DRAFT KINGS

Business Update

Second Quarter 2023

To Our Shareholders:

We are excited to provide this business update. We continue to be laser-focused on our core value drivers, and our results – and improved guidance for fiscal year 2023 – show that this focus is working. Both revenue and Adjusted EBITDA[1] exceeded our expectations in the second quarter, and we are proud to be delivering our first quarter of positive Adjusted EBITDA and look forward to further inflection of our profitability.

There are **five key messages** that we are sharing today:

- First, **our revenue growth trajectory is strong.** Our continued focus on enhancing our OSB and iGaming products and improving our customer experience is driving excellent retention and rapidly improving monetization. We delivered 88% revenue growth in the second quarter of 2023 compared to the second quarter of 2022, and our increased guidance implies approximately 56% revenue growth for full year 2023 as compared to full year 2022.

- Second, **we remain relentlessly focused on efficiency**. Our mantra of "revenue growth AND cost efficiency" is a core tenet of the organization. In the second quarter of 2023, our Adjusted Gross Margin[2] increased more than 550 basis points year-over-year, we acquired 39% more new customers compared to the same period in 2022 at a 16% lower customer acquisition cost ("CAC"), and our fixed expenses grew at only a mid-single digit year-over-year percentage rate. Our focus on efficiency is allowing us to reach operating scale faster than anticipated, which sets us up to generate positive Adjusted EBITDA again in the fourth quarter of 2023 and for fiscal year 2024 and beyond.

- Third, **we accelerated our timeline to profitability** by delivering positive Adjusted EBITDA in the second quarter. Adjusted EBITDA of positive $73 million inflected rapidly compared to negative $118 million in the year-ago period, and we now expect to deliver $150 million to $175 million of Adjusted EBITDA in the fourth quarter of 2023. Based on current state legalization and launch visibility, we expect to generate meaningfully positive Adjusted EBITDA for full-year 2024 as revenue continues to grow, Adjusted Gross Margin rate expands, and fixed costs increase at a modest year-over-year rate.

- Fourth, **we gained significant handle and GGR share** for OSB and iGaming on a year-over-year basis. Scale operators have flywheel benefits including efficient customer acquisition due to national marketing and leading retention and monetization due to rapid product and technology innovation**.** In the second quarter of 2023, DraftKings achieved 35% OSB handle share[3] – an increase of 800 basis points year-over-year - and 32% OSB GGR share[4] – an increase of 1,200 basis points year-over year. We also maintained #1 iGaming GGR share[5] in the quarter at 27%.

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[1] 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.
[2] Adjusted Gross Margin is a non-GAAP financial measure that we define and calculate 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.
[3] Share denominator includes all U.S. states where DraftKings is live with OSB. IL and CO data included through May 2023. AZ data included through April 2023.
[4] Ibid.
[5] Share denominator includes all U.S. states where DraftKings is live with iGaming. Ontario is excluded. Poker GGR is also excluded. Online casino versus poker components estimated by Eilers & Krejcik, where not reported.

- Fifth, we are **prepared and excited for the upcoming football season**. We will introduce numerous product enhancements and additional features geared towards making the customer experience even more engaging and enjoyable and thus further driving customer usage, retention and monetization. Examples include expanded in-house same game parlay capabilities, extended cash-out market coverage and faster in-play bet settlement. Our entire organization is dialed-in and excited for the start of NFL and NCAA football.

Second Quarter 2023 Results

In the second quarter, we generated $875 million of revenue, representing 88% year-over-year growth, and $73 million of Adjusted EBITDA.

Relative to our own expectations for the second quarter, we saw strong results across our core drivers:

- We had higher **customer retention and engagement** than expected as reflected by outstanding handle throughout the quarter. We drove engagement through the NBA playoffs and subsequently transitioned customers from the NBA season into MLB. MLB has been a positive surprise, and we are seeing better engagement than expected due to our enhanced MLB product.

- **Structural Hold Percentage** was above our expectations. Our OSB hold rate in the second quarter was approximately 10% compared to approximately 7% in the same period in 2022 and was approximately 9% after adjusting for favorable sport outcomes. Structural OSB hold outperformed due to continued trading optimization and risk management, and overall parlay handle mix increased as expected.

- **Promotional Intensity** continued to improve as expected. The combination of year-over-year improvement in our sportsbook hold percentage, more efficient promotional reinvestment and success with efficiency initiatives focused on our cost of goods sold resulted in an increase of more than 550 basis points year-over-year in our Adjusted Gross Margin for the quarter.

- **Fixed Costs** were slightly better than our expectations as we continued to focus on operating efficiencies. We managed vendor-related costs and exerted discipline on our compensation expenses.

We are continuing to experience very strong trends in our more mature online Sportsbook and iGaming states, which are driving excellent Contribution Profit[6] and therefore Adjusted EBITDA. In our states that launched from 2018 through 2021, combined handle growth accelerated quarter-over-quarter and increased more than 35% compared to the same period in 2022. In these states, revenue increased more than 70% year-over-year, Adjusted Gross Margin increased more than 800 basis points, and external marketing declined more than 10% while total unique customers increased approximately 25%.

The foundational trends of the states in which we are live are sound and unfolding as expected. Older states are generating significant Contribution Profit after the initial investment period as customers are retained, handle per player increases, hold rises, promotional intensity declines, and external marketing decreases.

We ended the second quarter with $1.1 billion of cash and cash equivalents, an increase of $26 million compared to March 31, 2023.

[6] Contribution Profit is a non-GAAP financial measure that we define and calculate as Adjusted Gross Profit less external marketing expense.

Full Year 2023 Guidance

On May 4, 2023, we guided fiscal year 2023 revenue of $3.135 billion to $3.235 billion and Adjusted EBITDA of negative $290 million to negative $340 million. Today, we are improving our fiscal year 2023 revenue guidance range to $3.46 billion to $3.54 billion and our Adjusted EBITDA guidance range to negative $190 million to negative $220 million.

The $315 million improvement in our revenue guidance midpoint and $110 million improvement in our Adjusted EBITDA guidance midpoint break down as follows:

- **Stronger Customer Retention and Engagement**. Customer retention and engagement, as well as new customer acquisition, are exceeding expectations due to continued product innovation and marketing optimization initiatives. These trends account for **$225 million of the revenue improvement and $100 million of the Adjusted EBITDA improvement.**

- **Structural Sportsbook Hold Improvement**. Continued year-over-year penetration of parlays and an increase in our average leg count, as well as improvements in trading and risk management, are positively impacting our structural sportsbook hold rate. Adjusting for this trend accounts for **$40 million of the revenue improvement and $30 million of the Adjusted EBITDA improvement.**

- **Favorable Sport Outcomes**. Sport outcomes in the second quarter – including notable NBA teams being eliminated in earlier playoff rounds – were favorable to the house. The impact of sport outcomes in the second quarter accounts for **$30 million of the revenue improvement and $20 million of the Adjusted EBITDA improvement.**

- **Expected OSB Launch in Kentucky in 2023**.[7] We are very excited that Kentucky's Horse Racing Commission recently set a target launch date of September 28, 2023 for OSB, which is much sooner than we previously anticipated. As a result, we have included our anticipated OSB launch in Kentucky in our revised guidance, which we expect to account for **$20 million of additional revenue in 2023 and to provide a headwind of $30 million to 2023 Adjusted EBITDA.**

- **Ohio OSB tax rate change.** Ohio's recently approved state budget included a provision that increased the state's sports betting tax rate from 10% to 20%. We have incorporated the estimated impact of this change in our revised guidance, which we expect **to provide a headwind of $10 million to 2023 Adjusted EBITDA.**

We now expect our **Adjusted Gross Margin** rate to be in the 43% to 45% range for the year, an improvement from our previous guidance of 42% to 45%.

In the **fourth quarter of 2023**, we expect to generate $150 million to $175 million of Adjusted EBITDA based on nearly $1.2 billion of revenue and continued fixed cost control.

Stock-based compensation expense in the second quarter of 2023 was $89 million, down from $136 million in the second quarter of 2022. We continue to expect that 2023 stock-based compensation expense will be less than $400 million versus nearly $600 million in 2022.

[7] Pending licensure and regulatory approvals.

We expect our **year-end 2023 cash and cash equivalents** to be more than $1.0 billion. We expect approximately $120 million of capital expenditures[8] and capitalized software development costs for fiscal year 2023, and change in net working capital[9] to be slightly positive for the year.

Other Items on Our Mind

- We are **exploring and deploying cutting edge AI and machine learning models** to drive higher revenue and operate more efficiently. DraftKings has already been leveraging AI and machine learning models for the past decade throughout our business in areas such as home page personalization, risk management through line setting optimization and same game parlay simulations, and customer acquisition through targeted marketing. We are excited to pursue new technologies to position us for further success and differentiation.

- **Kentucky, North Carolina, Vermont, and Puerto Rico** have authorized mobile sports betting and collectively represent approximately 6% of the U.S. population. DraftKings expects to launch its Sportsbook product in Kentucky on September 28, 2023 as well as in North Carolina, Vermont, and Puerto Rico, in each case pending licensure and regulatory approvals as well as securing market access in North Carolina and Vermont. As a reminder, recent trends indicate that our newly launched states will turn Contribution Profit positive faster than the two to three years that we have previously forecasted.

- The **migration of Golden Nugget Online Gaming onto our technology stack is on track** to be completed in phases over the next several months. This will begin with the launch of a DraftKings-powered Golden Nugget Online Gaming app in Pennsylvania, pending regulatory approvals, and will be followed by a migration of existing Golden Nugget Online Gaming states onto our technology stack in the coming months.

We want to thank you for your continued support of DraftKings. We will continue to focus on driving attractive financial results and look forward to providing our next update when we release our third quarter results and during our 2023 Investor Day on November 14th.

Kind Regards and Talk Soon,

Jason D. Robins
Chief Executive Officer and Co-founder

Jason Park
Chief Financial Officer

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[8] Capital expenditures includes purchases of property and equipment.

[9] Working capital includes accounts receivable, prepaid expenses and other, and accounts payable and accrued expenses.

Webcast and Conference Call Details

As previously announced, DraftKings Inc. ("DraftKings" or the "Company") will host a conference call and audio webcast tomorrow, Friday, August 4, 2023, 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 September 30, 2023.

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," "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, including the potential adverse effects of the global coronavirus pandemic (or the emergence of additional variants or strains thereof), 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)

	June 30, 2023 (Unaudited)	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 1,113,715	$ 1,309,172
Cash reserved for users	381,097	469,653
Receivables reserved for users	109,153	160,083
Accounts receivable	32,401	51,097
Prepaid expenses and other current assets	82,655	94,836
Total current assets	**1,719,021**	**2,084,841**
Property and equipment, net	59,934	60,102
Intangible assets, net	734,633	776,934
Goodwill	886,373	886,373
Operating lease right-of-use assets	58,349	65,957
Equity method investment	9,638	10,080
Deposits and other non-current assets	138,316	155,865
Total assets	**$ 3,606,264**	**$ 4,040,152**
Liabilities and Stockholders' equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 436,265	$ 517,587
Liabilities to users	600,146	686,173
Operating lease liabilities, current portion	3,305	4,253
Other current liabilities	37,520	38,444
Total current liabilities	**1,077,236**	**1,246,457**
Convertible notes, net of issuance costs	1,252,420	1,251,103
Non-current operating lease liabilities	64,418	69,332
Warrant liabilities	46,286	10,680
Long-term income tax liability	69,283	69,858
Other long-term liabilities	78,130	70,029
Total liabilities	**$ 2,587,773**	**$ 2,717,459**
Commitments and contingent liabilities		
Stockholders' equity:		
Class A common stock, $0.0001 par value; 900,000 shares authorized as of June 30, 2023 and December 31, 2022; 473,933 and 459,265 shares issued and 463,257 and 450,575 outstanding as of June 30, 2023 and December 31, 2022, respectively	$ 46	$ 45
Class B common stock, $0.0001 par value; 900,000 shares authorized as of June 30, 2023 and December 31, 2022; 393,014 shares issued and outstanding as of June 30, 2023 and December 31, 2022	39	39
Treasury stock, at cost; 10,676 and 8,690 shares as of June 30, 2023 and December 31, 2022, respectively	(373,317)	(332,133)
Additional paid-in capital	6,961,454	6,750,055
Accumulated deficit	(5,606,219)	(5,131,801)
Accumulated other comprehensive income	36,488	36,488
Total stockholders' equity	**1,018,491**	**1,322,693**
Total liabilities and stockholders' equity	**$ 3,606,264**	**$ 4,040,152**

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

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Revenue	**$ 874,927**	**$ 466,185**	**$ 1,644,579**	**$ 883,390**
Cost of revenue	510,323	312,767	1,032,063	626,146
Sales and marketing	207,487	197,529	596,620	518,981
Product and technology	89,906	77,202	177,994	158,554
General and administrative	136,256	187,609	296,732	404,215
Loss from operations	**(69,045)**	**(308,922)**	**(458,830)**	**(824,506)**
Other income (expense):				
Interest income	13,411	2,590	25,206	3,391
Interest expense	(666)	(661)	(1,321)	(1,314)
(Loss) gain on remeasurement of warrant liabilities	(20,041)	14,315	(37,076)	26,996
Other income (expense), net	45	(5,573)	64	32,309
Loss before income tax provision and loss from equity method investment	**(76,296)**	**(298,251)**	**(471,957)**	**(763,124)**
Income tax provision (benefit)	651	(81,226)	2,019	(80,757)
Loss from equity method investment	323	78	442	2,429
Net loss attributable to common stockholders	**$ (77,270)**	**$ (217,103)**	**$ (474,418)**	**$ (684,796)**
Loss per share attributable to common stockholders:				
Basic and diluted	$ (0.17)	$ (0.50)	$ (1.03)	$ (1.61)

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

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Adjusted EBITDA	$ 72,972	$ (118,134)	$ (148,639)	$ (407,643)
Adjusted Income (Loss) Per Share	$ 0.14	$ (0.29)	$ (0.36)	$ (1.01)

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

	Six months ended June 30,	
	2023	**2022**
Operating Activities:		
Net loss	$ (474,418)	$ (684,796)
Adjustments to reconcile net loss to net cash flows used in operating activities:		
Depreciation and amortization	96,477	74,540
Non-cash interest (income) expense, net	(378)	931
Stock-based compensation expense	206,593	322,598
Loss from equity method investment	442	2,429
Loss (gain) on remeasurement of warrant liabilities	37,076	(26,996)
Loss (gain) on marketable equity securities and other financial assets	75	(31,808)
Deferred income taxes	1,993	(76,656)
Other expenses, net	(3,349)	(2,667)
Change in operating assets and liabilities, net of business combinations:		
Receivables reserved for users	50,930	(2,057)
Accounts receivable	19,296	9,765
Prepaid expenses and other current assets	11,257	(47,574)
Deposits and other non-current assets	(6,237)	(135)
Operating leases, net	1,457	240
Accounts payable and accrued expenses	(79,933)	(15,659)
Liabilities to users	(86,027)	(51,195)
Long-term income tax liability	(575)	(5,266)
Other long-term liabilities	6,108	5,003
Net cash flows used in operating activities	**$ (219,213)**	**$ (529,303)**
Investing Activities:		
Purchases of property and equipment	(9,649)	(14,457)
Cash paid for internally developed software costs	(39,287)	(29,419)
Acquisition of gaming licenses	(1,959)	(3,388)
Proceeds from marketable equity securities and other financial assets	24,425	—
Cash paid for acquisition, net of cash acquired	—	(96,507)
Other investing activities, net	(482)	(3,697)
Net cash flows used in investing activities	**$ (26,952)**	**$ (147,468)**
Financing Activities:		
Proceeds from shares issued for warrants	—	44
Purchase of treasury stock	(41,184)	(17,476)
Proceeds from exercise of stock options	3,336	4,901
Net cash flows used in financing activities	**$ (37,848)**	**$ (12,531)**
Net decrease in cash and cash equivalents and restricted cash	(284,013)	(689,302)
Cash and cash equivalents and restricted cash at the beginning of period	1,778,825	2,629,842
Cash and cash equivalents and restricted cash, end of period	**$ 1,494,812**	**$ 1,940,540**
Disclosure of cash, cash equivalents and restricted cash:		
Cash and cash equivalents	$ 1,113,715	$ 1,514,371
Cash reserved for users	381,097	426,169
Total cash, cash equivalents and restricted cash, end of period	**$ 1,494,812**	**$ 1,940,540**
Supplemental Disclosure of Noncash Investing and Financing Activities:		
Equity consideration issued for acquisitions	$ —	$ 460,128
Investing activities included in changes in accounts payable and accrued expenses	$ 637	$ 9,425
Decrease of warrant liabilities from cashless exercise of warrants	$ 1,470	$ —
Supplemental Disclosure of Cash Activities:		
Decrease in cash reserved for users	$ 88,556	$ 50,781
Cash paid for interest	$ —	$ —

Non-GAAP Financial Measures

This document includes Adjusted EBITDA, Adjusted Gross Profit, Adjusted Gross Margin, Adjusted Income (Loss) Per Share, and Contribution Profit, 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 Gross Profit, Adjusted Gross Margin, Adjusted Income (Loss) Per Share, and Contribution Profit 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 Gross Profit, Adjusted Gross Margin, Adjusted Income (Loss) Per Share, and Contribution Profit 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 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 calculates Contribution Profit as Adjusted Gross Profit less external marketing expense. DraftKings defines and calculates Adjusted Income (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 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 Gross Profit, Adjusted Gross Margin, Adjusted Income (Loss) Per Share, and Contribution Profit 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:

	Three months ended June 30,		Six months ended June 30,	
(amounts in thousands)	2023	2022	2023	2022
Net loss	$ (77,270)	$ (217,103)	$ (474,418)	$ (684,796)
Adjusted for:				
Depreciation and amortization [(1)]	48,264	42,315	96,477	74,540
Interest income, net	(12,745)	(1,929)	(23,885)	(2,077)
Income tax provision (benefit)	651	(81,226)	2,019	(80,757)
Stock-based compensation [(2)]	89,193	135,521	206,593	322,598
Transaction-related costs [(3)]	425	10,505	425	14,279
Litigation, settlement, and related costs [(4)]	4,136	2,446	6,699	4,396
Advocacy and other related legal expenses [(5)]	—	—	—	—
Loss (gain) on remeasurement of warrant liabilities	20,041	(14,315)	37,076	(26,996)
Other non-recurring costs and non-operating (income) costs [(6)]	277	5,652	375	(28,830)
Adjusted EBITDA	**$ 72,972**	**$ (118,134)**	**$ (148,639)**	**$ (407,643)**

(1) The amounts include the amortization of acquired intangible assets of $28.9 million and $27.1 million for the three months ended June 30, 2023 and 2022, respectively, and $58.8 million and $46.3 million for the six months ended June 30, 2023 and 2022, 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 proposed, pending or completed transactions and offerings, including costs relating to DraftKings' acquisition of Golden Nugget Online Gaming, Inc. in 2022.

(4) Primarily includes external legal costs related to litigation and litigation settlement costs deemed unrelated to DraftKings' core business operations.

(5) Reflects non-recurring and non-ordinary course costs 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. For the six months ended June 30, 2023 and 2022, DraftKings did not incur any such costs. 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.

(6) 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.

The unaudited table below presents the Company's Adjusted Income (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 June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Basic loss per share attributable to common stockholders	$ (0.17)	$ (0.50)	$ (1.03)	$ (1.61)
Adjusted for:				
Amortization of acquired intangible assets	0.06	0.06	0.13	0.11
Discrete tax benefit attributed to the GNOG acquisition	—	(0.18)	—	(0.18)
Stock-based compensation (1)	0.19	0.31	0.45	0.76
Transaction-related costs (2)	—	0.02	—	0.03
Litigation, settlement, and related costs (3)	0.01	0.01	0.01	0.01
Advocacy and other related legal expenses (4)	—	—	—	—
Loss (gain) on remeasurement of warrant liabilities	0.04	(0.03)	0.08	(0.06)
Other non-recurring costs and non-operating (income) costs (5)	—	0.01	—	(0.07)
Adjusted Income (Loss) Per Share*	**$ 0.14**	**$ (0.29)**	**$ (0.36)**	**$ (1.01)**

*Weighted average number of shares used to calculate Adjusted Income (Loss) Per Share for the second quarter and year to date period ending June 30, 2023 was 462.4 million and 458.9 million, respectively; 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 per share related to evaluation, negotiation and integration costs incurred in connection with proposed, pending or completed transactions and offerings, including costs relating to DraftKings' acquisition of Golden Nugget Online Gaming, Inc. in 2022.

(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. For the six months ended June 30, 2023 and 2022, DraftKings did not incur any such costs. 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:

	Three months ended June 30,		Six months ended June 30,	
(amounts in millions, except percentages)	**2023**	**2022**	**2023**	**2022**
Revenue	$ 875	$ 466	$ 1,645	$ 883
GAAP Gross Profit	365	153	613	257
Depreciation and amortization	14	10	28	19
Amortization of acquired intangible assets	29	27	59	46
Stock-based Compensation	—	1	2	2
Adjusted Gross Profit	$ 408	$ 191	$ 702	$ 324
Adjusted Gross Margin	47 %	41 %	43 %	37 %

Information reconciling forward-looking fiscal year 2023 Adjusted EBITDA and Adjusted Gross Margin 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 and Adjusted Gross Margin 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 or Adjusted Gross Margin calculations. DraftKings provides a forecast for Adjusted EBITDA and Adjusted Gross Margin because it believes that Adjusted EBITDA and Adjusted Gross Margin, when viewed with DraftKings' results calculated in accordance with GAAP, provide useful information for the reasons noted above. However, Adjusted EBITDA and Adjusted Gross Margin 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 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 23 states and in Ontario, Canada. The Company operates iGaming pursuant to regulations in 5 states and in Ontario, Canada under its DraftKings brand and pursuant to regulations in 3 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. Launched in 2021, DraftKings Marketplace is a digital collectibles ecosystem designed for mainstream accessibility that offers curated NFT drops and supports secondary-market transactions. In addition, DraftKings owns and operates Vegas Sports Information Network (VSiN), a multi-platform broadcast and content company. 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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