



NASDAQ: DKNQ

INVESTMENT RECOMMENDATION: BUY

MARCH 29, 2025

EXECUTIVE SUMMARY

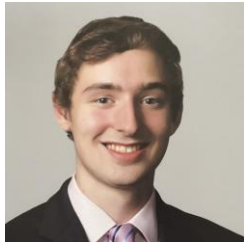
1. Executive Summary and Investment Theses
2. Company Overview
3. Industry Overview
4. Financial Summary



MEET THE TEAM



Madeline
Briddell



Chase
Cherewatti



Jarrett
Haft



James
Hammond



Amar
Srinivasan



Joe
Sullivan



Alisa
Yang

EXECUTIVE SUMMARY

INVESTMENT SUMMARY

- **BUY Recommendation** – Supported by strong market share, innovative product offerings / differentiated technology, and expanding customer monetization
- **Deal Structure** – Minority equity stake
- **Governance Rights** – Board seat, information rights, vote in major corporate actions, pro rata participation

Share Price (3/27/25)	\$37.34	
	<u>Implied Share Price</u>	<u>% Upside / Downside</u>
Base	\$61	63%
Pessimistic	\$28	-25%
Optimistic	\$101	170%

INVESTMENT THESES: 3 GROWTH LEVERS TO UNLOCK VALUE

DraftKings upside driven by compounding growth through increased users, more spend per user, and higher profitability at scale

1 User Growth via State Expansion

- Strong legislative momentum in large untapped states
- Record-low CACs, faster payback periods

2 Higher Revenue per User

- Rise in ARPMUP (+25% YoY)
- Live betting, Same Game Parlays (SGPs), and AI personalization

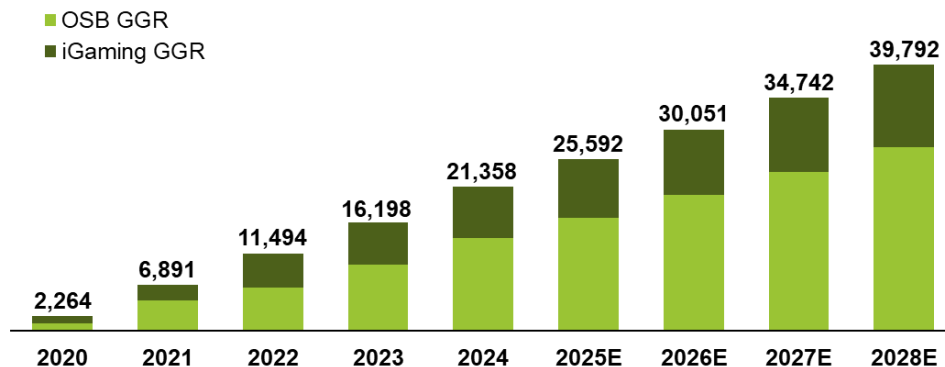
3 Profitable Growth with Operating Leverage

- Adj. EBITDA turning positive in FY24
- Free Cash Flow inflection, \$1B buyback authorized

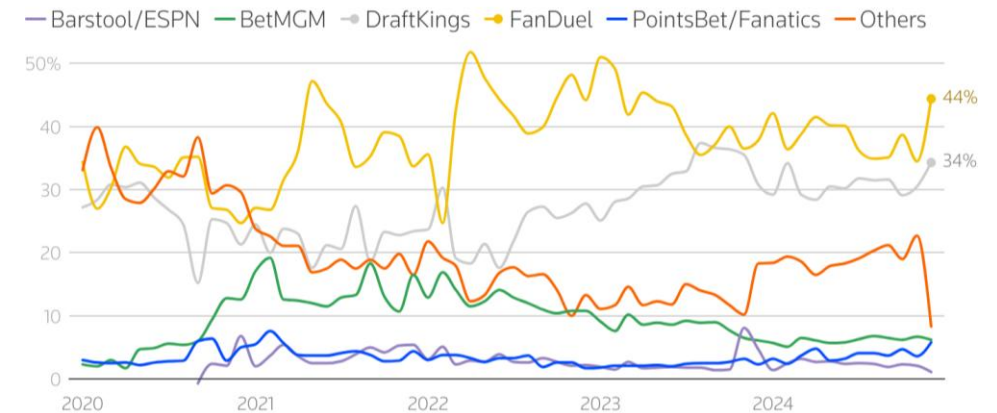
INDUSTRY OVERVIEW

- \$40B+ online gaming TAM by 2028, driven by OSB & iGaming expansion
- Legalization driving growth: Sports betting live in 38 states + D.C. following PASPA repeal (2018) with several major markets still pending
 - Momentum continues as states seek new tax revenue sources, including TX, FL, and CA (~30% of U.S. pop.)
- iGaming and online lottery represent add'l long-term growth channels
- Gen Z and Millennials driving adoption; high mobile-first engagement

US GROSS GAMING REVENUE (GGR) – (\$M)



COMPETITIVE LANDSCAPE



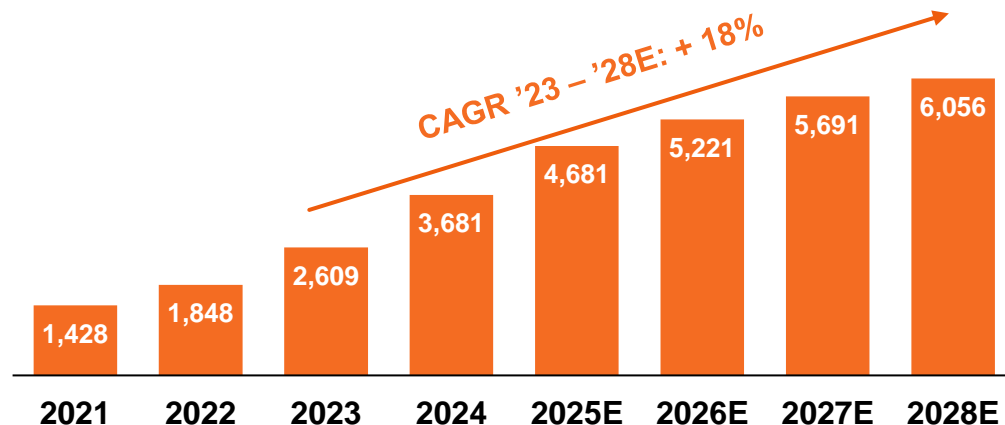
FanDuel and DraftKings dominate U.S. market with ~75% share



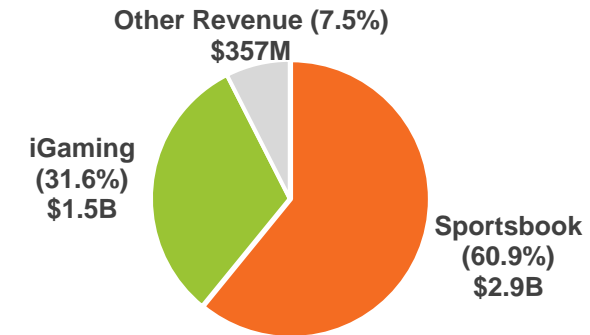
COMPANY OVERVIEW

- Founded in 2012 by Jason Robins, Paul Liberman, and Matt Kalish and headquartered in Boston, MA
- Multi-vertical platform with online sports betting (OSB), iGaming, daily fantasy sports, and online lottery (via Jackpocket)
- One of top two U.S. OSB operators with +32% online sportsbook market share
- Achieved first profitable fiscal year in 2024 (positive adj. EBITDA)

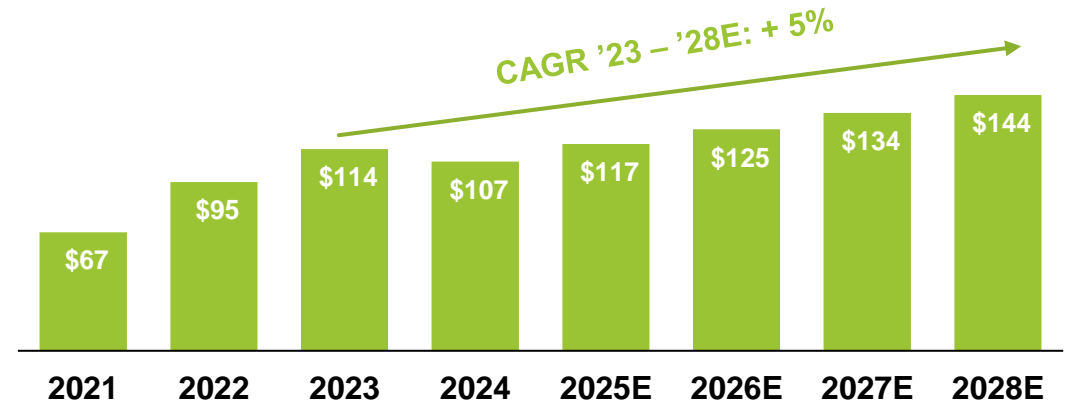
MONTHLY UNIQUE PAYERS (2020A – 2028E) – (M)



FY24 REVENUE BY SEGMENT



AVERAGE REVENUE PER MUP (2020A – 2028E)



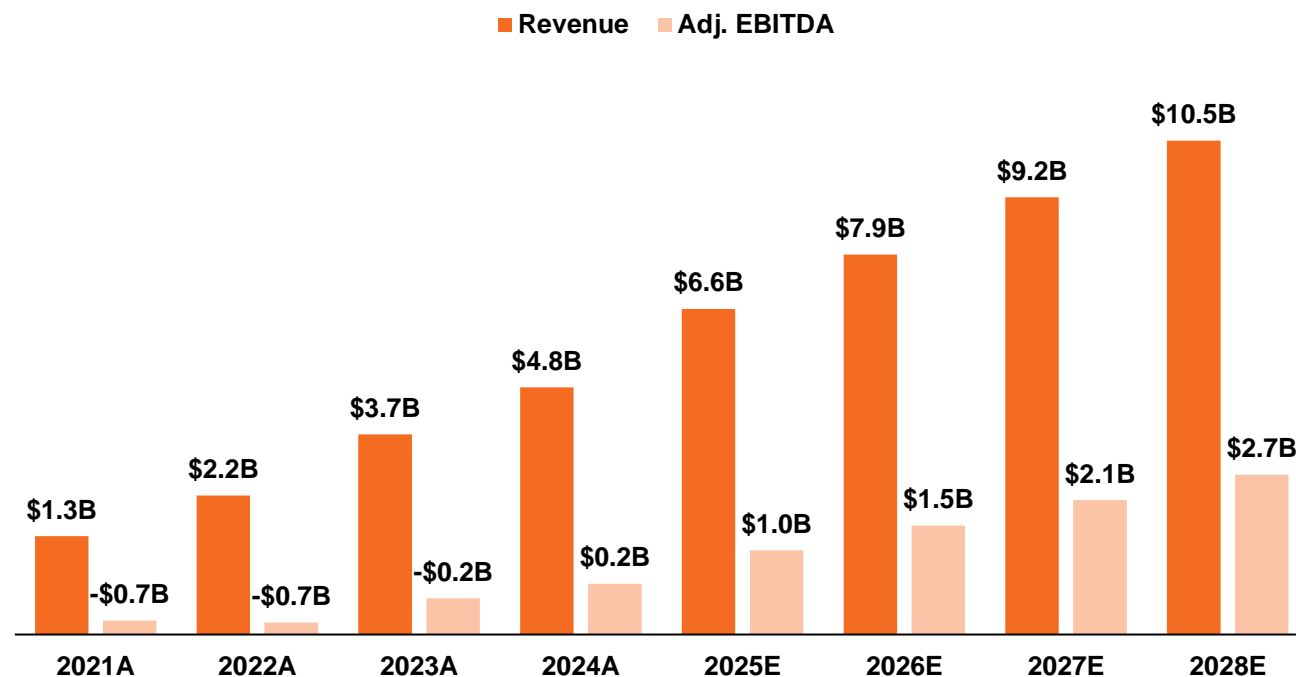
FINANCIAL / RETURNS SUMMARY

DraftKings is scaling efficiently with accelerating revenue and margin expansion — positioning for \$1B+ EBITDA by 2025E

KEY METRICS

- **Total Revenue:** FY24 \$4.8B (+30% YoY); 4Q24 \$1.393B (+13% YoY; +27% QoQ)
- **Monthly Unique Payers (MUPs):** 4.8M (+36% YoY)
- **Average Revenue per MUP (ARPMUP):** \$97 (-16% YoY)
- **Net Loss:** \$507M (-37% YoY)
- **2025 Guidance:** \$6.3-\$6.6B (+35% YoY)
- **Profitability inflection in FY24:** first year of positive Adj. EBITDA

REVENUE AND ADJ. EBITDA (2021A–2028E)





INDUSTRY OVERVIEW

INDUSTRY TRENDS

Industry still scaling against adoption curve with likely future state legalizations and product evolution driving significant TAM expansion

MACRO TAILWINDS IN SPORTS BETTING



US Gross Gambling Rev. \$13B in 2023, \$40B in 2028E



State legalizations & Gen Z/Millennial adoption



Rising acceptance of gambling post-PASPA

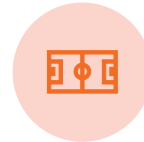


Sports media integration (e.g., ESPN, Barstool)

RECENT SPORTSBOOK REVENUE DRIVERS



Shift to in-play & microbetting increasing volume



Higher parlay leg count drives higher margins



AI personalization = better retention and spend per user



Market consolidating around top 2 (FanDuel & DKNG)

MARKET POSITION RELATIVE TO COMPETITORS



- Sportsbook, fantasy sports, horse racing, online casino
- Owned and licensed by Flutter
- Monthly active users: 3.2M
- U.S. market share: 34%



- Sports betting and iGaming
- JV between MGM Resorts and Entain Holdings
- Monthly active users: 946K
- U.S. market share: 13%

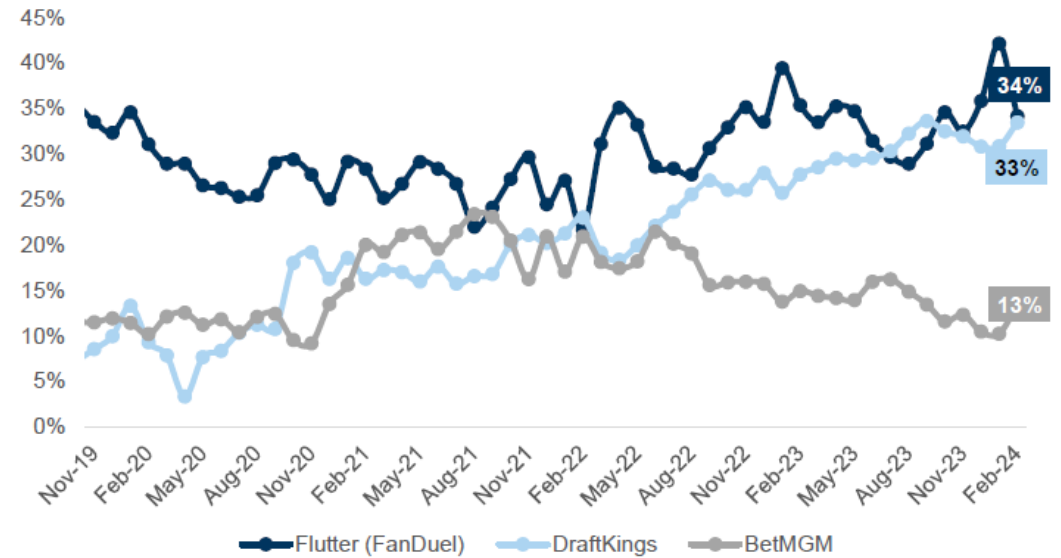


- Sports betting only
- Monthly active users: 1.8M
- U.S. market share: 3.5%



- Sports betting platform owned and operated by Penn Gaming, using ESPN license
- Monthly active users: 542K
- U.S. market share: 1.9%

COMBINED OSB AND IGAMING GGR MARKET SHARE



Draft Kings' competitive advantage, broad market share takeover, and growing league partnerships poise them for success

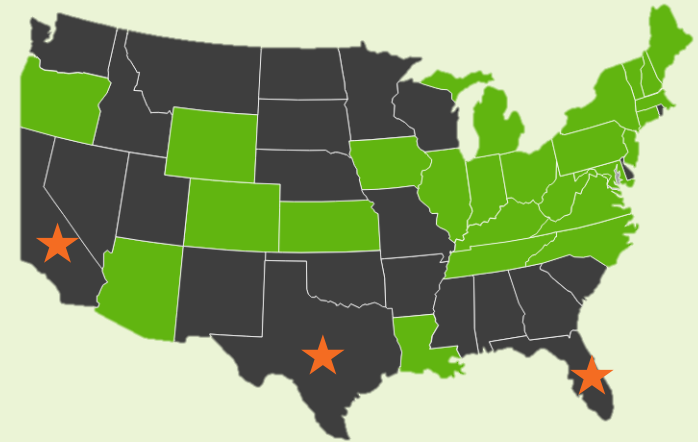


REGULATORY ENVIRONMENT

- 75% of U.S. projected to be legalized by 2030
- Momentum in CA/FL/TX presents significant upside opportunity
 - Florida: Limited via Seminole Tribe (Hard Rock Bet)
 - Texas: 60% voter support; Gov. Abbott open
 - California: Recent legislation has failed, but growing support amongst voters
- Friendly federal posture (Trump-era expectations)
- Previous Legislation:
 - 2018 - Murphy v. National Collegiate Athletic Association
 - Led to repeal of Professional and Amateur Sports Protection Act (PASPA), the law that prohibited state-authorized sports gambling
- Proposed new legislation in 2024: Supporting Affordability and Fairness with Every Bet (SAFE Bet Act)
 - Seeks to address affordability, advertising, and artificial intelligence to limit aggressive strategies to garner customers

DRAFTKINGS OSB IS LEGAL IN 25 STATES (~50% US POPULATION)

- DKNK OSB Live
- DKNK OSB Not Live
- ★ Key Pending State



COMPANY OVERVIEW

BUSINESS SEGMENTS

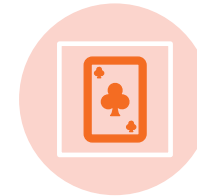
DraftKings operates across three core verticals



1. Online Sports Betting
Primary revenue driver



2. iGaming
High-margin opportunity in early stages



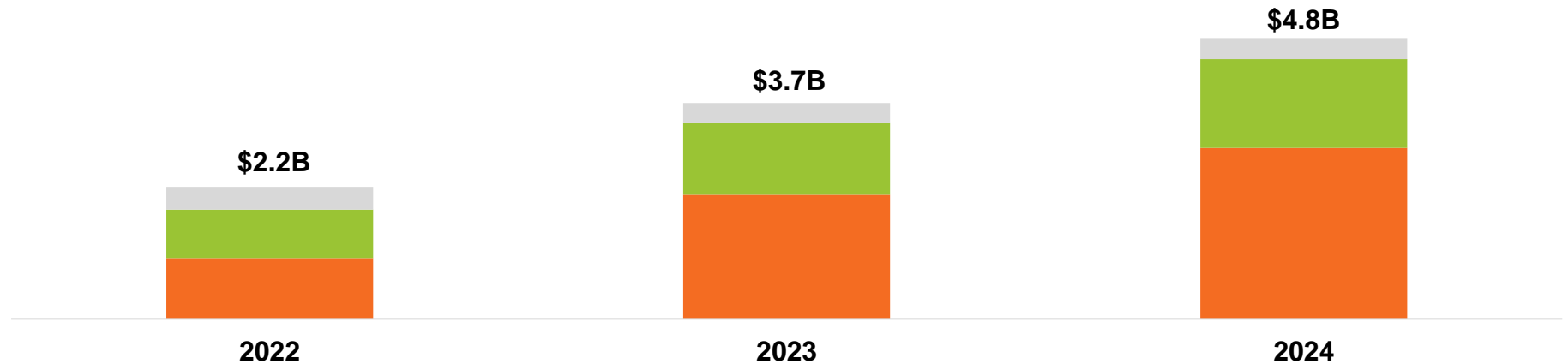
3. Lottery (Jackpocket)
Adds cross-sell volume

REVENUE BY SEGMENT (FY22-24)

■ Sportsbook Revenue

■ iGaming Revenue

■ Other Revenue



Revenue Growth (YoY)

72.87%

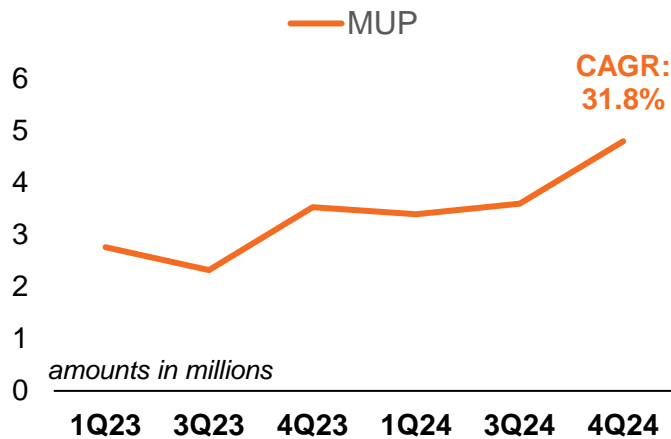
63.60%

30.07%

CORE REVENUE DRIVERS

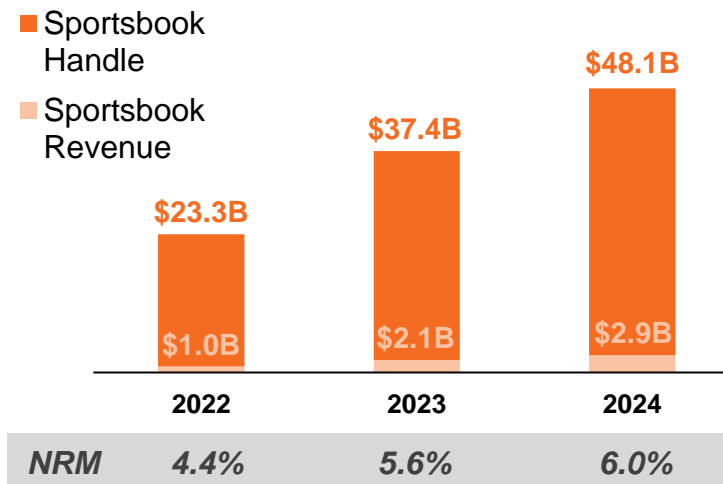
RAPIDLY GROWING MONTHLY UNIQUE PAYERS

Acquired 3.5 million new customers at record low customer acquisition costs



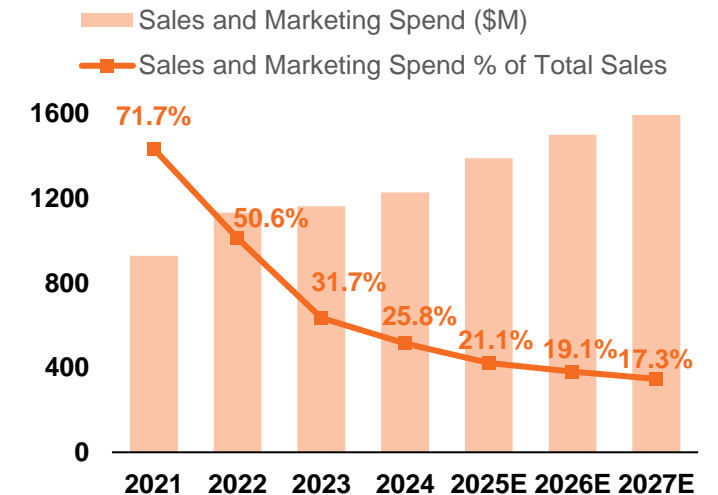
SPORTSBOOK HOLD % AND NRM EXPANSION

Sportsbook and iGaming handle increased 21% year-over-year; Structural sportsbook hold percentage increased to 10.5% as parlay handle mix trended higher



COST DISCIPLINE FUELING EFFICIENT A&P SPEND

Growing MUPs is getting cheaper, not harder (CAC decreased ~ 20% FY24) – strong sign of marketing efficiency and product-market fit

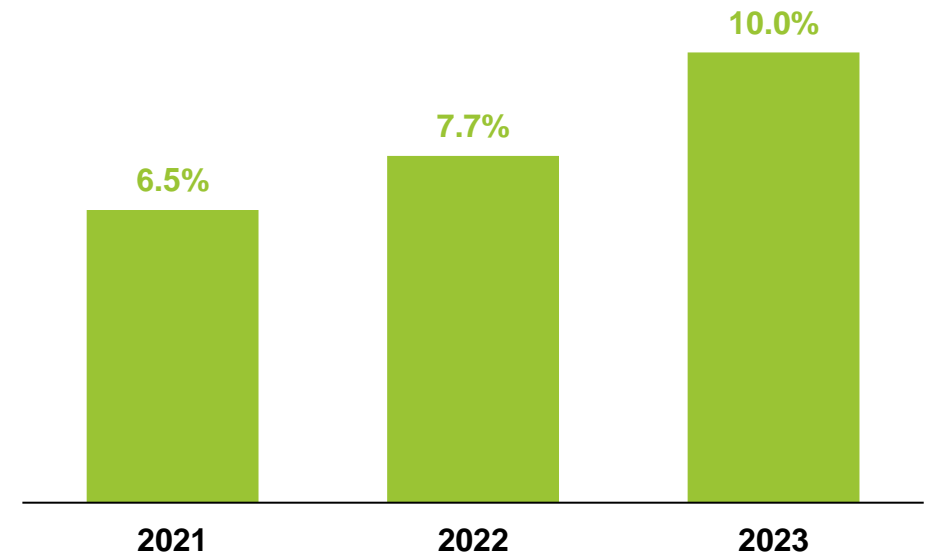


HIGHER HOLD RATES A POSITIVE AS BET MIX SHIFT

DraftKings operationally improving net revenue and customer economics through increasing their hold rate as they improve their bet mix and trading operations¹

- Higher hold rates driven by:
 - **Higher Average Leg Count** – Driven by mix shift in product engagement (increasing customer appetite for parlays & live betting) & product innovation (improved Same Game Parlay [SGP] offering, SGP+, Progressive Parlay, etc.) & optimized site experience
 - **Optimized Trading** – Driven by increasingly accurate pricing (especially live markets and cash-out)
 - **Enhanced Risk Management** – Driven by real-time visibility into sportsbook liabilities and customer-specific behavior, enabled by machine learning

DKNG HOLD RATES 2021-2023



Notes:

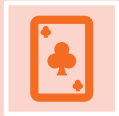
1. Hold rate, or win margin, is typically defined as the percentage of money that operators keep for every dollar wagered

DRIVERS OF DIFFERENTIATION



Proprietary Tech Stack

→ Integration with SBTech enables personalization, better pricing, and lower 3rd-party costs



Live Betting Leadership

→ Simplebet integration allows micro-betting (e.g., next pitch/play)
→ In-play bets drive engagement and boost hold rates



Brand & Product Depth

→ Wider market offerings than competitors; strong UI/UX



Economies of Scale

→ Customer acquisition gets cheaper as market matures
→ Cross-sell opportunities from Jackpocket and DFS base

DRAFTKINGS POSITIONED TO DOMINATE IN-PLAY BETTING

As fan engagement shifts toward real-time interaction, DraftKings is embedding betting directly into the live sports experience — driving frequency, personalization, and monetization

■ Shift to Live and Micro-betting

- Faster bet resolution → increased betting volume
- In-play now ~50% of handle in mature markets; expected to reach 70%+ by 2028E (GS, Jefferies)

■ Convergence of Streaming and Betting

- Sports viewership moving from passive linear TV → interactive OTT experiences
- DKNK is early in integrating betting with live sports feeds

■ Fan Behavior is Changing

- Increased demand for personalization, real-time interaction, and mobile-first experiences
- DKNK leverages in-house tech (SBTech, Simplebet) to deliver micro-betting, dynamic odds, and SGPs

■ Key Partnerships with Streaming & Media Leaders

- DKNK is already integrated into Amazon TNF, Comcast Xfinity, and NBA League Pass — positioning it as the *default live betting layer* for U.S. sports

STRATEGIC PARTNERSHIPS EMBED DRAFTKINGS DIRECTLY INTO THE LIVE EXPERIENCE



Amazon Prime Video: *Live odds + exclusive TNF integration + future alt betting stream*



Xfinity Odds Zone: *Scan-to-bet from live TV interface via QR → DKNK app*



NBA League Pass: *Overlays of betting odds in-stream (point spreads, SGPs, etc.)*



Simplebet / SBTech: *Enables rapid, automated micro-betting — DraftKings owns the tech*



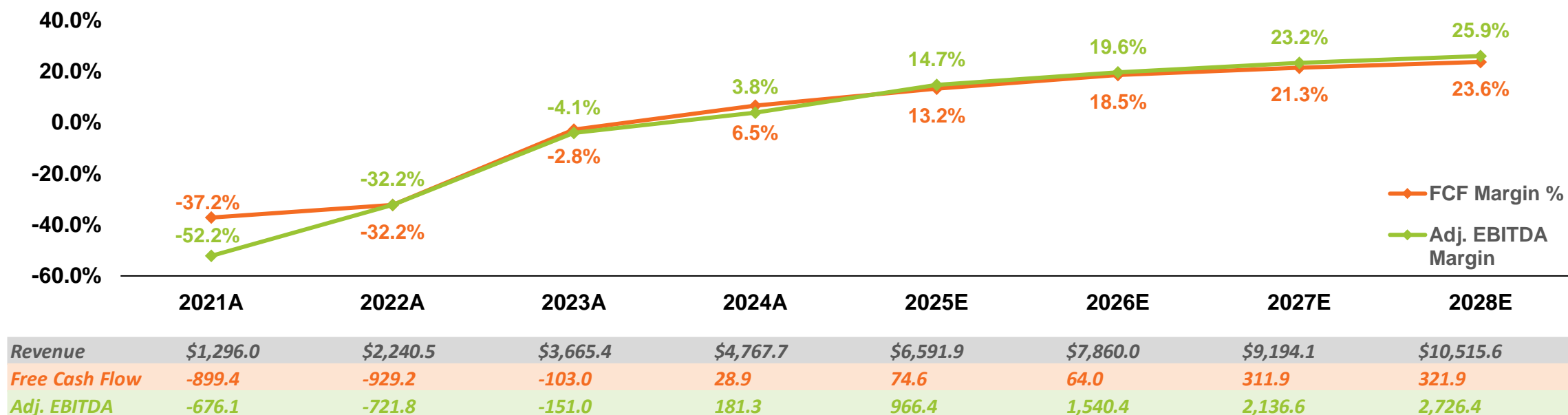


FINANCIAL SUMMARY

TOP & BOTTOM-LINE MOMENTUM THROUGH COST DISCIPLINE

Increased scale, marketing efficiency, and decreasing CACs causing inflection in FCF (positive in 2024) and Adj. EBITDA and continues to drive profitability and flow-through

- Falling CACs (~20% FY24) and continued organic growth of MUPs signal strong marketing efficiency and product-market fit
- As DKNNG continues to scale-up and reach better state-level profitability, new markets become EBITDA-positive faster due to economies of scale and decreasing customer acquisition costs (CACs)



REVENUE SUMMARY

Revenue & Key Metrics Summary

(USD millions)

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025E</u>	<u>2026E</u>	<u>2027E</u>	<u>2028E</u>
GAAP Sales	\$ 1,296	\$ 2,240	\$ 3,665	\$ 4,768	\$ 6,592	\$ 7,860	\$ 9,194	\$ 10,516
Online Gaming	\$ 1,146	\$ 2,107	\$ 3,557	\$ 4,706	\$ 6,549	\$ 7,817	\$ 9,152	\$ 10,473
Gaming Software & Other	\$ 150	\$ 134	\$ 108	\$ 62	\$ 43	\$ 43	\$ 43	\$ 43
Monthly Unique Payers (MUPs)	1,428	1,848	2,609	3,681	4,681	5,221	5,691	6,056
Avg. Revenue per MUP (ARPMUP)	\$ 67	\$ 95	\$ 114	\$ 107	\$ 117	\$ 125	\$ 134	\$ 144

Year-on-Year Growth

GAAP Sales	111%	73%	64%	30%	38%	19%	17%	14%
Online Gaming	121%	84%	69%	32%	39%	19%	17%	14%
Gaming Software & Other	-11%	-19%	-43%	-43%	-32%	0%	0%	0%
Monthly Unique Payers (MUPs) - Calc (000s)	69%	29%	41%	41%	27%	12%	9%	6%
Avg. Revenue per MUP (ARPMUP)	32%	42%	20%	-6%	9%	7%	7%	8%

VALUATION SUMMARY – SCENARIO ANALYSIS

	<u>Downside</u>	<u>Base</u>	<u>Upside</u>
EV Derived from Sales			
Sales (NTM)	\$5,933	\$6,592	\$7,251
Downside/Upside Adjustment	-10%	-	10%
Sales (NTM+1)	6,917	7,860	8,803
Downside/Upside Adjustment	-12%	-	12%
EV / Sales	2.0x	4.2x	6.2x
Enterprise Value	\$13,834	\$33,012	\$54,580
EV Derived from EBITDA			
GAAP EBITDA	\$2,503	\$2,892	\$3,218
EBITDA Margin %	21.0%	24.3%	27.0%
EV / GAAP EBITDA	10.0x	16.0x	23.0x
Discount Rate	15%	12%	10%
Discount Period	3	3	3
Enterprise Value	\$25,031	\$46,275	\$74,020
Discounted Enterprise Value	\$16,458	\$32,938	\$55,612
Weighting			
EV derived from Sales	50%	50%	50%
EV derived from EBITDA	50%	50%	50%
Enterprise Value	\$15,146	\$32,975	\$55,096
(-) Adjusted Net Debt - NTM Ending	\$78	\$78	\$78
Shares Outstanding - NTM Ending	543	543	543
Valuation	\$28	\$61	\$101
% upside/downside	-25%	63%	170%

RISKS AND MITIGANTS

Catalyst	Risk	Mitigant
Regulatory Uncertainty	<ul style="list-style-type: none">▪ Potential changes in state/federal laws could limit operations or raise compliance costs	<ul style="list-style-type: none">▪ DKNNG actively engages with regulators and meets legal standards▪ Strong track record navigating state-by-state regulatory environments
Profitability Concerns	<ul style="list-style-type: none">▪ History of net losses and high promotional spend raises sustainability questions	<ul style="list-style-type: none">▪ Positive Adj. EBITDA in FY24▪ Expecting \$900M–\$1B Adj. EBITDA in FY25 driven by scale and CAC efficiency
Competitive Pressure	<ul style="list-style-type: none">▪ Intense market competition from FanDuel and BetMGM could impact share and margins	<ul style="list-style-type: none">▪ Proprietary tech stack enables faster product innovation and better personalization▪ Brand strength and product breadth differentiate DraftKings
Tax Policy Risk	<ul style="list-style-type: none">▪ State-level tax changes (e.g., Illinois) could pressure margins	<ul style="list-style-type: none">▪ Implementing pricing surcharges▪ Ongoing focus on promotional optimization and cost control



APPENDIX

MANAGEMENT TEAM

Founder-led team with a proven track record of scaling DraftKings from startup to market leader, bringing decades of combined experience in gaming, tech, and growth execution



Jason Robins
Cofounder
Chief Executive Officer



Matt Kalish
Cofounder
President, North America



Paul Liberman
Cofounder
President, Global Tech








Alan Ellingson
Chief Financial Operator

COMPANY TIMELINE



COMPARABLE COMPANIES

Draft Kings offers attractive growth through organic growth as gaming market expands

Company	Market Cap	EV/Sales	EV/EBITDA	P/E	Revenue Growth (YoY)	OSB Market Share
 Flutter Entertainment plc	\$43.7B	3.5x	23.2x	NM	19.2%	44.2%
 MGM RESORTS INTERNATIONAL™	\$9.3B	2.3x	8.4x	13.5x	6.7%	6.7%
 CAESARS ENTERTAINMENT™	\$5.9B	2.8x	8.1x	NM	(2.5%)	3.5%
 PENN ENTERTAINMENT	\$2.6B	2.0x	9.6x	NM	3.4%	1.9%
Peer Set Median	\$7.6B	2.6x	9.0x	13.5x	5.1%	5.1%
Peer Set Mean	\$15.4B	2.7x	12.3x	13.5x	6.7%	14.1%
 DRAFTKINGS	\$19.9B	4.3x	NM	NM	30.1%	35.6%

FANDUEL SIDE-BY-SIDE

	DraftKings	FanDuel
Technology	<ul style="list-style-type: none">▪ SBtech provides DK with competitive line pricing▪ SimpleBet acquisition enhances live betting efficiency	<ul style="list-style-type: none">▪ Backed by Flutter's global tech platform leads to most robust pricing capabilities in the market
Comparative Advantages	<ul style="list-style-type: none">▪ Live/micro-betting leadership▪ More expansive product offerings	<ul style="list-style-type: none">▪ UI appeals to casual bettor▪ Faster pay-outs lead to greater amount staked
Geographic Profile	<ul style="list-style-type: none">▪ Primary focus in North America	<ul style="list-style-type: none">▪ International OSB offerings

DraftKings presents a compelling investment opportunity as the sports betting market consolidates. With the industry increasingly integrating betting into the game experience, DraftKings is well-positioned due to its leadership in micro-betting. Improving user experience features like UI and payout speeds is easier than developing micro-betting technology, giving DraftKings a strategic advantage.



BUYBACK

- On July 30, 2024, DraftKings' Board of Directors authorized the repurchase of up to \$1.0 billion of its Class A common stock
- As of December 31, 2024, DraftKings had repurchased 1,141,805 shares, valued at approximately \$48.05 million. This represents a small portion of the total authorized amount, indicating ongoing efforts to return value to shareholders.
- Rationale: The buyback program is part of DraftKings' strategy to enhance shareholder value. It reflects the company's confidence in its financial position and future growth prospects, particularly as it continues to expand its presence in the sports betting and iGaming markets
- DraftKings maintains a solid balance sheet with \$788.3 million in cash and cash equivalents as of the end of 2024, providing ample liquidity for continued investments and share repurchases
- Despite ongoing market volatility, DraftKings has raised its revenue guidance for 2025 to between \$6.3 billion and \$6.6 billion, with Adjusted EBITDA expected to reach \$900 million to \$1.0 billion. This positive outlook supports the rationale behind the share buyback initiative.