's 400	Pocono Raceway	Private
5-Aug	Watkins Glen 355	Watkins Glen Intl.	Intl. Speedway Corp.
12-Aug	Pure Michigan 400	Michigan Intl. Raceway	Intl. Speedway Corp.
18-Aug	Bass Pro Shops NRA	Bristol Motor Speedway	Speedway Motorsports
2-Sep	Bojangles' Southern 500	Darlington Raceway	Intl. Speedway Corp.
9-Sep	Big Machine Brickyard 400	Indianapolis Motor Speedway	Private
<b>Playoffs Round of 16</b>		<b>Round of 16</b>	
16-Sep	South Point 400	Las Vegas Motor Speedway	Speedway Motorsports
22-Sep	Federated Auto Parts 400	Richmond Intl. Raceway	Intl. Speedway Corp.
30-Sep	Bank of America 500	Charlotte Motor Speedway	Speedway Motorsports
<b>Round of 12</b>		<b>Round of 12</b>	
7-Oct	Dover 400	Dover Intl. Raceway	Dover Motorsports
14-Oct	Alabama 500	Talladega Superspeedway	Intl. Speedway Corp.
21-Oct	Hollywood Casino 400	Kansas Speedway	" " "
<b>Round of 8</b>		<b>Round of 8</b>	
28-Oct	First Data 500	Martinsville Speedway	" " "
4-Nov	AAA Texas 500	Texas Motor Speedway	Speedway Motorsports
11-Nov	Can-Am 500	ISM Raceway	Intl. Speedway Corp.
<b>Round of 4</b>		<b>Championship 4</b>	
18-Nov	Ford EcoBoost 400	Homestead-Miami Speedway	" " "

Source: NASCAR

## **The 2018 Season**

On February 18, 2018, NASCAR officially kicks off the new season with the 60<sup>th</sup> running of the Daytona 500, “The Great American Race,” at Daytona International Speedway. The 500 is preceded by three preliminary races, the Advance Auto Parts Clash, and two Can-Am Duels, beginning Saturday, February 10.

Daytona 500 qualifying will take place Sunday, February 11. Unlike other Cup events, only the first two positions are set by qualifying for the Daytona 500. The rest of the field is established by finishing order in the two Can-Am Duels, two 60-lap races, or 150 mile races (each one with one-half the field) on Thursday, February 15.

## **2018 Prospects**

Las Vegas odds-makers are generally picking 2017 runner-up Kyle Busch to win the 2018 Cup championship at 4:1 odds with Martin Truex Jr., Kyle Larson and Kevin Harvick close behind at 5:1 or a bit more. Those four drivers won a total nineteen points-paying races in 2017. The next group, ranging from 13:2 to 18:1 odds, includes Chase Elliott, Joey Logano, Brad Keselowski and Denny Hamlin who won another six races. Just squeaking into the top-ten favorites is seven-time Cup champ Jimmie Johnson, winner of three races in 2017. This seems a bit peculiar, although Toyotas occupied five of the top-7 spots in 2017.

As a sidebar, Martin Truex captured eight victories, the same as all of Joe Gibbs Racing.

The two Penske drivers (Keselowski and Logano) combined for four wins, while Stewart-Hass Racing captured three race wins. Jimmie Johnson accounted for three of Hendrick Motorsport’s four wins.

It’s always difficult for a champion to repeat; accordingly we think Truex’s small Furniture Row Racing team will face challenges in 2018, especially as other teams make adjustments to the cars and get more comfortable with stage racing.

There are at least four Ks that look like they can make a serious run in 2018 – Kyle Busch, Kevin Harvick, Brad Keselowski and Kyle Larson. Additionally, Chase Elliott was close to having a break-through year with twelve top-5 finishes and just missing Victory Lane on several occasions.

All of that said, odds-makers have Jimmie Johnson just inside the top-10 for 2018. And while Johnson made it into 2017’s “elite eight,” it did not seem that the no. 48 team had as much going for it in 2017 as it did in past years. We think that the Jimmie Johnson/Chad Knaus team has a good shot of getting its mojo back and being in championship contention on November 18 in Miami.

## **On the other hand...**

Stage racing rule changes made for interesting racing and heightened fan engagement. That said, some have pointed out potential weaknesses with the playoff system that could have occurred in 2017. Notably, Chase Elliott just missed the “final four” and finished fifth overall. He did not win a race in 2017. If Elliott had made it into the final four, and that was certainly possible with a few shifts in finishing orders, a set of circumstances could have evolved at Homestead-Miami that would have given Elliott the title, even if he did not win the race. For example, had Elliott finished second to a non-finalist, while the other three drivers in the final-four were taken out early, Chase Elliott would have been the champ, despite Martin Truex Jr.’s dominance throughout a season in which he won more races, had more top-5 and top-10 finishes and won more stages than anyone else. Traditionalists have difficulty with this scenario.

As noted above, we’ve gone pretty much with the favorites for 2018. However, with all the recent retirements, some new winners, especially success among the younger drivers, could help to stimulate interest in Gen-Xers. Chase Elliott, Daniel Suarez, Erik Jones, William Byron and of course Bubba Wallace all come to mind as potential fan favorites of the future. We would be remiss if we didn’t note that the learning curve at NASCAR’s highest level is very steep. A driver’s success in a different series (Xfinity, Truck, etc.) does not guarantee winning at the Cup level.

**Revenue/Attendance Trends**

Admissions revenues for the publicly traded track owners declined an estimated 5% in 2017. It seems like physical attendance is down less with pricing fairly stable, helped by higher prices for premium seating. The track owners continue to remove less desirable seating capacity, eliminating areas with impeded or less attractive sightlines. Ultimately, supply and demand will be closer to equilibrium and help restore ticket scarcity value.

The steadily improving economy, lower unemployment and reduced taxes can all contribute to a better attendance performance in 2018. However, we are modeling flat to up slightly (dollars) this year with revenues from premium seating and other amenities offsetting (smaller) physical declines.

In addition to seat removal, owners continue to enhance amenities at the track. These enhancements include wider, more comfortable seats, Wi-Fi, giant TV monitors, and yes, modern bathrooms. Great racing is a given, but NASCAR is competing against other forms of place-based entertainment and track owners need to keep pace.

Monster Energy took over as title sponsor last season, but the move came close to the start of the season. With more time to prepare for the new season, it is possible that more and better promotions can be activated in 2018. We continue to think that Monster's affinity for a younger demographic may help bring new fans to the sport. NASCAR continues to look for ways to expand the fan base and bring in younger enthusiasts. NASCAR's Drive for Diversity is one such effort, and the track owners have a number of promotions in place to attract younger and newer fans. Title sponsor Monster Energy may help as well, as can younger drivers in the premier series, *if* they are competitive.

**Table 1** **Public Track Owner Revenue Trends**  
**2012-2021P**

	2012	2013	2014	2015	2016	2017E	2018P	2019P	2020P	2021P
<i>(\$ millions)</i>										
<b>Admissions</b>										
Dover Motorsports	\$ 11.4	\$ 9.5	\$ 8.7	\$ 8.0	\$ 6.9	\$ 6.9	\$ 6.9	\$ 6.9	\$ 7.0	\$ 7.1
Intl. Speedway	136.1	129.8	129.7	130.2	123.5	119.6	120.8	124.7	128.6	132.4
Speedway Motorsports	116.0	106.1	100.8	100.7	92.6	86.8	87.6	88.5	90.3	92.1
Total	\$ 263.6	\$ 245.4	\$ 239.2	\$ 238.8	\$ 223.1	\$ 213.2	\$ 215.3	\$ 220.2	\$ 225.9	\$ 231.6
<b>Event Related</b>										
Dover Motorsports	\$ 9.8	\$ 9.1	\$ 8.1	\$ 8.6	\$ 7.9	\$ 8.3	\$ 8.8	\$ 9.2	\$ 9.6	\$ 10.1
Intl. Speedway	113.2	133.0	130.8	137.3	152.2	155.1	142.1	161.3	166.0	169.5
Speedway Motorsports	151.6	145.7	146.8	147.0	136.9	130.1	131.4	132.7	135.4	138.1
Total	\$ 274.6	\$ 287.9	\$ 285.8	\$ 292.9	\$ 297.0	\$ 293.5	\$ 282.3	\$ 303.2		
<b>Television Rights</b>										
Dover Motorsports	\$ 26.4	\$ 27.4	\$ 28.5	\$ 29.9	\$ 31.0	\$ 32.2	\$ 33.5	\$ 34.9	\$ 36.2	\$ 37.7
Intl. Speedway	303.5	292.5	302.9	314.5	325.0	337.0	350.0	362.0	374.3	387.0
Speedway Motorsports	192.7	199.0	349.4	217.5	224.2	233.0	241.1	249.6	258.3	267.3
Total	\$ 522.5	\$ 519.0	\$ 680.7	\$ 561.9	\$ 580.2	\$ 602.2	\$ 624.6	\$ 646.4	\$ 668.8	\$ 692.1
<b>Food, Beverage, etc.</b>										
Intl. Speedway	\$ 45.2	\$ 44.0	\$ 72.9	\$ 47.3	\$ 42.0	\$ 41.8	\$ 42.2	\$ 43.7	\$ 45.0	\$ 46.4

Source: Company reports, Gabelli & Company estimates.

We are encouraged by International Speedway's optimism regarding attendance improvements in 2018, but note that not a single NASCAR race has been run. Good story lines abound and a new generation of drivers is eager to supplant veterans. Importantly, economic conditions and wages also appear to be getting better. Higher wages and greater take home pay resulting from tax cuts could also stimulate fans to return to the track. All of that said, last year's racing was exciting, and competitive racing is what fans crave.

**Public Investment Vehicles**

The three publicly traded racetrack promoters, International Speedway, Speedway Motorsports and Dover Motorsports, host thirty-three of the thirty-six points paying NASCAR Cup races and all of the non-points headline events. (The Hulman/George family owns Indianapolis Motor Speedway, while Pocono Raceway is owned by the Mattioli family.) NASCAR itself is not public, but owned by the France family that in turn controls International Speedway.

**Table 2 Racetrack Promoters**

<b>Motorsports Companies</b> <i>(in millions except per share data)</i> <i>(numbers are pro form if appropriate)</i>		<b>Int'l Speedway</b> (ISCA NYSE)		<b>Speedway Motorsports</b> (TRK NYSE)		<b>Dover Motorsports</b> (DVD NYSE)	
12-Month High/Low		\$47.45	\$32.25	\$23.47	\$16.80	\$2.45	\$1.80
<b>Capitalization</b>		change	(\$1.05)	change	(\$0.43)	change	(\$0.15)
Balance Sheet as of:		Nov-17		Sep-17		Sep-17	
Shares Outstanding (Class A/B)		44.2		41.0		36.8	
Pref'd Shares		0.0		0.2		0.1	
Options		0.0		0.2		0.1	
Converts/Warrants		0.0		0.2		0.1	
Fully Diluted Shares Outstanding		44.2	Div	41.2	Div	36.9	Div
<b>Price as of 2/8/2018</b>		<b>\$42.85</b>	\$ 0.43	<b>\$19.49</b>	\$ 0.60	<b>\$1.80</b>	\$ 0.08
<b>Equity Market Capitalization</b>		<b>1,895.0</b>	<b>1.0%</b>	<b>802.6</b>	<b>3.1%</b>	<b>66.5</b>	<b>4.4%</b>
Total Debt		0.0		236.0		5.9	
Pref'd (if not counted in equity above)							
Minority Interest at Book							
Cash and Equivalent		(259.5)		(85.8)		(0.1)	
Hidden Assets		(256.7)		0.0		(25.0)	
<b>Total Enterprise Value (TEV)</b>		<b>1,378.8</b>		<b>952.9</b>		<b>47.2</b>	
<i>Consolidated:</i>							
<b>Net Revenues</b>	2018P	\$ 694.1	3.4%	\$ 490.2	2.4%	\$ 48.1	2.9%
	2017E	671.4	1.6%	478.9	-6.5%	46.7	1.9%
	2016A	661.0	2.4%	512.2	3.2%	45.9	-1.4%
	2015	645.4	5.3%	496.5	3.3%	46.5	0.8%
	<b>EBITDA</b>	2018P	\$ 222.3	32.0%	\$ 132.9	27.1%	\$ 10.9
	2017E	216.4	32.2%	123.5	25.8%	10.4	22.2%
	2016A	214.9	32.5%	127.7	24.9%	10.1	22.0%
	2015	196.3	30.4%	140.6	28.3%	11.3	24.2%
<b>EPS</b>	2018P	\$ 2.05		\$ 1.35		\$ 0.15	
	2017E	1.61		0.97		0.13	
	2016A	1.48		0.95		0.10	
	2015	1.44		1.04		0.15	
<b>TEV/EBITDA</b>	2018P	6.2x		7.2x		4.3x	
	2017E	6.4x		7.7x		4.5x	
	2016A	6.4x		7.5x		4.7x	
	2015	7.0x		6.8x		4.2x	
<b>Private Market Value</b>	2018P	\$ 44	2.6%	\$ 41	52.4%	\$ 3.25	44.6%
	2017E	45	3.9%	20	2.7%	2.90	37.9%
	2016A	46	6.8%	20	2.3%	2.81	35.9%
	2015	47	8.0%	22	9.9%	3.00	40.1%
<b>Total Debt/EBITDA</b>		0.0x		1.8x		0.6x	
<b>Net Debt/TEV</b>		-18.8%		15.8%		12.2%	
		2018P		7.6%		4.9%	
		2017E		-3.3%		3.0%	
		2016A		-9.2%		-10.5%	
<b>EBITDA Growth</b>	2018P	2.7%		-3.5%		-8.1%	
	2017E	0.7%		-42.8%		-25.7%	

Source: Company reports, Gabelli & Company estimates.



The motorsports companies, public and private, are largely family owned/controlled enterprises. Managements generally tend to be fiscally conservative as evidenced in part by the relatively low leverage. That said, promoting stock car racing is an asset-intensive business with large venues sitting idle much of the time. Site owners have added events to improve utilization from concerts to football games. The tracks compete with other forms of place-based entertainment and need to offer amenities comparable to other major sports. Thus, we've seen substantive upgrades, such as the total renovation at Daytona International Speedway, the installation of huge television monitors and deployment of Wi-Fi, all to enhance fan experience.

All of that said, virtually all of the profits that these companies earn in any given year are derived from the one or two Monster Energy NASCAR Cup Series races that each track hosts annually.

**Table 3** **Motorsports Stock Price Performance**

Motorsports Company	Symbol	2010		2011		2012		2013		2014		2015		2016		2017	
		Price	Change	Price	Change	Price	Change	Price	Change	Price	Change	Price	Change	Price	Change	Price	Change
Dover Motorsports	DVD	\$1.78	-14.8%	\$1.04	-41.6%	\$1.69	62.5%	\$2.51	48.5%	\$2.61	4.0%	\$2.33	-10.7%	\$2.30	-1.3%	\$1.95	-15.2%
Intl Speedway	ISCA	26.17	-8.0%	25.35	-3.1%	27.65	9.1%	35.45	28.2%	31.65	-10.7%	33.72	6.5%	36.80	9.1%	40.50	10.1%
Speedway Motorsports	TRK	15.32	-13.1%	15.33	0.1%	17.84	16.4%	19.85	11.3%	21.87	10.2%	20.72	-5.3%	21.67	4.6%	19.66	-9.3%
<i>Average</i>			-12.0%		-14.9%		29.3%		29.3%		1.1%		-3.1%		4.1%		-4.8%

Source: Gabelli & Company

## Stock Price Performance

In 2017, the motorsports group significantly underperformed the broader market with the track promoters down 6.6% on average compared with a 25.1% increase in the DJIA. Overall, negative attendance trends and lower TV ratings hurt the stocks. More specifically, Dover declined 15.2% and was impacted by the company's inability to close on a planned land sale in Nashville. We would attribute most of Speedway Motorsports' 12.9% decline to attendance issues and an expected small decrease in EBITDA. International Speedway was the "star" the group, with ISCA stock posting an 8.3% increase in 2017. We believe that ISCA's outperformance versus the group reflects the company's non-racing investments in Kansas City and Daytona that will help improve return on assets and contribute in increases in earnings and free cash flow. During the year, the company also announced new investments planned for Phoenix and Richmond.

**Dover Motorsports (DVD - \$1.80 - NYSE)**

**Eventually, Nashville Will Sell - Buy**

Year	EBITDA	EV/EBITDA	PMV	
2020P	\$12.1 mil.	4.1x	\$4.05	Dividend (a): \$0.08      Current Return: 4.4%
2019P	11.5	4.4	3.65	Shares O/S: 36.7 million
2018E	10.9	4.6	3.25	52-Week Range: \$2.45 - \$1.80
2017A	10.4	---	---	

a) Dover reinstated an annual dividend in November 2012.

**COMPANY OVERVIEW**

Dover Motorsports, headquartered in Dover DE, promotes auto racing events at its home track, Dover International Raceway (known as the *Monster Mile*), which is home to two NASCAR Sprint Cup events annually. In 2018, we estimate that DVD will generate about \$12 million of EBITDA on approximately \$50 million of revenues and earn \$0.15 per share (ex non-recurring items).

**Reason For Comment**

- On January 25, Dover reported fourth quarter 2017 results that were affected to some extent by a calendar split for its Fall race weekend. In 2016 and 2017, different race events were held over weekends that straddled 3Q and 4Q.
- Reported revenues were down 9.0% in 4Q, as two “undercard” races (K&N Pro Series East and Infinity) fell into 3Q with only the Cup race in 4Q. Last year, two of the weekend races fell in 4Q.
- Overall on an event-basis, results looked fairly similar.
- From an annual perspective, revenues rose 1.9%, largely reflecting a 3.6% increase in broadcast revenues. Admissions revenues slipped 4.0%.
- EBITDA for the year was \$10.4 million against \$10.1 million.
- EPS of \$0.13 per share excluding a \$0.10 per share benefit from a \$4.5 million reduction in deferred tax liabilities as a result of the passage of the new tax law. In 2016, DVD reported EPS of \$0.10.
- Debt was reduced to \$3.24 million at yearend from \$3.84 million a year earlier. The company bought back 130k shares of its stock at an average of \$2.11 per share. DVD paid an \$0.08 per share dividend, versus \$0.05 in 2016.

**Investment Case**

- Asset monetization is critical, and a planned sale of land in Nashville has been delayed and restructured. The buyer, Panattoni Development, agreed to purchase 147 acres at Nashville Superspeedway at \$35,000 per acre with closing scheduled for 1Q 2018, rather than the entire parcel originally agreed to. Panattoni also has a three-year option on another 87 acres at \$55,000 per acre. The \$9.9 million total is well below the original mid-\$20 million purchase price. The company is continuing in its efforts to sell the remaining 1,100 acres.
- We estimate capital spending in 2018 at a little over \$1.0 million and see few other claims on cash.
- Dover is an unlikely buyer of one or both of the two privately held racetracks that host NASCAR Cup events (Indianapolis and Pocono). DVD could accelerate its share repurchase program, increase its dividend again, or pay a special distribution.
- On its 4Q call, Intl. Speedway was upbeat about admissions trends, and ISCA anticipates another sell-out for the Daytona 500, as ISC brings ticket demand and seating capacity into equilibrium. It is premature to handicap to Dover’s May race weekend. However, the racing product has improved, as have employment and income trends.
- Higher revenues, firm cost controls, minimal capital spending requirements and lower interest expense as a result of reduced debt levels suggest that free cash flow could be in the \$8 million range in 2018.

**Table 1**

**Dover Motorsports  
 Earnings Model  
 2016-2022P**

FYE 12/31 (\$ millions, ex per-share amounts)	2016	2017	2018E	2019P	2020P	2021P	2022P	5-Year: 2018-2022P	
								Total	CAGR
Net sales	\$ 45.9	\$ 46.7	\$ 48.1	\$ 49.5	\$ 51.0	\$ 52.5	\$ 54.1	\$ 255.3	3.0%
EBITDA	10.1	10.4	10.9	11.5	12.1	12.8	13.5	60.8	5.4%
EPS, continuing ops	\$ 0.10	\$ 0.23	\$ 0.15	\$ 0.17	\$ 0.18	\$ 0.19	\$ 0.21		
EBITDA Multiple	x 5.0	x 4.8	x 4.6	x 4.4	x 4.1	x 3.9	x 3.7		
P/E Multiple	18.6	8.4	12.8	11.8	10.9	10.1	9.3		
CAPEX	\$ 2.6	\$ 1.9	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0		

Source: Company reports, Gabelli & Company estimates.

- We note that Dover has been the object of investor activism in the past, and that it was close to a transaction with other track promoters. DVD's small scale with just two Cup races, high level of corporate and public company costs and fewer cross-promotional opportunities pose challenges for management, potentially making Dover more valuable to others.
- Using an 8x multiple of EBITDA, we calculate a \$3.25 per share 2018 PMV for Dover, and see that value increasing to \$3.65 per share in 2019.

**Table 2**

**Dover Motorsports  
Private Market Value Analysis  
2016-2022P**

	<u>2016</u>	<u>2017</u>	<u>2018E</u>	<u>2019P</u>	<u>2020P</u>	<u>2021P</u>	<u>2022P</u>
(\$ millions, ex per-share amounts)							
Revenues	\$ 45.9	\$ 46.7	\$ 48.1	\$ 49.5	\$ 51.0	\$ 52.5	\$ 54.1
EBITDA	10.1	10.4	10.9	11.5	12.1	12.8	13.5
Valuation Multiple	x 8.0 x	x 8.0 x	x 8.0 x	x 8.0 x	x 8.0 x	x 8.0 x	x 8.0 x
Segment Value	\$ 80.6	\$ 83.0	\$ 87.1	\$ 92.0	\$ 97.1	\$ 102.4	\$ 108.0
Total Private Market Value	80.6	83.0	87.1	92.0	97.1	102.4	108.0
Less: Debt	(3.8)	(3.2)	4.6	13.0	22.0	31.5	37.1
" : Options Payments (b)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Plus: Cash and Equivalents	1.0	1.0	1.0	1.0	1.0	1.0	1.0
" : Hidden Assets	25.0	25.0	25.0	25.0	25.0	25.0	25.0
Equity Private Market Value	\$ 102.8	\$ 105.8	\$ 117.7	\$ 131.0	\$ 145.1	\$ 159.9	\$ 171.2
Shares Outstanding	36.6	36.9	36.0	36.0	36.0	36.0	36.0
<b>PMV per share</b>	<b>\$ 2.81</b>	<b>\$ 2.87</b>	<b>\$ 3.25</b>	<b>\$ 3.65</b>	<b>\$ 4.05</b>	<b>\$ 4.45</b>	<b>\$ 4.75</b>
Current Market - Discount to PMV	30.5%	32.0%	40.0%	46.6%	51.9%	56.2%	58.9%

Source: Company reports, Gabelli & Company estimates.

**Other Companies Mentioned:**

International Speedway Corp. (ISCA – NASDAQ)

**Dover Motorsports - Price Performance**



Source: Public data. As of February 9, 2015 DVD was rated BUY.

I, **Barry L. Lucas**, the Research Analyst who prepared this report, hereby certify that the views expressed in this report accurately reflect the analyst's personal views about the subject companies and their securities. The Research Analyst has not been, is not and will not be receiving direct or indirect compensation for expressing the specific recommendation or view in this report.

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A **Buy** rated stock is one that in our view is trading at a meaningful discount to our estimated PMV. We could expect a more modest private market value to increase at an accelerated pace, the discount of the public stock price to PMV to narrow through the emergence of a catalyst, or some combination of the two to occur.

A **Hold** is a stock that may be trading at or near our estimated private market value. We may not anticipate a large increase in the PMV, or see some other factors at work.

A **Sell** is a stock that may be trading at or above our estimated PMV. There may be little upside to the value, or limited opportunity to realize the value. Economic or sector risk could also be increasing.

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**Intl. Speedway Corp. (ISCA - \$42.85 - NASDAQ)**

**4Q Results - Buy**

<u>FYE: 11/30</u>	<u>EPS</u>	<u>P/E</u>	<u>PMV</u>		
2020P	\$2.35	18.5x	\$60	Dividend: \$0.43	Current Return: 1.0%
2019P	2.20	19.8	54	Shares O/S: 25.0 mil Cl. A Common (0.2 vote)	
2018E	2.05	21.2	51	19.7 " " B " (1.0 " )	
2017A	1.61	---	---	52-Week Range: \$47.45 - \$32.25	

**COMPANY OVERVIEW**

Florida-based Intl. Speedway is the leading promoter of motorsports in the U.S. The company owns thirteen facilities, including its flagship Daytona Intl. Speedway. ISC is enhancing asset utilization by developing retail, gaming and entertainment projects at two of its racetracks and adding music festivals at others. We estimate that ISC will generate about \$222 million of EBITDA on approximately \$695 million of revenues for fiscal 2018 and earn \$2.07 per share.

**Reason For Comment**

- On January 25, ISC reported 4Q adjusted earnings of \$0.77 per share against \$0.72 a year ago that were ahead of expectations. ISC was upbeat in its guidance for FY 2018, and the shares rose \$4.35, or 10.6%, to close at \$45.30.
- Guidance: revenues of \$680-695 million; EBITDA of \$215-225 million (excluding \$26-27 million of cash anticipated from the Hollywood Casino); and non-GAAP EPS of \$1.90-2.10 per share.
- 4Q revenues increased 2.0% to \$131.9 million, primarily reflecting higher TV rights fees. However, admissions revenues were up 1% on flattish physical attendance and higher ASPs. Further, management was upbeat regarding 1Q FY'18 admissions for Daytona (the Rolex 24 and the Daytona 500).
- Additionally, with venues coming online at the *One Daytona* project, revenues and EBITDA from the investment will begin to become evident (in other income and expenses).
- Operating expenses were reasonably well controlled, although NASCAR direct expenses were slightly higher than we anticipated and EBITDA margins contracted about 30 bps in the quarter. On a non-GAAP basis, pretax earnings were \$55.1 million versus \$52.9 million.
- Attendance continues to appear to be stabilizing. We would attribute the improvement to changes in the racing format, the emergence of new young drivers and marketing efforts targeting younger demos and families.
- A caveat for fiscal 2018 will be the absence of Dale Earnhardt Jr., the sport's most popular driver.
- At *One Daytona*, the company's real estate development project across from the speedway, ISC expects to generate \$3-4 million of EBITDA \$8-9 million of revenues and \$4-5 million of expenses this year. As more of the project is completed, including a second hotel (opening late 2018) and residential units along with additional retail space, revenues and EBITDA should increase.
- No change to the return of capital allocation program. ISC expects to return about \$280 million to shareholders over the 2017-2021 time frame, consisting of \$100 million in dividends and \$180 million in open market stock purchases. Dividends are expected to rise about 4-5% annually from the current \$0.43 per share level with repurchases spread evenly, subject to opportunistic buys. (The company bought back about \$56 million of stock in fiscal 2017.)

**Investment Case**

- ISC remains attractive at about 7.3x estimated FY 2018 EBITDA projections. We calculate a private market value of \$51 per share for fiscal 2018. A critical variable is NASCAR attendance which appears to be stabilizing. Modest improvements in physical attendance can create significant positives, as incremental attendees generate revenues (from ticket sales and higher food, beverage and merchandise) with little additional cost. Additionally, as capacity utilization improves, the company should have more pricing flexibility. However, as noted above, the absence of Dale Jr. is not a plus.

**Table 1**

**Intl. Speedway Earnings Model  
2016-2021P**

(\$ millions, ex per-share amounts.)								2016A-2021P
FYE 11/30	<u>2016</u>	<u>2017</u>	<u>2018E</u>	<u>2019P</u>	<u>2020P</u>	<u>2021P</u>		<u>5-year CAGR</u>
Revenues	\$ 661	\$ 671	\$ 694	\$ 710	\$ 732	\$ 754		2.7%
EBITDA	215	216	222	230	240	249		3.0%
EPS (from continuing ops)	\$ 1.48	\$ 1.61	\$ 2.05	\$ 2.20	\$ 2.35	\$ 2.50		11.0%
EBITDA Multiple	7.5x	7.5x	7.3x	7.0x	6.7x	6.5x		
PE Multiple	29.4	27.0	21.2	19.8	18.5	17.4		
Cap Ex	\$ 141	\$ 155	\$ 145	\$ 105	\$ 100	\$ 100		



Table 2

**Intl. Speedway  
Private Market Value Analysis  
2016-2021P**

PMV Analysis (\$ millions ex per-share amounts)							2016A-2021P
	<u>2016</u>	<u>2017</u>	<u>2018E</u>	<u>2019P</u>	<u>2020P</u>	<u>2021P</u>	<u>5-year CAGR</u>
Revenues	\$ 661	\$ 671	\$ 694	\$ 710	\$ 732	\$ 754	2.7%
EBITDA	215	216	222	230	240	249	3.0%
Multiple	x <u>8</u> x	x <u>8</u> x	x <u>8</u> x	x <u>8</u> x	x <u>8</u> x	x <u>8</u> x	
Value	\$ 1,719	\$ 1,732	\$ 1,778	\$ 1,838	\$ 1,921	\$ 1,995	
Total Private Market Value	\$ 1,719	\$ 1,732	\$ 1,778	\$ 1,838	\$ 1,921	\$ 1,995	
Less: Debt/Preferred	(263)	(263)	(263)	(263)	(263)	(263)	
": Option Payments	(0)	(1)	(1)	(1)	(2)	(2)	
Plus: Cash & Equivalents	264	329	387	478	627	784	
" Hidden Assets	<u>285</u>	<u>310</u>	<u>325</u>	<u>340</u>	<u>355</u>	<u>370</u>	
Equity Private Market Value	\$ 2,005	\$ 2,107	\$ 2,227	\$ 2,392	\$ 2,638	\$ 2,884	
Shares Outstanding	46	45	44	44	44	44	
PMV per share	<b>\$44</b>	<b>\$47</b>	<b>\$51</b>	<b>\$54</b>	<b>\$60</b>	<b>\$66</b>	8.5%
Current Market - Discount to PMV	0.2%	7.9%	14.1%	20.0%	27.5%	33.6%	

Source: Company reports, Gabelli & Company estimates.

**International Speedway - Price Performance**



Source: Public data. As of February 9, 2015 ISCA was rated BUY.

I, **Barry L. Lucas**, the Research Analyst who prepared this report, hereby certify that the views expressed in this report accurately reflect the analyst's personal views about the subject companies and their securities. The Research Analyst has not been, is not and will not be receiving direct or indirect compensation for expressing the specific recommendation or view in this report.

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**Speedway Motorsports (TRK - \$19.49 - NYSE)**

**Hold**

<u>Year</u>	<u>EPS</u>	<u>P/E</u>	<u>PMV</u>		
2019P	\$1.45	13.4x	\$26	Dividend: \$0.60	Current Return: 3.1%
2018P	1.35	14.7	24	Shares O/S:	41.4 million
2017E	0.97	20.3	20	52-Week Range:	\$23.47 – \$16.80
2016	0.95	---	---		

**COMPANY OVERVIEW**

Concord NC-based Speedway Motorsports (SMI) is a leading factor in NASCAR racing. The company hosts *Sprint Cup* races at its facilities in Georgia, California, Kentucky, Nevada, New Hampshire, North Carolina, Tennessee and Texas. SMI also manufactures small-scale race cars. We estimate that the company will report 2017 results that include approximately \$124 million of EBITDA on about \$480 million of revenues and earn \$0.97 per share.

**Reason For Comment**

- Speedway Motorsports is not expected to report fourth quarter and full-year results until early March. Q4 is a small one for TRK and we anticipate that the company will be about breakeven in the period. That said, we believe that the company will benefit from the new tax law and see a reduction in its deferred tax liability. As a full tax payer, the company should benefit on a going forward basis.
- On October 25, 2017, TRK reported third quarter results. Revenues of \$138 million declined 19.4%, reflecting the absence of the Tennessee-Virginia Tech football game held at Bristol Motor Speedway in the Fall of 2016.
- 3Q admissions were off 7.0%, worse sequentially than 2Q, but events in the period were not comparable. TV revenues rose 4.5%, while event-related revenues fell 7.5%.
- Direct race expenses declined \$3.8 million, or 105%, reflecting the shift in the race schedule. NASCAR event management fees increased 5.5%, in line with TV rights fees.
- Management continues to believe that pace of the improving economy has weighed on admissions and other revenue categories. That said, the quality of the racing is better, the playoffs were exciting, and those factors should help bring fans back to the track.
- As track promoters bring seating capacity into line with ticket demand, we think we will get to a point where ASPs will begin to rise. Note that incremental sales carry high margins and additional patrons also purchase more food, beverages and merchandise.
- We noted earlier that International Speedway was upbeat regarding improved attendance trends in 2018. With its large seating capacity at venues such as Bristol Motor Speedway, better attendance would bode well for TRK.

**Table 1**

**Speedway Motorsports Earnings Model  
2012A-2021P**

(\$ Millions, ex per-share amounts)										
FYE 12/31		<u>2015</u>	<u>2016</u>	<u>2017E</u>	<u>2018P</u>	<u>2019P</u>	<u>2020P</u>	<u>2021P</u>	<u>2016A-2021P</u>	<u>Total</u>
									<u>5-yr CAGR</u>	
Revenue	\$	496.5	\$ 512.2	\$ 478.9	\$ 490.2	\$ 501.9	\$ 516.2	\$ 530.9	0.7%	\$ 2,518
EBITDA		140.6	127.7	123.5	132.9	135.6	140.6	145.8	2.7%	660
EPS	\$	1.04	\$ 0.95	\$ 0.95	\$ 1.35	\$ 1.45	\$ 1.60	\$ 1.75	13.0%	
EBITDA Multiple		6.8 x	7.5 x	7.8 x	7.2 x	7.1 x	6.8 x	6.6 x		
P/E		19.0	20.8	20.8	14.6	13.6	12.3	11.3		
Cap Ex	\$	21.1	\$ 34.7	\$ 30.0	\$ 35.0	\$ 35.0	\$ 35.0	\$ 35.0		

Source: Company reports, Gabelli & Company estimates.

**Investment Case**

- Speedway Motorsports shares currently trade at 7.8x and 7.2x 2017E and 2018P EBITDA, respectively, and provide a 3.0% current return. Our TRK private market values for 2017 and 2018 are \$20 and \$24 per share, respectively, at 8x EBITDA. We would continue to Hold the shares here.

Table 2

**Speedway Motorsports  
Private Market Value Analysis 2015-2021P**

(\$millions, except per-share data)	<u>2015</u>	<u>2016</u>	<u>2017E</u>	<u>2018P</u>	<u>2019P</u>	<u>2020P</u>	<u>2021P</u>
Revenues	\$ 496.5	\$ 512.2	\$ 478.9	\$ 490.2	\$ 501.9	\$ 516.2	\$ 530.9
EBITDA	140.6	127.7	123.5	132.9	135.6	140.6	145.8
Multiple	<u>8.0</u> x	<u>8.0</u> x	<u>8.0</u> x	<u>8.0</u> x	<u>8.0</u> x	<u>8.0</u> x	<u>8.0</u>
Value	\$ 1,125.2	\$ 1,021.7	\$ 988.0	\$ 1,063.6	\$ 1,084.8	\$ 1,124.7	\$ 1,166.1
Total Private Market Value	1,125.2	1,021.7	988.0	1,063.6	1,084.8	1,124.7	1,166.1
Less: Debt/Preferred	321.4	286.9	249.5	178.5	105.5	28.8	(51.9)
Less: Option Payments (b)	0.0	0.0	0.0	(0.2)	(0.4)	(0.8)	(1.2)
Plus: Hidden Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Plus: Cash & Equivalents	<u>82.0</u>	<u>82.0</u>	<u>82.0</u>	<u>82.0</u>	<u>82.0</u>	<u>82.0</u>	<u>82.0</u>
Equity Private Market Value	\$ 885.8	\$ 816.9	\$ 820.5	\$ 966.9	\$ 1,060.8	\$ 1,177.1	\$ 1,298.8
PMV per share	<u>41.0</u>	<u>41.0</u>	<u>41.0</u>	<u>41.0</u>	<u>41.0</u>	<u>41.0</u>	<u>41.0</u>
Current Market - Discount to PMV	8.7%	1.0%	1.5%	16.4%	23.8%	31.3%	37.8%

Source: Company reports, Gabelli & Company estimates.

**Companies Mentioned:**

21st Century Fox	(FOXA	-	NASDAQ)
Comcast Corporation	(CMCSA	-	NASDAQ)
Dover Motorsports	(DVD	-	NYSE)
International Speedway	(ISCA	-	NASDAQ)
Speedway Motorsports	(TRK	-	NYSE)

**Speedway Motorsports – Price Performance**



Source: Public data. As of February 9, 2015 TRK had a HOLD recommendation

I, **Barry L. Lucas**, the Research Analyst who prepared this report, hereby certify that the views expressed in this report accurately reflect the analyst’s personal views about the subject companies and their securities. The Research Analyst has not been, is not and will not be receiving direct or indirect compensation for expressing the specific recommendation or view in this report.

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**Important Disclosures**

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**Ratings**

Analysts’ ratings are largely (but not always) determined by our “private market value,” or PMV methodology. Our basic goal is to understand in absolute terms what a rational, strategic buyer would pay for an asset in an open, arms-length transaction. At the same time, analysts also look for underlying catalysts that could encourage those private market values to surface.

A **Buy** rated stock is one that in our view is trading at a meaningful discount to our estimated PMV. We could expect a more modest private market value to increase at an accelerated pace, the discount of the public stock price to PMV to narrow through the emergence of a catalyst, or some combination of the two to occur.

A **Hold** is a stock that may be trading at or near our estimated private market value. We may not anticipate a large increase in the PMV, or see some other factors at work.

A **Sell** is a stock that may be trading at or above our estimated PMV. There may be little upside to the value, or limited opportunity to realize the value. Economic or sector risk could also be increasing.

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