



Business Update

First Quarter 2024

To Our Shareholders:

DraftKings is off to an outstanding start in 2024 and we are excited to be raising our outlook for the fiscal year. There are five important takeaways as we reflect on the first quarter and the rest of 2024:

- First, our **revenue growth rate is strong** as we continue to efficiently acquire new customers, deepen our engagement with existing customers, improve our structural sportsbook hold percentage, and optimize promotional deployment. Revenue grew 53% year-over-year in the first quarter, and our increased revenue guidance midpoint implies 34% year-over-year growth for fiscal year 2024.
- Second, we delivered **successful sportsbook launches in Vermont and North Carolina**. We acquired customers efficiently at population penetration rates consistent with prior launches and expect both states to contribute positively to Adjusted EBITDA for the second half of 2024.
- Third, we continue **to focus on driving product innovation and customer-centricity**. Our platform and overall customer experience are rapidly improving, and as a result, we are achieving excellent customer retention and participation across sports and games.
- Fourth, we continue to **focus on driving operational efficiency** across the organization. We expect an Adjusted EBITDA Flow-through Percentage¹ of 53% for fiscal year 2024 due to our largely at-scale fixed cost structure and continued optimization of marketing and promotions.
- Fifth, we are continuing to **explore capital allocation options** given the strong trajectory of our Free Cash Flow². We anticipate that we will be able to share more details next quarter.

First Quarter 2024 Results

In the first quarter, we generated \$1,175 million of revenue, representing 53% year-over-year growth, and \$22 million of Adjusted EBITDA³, representing an Adjusted EBITDA Flow-through Percentage of 60%.

Relative to our own expectations for the first quarter, we achieved strong results across our core value drivers:

- **Excellent customer acquisition, retention, and engagement** resulted in higher-than-expected handle in the first quarter. Customer acquisition was approximately 10% higher than we had forecasted, driven primarily by outperformance in North Carolina where our customer acquisition cost improved by more than 20% compared to our customer acquisition cost in Massachusetts, which had been live for a similar duration in March of 2023.

¹ Adjusted EBITDA Flow-through Percentage is a non-GAAP financial measure that we calculate and define as the year-over-year change in Adjusted EBITDA, which is a non-GAAP financial measure, divided by the year-over-year change in revenue. Please refer to the end of this document for the definition of Adjusted EBITDA and a reconciliation of Adjusted EBITDA to its most directly comparable GAAP financial measure, net income (loss).

² Free Cash Flow is a non-GAAP financial measure that we calculate and define as Adjusted EBITDA less investments into property and equipment and capitalized software, adjusted for sources or uses of cash from changes in net working capital and sources or uses of cash from net cash interest, and less corporate cash taxes paid.

³ Adjusted EBITDA is a non-GAAP financial measure. Please refer to the end of this document for the definition of Adjusted EBITDA and a reconciliation of Adjusted EBITDA to its most directly comparable GAAP financial measure, net income (loss).

- **Structural sportsbook hold percentage was slightly ahead of expectations at 9.8%** and increased approximately 150 basis points year-over-year. Sport outcomes were customer-friendly in the latter weeks of the quarter in particular as NCAA men’s basketball favorites won a high percentage of games during the early rounds of this year’s March Madness tournament.
- **Promotional reinvestment** for OSB and iGaming continued to become more efficient year-over-year and improved by more than 700 basis points as a percentage of GGR. The reinvestment rate also improved on an existing state basis (states that launched between 2018 and 2022).

Adjusted Gross Margin⁴ increased more than 550 basis points year-over-year to 44% in the first quarter as a result of higher structural sportsbook hold and improved promotional efficiency.

Sales and marketing, product and technology, and general and administrative **expenses were consistent with our expectations**. We are continuing to exert cost discipline across the organization while simultaneously increasing revenue rapidly on a year-over-year basis.

Improved Fiscal Year 2024 Guidance

On February 15, 2024, we guided to fiscal year 2024 revenue of \$4.65 billion to \$4.90 billion and Adjusted EBITDA of \$410 to \$510 million. Today, we are improving our fiscal year 2024 revenue guidance range to \$4.8 billion to \$5.0 billion and our fiscal year 2024 Adjusted EBITDA guidance range to \$460 million to \$540 million.

Importantly, the midpoints of our updated 2024 revenue and Adjusted EBITDA guidance ranges imply a **year-over-year Adjusted EBITDA Flow-through Percentage of 53%** based on continued excellent performance across our core value drivers as we rapidly expand our gross margin and exert discipline on our cost structure, while simultaneously investing in promotions and marketing in accordance with our LTV to CAC targets. We will continue to focus on our dual goals of improving our financial expectations while also investing in customer acquisition and our product and technology capabilities.

The \$125 million improvement in our fiscal year 2024 revenue guidance midpoint and \$40 million improvement in our Adjusted EBITDA guidance midpoint break down as follows:

- **Customer acquisition, retention, and engagement** continue to exceed expectations due to marketing optimization initiatives and product advancements. These trends account for \$165 million of the revenue improvement and \$68 million of the Adjusted EBITDA improvement.
- **Structural sportsbook hold percentage** is increasing primarily as a result of momentum into our same game parlay offering. We now expect our structural sportsbook hold percentage to approach 10.5% in fiscal year 2024, which accounts for \$20 million of the revenue improvement and \$14 million of the Adjusted EBITDA improvement.
- **Customer-friendly outcomes** in late March and April resulted in headwinds of \$60 million and \$42 million to our fiscal year 2024 revenue and Adjusted EBITDA guidance, respectively.

⁴ Adjusted Gross Margin is a non-GAAP financial measure that we calculate and define as Adjusted Gross Profit divided by revenue. Please refer to the end of this document for a reconciliation of Adjusted Gross Margin to its most directly comparable GAAP financial measure.

We continue to expect our **Adjusted Gross Margin** to be in the range of 45% to 47% for the year, an improvement of 350 basis points at the midpoint compared to fiscal year 2023.

We continue to expect **Adjusted Sales and Marketing Expense**⁵ to decline modestly in fiscal year 2024.

We also continue to expect 2024 **stock-based compensation** expense to be flat-to-down in dollar terms and to represent approximately 8% of revenue in fiscal year 2024 compared to 11% in fiscal year 2023 and 26% in fiscal year 2022.

We now expect to generate approximately \$400 million in **Free Cash Flow in fiscal year 2024** based on approximately \$120 million of annual capital expenditures and capitalized software development costs as well as a modest source of cash from changes in net working capital combined with interest income. As a result, we expect that our year-end **2024 cash and cash equivalents** will be approximately \$1.6 billion before our expected use of approximately \$413 million in cash, subject to certain customary purchase price and other adjustments, to fund our proposed acquisition of Jackpocket upon closing.

From an **intra-year perspective**, we expect year-over-year revenue growth of approximately 25% in the second quarter and approximately 30% in each of the third and fourth quarters. We continue to expect Adjusted EBITDA to be nearly \$150 million in the second quarter. We now expect Adjusted EBITDA to be nearly breakeven in the third quarter and more than \$325 million in the fourth quarter.

Our revenue and Adjusted EBITDA guidance for fiscal year 2024 includes all our existing jurisdictions. Our revenue and Adjusted EBITDA guidance for fiscal year 2024 excludes the estimated impact of our proposed acquisition of Jackpocket.

Other Items on Our Mind

- **Responsible Gaming has always been important to DraftKings** and building products that our customers can enjoy responsibly is rooted in our DNA. We believe we are at the forefront in **Responsible Gaming initiatives** – including technology, processes, industry affiliations, and internal leadership – and we will continue to drive these initiatives in conjunction with our regulatory partners and industry participants **to responsibly grow this industry to its full potential.**
- We continue to **innovate on our products while focusing differentially on proprietary technology solutions.** In **Sportsbook**, we made substantial progress on our efforts to shift our highest-impact content onto our in-house technology and modeling platforms, while expanding unique offerings like our Progressive Parlay product across all states and all major sports. We are also launching cash out for Same Game Parlays, a critical addition to our offering. In **iGaming**, with the completion of the migration of the Golden Nugget Online Gaming platform onto our in-house technology stack we achieved important milestones touching both content and technology expansion. We launched “Must Hit By” jackpots, another popular variant powered by our proprietary jackpots platform. We also continued to expand our homegrown casino games portfolio with the launch of eight new, unique-to-DraftKings titles in the first quarter of 2024, including Rocket 2, the sequel to our popular original Rocket game.
- We are **progressing along the path to closing our proposed acquisition of Jackpocket** and now expect to consummate the acquisition near the middle of 2024. We are very excited to enter the rapidly growing U.S. digital

⁵ Adjusted Sales and Marketing Expense is a non-GAAP financial measure that we calculate and define as sales and marketing expense before the impact of depreciation and amortization and stock-based compensation. Please refer to the end of this document for a reconciliation of Adjusted Sales and Marketing Expense to its most directly comparable GAAP financial measure.

lottery vertical. We expect Jackpocket to create significant value for DraftKings by giving our customers another differentiated product to enjoy and improving our overall marketing efficiency similar to how our daily fantasy sports database creates an advantage for DraftKings in OSB and iGaming.

In closing, we expect 2024 to be another fantastic year for DraftKings. Thank you for your continued support.

Sincerely,

A handwritten signature in black ink, appearing to read "JDR", with a stylized flourish at the end.

Jason D. Robins
Chief Executive Officer and Co-founder

A handwritten signature in black ink, appearing to read "Alan Ellingson", with a horizontal line extending from the end.

Alan Ellingson
Chief Financial Officer

Webcast and Conference Call Details

As previously announced, DraftKings Inc. ("DraftKings" or the "Company") will host a conference call and audio webcast tomorrow, Friday, May 3, 2024, at 8:30 a.m. ET, during which management will discuss the Company's results for the quarter and provide commentary on business performance. A question and answer session will follow the prepared remarks.

To listen to the audio webcast and live question and answer session, please visit DraftKings' investor relations website at investors.draftkings.com. A live audio webcast of the earnings conference call will be available on the Company's website at investors.draftkings.com, along with a copy of this business update, the Company's Quarterly Report on Form 10-Q, a slide presentation and our earnings press release. The audio webcast will be available on the Company's investor relations website until 11:59 p.m. ET on June 30, 2024.

Forward-Looking Statements

This document contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995, including statements about the Company and its industry that involve substantial risks and uncertainties. All statements, other than statements of historical fact, contained in this document, including statements regarding guidance, DraftKings' future results of operations or financial condition, strategic plans and focus, user growth and engagement, product initiatives, and the objectives and expectations of management for future operations (including launches in new jurisdictions and the expected timing thereof), are forward-looking statements. In some cases, you can identify forward-looking statements because they contain words such as "anticipate," "believe," "confident," "contemplate," "continue," "could," "estimate," "expect," "forecast," "going to," "intend," "may," "plan," "poised," "potential," "predict," "project," "propose," "should," "target," "will," or "would" or the negative of these words or other similar terms or expressions. DraftKings cautions you that the foregoing may not include all of the forward-looking statements made in this document.

You should not rely on forward-looking statements as predictions of future events. DraftKings has based the forward-looking statements contained in this document primarily on its current expectations and projections about future events and trends, including the current macroeconomic environment, that it believes may affect its business, financial condition, results of operations, and prospects. These forward-looking statements are not guarantees of future performance, conditions or results, and involve a number of known and unknown risks, uncertainties, assumptions and other important factors, many of which are outside DraftKings' control and that could cause actual results or outcomes to differ materially from those discussed in the forward-looking statements. Important factors, among others, that may affect actual results or outcomes include, but are not limited to, DraftKings' ability to manage growth; DraftKings' ability to execute its business plan and meet its projections; potential litigation involving DraftKings; changes in applicable laws or regulations, particularly with respect to gaming; general economic and market conditions impacting demand for DraftKings' products and services; economic and market conditions in the media, entertainment, gaming, and software industries in the markets in which DraftKings operates; market and global conditions and economic factors, as well as the potential impact of general economic conditions, including inflation, rising interest rates and instability in the banking system, on DraftKings' liquidity, operations and personnel, as well as the risks, uncertainties, and other factors described in "Risk Factors" in DraftKings' filings with the Securities and Exchange Commission (the "SEC"), which are available on the SEC's website at www.sec.gov. Additional information will be made available in other filings that DraftKings makes from time to time with the SEC. The forward-looking statements contained herein are based on management's current expectations and beliefs and speak only as of the date hereof, and DraftKings makes no commitment to update or publicly release any revisions to forward-looking statements in order to reflect new information or subsequent events, circumstances or changes in expectations, except as required by law.

DRAFTKINGS INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in thousands, except par value)

	March 31, 2024 (Unaudited)	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,192,662	\$ 1,270,503
Restricted cash	12,454	11,700
Cash reserved for users	278,141	341,290
Receivables reserved for users	265,961	301,770
Accounts receivable	53,321	47,539
Prepaid expenses and other current assets	135,434	98,565
Total current assets	1,937,973	2,071,367
Property and equipment, net	59,797	60,695
Intangible assets, net	682,350	690,620
Goodwill	886,373	886,373
Operating lease right-of-use assets	90,554	93,985
Equity method investments	11,380	10,280
Deposits and other non-current assets	132,226	131,546
Total assets	\$ 3,800,653	\$ 3,944,866
Liabilities and Stockholders' equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 605,880	\$ 639,599
Liabilities to users	770,535	851,898
Operating lease liabilities, current portion	11,274	11,499
Other current liabilities	53,921	46,624
Total current liabilities	1,441,610	1,549,620
Convertible notes, net of issuance costs	1,254,408	1,253,760
Non-current operating lease liabilities	78,930	80,827
Warrant liabilities	35,485	63,568
Long-term income tax liability	71,283	72,810
Other long-term liabilities	87,958	83,975
Total liabilities	\$ 2,969,674	\$ 3,104,560
Commitments and contingent liabilities (Note 11)		
Stockholders' equity:		
Class A common stock, \$0.0001 par value; 900,000 shares authorized as of March 31, 2024 and December 31, 2023; 488,750 and 484,598 shares issued and 476,067 and 472,697 outstanding as of March 31, 2024 and December 31, 2023, respectively	\$ 46	\$ 46
Class B common stock, \$0.0001 par value; 900,000 shares authorized as of March 31, 2024 and December 31, 2023; 393,014 shares issued and outstanding as of March 31, 2024 and December 31, 2023	39	39
Treasury stock, at cost; 12,683 and 11,901 shares as of March 31, 2024 and December 31, 2023, respectively	(445,681)	(412,182)
Additional paid-in capital	7,316,598	7,149,858
Accumulated deficit	(6,076,511)	(5,933,943)
Accumulated other comprehensive income	36,488	36,488
Total stockholders' equity	\$ 830,979	\$ 840,306
Total liabilities and stockholders' equity	\$ 3,800,653	\$ 3,944,866

DRAFTKINGS INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(Amounts in thousands, except loss per share data)

	Three months ended March 31,	
	2024	2023
Revenue	\$ 1,174,996	\$ 769,652
Cost of revenue	710,069	521,740
Sales and marketing	340,699	389,133
Product and technology	88,815	88,088
General and administrative	174,251	160,476
Loss from operations	(138,838)	(389,785)
Other income (expense):		
Interest income	15,067	11,795
Interest expense	(649)	(655)
Loss on remeasurement of warrant liabilities	(18,094)	(17,035)
Other (loss) gain, net	(735)	19
Loss before income tax (benefit) provision and (income) loss from equity method investment	(143,249)	(395,661)
Income tax (benefit) provision	(351)	1,368
(Income) loss from equity method investment	(330)	119
Net loss attributable to common stockholders	\$ (142,568)	\$ (397,148)
Loss per share attributable to common stockholders:		
Basic and diluted	\$ (0.30)	\$ (0.87)

DRAFTKINGS INC.
NON-GAAP FINANCIAL MEASURES
(Unaudited)
(Amounts in thousands, except loss per share data)

	Three months ended March 31,	
	2024	2023
Adjusted EBITDA	\$ 22,390	\$ (221,611)
Adjusted Earnings (Loss) Per Share	\$ 0.03	\$ (0.51)

DRAFTKINGS INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(Amounts in thousands)

	Three months ended March 31,	
	2024	2023
Cash Flows from Operating Activities:		
Net loss attributable to common shareholders	\$ (142,568)	\$ (397,148)
Adjustments to reconcile net loss to net cash flows used in operating activities:		
Depreciation and amortization	53,180	48,213
Non-cash interest expense, net	59	157
Stock-based compensation expense	93,535	117,400
Loss on remeasurement of warrant liabilities	18,094	17,035
(Gain) loss from equity method investment	(330)	119
Loss on marketable equity securities and other financial assets, net	—	136
Deferred income taxes	540	2,254
Other expenses, net	627	(2,726)
Change in operating assets and liabilities:		
Receivables reserved for users	35,809	35,547
Accounts receivable	(5,782)	9,674
Prepaid expenses and other current assets	(29,572)	(10,069)
Deposits and other non-current assets	(202)	(3,464)
Operating leases, net	34	1,864
Accounts payable and accrued expenses	(14,341)	(6,292)
Liabilities to users	(81,363)	(15,717)
Long-term income tax liability	(1,527)	(620)
Other long-term liabilities	3,412	2,145
Net cash flows used in operating activities	\$ (70,395)	\$ (201,492)
Cash Flows from Investing Activities:		
Purchases of property and equipment	(3,025)	(7,094)
Cash paid for internally developed software costs	(22,665)	(19,419)
Acquisition of gaming licenses	(11,594)	(1,362)
Other investing activities, net	(1,915)	311
Net cash flows used in investing activities	\$ (39,199)	\$ (27,564)
Cash Flow from Financing Activities:		
Purchase of treasury stock	(33,499)	(27,358)
Proceeds from exercise of stock options	2,857	2,192
Net cash flows used in financing activities	\$ (30,642)	\$ (25,166)
Net decrease in cash and cash equivalents, restricted cash, and cash reserved for users	(140,236)	(254,222)
Cash and cash equivalents, restricted cash, and cash reserved for users at the beginning of period	1,623,493	1,778,825
Cash and cash equivalents, restricted cash, and cash reserved for users at the end of period	\$ 1,483,257	\$ 1,524,603
Disclosure of cash and cash equivalents, restricted cash, and cash reserved for users		
Cash and cash equivalents	\$ 1,192,662	\$ 1,087,668
Restricted cash	12,454	—
Cash reserved for users	278,141	436,935
Cash and cash equivalents, restricted cash, and cash reserved for users at the end of period	\$ 1,483,257	\$ 1,524,603
Supplemental Disclosure of Noncash Investing and Financing Activities:		
Investing activities included in accounts payable and accrued expenses	\$ 688	\$ (679)
Decrease of warrant liabilities from cashless exercise of warrants	\$ 46,181	\$ —
Supplemental Disclosure of Cash Activities:		
Decrease in cash reserved for users	\$ (63,149)	\$ (32,718)
Cash paid for interest	\$ —	\$ —

Non-GAAP Financial Measures

This document includes Adjusted EBITDA, Adjusted EBITDA Flow-through Percentage, Adjusted Gross Profit, Adjusted Gross Margin, Adjusted Sales and Marketing Expense, Adjusted Earnings (Loss) Per Share, and Free Cash Flow, which are non-GAAP financial measures that DraftKings uses to supplement its results presented in accordance with U.S. generally accepted accounting principles (“GAAP”). The Company believes Adjusted EBITDA, Adjusted EBITDA Flow-through Percentage, Adjusted Gross Profit, Adjusted Gross Margin, Adjusted Sales and Marketing Expense, Adjusted Earnings (Loss) Per Share, and Free Cash Flow are useful in evaluating its operating performance, similar to measures reported by its publicly-listed U.S. competitors, and regularly used by security analysts, institutional investors and other interested parties in analyzing operating performance and prospects. Adjusted EBITDA, Adjusted EBITDA Flow-through Percentage, Adjusted Gross Profit, Adjusted Gross Margin, Adjusted Sales and Marketing Expense, Adjusted Earnings (Loss) Per Share, and Free Cash Flow are not intended to be substitutes for any GAAP financial measures, and, as calculated, may not be comparable to other similarly titled measures of performance of other companies in other industries or within the same industry.

DraftKings defines and calculates Adjusted EBITDA as net loss before the impact of interest income or expense (net), income tax provision or benefit, and depreciation and amortization, and further adjusted for the following items: stock-based compensation; transaction-related costs; litigation, settlement and related costs; advocacy and other related legal expenses; gain or loss on remeasurement of warrant liabilities; and other non-recurring and non-operating costs or income. DraftKings defines and calculates Adjusted EBITDA Flow-through Percentage as the year-over-year change in Adjusted EBITDA divided by the year-over-year change in revenue. DraftKings defines and calculates Adjusted Gross Profit as gross profit before the impact of amortization of acquired intangible assets, depreciation and amortization, and stock-based compensation. DraftKings defines and calculates Adjusted Gross Margin as Adjusted Gross Profit divided by net revenue. DraftKings defines and calculated Adjusted Sales and Marketing Expense as sales and marketing expense before the impact of depreciation and amortization and stock-based compensation. DraftKings defines and calculates Adjusted Earnings (Loss) Per Share as basic and diluted loss per share attributable to common stockholders before the impact of amortization of acquired intangible assets; stock-based compensation; transaction-related costs; litigation, settlement and related costs; advocacy and other related legal expenses; gain or loss on remeasurement of warrant liabilities; and other non-recurring and non-operating costs or income. DraftKings defines and calculates Free Cash Flow as Adjusted EBITDA less investments into property and equipment and capitalized software, adjusted for sources or uses of cash from changes in net working capital and sources or uses of cash from net cash interest, and less cash corporate taxes paid.

DraftKings includes these non-GAAP financial measures because they are used by management to evaluate the Company’s core operating performance and trends and to make strategic decisions regarding the allocation of capital and new investments. Adjusted EBITDA, Adjusted EBITDA Flow-through Percentage, Adjusted Gross Profit, Adjusted Gross Margin, Adjusted Sales and Marketing Expense, Adjusted Earnings (Loss) Per Share, and Free Cash Flow exclude certain expenses that are required in accordance with GAAP because they are non-recurring items (for example, in the case of transaction-related costs and advocacy and other related legal expenses), non-cash expenditures (for example, in the case of amortization of acquired intangible assets, depreciation and amortization, remeasurement of warrant liabilities and stock-based compensation), or non-operating items which are not related to the Company’s underlying business performance (for example, in the case of interest income and expense and litigation, settlement and related costs).

The unaudited table below presents the Company's Adjusted EBITDA reconciled to its net loss, which is the most directly comparable financial measure calculated in accordance with GAAP, for the periods indicated:

<i>(amounts in thousands)</i>	Three months ended March 31,	
	2024	2023
Net loss	\$ (142,568)	\$ (397,148)
<i>Adjusted for:</i>		
Depreciation and amortization (1)	53,180	48,213
Interest (income) expense, net	(14,418)	(11,140)
Income tax (benefit) provision	(351)	1,368
Stock-based compensation (2)	93,535	117,400
Transaction-related costs (3)	4,908	—
Litigation, settlement, and related costs (4)	9,320	2,563
Advocacy and other related legal expenses (5)	285	—
Loss on remeasurement of warrant liabilities	18,094	17,035
Other non-recurring costs and non-operating (income) costs (6)	405	98
Adjusted EBITDA	\$ 22,390	\$ (221,611)

- (1) The amounts include the amortization of acquired intangible assets of \$29.3 million and \$29.8 million for the three months ended March 31, 2024 and 2023, respectively.
- (2) Reflects stock-based compensation expenses resulting from the issuance of awards under incentive plans.
- (3) Includes capital markets advisory, consulting, accounting and legal expenses related to evaluation, negotiation and integration costs incurred in connection with transactions under consideration and pending or completed transactions and offerings, including costs relating to the Jackpocket transaction in 2024.
- (4) Primarily includes external legal costs related to litigation and litigation settlement costs deemed unrelated to our core business operations.
- (5) Reflects non-recurring and non-ordinary course costs relating to advocacy efforts and other legal expenses in jurisdictions where we do not operate certain product offerings and are actively seeking licensure, or similar approval, for those product offerings. This adjustment excludes (i) costs relating to advocacy efforts and other legal expenses in jurisdictions where we do not operate that are incurred in the ordinary course of business and (ii) costs relating to advocacy efforts and other legal expenses incurred in jurisdictions where related legislation has been passed and we currently operate
- (6) Primarily includes the change in fair value of certain financial assets, as well as our equity method share of investee's losses and other costs relating to non-recurring and non-operating items.

The unaudited table below presents the Company's Adjusted Earnings (Loss) Per Share reconciled to its basic loss per share attributable to common stockholders, which is the most directly comparable financial measure calculated in accordance with GAAP, for the periods indicated:

	Three months ended March 31,	
	2024	2023
Basic loss per share attributable to common stockholders	\$ (0.30)	\$ (0.87)
<i>Adjusted for:</i>		
Amortization of acquired intangible assets	0.06	0.07
Stock-based compensation (1)	0.20	0.26
Transaction-related costs (2)	0.01	—
Litigation, settlement, and related costs (3)	0.02	0.01
Advocacy and other related legal expenses (4)	—	—
Loss on remeasurement of warrant liabilities	0.04	0.04
Other non-recurring costs and non-operating (income) costs (5)	—	—
Adjusted Earnings (Loss) Per Share*	\$ 0.03	\$ (0.51)

* Weighted average number of shares used to calculate Adjusted Earnings (Loss) Per Share for the three months ended March 31, 2024 was 474.2 million and for the three months ended March 31, 2023 was 455.1 million; totals may not sum due to rounding.

- (1) Reflects stock-based compensation expenses per share resulting from the issuance of awards under incentive plans.
- (2) Reflects capital markets advisory, consulting, accounting and legal expenses related to evaluation, negotiation and integration costs incurred in connection with transactions under consideration and pending or completed transactions and offerings, including costs relating to the Jackpocket transaction in 2024.
- (3) Primarily reflects external legal costs related to litigation and litigation settlement costs, in each case per share, deemed unrelated to DraftKings' core business.
- (4) Reflects non-recurring and non-ordinary course costs per share relating to advocacy efforts and other legal expenses in jurisdictions where DraftKings does not operate certain product offerings and is actively seeking licensure, or similar approval, for those product offerings. This adjustment excludes (i) costs relating to advocacy efforts and other legal expenses in jurisdictions where DraftKings does not operate that are incurred in the ordinary course of business and (ii) costs relating to advocacy efforts and other legal expenses incurred in jurisdictions where related legislation has been passed and DraftKings currently operates.
- (5) Primarily includes the change in fair value of certain financial assets, as well as the Company's equity method share of the investee's losses and other costs relating to non-recurring and non-operating items, in each case per share.

The unaudited table below presents the Company's Adjusted Gross Profit and Adjusted Gross Margin reconciled to Gross Profit, which is the most directly comparable financial measure calculated in accordance with GAAP, for the periods indicated:

<i>(amounts in millions, except percentages)</i>	Three months ended March 31,	
	2024	2023
Revenue	\$ 1,175	\$ 770
GAAP Gross Profit	465	248
Stock-based Compensation	1	1
Amortization of acquired intangible assets	29	30
Depreciation and amortization	18	14
Adjusted Gross Profit	\$ 513	293
Adjusted Gross Margin	44 %	38 %

The unaudited table below presents the Company's Adjusted Sales and Marketing Expense reconciled to Sales and Marketing Expense, which is the most directly comparable financial measure calculated in accordance with GAAP, for the periods indicated:

<i>(amounts in millions, except percentages)</i>	Three months ended March 31,	
	2024	2023
GAAP Sales and Marketing Expense	341	389
Stock-based compensation	5	11
Depreciation and amortization	1	1
Adjusted Sales and Marketing Expense	\$ 335	\$ 377

Information reconciling forward-looking fiscal year 2024 Adjusted EBITDA, Adjusted EBITDA Flow-through Percentage, Adjusted Gross Margin, Adjusted Sales and Marketing Expense and Free Cash Flow guidance to their most directly comparable GAAP financial measures is unavailable to DraftKings without unreasonable effort due to, among other things, certain items required for such reconciliations being outside of DraftKings' control and/or not being able to be reasonably predicted. Preparation of such reconciliations would require a forward-looking balance sheet, statement of income and statement of cash flow, prepared in accordance with GAAP, and such forward-looking financial statements are unavailable to the Company without unreasonable effort. DraftKings provides a range for its Adjusted EBITDA, Adjusted EBITDA Flow-through Percentage, Adjusted Gross Margin, Adjusted Sales and Marketing Expense and Free Cash Flow forecasts that it believes will be achieved; however, the Company cannot provide any assurance that it can predict all of the components of the Adjusted EBITDA, Adjusted EBITDA Flow-through Percentage, Adjusted Gross Margin, Adjusted Sales and Marketing Expense or Free Cash Flow calculations. DraftKings provides a forecast for Adjusted EBITDA, Adjusted EBITDA Flow-through Percentage, Adjusted Gross Margin, Adjusted Sales and Marketing Expense and Free Cash Flow because it believes that Adjusted EBITDA, Adjusted EBITDA Flow-through Percentage, Adjusted Gross Margin, Adjusted Sales and Marketing Expense and Free Cash Flow, when viewed with DraftKings' results calculated in accordance with GAAP, provide useful information for the reasons noted above. However, Adjusted EBITDA, Adjusted EBITDA Flow-through Percentage, Adjusted Gross Margin, Adjusted Sales and Marketing Expense and Free Cash Flow are not measures of financial performance or liquidity under GAAP and, accordingly, should not be considered as alternatives to net income (loss), gross profit, or cash flow from operating activities or as indicators of operating performance or liquidity.

About DraftKings

DraftKings Inc. is a digital sports entertainment and gaming company created to be the Ultimate Host and fuel the competitive spirit of sports fans with products that range across daily fantasy, regulated gaming and digital media. Headquartered in Boston and launched in 2012 by Jason Robins, Matt Kalish and Paul Liberman, DraftKings is the only U.S.-based vertically integrated sports betting operator. DraftKings' mission is to make life more exciting by responsibly creating the world's favorite real-money games and betting experiences. DraftKings Sportsbook is live with mobile and/or retail sports betting operations pursuant to regulations in 27 states and in Ontario, Canada. The Company operates iGaming pursuant to regulations in five states and in Ontario, Canada under its DraftKings brand and pursuant to regulations in three states under its Golden Nugget Online Gaming brand. DraftKings' daily fantasy sports product is available in 44 states, certain Canadian provinces, and the United Kingdom. DraftKings is both an official daily fantasy and sports betting partner of the NFL, NHL, PGA TOUR, and UFC, as well as an official daily fantasy partner of NASCAR, an official sports betting partner of the NBA and an authorized gaming operator of MLB. In addition, DraftKings owns and operates both DraftKings Network and Vegas Sports Information Network (VSiN), to provide a multi-platform content ecosystem with original programming. DraftKings is committed to being a responsible steward of this new era in real-money gaming with a Company-wide focus on responsible gaming and corporate social responsibility.

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