Declining Field Size: Global Issue

Jennifer Owen,
Aspire Wealth Management
UK Field Sizes in Crisis

UK Announces major changes to 2015 Season in response to field size declines

“small-field races have become arguably the biggest challenge facing British Racing in recent years. Not only are they unattractive to punters and customers but they also reflect badly on British Racing when compared with other major jurisdictions, at a time when Racing is becoming an increasingly international sport”.

Paul Bittar, CEO, BHA, October 2014
The US Feels the Pain as well

US Perspective

“All of us realize as declining foal crops affect field size, decreasing field size in turn negatively impacts handle. Racing secretaries strive to achieve maximum field size in every race they card. They want to offer “playable” races. Small fields are unattractive to horse players. Every day racing secretaries walk that fine line of field size versus the need to run certain races that may always produce small fields, but are required to sustain the racing program”.

Martin Panza, VP Racing Operations, NYRA, August 2014
Betting Turnover by Nation - 2013

Source: International Federation of Horse Racing Associations
Turnover Trends Mixed

Some Racing Nations have experienced very strong turnover growth, in particular Hong Kong, which is up 150% in HD$ over 2006 levels.

France and Australia have risen c.20% each in the same period.

Great Britain has staged a recovery in recent past, but Japan and US Racing Turnover is in continual decline.

Turnover per Race: Changes since 2006

Source: International Federation of Horse Racing Associations

Jennifer Owen, Aspire Wealth Management
Field Size Trends

Small and falling fields do appear to be correlated with declining Betting Turnover.

Hong Kong has the highest average field size of the major nations, and has seen spectacular Turnover growth over the period from 2006.

The USA and Great Britain have the smallest average field sizes, and the numbers are in steady decline. The turnover in GB has stalled and in USA, fallen dramatically.

Source: International Federation of Horse Racing Associations
Field Sizes and Turnover

Field Sizes (2013) and Turnover and Field Size Changes (2006-2013)

- USA: -7.9
- Great Britain: 9.0
- Australia: 9.6
- France: 10.9
- Japan: 11.1
- Hong Kong: 12.5

Turnover (Chg from 2006) • Field Sizes (Chg from 2006) • Field Size at 2013
The Bottom Line: The Punter Funds the Industry

The Industry is predicated on Profit – for owners, racetracks, bookmaker and governments

The Punter funds all participants in the industry

Declining punter interest impacts every stakeholder

Jennifer Owen, Aspire Wealth Management
Liquidity begets Turnover

Average Turnover per Race Excluding HK (@ 31 Dec 2013 US $)

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Virtuous Circle: Turnover to Fields

- Turnover
- Field sizes
- Supply of foals
- Demand for foals
- Betting income
- Purses

Jennifer Owen, Aspire Wealth Management
Impact on Outcome of Smaller Fields – Australian Data

Small Fields lead to the much greater likelihood of the favourite winning, or at least placing.

This reduces the appeal of the race to the racegoer, as the payout is more limited on the favourite relative to the long shot.

Percentage of Favourite wins By Field Size (N=196,755)

Source: R Biggs, Racerate.com

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Impact on Outcome of Smaller Fields - Arlington Park (USA) Data

Arlington Park 2007 to 2014
Percentage of races where the favourite won (n>7000)

Source: Arlington Park website

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Handicap Order v. “Real World”

Official Handicapping Order vs. Actual Win Rate

Source: A Theory of Thoroughbred Racing: The Origin, structure and function of racetrack markets, Joseph Keating, 2004

Jennifer Owen, Aspire Wealth Management
“Market Price” Win Rates

Field Size and Market Order
Approx Long Term Win Rates

Source: A Theory of Thoroughbred Racing: The Origin, structure and function of racetrack markets, Joseph Keating, 2004

Jennifer Owen, Aspire Wealth Management
## Small Fields: Wagers Returned

### Super TAB Pool

<table>
<thead>
<tr>
<th>Date</th>
<th>Track</th>
<th>Race</th>
<th>Field size</th>
<th>Win</th>
<th>Place</th>
<th>Second</th>
<th>Third</th>
<th>paid</th>
<th>Place price on Third runner - Not</th>
<th>Favourite placing</th>
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<th>Place</th>
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<th>Third</th>
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Source: TABCORP Website
Link between Field Size and Payout

**Exacta Payout**
Arlington Park 2007 to 2014

\[ y = 13.231x - 34.32 \]
\[ R^2 = 0.11239 \]

**Trifecta Payout**
Arlington Park 2007 to 2014

\[ y = 652.06x - 3938.5 \]
\[ R^2 = 0.10131 \]
Field Size and Pool Size

All US RaceTracks 2013
Average Field Sizes and Pools

Source: HANA Track Ratings, 2009-2014
Jennifer Owen, Aspire Wealth Management
Field Size & US Handle

Est. Impact on 2013 US Racetrack Handle of Changing Field Sizes
(at 2013 Starters)

Jennifer Owen, Aspire Wealth Management
The Outlook for Fields is Weak

Races in Steady Decline

Foal Crop in faster decline

Races Run – top 6 Nations

Foal Crop – top 6 Nations

Source: International Federation of Horse Racing Associations

Jennifer Owen, Aspire Wealth Management
Closing Remarks

Foal Crops are in Decline

- Owners are reducing their investment in Racing
- Some US Owner Returns are improving, but funded through a competitor product that could cannibalise racing further

Punters are reducing their investment in Racing

- More attractive take outs exist on other forms of entertainment
- The challenge of a wager is in decline as small fields reduce the return investment to the punter

Supply needs to match demand

- Most likely achieved with consolidation of race fields, as well as other strategies
- Larger fields are demonstrably linked to strong Racing markets
Thank you