

INTERNATIONAL SPEEDWAY CORP  
Form 10-Q  
April 04, 2017

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-Q

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(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the quarterly period ended February 28, 2017

OR

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number: 000-02384

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INTERNATIONAL SPEEDWAY CORPORATION  
(Exact name of registrant as specified in its charter)

FLORIDA 59-0709342  
(State or other jurisdiction of incorporation) (I.R.S. Employer Identification No.)  
ONE DAYTONA BOULEVARD, 32114  
DAYTONA BEACH, FLORIDA  
(Address of principal executive offices) (Zip code)  
Registrant's telephone number, including area code: (386) 254-2700

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES  NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  
YES  NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
YES  NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date:

Class A Common Stock 25,245,653 shares as of February 28, 2017  
Class B Common Stock 19,752,769 shares as of February 28, 2017

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Table of Contents

INTERNATIONAL SPEEDWAY CORPORATION  
FORM 10-Q  
FOR THE QUARTER ENDED February 28, 2017  
TABLE OF CONTENTS

<u>PART I. FINANCIAL</u>	<u>3</u>
<u>INFORMATION</u>	
<u>ITEM 1.</u>	
<u>FINANCIAL</u>	<u>3</u>
<u>STATEMENTS</u>	
<u>ITEM 2.</u>	
<u>MANAGEMENT'S</u>	
<u>DISCUSSION</u>	
<u>AND ANALYSIS</u>	<u>17</u>
<u>OF FINANCIAL</u>	
<u>CONDITION AND</u>	
<u>RESULTS OF</u>	
<u>OPERATIONS</u>	
<u>ITEM 3.</u>	
<u>QUANTITATIVE</u>	
<u>AND</u>	
<u>QUALITATIVE</u>	<u>36</u>
<u>DISCLOSURES</u>	
<u>ABOUT MARKET</u>	
<u>RISK</u>	
<u>ITEM 4.</u>	
<u>CONTROLS AND</u>	<u>36</u>
<u>PROCEDURES</u>	
<u>PART II—OTHER</u>	<u>36</u>
<u>INFORMATION</u>	
<u>ITEM 1. LEGAL</u>	<u>37</u>
<u>PROCEEDINGS</u>	
<u>ITEM 1A. RISK</u>	<u>37</u>
<u>FACTORS</u>	
<u>ITEM 2.</u>	
<u>UNREGISTERED</u>	
<u>SALES OF</u>	
<u>EQUITY</u>	<u>37</u>
<u>SECURITIES AND</u>	
<u>USE OF</u>	
<u>PROCEEDS</u>	
<u>ITEM 3.</u>	
<u>DEFAULTS UPON</u>	<u>37</u>
<u>SENIOR</u>	
<u>SECURITIES</u>	
<u>ITEM 4. MINE</u>	
<u>SAFETY</u>	<u>37</u>
<u>DISCLOSURES</u>	

<u>ITEM 5. OTHER</u>	
<u>INFORMATION</u>	<u>37</u>
<u>ITEM 6. EXHIBITS</u>	<u>38</u>
<u>SIGNATURE</u>	<u>39</u>

Table of Contents

PART I. FINANCIAL INFORMATION  
ITEM 1. FINANCIAL STATEMENTS  
INTERNATIONAL SPEEDWAY CORPORATION  
Consolidated Balance Sheets

	November 30, 2016 (Unaudited)	February 28, 2017 (Unaudited)
	(In Thousands, Except Share and Per Share Amounts)	
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 263,727	\$ 278,658
Receivables, less allowance of \$1,000 in 2016 and 2017, respectively	35,445	101,810
Income taxes receivable	189	—
Prepaid expenses and other current assets	13,759	19,255
Total Current Assets	313,120	399,723
Property and Equipment, net of accumulated depreciation of \$934,156 and \$959,912 respectively	1,455,506	1,448,373
Other Assets:		
Equity investments	92,392	91,770
Intangible assets, net	178,629	178,633
Goodwill	118,791	118,791
Other	14,222	15,863
	404,034	405,057
Total Assets	\$ 2,172,660	\$ 2,253,153
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current Liabilities:		
Current portion of long-term debt	\$ 3,404	\$ 3,419
Accounts payable	29,770	28,584
Deferred income	39,416	95,056
Income taxes payable	—	13,373
Other current liabilities	22,728	18,315
Total Current Liabilities	95,318	158,747
Long-Term Debt	259,416	259,279
Deferred Income Taxes	409,585	407,679
Long-Term Deferred Income	5,988	5,733
Other Long-Term Liabilities	1,993	2,188
Commitments and Contingencies	—	—
Shareholders' Equity:		
Class A Common Stock, \$.01 par value, 80,000,000 shares authorized; 24,922,561 and 24,856,172 issued and outstanding in 2016 and 2017, respectively	249	248
Class B Common Stock, \$.01 par value, 40,000,000 shares authorized; 19,767,280 and 19,752,769 issued and outstanding in 2016 and 2017, respectively	197	197
Additional paid-in capital	437,292	437,248
Retained earnings	965,281	984,326
Accumulated other comprehensive loss	(2,659	) (2,492
Total Shareholders' Equity	1,400,360	1,419,527
Total Liabilities and Shareholders' Equity	\$ 2,172,660	\$ 2,253,153

See accompanying notes

3

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Table of ContentsINTERNATIONAL SPEEDWAY CORPORATION  
Consolidated Statements of Operations

	Three Months Ended	
	February 29, 2016	February 28, 2017
	(Unaudited)	
	(In Thousands, Except Share and Per Share Amounts)	
<b>REVENUES:</b>		
Admissions, net	\$ 31,855	\$ 31,335
Motorsports and other event related	98,723	103,512
Food, beverage and merchandise	8,316	9,142
Other	3,736	3,965
	142,630	147,954
<b>EXPENSES:</b>		
Direct:		
NASCAR event management fees	28,080	28,976
Motorsports and other event related	24,880	26,055
Food, beverage and merchandise	6,246	6,025
Other operating expenses	148	202
General and administrative	26,144	26,347
Depreciation and amortization	25,046	26,501
Losses on asset retirements	920	30
	111,464	114,136
Operating income	31,166	33,818
Interest income	30	117
Interest expense	(3,089	) (3,252
Equity in net income from equity investments	3,970	3,627
Other	64	12
Income before income taxes	32,141	34,322
Income taxes	12,310	13,049
Net income	\$ 19,831	\$ 21,273
Earnings per share:		
Basic and diluted	\$ 0.43	\$ 0.47
Basic weighted average shares outstanding	46,620,549	45,064,847
Diluted weighted average shares outstanding	46,634,970	45,079,781
See accompanying notes		

Table of Contents

INTERNATIONAL SPEEDWAY CORPORATION  
 Consolidated Statements of Comprehensive Income

	Three Months Ended	
	February 28,	February 28,
	2016	2017
	(Unaudited)	
	(In Thousands)	
Net income	\$19,831	\$ 21,273
Other comprehensive income:		
Amortization of terminated interest rate swap, net of tax benefit of \$105 and \$103, respectively	165	167
Comprehensive income	\$19,996	\$ 21,440

See accompanying notes

Table of ContentsINTERNATIONAL SPEEDWAY CORPORATION  
Consolidated Statement of Shareholders' Equity

	Class		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
	Class A Common Stock \$.01 Par Value	Class B Common Stock \$.01 Par Value				
Balance at November 30, 2016	\$249	\$ 197	\$437,292	\$965,281	\$ (2,659 )	\$1,400,360
Activity 12/1/16 — 2/28/17:						
Net income	—	—	—	21,273	—	21,273
Comprehensive income	—	—	—	—	167	167
Cash dividend (\$0.41 per share)	—	—	—	—	—	—
Exercise of stock options	—	—	—	—	—	—
Reacquisition of previously issued common stock	(1 )	—	(785 )	(2,228 )	—	(3,014 )
Conversion of Class B Common Stock to Class A Common Stock	—	—	—	—	—	—
Other	—	—	—	—	—	—
Stock-based compensation	—	—	741	—	—	741
Balance at February 28, 2017	\$248	\$ 197	\$437,248	\$984,326	\$ (2,492 )	\$1,419,527
See accompanying notes						



Table of ContentsINTERNATIONAL SPEEDWAY CORPORATION  
Consolidated Statements of Cash Flows

	Three Months Ended February 29, 2016 (Unaudited) (In Thousands)	February 28, 2017
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 19,831	\$ 21,273
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	25,046	26,501
Stock-based compensation	749	741
Amortization of financing costs	442	422
Interest and other consideration received on Staten Island note receivable	1,162	—
Deferred income taxes	51,078	(2,009 )
Income from equity investments	(3,970 )	(3,627 )
Distribution from equity investee	4,257	3,917
Loss on retirements of long-lived assets, non-cash	911	30
Other, net	(20 )	2
Changes in operating assets and liabilities:		
Receivables, net	(65,071 )	(66,596 )
Prepaid expenses and other assets	(10,438 )	(6,931 )
Accounts payable and other liabilities	(4,489 )	(3,197 )
Deferred income	62,264	55,385
Income taxes	8,518	13,562
Net cash provided by operating activities	90,270	39,473
<b>INVESTING ACTIVITIES</b>		

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Capital expenditures	(54,589	)	(21,592	)
Distribution from equity investee	243		333	
Other, net	48		(5	)
Net cash used in investing activities	(54,298	)	(21,264	)
<b>FINANCING ACTIVITIES</b>				
Payment of long-term debt	(207	)	(221	)
Deferred financing fees	—		(43	)
Reacquisition of previously issued common stock	(6,221	)	(3,014	)
Net cash used in financing activities	(6,428	)	(3,278	)
Net increase in cash and cash equivalents	29,544		14,931	
Cash and cash equivalents at beginning of period	160,548		263,727	
Cash and cash equivalents at end of period	\$ 190,092		\$ 278,658	
See accompanying notes				

Table of Contents

International Speedway Corporation  
Notes to Consolidated Financial Statements  
February 28, 2017  
(Unaudited)

1. Basis of Presentation

The accompanying consolidated interim financial statements have been prepared in compliance with Rule 10-01 of Regulation S-X and accounting principles generally accepted in the United States for interim financial information but do not include all of the information and disclosures required for complete financial statements. The consolidated balance sheet at November 30, 2016, has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. The statements should be read in conjunction with the consolidated financial statements and notes thereto included in the latest annual report on Form 10-K for International Speedway Corporation and its wholly-owned subsidiaries (the "Company" or "ISC"). In management's opinion, the statements include all adjustments which are necessary for a fair presentation of the results for the interim periods. All such adjustments are of a normal recurring nature.

Certain prior year amounts in the Consolidated Statement of Operations have been reclassified to conform with the current year presentation.

Because of the seasonal concentration of racing events, the results of operations for the three months ended February 29, 2016 and February 28, 2017, respectively, are not indicative of the results to be expected for the year.

2. New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB"), in conjunction with the International Accounting Standards Board ("IASB"), issued Accounting Standards Update ("ASU" or "Update") No. 2014-09, "Revenue from Contracts with Customers". The objective of this Update is to significantly enhance comparability and clarify principles of revenue recognition practices across entities, industries, jurisdictions, and capital markets. On July 9, 2015, the FASB approved a one-year deferral of the effective date, while permitting entities to elect to adopt one year earlier on the original effective date. As a result, for a public entity, the amendments in this Update are effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. The standard can be adopted either retrospectively to each prior reporting period presented or as a cumulative effect adjustment as of the date of adoption. The Company is currently evaluating the impact of adopting this new guidance on its financial position, results of operations, and cash flows, and will adopt the provisions of this statement in the first quarter of fiscal 2019.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842): "Leases". The objective of this Update is to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. To meet that objective, the FASB is amending the FASB Accounting Standards Codification and creating Topic 842, Leases. This Update, along with IFRS 16, Leases, are the results of the FASB's and the International Accounting Standards Board's (IASB's) efforts to meet that objective and improve financial reporting. For a public entity, the amendments in this Update are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application of the amendments in this Update is permitted for all entities. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The Company is currently evaluating the impact of adopting this new guidance on its financial position, results of operations, and cash flows, and will adopt the provisions of this statement in the first quarter of fiscal 2020.

Table of Contents

## 3. Earnings Per Share

Basic earnings per share is calculated using the Company's weighted-average outstanding common shares. Diluted earnings per share is calculated using the Company's weighted-average outstanding common shares including the dilutive effect of stock awards as determined under the treasury stock method. In periods when the Company recognizes a net loss, it excludes the impact of outstanding stock awards from the diluted loss per share calculation as their inclusion would have an anti-dilutive effect.

The following table sets forth the computation of basic and diluted earnings per share for the three months ended February 29, 2016 and February 28, 2017 (in thousands, except share and per share amounts):

	Three Months Ended	
	February 29, 2016	February 28, 2017
Numerator:		
Net income	\$ 19,831	\$ 21,273
Denominator:		
Weighted average shares outstanding	46,620,544	45,064,847
Effect of dilutive securities	14,421	14,934
Diluted weighted average shares outstanding	46,634,975	45,079,781
Basic and diluted earnings per share	\$0.43	\$ 0.47

Anti-dilutive shares excluded in the computation of diluted earnings per share 91,379 66,317

## 4. Equity and Other Investments

## Hollywood Casino at Kansas Speedway

Kansas Entertainment, LLC, ("Kansas Entertainment") a 50/50 joint venture of Penn Hollywood Kansas, Inc. ("Penn"), a subsidiary of Penn National Gaming, Inc. and Kansas Speedway Development Corporation ("KSDC"), a wholly owned indirect subsidiary of ISC, operates the Hollywood-themed casino and branded destination entertainment facility, overlooking turn two at Kansas Speedway. Penn, as the managing member of Kansas Entertainment, is responsible for the operations of the casino.

The Company has accounted for Kansas Entertainment as an equity investment in the consolidated financial statements as of February 29, 2016 and February 28, 2017. The Company's 50.0 percent portion of Kansas Entertainment's net income, which is before income taxes as the joint venture is a disregarded entity for income tax purposes, was approximately \$4.0 million and \$3.6 million for the three months ended February 29, 2016 and February 28, 2017, respectively, and is included in Equity in net income from equity investments in the consolidated statements of operations.

Pre-tax distributions from Kansas Entertainment for the three months ended February 29, 2016 and February 28, 2017, totaling approximately \$4.5 million and \$4.3 million, respectively, consist of approximately \$4.3 million and \$3.9 million, respectively, received as a distribution from its profits, which were included in net cash provided by operating activities on the Company's consolidated statement of cash flows. The remaining approximately \$0.2 million and \$0.3 million, respectively, received, was recognized as a return of capital from investing activities on the Company's consolidated statement of cash flows.

## Fairfield Inn Hotel at ONE DAYTONA

Since June 2013, the Company has pursued development of ONE DAYTONA, the proposed premier mixed use and entertainment destination across from its Daytona International Speedway. Daytona Hotel Two, LLC ("Fairfield"), a joint venture of Daytona Hospitality Group II, LLC ("DHGII"), a subsidiary of Prime-Shaner Groups, and Daytona Beach Property Holdings Retail, LLC ("DBR"), a wholly owned indirect subsidiary of ISC, was formed to own, construct and operate a Fairfield Inn hotel. The hotel will be situated within the ONE DAYTONA development. In June 2016, DBR contributed land to the joint venture as per the agreement and vertical construction of the hotel has commenced and is expected to open in third quarter of fiscal 2017. DHGII is the managing member of the Fairfield

and will be responsible for the development and operations of the hotel.

As per the partnership agreement, our 33.25 percent share of equity will be limited to the Company's non-cash land contribution and it will share in the profits from the joint venture proportionately to its equity ownership. The Company has

9

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Table of Contents

accounted for the joint venture in the Fairfield as an equity investment in its financial statements as of February 28, 2017. The Company's 33.25 percent portion of the Fairfield's net loss, from inception, through February 28, 2017 primarily consists of de Minimis administrative costs that are included in net income from equity investments in the Company's consolidated statements of operations. There were no operations included in the Company's consolidated statements of operations in the same period of fiscal 2016.

**Staten Island Property**

On August 5, 2013, the Company announced that it sold its 676 acre parcel of property located in Staten Island, New York, to Staten Island Marine Development, LLC ("Marine Development"). Marine Development purchased 100.0 percent of the outstanding equity membership interests of 380 Development LLC ("380 Development"), a wholly owned indirect subsidiary of ISC and owner of the Staten Island property, for a total sales price of \$80.0 million. In addition, the Company previously received approximately \$4.2 million for an option provided to the purchaser that is nonrefundable and does not apply to the \$80.0 million sales price.

The Company received \$7.5 million, less closing and other administrative costs, of the sales price at closing. The remaining sales price was financed with the Company holding a secured mortgage interest in 380 Development as well as the underlying property. The mortgage balance bore interest at an annual rate of 7.0 percent. In accordance with the terms of the agreement, the Company received a principal payment of approximately \$6.1 million plus interest on this mortgage balance through February 29, 2016. The remaining purchase price of \$66.4 million was due in March 2016.

In March 2016, the Company completed an assignment of all rights, title and interest in the mortgage and underlying promissory note to an affiliate of Matrix Development Group, a New York/New Jersey area developer, and received the remaining principal balance of \$66.4 million, plus additional consideration of approximately \$0.3 million. The Company has no further commitments or contingencies related to the property or its sale. As a result, in the second quarter of fiscal 2016, the Company recorded a gain of approximately \$13.6 million, comprised of recognition of profit of approximately \$1.9 million, interest totaling approximately \$11.4 million, and other consideration paid. The deferred gain of \$1.9 million is included in Other operating revenue in the Company's consolidated statement of operations, and the interest, and additional consideration received, is included in Other Revenue in the Company's consolidated statement of operations.

The net proceeds from the sale, combined with the mortgage interest and related cash tax benefits, provided the Company with approximately \$129.8 million in incremental cash flow through the aforementioned assignment of all rights.

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Table of Contents

## 5. Goodwill and Intangible Assets

The gross carrying value, accumulated amortization and net carrying value of the major classes of intangible assets relating to the Motorsports Event segment are as follows (in thousands):

	November 30, 2016		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized intangible assets:			
Other	120	97	23
Total amortized intangible assets	120	97	23
Non-amortized intangible assets:			
NASCAR — sanction agreements	177,813	—	177,813
Other	793	—	793
Total non-amortized intangible assets	178,606	—	178,606
Total intangible assets	\$178,726	\$ 97	\$ 178,629

	February 28, 2017		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized intangible assets:			
Other	120	97	23
Total amortized intangible assets	120	97	23
Non-amortized intangible assets:			
NASCAR — sanction agreements	177,813	—	177,813
Other	797	—	797
Total non-amortized intangible assets	178,610	—	178,610
Total intangible assets	\$178,730	\$ 97	\$ 178,633

The following table presents current and expected amortization expense of the existing intangible assets as of February 28, 2017 for each of the following periods (in thousands):

Amortization expense for the three months ended February 28, 2017	less than \$1
Remaining estimated amortization expense for the year ending November 30:	
2017	\$ 2
2018	2
2019	2
2020	2
2021 and thereafter	15

There were no changes in the carrying value of goodwill during the three months ended February 28, 2017.

Table of Contents

## 6. Long-Term Debt

Long-term debt consists of the following (in thousands):

	November 30, 2016		February 28, 2017	
	Principal	Unamortized Discount and Debt Issuance Costs	Principal	Unamortized Discount and Debt Issuance Costs
4.63 percent Senior Notes	\$65,000	\$ (210 )	\$65,000	\$ (197 )
3.95 percent Senior Notes	100,000	(328 )	100,000	(317 )
6.25 percent Term Loan	47,878	—	47,658	—
TIF bond debt service funding commitment	52,145	(1,665 )	52,159	(1,605 )
Revolving Credit Facility	—	—	—	—
	265,023	(2,203 )	264,817	(2,119 )
Less: current portion	3,738	(334 )	3,752	(333 )
	\$261,285	\$ (1,869 )	\$261,065	\$ (1,786 )

The Company's \$65.0 million principal amount of senior unsecured notes ("4.63 percent Senior Notes") bear interest at 4.63 percent and are due January 2021. The 4.63 percent Senior Notes require semi-annual interest payments on January 18 and July 18 through their maturity. The 4.63 percent Senior Notes may be redeemed in whole or in part, at the Company's option, at any time or from time to time at redemption prices as defined in the indenture. Certain of the Company's wholly owned domestic subsidiaries are guarantors of the 4.63 percent Senior Notes. Certain restrictive covenants of the 4.63 percent Senior Notes require that the Company's ratio of its Consolidated Funded Indebtedness to its Consolidated EBITDA ("leverage ratio") does not exceed 3.50 to 1.0, and its Consolidated EBITDA to Consolidated Interest Expense ("interest coverage ratio") is not less than 2.0 to 1.0. In addition, the Company may not permit the aggregate of certain Priority Debt to exceed 15.0 percent of its Consolidated Net Worth. The 4.63 percent Senior Notes contain various other affirmative and negative restrictive covenants including, among others, limitations on liens, sales of assets, mergers and consolidations and certain transactions with affiliates. As of February 28, 2017, the Company was in compliance with its various restrictive covenants. At February 28, 2017, outstanding principal on the 4.63 percent Senior Notes was approximately \$65.0 million.

The Company's \$100.0 million principal amount of senior unsecured notes ("3.95 percent Senior Notes") bear interest at 3.95 percent and are due September 2024. The 3.95 percent Senior Notes require semi-annual interest payments on March 13 and September 13 through their maturity. The 3.95 percent Senior Notes may be redeemed in whole or in part, at the Company's option, at any time or from time to time at redemption prices as defined in the indenture. Certain of the Company's wholly owned domestic subsidiaries are guarantors of the 3.95 percent Senior Notes. Certain restrictive covenants of the 3.95 percent Senior Notes require that the Company's leverage ratio does not exceed 3.50 to 1.0, and its interest coverage ratio is not less than 2.0 to 1.0. In addition the Company may not permit the aggregate of certain Priority Debt to exceed 15.0 percent of its Consolidated Net Worth. The 3.95 percent Senior Notes contain various other affirmative and negative restrictive covenants including, among others, limitations on liens, sales of assets, mergers and consolidations and certain transactions with affiliates. As of February 28, 2017, the Company was in compliance with its various restrictive covenants. At February 28, 2017, outstanding principal on the 3.95 percent Senior Notes was approximately \$100.0 million.

The term loan ("6.25 percent Term Loan"), related to the Company's International Motorsports Center, has a 25 year term due October 2034, an interest rate of 6.25 percent, and a current monthly payment of approximately \$323,000. At February 28, 2017, the outstanding principal on the 6.25 percent Term Loan was approximately \$47.7 million. At February 28, 2017, outstanding taxable special obligation revenue ("TIF") bonds, in connection with the financing of Kansas Speedway, totaled approximately \$52.2 million, net of the unamortized discount, which is comprised of a \$2.8 million principal amount, 6.15 percent term bond due December 1, 2017 and a \$49.7 million principal amount, 6.75 percent term bond due December 1, 2027. The TIF bonds are repaid by the Unified Government of Wyandotte



County/Kansas City, Kansas (“Unified Government”) with payments made in lieu of property taxes (“Funding Commitment”) by the Company’s wholly owned subsidiary, Kansas Speedway Corporation (“KSC”). Principal (mandatory redemption) payments per the Funding Commitment are payable by KSC on October 1 of each year. The semi-annual interest component of the Funding Commitment is payable on April 1 and October 1 of each year. KSC granted a mortgage and security interest in the Kansas project for its Funding Commitment obligation.

On September 27, 2016, the Company amended and extended its existing \$300.0 million credit facility, maturing November 2017, and entered into a new \$300.0 million revolving credit facility (“2016 Credit Facility”). The 2016 Credit Facility contains a feature that allows the Company to increase the credit facility to a total of \$500.0 million, subject to certain conditions, provides for separate sub-limits of \$25.0 million for standby letters of credit and \$10.0 million for swing line loans.

Table of Contents

The 2016 Credit Facility is scheduled to mature five years from the date of inception, with two 1-year extension options. Interest accrues, at the Company's option, at either LIBOR plus 100.0 — 162.5 basis points or a base rate loan at the highest of i) Wells Fargo Bank's prime lending rate, ii) the Federal Funds rate, as in effect from time to time, plus 0.5 percent, and iii) one month LIBOR plus 1.0 percent. The 2016 Credit Facility also contains a commitment fee ranging from 0.125 percent to 0.225 percent of unused amounts available for borrowing. The interest rate margin on the LIBOR borrowings and commitment fee are variable depending on the better of the Company's debt rating as determined by specified rating agencies or its leverage ratio. Certain of the Company's wholly owned domestic subsidiaries are guarantors on the 2016 Credit Facility. The 2016 Credit Facility requires that the Company's leverage ratio does not exceed 3.50 to 1.0 (4.0 to 1.0 for the four quarters ending after any Permitted Acquisition), and its interest coverage ratio is not less than 2.5 to 1.0. The 2016 Credit Facility also contains various other affirmative and negative restrictive covenants including, among others, limitations on indebtedness, investments, sales of assets, certain transactions with affiliates, entering into certain restrictive agreements and making certain restricted payments as detailed in the agreement. As of February 28, 2017, the Company was in compliance with its various restrictive covenants. At February 28, 2017, the Company had no outstanding borrowings under its credit facility. Financing costs related to the credit facility, net of accumulated amortization, of approximately \$1.3 million, have been deferred and are included in other assets as of February 28, 2017.

Financing costs are being amortized on a straight-line method, which approximates the effective yield method, over the life of the related financing.

Total interest expense incurred by the Company for the three months ended February 29, 2016 and February 28, 2017, is as follows (in thousands):

	Three Months Ended February 29, 2016		February 28, 2017
Interest expense	\$4,013	\$	3,946
Less: capitalized interest	924	694	
Net interest expense	\$3,089	\$	3,252

#### 7. Financial Instruments

Various inputs are considered when determining the carrying values of cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities, which approximate fair value due to the short-term maturities of these assets and liabilities. These inputs are summarized in the three broad levels listed below:

Level 1 — observable market inputs that are unadjusted quoted prices for identical assets or liabilities in active markets

Level 2 — other significant observable inputs (including quoted prices for similar securities, interest rates, credit risk, etc.)

Level 3 — significant unobservable inputs (including the Company's own assumptions in determining the fair value of investments)

At February 28, 2017, the Company had money market funds totaling approximately \$138.5 million which are included in cash and cash equivalents in its consolidated balance sheet. All inputs used to determine fair value are considered level 1 inputs.

Fair values of long-term debt are based on quoted market prices at the date of measurement. The Company's credit facilities approximate fair value as they bear interest rates that approximate market. These inputs used to determine fair value are considered level 2 inputs. The fair value of the remaining long-term debt, as determined by quotes from financial institutions, was approximately \$278.2 million compared to the carrying amount of approximately \$265.0 million and approximately \$274.1 million compared to the carrying amount of approximately \$264.8 million at November 30, 2016 and February 28, 2017, respectively.

The Company had no financial instruments that used level 3 inputs as of February 28, 2017.

#### 8. Capital Stock

##### Stock Purchase Plan

The Company has a share repurchase program (“Stock Purchase Plan”), under which it is authorized to purchase up to \$530.0 million of its outstanding Class A common shares. The timing and amount of any shares repurchased under the Stock

Purchase Plan will depend on a variety of factors, including price, corporate and regulatory requirements, capital availability

and other market conditions. The Stock Purchase Plan may be suspended or discontinued at any time without prior notice. No

shares have been or will be knowingly purchased from Company insiders or their affiliates.

Table of Contents

Since inception of the Plan through February 28, 2017, the Company has purchased 8,802,973 shares of its Class A common shares, for a total of approximately \$326.4 million. We purchased 80,900 shares of our Class A common shares during the three month period ended February 28, 2017, at an average cost of approximately \$37.23 per share (including commissions), for a total of approximately \$3.0 million. These transactions occurred in open market purchases and pursuant to a trading plan under Rule 10b5-1. At February 28, 2017, the Company had approximately \$203.6 million remaining repurchase authority under the current Stock Purchase Plan.

#### 9. Comprehensive Income

Comprehensive income is the change in equity of an enterprise except those resulting from shareholder transactions. Accumulated other comprehensive loss consists of the following (in thousands):

	November 30, 2016	February 28, 2017
Terminated interest rate swap, net of tax benefit of \$1,758 and \$1,655, respectively	\$ (2,659 )	\$ (2,492 )

#### 10. Income Taxes

The effective income tax rate for the three months ended February 29, 2016 and February 28, 2017 approximates the statutory income tax rate.

The Company's effective income tax rate was approximately 38.3 percent for the three months ended February 29, 2016, and approximately 38.0 percent for the three months ended February 28, 2017.

#### 11. Related Party Disclosures and Transactions

All of the racing events that take place during the Company's fiscal year are sanctioned by various racing organizations such as National Association for Stock Car Auto Racing ("NASCAR"), the American Historic Racing Motorcycle Association, the American Motorcyclist Association, the Automobile Racing Club of America, the American Sportbike Racing Association — Championship Cup Series, the Federation Internationale de L'Automobile, the Federation Internationale Motocycliste, International Motor Sports Association ("IMSA") - a wholly owned subsidiary of NASCAR, Historic Sports car Racing, IndyCar Series, National Hot Rod Association, the Porsche Club of America, the Sports Car Club of America, the Sports car Vintage Racing Association, the United States Auto Club and the World Karting Association.

NASCAR and IMSA, which sanction many of the Company's principal racing events, are members of the France Family Group, which controls approximately 73.0 percent of the combined voting power of the outstanding stock of the Company, as of November 30, 2016, and some members of which serve as directors and officers of the Company. Under current agreements, NASCAR contracts directly with certain network providers for television rights to the entire Monster Energy NASCAR Cup, Xfinity and Camping World Truck series schedules. Under the terms of this arrangement, NASCAR retains 10.0 percent of the gross broadcast rights fees allocated to each Monster Energy NASCAR Cup, Xfinity and Camping World Truck series event as a component of its sanction fees. The promoter records 90.0 percent of the gross broadcast rights fees as revenue and then records 25.0 percent of the gross broadcast rights fees as part of its awards to the competitors, included in NASCAR event management fees (discussed below). Ultimately, the promoter retains 65.0 percent of the net cash proceeds from the gross broadcast rights fees allocated to the event. The Company's television broadcast and ancillary rights fees received from NASCAR for the Monster Energy NASCAR Cup, Xfinity, and Camping World Truck series events conducted at its wholly owned facilities, and recorded as part of motorsports related revenue, were approximately \$60.3 million and \$62.7 million for the three months ended February 29, 2016 and February 28, 2017, respectively. The Company recorded prize money of approximately \$16.7 million and \$17.3 million for the three months ended February 29, 2016 and February 28, 2017, included in NASCAR event management fees (discussed below) related to the aforementioned 25.0 percent of gross broadcast rights fees ultimately paid to competitors.

Standard NASCAR and IMSA sanction agreements require racetrack operators to pay event management fees (collectively "NASCAR event management or NEM fees"), which include prize and point fund monies for each sanctioned event conducted as well as fees paid to NASCAR for sanctioning and officiating of the events. The prize

and point fund monies are distributed by NASCAR to participants in the events. Total NEM fees paid by the Company were approximately \$28.1 million and \$29.0 million for the three months ended February 29, 2016 and February 28, 2017, respectively.

12. Commitments and Contingencies

In October 2002, the Unified Government issued subordinate sales tax special obligation revenue bonds (“2002 STAR Bonds”) totaling approximately \$6.3 million to reimburse the Company for certain construction already completed on the second phase of the Kansas Speedway project and to fund certain additional construction. The 2002 STAR Bonds, which require annual debt

Table of Contents

service payments and are due December 1, 2022, will be retired with state and local taxes generated within the speedway's boundaries and are not the Company's obligation. Kansas Speedway Corporation ("KSC"), wholly-owned subsidiary of the Company, has agreed to guarantee the payment of principal and any required premium and interest on the 2002 STAR Bonds. At February 28, 2017, the Unified Government had approximately \$0.7 million outstanding on 2002 STAR Bonds. Under a keepwell agreement, the Company has agreed to provide financial assistance to KSC, if necessary, to support KSC's guarantee of the 2002 STAR Bonds.

In connection with the Company's automobile and workers' compensation insurance coverages and certain construction contracts, the Company has standby letter of credit agreements in favor of third parties totaling approximately \$6.0 million at February 28, 2017. At February 28, 2017, there were no amounts drawn on the standby letters of credit.

Current Litigation

The Company is from time to time a party to routine litigation incidental to its business. Management does not believe that the resolution of any or all of such litigation will have a material adverse effect on the Company's financial condition or results of operations.

13. Segment Reporting

The general nature of the Company's business is a motorsports themed amusement enterprise, furnishing amusement to the public in the form of motorsports themed entertainment. The Company's motorsports event operations consist principally of racing events at its major motorsports entertainment facilities. The reporting units within the motorsports segment portfolio are reviewed together as the nature of the products and services, the production processes used, the type or class of customer using our products and services, and the methods used to distribute our products or provide their services are consistent in objectives and principles, and predominately uniform and centralized throughout the Company.

The Company's remaining business units, which are comprised of the radio network production and syndication of numerous racing events and programs, certain souvenir merchandising operations not associated with the promotion of motorsports events at the Company's facilities, construction management services, financing and licensing operations, and retail leasing operations are included in the "All Other" segment.

The Company evaluates financial performance of the business units on operating profit after allocation of corporate general and administrative ("G&A") expenses. Corporate G&A expenses are allocated to business units based on each business unit's net revenues to total net revenues.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Intersegment sales are accounted for at prices comparable to unaffiliated customers. The following tables provide segment reporting of the Company for the three months ended February 29, 2016 and February 28, 2017 (in thousands):

	Three Months Ended		
	February 29, 2016		
	Motorsports		
	All		Total
	Event	Other	
	Operations		
Revenues	\$139,111	\$3,870	\$142,981
Depreciation and amortization	23,929	1,117	25,046
Operating income (loss)	33,034	(1,868 )	31,166
Capital expenditures	51,867	2,722	54,589
Total assets	1,737,371	500,584	2,237,955
Equity investments	—	102,719	102,719
	Three Months Ended		
	February 28, 2017		
	Motorsports		
	All		Total
	Event	Other	
	Operations		

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Revenues	\$144,799	\$3,520	\$148,319
Depreciation and amortization	25,329	1,172	26,501
Operating income (loss)	35,695	(1,877 )	33,818
Capital expenditures	6,094	15,498	21,592
Total assets	1,687,462	565,691	2,253,153
Equity investments	—	91,770	91,770

15

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Table of Contents

Intersegment revenues were approximately \$0.4 million and \$0.4 million for the three months ended February 29, 2016 and February 28, 2017, respectively.

During the three months ended February 28, 2017, the Company recognized approximately \$0.2 million of costs related to the Phoenix Redevelopment project (see "Future Liquidity - Phoenix Redevelopment"). These costs were included in the Motorsports Event Operations segment. During the three months ended February 29, 2016, the Company recognized approximately \$0.8 million in marketing and consulting costs that are included in general and administrative expense related to DAYTONA Rising.

During the three months ended February 28, 2017, the Company recognized approximately \$0.6 million of accelerated depreciation, due to the shortening the service lives of certain assets, associated with the Phoenix Redevelopment project. During the three months ended February 29, 2016, the Company did not recognize any accelerated depreciation.

During the three months ended February 29, 2016, the Company recognized approximately \$0.9 million of losses associated with asset retirements primarily attributable to the removal of assets not fully depreciated in connection with capacity management initiatives at Richmond International Raceway and capital improvements at other facilities.

During the three months ended February 28, 2017, the Company recognized de Minimis asset retirement losses attributable to the removal of assets not fully depreciated.



Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

General

The general nature of our business is a motorsports themed amusement enterprise, furnishing amusement to the public in the form of motorsports themed entertainment. We derive revenues primarily from (i) admissions to motorsports events and motorsports themed amusement activities held at our facilities, (ii) revenue generated in conjunction with or as a result of motorsports events and motorsports themed amusement activities conducted at our facilities, and (iii) catering, concession and merchandising services during or as a result of these events and amusement activities.

"Admissions, net" revenue includes ticket sales for all of our racing events and other motorsports activities and amusements, net of any applicable taxes.

"Motorsports and other event related" revenue primarily includes television and ancillary media rights fees, promotion and sponsorship fees, hospitality rentals (including luxury suites, chalets and the hospitality portion of club seating), advertising revenues, royalties from licenses of our trademarks, parking and camping revenues, track rental fees and fees paid by third party promoters for management of non-motorsports events.

"Food, beverage and merchandise" revenue includes revenues from concession stands, direct sales of souvenirs, hospitality catering, programs and other merchandise and fees paid by third party vendors for the right to occupy space to sell souvenirs and concessions at our motorsports entertainment facilities.

Revenues derived from leasing space in our retail operations, including those at ONE DAYTONA, are included in "Other" revenues.

Direct expenses include (i) NASCAR event management fees, (ii) motorsports and other event related expenses, which include labor, advertising, costs of competition paid to sanctioning bodies other than NASCAR and other expenses associated with the promotion of all of our motorsports and other events and activities, and (iii) food, beverage and merchandise expenses, consisting primarily of labor and costs of goods sold.

Costs related to leasing space in our retail operations, including those at ONE DAYTONA, are included in "Other operating expenses".

We receive distributions from the operations of our 50/50 joint venture in Kansas Entertainment, LLC (see "Equity and Other Investments - Hollywood Casino at Kansas Speedway").

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. While our estimates and assumptions are based on conditions existing at and trends leading up to the time the estimates and assumptions are made, actual results could differ materially from those estimates and assumptions. We continually review our accounting policies, how they are applied and how they are reported and disclosed in the financial statements.

The following is a summary of our critical accounting policies and estimates and how they are applied in the preparation of the financial statements.

**Basis of Presentation and Consolidation.** We consolidate all entities we control by ownership of a majority voting interest and variable interest entities for which we have the power to direct activities and the obligation to absorb losses. Our judgment in determining if we consolidate a variable interest entity includes assessing which party, if any, has the power and benefits. Therefore, we evaluate which activities most significantly affect the variable interest entities economic performance and determine whether we, or another party, have the power to direct these activities. We apply the equity method of accounting for our investments in joint ventures and other investees whenever we can exert significant influence on the investee but do not have effective control over the investee. Our consolidated net income includes our share of the net earnings or losses from these investees. Our judgment regarding the level of influence over each equity method investee includes considering factors such as our ownership interest, board

representation and policy making decisions.

17

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Table of Contents

We periodically evaluate these equity investments for potential impairment where a decline in value is determined to be other than temporary. We eliminate all significant intercompany transactions from financial results.

Revenue Recognition. Advance ticket sales and event-related revenues for future events are deferred until earned, which is generally once the events are conducted. The recognition of event-related expenses is matched with the recognition of event-related revenues.

NASCAR contracts directly with certain network providers for television rights to the entire Monster Energy NASCAR Cup, Xfinity and Camping World Truck series schedules. Event promoters share in the television rights fees in accordance with the provision of the sanction agreement for each Monster Energy NASCAR Cup, Xfinity and Camping World Truck series event. Under the terms of this arrangement, NASCAR retains 10.0 percent of the gross broadcast rights fees allocated to each Monster Energy NASCAR Cup, Xfinity and Camping World Truck series event as a component of its event management fees. The promoter records 90.0 percent of the gross broadcast rights fees as revenue and then records 25.0 percent of the gross broadcast rights fees as part of its awards to the competitors. Ultimately, the promoter retains 65.0 percent of the net cash proceeds from the gross broadcast rights fees allocated to the event.

Our revenues from marketing partnerships are paid in accordance with negotiated contracts, with the identities of partners and the terms of sponsorship changing from time to time. Some of our marketing partnership agreements are for multiple facilities and/or events and include multiple specified elements, such as tickets, hospitality chalets, suites, display space and signage for each included event. The allocation of such marketing partnership revenues between the multiple elements, events and facilities is based on relative selling price. The sponsorship revenue allocated to an event is recognized when the event is conducted.

Revenues and related costs from the sale of concessions and merchandise for motorsports and non-motorsports events are recognized at the time of sale.

Minimum rental revenue from operating leases is recognized on a straight-line basis over the initial terms of the related leases. Certain tenants are required to pay percentage rent if their sales volumes exceed thresholds specified in their lease agreements. Percentage rent is recognized as revenue when the thresholds are achieved and the amounts become determinable.

The Company receives reimbursements from tenants for real estate taxes, insurance, common area maintenance and other recoverable operating expenses as provided in the lease agreements. Tenant reimbursements are recognized when earned in accordance with the tenant lease agreements. Tenant reimbursements related to certain capital expenditures are billed to tenants over periods of 5 to 20 years and are recognized as revenue in accordance with the underlying lease terms.

Business Combinations. All business combinations are accounted for under the acquisition method. Whether net assets or common stock is acquired, fair values are determined and assigned to the purchased assets and assumed liabilities of the acquired entity. The excess of the cost of the acquisition over fair value of the net assets acquired (including recognized intangibles) is recorded as goodwill. Business combinations involving existing motorsports entertainment facilities commonly result in a significant portion of the purchase price being allocated to the fair value of the contract-based intangible asset associated with long-term relationships manifest in the sanction agreements with sanctioning bodies, such as NASCAR and the International Motor Sports Association ("IMSA") series. The continuity of sanction agreements with these bodies has historically enabled the facility operator to host motorsports events year after year. While individual sanction agreements may be of terms as short as one year, a significant portion of the purchase price in excess of the fair value of acquired tangible assets is commonly paid to acquire anticipated future cash flows from events promoted pursuant to these agreements which are expected to continue for the foreseeable future and therefore, in accordance with ASC 805-50, "Business Combinations," are recorded as indefinite-lived intangible assets recognized apart from goodwill.

Capitalization and Depreciation Policies. Property and equipment are stated at cost. Maintenance and repairs that neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Depreciation and amortization for financial statement purposes are provided on a straight-line basis over the estimated useful lives of the assets. When we construct assets, we capitalize costs of the project, including, but not limited to,

certain pre-acquisition costs, permitting costs, fees paid to architects and contractors, certain costs of our design and construction subsidiary, property taxes and interest.

We must make estimates and assumptions when accounting for capital expenditures. Whether an expenditure is considered an operating expense or a capital asset is a matter of judgment. When constructing or purchasing assets, we must determine whether existing assets are being replaced or otherwise impaired, which also is a matter of judgment. Our depreciation expense for financial statement purposes is highly dependent on the assumptions we make about our assets' estimated useful lives. We determine the estimated useful lives based upon our experience with similar assets, industry, legal and regulatory factors, and our expectations of the usage of the asset. Whenever events or circumstances occur which change the estimated useful life of an asset, we account for the change prospectively.

Table of Contents

During the three months ended February 29, 2016, we recorded before-tax charges of losses associated with asset retirements, primarily attributable to the removal of assets not fully depreciated, located at our motorsports facilities totaling approximately \$0.9 million. During the three months ended February 28, 2017, we recorded de Minimis amount of similar charges.

Interest costs associated with major development and construction projects are capitalized as part of the cost of the project. Interest is typically capitalized on amounts expended using the weighted-average cost of our outstanding borrowings, since we typically do not borrow funds directly related to a development or construction project. We capitalize interest on a project when development or construction activities begin, and cease when such activities are substantially complete or are suspended for more than a brief period.

**Impairment of Long-lived Assets, Goodwill and Other Intangible Assets.** Our consolidated balance sheets include significant amounts of long-lived assets, goodwill and other intangible assets which could be subject to impairment. As of February 28, 2017, goodwill and other intangible assets and property and equipment accounts for approximately \$1.7 billion, or 77.5 percent of our total assets. We account for our goodwill and other intangible assets in accordance with ASC 350, “Intangibles — Goodwill and Other,” and for our long-lived assets in accordance with ASC 360, “Property, Plant and Equipment.”

We follow applicable authoritative guidance on accounting for goodwill and other intangible assets which specifies, among other things, non-amortization of goodwill and other intangible assets with indefinite useful lives and requires testing for possible impairment, either upon the occurrence of an impairment indicator or at least annually. We complete our annual testing in our fiscal fourth quarter, based on assumptions regarding our future business outlook and expected future discounted cash flows attributable to such assets (using the fair value assessment provision of applicable authoritative guidance), supported by quoted market prices or comparable transactions where available or applicable.

While we continue to review and analyze many factors that can impact our business prospects in the future (as further described in “Risk Factors”), our analysis is subjective and is based on conditions existing at, and trends leading up to, the time the estimates and assumptions are made. Different conditions or assumptions, or changes in cash flows or profitability, if significant, could have a material adverse effect on the outcome of the impairment evaluation and our future condition or results of operations.

In connection with our fiscal 2016 assessment of goodwill and intangible assets for possible impairment we used the methodology described above. We believe our methods used to determine fair value and evaluate possible impairment were appropriate, relevant, and represent methods customarily available and used for such purposes. Our latest annual assessment of goodwill and other intangible assets in the fourth quarter of fiscal 2016 indicated there had been no impairment and the fair value substantially exceeded the carrying value for the respective reporting units.

In addition, our growth strategy includes investing in certain joint venture opportunities. In these equity investments, we exert significant influence on the investee but do not have effective control over the investee, which adds an additional element of risk that can adversely impact our financial position and results of operations. The carrying value of our equity investments was \$91.8 million at February 28, 2017.

**Income Taxes.** The tax law requires that certain items be included in our tax return at different times than when these items are reflected in our consolidated financial statements. Some of these differences are permanent, such as expenses not deductible on our tax return. However, some differences reverse over time, such as depreciation expense, and these temporary differences create deferred tax assets and liabilities. Our estimates of deferred income taxes and the significant items giving rise to deferred tax assets and liabilities reflect our assessment of actual future taxes to be paid on items reflected in our financial statements, giving consideration to both timing and probability of realization. Actual income taxes could vary significantly from these estimates due to future changes in income tax law or changes or adjustments resulting from final review of our tax returns by taxing authorities, which could also adversely impact our cash flow.

In the ordinary course of business, there are many transactions and calculations where the ultimate tax outcome is uncertain. Accruals for uncertain tax positions are provided for in accordance with the requirements of ASC 740, “Income Taxes.” Under this guidance, we may recognize the tax benefit from an uncertain tax position only if it is more

likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50.0 percent likelihood of being realized upon the ultimate settlement. This interpretation also provides guidance on de-recognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, and income tax disclosures. Judgment is required in assessing the future tax consequences of events that have been recognized in our financial statements or tax returns. Although we believe the estimates are reasonable, no assurance can be given that the final outcome of these matters will not be different

Table of Contents

than what is reflected in the historical income tax provisions and accruals. Such differences could have a material impact on the income tax provision and operating results in the period in which such determination is made.

**Contingent Liabilities.** Our determination of the treatment of contingent liabilities in the financial statements is based on our view of the expected outcome of the applicable contingency. In the ordinary course of business, we consult with legal counsel on matters related to litigation and other experts both within and outside our Company. We accrue a liability if the likelihood of an adverse outcome is probable and the amount of loss is reasonably estimable. We disclose the matter but do not accrue a liability if the likelihood of an adverse outcome is reasonably possible and an estimate of loss is not determinable. Legal and other costs incurred in conjunction with loss contingencies are expensed as incurred.

**Equity and Other Investments**

**Hollywood Casino at Kansas Speedway**

Kansas Entertainment, LLC, (“Kansas Entertainment”) a 50/50 joint venture of Penn Hollywood Kansas, Inc. (“Penn”), a subsidiary of Penn National Gaming, Inc. and Kansas Speedway Development Corporation (“KSDC”), a wholly owned indirect subsidiary of ISC, operates the Hollywood-themed casino and branded destination entertainment facility, overlooking turn two at Kansas Speedway. Penn, as managing member of Kansas Entertainment, is responsible for the operations of the casino.

We have accounted for Kansas Entertainment as an equity investment in the consolidated financial statements as of February 29, 2016 and February 28, 2017. Our 50.0 percent portion of Kansas Entertainment’s net income, which is before income taxes and the joint venture is a disregarded entity for income tax purposes, was approximately \$4.0 million and \$3.6 million for the three months ended February 29, 2016 and February 28, 2017, respectively, and is included in income from equity investments in the consolidated statements of operations.

Pre-tax distributions from Kansas Entertainment for the three months ended February 28, 2017, totaling approximately \$4.3 million, consist of approximately \$3.9 million received as a distribution from its profits, were included in net cash provided by operating activities on our consolidated statement of cash flows, with the remaining approximately \$0.3 million received recognized as a return of capital from investing activities on our consolidated statement of cash flows. Pre-tax distributions from Kansas Entertainment for the three months ended February 29, 2016, totaling \$4.5 million, consisted of approximately \$4.3 million received as a distribution from its profits, were included in net cash provided by operating activities on our consolidated statement of cash flows, with the remaining approximate \$0.2 million received recognized as a return of capital from investing activities on our consolidated statement of cash flows.

**DAYTONA Rising: Reimagining an American Icon**

DAYTONA Rising is the redevelopment of the frontstretch at Daytona, ISC's 59-year-old flagship motorsports facility, to enhance the event experience for our fans, marketing partners, broadcasters and the motorsports industry. The central neighborhood, dubbed the "World Center of Racing," celebrates the history of Daytona International Speedway ("Daytona") and its many unforgettable moments throughout more than 50 years of racing. Embracing Daytona's history in the racing industry, Toyota, Florida Hospital, Chevrolet, Sunoco and Axalta joined as Founding Partners at Daytona International Speedway's new motorsports stadium, with each partnership extending over 10 years. The Founding partners received sponsorship rights for a dedicated injector, as well as innovative fan engagement space, and interior and exterior branding space, that will enhance the overall guest experience.

By providing our fans with a better experience as well as an expansive platform for our marketing partners, including an elevated hospitality experience, DAYTONA Rising provides an immediate incremental lift in Daytona's revenues of approximately \$20.0 million, and earnings before interest, taxes, depreciation and amortization ("EBITDA") lift of approximately \$15.0 million. We also currently anticipate the project to be accretive to our net income per share within three years of completion. Since the completion of DAYTONA Rising in January 2016, the DAYTONA 500 has sold out in consecutive years. While these forward-looking amounts are management’s projections and we believe they are reasonable, our actual results may vary from these estimates due to unanticipated changes in projected attendance, lower than expected ticket prices, and/or lower than forecasted corporate sponsorships. We do not know whether these expectations will ultimately prove correct and actual revenues and operating results may differ

materially from these estimates.

**Fairfield Inn Hotel at ONE DAYTONA**

Since June 2013, we have pursued development of ONE DAYTONA, the proposed premier mixed use and entertainment destination across from its Daytona International Speedway. Daytona Hotel Two, LLC ("Fairfield"), a joint venture of Daytona Hospitality Group II, LLC ("DHGII"), a subsidiary of Prime-Shaner Groups, and Daytona Beach Property Holdings Retail, LLC ("DBR"), a wholly owned indirect subsidiary of ISC, was formed to own, construct and operate a Fairfield Inn hotel. The hotel will be situated within the ONE DAYTONA development. In June 2016, DBR contributed land to the joint venture as per



## Table of Contents

the agreement and vertical construction of the hotel has commenced and is expected to open in third quarter of fiscal 2017. DHGII is the managing member of the Fairfield and will be responsible for the development and operations of the hotel.

As per the partnership agreement, our 33.25 percent share of equity will be limited to our non-cash land contribution and we will share in the profits from the joint venture proportionately to our equity ownership. We have accounted for the joint venture in the Fairfield as an equity investment in our financial statements as of February 28, 2017. Our 33.25 percent portion of the Fairfield's net loss, from inception, through February 28, 2017 primarily consist of de Minimis administrative costs that are included in equity in net income from equity investments in our consolidated statements of operations. There were no operations included in our consolidated statements of operations in the same periods in fiscal 2016.

As part of the ONE DAYTONA project, we have entered into additional joint ventures, which are structured similarly to the Fairfield joint venture, where our share of equity will be limited to our non-cash land contribution and we will share in the profits from the joint venture proportionately to our equity ownership. These joint venture projects include The Daytona, a full service Marriott Autograph Collection hotel, and a residential component of the ONE DAYTONA project (see "Liquidity and Capital Resources - ONE DAYTONA").

### Staten Island Property

On August 5, 2013, we announced that we sold our 676 acre parcel of property located in Staten Island, New York, to Staten Island Marine Development, LLC ("Marine Development"). Marine Development purchased 100.0 percent of the outstanding equity membership interests of 380 Development LLC ("380 Development"), a wholly owned indirect subsidiary of ISC and owner of the Staten Island property, for a total sales price of \$80.0 million. In addition, we previously received approximately \$4.2 million for an option provided to the purchaser that is nonrefundable and does not apply to the \$80.0 million sales price.

We received \$7.5 million, less closing and other administrative costs, of the sales price at closing. The remaining sales price was financed with us holding a secured mortgage interest in 380 Development as well as the underlying property. The mortgage balance bore interest at an annual rate of 7.0 percent. In accordance with the terms of the agreement, we have received a principal payment of approximately \$6.1 million plus interest on the mortgage balance through February 29, 2016. The remaining purchase price of \$66.4 million was due in March 2016.

In March 2016, we completed an assignment of all rights, title and interest in the mortgage and underlying promissory note to an affiliate of Matrix Development Group, a New York/New Jersey area developer, and received the remaining principal balance of \$66.4 million, plus additional consideration of approximately \$0.3 million. We have no further commitments or contingencies related to the property or its sale. As a result, in the second quarter of fiscal 2016, we recorded a gain of approximately \$13.6 million, comprised of recognition of profit of approximately \$1.9 million, interest totaling approximately \$11.4 million, and other consideration paid. The deferred gain of \$1.9 million was included in Other operating revenue in our consolidated statement of operations, and the interest, and additional consideration, received was included in Other revenue in our consolidated statement of operations in fiscal 2016.

The net proceeds from the sale, combined with the mortgage interest and related cash tax benefits, has provided us with approximately \$129.8 million in cash through the term of the mortgage.

### Income Taxes

Changes in certain state tax rates are the principal causes of the increased effective income tax rate for the three months ended February 28, 2017 as compared to three months ended February 29, 2016.

The Company's effective income tax rate was approximately 38.3 percent for the three months ended February 29, 2016, respectively, and approximately 38.0 percent for the three months ended February 28, 2017, respectively.

### Future Trends in Operating Results

International Speedway Corporation is the leading owner of major motorsports entertainment facilities and promoter of motorsports-themed entertainment activities in the United States. We compete for discretionary spending and leisure time with many other entertainment alternatives and are subject to factors that generally affect the recreation, leisure and sports industry, including general economic conditions. Our operations are also sensitive to factors that

affect corporate budgets. Such factors include, but are not limited to, general economic conditions, employment and wage levels, business conditions, interest and taxation rates, relative commodity prices, and changes in consumer tastes and spending habits.

In 2008, an unprecedented global economic crisis began that significantly impacted consumer confidence and disproportionately affected key demographics of our target customers. Continuing economic uncertainty could adversely impact our future attendance, guest spending, and our ability to grow corporate marketing partnerships all of which could negatively affect revenues and profitability. In fiscal 2009, we implemented sustainable cost containment initiatives to mitigate

Table of Contents

declines in certain revenue categories. We are sustaining the significant cost reductions implemented in previous years and continuously seek ways to improve our operating efficiency without negatively impacting the guest experience. Looking to the future, we expect the continuing slow, but uneven, recovery in the broader U.S. economy to provide an environment for improved attendance-related and corporate partnership revenues. Our industry is also benefiting from NASCAR securing its broadcast rights through the fiscal 2024 season with the largest broadcast rights deal in the sport's 69-year history. Consistent with major sports properties throughout the world, broadcast rights represent our company's largest revenue segment. Expanding and extending this contracted revenue will provide us unparalleled long-term cash flow visibility. We also believe the strategic initiatives and investments we and the motorsports industry have undertaken to grow the sport will continue to strengthen the long-term health of our Company. The industry and its stakeholders have demonstrated their commitment to growing the sport by aligning with and executing upon growth initiatives supporting NASCAR's industry-wide strategic plan whose objective is to build upon NASCAR's appeal by enhancing the connection with existing fans, as well as attracting and engaging new millennials, youth and multicultural consumers in motorsports. Additional areas of focus include building greater product relevance and on-track competition, cultivating driver star power, growing social media activities and enhancing the event experience.

A few recent, successful innovations that resulted from NASCAR initiatives that have improved on-track competition and excitement, include the introduction of refined aerodynamic and downforce specifications providing the driver more control of the car, knockout group qualifying formats, overtime rules and enhancements to the NASCAR's Playoffs, including elimination rounds leading up to the Championship event for the three national touring series. In January 2014 NASCAR announced a new championship format that puts greater emphasis on winning races throughout the season and expands the current Playoff field to 16 drivers. For fiscal 2016, the Playoff format has been expanded to both Xfinity and Camping World Truck series events, qualifying 12 drivers and 8 drivers, respectively. The Playoff implements a round-by-round advancement format that ultimately rewards a battle-tested, worthy champion. The format makes every race matter even more, diminishes points racing, puts a premium on winning races and concludes with a best-of-the-best, first-to-the-finish line showdown race – all of which is exactly what fans want. The new Playoff structure has driven competition to a whole new level with a thrilling, easy to understand format that we believe translates into greater fan interest and revenue opportunities for these events. We anticipate continued favorable momentum at our Playoff-related events as we move forward.

We support NASCAR's industry strategy on a number of fronts. As referenced above, we are committed to improving our major motorsports facilities to enhance guest experiences and create stronger fan engagement. Specifically, one of the most ambitious and important projects in our history is the redevelopment of the frontstretch of the Daytona International Speedway, the Company's 59-year-old flagship motorsports facility. The new Daytona International Speedway is the world's first and only motorsports stadium featuring unique experiences for our guests and providing several new marketing platforms for corporate partners, broadcasters and industry stakeholders. Fan and stakeholder feedback was overwhelmingly positive and financial results demonstrate that we are well on our way toward meeting our financial expectations from the project (See "DAYTONA Rising: Reimagining an American Icon"). We remain very confident that elevating the experience at the most important and iconic motorsports facility in North America will drive further growth for the DAYTONA 500 brand, our 12 other major motorsports facilities' brands and NASCAR's brand. We are also confident, that this strategic project will positively influence attendance trends, corporate involvement in the sport, and the long-term strength of future broadcast media rights revenues.

As part of our strategic plan and updated capital allocation strategy (See "Capital Improvements" and "Growth Strategies"), we recently announced that the Board of Directors approved a project to redevelop the grandstands and infield for Phoenix International Raceway ("Phoenix"). The project's cost is estimated to be approximately \$178.0 million and addresses critical facility maintenance, enhances the fan experience, provides valuable marketing assets for new sponsorship opportunities, and creates updated infield amenities including a new 'fanzone'. Phoenix is an attractive asset in our portfolio of tracks with a number of key attributes that include two major NASCAR Cup series weekends, including the second to the last NASCAR Cup Series event in the Playoffs, and a fan-favorite, unique racetrack configuration in the twelfth major media market. Phoenix exists in an attractive, but competitive

marketplace with an exciting opportunity to grow its brand, enhance the facility and guest experience and provide a sustainable financial return.

#### Admissions

Creating excess demand for live event attendance while focusing on providing the optimal supply of high-quality seating inventory is an important aspect of our operating strategy. By effectively managing both ticket prices and seating capacity, we have historically stimulated greater ticket renewals and driven advance ticket sales.

Advance ticket sales provide us many benefits such as earlier cash inflow and reducing the potential negative impact of actual or forecasted inclement weather. When evaluating ticketing initiatives, we first examine our ticket pricing structure for each segmented seating area and/or offering within our major motorsports entertainment facilities to ensure prices are on target with market demand. When determined necessary, we adjust ticket pricing. We believe our ticket pricing philosophy appropriately factors current demand and provides attractive price points for all income levels and desired fan experiences.

## Table of Contents

It is important that we maintain the integrity of our ticket pricing model by ensuring our customers who purchase tickets during the renewal period get preferential pricing. We do not adjust pricing downward inside of the sales cycle to avoid rewarding last-minute ticket buyers by discounting tickets. Further, we closely monitor and manage the availability of promotional tickets. Encouraging late cycle buying and offering excess promotional tickets could have a detrimental effect on our ticket pricing model and long-term value of our business. We believe it is more important to encourage advance ticket sales and maintain price integrity to achieve long-term growth rather than to capture short-term incremental revenue at the expense of our customers who purchased tickets during the renewal period. We continue to implement innovative ticket pricing strategies to capture incremental admissions revenue including ticket price increases over time as the event nears and adjusting pricing of specific seats within a section or row with desirable attributes and greater demand.

To provide our guests with the best fan experience possible, we have improved fan amenities such as wider seating, increased the amount of social zones to promote greater fan interaction/engagement, and adjusted sight lines for better viewing. Based on our experience, and the continual evolution of modern sports facilities, ticket demand relies strongly on creating a more personal experience for the fans. Enhancing the live event experience to differentiate it from the at-home television viewing experience is a critical strategy for our future growth. Other benefits derived from capacity management include:

- improved pricing power for our events;
- enticing more customers to renew or purchase tickets earlier in the sales cycle;
- increasing customer retention;
- driving greater attendance to our lead-in events, such as NASCAR's Xfinity and Camping World Truck series events;
- generating stronger interest from corporate sponsors; and
- creating a more visually compelling event for the television audience.

Other key strategic focus areas designed to build fan engagement and augment the live-event experience include providing enhanced at-track audio and visual experiences, additional and improved concession and merchandise points-of-sale, creating more interactive social zones and offering greater wireless connectivity. We continuously monitor market demand, evaluate customer feedback, and explore next generation live-sports entertainment fan amenities, all of which could further impact how we manage capacity and spend capital at our major motorsports facilities.

### Corporate Partnerships

The power of the NASCAR brand along with its brand/product loyal fan base is a highly attractive platform for corporate participation. The participation of FORTUNE 500 companies in NASCAR is higher than in any other sports property with more than one in four FORTUNE 500 companies invested in NASCAR, and nearly half of the FORTUNE 100 listed companies leveraging NASCAR within their marketing strategy. The number of FORTUNE 500 companies investing in NASCAR has grown approximately 20.0 percent since fiscal 2008. We anticipate this high-level of corporate interest will continue considering the appealing characteristics of our sport such as presence in key metropolitan statistical areas, the near year-round event schedule, our impressive portfolio of major motorsports events and attractive NASCAR fan demographics.

Even as companies demand more return on their marketing dollar, our company is focused on delivering an enhanced value proposition through our strategic initiatives. This includes enhanced facilities, more frequent and diverse content at our facilities, and deeper understanding of and integration with our corporate partners' business, among other things. We continue to be pleased with corporate sales organic growth and sales driven by strong corporate demand from the grand opening of DAYTONA Rising in fiscal 2016. For DAYTONA Rising, we secured five long-term founding partnerships with Toyota, Florida Hospital, Chevrolet, Sunoco, and Axalta, all of which meet or exceed ten year relationships. The longer deal terms provide solid long-term contracted income visibility and allows our sales team to focus on incremental revenue generation and allows our partners more time to benefit from sponsor activation. This year marks the beginning of a new, exciting era for NASCAR's premiere racing series. The introduction of Monster Energy as the series entitlement sponsor for the NASCAR Cup Series establishes a new brand identity that is modern, yet embraces the heritage of NASCAR racing. NASCAR has expressed that Monster Energy will bring

greater commitment and activation to the sponsorship platform including greater exposure to younger demographics. 2016 concluded the NASCAR and ISC agreements with Sprint as the Cup series entitlement sponsor, which included various inventory and activation rights at ISC tracks. Of note, NASCAR and ISC agreements with Sprint were originally negotiated in the mid-2000's, pre-recession. ISC has similar agreements for track inventory in place with Monster Energy, however, the economics of the agreements results in a one-time reset in fiscal 2017. We expect overall gross corporate sales to decline approximately 1.0 percent in 2017 due to the reset of these agreements. Excluding the one-time reset, gross corporate sales are forecast to increase between 1.0 percent and 2.0 percent in fiscal 2017, with escalators in the low-to-mid single digits going forward.

## Table of Contents

As of March 2017, we have sold all but three Monster Energy NASCAR Cup race entitlements, all but two NASCAR Xfinity series entitlements, and all except one NASCAR Camping World Truck series entitlements. For fiscal 2017, we have agreements in place for approximately 89.0 percent of our gross marketing partnership revenue target. This is compared to fiscal 2016 at this time when we had approximately 92.0 percent of our gross marketing partnership revenue target sold and had entitlements for one Monster Energy NASCAR Cup and two NASCAR Xfinity entitlements either open or not announced. With a majority of our event entitlements secured, we can focus more resources on official status categories, which will better position us to meet our gross marketing partnership revenue target for fiscal 2017.

### Television Broadcast and Ancillary Media Rights

Domestic broadcast and ancillary media rights fees are ISC's largest revenue segment, accounting for approximately 49.2 percent of fiscal 2016 total revenues.

In August 2013, NASCAR finalized multi-platform broadcast rights agreements with NBCUniversal ("NBC") and FOX Broadcasting Company ("FOX") for 10 years, beginning in 2015 through the 2024 season, for the broadcast and related rights for NASCAR's three national touring series. Financial terms were not disclosed but leading industry sources estimate the combined agreements value at approximately \$8.2 billion over the 10 years. The agreements include Spanish-language rights and the rights to stream authenticated NASCAR content over the broadcasters' affiliated digital platforms. The streaming and/or video-on-demand rights are often referred to as 'TV Everywhere' rights in the broadcast industry. These rights are important to the broadcasters, who can monetize alternative digital delivery methods of NASCAR content, and address the shifting ways people consume live sports content.

FOX has exclusive rights to the first 16 Monster Energy NASCAR Cup Series point races beginning each year with the prestigious DAYTONA 500. In addition, FOX retains the rights to the NASCAR Cup Series All-Star Race, The Advance Auto Parts Clash (formerly the Sprint Unlimited), Can-Am Duel, 14 NASCAR Xfinity Series events and the entire NASCAR Camping World Truck Series. NBC has exclusive rights to the final 20 Monster Energy NASCAR Cup Series point's races including NASCAR's Playoffs, final 19 NASCAR Xfinity Series events, select NASCAR Regional & Touring Series events and other live content beginning in fiscal 2015. In fiscal 2017, NASCAR will have 17 Monster Energy NASCAR Cup races on network television, the same as fiscal 2016.

NASCAR's solid ratings, the strong demand for live sports programming and the proliferation of on-demand content were significant factors for NASCAR signing the largest broadcast rights deal in the sport's 69-year history.

In August 2013, FOX debuted its 24-hour Fox Sports 1 network to compete with ESPN. Fox Sports 1 is available in approximately 85 million television households. In addition to NASCAR, Fox Sports 1 has deals for Major League Baseball, college football and basketball, Ultimate Fighting Championship, Major League Soccer, United States Golf Association, as well as other sports. Fox Sports 1 represents the latest in the long migration of marquee sports from broadcast television to cable/satellite, who generally can support a higher investment due to subscriber fees that are not available to traditional networks. In 2016, Fox Sports 1 broadcast seven live NASCAR Cup events and eleven NASCAR Xfinity events. NASCAR events and content are consistently among the highest rated programming on Fox Sports 1.

In January 2, 2012, NBC Sports Network (NBCSN) was re-branded to align NBC owned sports channels with its NBC sports division, which consists of a unique array of sports assets, including NBC Sports, NBC Olympics, NBC Sports Network ("NBCSN"), Golf Channel, 10 NBC Sports Regional Networks, NBC Sports Radio and NBC Sports Digital (Sports Live Extra). NBCSN is available in approximately 84 million pay television homes. NBC Sports Group possesses an unparalleled collection of television rights agreements, and in addition to NASCAR partners with some of the most prestigious sports properties in the world including the International Olympic Committee and United States Olympic Committee, the NFL, NHL, PGA TOUR, The R&A, PGA of America, Churchill Downs, Premier League, Tour de France, French Open, Formula One, IndyCar and many more. In 2016, NBCSN broadcast twelve NASCAR Cup events and thirteen NASCAR Xfinity events, which represented some of the highest rated programming for NBCSN.

Specific events, such as the impact of inclement weather for events in the current and/or prior year, and from media competition faced from the 2016 Summer Olympics and the protracted 2016 Presidential campaign, impacts year over

year comparability of television ratings.

NASCAR continues to deliver strong audiences in a changing media consumption environment. Even as fans of all sporting events choose to consume content through digital and social media alternatives in addition to television viewing, NASCAR's live television draw is powerful. Monster Energy NASCAR Cup series events ranked as the number one or two sports broadcast of the weekend seventeen times during the 2016 season, averaging approximately 4.6 million viewers per broadcast and approximately 58.0 million total unique television viewers.

24

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## Table of Contents

Looking at the early part of the 2017 NASCAR season, the Daytona 500 proved once again why it is the premiere and most significant motorsports event in the world. The race coverage and consumption was massive in scale garnering a 6.6 rating with an average of 11.9 million viewers tuning in per minute, growing viewership approximately 5.0 percent year-over-year and ranking as the most viewed single sporting event since this year's Super Bowl. In addition to the overall viewership, the Daytona 500 delivered positive viewership gains across key demographics such as 16.0 percent audience increase in adults age 18 to 34. The race generated the largest millennial audience since 2013. Through the fourth NASCAR Monster Energy Series Cup event of the 2017 at Phoenix Raceway and excluding events impacted by rain in 2016 or 2017, year to date television viewership is down slightly by approximately 4.0 percent. The Phoenix event faced direct competition from the NCAA Men's College Basketball Tournament. Through the Phoenix event, marks the fourth consecutive week that NASCAR was the number one or two sport of that weekend on television averaging over 7 million viewers per week.

Domestic broadcast rights fees provide significant cash flow visibility to us, race teams and NASCAR over the contract term. Television broadcast rights fees received from NASCAR for the Monster Energy NASCAR Cup, Xfinity and Camping World Truck series events conducted at our wholly owned facilities under these agreements, and recorded as part of motorsports related revenue, were approximately \$60.3 million and \$62.5 million for the three months ended February 29, 2016 and February 28, 2017, respectively. Operating income generated by these media rights were approximately \$43.9 million and \$45.6 million for the three months ended February 29, 2016 and February 28, 2017, respectively.

As media rights revenues fluctuate so do the variable costs tied to the percentage of broadcast rights fees required to be paid to competitors as part of Monster Energy NASCAR Cup, Xfinity and Camping World Truck series sanction agreements. NASCAR event management fees ("NEM" or "NASCAR direct expenses") are outlined in the sanction agreement for each event and are negotiated in advance of an event. As previously discussed, included in these NASCAR direct expenses are amounts equal to 25.0 percent of the gross domestic television broadcast rights fees allocated to our Monster Energy NASCAR Cup, Xfinity and Camping World Truck series events, as part of NASCAR event management fees (See "Critical Accounting Policies and Estimates - Revenue Recognition"). The NASCAR event management fees are contracted from 2016 through 2020 under the five-year sanction agreements (see Sanctioning Bodies) and paid to NASCAR to contribute to the support and growth of the sport of NASCAR stock car racing through payments to the teams and sanction fees paid to NASCAR. As such, we do not expect these costs to materially decrease in the future as a percentage of admissions and motorsports related income.

### Digital Media Content

A 2016 digital media study conducted by Deloitte reported on the current dynamic media landscape transforming as a result of new technologies available and the evolving ways people choose to consume media content. A few of the study's key findings are as follows:

The study evaluated the key segments of the U.S. adult population for technology and consumption preferences.

Millennials, defined as adults born after 1983, now make up the largest single segment of generational consumers at approximately 33.0 percent of the adult population.

Across all generations, smart phones are the highest valued technology product device, far outweighing flat-screen TV's.

Nearly a quarter of the U.S. population own a streaming media device, and nearly half of U.S. consumers subscribe to a streaming video service.

Millennials spend approximately 50.0 percent of their time watching movies and TV shows on a device other than a television, with approximately 20.0 percent watching on mobile devices.

Checking social networks is a daily habit for more than half of all U.S. consumers, skewing much higher for younger demographics.

Social media has surpassed television as the most popular source of news for millennials.

Even though the environment is changing, content is still in high-demand regardless of how it is consumed. However, these statistics point to the importance of providing content through multiple, alternative channels as the importance of digital and social delivery methods continues to progress.

NASCAR's media strategy is focused on developing rich content and providing access through all of the potential ways people consume media, whether through traditional television viewership, dynamic web/mobile content, and/or through social-media channels. NASCAR continuously evaluates content consumption with balanced metrics that track all distribution channels measuring television, digital channels, and social media channel consumption. On the digital distribution front, NASCAR continually enhances NASCAR.com and NASCAR Mobile applications to strengthen the Industry's digital presence and drive enhanced fan engagement. Additionally, NASCAR continues to learn from

## Table of Contents

the Fan and Media Engagement Center, which is another powerful tool to better understand digital conversations and optimize engagement with the social community.

The Daytona 500 solidified the importance of digital and social channels as a means to consume and engage NASCAR. A few key digital/social performance highlights from that race are as follows:

• Digital sites generated approximately 2.5 million race day visits, up approximately 47.0 percent compared to last year.

• The newly redesigned Race Center was the leading product consumed, with more than 73 thousand visits per hour.

• For NASCAR mobile, usage increased approximately 27.0 percent over prior year.

• NASCAR Digital also saw an approximate 36.0 percent race day lift in traffic from Mexico, led by interest in young driver Daniel Suarez.

• On social channels, 2.2 million people engaged with content about the race making it the most socially engaging television program of that week, behind only the Oscars.

• Overall, there were 51.3 million race day social impressions.

Through the fourth event of the 2017 NASCAR season, NASCAR events have continued to deliver positive results with its digital products. Digital media delivered an average of approximately 2.5 million race day visits to NASCAR.com, NASCAR Mobile web and NASCAR Mobile applications.

We are encouraged by the growing reach and engagement that is a direct result of our Industry's strategic initiatives.

We expect these channels to continue to grow and believe the industry is well positioned to monetize these channels as our fans (mirroring society-at-large) consume more content in non-traditional ways.

Along with NASCAR, we closely monitor changes in the television and media landscape. As the media landscape continues to evolve we believe we are well positioned to navigate because of our long-term partnerships with industry leaders FOX and NBC, who own the rights to digital distribution of NASCAR content through our current broadcast agreement through 2024. Collectively we view the shifts in media consumption as positives for consumers and provides our sport the opportunity to develop and deliver compelling content in rich and diverse ways to interact with our fans. In addition, NASCAR continuously monitors the broadcast environment and seeks to maximize its return on content with our partners and for the industry stakeholders.

### Sanctioning Bodies

Our success has been, and is expected to remain, dependent on maintaining good working relationships with the organizations that sanction events at our facilities, particularly with NASCAR, whose sanctioned events at our wholly owned facilities accounted for approximately 89.1 percent of our revenues in fiscal 2016. NASCAR continues to entertain and discuss proposals from track operators regarding potential realignment of their portfolio of Monster Energy NASCAR Cup Series dates to more geographically diverse and potentially more desirable markets where there may be greater demand, resulting in an opportunity for increased revenues to the track operators. We believe that realignments have provided, and will continue to provide, incremental net positive revenue and earnings as well as further enhance the sport's exposure in highly desirable markets, which we believe benefits the sport's fans, teams, sponsors and television broadcast partners as well as promoters.

In October 2015, we entered into five year sanction agreements with NEM, an affiliate of NASCAR, for the promotion of the Company's inventory of Monster Energy NASCAR Cup, Xfinity and Camping World Truck Series events. In fiscal 2017, we will conduct 21 Monster Energy NASCAR Cup Series events, 14 NASCAR Xfinity Series events, and 9 NASCAR Camping World Truck Series events. Each Sanction Agreement is for a term of five years. Other than the term, the Sanction Agreements are substantially similar to those entered into in previous years. The Sanction Agreements contain annual increases of between 3.0 percent and 4.0 percent in media rights fees for each sanctioned event conducted, and provide a specific percentage of media rights fees to be paid to competitors. The Sanction Agreements also provide for annual increases in sanction fees and non-media rights related prize and point fund monies (to be paid to competitors) of approximately 4.0 percent annually over the term of the Sanction Agreements. NASCAR and NEM are controlled by members of the France Family Group which controls approximately 73.5 percent of the combined voting power of the outstanding stock of the Company, as of February 28, 2017, and some members of which serve as directors and officers of International Speedway Corporation. The Company strives to ensure, and management believes that, the terms of the Sanction Agreements are

no less favorable to the Company than could be obtained in arms-length negotiation. Collectively, the media rights fees, sanction fees and non-media prize and point fund fees that we pay are referred to as NASCAR Event Management fees.

26

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## Table of Contents

### Capital Improvements

Enhancing the live event experience for our guests is a key strategic pillar to drive future growth. We compete for the consumers' discretionary dollar with other entertainment options such as concerts and other major sporting events not just motorsports events. In addition, fans continue to demonstrate willingness to pay for more unique, immersive, and segmented experiences that cannot be duplicated at-home. Today's consumer wants improved traffic flow, comfortable and wider seating, clean and available restroom facilities, more points of sale, enhanced audio and visual engagement, social zones and greater connectivity. Providing these enhancements often requires capital reinvestment. We are confident that our focus on driving incremental earnings by improving the fan experience leads to increased ticket sales and better ticket pricing power, growth in sponsorship and hospitality sales, solidifying prospects for longer-term growth in broadcast media rights fees agreements, and greater potential to capture market share. We continue to be confident that by continuing to smartly reinvest to create memorable guest experiences, provide attractive pricing and fantastic racing, we will generate increased revenues and bottom-line results. This has most recently been evident in the success of our redevelopment of the frontstretch at Daytona International Speedway. While we focus on allocating our capital to generate returns in excess of our cost of capital, certain of our capital improvement investments may not provide immediate, directly traceable near term positive returns on invested capital but over the longer term will better enable us to effectively compete with other entertainment venues for consumer and corporate spending. See Capital Allocation in Liquidity and Capital Resources section of Management's Discussion and Analysis for a complete discussion of how capital improvements at existing facilities integrates into our overall capital allocation.

### Growth Strategies

Our growth strategies also include exploring ways to grow our businesses through acquisitions and external developments that offer attractive financial returns. This has been demonstrated through our joint venture to develop and operate a Hollywood-themed casino and branded entertainment destination facility overlooking turn two at Kansas Speedway ("Kansas") (see "Hollywood Casino at Kansas Speedway").

We expect for our 2017 fiscal year that our share of the pre-tax cash flow from the casino's operations will be approximately \$25.0 million to \$26.0 million.

Since June 2013, we have pursued development of ONE DAYTONA, a premier mixed use and entertainment destination across from the Daytona International Speedway. In fiscal 2016, we commenced vertical construction on portions of the property and continue our site work for additional vertical construction. We are targeting phase one completion in late fiscal 2017 (see "Liquidity and Capital Resources - ONE DAYTONA").

We remain interested in pursuing further ancillary developments at certain of our other motorsports facilities which enhance our core business, are market-driven, and provide a prudent return on investment.

### Postponement and/or Cancellation of Major Motorsports Events

We promote outdoor motorsports entertainment events. Weather conditions affect sales of, among other things, tickets, food, drinks and merchandise at these events. Poor weather conditions prior to an event, or even the forecast of poor weather conditions, could have a negative impact on us, particularly for walk-up ticket sales to events which are not sold out in advance. If an event scheduled for one of our facilities is delayed or postponed because of weather, we could incur increased expenses associated with conducting the rescheduled event, as well as possible decreased revenues from tickets, food, drinks and merchandise at the rescheduled event. Moreover, the forecast of poor weather conditions and/or the delay or postponement of an event due to weather conditions could have a negative impact on renewals for the following year. If such an event is canceled, we would incur the expenses associated with preparing to conduct the event as well as losing the revenues associated with the event.

If a canceled event is part of the Monster Energy NASCAR Cup, Xfinity or Camping World Truck series, in the year of cancellation we could experience a reduction in the amount of money we expect to receive from television revenues for all of our NASCAR-sanctioned events in the series that experienced the cancellation. This would occur if, as a result of the cancellation, and without regard to whether the canceled event was scheduled for one of our facilities, NASCAR experienced a reduction in television revenues greater than the amount scheduled to be paid to the promoter of the canceled event.

Acts of terrorism or violence at mass gatherings or sporting events, prospects of war, global economic uncertainty, or a widespread outbreak of a severe epidemiological crisis, resulting in public fears regarding attendance at sporting events or mass gatherings, could negatively impact attendance at our events. Any one of these items could increase our expenses related to insurance, security and other related matters. In addition, the delay, postponement or cancellation of major motorsports events could have an adverse impact on us such as increased expenses associated with conducting the rescheduled event, as well as

27

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Table of Contents

possible decreased revenues from tickets, food, drinks and merchandise at the rescheduled event. If such an event is canceled, we would incur the expenses associated with preparing to conduct the event as well as losing the revenues, including any live broadcast revenues, associated with the event.

**Seasonality and Quarterly Results**

We derive most of our income from a limited number of NASCAR-sanctioned races. As a result, our business has been, and is expected to remain, highly seasonal based on the timing of major racing events. Future schedule changes as determined by NASCAR or other sanctioning bodies, as well as the acquisition of additional, or divestiture of existing, motorsports entertainment facilities could impact the timing of our major events in comparison to prior or future periods. Because of the seasonal concentration of racing events, the results of operations for the three month periods ended February 29, 2016 and February 28, 2017, are not indicative of the results to be expected for the year.

**GAAP to Non-GAAP Reconciliation**

The following discussion and analysis of our financial condition and results of operations is presented below using other than U.S. generally accepted accounting principles ("non-GAAP") and includes certain non-GAAP financial measures as identified in the reconciliation below. The non-GAAP financial measures disclosed herein do not have standard meaning and may vary from the non-GAAP financial measures used by other companies or how we may calculate those measures in other instances from time to time. Non-GAAP financial measures, such as EBITDA, which we interpret to be calculated as GAAP operating income, plus depreciation, amortization and other non-cash gain or losses, should not be considered a substitute for, or superior to, measures of financial performance prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). Also, our "core" financial measures should not be construed as an inference by us that our future results will be unaffected by those items, which are excluded from our "core" financial measures.

We believe such non-GAAP information is useful and meaningful, and is used by investors to assess the performance of our core operations, which primarily consists of the ongoing promotions of racing events at our major motorsports entertainment facilities. Such non-GAAP information separately identifies, displays, and adjusts for items that are not considered to be reflective of our continuing core operations at our motorsports entertainment facilities. We believe that such non-GAAP information improves the comparability of the operating results and provides a better understanding of the performance of our core operations for the periods presented.

We use this non-GAAP information to analyze the current performance and trends and make decisions regarding future ongoing operations. This non-GAAP financial information may not be comparable to similarly titled measures used by other entities and should not be considered as an alternative to operating income, net income or diluted earnings per share, which are determined in accordance with GAAP. The presentation of this non-GAAP financial information is not intended to be considered independent of or as a substitute for results prepared in accordance with GAAP. Management uses both GAAP and non-GAAP information in evaluating and operating the business and as such deemed it important to provide such information to investors.

The following financial information is reconciled to comparable information presented using GAAP. Non-GAAP net income and diluted earnings per share below are derived by adjusting amounts determined in accordance with GAAP for certain items presented in the accompanying selected operating statement data.

The adjustments for fiscal 2016 relate to non-recurring, pre-opening costs incurred associated with DAYTONA Rising, losses associated with the retirements of certain other long-lived assets related to capacity management initiatives (related to the removal of grandstands at Richmond) and items in connection with DAYTONA Rising, capitalized interest related to the DAYTONA Rising and ONE DAYTONA projects, and the net gain on sale of certain assets (predominately associated with the sale of trailers in association with the transition of merchandise operations).

The adjustments for fiscal 2017 relate to non-recurring costs incurred associated with Phoenix Redevelopment project, accelerated depreciation (predominately associated with the Phoenix Redevelopment project), and capitalized interest related to the ONE DAYTONA and Phoenix Redevelopment projects.





Table of Contents

Amounts are in thousands, except per share data, which is shown net of income taxes, (unaudited):

	Three Months Ended February 29, 2016			
	Income Before Taxes	Income Tax Effect	Net Income	Earnings Per Share
GAAP	\$32,141	\$12,310	\$19,831	\$ 0.43
Adjustments:				
DAYTONA Rising project	787	305	482	0.01
Losses on retirements of long-lived assets	920	355	565	0.01
Capitalized interest	(627)	(242)	(385)	(0.01)
Net gain on sale of certain assets	(64)	(25)	(39)	0.00
Non-GAAP	\$33,157	\$12,703	\$20,454	\$ 0.44
	Three Months Ended February 28, 2017			
	Income Before Taxes	Income Tax Effect	Net Income	Earnings Per Share
GAAP	\$34,322	\$13,049	\$21,273	\$ 0.47
Adjustments:				
Phoenix Redevelopment project	158	60	98	0.00
Accelerated depreciation	646	247	399	0.01
Capitalized interest	(629)	(240)	(389)	(0.01)
Non-GAAP	\$34,497	\$13,116	\$21,381	\$ 0.47

Table of Contents

Comparison of the Results for the Three Months Ended February 28, 2017 to the Results for the Three Months Ended February 29, 2016.

The following table sets forth, for each of the indicated periods, certain selected statement of operations data as a percentage of total revenues:

	Three Months Ended			
	February 29,		February 28,	
	2016		2017	
	(Unaudited)			
<b>REVENUES:</b>				
Admissions, net	22.4	%	21.2	%
Motorsports and other event related	69.2		70.0	
Food, beverage and merchandise	5.8		6.1	
Other	2.6		2.7	
Total revenues	100.0		100.0	
<b>EXPENSES:</b>				
Direct:				
NASCAR event management fees	19.7		19.6	
Motorsports and other event related	17.4		17.6	
Food, beverage and merchandise	4.4		4.2	
Other operating expenses	0.1		0.1	
General and administrative	18.3		17.8	
Depreciation and amortization	17.6		17.9	
Losses on asset retirements	0.6		—	
Total expenses	78.1		77.2	
Operating income	21.9		22.8	
Interest income	0.0		0.1	
Interest expense	(2.2	)	(2.2	)
Equity in net income from equity investments	2.8		2.5	
Other	0.0		—	
Income before income taxes	22.5		23.2	
Income taxes	8.6		8.8	
Net income	13.9	%	14.4	%

Comparability of results for the three months ended February 28, 2017 to the same periods in fiscal 2016 was impacted by the following:

In the first quarter of fiscal 2017, we hosted the Ferrari World Finals at Daytona International Speedway ("Daytona"), for which there was no comparable event in fiscal 2016;

During the three months ended February 28, 2017, we recognized approximately \$0.2 million, or less than \$0.01 per diluted share, in non-recurring, pre-opening costs that are included in general and administrative expense related to the Phoenix Redevelopment project. During the three months ended February 29, 2016, we recognized approximately \$0.8 million, or \$0.01 per diluted share, in non-recurring, pre-opening costs that are included in general and administrative expense related to DAYTONA Rising;

During the three months ended February 28, 2017, we recognized approximately \$0.6 million, or \$0.01 per diluted share, of accelerated depreciation due to shortening the service lives of certain assets associated with the Phoenix Redevelopment project. There were no similar costs during the three months ended February 29, 2016;

During the three months ended February 28, 2017, we recognized a de Minimis loss primarily attributable to demolition and/or asset relocation costs in connection with facility capital improvements. During the three months ended February 29, 2016, we recognized approximately \$0.9 million, or \$0.01 per diluted share, respectively, of similar losses associated in connection with capacity management initiatives at Richmond International Raceway

("Richmond") and facility capital improvements; and

30

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Table of Contents

During the three months ended February 28, 2017, we capitalized approximately \$0.6 million, or \$0.01 per diluted share, of interest, of which \$0.5 million, or less than \$0.01 per diluted share, related to ONE DAYTONA and approximately \$0.1 million, or less than \$0.01 per diluted share, of interest related to the Phoenix Redevelopment. During the three months ended February 29, 2016, we capitalized approximately \$0.6 million, or \$0.01 per diluted share, of interest related to DAYTONA Rising.

Admissions revenue decreased by approximately \$0.5 million, or 1.6 percent, during the three months ended February 28, 2017, as compared to the same period of the prior year. The decrease in the current three month period is primarily driven by lower attendance and admissions for supporting events held during Daytona Speedweeks. Partially offsetting this decrease were increased admissions revenue for the Daytona 500 and the aforementioned Ferrari World Finals.

Motorsports and other event related revenue increased approximately \$4.8 million, or 4.9 percent, during the three months ended February 28, 2017, as compared to the same period of the prior year. The increase in the current three month period is substantially due to increases in television broadcast revenue of approximately \$2.2 million, increases in sponsorship and hospitality revenues of approximately \$1.0 million for Speedweeks events held at Daytona, and increases in track rentals of approximately \$1.0 million. Also contributing to the three month period increase were sponsorship revenues of approximately \$0.4 million related to the aforementioned Ferrari World Finals.

Food, beverage and merchandise revenue increased approximately \$0.8 million, or 9.9 percent, during the three months ended February 28, 2017, as compared to the same period of the prior year. The current period increase is substantially due to increased catering revenues of approximately \$1.1 million, predominately from the aforementioned Ferrari World Finals. Partially offsetting the increase were lower concession sales and merchandise rights revenues of approximately \$0.3 million during the three months ended February 28, 2017.

NASCAR event management ("NEM") fees increased \$0.9 million, or 3.2 percent, for the three months ended February 28, 2017, as compared to the same period of the prior year. The increase in contracted NEM fees during the current three month period includes approximately \$0.6 million attributable to the increase in television broadcast rights fees.

Motorsports related expenses increased approximately \$1.2 million, or 4.7 percent, for the three months ended February 28, 2017, as compared to the same period of the prior year. The increase in the current three month period primarily relates to increased costs of approximately \$0.7 million related to track rentals, increased purchased services of approximately \$0.4 million related to Speedweeks events held at Daytona, and approximately \$0.3 million of labor and purchased services related to the aforementioned Ferrari World Finals. Motorsports related expenses as a percentage of combined admissions and motorsports related revenue remained fairly consistent for the three months ended February 28, 2017 at approximately 19.3 percent, as compared to the same period in the prior year.

Food, beverage and merchandise expense decreased approximately \$0.2 million, or 3.5 percent, during the three months ended February 28, 2017, as compared to the same period of the prior year. The decrease is primarily due to approximately \$0.9 million related to efficiencies created in catering and concessions as a result of the DAYTONA Rising project during Speedweeks events held at Daytona, as compared to the same period in the prior year. Partially offsetting this decrease were increases in catering and concessions of approximately \$0.6 million related to the aforementioned Ferrari World Finals.

Food, beverage and merchandise expense as a percentage of food, beverage and merchandise revenue decreased to approximately 65.9 percent for the three months ended February 28, 2017, compared to approximately 75.1 percent for the same period in the prior year. The improvement in margin is a result of the aforementioned operating efficiencies and lower cost of sales in concessions and catering.

General and administrative expenses increased approximately \$0.2 million, or 0.8 percent, during the three months ended February 28, 2017, as compared to the same period of the prior year. The increase in the three month period ending February 28, 2017 is primarily due to approximately \$0.8 million in certain administrative costs, maintenance and purchased services. Also contributing to the increase were approximately \$0.2 million in costs related to the Phoenix Redevelopment project for which there were no comparable costs in the same period of the prior year.

Partially offsetting the increase were approximately \$0.8 million of costs associated with the opening of the world's first motorsports stadium at Daytona in fiscal 2016, for which there were no comparable costs in the current period. General and administrative expenses as a percentage of total revenues decreased slightly for the three months ended February 28, 2017, to 17.8 percent from 18.3 percent for the same respective period in the prior year. The slight margin increase for the three months ended February 28, 2017 is predominately due to higher total revenues in fiscal 2017.

Depreciation and amortization expense increased approximately \$1.5 million, or 5.8 percent, during the three months ended February 28, 2017, as compared to the same period of the prior year. For the three months ended February 28, 2017, approximately \$0.7 million, of the increase relates to full-year impact of assets placed in service in 2016 associated with DAYTONA Rising and approximately \$0.3 million relating to new assets placed in service associated with ONE DAYTONA

Table of Contents

and other owned facilities. Also contributing to the increase is approximately \$0.6 million of accelerated depreciation relating to the new Phoenix Redevelopment. Partially offsetting the increase for the three months ended February 28, 2017, is approximately \$0.1 million related to assets that have been fully depreciated, or removed from service, as compared to the same respective periods in the prior year.

Losses on retirements of long-lived assets decreased approximately \$0.9 million, or 96.7 percent for the three months ended February 28, 2017, as compared to the same period of the prior year. The decrease is primarily due to fiscal 2016 costs of approximately \$0.7 million in connection with capacity management initiatives at Richmond and approximately \$0.2 million in connection with other facility capital improvements, for which there were no comparable events in the same respective period of fiscal 2017.

Interest income during the three months ended February 28, 2017 was comparable to the same period of the prior year. Interest expense during the three months ended February 28, 2017, increased approximately \$0.2 million, or 5.3 percent, as compared to the same period of the prior year. The increase is predominately due to higher capitalized interest for the three month period in 2016 related to assets placed in service associated with DAYTONA Rising, of approximately \$0.6 million, and certain other projects where assets were placed in service, of approximately \$0.2 million. Partially offsetting the increase were higher capitalized interest for the three month period in 2017 of approximately \$0.5 million and \$0.1 million, related to ONE DAYTONA and the Phoenix Redevelopment, respectively.

Equity in net income from equity investments substantially represents our 50.0 percent equity investment in Hollywood Casino at Kansas Speedway during the three months ended February 28, 2017 and February 29, 2016, respectively (see "Equity and Other Investments").

Our effective income tax rate was approximately 38.0 percent for the three months ended February 28, 2017, as compared to 38.3 percent for the same period of the prior year (see "Income Taxes").

As a result of the foregoing, net income for the three month period ending February 28, 2017, as compared to the same period in prior year, reflected an increase of approximately \$1.4 million, or \$0.04 per diluted share, respectively.

#### Liquidity and Capital Resources

##### General

We have historically generated sufficient cash flow from operations to fund our working capital needs, capital expenditures at existing facilities, and return of capital through payments of an annual cash dividend and repurchase of our shares under our Stock Purchase Plan. In addition, we have used the proceeds from offerings of our Class A Common Stock, the net proceeds from the issuance of long-term debt, borrowings under our credit facilities and state and local mechanisms to fund acquisitions and development projects. The following table sets forth, for each of the indicated periods, certain selected financial information (in thousands):

	November	February
	30, 2016	28, 2017
	(Unaudited)	
Cash and cash equivalents	\$263,727	\$278,658
Working capital	217,802	240,976
Total debt	262,820	262,698

At February 28, 2017, our working capital was primarily supported by our cash and cash equivalents totaling approximately \$278.7 million, an increase of approximately \$14.9 million from November 30, 2016.

Table of Contents

Significant cash flow items during the three months ended February 29, 2016 and February 28, 2017, respectively, are as follows (in thousands):

	February 29, 2016	February 28, 2017
	(Unaudited)	
Net cash provided by operating activities <sup>(1)</sup>	\$90,270	\$ 39,473
Capital expenditures <sup>(2)</sup>	(54,589 )	(21,592 )
Distribution from equity investee <sup>(3)</sup>	4,500	4,250
Reacquisition of previously issued common stock <sup>(4)</sup>	(6,221 )	(3,014 )

(1) The decrease in net cash provided by operating activities, during the three months ended February 28, 2017, as compared to the same period in the prior year, is driven primarily by a Federal income tax refund received in February 2016

(2) Capital expenditures are predominately due to DAYTONA Rising and ONE DAYTONA, for fiscal 2016 and 2017 periods, respectively (see "Capital Expenditures")

(3) Distributions from equity investee, consists of amounts received as distribution from their profits, included in net cash provided by operating activities, and returns of capital, included in net cash used from investing activities, as detailed in our statement of cash flows

(4) Amounts relate to reacquisition of previously issued common stock (see "Item 2. Unregistered Sales of Equity Securities and Use of Proceeds")

Our liquidity is primarily generated from our ongoing motorsports operations and, to a lesser extent, our equity investment in Kansas Entertainment. We expect our strong operating cash flow to continue in the future. In addition, as of February 28, 2017, we have approximately \$294.0 million available to draw upon under our 2016 Credit Facility, if needed. See "Future Liquidity" for additional disclosures relating certain risks that may affect our near term operating results and liquidity.

Allocation of capital is driven by our long-term strategic planning and initiatives that encompass our mission, vision and values. Our primary uses of capital are to maintain modest debt levels that are consistent with our current investment grade debt rating from Standard and Poor's. We will invest in our facilities to improve the guest experience and we will make investments in strategic projects that complement our core business and provide value for our shareholders, all of which is balanced with returning capital to our shareholders through share repurchases and dividends.

#### Capital Allocation

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, and return of capital through payments of an annual cash dividend and repurchase of our shares under our Stock Purchase Plan. In addition, we have used the proceeds from offerings of our Class A Common Stock, the net proceeds from the issuance of long-term debt, borrowings under our credit facilities and state and local mechanisms to fund acquisitions and development projects. We operate under a five-year capital allocation plan adopted by the Board of Directors, covering fiscal years 2017 through 2021. Components of this plan include:

Capital expenditures for existing facilities up to \$500.0 million from fiscal 2017 through fiscal 2021. This allocation will fund a reinvestment at Phoenix, the first phase of redevelopment at Richmond, as well as all other maintenance and guest experience capital expenditures for the remaining existing facilities. In 2017 we began the redevelopment of Phoenix (see "Phoenix Redevelopment") with completion targeted in late 2018, therefore, we expect spending to be somewhat front-loaded. While many components of these expected projects will exceed weighted average cost of capital, considerable maintenance capital expenditures, approximately \$40.0 million to \$60.0 million annually, will likely result in a blended return of this invested capital in the mid-single digits;

In addition to the aforementioned \$500.0 million in capital expenditures for existing facilities, we expect we will have an additional \$95.0 million of capital expenditures related to phase one of ONE DAYTONA. Construction for ONE DAYTONA commenced in fiscal 2016. Approximately \$22.0 million of capital expenditures was spent as of

November 30, 2016. The remaining approximate \$73.0 million of capital expenditures for ONE DAYTONA will be spent in fiscal years 2017 and 2018. We expect this investment to exceed our weighted average cost of capital (see "ONE DAYTONA");

Return of capital to shareholders through dividends and share repurchases is a significant pillar of our capital allocation. In fiscal 2016 we increased our dividend approximately 58.0 percent to \$0.41 per share. We expect dividends to increase in 2017 and beyond, by approximately four to five percent annually. For the three months ended February 28, 2017, we repurchased approximately 80,900 shares of ISCA on the open market at a weighted average



## Table of Contents

share price of \$37.23 for a total of approximately \$3.0 million. At February 28, 2017, we had approximately \$203.6 million remaining repurchase authority under the current \$530.0 million Stock Purchase Plan; and

For 2017 through 2021 we expect our return of capital program to be approximately \$280.0 million, comprised of close to \$100.0 million in total annual dividends and the balance being open market repurchase of ISCA shares over the five year period. At this time we expect this spending to be evenly allocated per year, although we will scale the repurchase program to buy opportunistically.

We will continue to explore development and/or acquisition opportunities beyond the initiatives discussed above that build shareholder value and exceed our weighted average cost of capital. Should additional development and/or acquisitions be pursued, we will provide discrete information on timing, scope, cost and expected returns of such opportunities.

The aforementioned represents certain components of our capital allocation plan for fiscal 2017 and beyond. This capital allocation plan is reviewed annually, or more frequently, and can be revised, if necessary, based on changes in business conditions.

### Capital Expenditures

As discussed in "Future Trends in Operating Results," an important strategy for our future growth will come from investing in our major motorsports facilities to enhance the live event experience and better enable us to effectively compete with other entertainment venues for consumer and corporate spending.

Capital expenditures for projects, including those related to ONE DAYTONA, were approximately \$21.6 million for the three months ended February 28, 2017. In comparison, the Company spent approximately \$54.6 million on capital expenditures for projects for the same period in fiscal 2016, primarily related to DAYTONA Rising. For fiscal 2017, we expect capital expenditures associated with the aforementioned capital allocation plan to range between approximately \$100.0 million and \$115.0 million for existing facilities, including the Phoenix Redevelopment project, and an additional \$50.0 million to \$60.0 million in capital expenditures related to construction for ONE DAYTONA. We review the capital expenditure program periodically and modify it as required to meet current business needs.

### Future Liquidity

#### General

As discussed in "Future Trends in Operating Results," we compete for discretionary spending and leisure time with many other entertainment alternatives and are subject to factors that generally affect the recreation, leisure and sports industry, including general economic conditions. Our operations are also sensitive to factors that affect corporate budgets. Such factors include, but are not limited to, general economic conditions, employment levels, business conditions, interest and taxation rates, relative commodity prices, and changes in consumer tastes and spending habits. These factors may negatively impact year-over-year comparability for our revenue categories for the full year, with the exception of domestic broadcast media rights fees.

Our cash flow from operations consists primarily of ticket, hospitality, merchandise, catering and concession sales and contracted revenues arising from television broadcast rights and marketing partnerships. We believe that cash flows from operations, along with existing cash, cash equivalents and available borrowings under our credit facility, will be sufficient to fund:

- operations of our major motorsports facilities for the foreseeable future;
- ONE DAYTONA (see "ONE DAYTONA");
- the previously discussed capital allocation plans for our existing facilities;
- payments required in connection with the funding of the Unified Government's debt service requirements related to the TIF bonds;
- payments related to our other existing debt service commitments;
- contributions in connection with any future expansion of the Hollywood Casino at Kansas Speedway; and
- our annual dividend and share repurchases under our Stock Purchase Plan.

We remain interested in pursuing acquisition and/or development opportunities that would increase shareholder value, of which the timing, size, success and associated potential capital commitments, are unknown at this time.

Accordingly, a material acceleration of our growth strategy could require us to obtain additional capital through debt

and/or equity financings. Although there can be no assurance, we believe that adequate debt and equity financing will be available on satisfactory terms.

While we expect our strong cash flows to continue in the future, our financial results depend significantly on a number of factors. In addition to local, national, and global economic and financial market conditions, consumer and corporate spending could be adversely affected by security and other lifestyle conditions resulting in lower than expected future cash flows. See

Table of Contents

"Future Trends in Operating Results - Postponement and/or Cancellation of Major Motorsports Events" for further discussion of items that could have a singular or compounded material adverse effect on our financial success and future cash flow.

**ONE DAYTONA**

Since June 2013, we have pursued development of ONE DAYTONA, a premier mixed use and entertainment destination across from the Daytona International Speedway.

We have crafted a strategy that will create synergy with the Speedway, enhance customer and partner experiences, monetize real estate on International Speedway Blvd and leverage our real estate on a year-round basis.

We have approved land use entitlements for ONE DAYTONA to allow for up to 1.4 million square feet of retail/dining/entertainment, a 2,500-seat movie theater, 660 hotel rooms, 1,350 residential units, 567,000 square feet of additional office space and 500,000 square feet of commercial/industrial space.

A Community Development District ("CDD") has been established for the purpose of installing and maintaining public infrastructure at ONE DAYTONA. The CDD is a local, special purpose government framework authorized by Chapter 190 of the Florida Statutes for managing and financing infrastructure to support community development. The CDD has negotiated agreements with the City of Daytona Beach and Volusia County for a total of \$40.0 million in incentives to finance a portion of the estimated \$53.0 million in infrastructure required to move forward with the ONE DAYTONA project.

In March 2015, we announced Legacy Development, a leading national development group, as development consultant for ONE DAYTONA. Intensely focused on innovative destination retail and mixed-use projects, Legacy Development is working closely with ISC's development staff on the project. The Legacy Development team is a natural fit for the project, having served as the developer for Legends Outlets Kansas City, a mixed-use retail destination across from our Kansas Speedway.

We have completed the design for the first phase of ONE DAYTONA. This first phase will be comprised of three components: retail, dining and entertainment ("RD&E"); hotels; and residential.

The RD&E component of phase one will be owned and managed 100.0 percent by us. The expected total square footage for the RD&E first phase is approximately 300,000 square feet. We expect to spend approximately \$95.0 million in fiscal 2016 through 2018 on the RD&E component of ONE DAYTONA's first phase. Other sources of funds will include the public incentives discussed above and land to be contributed to the project. In September 2016, we announced VCC had been selected as general contractor to oversee construction of the RD&E component of phase one including Victory Circle and the parking garage. VCC has an outstanding national reputation for quality and a proven track record leading and managing the development and construction of some of the country's most engaging mixed-use developments.

Bass Pro Shops®, America's most popular outdoor store, and Cobb Theatres, the highly respected Southeastern-based exhibitor, are anchor tenants of ONE DAYTONA. Lease agreements have also been executed with other tenants including P.F. Chang's, Hy's Toggery, Kilwins Confections, Guitar Center, Tervis, IT'SUGAR, Jeremiah's Italian Ice, Venetian Nail Spa, Sunglass World, Oklahoma Joe's BBQ, Rock Bottom Restaurant & Brewery, MidiCi: The Neapolitan Pizza Company, Lindbergh, Designers Market, and GameTime. Leasing remains strong and we are exceeding our leasing goals for the project.

Shaner Hotels and Prime Hospitality Group ("PHG") have been selected as hotel partners. They have executed a franchise agreement with Marriott International for an exclusive 145-room full service Autograph Collection hotel at ONE DAYTONA that will be known as The DAYTONA. They are also building a 105-room select-service Fairfield Inn & Suites by Marriott that is currently under vertical construction. As part of the partnership agreement, our portion of equity will be limited to our land contribution and we will share proportionately in the profits from the joint venture.

Prime Group has been selected as the partner for ONE DAYTONA's residential development. Following an extensive request for proposal process, ONE DAYTONA chose the Florida developer based on their command of market demographics, development experience and expert property management systems. Prime Group is proceeding with the development in ONE DAYTONA for approximately 276 luxury apartment rental units that will add critical mass to

the overall ONE DAYTONA campus. Similar to the hotel partnership, our portion of equity will be limited to our land contribution and we will share proportionately in the profits from the joint venture.

Cobb Daytona Luxury Theatres opened in December 2016, Bass Pro Shops opened in February 2017, and the Fairfield Inn & Suites is planning an opening later in fiscal 2017. We are targeting substantial completion of phase one in late fiscal 2017. At stabilization we expect this first phase of ONE DAYTONA to deliver annual revenue and EBITDA of approximately \$12.0

Table of Contents

million and approximately \$9.0 million, respectively, and deliver an unlevered return above our weighted average cost of capital. We expect to add leverage to ONE DAYTONA's phase one post-stabilization.

Total capital expenditures for ONE DAYTONA, excluding capitalized interest and net of public incentives, are expected to be approximately \$95.0 million. From inception, through February 28, 2017, capital expenditures totaled approximately \$38.2 million, exclusive of capitalized interest and labor. At this time, there is no project specific financing in place for ONE DAYTONA. Ultimately, we expect to secure financing for the project upon stabilization. However, accounting rules dictate that we capitalize a portion of the interest on existing outstanding debt during the construction period. Through February 28, 2017, we recorded approximately \$2.1 million of capitalized interest related to ONE DAYTONA, since inception, and expect approximately \$3.5 million to \$4.0 million to be recorded by completion of construction.

Any future phases will be subject to prudent business considerations for which we will provide discrete cost and return disclosures.

**Phoenix Redevelopment**

On November 30, 2016, we announced our Board of Directors had approved a multi-year redevelopment project to elevate the fan and spectator experience at Phoenix, the company's 52-year-old motorsports venue. The redevelopment is expected to focus on new and upgraded seating areas, vertical transportation options, new concourses, enhanced hospitality offerings and an intimate infield experience with greater accessibility to pre-race activities.

The redevelopment of Phoenix is included in our aforementioned \$500.0 million capital allocation plan covering fiscal years 2017 through 2021. The redevelopment project at Phoenix is expected to cost approximately \$178.0 million, including maintenance capital, before capitalized interest. Okland Construction ("Okland") has been selected as general contractor of the project. Effective November 30, 2016, Phoenix entered into a Design-Build Agreement with Okland. The Design-Build Agreement obligates Phoenix to pay Okland approximately \$136.0 million for the completion of the work described in the Design-Build Agreement. This amount is a guaranteed maximum price to be paid for the work, which may not change absent a requested change in the scope of work by Phoenix.

Based on the Company's current plans for Phoenix, it has identified existing assets that are expected to be impacted by the redevelopment and will require accelerated depreciation, or losses on asset retirements, totaling approximately \$3.4 million in non-cash charges over the approximate 22-month project time span. Upon completion, the redevelopment is expected to provide a full fiscal year incremental lift in Phoenix's EBITDA of approximately \$8.5 million to \$9.0 million. Construction commenced in early fiscal 2017 and is expected to be completed in fall of fiscal 2018. We expect to deliver full year incremental financial lift in fiscal 2019 and sustained thereafter.

Despite the Company not anticipating the need for additional long-term debt to fund this project, accounting rules dictate that the Company capitalize a portion of the interest on existing outstanding debt during the construction period. The Company estimates it will record approximately \$7.5 million to \$8.0 million of capitalized interest from fiscal 2017 through fiscal 2018.

For fiscal 2017, we expect capital expenditures related to the redevelopment of Phoenix to total approximately \$75.0 million to \$80.0 million and capitalized interest of approximately \$2.2 million. As of February 28, 2017, we have incurred capital expenditures related to the redevelopment of Phoenix, exclusive of capitalized interest and labor, of approximately \$11.9 million. Through February 28, 2017, we recorded approximately \$0.1 million of capitalized interest related to the redevelopment of Phoenix.

**Speedway Developments**

In light of NASCAR's publicly announced position regarding additional potential realignment of the Monster Energy NASCAR Cup Series schedule, we believe there are still potential development opportunities for public/private partnerships in new, underserved markets across the country that would create value for our shareholders. However, we are not currently pursuing any new speedway development opportunities.

**Inflation**

We do not believe that inflation has had a material impact on our operating costs and earnings.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

For quantitative and qualitative disclosures about market risk, see Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," of our annual report on Form 10-K for the year ended November 30, 2016. During the three months ended February 28, 2017, there have been no material changes in our market risk exposures.

#### ITEM 4. CONTROLS AND PROCEDURES

Under the supervision of and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures as of February 28, 2017. Based on that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of February 28, 2017.

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13a-15 or 15d-15 that occurred during our first quarter of fiscal 2017, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

#### PART II — OTHER INFORMATION

Table of Contents

## ITEM 1. LEGAL PROCEEDINGS

From time to time, we are a party to routine litigation incidental to our business. We do not believe that the resolution of any or all of such litigation will have a material adverse effect on our financial condition or results of operations.

## ITEM 1A. RISK FACTORS

This report and the documents incorporated by reference may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. You can identify a forward-looking statement by our use of the words “anticipate,” “estimate,” “expect,” “may,” “believe,” “objective,” “projection,” “forecast,” “goal,” and similar expressions. These forward-looking statements include our statements regarding the timing of future events, our anticipated future operations and our anticipated future financial position and cash requirements. Although we believe that the expectations reflected in our forward-looking statements are reasonable, we do not know whether our expectations will prove correct. We previously disclosed in response to Item 1A to Part I of our report on Form 10-K for the fiscal year ended November 30, 2016 the important factors that could cause our actual results to differ from our expectations. There have been no material changes to those risk factors.

## ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number of shares (or approximate dollar value of shares) that may yet be purchased under the plans or programs (in thousands)
December 1, 2016— December 31, 2016				
Repurchase program (1)	—	\$ —	—	\$ 206,604
January 1, 2017 — January 31, 2017				
Repurchase program (1)	—	—	—	\$ 206,604
February 1, 2017 — February 28, 2017				
Repurchase program (1)	80,900	\$ 37.23	80,900	\$ 203,591
	80,900		80,900	

We have a share repurchase program (“Stock Purchase Plan”) under which we are authorized to purchase up to \$530.0 million of our outstanding Class A common shares. The timing and amount of any shares repurchased under the Stock Purchase Plan will depend on a variety of factors, including price, corporate and regulatory requirements, capital availability and other market conditions. The Stock Purchase Plan may be suspended or discontinued at any time without prior notice. No shares have been or will be knowingly purchased from Company insiders or their affiliates.

(1) Since inception of the Plan through February 28, 2017, we have purchased 8,802,973 shares of our Class A common shares, for a total of approximately \$326.4 million. We purchased 80,900 shares of our Class A common shares during the three month period ended February 28, 2017, at an average cost of approximately \$37.23 per share (including commissions), for a total of approximately \$3.0 million. These transactions occurred in open market purchases and pursuant to a trading plan under Rule 10b5-1. At February 28, 2017, we had approximately \$203.6 million remaining repurchase authority under the current Stock Purchase Plan.

## ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

## ITEM 4. MINE SAFETY DISCLOSURES

None

ITEM 5. OTHER INFORMATION

None

37

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Table of Contents

ITEM 6. EXHIBITS

Exhibit Number	Description of Exhibit
3.1	Articles of Amendment of the Restated and Amended Articles of Incorporation of the Company, as filed with the Florida Department of State on July 26, 1999 (incorporated by reference from exhibit 3.1 of the Company's Report on Form 8-K dated July 26, 1999)
3.2	Conformed copy of Amended and Restated Articles of Incorporation of the Company, as amended as of July 26, 1999 (incorporated by reference from exhibit 3.2 of the Company's Report on Form 8-K dated July 26, 1999)
3.3	Conformed copy of Amended and Restated By-Laws of the Company, as amended as of April 9, 2003. (incorporated by reference from exhibit 3.3 of the Company's Report on Form 10-Q dated April 10, 2003)
31.1	Rule 13a-14(a) / 15d-14(a) Certification of Chief Executive Officer — filed herewith
31.2	Rule 13a-14(a) / 15d-14(a) Certification of Chief Financial Officer — filed herewith
32	Section 1350 Certification — filed herewith
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

Table of Contents

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

INTERNATIONAL SPEEDWAY CORPORATION  
(Registrant)

Date: April 4, 2017 /s/ Gregory S. Motto  
Gregory S. Motto  
Chief Financial Officer