

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED March 31, 2024 .

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: 001-37858



CANTERBURY PARK HOLDING CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Minnesota 47-5349765
(State or Other Jurisdiction of Incorporation or
Organization) (I.R.S. Employer
Identification No.)

1100 Canterbury Road
Shakopee, MN 55379

(Address of principal executive offices and zip code)

Registrant's telephone number, including area code: (952) 445-7223

Securities registered pursuant Section 12(b) of the Act:

| Title of Each Class | Trading Symbol | Name of each exchange on which registered |
|--|----------------|---|
| Common Stock Common stock, \$.01 par value | CPHC | Nasdaq |

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files).

Yes No

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

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2).

Yes No

The Company had 4,982,770 shares of common stock, \$.01 par value, outstanding as of May 9, 2024.

Canterbury Park Holding Corporation
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PART 1 – FINANCIAL INFORMATION
CANTERBURY PARK HOLDING CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

| | (Unaudited) March 31, 2024 | December 31, 2023 |
|---|----------------------------------|------------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 20,233,333 | \$ 21,936,210 |
| Restricted cash | 4,047,394 | 3,905,544 |
| Short-term investments | 5,000,000 | 5,000,000 |
| Accounts receivable, net of allowance of \$ 7,670 for both periods | 828,436 | 484,092 |
| Inventory | 265,147 | 249,370 |
| Prepaid expenses | 689,822 | 645,422 |
| Income taxes receivable and prepaid income taxes | 3,633,365 | 4,083,364 |
| Total Current Assets | <u>34,697,497</u> | <u>36,304,002</u> |
| LONG-TERM ASSETS | | |
| Other prepaid expenses | 26,103 | 10,978 |
| TIF receivable | 14,187,776 | 13,972,875 |
| Related party receivable | 3,970,214 | 3,526,071 |
| Operating lease right-of-use asset | 53,026 | 53,026 |
| Equity investment | 6,524,870 | 6,612,712 |
| Land held for development | 1,229,475 | 1,229,475 |
| Land, buildings, and equipment, net | 44,893,156 | 42,969,529 |
| Total Long-term Assets | <u>70,884,620</u> | <u>68,374,666</u> |
| TOTAL ASSETS | <u><u>\$ 105,582,117</u></u> | <u><u>\$ 104,678,668</u></u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 2,732,774 | \$ 4,599,391 |
| Casino accruals | 2,679,692 | 2,667,499 |
| Accrued wages and payroll taxes | 2,196,778 | 1,662,927 |
| Cash dividend payable | 348,097 | 346,125 |
| Accrued property taxes | 926,518 | 741,215 |
| Deferred revenue | 382,367 | 274,898 |
| Payable to horsepersons | 884,670 | 763,383 |
| Current portion of finance lease obligations | 30,922 | 1,604 |
| Current portion of operating lease obligations | 25,352 | 25,352 |
| Total Current Liabilities | <u>10,207,170</u> | <u>11,082,394</u> |
| LONG-TERM LIABILITIES | | |
| Deferred income taxes | 10,300,015 | 10,300,015 |
| Investee losses in excess of equity investment | 2,228,624 | 1,464,218 |
| Finance lease obligations, net of current portion | 142,153 | 7,770 |
| Operating lease obligations, net of current portion | 27,674 | 27,674 |
| Total Long-term Liabilities | <u>12,698,466</u> | <u>11,799,677</u> |
| TOTAL LIABILITIES | <u><u>22,905,636</u></u> | <u><u>22,882,071</u></u> |
| STOCKHOLDERS' EQUITY | | |
| Common stock, \$.01 par value, 10,000,000 shares authorized, 4,982,770 and 4,962,573 respectively, shares issued and outstanding | 49,828 | 49,626 |
| Additional paid-in capital | 27,588,885 | 27,351,509 |
| Retained earnings | 55,037,768 | 54,395,462 |
| Total Stockholders' Equity | <u>82,676,481</u> | <u>81,796,597</u> |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | <u><u>\$ 105,582,117</u></u> | <u><u>\$ 104,678,668</u></u> |

See notes to condensed consolidated financial statements.

CANTERBURY PARK HOLDING CORPORATION AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 (Unaudited)

| | Three Months Ended March 31, | |
|---|------------------------------|----------------------------|
| | 2024 | 2023 |
| OPERATING REVENUES: | | |
| Casino | \$ 10,056,028 | \$ 9,714,355 |
| Pari-mutuel | 1,174,268 | 1,133,334 |
| Food and beverage | 1,727,149 | 1,469,831 |
| Other | 1,140,544 | 982,038 |
| Total Net Revenues | <u>14,097,989</u> | <u>13,299,558</u> |
| OPERATING EXPENSES: | | |
| Purse expense | 1,372,757 | 1,334,973 |
| Minnesota Breeders' Fund | 216,384 | 210,905 |
| Other pari-mutuel expenses | 198,389 | 189,609 |
| Salaries and benefits | 6,151,840 | 5,874,805 |
| Cost of food and beverage and other sales | 637,104 | 585,052 |
| Depreciation and amortization | 850,986 | 735,261 |
| Utilities | 342,835 | 388,848 |
| Advertising and marketing | 142,458 | 298,507 |
| Professional and contracted services | 1,252,442 | 1,004,228 |
| Other operating expenses | 1,170,919 | 1,123,549 |
| Total Operating Expenses | <u>12,336,114</u> | <u>11,745,737</u> |
| INCOME FROM OPERATIONS | | |
| OTHER INCOME (LOSS) | | |
| (Loss) gain from equity investment | (852,248) | 1,858,512 |
| Interest income, net | 538,527 | 399,175 |
| Net Other (Loss) Income | <u>(313,721)</u> | <u>2,257,687</u> |
| INCOME BEFORE INCOME TAXES | <u>1,448,154</u> | <u>3,811,508</u> |
| INCOME TAX EXPENSE | <u>(450,000)</u> | <u>(1,041,000)</u> |
| NET INCOME | <u><u>\$ 998,154</u></u> | <u><u>\$ 2,770,508</u></u> |
| Basic earnings per share | \$ 0.20 | \$ 0.57 |
| Diluted earnings per share | \$ 0.20 | \$ 0.56 |
| Weighted average basic shares outstanding | 4,966,825 | 4,893,324 |
| Weighted average diluted shares | 4,991,956 | 4,923,132 |
| Cash dividends declared per share | \$ 0.07 | \$ 0.07 |

See notes to condensed consolidated financial statements.

CANTERBURY PARK HOLDING CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

For the three months ended March 31, 2024

| | Number of | Common | Additional | Retained | |
|-----------------------------------|------------------|------------------|----------------------------|----------------------|----------------------|
| | Shares | Stock | Paid-in Capital | Earnings | Total |
| Balance at December 31, 2023 | 4,962,573 | \$ 49,626 | \$ 27,351,509 | \$ 54,395,462 | \$ 81,796,597 |
| Stock-based compensation | — | — | 129,014 | — | 129,014 |
| Dividend declared | — | — | — | (355,848) | (355,848) |
| 401(k) stock match | 9,952 | 100 | 217,352 | — | 217,452 |
| Issuance of deferred stock awards | 10,245 | 102 | (108,990) | — | (108,888) |
| Net income | — | — | — | 998,154 | 998,154 |
| Balance at March 31, 2024 | 4,982,770 | \$ 49,828 | \$ 27,588,885 | \$ 55,037,768 | \$ 82,676,481 |

For the three months ended March 31, 2023

| | Number of | Common | Additional | Retained | |
|--|------------------|------------------|----------------------------|----------------------|----------------------|
| | Shares | Stock | Paid-in Capital | Earnings | Total |
| Balance at December 31, 2022 | 4,888,975 | \$ 48,890 | \$ 25,914,644 | \$ 45,221,509 | \$ 71,185,043 |
| Stock-based compensation | — | — | 129,477 | — | 129,477 |
| Dividend declared | — | — | — | (349,877) | (349,877) |
| 401(k) stock match | 7,804 | 78 | 206,728 | — | 206,806 |
| Issuance of deferred stock awards | 13,629 | 136 | (166,841) | — | (166,705) |
| Shares issued under Employee Stock Purchase Plan | — | — | — | — | — |
| Net income | — | — | — | 2,770,508 | 2,770,508 |
| Balance at March 31, 2023 | 4,910,408 | \$ 49,104 | \$ 26,084,008 | \$ 47,642,140 | \$ 73,775,252 |

See notes to condensed consolidated financial statements.

CANTERBURY PARK HOLDING CORPORATION AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (Unaudited)

| | Three Months Ended March 31, | |
|---|------------------------------|----------------------|
| | 2024 | 2023 |
| Operating Activities: | | |
| Net income | \$ 998,154 | \$ 2,770,508 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 850,986 | 735,261 |
| Stock-based compensation expense | 129,014 | 129,477 |
| Stock-based employee match contribution | 217,452 | 206,806 |
| Deferred income taxes | — | 727,000 |
| Loss (gain) from equity investment | 852,248 | (1,858,512) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (344,344) | (345,006) |
| Employee retention credit | — | 3,597,635 |
| Increase in TIF receivable | (169,096) | (204,911) |
| Inventory, prepaid expenses and deposits | (75,302) | (48,682) |
| Income taxes receivable and prepaid income taxes | 449,999 | 314,000 |
| Accounts payable | (2,252,801) | (1,518,416) |
| Deferred revenue | 107,469 | 433,353 |
| Casino accruals | 12,193 | 280,355 |
| Accrued wages and payroll taxes | 533,851 | 221,716 |
| Accrued property taxes | 185,303 | 197,588 |
| Payable to horsepersons | 121,287 | 184,299 |
| Net cash provided by operating activities | <u>1,616,413</u> | <u>5,822,471</u> |
| Investing Activities: | | |
| Additions to land, buildings, and equipment | (2,217,399) | (1,010,314) |
| Additions for TIF eligible improvements | (45,805) | — |
| Increase in related party receivable | (444,143) | (45,856) |
| Proceeds from sale of short-term investments | 500,000 | — |
| Purchase of investments | (500,000) | — |
| Net cash used in investing activities | <u>(2,707,347)</u> | <u>(1,056,170)</u> |
| Financing Activities: | | |
| Cash dividend paid to shareholders | (353,876) | (345,427) |
| Payments for taxes related to net share settlement of equity awards | (108,888) | (166,705) |
| Principal payments on finance leases | (7,329) | (6,979) |
| Net cash used in financing activities | <u>(470,093)</u> | <u>(519,111)</u> |
| Net (decrease) increase in cash, cash equivalents, and restricted cash | (1,561,027) | 4,247,190 |
| Cash, cash equivalents, and restricted cash at beginning of period | <u>25,841,754</u> | <u>16,106,003</u> |
| Cash, cash equivalents, and restricted cash at end of period | <u>\$ 24,280,727</u> | <u>\$ 20,353,193</u> |

CANTERBURY PARK HOLDING CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
(Unaudited)

Schedule of non-cash investing and financing activities

| | | |
|---|------------|--------------|
| Additions to land, buildings, and equipment funded through accounts payable | \$ 386,000 | \$ 244,000 |
| Dividend declared but not yet paid | 348,000 | 346,000 |
| Change in investee losses in excess of equity investments | 764,000 | (1,882,000) |
| ROU assets obtained in exchange for operating lease obligations | 171,000 | — |

See notes to condensed consolidated financial statements.

CANTERBURY PARK HOLDING CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. OVERVIEW AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business – Canterbury Park Holding Corporation's (the "Company," "we," "our," or "us") Racetrack operations are conducted at facilities located in Shakopee, Minnesota, approximately 20 miles southwest of downtown Minneapolis. In May 1994, the Company commenced year-round horse racing simulcast operations and hosted the first annual live race meet during the summer of 1995. The Company's live racing operations are a seasonal business, as it typically hosts live race meets each year from May until September. The Company earns additional pari-mutuel revenue by televising its live racing to out-of-state racetracks around the country. Canterbury Park's Casino typically operates 24 hours a day, seven days a week and is limited by Minnesota State law to conducting card play on a maximum of 80 tables. The Casino currently offers a variety of poker and table games. The Company's three largest sources of revenues are from Casino operations, pari-mutuel operations, and food and beverage sales. The Company also derives revenues from related services and activities, such as admissions, advertising signage, publication sales, and from other entertainment events and activities held at the Racetrack. Additionally, the Company is developing underutilized land surrounding the Racetrack in a project known as Canterbury Commons™, with approximately 140 acres originally designated as underutilized. The Company has obtained and is pursuing several mixed-use development opportunities for this land, directly and through joint ventures.

Basis of Presentation and Preparation – The accompanying condensed consolidated financial statements include the accounts of the Company (Canterbury Park Holding Corporation and its direct and indirect subsidiaries Canterbury Park Entertainment, LLC; Canterbury Park Concessions, Inc.; and Canterbury Development, LLC). Intercompany accounts and transactions have been eliminated. The preparation of these condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the amounts reported in these condensed consolidated financial statements and accompanying notes. Actual results could differ materially from those estimates.

These condensed consolidated financial statements and accompanying notes should be read in conjunction with the Company's annual consolidated financial statements and the notes thereto for the fiscal year ended December 31, 2023, included in its Annual Report on Form 10-K (the "2023 Form 10-K").

The condensed consolidated balance sheets and the related condensed consolidated statements of operations, stockholders' equity, and the cash flows for the periods ended March 31, 2024 and 2023 have been prepared by Company management. In the opinion of management, all adjustments (which include only normal recurring adjustments, except where noted) necessary to present fairly the financial position, results of operations, statement of stockholders' equity, and cash flows at March 31, 2024 and 2023 and for the periods then ended have been made.

Summary of Significant Accounting Policies – A detailed description of our significant accounting policies can be found in the 2023 Form 10-K. There were no material changes in significant accounting policies during the three months ended March 31, 2024.

Reclassifications – Certain amounts in prior period financial statements have been reclassified to conform to current period presentations.

Restricted Cash – Restricted cash represents refundable deposits and amounts due to horsemen for purses, stakes and awards, collateral needed for joint venture operations, and amounts accumulated in card game progressive jackpot pools, the player pool and poker promotional fund to be used to repay card players in the form of promotions, giveaways, prizes, or by other means.

Accounts Receivable - Accounts receivable are initially recorded for amounts due from other tracks for simulcast revenue, net of amounts due to other tracks, and for amounts due from customers related to catering and events. Credit is granted in the normal course of business without collateral. Accounts receivable are stated net of allowances for doubtful accounts, which represent estimated losses resulting from the inability of customers to make the required payments. Accounts that are outstanding longer than the contractual terms are considered past due. We evaluate our allowance for credit losses and estimate collectability of current and non-current accounts receivable based on historical bad debt experience, our assessment of the financial condition of individual companies with which we do business, current market conditions, and reasonable and supportable forecasts of future economic conditions. In times of economic turmoil, our estimates and judgments with respect to the collectability of our receivables are subject to greater uncertainty than in more stable periods. The Company does not have accounts receivable with original maturities greater than one year. The allowance for credit losses and activity as of March 31, 2024 and December 31, 2023 was not material.

Deferred Revenue – Deferred revenue includes advance sales related to racing, events and corporate partnerships. Revenue from these advance billings is recognized when the related event occurs or services have been performed.

Payable to Horsepersons - The Minnesota Pari-mutuel Horse Racing Act requires the Company to segregate a portion of funds (recorded as purse expense in the statements of operations) received from Casino operations and wagering on simulcast and live horse races, for future payment as purses for live horse races or other uses of the horsepersons' association. Pursuant to an agreement with the Minnesota Horsemen's Benevolent and Protective Association ("MHBPA"), the Company transferred into a trust account or paid directly to the MHBPA, \$ 1,255,000 and \$ 1,234,000 for the three months ended March 31, 2024 and 2023, respectively, related to thoroughbred races. Minnesota Statutes provide that amounts transferred into the trust account are the property of the trust and not of the Company, and therefore these amounts are not recorded on the Company's Condensed Consolidated Balance Sheet.

Revenue Recognition – The Company's primary revenues with customers consist of Casino operations, pari-mutuel wagering on simulcast and live horse races, and food and beverage transactions. We determine revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligation in the contract
- Recognition of revenue when, or as, we satisfy a performance obligation

The transaction price for a Casino contract is a set percentage of wagers and is recognized at the time that the wagering process is complete. The transaction price for pari-mutuel wagering is the commission received on a wager, exclusive of any track fees and is recognized upon occurrence of the live race that is presented for wagering and after that live race is made official by the respective state's racing regulatory body. The transaction price for food and beverage contracts is the net amount collected from the customer for these goods. Food and beverage services have been determined to be separate, stand-alone performance obligations and the transaction price is recorded as revenue as the good is transferred to the customer when delivery is made.

Contracts for Casino operations and pari-mutuel wagering involve two performance obligations for those customers earning points under the Company's loyalty program and a single performance obligation for customers who do not participate in the program. The Company applies a practical expedient by accounting for its gaming contracts on a portfolio basis as these wagers have similar characteristics and the Company reasonably expects the effects on the financial statements of applying the revenue recognition guidance to the portfolio would not differ materially from what would result if the guidance were applied on an individual wagering contract. For purposes of allocating the transaction price in a wagering contract between the wagering performance obligation and the obligation associated with the loyalty points earned, the Company allocates an amount to the loyalty point contract liability based on the stand-alone redemption value of the points earned, which is determined by the value of a point that can be redeemed for a cash voucher, food and beverage voucher, racing admission, valet parking, or racing forms. Based on past experience, the majority of customers redeem their points for cash vouchers. Therefore, there are no further performance obligations by the Company.

We have two general types of liabilities related to contracts with customers: (1) our MVP Loyalty Program and (2) outstanding chip liability. These are included in the line item Casino accruals on the consolidated balance sheet. We defer the full retail value of these complimentary reward items until the future revenue transaction occurs.

The Company offers certain promotional allowances at no charge to patrons who participate in its player rewards program.

We evaluate our on-track revenue, export revenue (as described below), and import revenue (as described below) contracts to determine whether we are acting as the principal or as the agent when providing services, to determine if we should report revenue on a gross or net basis. An entity acts as a principal if it controls a specified service before that service is transferred to a customer.

For on-track revenue and "import revenue," that is revenue we generate for racing held elsewhere that our patrons wager on, we are entitled to retain a commission for providing a wagering service to our customers. For these arrangements, we are the principal because we control the wagering service; therefore, any charges, including simulcast fees, we incur for delivering the wagering service are presented as operating expenses.

For "export revenue," when the wagering occurs outside our premises, our customer is the third-party wagering site such as a racetrack, Off Track Betting ("OTB"), or advance deposit wagering ("ADW") provider. Therefore, the revenue we recognize for export revenue is the simulcast host fee we earn for exporting our racing signal to the third-party wagering site.

2. STOCK-BASED COMPENSATION

Long Term Incentive Plan and Award of Deferred Stock

The Long Term Incentive Plan (the "LTI Plan") authorizes the grant of Long Term Incentive Awards that provide an opportunity to Named Executive Officers ("NEOs") and other Senior Executives to receive a payment in cash or shares of the Company's common stock to the extent of achievement at the end of a period greater than one year (the "Performance Period") as compared to Performance Goals established at the beginning of the Performance Period. Beginning in 2020, the Company temporarily suspended the granting of performance awards under its LTI Plan, and instead granted deferred stock awards designed to retain NEOs and other senior executives in lieu of LTI Plan awards from 2020 through 2024. In February 2022, the Compensation Committee made determinations regarding the achievement of 2021 performance goals and payouts under the 2019-2021 LTI Plan, which completed the performance period and awards under the 2019-2021 LTI Plan, and the last outstanding awards under the LTI Plan. Accordingly, there are no awards outstanding under the LTI Plan.

Board of Directors Stock Options, Deferred Stock Awards, and Restricted Stock Grants

The Company's Stock Plan currently authorizes annual grants of restricted stock, deferred stock, stock options, or any combination of the three, to non-employee members of the Board of Directors at the time of the Company's annual shareholders' meeting as determined by the Board prior to each such meeting. Deferred stock awards represent the right to receive shares of the Company's common stock upon vesting. Options granted under the Plan generally expire 10 years after the grant date. Restricted stock and deferred stock grants to non-employee directors generally vest 100 % one year after the date of the annual meeting at which they were granted, are subject to restrictions on resale for an additional year, and are subject to forfeiture if a board member terminates his or her board service prior to the shares vesting. The unvested deferred stock awards outstanding as of March 31, 2024 to our non-employee directors consists only of the grant of deferred stock on June 1, 2023 of 7,818 shares with a weighted average fair value per share of \$ 23.01 . There were no unvested restricted stock or stock options outstanding to any non-employee director at March 31, 2024.

Board of Directors deferred stock transactions during the three months ended March 31, 2024 are summarized as follows:

| | Deferred Stock | Weighted Average Fair Value Per Share |
|---------------------------------------|----------------|---------------------------------------|
| Non-Vested Balance, December 31, 2023 | 7,818 | \$ 23.01 |
| Granted | — | — |
| Vested | — | — |
| Forfeited | — | — |
| Non-Vested Balance, March 31, 2024 | <u>7,818</u> | <u>\$ 23.01</u> |

Employee Deferred Stock Awards

The Company's Stock Plan permits its Compensation Committee to grant stock-based awards, including deferred stock awards, to key employees and non-employee directors. The Company has made deferred stock grants to key employees that vest over one to four years. Deferred stock awards represent the right to receive shares of the Company's common stock upon vesting.

During the three months ended March 31, 2024, the Company granted employees deferred stock awards totaling 22,100 shares of common stock, with a vesting term of approximately four years and a fair value of \$ 21.08 per share. During the three months ended March 31, 2023, the Company granted employees deferred stock awards totaling 19,020 shares of common stock, with a vesting term of approximately four years and a fair value of \$ 25.52 per share.

Employee deferred stock transactions during the three months ended March 31, 2024 are summarized as follows:

| | Deferred Stock | Weighted Average Fair Value Per Share |
|---------------------------------------|----------------|---------------------------------------|
| Non-Vested Balance, December 31, 2023 | 36,920 | \$ 22.00 |
| Granted | 22,100 | 21.08 |
| Vested | (15,230) | 21.83 |
| Forfeited | — | — |
| Non-Vested Balance, March 31, 2024 | <u>43,790</u> | <u>\$ 22.52</u> |

There were no stock options outstanding to any employee or other person at March 31, 2024. Stock-based compensation expense related to deferred stock awards, and restricted stock awards is included on the Condensed Consolidated Statements of Operations and totaled approximately \$ 111,000 and \$ 118,000 for the three months ended March 31, 2024 and 2023. At March 31, 2024, there was approximately \$ 925,000 of total unrecognized stock-based compensation expense related to unvested employee and board of director deferred stock awards that is expected to be recognized over a period of approximately 4.0 years.

3. NET INCOME PER SHARE COMPUTATIONS

The following is a reconciliation of the numerator and denominator of the earnings per common share computations for the three months ended March 31, 2024 and 2023:

| | Three Months Ended March 31, | |
|---|------------------------------|------------------|
| | 2024 | 2023 |
| Net income (numerator) amounts used for basic and diluted per share computations: | \$ 998,154 | \$ 2,770,508 |
| Weighted average shares (denominator) of common stock outstanding: | | |
| Basic | 4,966,825 | 4,893,324 |
| Plus dilutive effect of deferred stock awards | 25,131 | 29,808 |
| Diluted | <u>4,991,956</u> | <u>4,923,132</u> |
| Net income per common share: | | |
| Basic | \$ 0.20 | \$ 0.57 |
| Diluted | 0.20 | 0.56 |

4. GENERAL CREDIT AGREEMENT

The Company has a general credit and security agreement with a financial institution. The agreement was amended as of February 28, 2021 to extend the maturity date to January 31, 2024 and increase its revolving credit line up to \$ 10,000,000 . The line of credit is collateralized by all receivables, inventory, equipment, and general intangibles of the Company, as well as a mortgage on certain real property. The credit agreement contains covenants requiring the Company to maintain certain financial ratios. The general credit and security agreement was further amended as of January 31, 2024 to extend the maturity date to January 31, 2027 and reduce the maximum borrowing under the line of credit to \$ 5,000,000 . In connection with the amendment, the financial institution terminated a mortgage to release certain Company real property as collateral and the parties entered into a negative pledge agreement under which the Company agreed not to create any liens or encumbrances on certain Company real property. The outstanding balance on the line of credit was \$ 0 at both March 31, 2024 and December 31, 2023.

5. OPERATING SEGMENTS

The Company has four reportable operating segments: horse racing, Casino, food and beverage, and development. The horse racing segment primarily represents simulcast and live horse racing operations. The Casino segment represents operations of Canterbury Park's Casino. The food and beverage segment represents food and beverage operations provided during simulcast and live racing, in the Casino, and during special events. The development segment represents our real estate development operations. The Company's reportable operating segments are strategic business units that offer different products and services. They are managed separately because the segments differ in the nature of the products and services provided as well as process to produce those products and services. The Minnesota Racing Commission regulates the horse racing and Casino segments.

Depreciation, interest, and income taxes are allocated to the segments, but no allocation is made to the food and beverage segment for shared facilities. However, the food and beverage segment pays approximately 25 % of gross revenues earned on special event days to the horse racing segment for use of the facilities.

The following tables represent a disaggregation of revenues from contracts with customers along with the Company's operating segments (in 000's):

| | Three Months Ended March 31, 2024 | | | | | Total |
|---|-----------------------------------|-----------|-------------------|-------------|------------|-------|
| | Horse Racing | Casino | Food and Beverage | Development | | |
| Net revenues from external customers | \$ 2,138 | \$ 10,056 | \$ 1,904 | \$ — | \$ 14,098 | |
| Intersegment revenues | 138 | — | 273 | — | — | 411 |
| Net interest income | 288 | — | — | 251 | — | 539 |
| Depreciation | 509 | 300 | 42 | — | — | 851 |
| Segment income (loss) before income taxes | 135 | 1,996 | 519 | (673) | — | 1,977 |
| Segment tax expense (benefit) | (123) | 620 | 162 | (209) | — | 450 |
| Segment Assets | | | | | | |
| Segment Assets | \$ 95,913 | \$ 2,049 | \$ 33,738 | \$ 34,852 | \$ 166,552 | |
| March 31, 2024 | | | | | | |
| | Three Months Ended March 31, 2023 | | | | | Total |
| | Horse Racing | Casino | Food and Beverage | Development | | |
| Net revenues from external customers | \$ 2,042 | \$ 9,714 | \$ 1,544 | \$ — | \$ 13,300 | |
| Intersegment revenues | 128 | — | 273 | — | — | 401 |
| Net interest income | 180 | — | — | 219 | — | 399 |
| Depreciation | 612 | 75 | 48 | — | — | 735 |
| Segment income (loss) before income taxes | (1,287) | 3,083 | 386 | 2,006 | — | 4,188 |
| Segment tax expense (benefit) | (454) | 842 | 105 | 548 | — | 1,041 |
| Segment Assets | | | | | | |
| Segment Assets | \$ 92,970 | \$ 2,125 | \$ 33,175 | \$ 34,892 | \$ 163,162 | |
| December 31, 2023 | | | | | | |

The following are reconciliations of reportable segment revenues, income before income taxes, and assets, to the Company's consolidated totals (in 000's):

| | Three Months Ended March 31, | |
|---|-------------------------------------|------------------------------|
| | 2024 | 2023 |
| Revenues | | |
| Total net revenue for reportable segments | \$ 14,508 | \$ 13,700 |
| Elimination of intersegment revenues | (410) | (400) |
| Total consolidated net revenues | <u>\$ 14,098</u> | <u>\$ 13,300</u> |
| Income before income taxes | | |
| Total segment income (loss) before income taxes | \$ 1,977 | \$ 4,188 |
| Elimination of intersegment (income) loss before income taxes | (529) | (376) |
| Total consolidated income before income taxes | <u>\$ 1,448</u> | <u>\$ 3,812</u> |
| | March 31, 2024 | December 31, 2023 |
| Assets | | |
| Total assets for reportable segments | \$ 166,552 | \$ 163,162 |
| Elimination of intercompany balances | (60,970) | (58,483) |
| Total consolidated assets | <u>\$ 105,582</u> | <u>\$ 104,679</u> |

6. COMMITMENTS AND CONTINGENCIES

Effective on December 21, 2021, the Company entered into a Contribution and Indemnity Agreement ("Indemnity Agreement") with affiliates of Doran Companies ("Doran") in connection with the debt refinancing on the Doran Canterbury I, LLC joint venture. Under the Indemnity Agreement, the Company is obligated to indemnify Doran for loan payment amounts up to \$ 5,000,000 only if the lender demands the loan guarantee by Doran. Effective on October 27, 2022, the Indemnity Agreement was amended to increase the maximum indemnification by an additional \$ 700,000. Effective December 12, 2023, the Indemnity Agreement was amended to increase the maximum indemnification by an additional \$ 1,300,000, bringing the total to a maximum of \$ 7,000,000.

Effective December 21, 2023, the Company entered into its annual live race meet and purse fund contribution agreement with the Minnesota Horsemen's Benevolent & Protective Association ("MHBPA") and the Minnesota Quarter Horse Racing Association ("MQHRA") regarding the upcoming 2024 live race meet. In an effort to increase field size and improve the quality of racing for the 2024 season, the Company has guaranteed purses for overnight races at \$ 23,000 per race. The parties recognize there is likely to be a significant financial cost to the Company in establishing a 2024 thoroughbred purse structure intended to average \$ 23,000 per conducted overnight race and that to maintain that average purse structure, the Company will be making an overpayment that may be repaid to the Company through reimbursement in subsequent racing years. This anticipated overpayment of purses by the Company is intended to create a short-term bridge until additional purse supplements can be obtained from other sources. In the event that additional purse revenue is secured within the next five years through additional forms of gaming at the Company, new revenue streams, or legislative action, the Company will be eligible for reimbursement of the actual 2024 overpayment amount from those purse supplements.

The Company is periodically involved in various claims and legal actions arising in the normal course of business. Management believes that the resolution of any pending claims and legal actions at March 31, 2024 and as of the date of this report, will not have a material impact on the Company's consolidated financial positions or results of operations.

In August 2018, the Company entered into a Contract for Private Redevelopment with the City of Shakopee in connection with a Tax Increment Financing District ("TIF District"). On January 25, 2022, the Company received the fully executed First Amendment to the Contract for Redevelopment among the Master Developer, the City and the Authority, which is effective as of September 7, 2021. Under this contract, the Company is obligated to construct certain infrastructure improvements within the TIF District, and will be reimbursed for the cost of TIF eligible improvements by the City of Shakopee by future tax increment revenue generated from the developed property, up to specified maximum amounts. The total amount of funding that Canterbury will be paid as reimbursement under the TIF program for these improvements is not guaranteed and will depend on future tax revenues generated from the developed property.

7. REAL ESTATE DEVELOPMENT

Equity Investments

Doran Canterbury I, LLC

On April 2, 2018, the Company's subsidiary Canterbury Development LLC, entered into an Operating Agreement ("Operating Agreement") with an affiliate of Doran Companies ("Doran"), a national commercial and residential real estate developer, as the two members of a Minnesota limited liability company named Doran Canterbury I, LLC ("Doran Canterbury I"). Doran Canterbury I was formed as part of a joint venture between Doran and Canterbury Development LLC to construct an upscale apartment complex on land adjacent to the Company's Racetrack (the "Project").

On September 27, 2018, Canterbury Development LLC contributed approximately 13 acres of land as its equity contribution in the Doran Canterbury I joint venture and became a 27.4 % equity member. On December 20, 2018, financing for Doran Canterbury I was secured. Doran Canterbury I has completed developing Phase I of the Project, which includes 321 units, a heated parking ramp, and a clubhouse. As the Company is able to assert significant influence, but not control, over Doran Canterbury I's operational and financial policies, the Company accounts for the joint venture as an equity method investment. For the three months ended March 31, 2024 and 2023, the Company recorded a loss of \$ 764,000 and income of \$ 1,882,000 , respectively, on equity method investment related to this joint venture. The increased income for the first quarter of 2023 related to this joint venture is due to a gain recognized on insurance proceeds received by Doran Canterbury I related to an outstanding claim. In accordance with U.S. GAAP, since we are committed to provide future capital contributions to Doran Canterbury I, we also present as a liability in the accompanying Condensed Consolidated Balance Sheets the net balance recorded for our share of Doran Canterbury I's losses in excess of the amount funded into Doran Canterbury I, which was \$ 2,229,000 and \$ 1,464,000 at March 31, 2024 and December 31, 2023, respectively. See Note 9 of Notes to Financial Statements for a summary of member loans to Doran Canterbury I.

We are a party to a contribution and indemnity agreement with affiliates of Doran relating to debt financing by Doran Canterbury I as borrower, which is guaranteed by Doran affiliates. Under the contribution and indemnity agreement, as amended, the Company is obligated to reimburse and indemnify each loan guarantor for any amounts paid by such loan guarantor to the lender on debt financing by Doran Canterbury I, up to a maximum of \$ 7,000,000 as of March 31, 2024. See Note 6. "Commitments and Contingencies."

Doran Canterbury II, LLC

In connection with the execution of the Amended Doran Canterbury I Agreement, on August 18, 2018, Canterbury Development LLC entered into an Operating Agreement with Doran Shakopee, LLC as the two members of a Minnesota limited liability company entitled Doran Canterbury II, LLC ("Doran Canterbury II"). The Operating Agreement was amended and restated by the members effective July 30, 2020. On September 30, 2020, Canterbury Development LLC contributed approximately 10 acres of land as its equity contribution in the Doran Canterbury II joint venture and became a 27.4 % equity member. Doran Canterbury II has completed developing Phase II of the project which includes an additional 300 apartment units. As the Company is able to assert significant influence, but not control, over Doran Canterbury II's operational and financial policies, the Company accounts for the joint venture as an equity method investment. For the three months ended March 31, 2024, the Company recorded a loss of \$ 185,000 on equity method investment related to this joint venture. As of March 31, 2023, the proportionate share of Doran Canterbury II's earnings was immaterial. Under the Operating Agreement, we are required to provide future member loans to Doran Canterbury II to cover the costs of construction or operating deficiencies. See Note 9 of Notes to Financial Statements for a summary of member loans to Doran Canterbury II.

Canterbury DBSV Development, LLC

On June 16, 2020, Canterbury Development LLC, entered into an Operating Agreement with an affiliate of Greystone Construction, as the two members of a Minnesota limited liability company named Canterbury DBSV Development, LLC ("Canterbury DBSV"). Canterbury DBSV was formed as part of a joint venture between Greystone and Canterbury Development LLC for a multi-use development on the 13 -acre land parcel located on the southwest portion of the Company's racetrack. Canterbury Development LLC's equity contribution to Canterbury DBSV was approximately 13 acres of land, which were contributed to Canterbury DBSV on July 1, 2020. In connection with its contribution, Canterbury Development became a 61.87 % equity member in Canterbury DBSV. As the Company is able to assert significant influence, but not control, over Canterbury DBSV's operational and financial policies, the Company accounts for the joint venture as an equity method investment. Canterbury DBSV has since entered into multiple other joint venture investments, all related to the multi-use development of the 13-acre parcel mentioned before. All such investments are accounted for under the equity method by Canterbury DBSV. For the three months ended March 31, 2024 and 2023, the Company recorded income of \$ 97,000 and a loss of \$ 25,000 , respectively, on equity method investments related to this joint venture.

The following table summarizes changes to the Equity investment and Investee losses in excess of equity investment lines on our consolidated balance sheets for the three months ended March 31, 2024:

| | Equity investment | Investee losses in excess of equity investment | Equity investment, net |
|--|--------------------------|---|-------------------------------|
| Net Equity Investment Balance at 12/31/23 | \$ 6,612,712 | \$ (1,464,218) | \$ 5,148,494 |
| Q1 Equity investment loss | (87,842) | (764,406) | (852,248) |
| Net Equity Investment Balance at 3/31/24 | \$ 6,524,870 | \$ (2,228,624) | \$ 4,296,246 |

Tax Increment Financing

On August 8, 2018, the City Council of the City of Shakopee, Minnesota approved a Contract for Private Redevelopment ("Redevelopment Agreement") between the City of Shakopee Economic Development Authority ("Shakopee EDA") and Canterbury Park Holding Corporation and its subsidiary Canterbury Development LLC in connection with a Tax Increment Financing District ("TIF District") that the City had approved in April 2018. The City of Shakopee, the Shakopee EDA and the Company entered into the Redevelopment Agreement on August 10, 2018.

Under the Original Agreement, the Company agreed to undertake a number of specific infrastructure improvements within the TIF District, and the City agreed that a portion of the tax revenue generated from the developed property will be paid to the Company to reimburse it for its expense in constructing these improvements. Under the Original Agreement, the total estimated cost of TIF eligible improvements to be borne by the Company was \$ 23,336,500 .

On January 25, 2022, the Company received the fully executed First Amendment to the Contract for Private Redevelopment (the "First Amendment") among the Company, the City of Shakopee, and the Shakopee EDA, which is effective as of September 7, 2021. Under the First Amendment and as part of the authorized changes regarding the responsibilities of the Company and the City, improvements on Unbridled Avenue will be primarily constructed by the City of Shakopee. As a result, the total estimated cost of TIF eligible improvements to be borne by the Company was reduced by \$ 5,744,000 to an amount not to exceed \$ 17,592,881. In order to reimburse the Company for the qualified costs related to constructing the developer improvements, the Authority will issue and the Company will receive a TIF Note in the maximum principal amount of \$ 17,592,881. The First Amendment also memorialized that the Company completed the Shenandoah Drive improvements as required prior to December 31, 2019. The City is obligated to issue bonds to finance the portion of the improvements required to be constructed by the City.

A detailed Schedule of the Public Improvements under the First Amendment, the timeline for their construction and the source and amount of funding is set forth in the First Amendment, which is filed as Exhibit 10.1 of the Form 8-K filed on January 31, 2022. The Company expects to substantially complete the remaining developer improvements by July 17, 2027 and will be reimbursed for costs of the developer improvements incurred by no later than July 17, 2027. The total amount of funding that the Company will be paid as reimbursement under the TIF program for these improvements is not guaranteed, however, and will depend in part on future tax revenues generated from the developed property.

As of March 31, 2024, the Company recorded a TIF receivable of approximately \$ 14,188,000, which represents \$ 11,353,000 of principal and \$ 2,835,000 of interest. Management believes future tax revenues generated from current development activity will exceed the Company's development costs and thus, management believes no allowance related to this receivable is necessary. As of December 31, 2023, the Company recorded a TIF receivable of approximately \$ 13,973,000, which represented \$ 11,307,000 of principal and \$ 2,666,000 of interest.

The Company expects to finance its improvements under the Redevelopment Agreement with funds from its current operating resources and existing credit facility and, potentially, third-party financing sources.

8. LEASES

The Company determines if an arrangement is a lease or contains a lease at inception. The Company leases some office equipment under finance leases. We also lease equipment related to our horse racing operations under operating leases. For lease accounting purposes, we do not separate lease and nonlease components, nor do we record operating or finance lease assets and liabilities for short term leases.

As our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date to determine the present value of lease payments. We recognize expense for operating leases on a straight-line basis over the lease term. The Company's lease agreements do not contain any variable lease payments, material residual value guarantees or any restrictive covenants.

Lease costs related to operating leases were \$ 0 for the three months ended March 31, 2024 and 2023. The total lease expenses for leases with a term of twelve months or less for which the Company elected not to recognize a lease asset or liability was \$ 100,054 and \$ 110,309 for the three months ended March 31, 2024 and 2023, respectively.

Lease costs included in depreciation and amortization related to our finance leases were \$ 2,778 and \$ 6,715 for the three months ended March 31, 2024 and 2023 respectively. Interest expense related to our finance leases was immaterial.

The following table shows the classification of the right of use assets on our consolidated balance sheets:

| | Balance Sheet Location | March 31, 2024 | December 31, 2023 |
|---------------------|--|-------------------|----------------------|
| Assets | | | |
| Finance | Land, buildings and equipment, net (1) | \$ 173,075 | \$ 9,374 |
| Operating | Operating lease right-of-use assets | 53,026 | 53,026 |
| Total Leased Assets | | <u>\$ 226,101</u> | <u>\$ 62,400</u> |

1 – Finance lease assets are net of accumulated amortization of \$ 7,835 and \$ 118,424 as of March 31, 2024 and December 31, 2023, respectively.

The following table shows the lease terms and discount rates related to our leases:

| | March 31, 2024 | December 31, 2023 |
|---|-------------------|----------------------|
| Weighted average remaining lease term (in years): | | |
| Finance | 4.7 | 4.9 |
| Operating | 0.8 | 0.8 |
| Weighted average discount rate (%): | | |
| Finance | 8.5% | 4.8% |
| Operating | 8.0% | 8.0% |

The maturity of operating leases and finance leases as of March 31, 2024 are as follows:

| Three Months Ended March 31, 2024 | Operating leases | Finance leases |
|---|-------------------------|-----------------------|
| 2024 remaining | \$ 26,785 | \$ 33,335 |
| 2025 | 28,229 | 44,447 |
| 2026 | — | 44,447 |
| 2027 | — | 44,447 |
| 2028 and beyond | — | 44,252 |
| Total minimum lease obligations | 55,014 | 210,927 |
| Less: amounts representing interest | (1,988) | (37,852) |
| Present value of minimum lease payments | 53,026 | 173,075 |
| Less: current portion | (25,352) | (30,922) |
| Lease obligations, net of current portion | <u>\$ 27,674</u> | <u>\$ 142,153</u> |

9. RELATED PARTY RECEIVABLES

Since 2019, the Company has made member loans to the Doran Canterbury I and the Doran Canterbury II joint ventures totaling approximately \$ 3,365,000 and \$ 2,957,000 as of March 31, 2024 and December 31, 2023, respectively. These member loans bear interest at the rate equal to the Prime Rate plus two percent per annum, and accrued interest totaled \$ 603,000 and \$ 522,000 as of March 31, 2024 and December 31, 2023, respectively. The Company expects to be fully reimbursed for these member loans as and when the joint ventures achieve positive cash flow. Under the Operating Agreements for Doran Canterbury I and Doran Canterbury II, the joint ventures must repay member loans before payments to members in accordance with their percentage interests.

The Company has also recorded related party receivables of approximately \$ 2,000 and \$ 47,000 as of March 31, 2024 and December 31, 2023, respectively, for various related costs incurred by the Company. The Company expects to be fully reimbursed for these costs by the related parties in 2024.

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

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to help the reader understand Canterbury Park Holding Corporation and its subsidiaries, our operations, our financial results and financial condition and our present business environment. This MD&A is provided as a supplement to, and should be read in conjunction with, our condensed consolidated financial statements and the accompanying notes to the financial statements (the "Notes").

Overview:

Canterbury Park Holding Corporation (the "Company," "we," "our," or "us") conducts pari-mutuel wagering operations and hosts "unbanked" card games at its Canterbury Park Racetrack and Casino facility (the "Racetrack") in Shakopee, Minnesota, which is approximately 20 miles southwest of downtown Minneapolis. The Racetrack is the only facility in the State of Minnesota that offers live pari-mutuel thoroughbred and quarter horse racing.

The Company's pari-mutuel wagering operations include both wagering on thoroughbred and quarter horse races during live meets at the Racetrack each year from May through September, and year-round wagering on races held at out-of-state racetracks that are televised simultaneously at the Racetrack ("simulcasting"). Unbanked card games, in which patrons compete against each other, are hosted in the Casino at the Racetrack. The Casino typically operates 24 hours a day, seven days a week. The Casino offers both poker and table games at up to 80 tables. The Company also derives revenues from related services and activities, such as concessions, parking, advertising signage, publication sales, and from other entertainment events and activities held at the Racetrack.

Operations Review for the Three Months Ended March 31, 2024:

Revenues:

Total net revenues for the three months ended March 31, 2024 were \$14,098,000, an increase of \$798,000, or 6.0%, compared to total net revenues of \$13,300,000 for the three months ended March 31, 2023. See below for a further discussion of our sources of revenues.

Casino Revenue:

| | Three Months Ended March 31, | |
|----------------------------------|------------------------------|---------------------|
| | 2024 | 2023 |
| Poker Games Collection | \$ 1,876,000 | \$ 1,979,000 |
| Other Poker Revenue | 737,000 | 774,000 |
| Total Poker Revenue | 2,613,000 | 2,753,000 |
| Table Games Collection | 6,896,000 | 6,381,000 |
| Other Table Games Revenue | 547,000 | 580,000 |
| Total Table Games Revenue | 7,443,000 | 6,961,000 |
| Total Casino Revenue | \$ 10,056,000 | \$ 9,714,000 |

The primary source of Casino revenue is a percentage of the wagers received from players as compensation for providing the Casino facility and services, which is referred to as "collection revenue." Other Poker Revenue and Other Table Games Revenue presented above includes fees collected for the administration of tournaments and the poker jackpot and amounts earned as reimbursement of the administrative costs of maintaining table games jackpot funds, respectively.

As indicated by the table above, total Casino revenue increased \$342,000, or 3.5%, for the three months ended March 31, 2024 compared to the same period in 2023. The increase in Casino revenue for the three months ended March 31, 2024 is primarily due to decreased attendance related to inclement weather experienced in the first three months of 2023.

Pari-Mutuel Revenue:

| | Three Months Ended March 31, | |
|----------------------------------|------------------------------|---------------------|
| | 2024 | 2023 |
| Simulcast | \$ 866,000 | \$ 852,000 |
| Other revenue | 308,000 | 281,000 |
| Total Pari-Mutuel Revenue | \$ 1,174,000 | \$ 1,133,000 |

Total pari-mutuel revenue remained relatively flat, increasing \$41,000, or 3.6%, for the three months ended March 31, 2024 compared to the same period in 2023. The slight increase is also related to the inclement weather experienced in the first three months of 2023 as noted above.

Food and Beverage Revenue:

Food and beverage revenue increased \$257,000, or 17.5%, for the three months ended March 31, 2024 compared to the same period in 2023. The increase is primarily due to increased catering operations related to hosting large scale special events that took place in the first quarter of 2024.

Other Revenue:

Other revenue increased \$159,000, or 16.1%, for the three months ended March 31, 2024 compared to the same period in 2023. The increase is primarily due to space rental revenues related to catering as well as increased revenues from corporate sponsorships.

Operating Expenses:

Total operating expenses increased \$590,000, or 5.0%, for the three months ended March 31, 2024 compared to the same period in 2023. The following paragraphs provide further detail regarding certain operating expenses.

Salaries and benefits increased \$277,000, or 4.7%, for the three months ended March 31, 2024 compared to the same period in 2023. The increase is primarily due to annual wage increases along with the State of Minnesota annual mandated increase in the minimum wage.

Depreciation and amortization increased \$116,000, or 15.7%, for the three months ended March 31, 2024 compared to the same period in 2023. The increase is primarily due to placing larger fixed assets into service towards the second half of 2023.

Advertising and marketing costs decreased \$156,000, or 52.3%, for the three months ended March 31, 2024 compared to the same period in 2023. The decrease is primarily due to intentionally reducing overall spend in an effort to cut costs.

Professional and contracted services increased \$248,000, or 24.7%, for the three months ended March 31, 2024 compared to the same period in 2023. The overall increase is partially driven by increased contracted services due to utilizing a third-party for maintenance and cleaning services along with increased professional fees related to expanded lobbying efforts in the current legislative session.

Other Income (Loss), Net:

Other loss, net, for the three months ended March 31, 2024 was \$314,000, a decrease of \$2,572,000, compared to other income of \$2,258,000 for the three months ended March 31, 2023. The decrease for the three months ended March 31, 2024 compared to the same period last year is primarily due to our share of insurance proceeds received on a claim by Doran Canterbury I during the three months ended March 31, 2023. This decrease was partially offset by increased interest income due to the Company transferring available cash into certificates of deposit and money market funds as well as increasing interest rates related to our member loans to Doran Canterbury I and Doran Canterbury II.

Income Taxes:

The Company recorded a provision for income taxes of \$450,000 and \$1,041,000 for the three months ended March 31, 2024 and 2023, respectively. We record our quarterly provision for income taxes based on our estimated annual effective tax rate for the year. The decrease in our tax expense for the three months ended March 31, 2024 is primarily due to a decrease in income before taxes compared to the same period in 2023. Our effective tax rate was 31.1% and 27.3% for the three months ended March 31, 2024 and 2023, respectively. The increase in the effective tax rate is primarily the result of unfavorable discrete items including non-deductible lobbying expenses that occurred during the three months ended March 31, 2024.

Net Income:

The Company's net income for the three months ended March 31, 2024 was \$998,000, or \$0.20 per basic and diluted share. The Company's net income for the three months ended March 31, 2023 was \$2,771,000, or \$0.57 per basic share or \$0.56 per diluted share.

EBITDA

To supplement our financial statements, we also provide investors with information about our EBITDA and Adjusted EBITDA, each of which is a non-GAAP measure, which excludes certain items from net income, a GAAP measure. See the table below, which presents reconciliations of these measures to the GAAP equivalent financial measures. We define EBITDA as earnings before interest, income tax expense, and depreciation and amortization. We also compute Adjusted EBITDA, which reflects additional adjustments to Net Income to eliminate unusual or non-recurring items, as well as items relating to our real estate development operations and we believe the exclusion of these items allows for better comparability of our performance between periods and is useful in allowing greater transparency related to a significant measure used by management in its financial and operational decision-making. Adjusted EBITDA has economic substance because it is used by management as a performance measure to analyze the performance of our business, excluding the impact of our real estate segment, and provides a perspective on the current effects of operating decisions relating to our core, non-real estate business. For the three months ended March 31, 2024, Adjusted EBITDA excluded stock-based compensation, as well as depreciation and amortization relating to equity investments, and interest expense related to equity investments. For the three months ended March 31, 2023, Adjusted EBITDA also excluded gain on insurance proceeds received by the Company's equity investment. Neither EBITDA nor adjusted EBITDA is a measure of performance calculated in accordance with GAAP and should not be considered an alternative to, or more meaningful than, net income as an indicator of our operating performance. EBITDA is presented as a supplemental disclosure because we believe that, when considered with measures calculated in accordance with GAAP, EBITDA and Adjusted EBITDA provide a more complete understanding of our operating results before the impact of investing and financing transactions and income taxes, and it is a widely used measure of performance and a basis for valuation of companies in our industry. Moreover, other companies that provide EBITDA or Adjusted EBITDA information may calculate EBITDA or Adjusted EBITDA differently than we do.

The following table sets forth a reconciliation of net income, a GAAP financial measure, to EBITDA and to adjusted EBITDA (defined above) which are non-GAAP financial measures, for the three months ended March 31, 2024 and 2023 :

Summary of EBITDA Data

| | Three Months Ended March 31, | |
|---|-------------------------------------|---------------------|
| | 2024 | 2023 |
| NET INCOME | \$ 998,154 | \$ 2,770,508 |
| Interest income, net | (538,527) | (399,175) |
| Income tax expense | 450,000 | 1,041,000 |
| Depreciation | 850,986 | 735,261 |
| EBITDA | 1,760,613 | 4,147,594 |
| Stock-based compensation | 346,366 | 336,205 |
| Gain on insurance proceeds related to equity investments | — | (2,528,901) |
| Depreciation and amortization related to equity investments | 527,625 | 440,764 |
| Interest expense related to equity investments | 578,315 | 422,261 |
| ADJUSTED EBITDA | \$ 3,212,919 | \$ 2,817,923 |

Adjusted EBITDA increased \$395,000, or 14.0%, for the three months ended March 31, 2024 compared to the same period in 2023. The increase in Adjusted EBITDA is primarily due to an increase in the Company's income from operations as well as increased operating income from the Company's equity investments when removing noncash expenses such as depreciation and interest. Furthermore, for the three months ended March 31, 2023, Adjusted EBITDA was reduced by insurance proceeds received by the Company's equity investment related to an insurance claim by the Doran Canterbury I, LLC joint venture, which was not present in the current period. For the three months ended March 31, 2024, Adjusted EBITDA as a percentage of net revenue was 22.8%. For the three months ended March 31, 2023, Adjusted EBITDA as a percentage of net revenue was 21.2%.

Contingencies:

The Company continues to analyze the feasibility of various options related to the development of our underutilized land. The Company may incur substantial costs during the feasibility and predevelopment process, but the Company believes available funds are sufficient to cover the near-term costs. See Liquidity and Capital Resources for more information on liquidity and capital resource requirements.

Liquidity and Capital Resources:

The Company's primary source of liquidity and capital resources have been and are expected to be cash flow from operations and cash available under our revolving line of credit. The Company has a general credit and security agreement with a financial institution. The agreement was amended as of February 28, 2021 to extend the maturity date to January 31, 2024 and increase its revolving credit line up to \$10,000,000. The line of credit is collateralized by all receivables, inventory, equipment, and general intangibles of the Company, as well as a mortgage on certain real property. The credit agreement contains covenants requiring the Company to maintain certain financial ratios. The general credit and security agreement was further amended as of January 31, 2024 to extend the maturity date to January 31, 2027 and reduce the maximum borrowing under the line of credit to \$5,000,000. In connection with the amendment, the financial institution terminated a mortgage to release certain Company real property as collateral and the parties entered into a negative pledge agreement under which the Company agreed not to create any liens or encumbrances on certain Company real property. As of March 31, 2024, the outstanding balance on the line of credit was \$0. The Company did not borrow on the revolving line of credit during the quarter ended March 31, 2024. As of March 31, 2024, the Company was in compliance with the financial covenants of the general credit and security agreement.

The Company's cash, cash equivalents, and restricted cash balance at March 31, 2024 was \$24,281,000 compared to \$25,842,000 as of December 31, 2023. The Company believes that unrestricted funds available in its cash accounts, amounts available under its revolving line of credit, along with funds generated from operations and future land sales, will be sufficient to satisfy its ongoing liquidity and capital resource requirements for regular operations, as well as its planned development expenses for at least the next twelve months. In August 2023, the Company received approval for the first phase of the barn relocation and redevelopment plan. We expect to invest approximately \$15 million in the stable area improvement plan as currently designed, staged over the course of the next two years. Furthermore, if the Company engages in additional significant real estate development, significant improvements to its facilities, the Racetrack or surrounding grounds, or strategic growth or diversification transactions, additional financing would more than likely be required and the Company may seek this additional financing through joint venture arrangements, through incurring debt, or through an equity financing, or a combination of any of these.

Operating Activities

Trends in our operating cash flows tend to follow trends in operating income but can be affected by changes in working capital, the timing of significant interest payments, and tax payments or refunds. Net cash provided by operating activities for the three months ended March 31, 2024 was \$1,616,000, primarily as a result of the following: the Company reported net income of \$998,000, depreciation of \$851,000, a loss from equity investment of \$852,000, and stock-based compensation and 401(k) match totaling \$346,000. Primarily due to timing, the Company also experienced a decrease in accounts payable of \$2,253,000, an increase in accounts receivable of \$344,000, offset by an increase in accrued wages and payroll taxes of \$534,000 for the three months ended March 31, 2024.

Net cash provided by operating activities for the three months ended March 31, 2023 was \$5,822,000, primarily as a result of the following: the Company reported net income of \$2,771,000, depreciation of \$735,000, deferred income taxes of \$727,000, a gain from equity investment of \$1,859,000, and stock-based compensation and 401(k) match totaling \$336,000. Primarily due to timing of larger development related transactions, the Company also experienced a decrease in accounts payable of \$1,518,000 as well as a increase in accounts receivable of \$345,000, offset by an increase due to cash received related to employee retention credit receivable of \$3,598,000 and income taxes receivable and prepaid income taxes of \$314,000 for the three months ended March 31, 2023.

Investing Activities

Net cash used in investing activities for the three months ended March 31, 2024 was \$2,707,000, primarily due to additions to land, buildings, and equipment of \$2,217,000 and an increase in related party receivables of \$444,000.

Net cash used in investing activities for the three months ended March 31, 2023 was \$1,056,000, primarily due to additions to land, buildings, and equipment of \$1,010,000.

Financing Activities

Net cash used in financing activities for the three months ended March 31, 2024 was \$470,000, primarily due to cash dividends paid to shareholders and payments for taxes of equity awards. The Company declared a cash dividend of \$0.07 per share payable during the three months ended March 31, 2024.

Net cash used in financing activities for the three months ended March 31, 2023 was \$519,000, primarily due to cash dividends paid to shareholders and payments for taxes of equity awards. The Company declared a cash dividend of \$0.07 per share payable during the three months ended March 31, 2023.

Critical Accounting Estimates:

The preparation of the Condensed Consolidated Financial Statements in accordance with GAAP requires us to make estimates and judgments that are subject to an inherent degree of uncertainty. The nature of the estimates and assumptions are material due to the levels of subjectivity and judgment necessary to account for highly uncertain factors or the susceptibility of such factors to change.

These accounting estimates are described in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" of the Company's Annual Report on Form 10-K for the year ended December 31, 2023. Management made no changes to the Company's critical accounting estimates during the quarter ended March 31, 2024. In applying its critical accounting estimates, management reassesses its estimates each reporting period based on available information. Changes in these estimates did not have a significant impact on earnings for the quarter ended March 31, 2024.

The development and selection of critical accounting estimates, and the related disclosures, have been reviewed with the Audit Committee of our Board of Directors. We believe the current assumptions and other considerations used to estimate amounts reflected in our Condensed Consolidated Financial Statements are appropriate. However, if actual experience differs from the assumptions and other considerations used in estimating amounts reflected in our Condensed Consolidated Financial Statements, the resulting changes could have a material adverse effect on our financial condition, results of operations and cash flows.

Estimate of the allowance for doubtful accounts - Property Tax Increment Financing "TIF" Receivable

As of March 31, 2024, the Company recorded a TIF receivable on its Consolidated Balance Sheet of approximately \$14,188,000, which represents \$11,353,000 of principal and \$2,835,000 of interest. The TIF receivable requires significant management estimates and judgement pertaining to whether an allowance for doubtful accounts is necessary. The TIF receivable was generated in connection with the Contract for Private Redevelopment, in which the City of Shakopee has agreed that a portion of the future tax increment revenue generated from the developed property around the Racetrack will be paid to the Company to reimburse it for expenses in constructing public infrastructure improvements.

The Company typically performs an annual collectability analysis of the TIF receivable in the fourth quarter of each year, or more frequently if indicators of potential uncollectability exist. The Company utilizes the assistance of a third party to assist with the projected tax increments. The quantitative analysis includes assumptions based on the market values of the completed development projects within Canterbury Commons, which derives the future projected tax increment revenue. The Company uses the analysis to determine if the future tax increment revenue will exceed the Company's development costs on infrastructure improvements. As a result of our analysis for the year ended December 31, 2023, management believes the TIF receivable will be fully collectible and no allowance related to this receivable is necessary. There were no indicators of potential uncollectability for the three months ended March 31, 2024.

Redevelopment Agreement:

As mentioned above in Note 7 of Notes to Financial Statements, on August 10, 2018, the City of Shakopee, the City of Shakopee Economic Development Authority, and the Company entered into a Redevelopment Agreement in connection with a Tax Increment Financing District ("TIF District") that the City had approved in April 2018. Under the Redevelopment Agreement, the Company has agreed to undertake a number of specific infrastructure improvements within the TIF District, including the development of public streets, utilities, sidewalks, and other public infrastructure and the City of Shakopee agreed that a portion of the tax revenue generated from the developed property will be paid to the Company to reimburse it for its expense in constructing these improvements. The Company expects to finance its improvements under the Redevelopment Agreement with funds from its current operating resources and existing credit facility and, potentially, third-party financing sources.

On January 25, 2022, the Company received the fully executed First Amendment to the Contract for Private Redevelopment among the Company, the City of Shakopee, and the Shakopee EDA, which is effective as of September 7, 2021. Under the First Amendment and as part of the authorized changes regarding the responsibilities of the Company and the City, improvements on Unbridled Avenue will be primarily constructed by the City of Shakopee. As a result, the total estimated cost of TIF eligible improvements to be borne by the Company was reduced by \$5,744,000 to an amount not to exceed \$17,592,881.

Forward-Looking Statements:

From time-to-time, in reports filed with the Securities and Exchange Commission, in press releases, and in other communications to shareholders or the investing public, we may make forward-looking statements concerning possible or anticipated future financial performance, prospective business activities or plans that are typically preceded by words such as "believes," "expects," "anticipates," "intends" or similar expressions. For these forward-looking statements, we claim the protection of the safe harbor for forward-looking statements contained in federal securities laws. Shareholders and the investing public should understand that these forward-looking statements are subject to risks and uncertainties that could affect our actual results and cause actual results to differ materially from those indicated in the forward-looking statements. These risks and uncertainties include, but are not limited to:

- We may not be successful at implementing our growth strategy.
- Our business is sensitive to reductions in discretionary consumer spending as a result of downturns in the economy and other factors outside of our control.
- We have experienced a decrease in revenue and profitability from live racing.
- We may not be able to attract a sufficient number of horses and trainers to achieve above average field sizes.
- We face significant competition, both directly from other racing and gaming operations and indirectly from other forms of entertainment and leisure time activities, which could have a material adverse effect on our operations.
- Nationally, the popularity of horse racing has declined.
- A lack of confidence in the integrity of our core businesses could affect our ability to retain our customers and engage with new customers.
- Horse racing is an inherently dangerous sport and our racetrack is subject to personal injury litigation.
- Our business depends on using totalizator services.

- Inclement weather and other conditions may affect our ability to conduct live racing.
- We are subject to changes in the laws that govern our business, including the possibility of an increase in gaming taxes, which would increase our costs, and changes in other laws may adversely affect our ability to compete.
- We are subject to extensive regulation from gaming authorities that could adversely affect us.
- We rely on the efforts of our partner Doran for the development and profitable operation of our Triple Crown Residences at Canterbury Park joint venture.
- We rely on the efforts of our partner Greystone Construction for a new development project.
- We may not be successful in executing our real estate development strategy.
- We are obligated to make improvements in the TIF district and will be reimbursed only to the extent of future tax revenue.
- We face competition from other real estate developers.
- We may be adversely affected by the effects of inflation
- An increase in the minimum wage mandated under Federal or Minnesota law could have a material adverse effect on our operations and financial results.
- Our success may be affected if we are not able to attract, develop and retain qualified personnel.
- The payment and amount of future dividends is subject to Board of Director discretion and to various risks and uncertainties.
- Our information technology and other systems are subject to cyber security risk including misappropriation of customer information or other breaches of information security.
- We process, store, and use personal information and other data, which subjects us to governmental regulation and other legal obligations related to privacy, and our actual or perceived failure to comply with such obligations could harm our business.

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not Applicable.

ITEM 4: CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures:

The Company's President and Chief Executive Officer, Randall D. Sampson and Chief Financial Officer, Randy J. Dehmer, have reviewed the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b) as of the end of the period covered by this report. Based upon this review, these officers have concluded that the Company's disclosure controls and procedures are effective.

(b) Changes in Internal Control over Financial Reporting:

There have been no significant changes in our internal control over financial reporting (as defined in Rules 13a-15(f) under the Exchange Act) that occurred during our fiscal quarter ended March 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II
OTHER INFORMATION

Item 1. Legal Proceedings

Not Applicable.

Item 1A. Risk Factors

The most significant risk factors applicable to the Company are described in Part I, Item 1A "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2023. There have been no material changes from the risk factors previously disclosed.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

In the three months ending March 31, 2024, the Company repurchased shares of stock in connection with payment of taxes upon issuance of deferred stock awards issued to employees as follows:

| Period | Total Number of Shares Purchased | Average Price Paid Per Share |
|---------------------|----------------------------------|------------------------------|
| January 1-31, 2024 | - | - |
| February 1-29, 2024 | 3,555 | \$ 21.97 |
| March 1-31, 2024 | 1,430 | \$ 21.50 |
| Total | 4,985 | \$ 21.84 |

Item 3. Defaults upon Senior Securities

Not Applicable.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

During the three months ended March 31, 2024, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Item 6. **Exhibits**

31.1 [Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 \(rules 13a-14 and 15d-14 of the Exchange Act\).](#)

31.2 [Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 \(rules 13a-14 and 15d-14 of the Exchange Act\).](#)

32 [Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 \(18 U.S.C. 1350\).](#)

99.1 [Press Release dated May 9, 2024 announcing 2024 First Quarter Results.](#)

101 The following financial information from Canterbury Park Holding Corporation's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2024, formatted in Inline eXtensible Business Reporting Language XBRL: (i) Condensed Consolidated Balance Sheets as of March 31, 2024 and December 31, 2023, (ii) Condensed Consolidated Statements of Operations for the Three Months Ended March 31, 2024 and March 31, 2023, (iii) Condensed Consolidated Statements of Stockholders' Equity for the Three Months Ended March 31, 2024 and March 31, 2023, (iv) Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2024 and March 31, 2023, and (v) Notes to Financial Statements.

104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

SIGNATURES

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.

Canterbury Park Holding Corporation

Dated: May 10, 2024

/s/ Randall D. Sampson

Randall D. Sampson

President and Chief Executive Officer (principal executive officer)

Dated: May 10, 2024

/s/ Randy J. Dehmer

Randy J. Dehmer

Chief Financial Officer (principal financial officer, principal accounting officer)

CERTIFICATION

I, Randall D. Sampson certify that:

1. I have reviewed this quarterly report on Form 10-Q of Canterbury Park Holding Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case on an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and;
5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 10, 2024

CANTERBURY PARK HOLDING CORPORATION

/s/ Randall D. Sampson

Randall D. Sampson

President and Chief Executive Officer (principal executive officer)

CERTIFICATION

I, Randy J. Dehmer certify that:

1. I have reviewed this quarterly report on Form 10-Q of Canterbury Park Holding Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case on an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and;
5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 10, 2024

CANTERBURY PARK HOLDING CORPORATION

/s/ Randy J. Dehmer

Randy J. Dehmer

Chief Financial Officer (principal financial officer, principal accounting officer)

CERTIFICATION

Pursuant to 18 U.S.C. 1350, the undersigned Chief Executive Officer and Chief Financial Officer of Canterbury Park Holding Corporation (the "Company") hereby certifies that:

- (1) The accompanying quarterly report on Form 10-Q for the period ended March 31, 2024 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the accompanying Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

CANTERBURY PARK HOLDING CORPORATION

Dated: May 10, 2024

/s/ Randall D. Sampson

Randall D. Sampson

President and Chief Executive Officer (principal executive officer)

Dated: May 10, 2024

/s/ Randy J. Dehmer

Randy J. Dehmer

Chief Financial Officer (principal financial officer, principal accounting officer)



**Canterbury Park Holding Corporation
Reports First Quarter Results**

Shakopee, MN – May 9, 2024 – Canterbury Park Holding Corporation (“Canterbury” or the “Company”) (Nasdaq: CPHC), today reported financial results for the first quarter ended March 31, 2024.

(\$ in thousands, except per share data and percentages)

| | Three Months Ended March 31, | | Change |
|---------------------|------------------------------|-----------|--------|
| | 2024 | 2023 | |
| Net revenues | \$ 14,098 | \$ 13,300 | 6.0% |
| Net income | \$ 998 | \$ 2,771 | -64.0% |
| Adjusted EBITDA (1) | \$ 3,213 | \$ 2,818 | 14.0% |
| Basic EPS | \$ 0.20 | \$ 0.57 | -64.9% |
| Diluted EPS | \$ 0.20 | \$ 0.56 | -64.3% |

(1) Adjusted EBITDA, a non-GAAP measure, excludes certain items from net income, a GAAP measure. Non-GAAP financial measures are not intended to be considered in isolation from, a substitute for, or superior to GAAP results. Definitions, disclosures, and reconciliations of non-GAAP financial information are included later in the release. Adjusted EBITDA margin is Adjusted EBITDA as a percentage of net revenues.

Management Commentary

“Canterbury delivered strong first quarter 2024 financial results, with net revenues increasing 6.0% to \$14.1 million and Adjusted EBITDA rising 14.0% to \$3.2 million. The year over year revenue increase reflects the benefit from significantly better weather in the 2024 first quarter period compared to the same period in 2023. The adjusted EBITDA margin of 22.8% in the quarter demonstrates our fiscal discipline and the success of our initiatives to optimize operations as we continue to track well above historical adjusted EBITDA margin levels.

“We generated revenue growth across each of our reporting segments in the quarter including a 3.5% increase in Casino revenues as we extended the positive Casino revenue trends that we saw during the last months of 2023. The collective 17.0% increase in Food and Beverage and Other revenues primarily reflects the benefits of our initiatives to position our event center as a leading destination for events of all sizes in the region. While this effort is off to a very strong start, we believe there remains a significant opportunity to grow the awareness and appreciation for our hospitality offerings to deliver even higher financial performance. Pari-mutuel results rose year-over-year primarily due to milder weather and our continued efforts to optimize the operations for this portion of our business.

“Development at Canterbury Commons continues to significantly transform the lifestyle experience at the property and is proving out our long-term vision for establishing a regional ‘Live, Work, Stay, and Play’ destination. Development of Swervo Development Corporation’s (“Swervo”) amphitheater continues on schedule and recently, Greystone filed an application for a second 28,000 square foot commercial office building within the Winner’s Circle site that is expected to add additional daytime population and a mix of uses to Canterbury. This project would join the already under construction 10,000 square foot commercial building that will be home to BBQ and pizza restaurants and a fitness center. In addition, we are making consistent progress on our barn relocation project and are looking forward to beginning work later this year on a new road that will allow us to unlock approximately 20 additional acres of land that would provide economic upside for Canterbury and our shareholders.

"As we continue to optimize our operations and are positioned to benefit from the full potential that will be unlocked by the development of Canterbury Commons, we remain equally focused on exploring additional opportunities to create new value for our shareholders. Recently, the Minnesota Racing Commission approved the introduction of 500 on-track ADW historical horse racing terminals at Canterbury Park effective May 21, 2024. This entertainment option would offer our guests the ability to wager on historical horse racing outcomes similar to what is available in multiple jurisdictions. While this approval is currently the subject of a legal challenge and state legislative efforts, we remain fully committed to advocate for the ability to bring new gaming and wagering opportunities, including sports wagering, to Canterbury Park. Expanding the gaming offerings at Canterbury Park would benefit our shareholders and importantly help us secure the long-term viability of Minnesota's horse racing industry, which supports thousands of jobs and generates approximately \$400 million in economic benefits to the State. With our solid balance sheet and consistent cash flow generation, we are positioned to return capital to shareholders through our quarterly cash dividend and to continue executing on our strategies to deliver long-term growth."

Canterbury Commons Development Update

Swervo continues to make progress on the construction of its state-of-the-art amphitheater which is expected to open in 2025. The Company's barn relocation and redevelopment plan is also underway and is on track for completion in 2025. Canterbury expects to begin work this summer on the road adjacent to the amphitheater which will unlock the development potential of over 20 acres of land in that portion of the site.

Residential and commercial construction updates related to joint ventures include:

- Phase II of The Doran Group's upscale Triple Crown Residences at Canterbury Park has obtained a certificate of occupancy and has recently begun leasing available units.
- 50% of the 147 units of senior market rate apartments at The Omry at Canterbury are leased.
- Construction continues on a new 10,000 square-foot commercial building within the Winner's Circle development which is expected to open in late 2024; the building features three tenants, including a BBQ restaurant, a pizza restaurant and a fitness center.
 - A land use application for an additional 28,000 square-foot commercial office building within the Winner's Circle development has been filed with the City Planning Commission.

Residential and commercial construction updates related to prior land sales include:

- Pulte Homes of Minnesota continues development on the 45-unit second phase of its row home and townhome residences.

Developer and partner selection for the remaining 40 acres of Canterbury Commons, including 20 acres that will become available for development following the completion of the new road noted above, continues. Additional uses could include office, retail, hotel and restaurants.

Summary of 2024 First Quarter Operating Results

Net revenues for the three months ended March 31, 2024, increased 6.0% to \$14.1 million, compared to \$13.3 million in the same period last year. The year-over-year improvement reflects growth of 3.5% in Casino revenues, 3.6% in Pari-mutuel revenues, 17.5% in Food and Beverage revenues and 15.4% in Other revenues. The year-over-year increases are primarily the result of unusually mild winter weather and strong attendance at events and entertainment offerings that occurred during the quarter.

Operating expenses for the three months ended March 31, 2024, were \$12.3 million, an increase of \$590,000, or 5.0%, compared to operating expenses of \$11.7 million for the same period in 2023. The year-over-year increase in operating expenses was primarily driven by higher labor and contracted services costs as well as increased costs across the business due to the current continued inflationary environment.

The Company recorded a net loss of \$852,000 and a net gain of \$1.9 million from equity investments for the three months ended March 31, 2024 and 2023, respectively. The 2024 first quarter loss is primarily related to its share of depreciation, amortization and interest expense from the Doran Canterbury joint ventures while the 2023 first quarter gain is related to insurance proceeds received related to a claim by the joint venture against a third-party developer.

The Company recorded income tax expense of \$0.5 million and \$1.0 million for the three months ended March 31, 2024 and 2023, respectively, resulting in an effective tax rate of 31.1% and 27.3%, respectively.

The Company recorded net income of \$1.0 million and diluted earnings per share of \$0.20 for the three months ended March 31, 2024. The Company recorded net income of \$2.8 million and diluted earnings per share of \$0.56 for the three months ended March 31, 2023.

Adjusted EBITDA, a non-GAAP measure, increased 14.0% year-over-year to \$3.2 million in the 2024 first quarter, compared to \$2.8 million in the 2023 first quarter.

Additional Financial Information

Further financial information for the first quarter ended March 31, 2024, is presented in the accompanying tables at the end of this press release. Additional information will be provided in the Company's Quarterly Report on Form 10-Q that will be filed with the Securities and Exchange Commission on or about May 10, 2024.

Use of Non-GAAP Financial Measures

To supplement our financial statements, we also provide investors with information about our EBITDA and Adjusted EBITDA, each of which is a non-GAAP measure, and which exclude certain items from net income, a GAAP measure. We define EBITDA as earnings before interest, taxes, depreciation and amortization. We define Adjusted EBITDA as earnings before interest income (net of interest expense), income tax expense, depreciation and amortization, as well as excluding stock-based compensation (which includes our 401(k) match expense as this match occurs in Company stock), gain on insurance proceeds relating to equity investments, depreciation and amortization related to equity investments and interest expense related to equity investments. Neither EBITDA nor Adjusted EBITDA is a measure of performance calculated in accordance with generally accepted accounting principles ("GAAP"), and should not be considered an alternative to, or more meaningful than, net income as an indicator of our operating performance. See the table below, which presents reconciliations of these measures to the GAAP equivalent financial measure, which is net income. We have presented EBITDA as a supplemental disclosure because we believe that, when considered with measures calculated in accordance with GAAP, EBITDA gives investors a more complete understanding of our operating results before the impact of investing and financing transactions and income taxes, and it is a widely used measure of performance and basis for valuation of companies in our industry. Other companies that provide EBITDA information may calculate EBITDA or Adjusted EBITDA differently than we do. We have presented Adjusted EBITDA as a supplemental disclosure because we believe it enables investors to understand and assess our core operating results excluding the effect of these items and is useful to investors in allowing greater transparency related to a significant measure used by management in its financial and operational decision-making. Adjusted EBITDA has economic substance because it is used by management as a performance measure to analyze the performance of our business and provides a perspective on the current effects of operating decisions.

About Canterbury Park

Canterbury Park Holding Corporation (Nasdaq: CPHC) owns and operates Canterbury Park Racetrack and Casino in Shakopee, Minnesota, the only thoroughbred and quarter horse racing facility in the State. The Company generally offers live racing from May to September. The Casino hosts card games 24 hours a day, seven days a week, dealing both poker and table games. The Company also conducts year-round wagering on simulcast horse racing and hosts a variety of other entertainment and special events at its Shakopee facility. The Company is also pursuing a strategy to enhance shareholder value by the ongoing development of approximately 140 acres of underutilized land surrounding the Racetrack that was originally designated for a project known as Canterbury Commons™. The Company is pursuing several mixed-use development opportunities for the remaining underutilized land, directly and through joint ventures. For more information about the Company, please visit www.canterburypark.com.

Cautionary Statement

From time to time, in reports filed with the Securities and Exchange Commission, in press releases, and in other communications to shareholders or the investing public, we may make forward-looking statements concerning possible or anticipated future financial performance, business activities or plans. These statements are typically preceded by the words "believes," "expects," "anticipates," "intends" or similar expressions. For these forward-looking statements, we claim the protection of the safe harbor for forward-looking statements contained in federal securities laws. Shareholders and the investing public should understand that these forward-looking statements are subject to risks and uncertainties which could affect our actual results and cause actual results to differ materially from those indicated in the forward-looking statements. We report these risks and uncertainties in our Annual Report on Form 10-K for the year ended December 31, 2023 filed with the SEC and subsequently filed Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. They include, but are not limited to: we may not be successful in implementing our growth strategy; sensitivity to reductions in discretionary spending as a result of downturns in the economy and other factors; we have experienced a decrease in revenue and profitability from live racing; challenges in attracting a sufficient number of horses and trainers; a lack of confidence in core operations resulting in decreasing customer retention and engagement; personal injury litigation due to the inherently dangerous nature of horse racing; material fluctuations in attendance at the Racetrack; material changes in the level of wagering by patrons; any decline in interest in horse racing or the unbanked card games offered in the Casino; competition from other venues offering racing, unbanked card games or other forms of wagering; competition from other sports and entertainment options; increases in compensation and employee benefit costs; the impact of wagering products and technologies introduced by competitors; the general health of the gaming sector; legislative and regulatory decisions and changes; our ability to successfully develop our real estate, including the effect of competition on our real estate development operations and our reliance on our current and future development partners; temporary disruptions or changes in access to our facilities caused by ongoing infrastructure improvements; inclement weather and other conditions affecting the ability to conduct live racing; technology and/or key system failures; cybersecurity incidents; the general effects of inflation; our ability to attract and retain qualified personnel; dividends that may or may not be issued at the discretion of our Board of Directors; and other factors that are beyond our ability to control or predict.

The forward-looking statements in this press release speak only as of the date of this press release. Except as required by law, Canterbury assumes no obligation to update or revise these forward-looking statements for any reason, even if new information becomes available in the future.

Investor Contacts

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- financial tables follow -

**CANTERBURY PARK HOLDING CORPORATION'S
SUMMARY OF OPERATING RESULTS
(UNAUDITED)**

| | Three months ended March 31, | |
|-------------------------------------|---|---------------|
| | 2024 | 2023 |
| Operating Revenues: | | |
| Casino | \$ 10,056,028 | \$ 9,714,355 |
| Pari-mutuel | 1,174,268 | 1,133,334 |
| Food and Beverage | 1,727,149 | 1,469,831 |
| Other | 1,140,544 | 982,038 |
| Total Net Revenues | \$ 14,097,989 | \$ 13,299,558 |
| Operating Expenses | | |
| Income from Operations | 12,336,114 | 11,745,737 |
| Other (Loss) Income, net | 1,761,875 | 1,553,821 |
| Income Tax Expense | (313,721) | 2,257,687 |
| Net Income | (450,000) | (1,041,000) |
| Basic Net Income Per Common Share | \$ 0.20 | \$ 0.57 |
| Diluted Net Income Per Common Share | \$ 0.20 | \$ 0.56 |

**RECONCILIATION OF NET INCOME TO EBITDA
AND ADJUSTED EBITDA (UNAUDITED)**

| | Three months ended March 31, | |
|---|---|----------------------------|
| | 2024 | 2023 |
| NET INCOME | | |
| Interest income, net | \$ 998,154 | \$ 2,770,508 |
| Income tax expense | (538,527) | (399,175) |
| Depreciation | 450,000 | 1,041,000 |
| | <u>850,986</u> | <u>735,261</u> |
| EBITDA | | |
| Stock-based compensation | 1,760,613 | 4,147,594 |
| Gain on insurance proceeds related to equity investments | 346,366 | 336,205 |
| Depreciation and amortization related to equity investments | - (2,528,901) | 527,625 |
| Interest expense related to equity investments | 578,315 | 440,764 |
| | <u>578,315</u> | <u>422,261</u> |
| ADJUSTED EBITDA | <u><u>\$ 3,212,919</u></u> | <u><u>\$ 2,817,923</u></u> |