



DRAFTKINGS INVESTOR DAY

November 2023

Legal disclaimer

Forward-Looking Statements

This presentation 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 DraftKings Inc. (“DraftKings”, the “Company”, “we”, “us” and “our”) and its industry that involve substantial risks and uncertainties. All statements, other than statements of historical fact, contained in this presentation, including statements regarding guidance, our 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,” “are,” “believe,” “confident,” “contemplate,” “continue,” “could,” “estimate,” “expect,” “forecast,” “going to,” “intend,” “is,” “may,” “plan,” “potential,” “predict,” “project,” “propose,” “should,” “target,” “will,” or “would” or the negative thereof or other similar terms or expressions, or by discussions of vision, strategy or outlook. We caution you that the foregoing may not include all of the forward-looking statements made in this presentation.

You should not rely on forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this presentation primarily on our current expectations and projections about future events and trends, including the current macroeconomic environment, that we believe may affect our 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, including those described in our filings with the Securities and Exchange Commission (the “SEC”), which are available on the SEC’s website at www.sec.gov.

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Non-GAAP Financial Measures

This presentation includes certain non-GAAP financial measures, including Adjusted EBITDA, Adjusted Gross Profit, Adjusted Gross Margin, Free Cash Flow and Contribution Profit, which we use to supplement our results presented in accordance with U.S. generally accepted accounting principles (“GAAP”). These non-GAAP financial measures, which may not be comparable to other similarly titled measures of performance used by other companies, are presented to enhance investors’ overall understanding of our financial performance and should not be considered a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP. We define and calculate 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. We define and calculate Adjusted Gross Margin as Adjusted Gross Profit (which we define and calculate as Gross Profit before the impact of amortization of acquired intangible assets; depreciation and amortization; and stock-based compensation) divided by net revenue. We define and calculate 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 corporate cash taxes paid. We define and calculate Contribution Profit as Adjusted Gross Profit less external marketing expense. Reconciliations of Adjusted EBITDA, Adjusted Gross Profit, Adjusted Gross Margin and Contribution Profit to their most directly comparable financial measures calculated in accordance with GAAP are provided in the Financial Reconciliation section of this presentation.

Legal disclaimer (continued)

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Investor Day Takeaways

1

States are larger and growing faster than anticipated; we now expect the OSB and iGaming TAM to grow from ~\$20B in 2023 to ~\$30B in 2028 in *existing states alone*⁽¹⁾

2

Our superior product and technology, scale, and brand are driving rapid share gains across both OSB and iGaming, and we are continuing to innovate at a high velocity

3

Newer state vintages are inflecting to positive Contribution Profit⁽²⁾ faster and customer payback periods are improving

4

We expect to achieve \$1.4B of Adj. EBITDA⁽²⁾ in 2026 and reach \$2.1B (equal to prior “long-term” outlook) of Adj. EBITDA in 2028 *in existing states alone*⁽³⁾

5

There is potential for up to an additional \$6.2 billion of annual Adj. EBITDA from further OSB and iGaming legalization in the U.S.

(1) New Jersey, West Virginia, Indiana, Pennsylvania, New Hampshire, Iowa, Colorado, Illinois, Tennessee, Michigan, Virginia, Wyoming, Arizona, Connecticut, Oregon, New York, Louisiana, Ontario, Kansas, Maryland, Ohio, Massachusetts, Kentucky, Maine, Puerto Rico, Vermont, and North Carolina are included. Puerto Rico and North Carolina are pending launch, subject to licensure and regulatory approvals. Vermont has authorized mobile sports betting and is in the process of soliciting bids for its RFP, and DraftKings has submitted a bid.

(2) Non-GAAP financial measure. Refer to the Financial Reconciliations section of this presentation for a reconciliation of historical results.

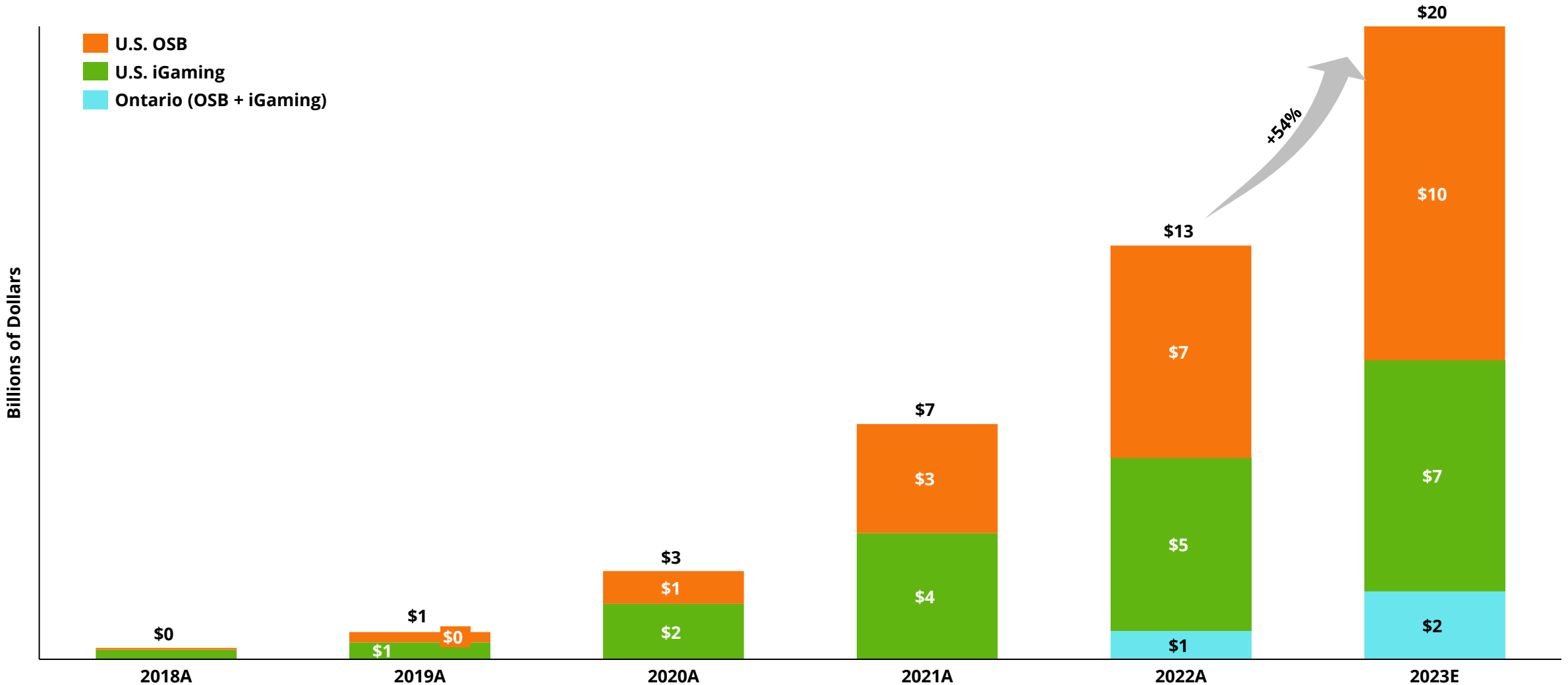
(3) 2026 and 2028 guidance includes OSB and iGaming operations in states consistent with 2024 guidance provided on November 2nd, 2023.



EXISTING STATE OPPORTUNITY

The OSB and iGaming TAM will reach ~\$20B in 2023 *in existing states alone*⁽¹⁾

OSB and iGaming Gross Revenue (GGR) in States⁽¹⁾ DraftKings is Live



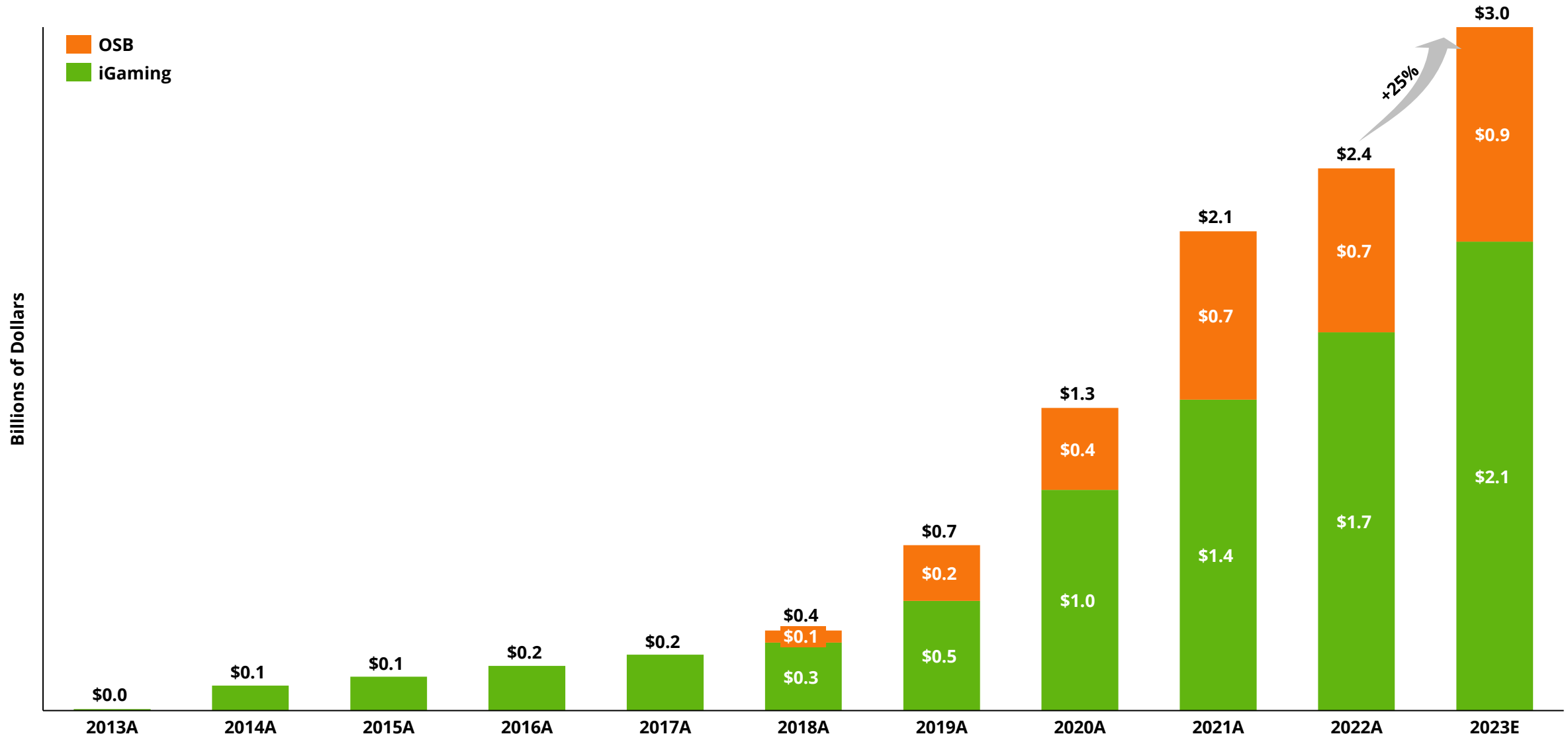
Sources: State Gaming Reports; iGaming Ontario; Eilers & Krejci Gaming U.S. Sports Betting And Online Casino Outlook (XLS) - August 2023; Internal estimates.

(1) New Jersey, West Virginia, Indiana, Pennsylvania, New Hampshire, Iowa, Colorado, Illinois, Tennessee, Michigan, Virginia, Wyoming, Arizona, Connecticut, Oregon, New York, Louisiana, Ontario, Kansas, Maryland, Ohio, Massachusetts, Kentucky, and Maine are included.



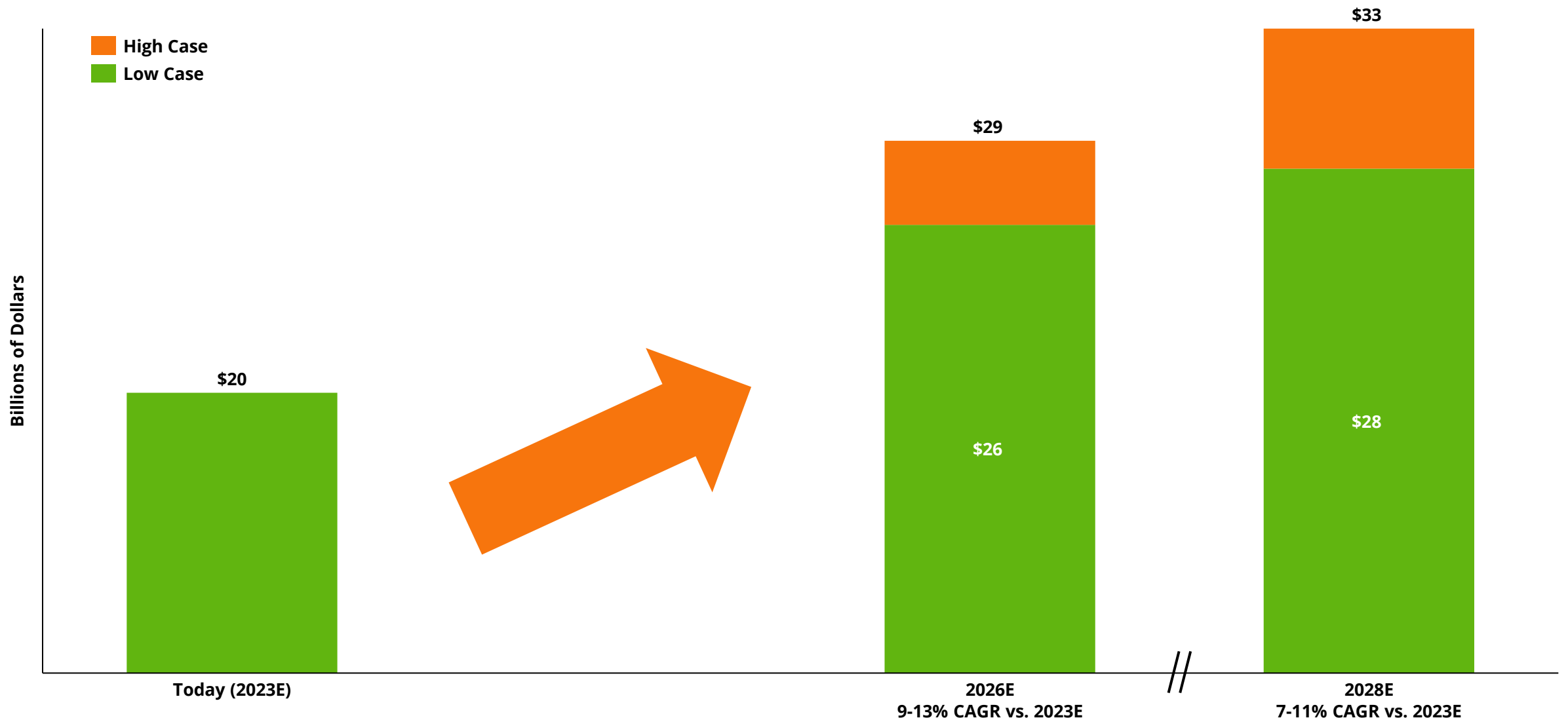
10 years into iGaming and 5+ years into OSB, New Jersey GGR is continuing to grow rapidly

NJ OSB and iGaming Gross Gaming Revenue (GGR)



We expect OSB and iGaming TAM to reach ~\$30B in 2028 *in existing states alone*⁽¹⁾

Combined OSB and iGaming Gross Gaming Revenue (GGR) in States⁽¹⁾ DraftKings is Live and Pending launch



Sources: State Gaming Reports; iGaming Ontario; Eilers & Krejci Gaming U.S. Sports Betting And Online Casino Outlook (XLS) – August 2023; Internal estimates.

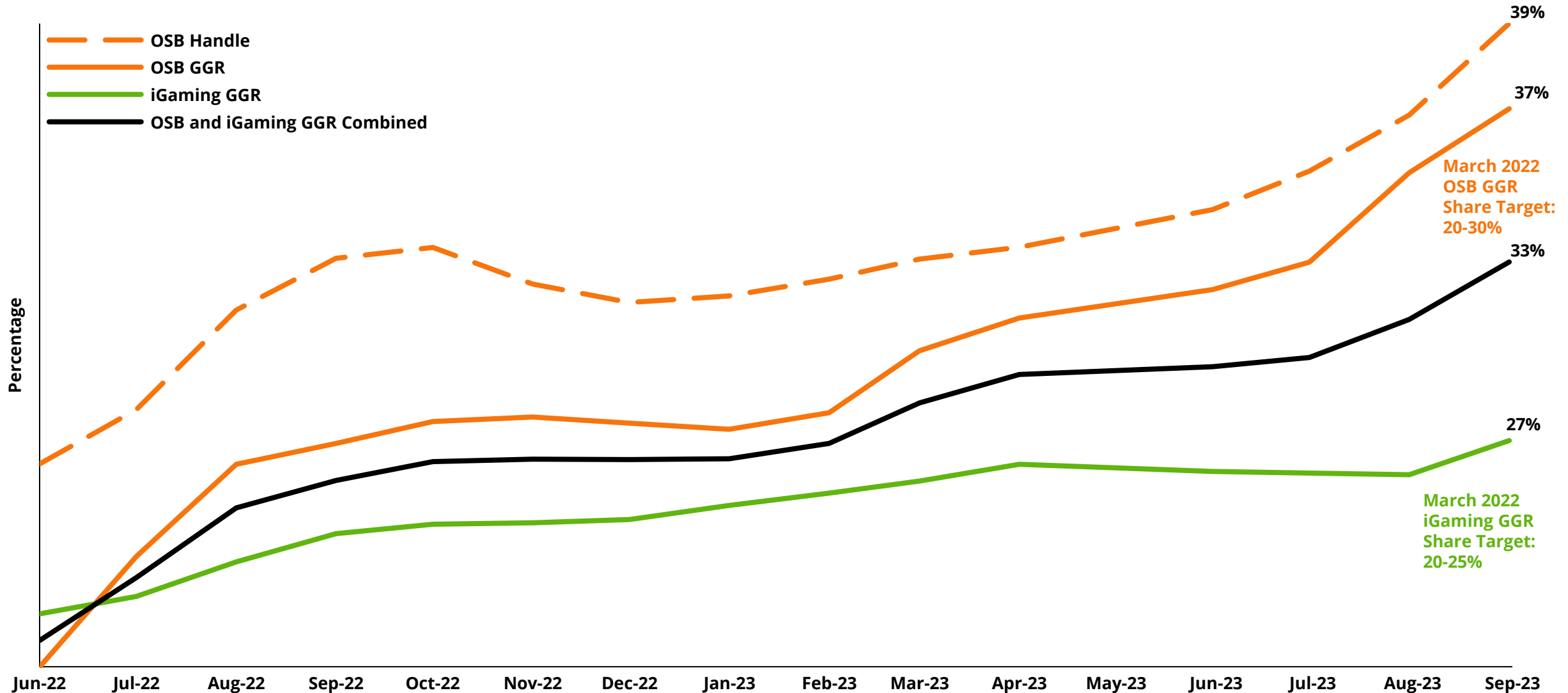
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SHARE

Our U.S. OSB and iGaming GGR share is increasing

DraftKings Share⁽¹⁾ on a Trailing Three-month Basis



Sources: State Gaming Reports and DraftKings internal data.


Notes: Gross revenue as calculated pursuant to each state's definition; no adjustments were made to this state data.


(1) Share is calculated on a trailing three-month basis. Share denominator includes all U.S. states where DraftKings is live with OSB and/or iGaming, as applicable, and data was available as of November 1st, 2023. Contributions from the Golden Nugget Online Gaming brand are included. Poker gross revenue is included in the TAM denominator (DraftKings does not currently offer poker). Removing poker gross revenue from the denominator, as estimated by Eilers and Krejcik, would result in DraftKings iGaming GGR share of 28%.


We are highly differentiated due to leading product and technology, innovation at high velocity, scale, and brand


Drivers of Competitive Differentiation

LEADING PRODUCT AND TECHNOLOGY


 **Vertical Integration:** Create unique products for the U.S. sports fan, powered in-house

 **Single Wallet:** Deliver a seamless experience across states and DraftKings-branded products


 **Scalable Regulatory Platform:** Facilitate responsible gaming, data privacy, and security for all customers

 **Geographic Flexibility and Velocity:** Leverage technology to rapidly enter new OSB and iGaming states


INNOVATION AT HIGH VELOCITY


 **Data Science Powerhouse:** Drive a personalized experience through automation and user-level analytics

- Optimize bet merchandizing
- Drive sport-to-sport and vertical-to-vertical cross-sell
- Offer promotions that are unique to customers


 **Customer First:** Roll out innovative and tangential mobile products such as DK Horse


SCALE


 **Cost Leverage:** Negotiate superior rates within cost of revenue (e.g., payment processing, revenue share agreements) and achieve lower customer acquisition costs due to scale of marketing platform

 **Efficient Investments:** Drive strong returns on product investments due to our large monetization opportunity

BRAND





 **Trusted Brand:** Drive enhanced credibility through key relationships and growing national brand awareness

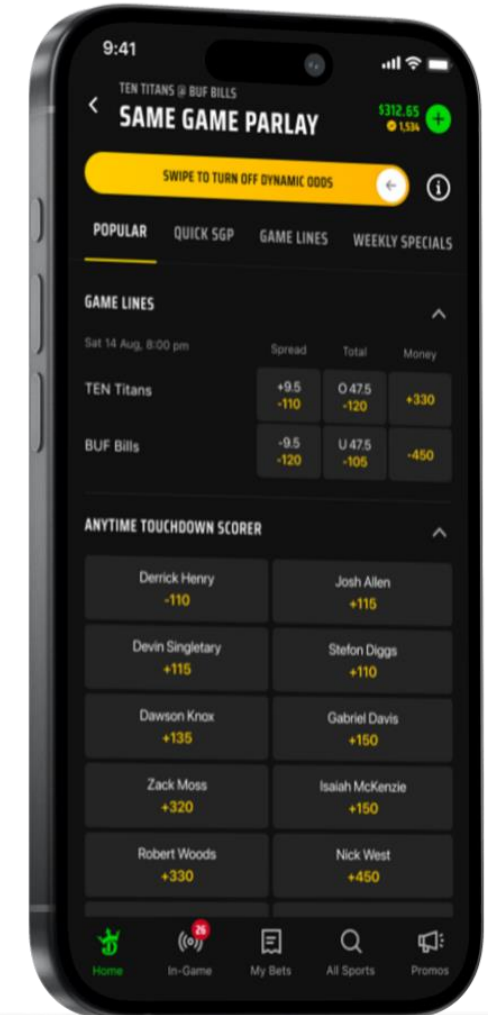
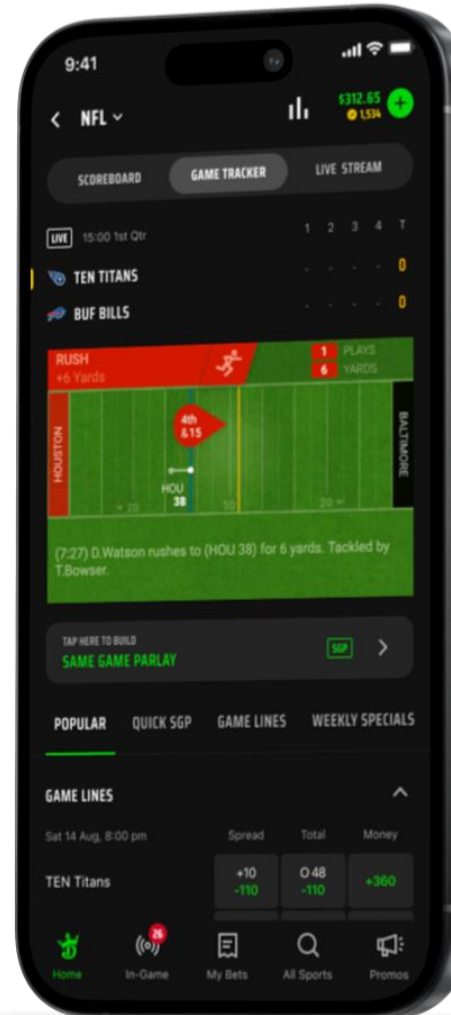
 **Large Customer Database:** Operate DFS in states representing 90%+ of the U.S. population and have valuable customer data

 **Highly Optimized Marketing Machine:** Optimize based on average LTV profile of various channels and penetrate multiple consumer segments with multi-brand approach

In two years, our Same Game Parlay (SGP) has advanced and is now in-house⁽¹⁾

Same Game Parlay Offering Progression

	FEATURE SET	NFL 2022	NFL 2023
 <p>Core Capabilities</p>	• Dedicated section for SGP		
	• Individual leg odds	Third Party	
	• Dynamic odds	X	
	• Combinability logic for un-selectable markets	X	
	• Odds consistent between SGPs and single OSB markets	X	
	• SGP anywhere / smart bet slip	X	
	• Combine SGPs (SGPx)	Third Party	
• SGP cash-out	X	In-progress	
 <p>Merchandizing</p>	• Quick SGP (pre-packs)		
	• Content cards (editorial story)		
	• Trending SGP and bet count		
 <p>Content</p>	• Pre-match core sports	Third Party	
	• Pre-match long tail sports	Third Party	Third Party
	• Live SGP		
	• Content breadth	Limited	Broad



(1) DraftKings prices sports representing greater than 90% of OSB handle on its Same Game Parlay offering in-house.

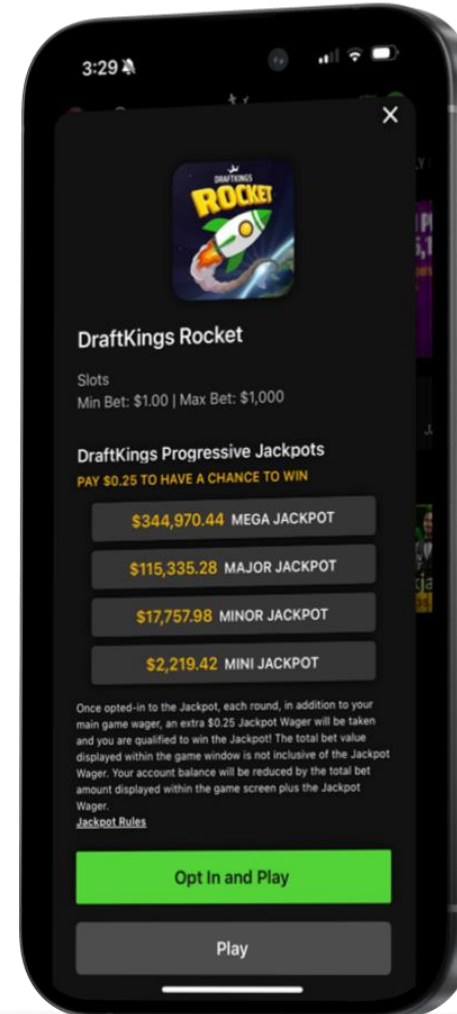
Our jackpot offering is a unique differentiator

Jackpot Offering Progression



Largest jackpot to-date⁽¹⁾ is \$3.3 Million
14 jackpots to-date⁽¹⁾ over \$1 Million

2021		<ul style="list-style-type: none"> • Acquired Blue Ribbon <ul style="list-style-type: none"> – Validated and enhanced core capabilities
		<ul style="list-style-type: none"> • Launched DraftKings-funded single-level jackpots⁽²⁾ in all live jurisdictions
		<ul style="list-style-type: none"> • Developed jackpot game overlay <ul style="list-style-type: none"> – Enables most casino games to be jackpot-eligible
2022		<ul style="list-style-type: none"> • Developed multi-level jackpot⁽³⁾ functionality
		<ul style="list-style-type: none"> • Launched player-contributed single-level jackpots in NJ
2023		<ul style="list-style-type: none"> • Launched player-contributed single-level jackpots in other jurisdictions⁽⁴⁾
		<ul style="list-style-type: none"> • Launched player-contributed multi-level jackpots in NJ



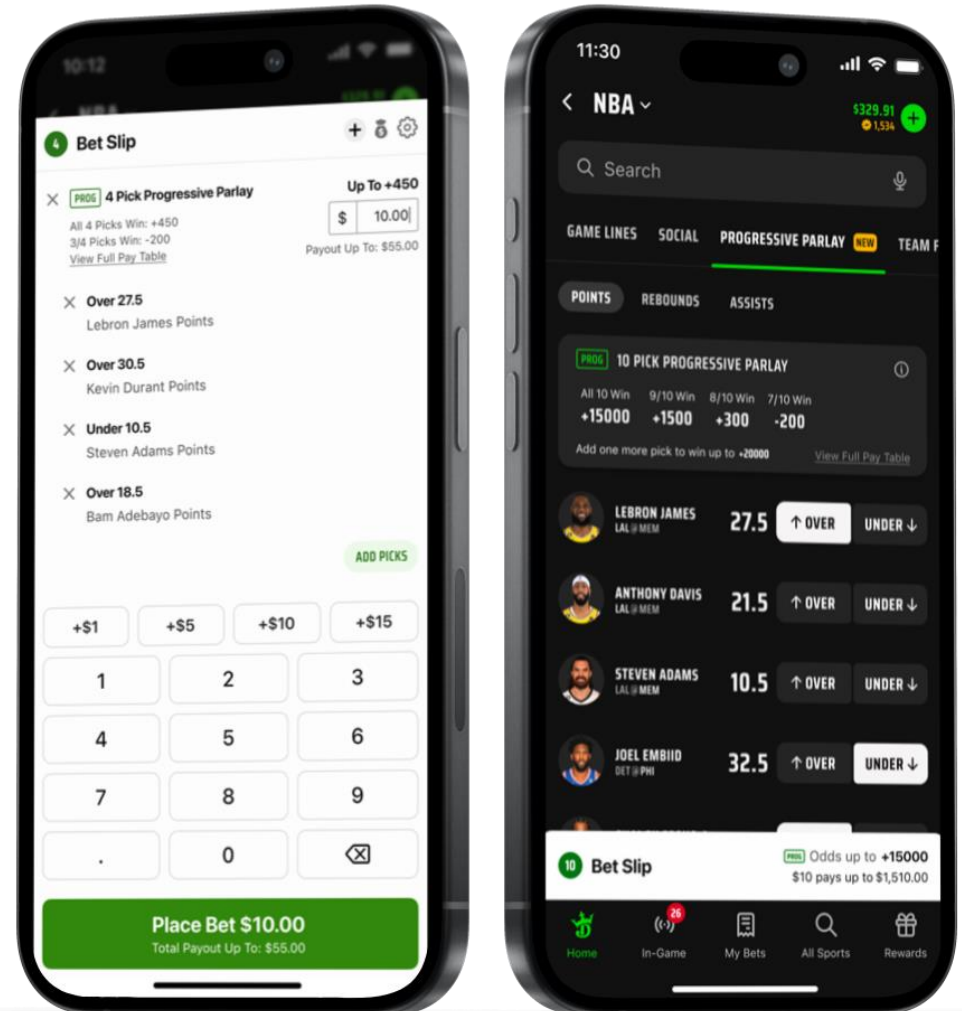
1. To-date refers to results as of November 13, 2023.
 2. Single-level jackpots allow customers to be eligible for a single jackpot due to their jackpot-eligible wager.
 3. Multi-level jackpots allow customers to be eligible for multiple jackpots due to their jackpot-eligible wager.
 4. Other jurisdictions are Ontario, West Virginia, and Michigan. Single-level jackpot rollouts to Connecticut and Pennsylvania are pending regulatory approval.

Progressive Parlay will be DraftKings Sportsbook's newest offering, coming soon!

Progressive Parlay Offering Description

Parlays that can win even if one or more legs miss!

- Customers wager against the house
- "Over / under" on 3 to 12 legs
- More picks = more potential ways to win
- More picks = larger potential payout
- Seamlessly integrated into our existing OSB app
- Powered by in-house content engine
- Regulated as sports betting
- Coming soon – stay tuned for launch date!

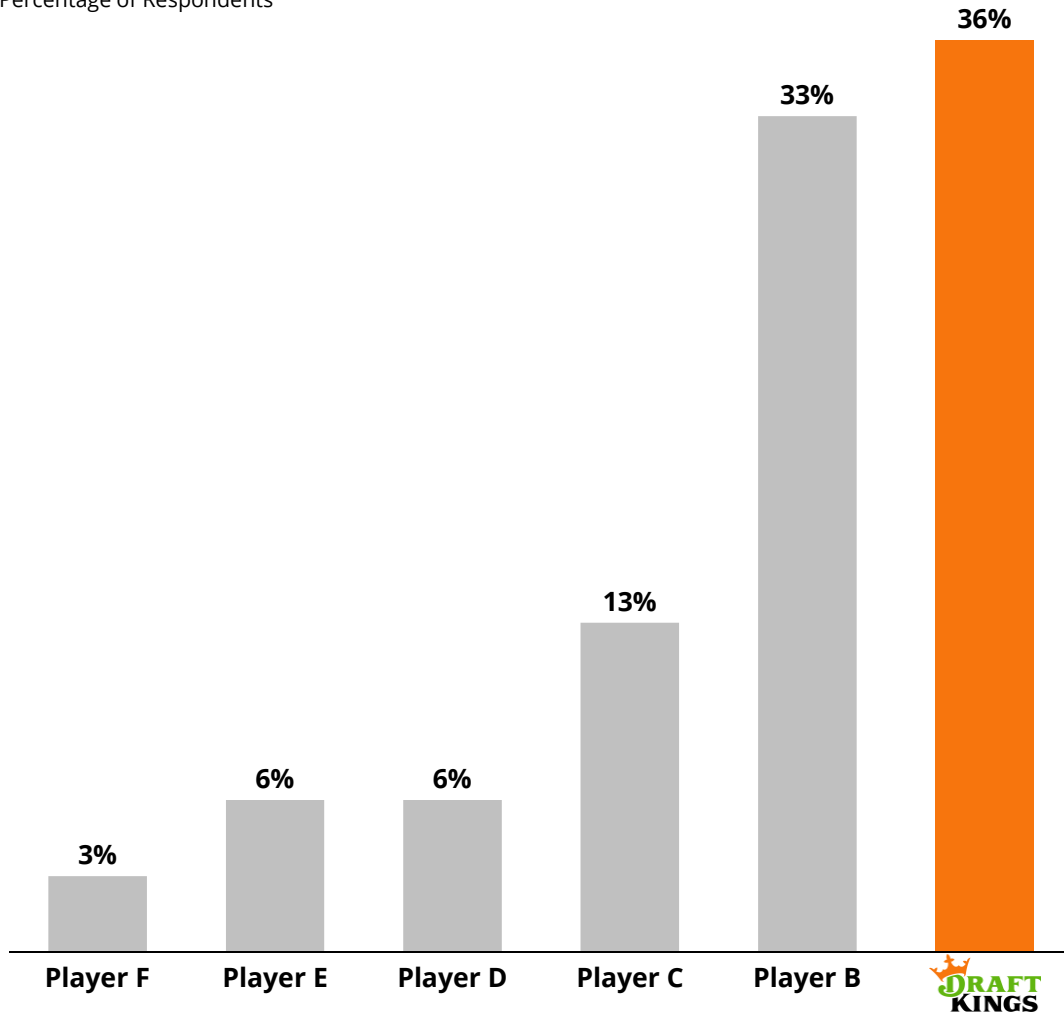


Consumers are recognizing that DraftKings has the leading product in the industry

Consumer Survey Results

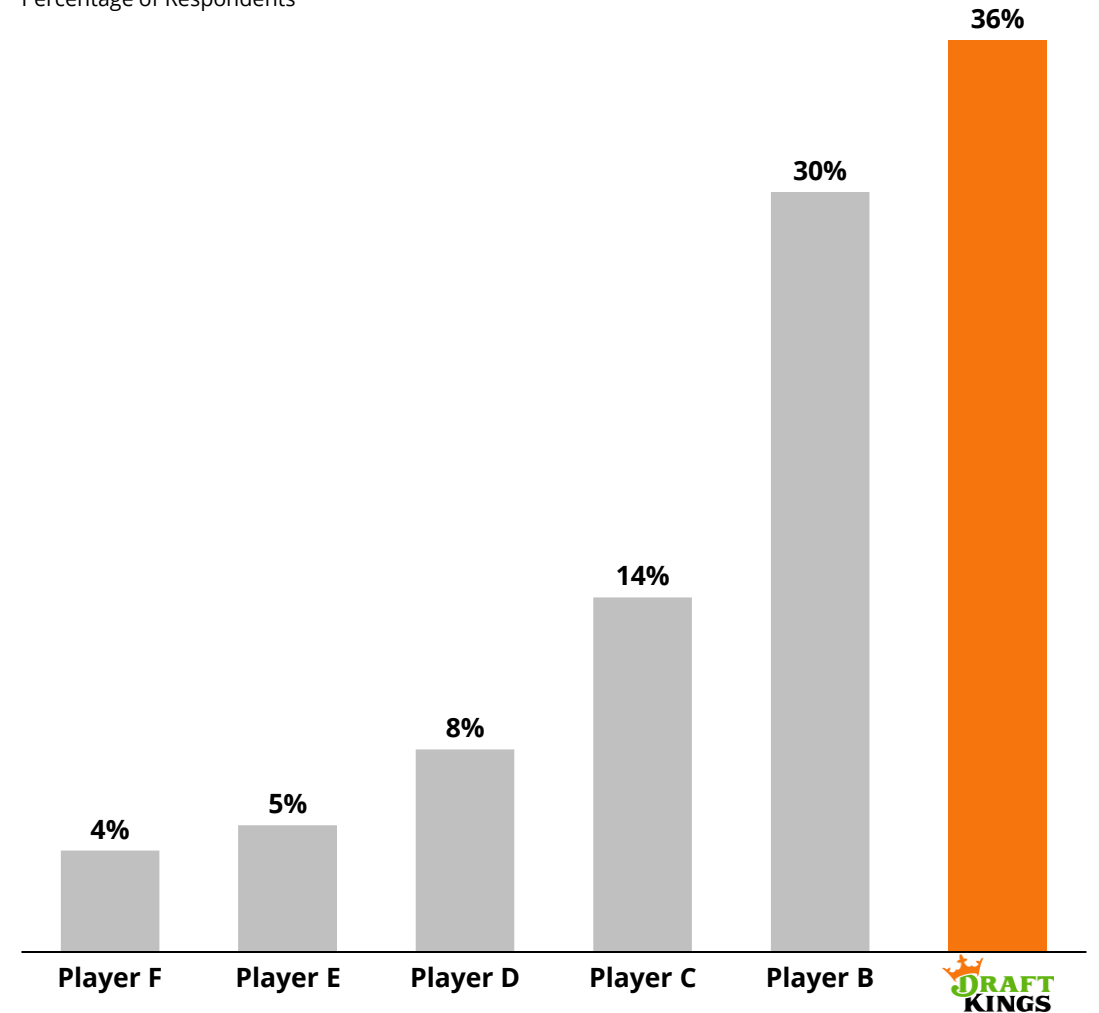
Which platform do you view as having the most intuitive interface/best user experience?

Percentage of Respondents



Which platform do you view as offering the most wagering options?

Percentage of Respondents

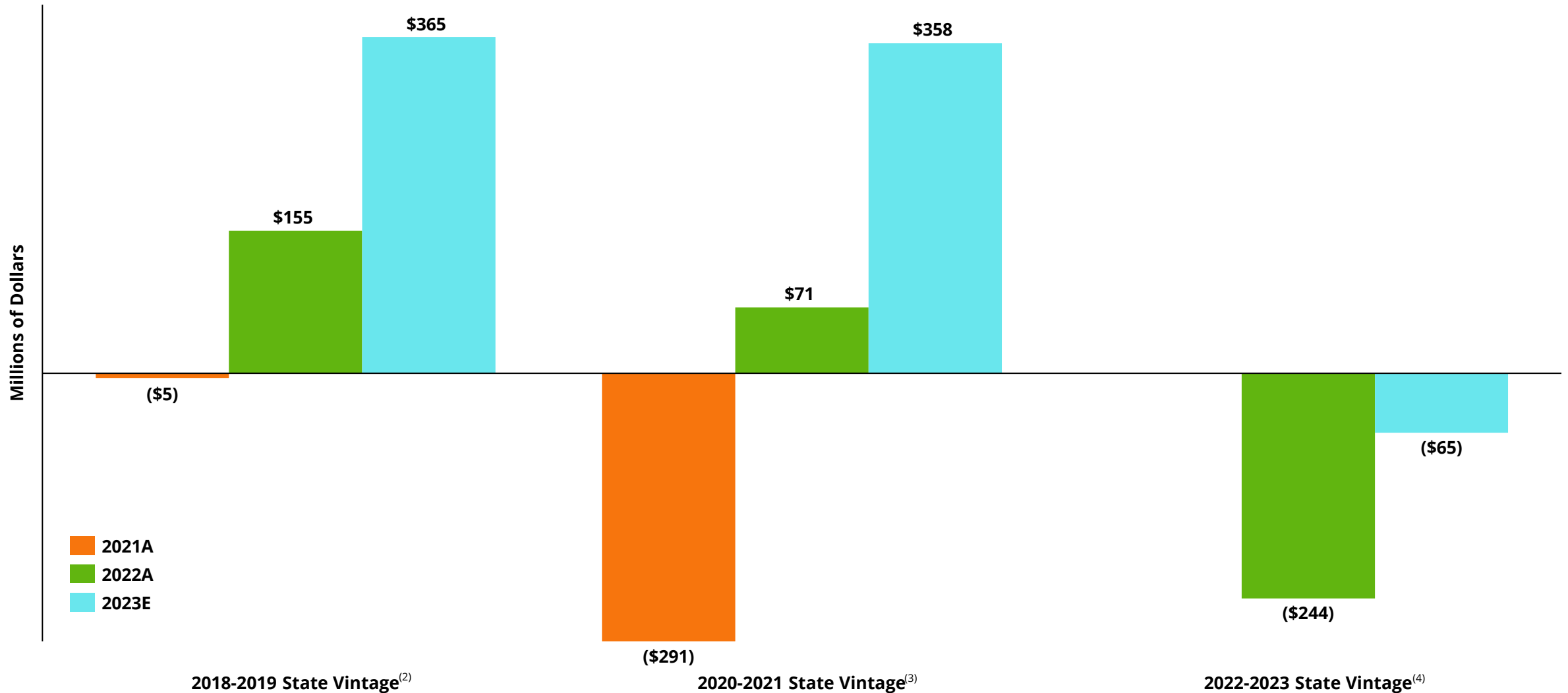




STATE ECONOMICS

All state vintages are inflecting to positive Contribution Profit⁽¹⁾ in 2-3 years

Contribution Profit⁽¹⁾ by State Vintage



(1) Non-GAAP financial measure. Refer to the Financial Reconciliations section of this presentation for a reconciliation of historical results. National marketing is allocated based on new customers acquired. Golden Nugget Online Gaming is included from acquisition date (May 5, 2022).

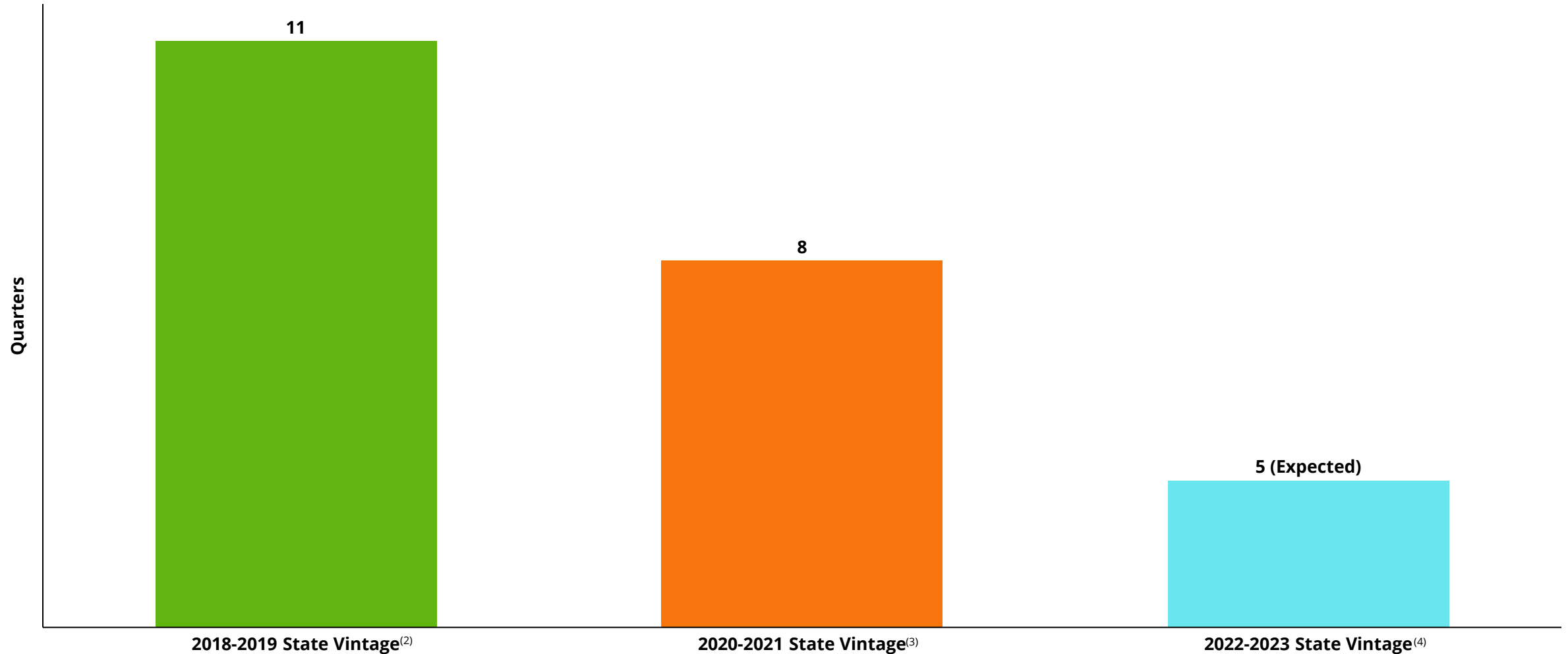
(2) Includes OSB and iGaming operations in New Jersey, West Virginia, Indiana, Pennsylvania, and New Hampshire. These 5 states represent 10% of the U.S. population.

(3) Includes OSB and iGaming operations in Iowa, Colorado, Illinois, Tennessee, Michigan, Virginia, Wyoming, Arizona, and Connecticut. These 9 states represent 18% of the U.S. population.

(4) Includes OSB and iGaming operations in Oregon, New York, Louisiana, Ontario, Kansas, Maryland, Ohio, Massachusetts, Kentucky, and Maine. These 9 states (excluding Ontario) represent 19% of the U.S. population.

Newer state vintages are generating positive Contribution Profit⁽¹⁾ faster

Average Quarters Since Launch to Reach Trailing 12-month Positive Contribution Profit⁽¹⁾



Golden Nugget Online Gaming is included from acquisition date (May 5, 2022).

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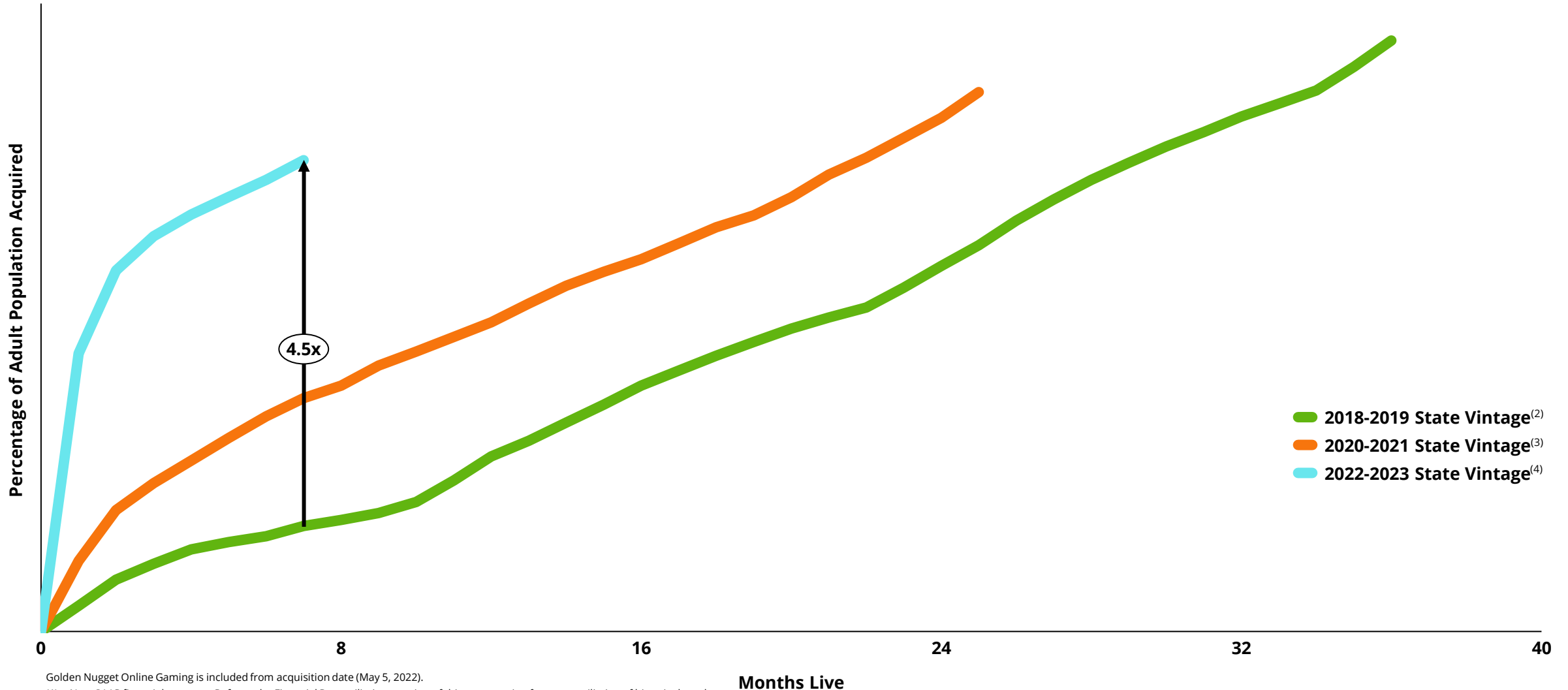
(2) Includes OSB and iGaming operations in New Jersey, West Virginia, Indiana, and Pennsylvania. We exclude New Hampshire due to unique dynamics.

(3) Includes OSB and iGaming operations in Iowa, Colorado, Illinois, Tennessee, Michigan, Virginia, Wyoming, Arizona, and Connecticut.

(4) Includes OSB and iGaming operations in New York, Louisiana, Kansas, Maryland, Ohio, and Massachusetts. We exclude Oregon and Ontario due to unique dynamics. We exclude Kentucky and Maine due to insufficient history.

A more rapid pace of customer acquisition is driving faster state Contribution Profit⁽¹⁾

Average Pace of Customer Acquisition by State Vintage



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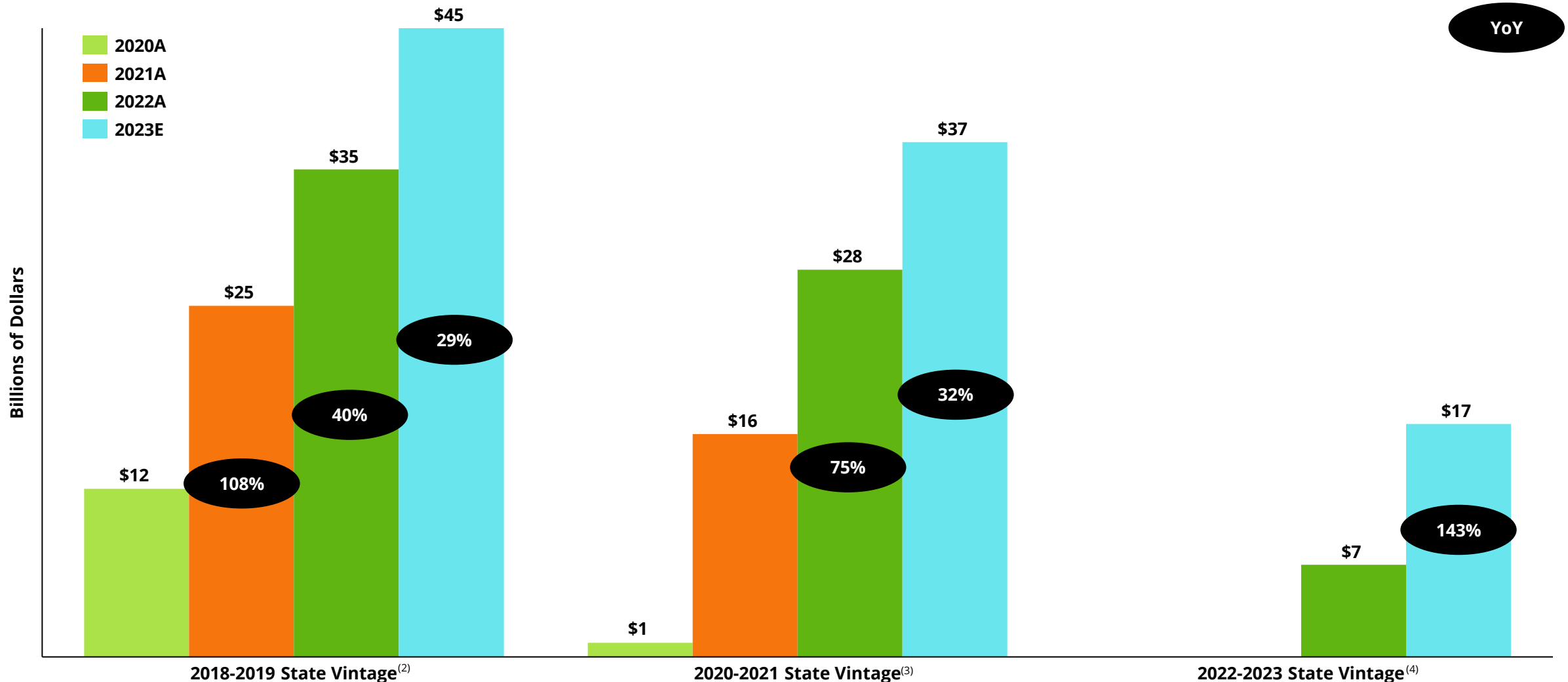
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Handle continues to grow for years after states launch

OSB and iGaming Handle⁽¹⁾ by State Vintage



(1) Represents the amount wagered. Golden Nugget Online Gaming is included from acquisition date (May 5, 2022).

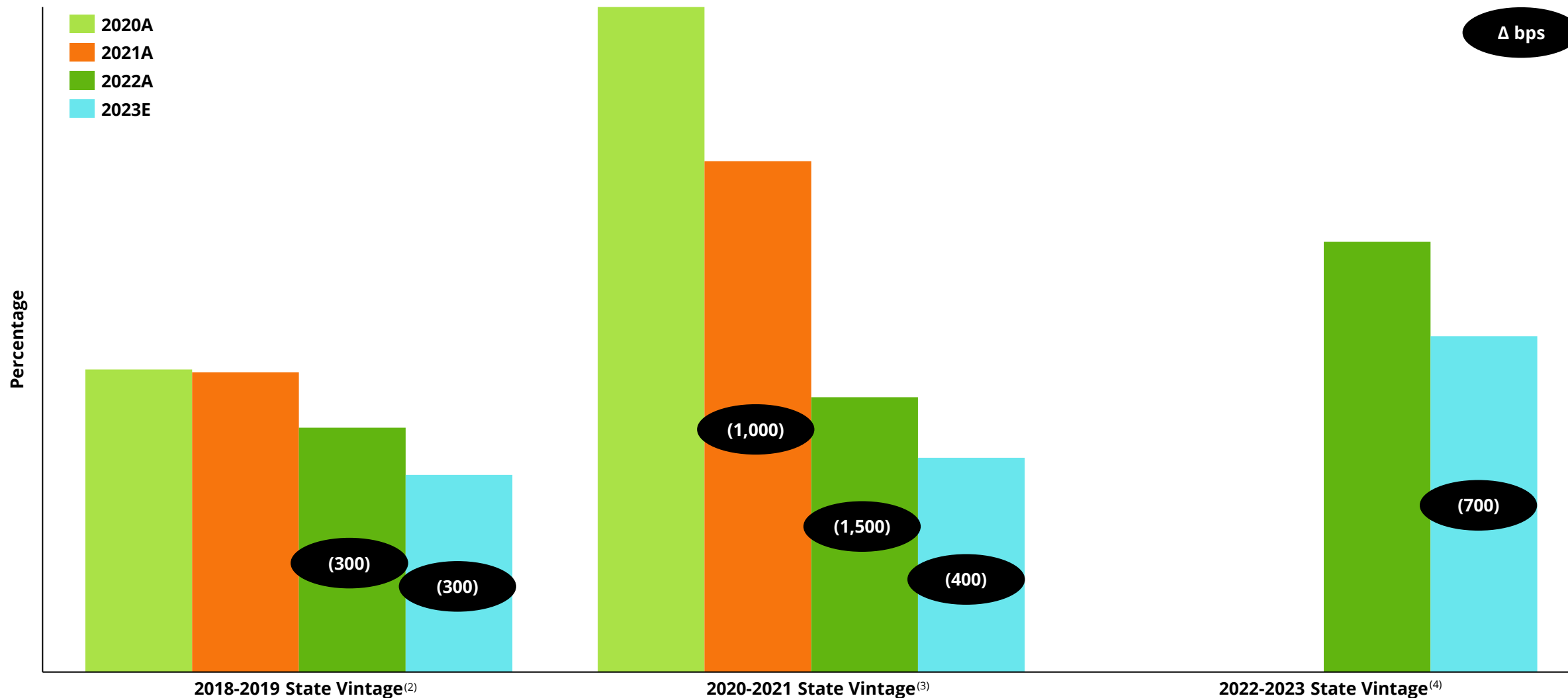
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Promotional Reinvestment lessens as our states mature

Promotional Reinvestment⁽¹⁾ by State Vintage



(1) Represents promotions as a percentage of OSB and iGaming gross revenue. Golden Nugget Online Gaming is included from acquisition date (May 5, 2022).

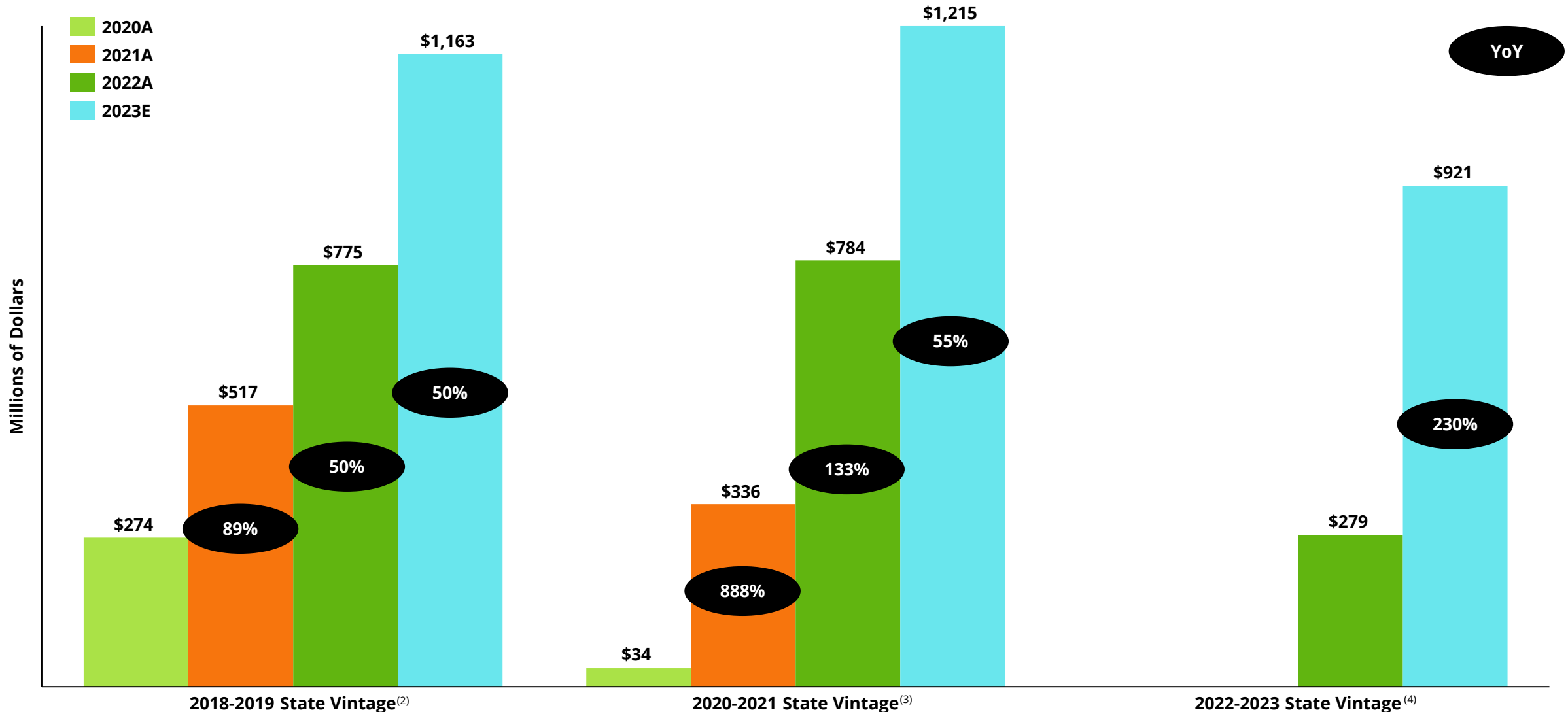
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(4) Includes OSB and iGaming operations in Oregon, New York, Louisiana, Ontario, Kansas, Maryland, Ohio, Massachusetts, Kentucky, and Maine. These 9 states (excluding Ontario) represent 19% of the U.S. population.

As a result, we are continuing to see strong Net Revenue growth across state vintages

Net Revenue⁽¹⁾ by State Vintage



(1) Represents net revenue. Golden Nugget Online Gaming is included from acquisition date (May 5, 2022).

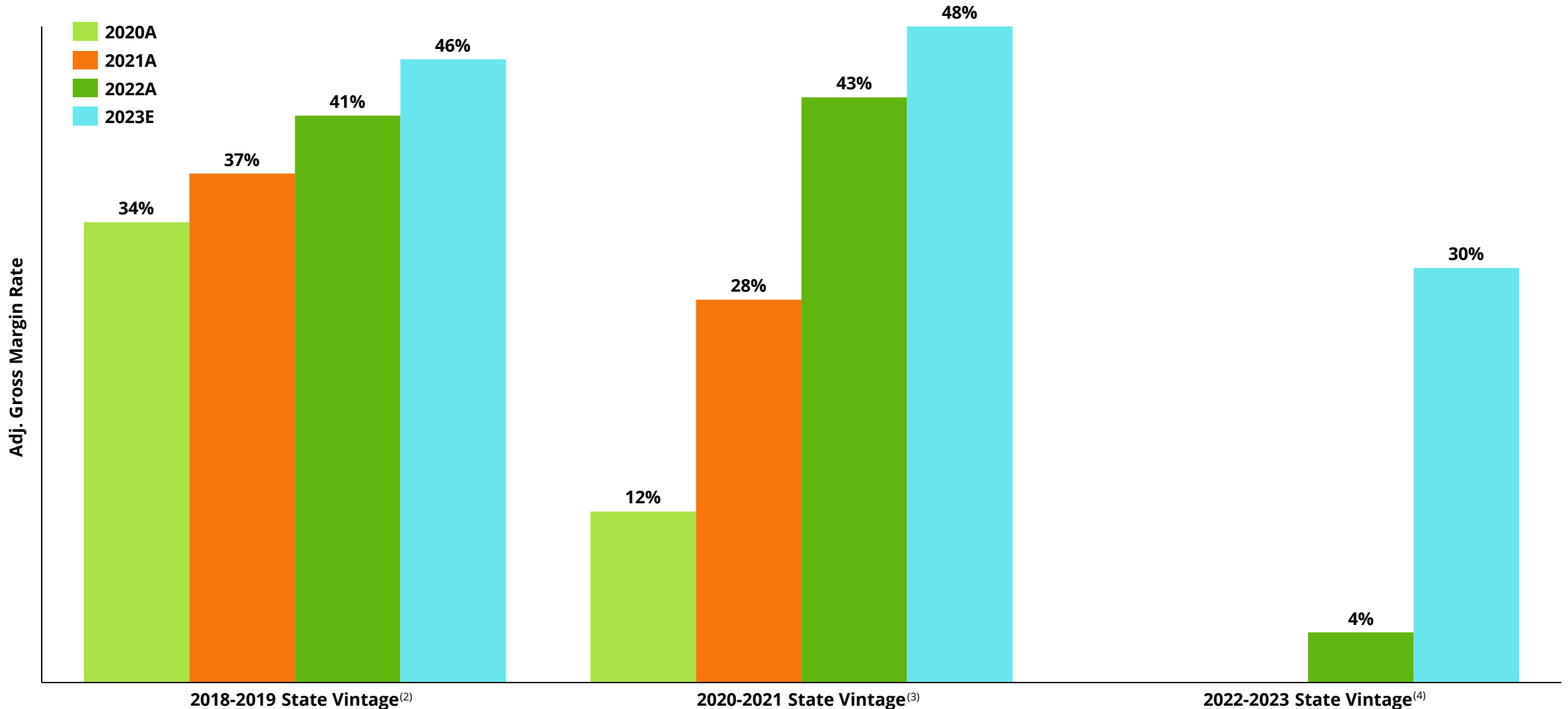
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Adj. Gross Margin Rate⁽¹⁾ increases as states mature

Adj. Gross Margin Rate by State Vintage



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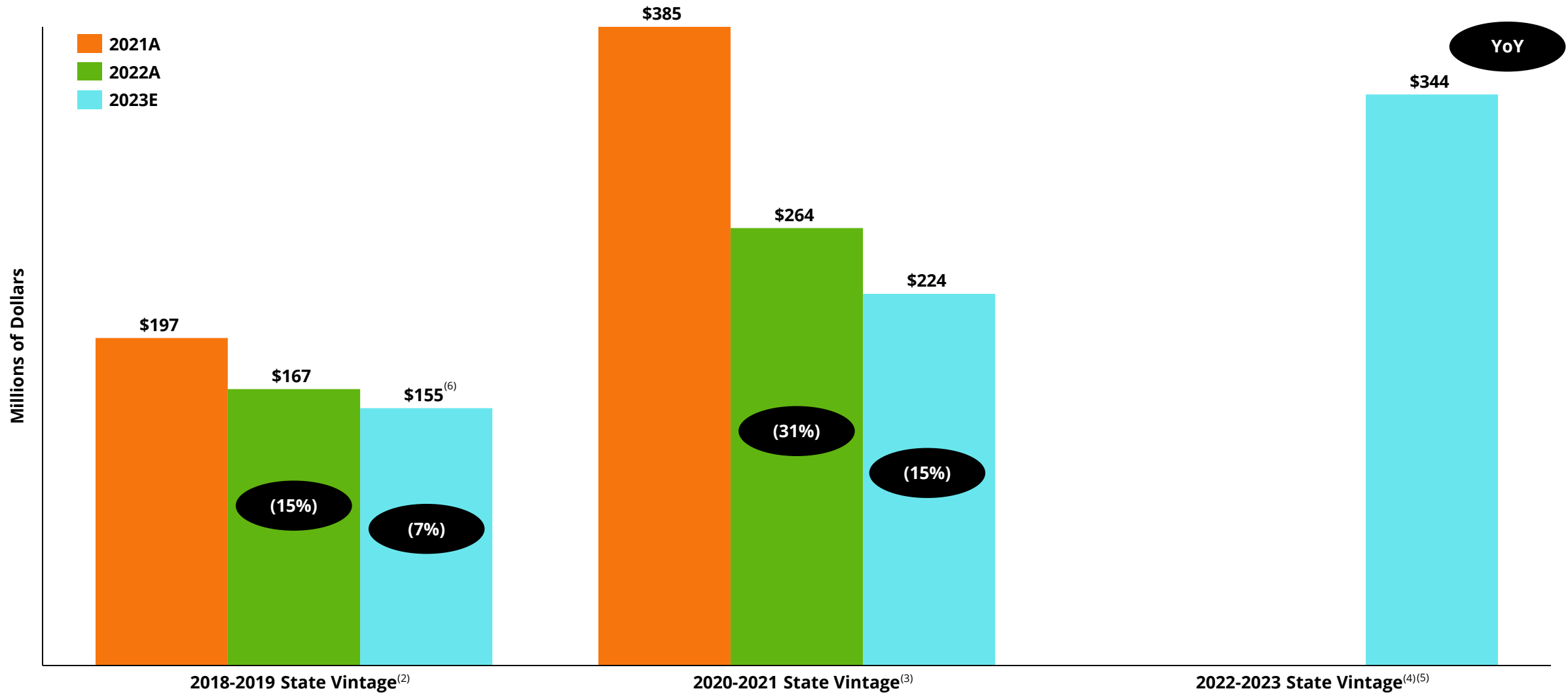
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External Marketing lessens as states mature

External Marketing⁽¹⁾ by State Vintage



(1) External Marketing includes national marketing, which is allocated based on new customers acquired. Golden Nugget Online Gaming is included from acquisition date (May 5, 2022).

(2) Includes OSB and iGaming operations in New Jersey, West Virginia, Indiana, Pennsylvania, and New Hampshire. The 5 states represent 10% of the U.S. population.

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(4) Includes OSB and iGaming operations in Oregon, New York, Louisiana, Ontario, Kansas, Maryland, Ohio, Massachusetts, Kentucky, and Maine. The 9 states (excluding Ontario) represent 19% of the U.S. population.

(5) Excludes external marketing of \$255 million in 2022 for the 2022-2023 state vintage because only a portion of the states in the 2022-2023 state vintage were live in 2022.

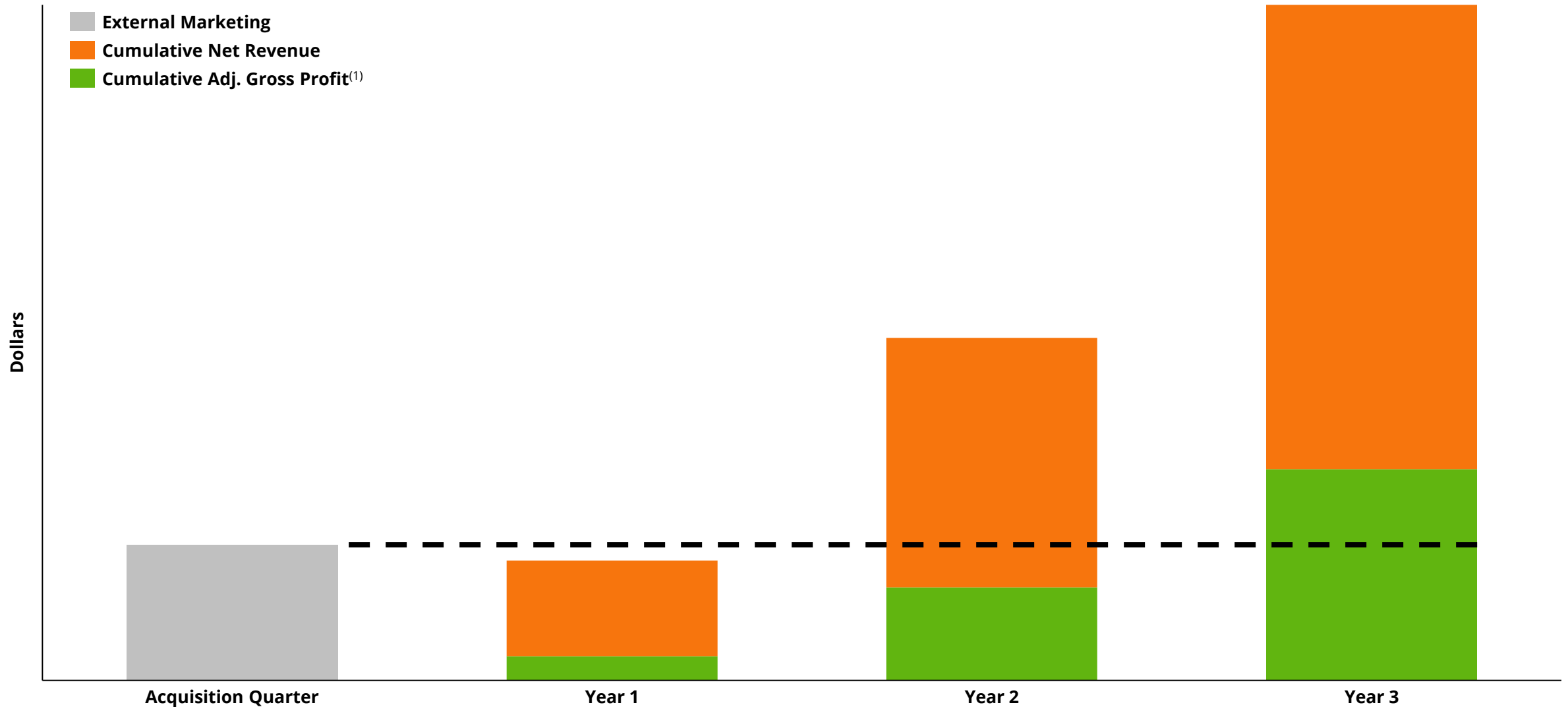
(6) Excludes \$10 million of external marketing associated with the launch of Golden Nugget Online Gaming in Pennsylvania.



CUSTOMER ECONOMICS

Historically, we have acquired new customers at less than 3-year Adj. Gross Profit paybacks

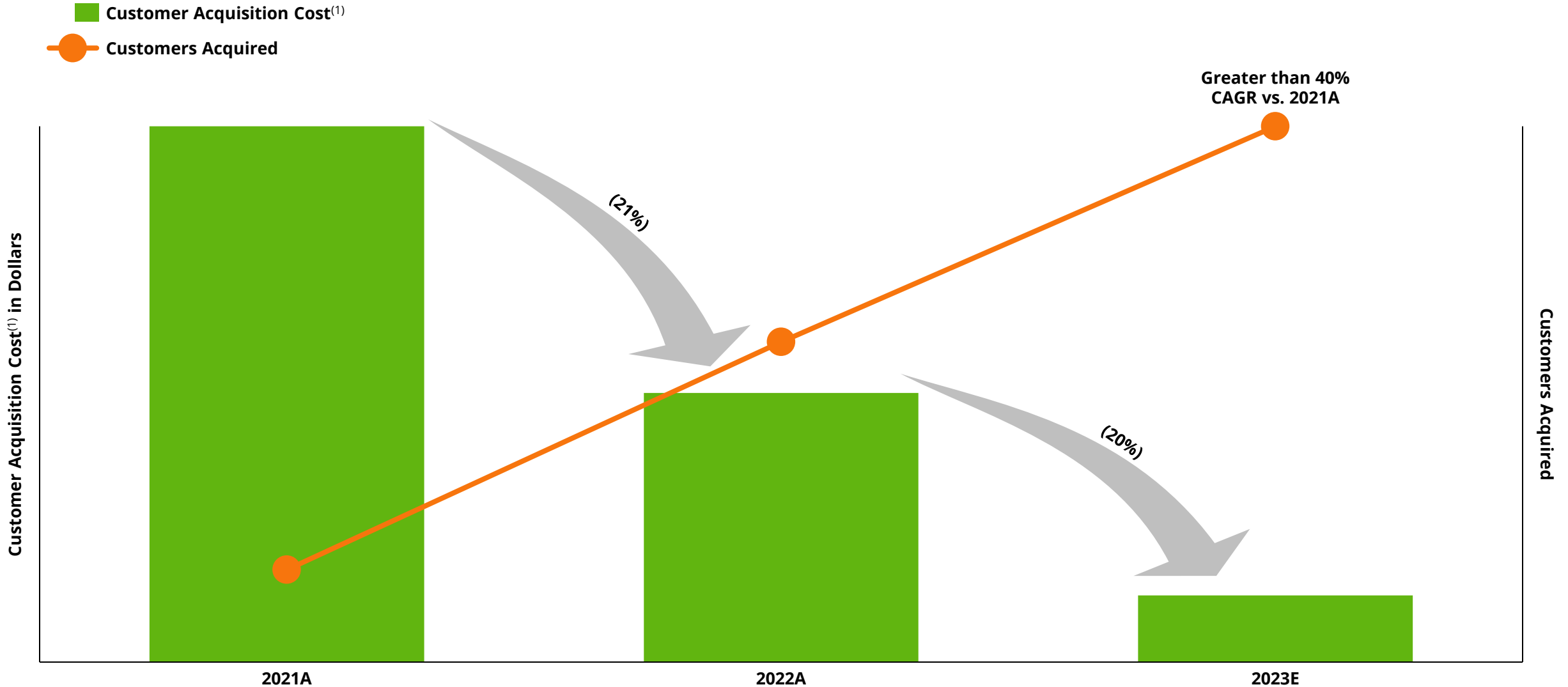
Illustrative Average Customer Economics



(1) Non-GAAP financial measure. Refer to the Financial Reconciliations section of this presentation for a reconciliation of historical results.

Over the past two years, we have dramatically increased customer acquisition while simultaneously decreasing CAC

Customer Acquisition Efficiency

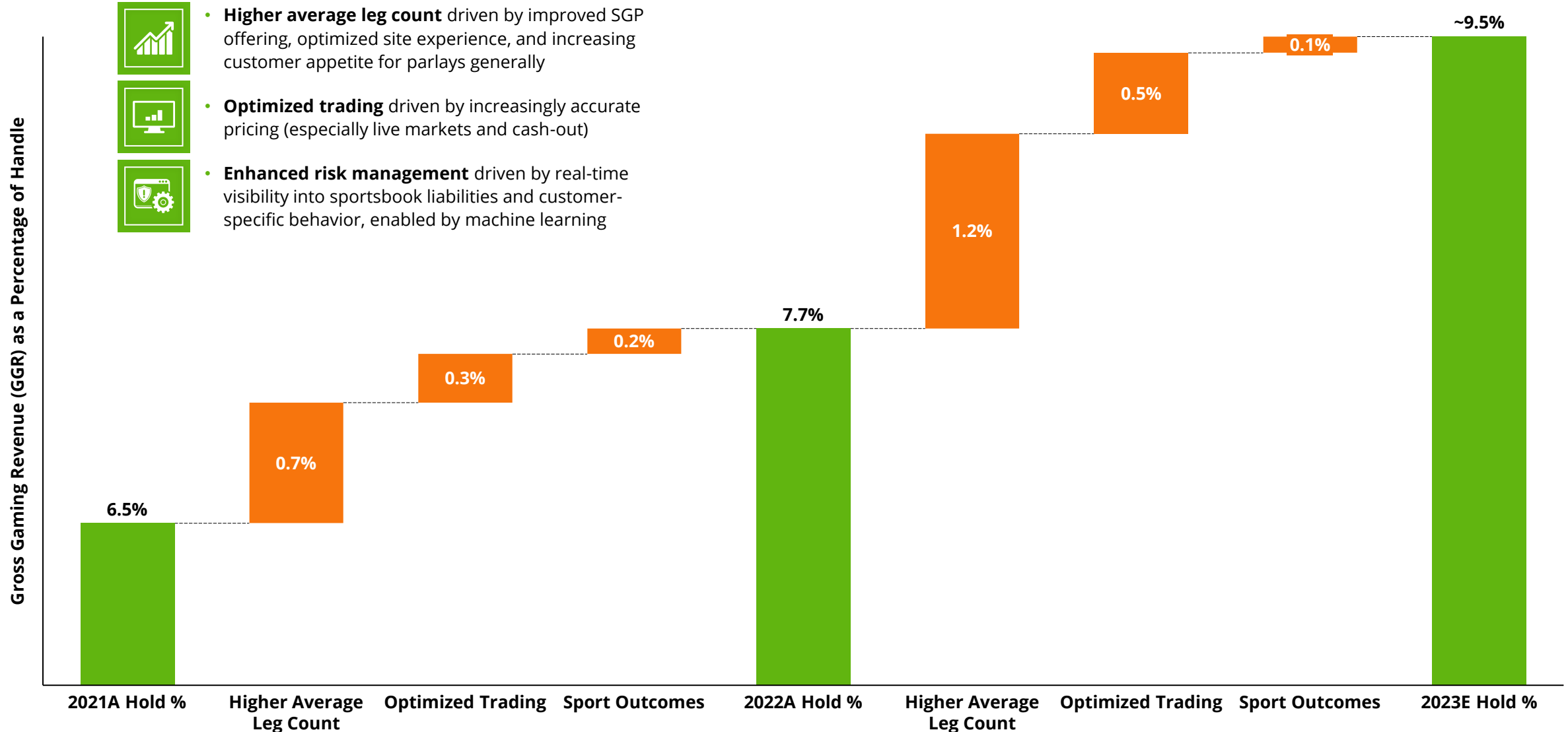


(1) Customer acquisition cost (CAC) is defined as external marketing spend divided by new customers. We include all external marketing spend allocated to OSB and iGaming, including national spending, team and league deals, and product-agnostic spending, and divide by new OSB and iGaming customers. We do not credit customer acquisition for customers who were previously acquired to DFS.



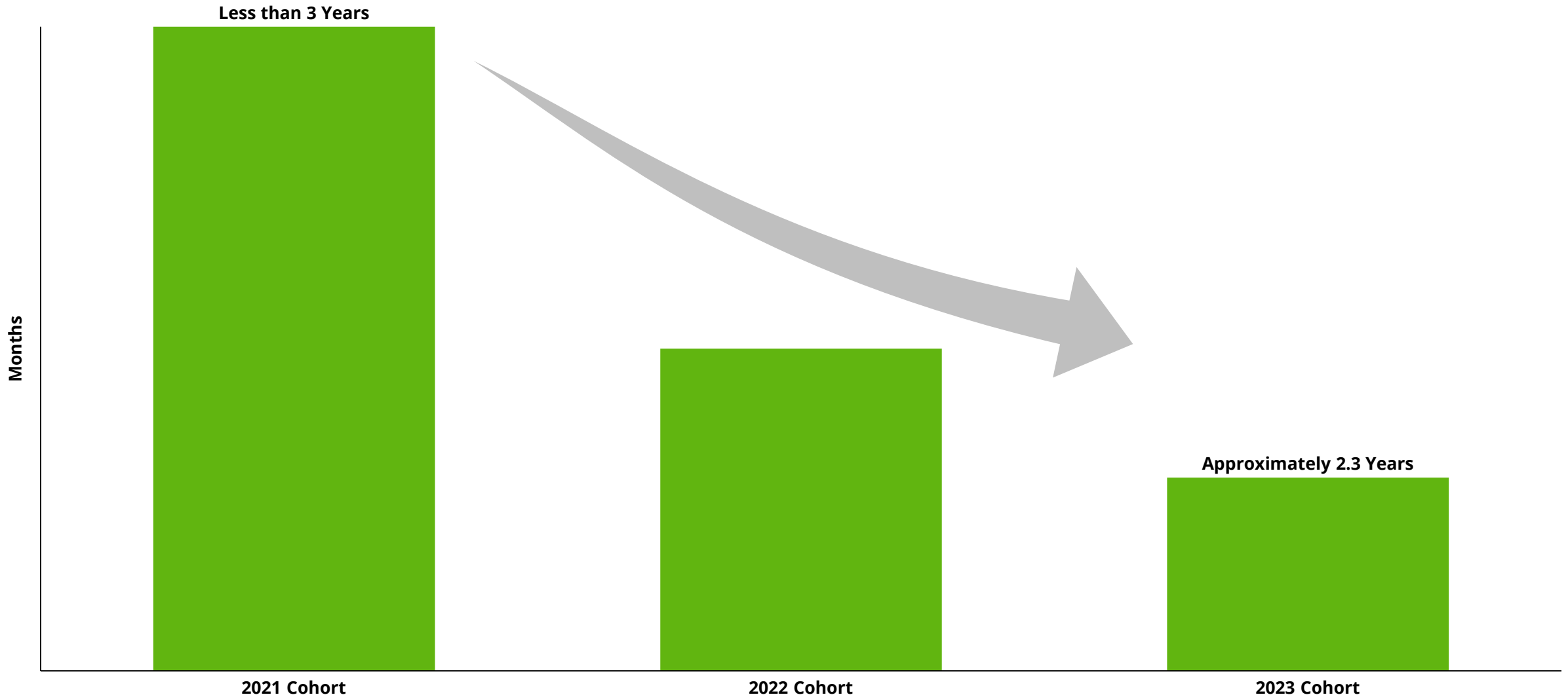
Our OSB hold percentage is increasing as we improve our bet mix and trading operations

DraftKings OSB Hold Percentage



As a result, payback periods are shortening

Projected Customer Payback Periods⁽¹⁾



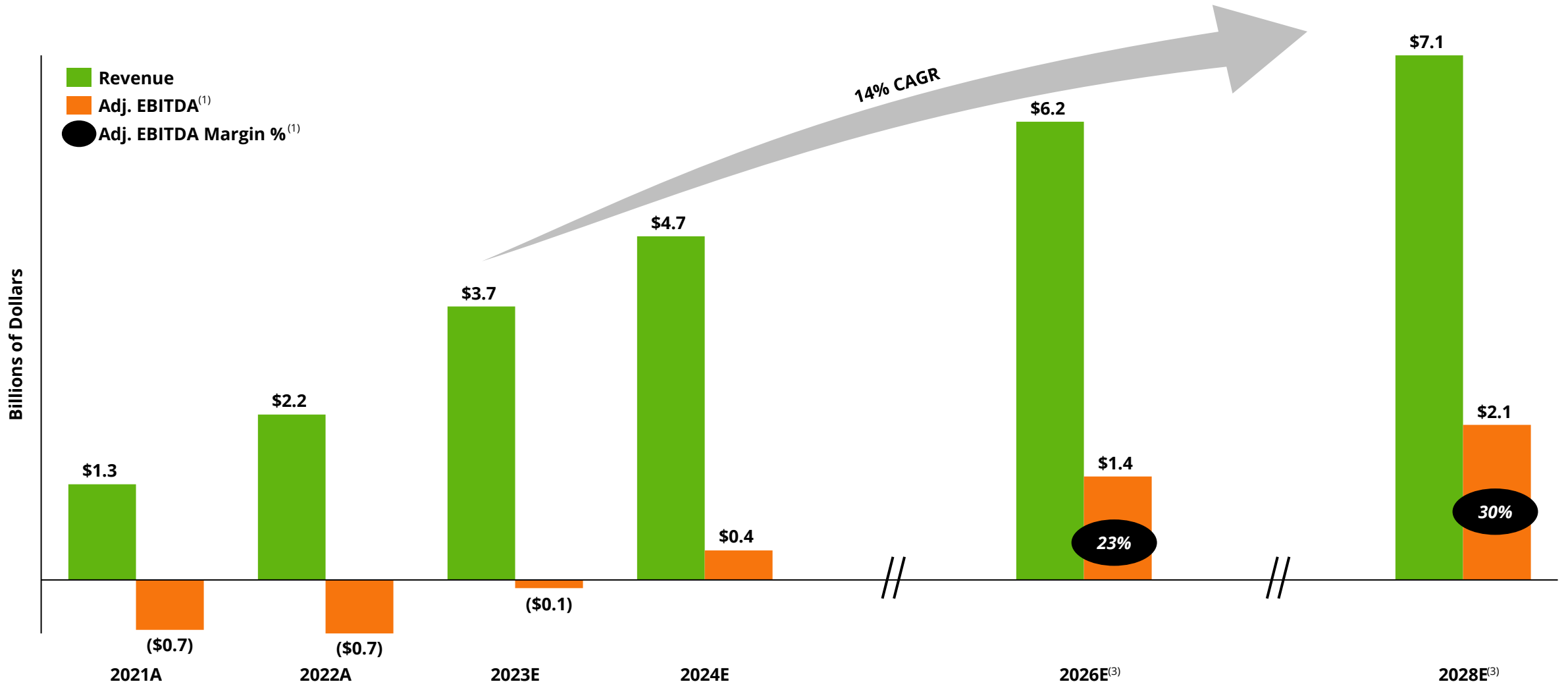
⁽¹⁾ Customer payback periods refers to the amount of time required to generate cumulative Adj. Gross Profit that is equal to the upfront external marketing spend associated with customer acquisition. For this analysis, we are only including customers who are new to OSB and iGaming and who did not previously participate with DraftKings on DFS.



OUTLOOK

We expect Adj. EBITDA⁽¹⁾ of \$1.4B in 2026 and \$2.1B in 2028 *from existing states alone*⁽²⁾

Expected DraftKings Revenue and Adj. EBITDA⁽¹⁾



(1) Non-GAAP financial measure. Refer to the Financial Reconciliations section of this presentation for a reconciliation of historical results.

(2) 2026 and 2028 guidance includes OSB and iGaming operations in states consistent with 2024 guidance provided on November 2nd, 2023. New Jersey, West Virginia, Indiana, Pennsylvania, New Hampshire, Iowa, Colorado, Illinois, Tennessee, Michigan, Virginia, Wyoming, Arizona, Connecticut, Oregon, New York, Louisiana, Ontario, Kansas, Maryland, Ohio, Massachusetts, Kentucky, Maine, Puerto Rico, and North Carolina are included. Puerto Rico and North Carolina are pending launch, subject to licensure and regulatory approvals. Vermont has authorized mobile sports betting and is in the process of soliciting bids for its RFP, and DraftKings has submitted a bid.

(3) We expect Free Cash Flow as a percentage of Adjusted EBITDA to be approximately 90% in 2026 and 2028 before considering the impact of corporate taxes and potential changes in capital structure. Free Cash Flow is a Non-GAAP financial measure. We define and calculate 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 corporate cash taxes paid.







LEGALIZATION UPSIDE

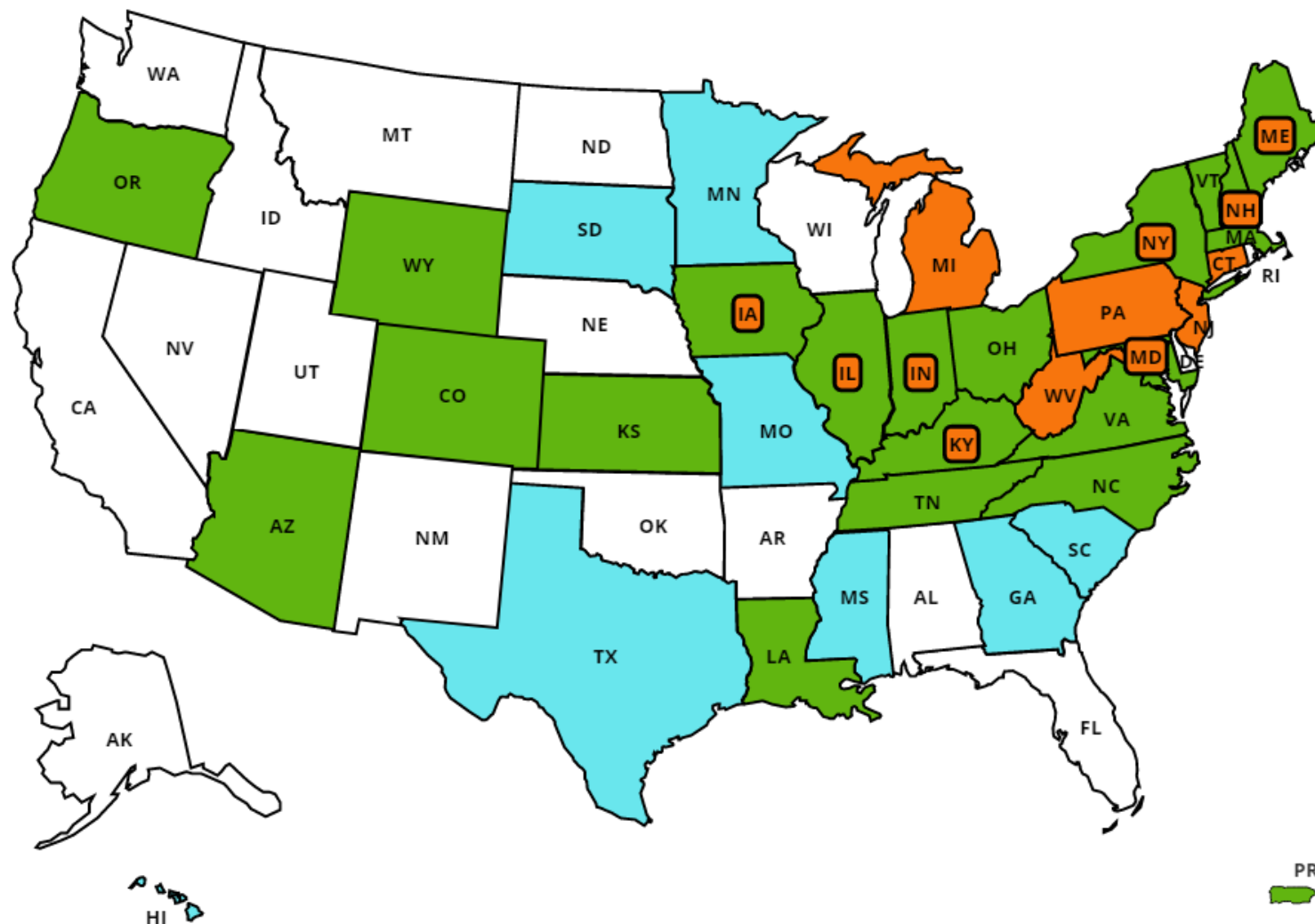
We expect more U.S. states to legalize OSB and iGaming

OSB and iGaming Legalization Status by U.S. State

Included in Guidance



-  DraftKings Live with both OSB and iGaming
-  DraftKings Live or Pending Launch⁽¹⁾ with OSB
-  OSB Legislation Introduced
-  iGaming Legislation Introduced⁽²⁾

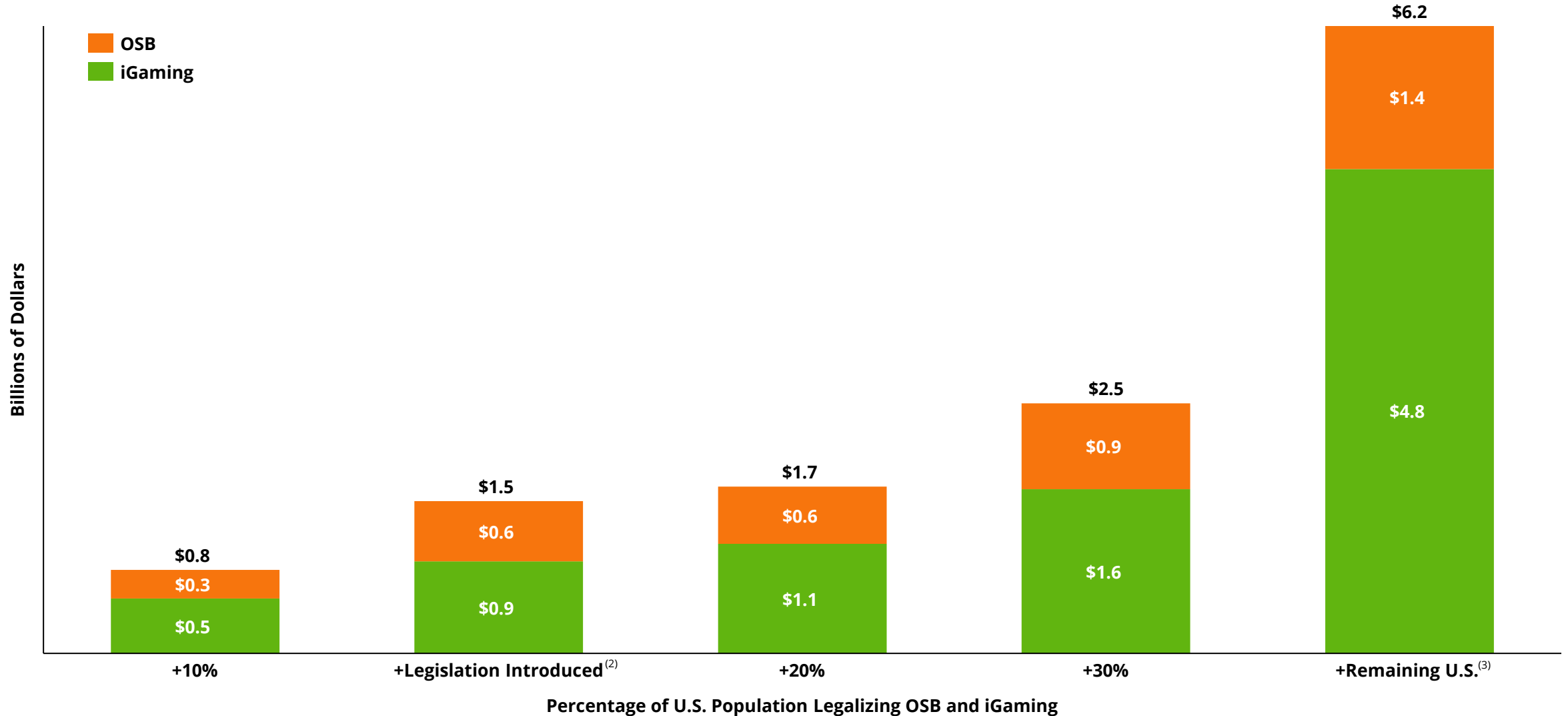


(1) Our revenue and Adjusted EBITDA guidance for fiscal years 2023 and 2024 includes all our existing jurisdictions as well as mobile sports betting in Puerto Rico, Vermont, and North Carolina. Puerto Rico and North Carolina are pending launch, subject to licensure and regulatory approvals. Vermont has authorized mobile sports betting and is in the process of soliciting bids for its RFP, and DraftKings has submitted a bid.

(2) Kentucky's proposed iGaming bill is specific to poker. Iowa's iGaming bill is a study bill that would become a bill that authorizes legislation to enact iGaming once passing through committee.

There is potential for up to an additional \$6.2B of annual Adj. EBITDA⁽¹⁾ to DraftKings from further OSB and iGaming legalization in the U.S.

Incremental Year 5 Adj. EBITDA⁽¹⁾ to DraftKings



(1) Non-GAAP financial measure. Refer to the Financial Reconciliations section of this presentation for a reconciliation of historical results.

(2) Assumes DraftKings launches OSB in all states that have introduced OSB legislation but that are not included in guidance (representing 19% of the U.S. population) and that DraftKings launches iGaming in all states that have introduced iGaming legislation but that are not included in guidance (representing 17% of the population).

(3) Represents all U.S. states that are not included in 2026 and 2028 guidance, representing 50% of the U.S. population for OSB and 89% of the U.S. population for iGaming.



ADDITIONAL GROWTH VECTORS

DraftKings has leverageable assets to capitalize on mega trends

Mega Trends and DraftKings Positioning

Mega Trends that Create Opportunity



Sports viewership transitioning quickly from legacy linear to digital streaming



Global trend towards regulating online gaming



Consumers looking for more interactive experiences and deepening engagement with favorite apps

DraftKings is Positioned to Capitalize



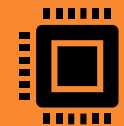
Database of highly engaged young and affluent customers



Recognizable and trusted brand



World-class product for iGaming and OSB



Ability to navigate complex regulatory environments



APPENDIX

State vintage results reconciled to enterprise financial results

Financial Results in Millions of Dollars

	2023E	2022A	2021A
Net Revenue			
2018-2019 State Vintage ⁽²⁾	\$1,163	\$775	\$517
2020-2021 State Vintage ⁽³⁾	\$1,215	\$784	\$336
2022-2023 State Vintage ⁽⁴⁾	\$921	\$279	\$0
DFS and Other ⁽⁵⁾	\$396	\$402	\$443
Total Net Revenue	\$3,695	\$2,240	\$1,296
Adjusted Gross Profit⁽¹⁾			
2018-2019 State Vintage ⁽²⁾	\$530	\$321	\$192
2020-2021 State Vintage ⁽³⁾	\$582	\$335	\$94
2022-2023 State Vintage ⁽⁴⁾	\$279	\$10	\$0
DFS and Other ⁽⁵⁾	\$244	\$245	\$330
Total Adjusted Gross Profit⁽¹⁾	\$1,635	\$912	\$616
Contribution Profit⁽¹⁾			
2018-2019 State Vintage ⁽¹⁾	\$365	\$155	(\$5)
2020-2021 State Vintage ⁽²⁾	\$358	\$71	(\$291)
2022-2023 State Vintage ⁽³⁾	(\$65)	(\$244)	\$0
DFS and Other ⁽⁵⁾	\$127	\$123	\$199
Total Contribution Profit⁽¹⁾	\$785	\$105	(\$97)

Totals may not sum due to rounding.

(1) Non-GAAP financial measure. Refer to the Financial Reconciliations section of this presentation for a reconciliation of historical results.

(2) Includes OSB and iGaming operations in New Jersey, West Virginia, Indiana, Pennsylvania, and New Hampshire.

(3) Includes OSB and iGaming operations in Iowa, Colorado, Illinois, Tennessee, Michigan, Virginia, Wyoming, Arizona, and Connecticut.

(4) Includes OSB and iGaming operations in Oregon, New York, Louisiana, Ontario, Kansas, Maryland, Ohio, Massachusetts, Kentucky, and Maine.

(5) Includes all business lines not accounted for in the three vintages, primarily DFS.

Detailed financial elements

Financial Elements

Capex and Capitalized SW⁽¹⁾

Expect annual investment between \$100M and \$150M

Change in Net Working Capital

Expect change in net working capital to be neutral or a modest source of cash

Stock-based Compensation

Expect approximately 3% annual dilution due to stock-based compensation

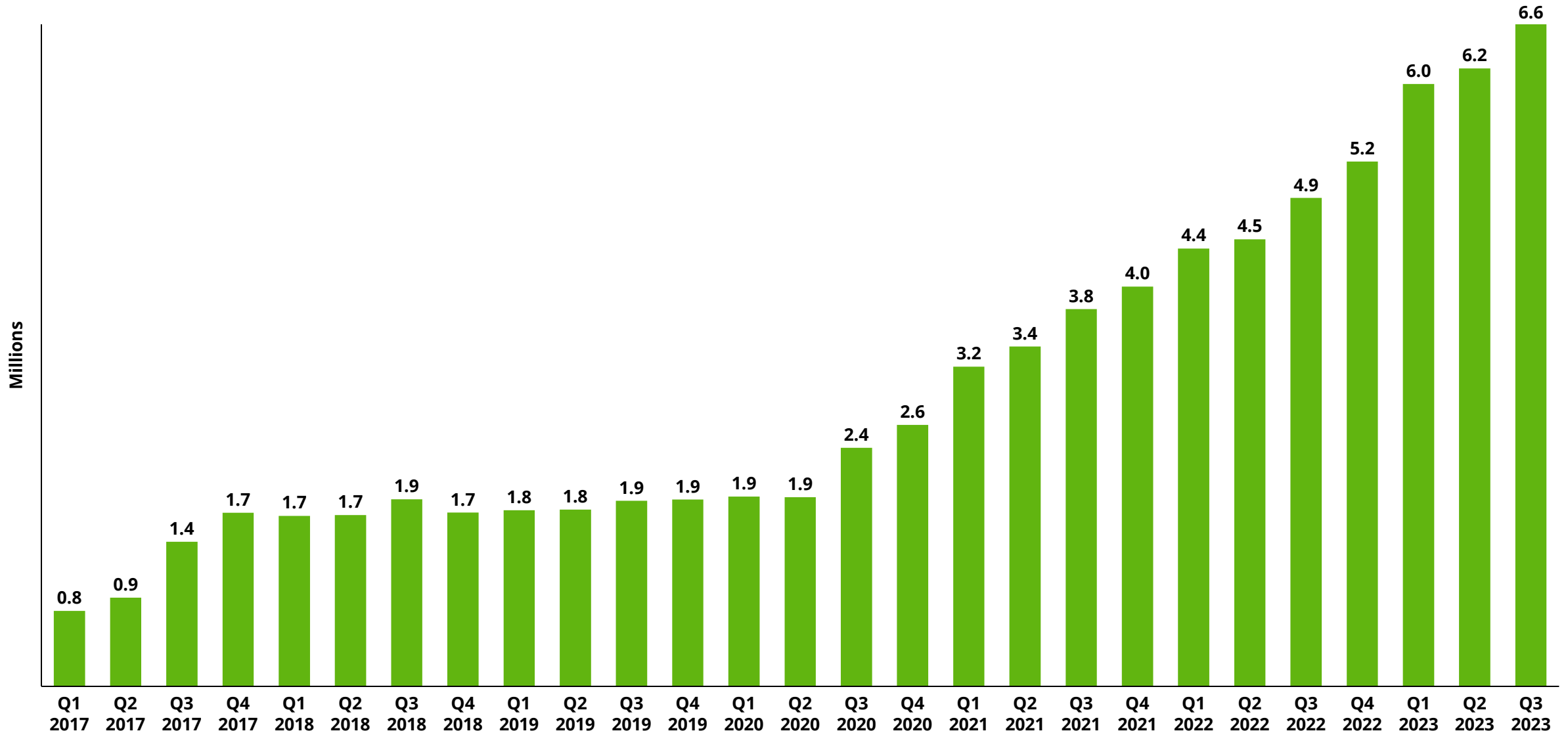
Net Operating Losses

Expect a tax shield of approximately \$1.2B based on cumulative net operating losses of \$4.1B at the end of FY 2023

(1) Includes capital expenditures (purchases of property and equipment) and capitalized software development costs.

The number of unique customers on our platform is rising

Unique Customers in the Prior Twelve Months





FINANCIAL RECONCILIATIONS

Reconciliation of GAAP Gross Profit to Adj. Gross Profit, Adj. Gross Margin, and Contribution Profit

Financial Reconciliation in Millions of Dollars

	2023E	2022A	2021A
Net Revenue	\$3,695	\$2,240	\$1,296
GAAP Gross Profit	NA	\$756	\$502
Depreciation and Amortization	NA	\$45	\$30
Acquisition Amortization	NA	\$106	\$80
Stock-based Compensation	NA	\$4	\$5
Adj. Gross Profit	\$1,635	\$912	\$616
Adj. Gross Margin	44%	41%	48%
External Marketing	(\$850)	(\$807)	(\$713)
Contribution Profit	\$785	\$105	(\$97)

Totals may not sum due to rounding.

Reconciliation of Net Income (Loss) to Adjusted EBITDA

Net Income (Loss) to Non-GAAP Adjusted EBITDA Reconciliation \$ Thousands

■ Adjusted EBITDA

- We define and calculate 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, as described in the reconciliation.

	Year ended December 31,	
	2022	2021
Revenue	\$ 2,240,461	\$ 1,296,025
Cost of revenue	1,484,273	794,162
Sales and marketing	1,185,977	981,500
Product and technology	318,247	253,655
General and administrative	763,720	828,325
Loss from operations	(1,511,756)	(1,561,617)
Other income (expense):		
Interest income (expense), net	18,702	1,957
Gain (loss) on remeasurement of warrant liabilities	29,396	30,065
Other income (expense), net	20,700	11,951
Loss before income tax provision (benefit) and loss from equity method investment	(1,442,958)	(1,517,644)
Income tax provision (benefit)	(67,866)	8,269
(Gain) loss from equity method investment	2,895	(2,718)
Net loss attributable to common stockholders	\$ (1,377,987)	\$ (1,523,195)
<i>Adjusted for:</i>		
Depreciation and amortization ⁽¹⁾	169,252	121,138
Interest expense (income), net	(18,702)	(1,957)
Income tax provision (benefit)	(67,866)	8,269
Stock-based compensation ⁽²⁾	578,799	683,293
Transaction-related costs ⁽³⁾	17,315	25,316
Litigation, settlement and related costs ⁽⁴⁾	7,010	10,392
Advocacy and other related legal expenses ⁽⁵⁾	16,558	40,415
(Gain) loss on remeasurement of warrant liabilities	(29,396)	(30,065)
Other non-recurring and non-operating (income) costs ⁽⁶⁾	(16,764)	(9,739)
Adjusted EBITDA	(721,781)	(676,133)

(1) The amounts include the amortization of acquired intangible assets of \$106.1 million and \$80.1 million for 2022 and 2021, 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 pending or completed transactions and offerings, including costs include those relating to the GNOG acquisition in 2022 and 2021.

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

(5) Includes certain 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. For 2022, those costs primarily related to our support of Proposition 27 in California. For 2021, those costs primarily related to our support of Proposition 27 in California and our support of the sports betting ballot initiative in Florida. The amounts presented exclude (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.

Reconciliation of GAAP Operating Expenses to Non-GAAP Operating Expenses

Expense Reconciliation in Millions of Dollars

GAAP to Non-GAAP Expense Reconciliation

\$ Millions

	31-Dec-22	30-Sep-22	30-Jun-22	31-Mar-22	31-Dec-21	30-Sep-21	30-Jun-21	31-Mar-21	
GAAP Operating Expenses									
Cost of Revenue	\$485	\$373	\$313	\$313	\$253	\$171	\$187	\$183	
Sales and Marketing	\$345	\$322	\$198	\$321	\$278	\$304	\$171	\$229	
General and Administrative	\$173	\$186	\$188	\$217	\$241	\$220	\$199	\$169	
Product and Technology	\$83	\$76	\$77	\$81	\$70	\$65	\$63	\$56	
Total GAAP Operating Expenses	\$1,087	\$957	\$775	\$933	\$842	\$759	\$619	\$637	
Non-GAAP Operating Expense Adjustments									
Cost of Revenue	(a) (\$1)	(\$1)	(\$1)	(\$1)	(\$1)	(\$2)	(\$1)	(\$1)	
	(b) (\$30)	(\$30)	(\$27)	(\$19)	(\$20)	(\$20)	(\$21)	(\$19)	(a) Stock-based compensation expense
	(d) (\$14)	(\$12)	(\$10)	(\$9)	(\$9)	(\$7)	(\$7)	(\$7)	
Sales and Marketing	(a) (\$17)	(\$10)	(\$12)	(\$14)	(\$15)	(\$14)	(\$14)	(\$9)	
	(d) (\$1)	(\$1)	(\$1)	(\$1)	(\$0)	(\$0)	(\$0)	(\$0)	(b) Amortization of acquired intangible assets
General and Administrative	(a) (\$92)	(\$92)	(\$98)	(\$144)	(\$142)	(\$134)	(\$132)	(\$122)	
	(c) (\$2)	(\$1)	(\$11)	(\$4)	(\$10)	(\$4)	(\$8)	(\$3)	(c) Transaction expenses
	(d) (\$2)	(\$2)	(\$2)	(\$2)	(\$1)	(\$1)	(\$1)	(\$1)	
	(e) (\$1)	(\$1)	(\$2)	(\$2)	(\$1)	(\$5)	(\$4)	(\$1)	
	(f) (\$17)	(\$17)	(\$1)	(\$1)	(\$13)	(\$18)	(\$13)	(\$2)	(d) Depreciation & amortization
Product and Technology	(a) (\$20)	(\$23)	(\$24)	(\$28)	(\$26)	(\$26)	(\$25)	(\$20)	
	(d) (\$2)	(\$1)	(\$3)	(\$2)	(\$1)	(\$1)	(\$1)	(\$1)	(e) Litigation
Total Adjustments	(\$182)	(\$191)	(\$191)	(\$226)	(\$241)	(\$233)	(\$226)	(\$186)	(f) Other
Adjusted Operating Expenses									
Cost of Revenue	\$440	\$330	\$275	\$284	\$223	\$142	\$159	\$157	
Sales and Marketing	\$327	\$311	\$185	\$307	\$263	\$289	\$157	\$220	
General and Administrative	\$77	\$74	\$75	\$64	\$74	\$58	\$41	\$41	
Product and Technology	\$61	\$52	\$50	\$52	\$42	\$38	\$36	\$34	
Total Adjusted Operating Expenses	\$905	\$766	\$584	\$707	\$601	\$526	\$393	\$452	