SPEEDWAY MOTORSPORTS INC

FORM 10-Q
(Quarterly Report)

Filed 8/12/1998 For Period Ending 6/30/1998

Address	US HIGHWAY 29 NORTH PO BOX 600
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Industry	Recreational Activities
Sector	Services
Fiscal Year	12/31

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

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 1998

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________ to ________

Commission file number 1-13582

SPEEDWAY MOTORSPORTS, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	51-0363307
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

U.S. HIGHWAY 29 NORTH, CONCORD, NORTH CAROLINA 28026
(Address of principal executive offices) (Zip Code)

(704) 455-3239
(Registrant's telephone number, including area code)

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 [X] No [ ]

As of August 11, 1998, there were 41,488,899 shares of $0.01 par value common stock outstanding.

INDEX TO FORM 10-Q

PART I - FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS.

SPEEDWAY MOTORSPORTS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

(Unaudited)

	December 31, 1997	June 30, 1998
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 28,148	$ 32,109
Restricted cash	2,775	1,226
Accounts and notes receivable	24,452	31,116
Prepaid income taxes	4,649	--
Inventories (Note 3)	8,900	10,096
Speedway condominiums held for sale (Note 2)	22,908	7,854
Prepaid expenses	768	1,276
Total current assets	92,600	83,677
PROPERTY AND EQUIPMENT, NET (Note 4)	436,547	487,567
GOODWILL AND OTHER INTANGIBLE ASSETS, NET	51,300	50,639
OTHER ASSETS:		
Marketable equity securities	1,609	1,125
Notes receivable (Note 7)	5,498	10,708
Other assets	9,614	9,140
Total other assets	16,721	20,973
TOTAL	$597,168	$642,856

See notes to consolidated financial statements.

SPEEDWAY MOTORSPORTS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

	December 31, 1997	(Unaudited) June 30, 1998
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt (Note 5)	$ 375	$ 374
Accounts payable	21,927	11,268
Deferred race event income, net	58,433	50,345
Accrued income taxes	--	15,032
Accrued expenses and other liabilities	13,853	15,865
Total current liabilities	94,588	92,884
LONG-TERM DEBT (Note 5)	219,135	234,432
PAYABLE TO AFFILIATED COMPANY (Note 7)	2,603	2,603
DEFERRED INCOME, NET	13,900	15,567
DEFERRED INCOME TAXES	18,795	18,778
OTHER LIABILITIES	4,033	2,286
Total liabilities	353,054	366,550

COMMITMENTS (Note 4)

STOCKHOLDERS' EQUITY:

Preferred stock, $.10 par value, shares authorized - 3,000,000, no shares issued	--	--
Common stock, $.01 par value, shares authorized - 200,000,000, issued and outstanding - 41,433,000 in 1997 and 41,488,000 in 1998	414	415
Additional paid-in capital	156,477	157,001
Retained earnings	87,526	119,217
Accumulated other comprehensive loss - unrealized loss on marketable equity securities (Note 2)	(303)	(327)
Total stockholders' equity	244,114	276,306
TOTAL	$ 597,168	$ 642,856

See notes to consolidated financial statements.

SPEEDWAY MOTORSPORTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands except per share amounts)

(Unaudited)

	Three Months Ended June 30	
	1997	1998
REVENUES:		
Admissions	$ 51,249	$ 55,708
Event related revenue	48,406	57,314
Other operating revenue	4,486	4,717
Total revenues	104,141	117,739
OPERATING EXPENSES:		
Direct expense of events	35,186	40,810
Other direct operating expense	2,794	3,038
General and administrative	8,701	8,771
Depreciation and amortization	4,455	4,981
Preoperating expense of new facility (Note 2).	1,850	--
Total operating expenses	52,986	57,600
OPERATING INCOME	51,155	60,139
Interest expense, net (Note 5)	(877)	(2,864)
Other (expense) income, net	(179)	393
INCOME BEFORE INCOME TAXES	50,099	57,668
Income tax provision	20,582	23,054
NET INCOME	$ 29,517	$ 34,614
PER SHARE DATA (Note 6):		
Earnings per share - basic	$ 0.71	$ 0.83
Weighted average shares outstanding	41,306	41,487
Earnings per share - assuming dilution	$ 0.67	$ 0.79
Weighted average shares outstanding	44,459	44,657

See notes to consolidated financial statements.

SPEEDWAY MOTORSPORTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands except per share amounts)

(Unaudited)

	Six Months Ended June 30	
	1997	1998
REVENUES:		
Admissions	$ 56,455	$ 61,396
Event related revenue	55,117	65,783
Other operating revenue	8,022	8,520
Total revenues	119,594	135,699
OPERATING EXPENSES:		
Direct expense of events	39,893	46,763
Other direct operating expense	4,850	5,260
General and administrative	15,792	16,945
Depreciation and amortization	7,119	9,739
Preoperating expense of new facility (Note 2).	1,850	--
Total operating expenses	69,504	78,707
OPERATING INCOME	50,090	56,992
Interest expense, net (Note 5)	(382)	(5,612)
Other income, net	22	1,437
INCOME BEFORE INCOME TAXES	49,730	52,817
Income tax provision	20,476	21,126
NET INCOME	$ 29,254	$ 31,691
PER SHARE DATA (Note 6):		
Earnings per share - basic	$ 0.71	$ 0.76
Weighted average shares outstanding	41,305	41,474
Earnings per share - assuming dilution	$ 0.67	$ 0.73
Weighted average shares outstanding	44,472	44,635

See notes to consolidated financial statements.

SPEEDWAY MOTORSPORTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(In thousands)

(Unaudited)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stock-holders' Equity
	Shares	Amount				
BALANCE - DECEMBER 31, 1997	41,433	$ 414	$ 156,477	$ 87,526	$ (303)	$ 244,114
Net income	--	--	--	31,691	--	31,691
Issuances of stock under employee stock purchase plan	6	--	136	--	--	136
Exercise of stock options	49	1	388	--	--	389
Net unrealized loss on marketable equity securities (Note 2)	--	--	--	--	(24)	(24)
BALANCE - JUNE 30, 1998	41,488	$ 415	$ 157,001	$ 119,217	$ (327)	$ 276,306

See notes to consolidated financial statements.

SPEEDWAY MOTORSPORTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

(Unaudited)

	Six Months Ended June 30	
	1997	1998
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 29,254	$ 31,691
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,119	9,739
Gain on sale of marketable equity securities and investments	(61)	(150)
Amortization of deferred income	(270)	(432)
Changes in operating assets and liabilities:		
Restricted cash	10,407	1,549
Accounts receivable	(7,123)	(3,991)
Prepaid and accrued income taxes	11,750	19,681
Inventories	(1,988)	(1,196)
Condominiums held for sale	(8,105)	15,054
Accounts payable	5,319	(10,659)
Deferred race event income	(6,765)	(8,088)
Accrued expenses and other liabilities	1,565	2,012
Deferred income	4,928	2,099
Other assets and liabilities	(951)	(3,534)
Net cash provided by operating activities	45,079	53,775
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on long-term debt	(184)	(18,413)
Issuance of long-term debt	78,000	35,000
Issuance of stock under employee stock purchase plan	90	136
Exercise of stock options	--	389
Net cash provided by financing activities	77,906	17,112
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(104,671)	(59,635)
Purchases of marketable equity securities and investments	(412)	(100)
Proceeds from sales of marketable equity securities and investments	656	692
Increase in notes and other receivables	(7,913)	(7,883)
Net cash used in investing activities	(112,340)	(66,926)
NET INCREASE IN CASH AND CASH EQUIVALENTS	10,645	3,961
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	22,252	28,148
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 32,897	$ 32,109

See notes to consolidated financial statements.

The following Notes to Unaudited Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations, contain estimates and forward-looking statements as indicated herein by use of such terms as "estimated", "anticipates", "approximate" or "projected". Such statements reflect management's current views, are based on certain assumptions and are subject to risks and uncertainties. No assurance can be given that actual results or events will not differ materially from those projected, estimated, assumed or anticipated in any such forward-looking statements. Important factors that could result in such differences, in addition to the other factors noted with such forward-looking statements, include:
general economic conditions in the Company's markets, including inflation, recession, interest rates and other economic factors; casualty to or other disruption of the Company's facilities and equipment; disruption of the Company's relationship with NASCAR; and other factors that generally affect the business of sports and recreational companies.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS

The consolidated financial statements include the accounts of Speedway Motorsports, Inc. (SMI), and its wholly-owned subsidiaries, Atlanta Motor Speedway, Inc. (AMS), Bristol Motor Speedway, Inc. (BMS), Charlotte Motor Speedway, Inc. and subsidiaries (CMS), Sears Point Raceway (SPR), Texas Motor Speedway, Inc. (TMS), Speedway Systems LLC d/b/a Finish Line Events (FLE), Oil-Chem Research Corp. and subsidiary (ORC), Speedway Funding Corp. and Sonoma Funding Corp. (collectively, the Company).

See Note 1 to the December 31, 1997 Consolidated Financial Statements for further description of the Company's business operations, properties and scheduled events.

In October 1996, the Company signed a joint management and development agreement with Quad-Cities International Raceway Park. The Company will serve in an advisory capacity for the development of a multi-use facility, which includes a speedway located in northwest Illinois. The agreement also grants the Company the option to purchase up to 40% equity ownership in the facility. The option has not been exercised.

2. SIGNIFICANT ACCOUNTING POLICIES

These unaudited consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the fiscal year ended December 31, 1997 included in its 1997 Annual Report on Form 10-K.

In management's opinion, these unaudited consolidated financial statements contain all adjustments necessary for their fair presentation at interim periods. All such adjustments are of a normal recurring nature.

The results of operations for interim periods are not necessarily indicative of operating results that may be expected for the entire year due to the seasonal aspect of event revenues.

REVENUE RECOGNITION - The Company recognizes revenues and operating expenses for all events in the calendar quarter in which conducted except for major NASCAR racing events which occur on the last weekend of a calendar quarter. When major NASCAR racing events occur on the last weekend of a calendar quarter, the race event revenues and operating expenses are recognized in the current or immediately succeeding calendar quarter that corresponds to the calendar quarter of the prior year in which the same major NASCAR racing event was conducted. The Company has adopted this accounting policy to help ensure comparability and consistency between quarterly financial statements of successive years.

A major NASCAR sanctioned racing event occurred at BMS on the weekends of April 11-13, 1997 and March 27-29, 1998. Also, a major NASCAR sanctioned racing event occurred at SPR on the weekends of May 3-4, 1997 and June 27-28, 1998. Accordingly, the revenues and direct expenses of these race events are recognized in the second quarter of both calendar years. The last recognition date for the first quarter of 1998 was March 26, 1998. The recognition period for the second quarter of 1998 is March 27, 1998 to June 30, 1998. No major NASCAR race events were held at the Company's speedways on the last weekend of the calendar quarters ended March 31 or June 30, 1997. As such, the reporting periods for the three and six months ended June 30, 1997 and 1998 are comparable.

The Busch Grand National series race at AMS, originally scheduled to be held March 7, 1998, was rescheduled to November 7, 1998 due to poor weather conditions. Certain advance revenues and direct expenses related to the rescheduled Busch race were deferred. Rescheduling did not materially impact revenues and operating expenses as reported for the three or six months ended June 30, 1998.

SPEEDWAY CONDOMINIUMS HELD FOR SALE - Speedway condominiums held for sale represent 46 condominiums at AMS and 76 condominiums at TMS, of which 40 and 67, respectively, have been sold or contracted for sale as of June 30, 1998. The remaining condominiums are substantially complete and are in the process of being sold. CMS has constructed 52 condominiums overlooking the main speedway, all of which have been sold.

PROPERTY AND EQUIPMENT - In the fourth quarter ended December 31, 1997, the Company revised the estimated useful lives of certain property and equipment based on new information obtained from a third party review of applicable lives for these assets. Management believes the revised lives are more appropriate and result in better estimates of depreciation. The revised lives decreased depreciation expense by $1,544,000 and $2,227,000, and increased net income by $927,000 and $1,336,000, or approximately $0.02 and $0.03 per share, for the three and six months ended June 30, 1998 compared to using former estimated lives.

MARKETABLE EQUITY SECURITIES - The Company's marketable equity securities are classified as "available for sale" and are not bought and held principally for the purpose of selling them in the near term. Valuation allowances for unrealized losses of $303,000 and $327,000 (net of $219,000 and $237,000 in tax benefits), are reflected as a charge to stockholders' equity to reduce the carrying amount of long-term marketable equity securities to market value as of December 31, 1997 and June 30, 1998, respectively.

DEFERRED INCOME - Deferred income includes Texas Motor Speedway Preferred Seat License (PSL) fee deposits of $12,862,000 and $12,650,000, net of expenses of $1,036,000 and $1,050,000 at December 31, 1997 and June 30, 1998, respectively. See Note 2 to the December 31, 1997 Consolidated Financial Statements for discussion of terms and conditions of the PSLs. Fees received under PSL agreements were deferred prior to TMS hosting its first Winston Cup race on April 6, 1997. The Company began amortizing net PSL fee revenues into income over the estimated useful life of TMS's speedway facility upon its opening. Amortization income recognized in the three and six months ended June 30, 1998 was $238,000 and $364,000, and in the three months ended June 30, 1997 was $133,000.

PREOPERATING EXPENSE OF NEW FACILITY - Preoperating expenses consist of non-recurring and non-event related costs to develop, organize and open TMS, which hosted its first racing event on April 6, 1997.

3. INVENTORIES

Inventories as of December 31, 1997 and June 30, 1998 consist of the following components (in thousands):

	December 31, 1997	June 30, 1998
Souvenirs	$ 3,839	$ 4,205
Finished vehicles, parts and accessories	4,907	5,433
Food and other	154	458
Total	$ 8,900	$10,096

4. PROPERTY AND EQUIPMENT AND CONSTRUCTION IN PROGRESS

TEXAS MOTOR SPEEDWAY - The construction of TMS, a 1.5-mile, banked, lighted, quad-oval superspeedway, located on 1,360 acres in Fort Worth, Texas, was complete at March 31, 1997, with TMS hosting its first major NASCAR Winston Cup race on April 6, 1997.

CONSTRUCTION IN PROGRESS - At June 30, 1998, the Company has various construction projects underway to increase and improve grandstand seating capacity, luxury suites, facilities for fan amenities, and make various other site improvements at each of its speedways. Also, TMS is constructing an office and entertainment complex which overlooks the main speedway. Construction is expected to be completed in 1999, and TMS plans to derive rental, catering, dining and dues revenues from the dining-entertainment and health-fitness club complex. The estimated aggregate cost of capital expenditures in 1998, excluding exercise of the SPR purchase option (see Note 5), will approximate $100,000,000.

5. LONG-TERM DEBT

BANK CREDIT FACILITY - In August 1997, the Company obtained, from a syndicate of banks led by NationsBank N.A., a long-term, unsecured, senior revolving credit facility (the Credit Facility) with an overall borrowing limit of $175,000,000 and a sub-limit of $10,000,000 for standby letters of credit. Interest is based, at the Company's option, upon (i) LIBOR plus .5% to 1.125% or (ii) the greater of NationsBank's prime rate or the Federal fund rate plus .5%. The Credit Facility matures in August 2002. At June 30, 1998, there were $35,000,000 in outstanding borrowings under the Credit Facility. At December 31, 1997, there were no outstanding borrowings.

SENIOR SUBORDINATED NOTES - In August 1997, the Company issued 8 1/2% senior subordinated notes (the Senior Notes) in the aggregate principal amount of $125,000,000. The Senior Notes are unsecured, mature in August 2007 and are redeemable at the Company's option after August 15, 2002. Interest payments are due semi-annually on February 15 and August 15, commencing February 15, 1998.

CONVERTIBLE SUBORDINATED DEBENTURES - In October 1996, the Company issued 5 3/4% convertible subordinated debentures in the aggregate principal amount of $74,000,000. The debentures are unsecured, mature on September 30, 2003, are convertible into common stock at the holder's option at $31.11 per share until maturity and are redeemable at the Company's option after September 29, 2000. In conversion, 2,378,565 shares of common stock would be issuable (see Note 6). Interest payments are due semi-annually on March 31 and September 30.

See Note 5 to the December 31, 1997 Consolidated Financial Statements for discussion of additional terms, restrictive loan covenants and conditions of the Senior Notes, Credit Facility and debentures.

CAPITAL LEASE OBLIGATION AND EXERCISE OF PURCHASE OPTION (SEARS POINT RACEWAY) - SPR, located on approximately 1,550 acres in Sonoma, California, owns and operates a 1.9-mile, seven-turn road course, a one-quarter mile dragstrip, and an 157,000 square foot industrial park. In connection with its SPR asset acquisition in November 1996 (see Note 1), the Company executed a fourteen year capital lease, including a purchase option, with the seller for all real property of the SPR complex. In December 1997, the seller informed the Company of their intent to accelerate the purchase option. On February 17, 1998, the purchase transaction was consummated for $18,100,000, net cash outlay, thereby transferring ownership of the SPR racetrack facilities and real property to the Company and eliminating its capital lease obligation. The purchase transaction was funded with borrowings under the Company's Credit Facility, and has been reflected in the accompanying June 30, 1998 consolidated financial statements.

The purchase option, consisting of the Company's right to purchase the real property for $38,100,000, was initially acquired for a $3,500,000 payment. This payment was credited against the purchase price. Also, a security deposit of $3,000,000 paid at lease inception, and a promissory note receivable of $13,453,000 due from the seller, was credited against the purchase price. Because a legal right of offset existed under the lease obligation and note receivable agreements prior to exercise, the note receivable was netted against the capital lease obligation in the accompanying December 31, 1997 consolidated balance sheet. See Note 5 to the December 31, 1997 Consolidated Financial Statements for discussion of additional terms and conditions of the former purchase option, capital lease obligation and note receivable.

INTEREST EXPENSE - Interest expense, net for the three months ended June 30, 1997 and 1998 includes interest income of $505,000 and $555,000. Interest expense was $1,382,000 and $3,419,000 for the three months ended June 30, 1997 and 1998. The Company capitalized interest costs of $1,415,000 and $742,000 during the three months ended June 30, 1997 and 1998.

Interest expense, net for the six months ended June 30, 1997 and 1998 includes interest income of $1,100,000 and $1,215,000. Interest expense was $1,482,000 and $6,827,000 for the six months ended June 30, 1997 and 1998. The Company capitalized interest costs of $3,515,000 and $1,647,000 during the six months ended June 30, 1997 and 1998.

6. PER SHARE DATA

In 1997, the Company adopted SFAS No. 128 "Earnings Per Share", which specifies the computation, presentation and disclosure requirements for basic and diluted earnings per share retroactively restated. The impact of adoption was not significant.

The following schedule reconciles basic and diluted earnings per share for the three and six months ended June 30, 1997 and 1998. Dilution assumes conversion of the convertible debentures into common stock and elimination of interest expense, net of taxes, on such debt (see Note 5). The reconciliation of basic and diluted earnings per share is as follows:

THREE MONTHS ENDED	NET INCOME	WEIGHTED AVERAGE SHARES	EARNINGS PER SHARE
	(IN THOUSANDS)		
June 30, 1997:			
Basic earnings per share	$29,517	41,306	$0.71
Dilution adjustments:			
Common stock equivalents - stock options	--	774	
5 3/4% Convertible debentures (Note 5)	316	2,379	
Diluted earnings per share	$29,833	44,459	$0.67
June 30, 1998:			
Basic earnings per share	$34,614	41,487	$0.83
Dilution adjustments:			
Common stock equivalents - stock options	--	791	
5 3/4% Convertible debentures (Note 5)	516	2,379	
Diluted earnings per share	$35,130	44,657	$0.79
SIX MONTHS ENDED			
June 30, 1997:			
Basic earnings per share	$29,254	41,305	$0.71
Dilution adjustments:			
Common stock equivalents - stock options	--	788	
5 3/4% Convertible debentures (Note 5)	333	2,379	
Diluted earnings per share	$29,587	44,472	$0.67
June 30, 1998:			
Basic earnings per share	$31,691	41,474	$0.76
Dilution adjustments:			
Common stock equivalents - stock options	--	782	
5 3/4% Convertible debentures (Note 5)	1,028	2,379	
Diluted earnings per share	$32,719	44,635	$0.73

7. RELATED PARTY TRANSACTIONS

Notes receivable at December 31, 1997 and June 30, 1998 include a note receivable of $747,000 and $772,000, respectively, due from a partnership in which the Company's Chairman and Chief Executive Officer is a partner. The note bears interest at 1% over prime, is collateralized by certain partnership land and is payable on demand. Because the Company does not anticipate repayment of the note before June 30, 1999, the balance has been classified as a noncurrent asset in the accompanying consolidated balance sheets.

Notes receivable also include a note receivable from the Company's Chairman and Chief Executive Officer for $1,876,000 at December 31, 1997 and $754,000 at June 30, 1998. The principal balance of the note represents premiums paid by the Company under a split-dollar life insurance trust arrangement on behalf of the Chairman, in excess of cash surrender value. The note bears interest at 1% over prime.

From time to time during 1997 and 1998, the Company paid certain expenses and made cash advances for various corporate purposes on behalf of Sonic Financial Corp. (Sonic Financial), an affiliate of the Company through common ownership. The Company had a net receivable from Sonic Financial of approximately $3,875,000 at December 31, 1997 and $344,000 at June 30, 1998. The amount due the Company at December 31, 1997 was substantially repaid by Sonic Financial in January 1998.

Amounts payable to affiliated company of approximately $2,603,000 at December 31, 1997 and June 30, 1998 represents acquisition and other expenses paid on behalf of AMS by Sonic Financial in prior years. Of such amounts, approximately $1,800,000 bears interest at 3.83% per annum. The remainder of the amount bears interest at prime plus 1%. The entire account balance is classified as long-term based on expected repayment dates.

8. STOCK OPTION PLANS

1994 STOCK OPTION PLAN - The Company's stockholders approved, at the 1998 annual meeting on May 5, 1998, an amendment to the 1994 Stock Option Plan to increase the number of shares of common stock issuable under that plan from 2,000,000 to 3,000,000. The amendment allows future grants to key employees. No options have been granted from January 1, 1998 to June 30, 1998.

FORMULA STOCK OPTION PLAN - On May 5, 1998, the Company's stockholders approved an amendment to the Formula Stock Option Plan to increase the number of shares of common stock issuable under that plan from 400,000 to 800,000. The amendment allows future grants to independent directors. Effective January 2, 1998, the Company granted options to purchase an additional 20,000 shares to each of the two outside directors at an exercise price per share of $24.81.

EMPLOYEE STOCK PURCHASE PLAN - On May 5, 1998, the Company's stockholders approved an amendment to the Employee Stock Purchase Plan to increase the number of shares of common stock issuable under that plan from 200,000 to 400,000. The amendment allows future grants to employees. Each participant has been granted an option to purchase up to 500 shares in 1998 at an exercise price per share of $22.33, or 90% of the fair market value at exercise date if lower, subject to the terms and conditions of the plan.

See Note 11 to the December 31, 1997 Consolidated Financial Statements for additional discussion of the terms and conditions of the Company's stock option plans.

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

The following discussion and analysis should be read in conjunction with the Consolidated Financial Statements including the Notes thereto.

OVERVIEW

The Company derives revenues principally from the sale of tickets to automobile races and other events held at each of its speedway facilities, from the sale of food, beverages and souvenirs during such events, from the sale of sponsorships to companies that desire to advertise or sell their products or services at such events, and from the licensing of television, cable network and radio rights to broadcast such events. The Company derives additional revenue from The Speedway Club, a dining and entertainment facility at CMS, Legends Car operations, SPR industrial park rentals, and from Oil-Chem, a wholly-owned subsidiary, that produces an environmentally friendly motor oil additive that the Company intends to promote in conjunction with its speedways.

The Company classifies its revenues as admissions, event related revenues and other operating revenue. "Admissions" includes ticket sales for all of the Company's events. "Event related revenues" includes food, beverage and souvenir sales, luxury suite rentals, sponsorship fees and broadcast right fees. "Other operating revenue" includes the Speedway Club, Legends Car, SPR industrial park rental and Oil-Chem revenues.

The Company classifies its expenses to include direct expense of events and other direct operating expense, among other things. "Direct expense of events" principally consists of race purses, sanctioning fees, cost of concession and souvenir sales, compensation of certain employees and advertising. "Other direct operating expense" includes the cost of The Speedway Club and Legends Car sales, SPR industrial park rentals and Oil-Chem revenues.

The Company's revenue items produce different operating margins. Sponsorships, broadcast rights, ticket sales and luxury suite rentals produce higher margins than concessions and souvenir sales, as well as Legends Car sales.

The Company sponsors and promotes outdoor motorsports events. Weather conditions affect sales of tickets, concessions and souvenirs, among other things at these events. Although the Company sells tickets well in advance of its events, poor weather conditions can have an effect on the Company's results of operations.

Significant growth in the Company's revenues will depend on consistent investment in facilities. The Company has several capital projects underway at each of its speedways.

The Company does not believe that its financial performance has been materially affected by inflation. The Company has been able to mitigate the effects of inflation by increasing prices.

AUTOMATED SYSTEMS AND THE YEAR 2000

The ability of automated systems to recognize the date change from December 31, 1999 to January 1, 2000 is commonly referred to as the Year 2000 matter. The Company has assessed the potential impact of the Year 2000 matter on its operations based on current and foreseeable computer and other automated system applications, including those of its third party vendors and customers. The Company believes any future costs associated with modifying its computer software and other automated systems for the Year 2000 matter will not be significant.

SEASONALITY AND QUARTERLY RESULTS

The Company derived a substantial portion of its total revenues from admissions and event related revenue attributable to 15 NASCAR sanctioned races held in 1997. In 1998, the Company again is holding 15 NASCAR sanctioned races. The Company will also sponsor four Indy Racing League ("IRL"), three NASCAR Craftsman Truck Series and one National Hot Rod Association Nationals, racing events in 1998. As a result, the Company's business has been, and is expected to remain, highly seasonal. In 1996 and 1997, the Company's second and fourth quarters accounted for 75% and 78%, respectively, of its total annual revenues and 96% and 100%, respectively, of its total annual operating income.

The Company sometimes produces minimal operating income or losses during its first and third quarters, when it hosts only one NASCAR race weekend. The concentration of the Company's racing events in the second quarter and the growth in the Company's operations with attendant increases in overhead expenses will tend to increase operating losses in future first and third quarters. Additionally, race dates at the Company's various facilities may from time to time be changed, lessening the comparability of the financial results of quarters between years and increasing or decreasing the seasonal nature of the Company's business.

The results of operations for the three and six months ended June 30, 1997 and 1998 are not indicative of the results that may be expected for the entire year because of the seasonality discussed above.

Set forth below is certain comparative summary information with respect to the Company's scheduled major NASCAR-sanctioned racing events for 1997 and 1998:

NUMBER OF SCHEDULED MAJOR NASCAR-SANCTIONED EVENTS

	1997	1998
1st Quarter.......................	2	1(*)
2nd Quarter.......................	8	8
3rd Quarter.......................	2	2
4th Quarter.......................	3	4(*)
Total...........................	15	15

(*) Reflects rescheduling of the Busch Grand National series race at AMS from March to November 1998 due to poor weather conditions.

RESULTS OF OPERATIONS

In 1998, the Company began operating certain food and beverage concession activities through its wholly-owned subsidiary, Speedway Systems LLC d/b/a Finish Line Events (FLE), which previously had been procured from a third party. As a result, revenues and expenses associated with such concession activities for the three and six months ended June 30, 1998 are included in event related revenues, direct expense of events and general and administrative expense. For the three and six months ended June 30, 1997, the Company's operating profits from such activities under its arrangement with the outside vendor were reported as event related revenue.

The NASCAR sanctioned Busch Grand National series race at AMS, originally scheduled to be held March 7, 1998, was rescheduled to November 7, 1998 due to poor weather conditions. Rescheduling did not materially impact revenues and operating expenses as reported for the three or six months ended June 30, 1998.

THREE MONTHS ENDED JUNE 30, 1998 COMPARED TO THREE MONTHS ENDED JUNE 30, 1997

TOTAL REVENUES. Total revenues for the three months ended June 30, 1998 increased by $13.6 million, or 13.1%, to $117.7 million, over such revenues for the same period in 1997. This improvement was due to increases in all revenue items, particularly admissions and event related revenues.

ADMISSIONS for the three months ended June 30, 1998 increased by $4.5 million, or 8.7%, over admissions for the same period in 1997. This increase was due primarily to growth in NASCAR sanctioned racing events held at BMS, CMS, and SPR during the current quarter. The growth in admissions reflects the continued increases in attendance, additions to permanent seating capacity and, to a lesser extent, ticket prices.

EVENT RELATED REVENUE for the three months ended June 30, 1998 increased by $8.9 million, or 18.4%, over such revenue for the same period in 1997. The increase reflects that the Company now operates certain food and beverage concession activities previously procured from a third party as further described above. The increase was also due to the growth in attendance, including related increases in concessions and souvenir sales, and to increases in broadcast rights and sponsorship fees.

OTHER OPERATING REVENUE for the three months ended June 30, 1998 increased by $231,000, or 5.1%, over such revenue for the same period in 1997. This increase was primarily attributable to an increase in Legend Car revenues of 600 Racing, a wholly-owned subsidiary of CMS.

DIRECT EXPENSE OF EVENTS. Direct expense of events for the three months ended June 30, 1998 increased by $5.6 million, or 16.0%, over such expense for the same period in 1997. This increase reflects that the Company now operates certain food and beverage concession activities previously procured from a third party. The Company's operating profits from such activities under its arrangement with the outside vendor were reported as event related revenue in 1997. This increase was also due to higher race purses and sanctioning fees required for NASCAR sanctioned racing events held during the current quarter, and to increased operating costs associated with the growth in attendance and seating capacity, including related increases in concessions and souvenir sales.

OTHER DIRECT OPERATING EXPENSE. Other direct operating expense for the three months ended June 30, 1998 increased by $244,000, or 8.7%, over such expense for the same period in 1997. The increase occurred primarily due to the expenses associated with the increase in other operating revenues derived from Legend Cars.

GENERAL AND ADMINISTRATIVE. As a percentage of total revenues, general and administrative expense decreased from 8.4% for the three months ended June 30, 1997 to 7.4% for the three months ended June 30, 1998. This improvement reflects continuing scale efficiencies associated with revenue increases outpacing increases in general and administrative expenses. General and administrative expense for the three months ended June 30, 1998 increased by $70,000, or 0.8%, over such expense for the same period in 1997. The increase reflects costs associated with the Company now operating certain food and beverage concession activities previously procured from a third party.

DEPRECIATION AND AMORTIZATION. Depreciation and amortization expense for the three months ended June 30, 1998 increased by $526,000 or 11.8%, over such expense for the same period in 1997. This increase was primarily due to additions to property and equipment at AMS, BMS and CMS.

PREOPERATING EXPENSE OF NEW FACILITY. Preoperating expenses for the three months ended June 30, 1997 of $1.85 million consist of non-recurring and non-event related costs to develop, organize and open TMS.

OPERATING INCOME. Operating income for the three months ended June 30, 1998 increased by $9.0 million, or 17.6%, over such income for the same period in 1997. This increase was due to the factors discussed above.

INTEREST EXPENSE, NET. Interest expense, net for the three months ended June 30, 1998 was $2.9 million, compared to $877,000 for the same period in 1997. This change was due to higher average borrowings for construction funding in the three months ended June 30, 1998 as compared to the same period in 1997. The change also reflects lower capitalized interest costs of $742,000 during the three months ended June 30, 1998 as compared to $1.4 million in the same period in 1997.

OTHER INCOME (EXPENSE), NET. Other income for the three months ended June 30, 1998 was $393,000, compared to other expense of $179,000 for the same period in 1997. This increase was partially due to gains recognized on sales of three TMS condominiums during the current quarter. No sales of TMS condominiums were recognized in the three months ended June 30, 1997. The change also reflects recognition of the Company's loss from equity method investee of $30,000 in the three months ended June 30, 1998 compared to $105,000 for the same period in 1997.

INCOME TAX PROVISION. The Company's effective income tax rate for the three months ended June 30, 1998 and 1997 was 40% and 41%, respectively.

NET INCOME. Net income for the three months ended June 30, 1998 increased by $5.1 million, or 17.3%, compared to the three months ended June 30, 1997. This increase was due to the factors discussed above.

SIX MONTHS ENDED JUNE 30, 1998 COMPARED TO SIX MONTHS ENDED JUNE 30, 1997

TOTAL REVENUES. Total revenues for the six months ended June 30, 1998 increased by $16.1 million, or 13.5%, to $135.7 million, over such revenues for the same period in 1997. This improvement was due to increases in all revenue items, particularly admissions and event related revenues.

ADMISSIONS for the six months ended June 30, 1998 increased by $4.9 million, or 8.8%, over admissions for the same period in 1997. This increase was due primarily to growth in NASCAR sanctioned racing events held during the current period. The growth in admissions reflects the continued increases in attendance, additions to permanent seating capacity and, to a lesser extent, ticket prices.

EVENT RELATED REVENUE for the six months ended June 30, 1998 increased by $10.7 million, or 19.4%, over such revenue for the same period in 1997. The increase reflects that the Company now operates certain food and beverage concession activities previously procured from a third party. The increase was also due to the growth in attendance, including related increases in concessions and souvenir sales, and to increases in broadcast rights and sponsorship fees.

OTHER OPERATING REVENUE for the six months ended June 30, 1998 increased by $498,000, or 6.2%, over such revenue for the same period in 1997. This increase was primarily attributable to an increase in Legend Car revenues of 600 Racing.

DIRECT EXPENSE OF EVENTS. Direct expense of events for the six months ended June 30, 1998 increased by $6.9 million, or 17.2%, over such expense for the same period in 1997. This increase reflects that the Company now operates certain food and beverage concession activities previously procured from a third party. This increase was also due to higher race purses and sanctioning fees required for NASCAR sanctioned racing events held during the current period, and to increased operating costs associated with the growth in attendance and seating capacity, including related increases in concessions and souvenir sales.

OTHER DIRECT OPERATING EXPENSE. Other direct operating expense for the six months ended June 30, 1998 increased by $410,000, or 8.5%, over such expense for the same period in 1997. The increase occurred primarily due to the expenses associated with increased other operating revenues derived from Legend Cars.

GENERAL AND ADMINISTRATIVE. As a percentage of total revenues, general and administrative expense decreased from 13.2% for the six months ended June 30, 1997 to 12.5% for the six months ended June 30, 1998. General and administrative expense for the six months ended June 30, 1998 increased by $1.2 million, or 7.3%, over such expense for the same period in 1997. The increase was due primarily to increases in operating costs associated with the growth and expansion at AMS, BMS, CMS, and SPR. The increase also reflects costs associated with the Company now operating certain food and beverage concession activities previously procured from a third party.

DEPRECIATION AND AMORTIZATION. Depreciation and amortization expense for the six months ended June 30, 1998 increased by $2.6 million, or 36.8%, over such expense for the same period in 1997. This increase was primarily due to property and equipment of TMS placed into service upon hosting of its first racing event in April 1997, and to additions to property and equipment at AMS, BMS and CMS.

PREOPERATING EXPENSE OF NEW FACILITY. Preoperating expenses for the six months ended June 30, 1997 of $1.85 million consist of non-recurring and non-event related costs to develop, organize and open TMS.

OPERATING INCOME. Operating income for the six months ended June 30, 1998 increased $6.9 million, or 13.8%, compared to the same period in 1997. This increase was due to the factors discussed above.

INTEREST EXPENSE, NET. Interest expense, net for the six months ended June 30, 1998 was $5.6 million, compared to $382,000 for the same period in 1997. This increase was due to higher average borrowings for construction funding in the six months ended June 30, 1998 as compared to the same period in 1997. The change also reflects lower capitalized interest costs of $1.6 million during the six months ended June 30, 1998 as compared to $3.5 million in the same period in 1997. The lower capitalized interest results primarily from property and equipment of TMS being placed into service upon its opening in April 1997.

OTHER INCOME. Other income for the six months ended June 30, 1998 increased by $1.4 million over such income for the same period in 1997. This increase resulted primarily from gains recognized on sales of eleven TMS condominiums held for sale during the six months ended June 30, 1998. No sales of TMS condominiums were recognized in the six months ended June 30, 1997. In addition, the increase reflects recognition of the Company's loss from equity method investee of $60,000 in the six months ended June 30, 1998 compared to $210,000 for the same period in 1997.

INCOME TAX PROVISION. The Company's effective income tax rate for the six months ended June 30, 1998 and 1997 was 40% and 41%, respectively.

NET INCOME. Net income for the six months ended June 30, 1998 increased by $2.4 million, or 8.3%, compared to the six months ended June 30, 1997. This increase was due to the factors discussed above.

LIQUIDITY AND CAPITAL RESOURCES

The Company has historically met its working capital and capital expenditure requirements through a combination of cash flow from operations, bank borrowings and other debt and equity offerings. The Company has expended significant amounts of cash in the first half of 1998 for improvements and expansion of BMS, CMS and TMS, and the exercise of the SPR purchase option on February 17, 1998 as further described below. The Company's financial condition and liquidity during the six months ended June 30, 1998 remained relatively comparable with that at December 31, 1997 principally due to: (1) net cash generated by operations for the six months ended June 30, 1998 amounting to $54.5 million; (2) net long-term borrowings of $16.6 million during the first and second quarters; and (3) capital expenditures during the first and second quarters amounting to $59.6 million.

Company management anticipates that cash from operations and funds available through the Credit Facility will sustain the Company's operating needs through 1998, including planned capital expenditures at its speedway facilities. Based upon the anticipated future growth and financing requirements of the Company, management expects that the Company will, from time to time, engage in additional financing of a character and in amounts to be determined. While the Company expects to continue to generate positive cash flows from its existing speedway operations, and has generally experienced improvement in its financial condition, liquidity and credit availability, such resources, as well as possibly others, could be needed to fund the Company's continued growth, including the continued expansion and improvement of its speedway facilities.

EXERCISE OF SPR PURCHASE OPTION

On February 17, 1998, the Company's purchase option on SPR was consummated for $18,100,000, net cash Company outlay, thereby transferring ownership of the SPR complex to the Company and eliminating its capital lease obligation. The purchase transaction was funded with borrowings from the Company's Credit Facility.

CAPITAL EXPENDITURES

Significant growth in the Company's revenues depends, in a large part, on consistent investment in facilities. Therefore, the Company expects to continue to make substantial capital improvements in its facilities to meet increasing demand and to increase revenue. Currently, a number of significant capital projects are underway.

In 1998, AMS is installing lighting for its inaugural IRL night race in August. At BMS, the Company added in 1998 approximately 17,000 permanent seats, including 42 new luxury suites, and made other site improvements. In 1998, at CMS, the Company added approximately 12,000 permanent seats, including 12 new luxury suites. SPR plans to further expand and improve seating and viewing areas in 1998 to increase spectator comfort and enjoyment. The Company expects in 1998 to begin major renovations at SPR, including its reconfiguration into a "stadium-style" road racing course, the addition of approximately 44,000 permanent seats, and improving and expanding concessions, restroom facilities and other fan amenities. Consistent with management's commitment to quality and customer satisfaction, the Company continues to improve and expand fan amenities at all its facilities, as well as reconfiguring traffic patterns, entrances, and expanding on-site roads and significantly increasing available parking to ease congestion caused by the growth in attendance. In 1998, after adding more than 29,000 permanent seats and 54 luxury suites, exclusive of SPR, the Company's total permanent seating capacity will exceed 554,000 and the total number of luxury suites will be approximately 550. Also, TMS is constructing an office and entertainment complex which overlooks the main speedway. Construction is expected to be completed in 1999, and TMS plans to derive rental, catering and dining revenues from the dining-entertainment and health-fitness club complex.

The estimated aggregate cost of capital expenditures in 1998, excluding exercise of the SPR purchase option, will approximate $100 million. Numerous factors, many of which are beyond the Company's control, may influence the ultimate costs and timing of various capital improvements at the Company's facilities, including undetected soil or land conditions, additional land acquisition costs, increases in the cost of construction materials and labor, unforeseen changes in the design, litigation, accidents or natural disasters affecting the construction site and national or regional economic changes. In addition, the actual cost could vary materially from the Company's estimates if the Company's assumptions about the quality of materials or workmanship required or the cost of financing such construction were to change. Construction is also subject to state and local permitting processes, which if changed, could materially affect the ultimate cost.

In addition to expansion and improvements of its existing speedway facilities and business operations, the Company is continually evaluating new opportunities that will add value for the Company's stockholders, including the acquisition and construction of new speedway facilities, the expansion and development of its existing Legends Cars and Oil-Chem products and markets and the expansion into complementary businesses.

DIVIDENDS

The Company does not anticipate paying any cash dividends in the foreseeable future. Any decision concerning the payment of dividends on the Common Stock will depend upon the results of operations, financial condition and capital expenditure plans of the Company, as well as such factors as permissibility under the Credit Facility, the Senior Notes and as the Board of Directors, in its sole discretion, may consider relevant. The Credit Facility and Senior Notes presently preclude the payment of any dividends by the Company.

PART II - OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At the Annual Meeting of Stockholders held on May 5, 1998, O. Bruton Smith and William P. Benton were elected directors by the Company's stockholders. Directors whose terms of office continued after the meeting were H.A. Wheeler, William R. Brooks, Mark M. Gambill and Edwin R. Clark. In addition to election of two directors, the stockholders approved amendments to increase the authorized number of shares of common stock issuable under (i) the SMI 1994 Stock Option Plan from 2,000,000 to 3,000,000; (2) the SMI Employee Stock Purchase Plan from 200,000 to 400,000; and (3) the SMI Formula Stock Option Plan from 400,000 to 800,000.

	Votes For	Votes Against	Votes Abstained	Unvoted
Election of O. Bruton Smith	39,103,765	0	10,518	2,373,721
Election of William P. Benton	39,104,273	0	10,010	2,373,721
Approval of amendment to SMI 1994 Stock Option Plan	37,765,458	1,331,039	17,786	2,373,721
Approval of amendment to SMI Employee Stock Purchase Plan	39,035,632	61,423	17,228	2,373,721
Approval of amendment to SMI Formula Stock Option Plan	38,270,788	823,951	19,544	2,373,721

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

27. Financial data schedule for the six month period ended June 30, 1998.

(b) No reports were filed on Form 8-K during the fiscal quarter covered by this Form 10-Q.

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.

SPEEDWAY MOTORSPORTS, INC.
(REGISTRANT)

Date: August 11, 1998	*By:*	*/s/ O. Bruton Smith* *O. Bruton Smith* *CHAIRMAN AND CHIEF EXECUTIVE OFFICER*
Date: August 11, 1998	*By:*	*/s/ William R. Brooks* *William R. Brooks* *VICE PRESIDENT, CHIEF FINANCIAL OFFICER, TREASURER AND DIRECTOR*

INDEX TO EXHIBITS TO
QUARTERLY REPORT ON FORM 10-Q FOR
SPEEDWAY MOTORSPORTS, INC.
FOR THE QUARTER ENDED JUNE 30, 1998

EXHIBIT NUMBER	DESCRIPTION OF EXHIBITS
27	Financial data schedule for the six month period ended June 30, 1998.

ARTICLE 5

MULTIPLIER: 1,000

PERIOD TYPE	6 MOS
FISCAL YEAR END	DEC 31 1998
PERIOD END	JUN 30 1998
CASH	33,335
SECURITIES	1,125
RECEIVABLES	41,824
ALLOWANCES	0
INVENTORY	10,096
CURRENT ASSETS	83,677
PP&E	487,567
DEPRECIATION	72,669
TOTAL ASSETS	642,856
CURRENT LIABILITIES	92,884
BONDS	234,432
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	415
OTHER SE	275,891
TOTAL LIABILITY AND EQUITY	642,856
SALES	8,520
TOTAL REVENUES	136,699
CGS	5,260
TOTAL COSTS	78,707
OTHER EXPENSES	(1,437)
LOSS PROVISION	0
INTEREST EXPENSE	5,612
INCOME PRETAX	52,817
INCOME TAX	21,126
INCOME CONTINUING	31,691
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	31,691
EPS PRIMARY	.76
EPS DILUTED	.73

End of Filing