Good morning, everyone, and thank you for joining us for our 2023 Investor Day. We want to build off of our third quarter earnings call that we just hosted 11 days ago and take a step back to provide an exciting, bigger-picture perspective on a number of topics with you including TAM, the drivers of our competitive differentiation, our very strong unit economics, and our financial outlook.

I’ll begin the presentation, and then you’ll hear from our CFO, Jason Park. We encourage you to submit your questions during today’s event and we will address them during the Q&A session after our prepared remarks.

I’d also like to remind you that this presentation is subject to the legal disclaimers at the beginning of the deck, including those related to forward-looking statements and non-GAAP financial measures. Unless otherwise stated, all references to gross profit and gross margin are on an adjusted basis, with such adjustments detailed in the Investor Day Presentation posted on our website.

As many of you know, it’s been almost two years since we hosted our last Investor Day, and so much has happened.

We remain laser-focused on executing and winning in the U.S. online gaming industry.
We’re improving our discipline and muscle around efficiency and achieving scale in our fixed cost structure while also continuing to drive outstanding revenue growth.

We’re establishing ourselves as the industry leader due to a variety of factors, but most importantly by developing a leading product.

In fact, we’re now number 1 in terms of OSB and iGaming gross revenue share in the U.S., which is an outstanding achievement that would not have been possible without so much hard work by our employees over the last two years.

That said, we’re not satisfied just because we reached number 1. We believe we have a lot more room to grow both our share and the overall market and we are very excited about continuing to do the things that got us here and also to maintain and extend our lead.

As I think about why we do these investor days, it really comes down to sharing with you the conviction that we have in DraftKings’ future and our path to generating amazing returns for our shareholders.

With that, let’s flip to the first page, where you can see our five main topics for today.

I will start with the strong TAM trends that we are seeing. States are growing faster than anticipated and we expect TAM to ramp from $20 billion this year to approximately $30 billion in 2028 including only our existing states, which more specifically means the states already embedded in our 2024 guidance that we provided on our third quarter earnings call. This is an important concept for today. Any additional state legalization would add significant revenue
growth and additional long-term Adjusted EBITDA, and improve our long-term Adjusted EBITDA margins.

Second, we are proud of our consistent share gains. Our product is extremely strong and we believe our competitive differentiation is real and sustainable. And most importantly, we’re not slowing down – we plan to continue to innovate at a rapid velocity.

Third, when looking at our state vintages and customer cohorts, the economics are fantastic. All of our state vintages are turning contribution profit positive within the 2-to-3-year timeframe that we’ve talked about in the past, and more recent states are turning contribution profit positive faster while customer payback periods are also improving dramatically.

Fourth, as a result of states turning contribution profit positive faster and our payback periods improving, we are now expecting to generate $1.4 billion of Adjusted EBITDA in 2026 and $2.1 billion in 2028 from our existing states alone.

Very importantly, our 2026 and 2028 financial guidance only factors in OSB and iGaming states consistent with the 2024 guidance we provided on third quarter earnings call. Future legalization beyond these states would provide long-term upside.

We are confident in our 2026 and 2028 Adjusted EBITDA guidance based on the bottoms-up customer cohort and state vintage data that we’re empirically seeing. In addition, a TAM and share methodology also triangulates in on the same outlook just by maintaining our combined U.S. OSB and iGaming share, which was approximately 30% spanning the last twelve months. Share above 30% in 2026 and 2028 would provide additional revenue upside.
The final point on this page is that additional legalization would offer significant upside. In fact, there is potential for up to an additional $6.2 billion of annual Adjusted EBITDA from further OSB and iGaming legalization in the U.S. Just to reiterate, we now believe that we can generate the same $2.1 billion in Adjusted EBITDA that we previously thought would require 65% of the U.S. population to have sports betting in order to achieve and 30% of the population to have iGaming. We now believe that only in the existing states we are in today as defined by our third quarter guidance will actually result in the same amount of previously anticipated Adjusted EBITDA with any further legalization providing enormous upside on that.

Now let’s start with a closer look at TAM in our existing states.

Put simply, online gaming in the U.S. is growing very rapidly. In the states where we are live, and also including Ontario, gross gaming revenue is expected to grow more than 50 percent year-over-year in 2023 and reach $20 billion.

Looking ahead, we expect that existing states will continue to grow from here, not just because our oldest state vintages are growing but also because so many states only launched in the last year or two.

As an example, you can see on the next page that New Jersey, which launched OSB more than 5 years ago and iGaming about 10 years ago, is still achieving very strong growth on a year-over-year basis. This year, we expect New Jersey gross gaming revenue to increase about 25%. The percentage of adults who are participating in the online gaming category is increasing and existing participants are engaging at a higher level over time.
As you can see on this page, based on the strong TAM trends that we are seeing, we believe U.S. online gaming will reach approximately $30 billion in 2028 in existing states alone, which implies only a 9% compound annual growth rate between 2023 and 2028.

Importantly, our estimate of $30 billion includes only the states we include in our 2024 guidance, so we’re not including any states beyond those that we have line-of-sight to. Of course, if you believe that the TAM will grow even faster, even at our current share we would will generate even more long-term opportunity.

Now, let’s move on to share.

You can see in this chart that our combined OSB and iGaming share has improved rapidly over the last year. Our share has increased by more than 1,000 basis points over the last five quarters and as I mentioned earlier, we are thrilled to now be leading in U.S. online gaming.

We’ve reached our leadership position with success across both OSB and iGaming. In OSB, we are currently at 39% handle share and 37% gross revenue share on a trailing three-month basis, which is well above the 20% to 30% long-term target we had discussed at our last Investor Day.

In iGaming, we are number 1 in the U.S. and our share on a trailing three-month basis is 27 percent, which is again above the 20 to 25 percent long-term target we discussed in the past.

The main question I’m sure many of you are asking is “why?”. Why has DraftKings been able to win so markedly over the last 12 to 15 months?

To win in this space you need a combination of factors that collectively create a strong competitive advantage.
There is no question that having the best product and technology is critical. As you all know, we are vertically integrated and have operated our own sports betting engine since the third quarter of 2021, which allows us to control our own destiny and offer products that are highly differentiated, with the only limit being our own imaginations.

In addition, we can also be nimble and do more tactical things like offer a single wallet across DraftKings-branded products and across state lines and enter new states more rapidly due to our scalable regulatory platform.

We’re also able to innovate at an extremely high velocity. We have approximately 1,500 product engineers who will deliver 13,000 independent product updates this year – with each update aimed at driving a better customer experience. We’re delivering a personalized betting experience through automation and user-level analytics and rolling out new products quickly by always putting our customers first.

We’re also the beneficiary of significant scale. Our economic model results in high flow-through of incremental revenue and creates a virtuous cycle of high EBITDA generation from incremental investments.

And finally, we have a very powerful brand.

As the only pure-play, U.S. centric online gaming operator in the U.S., American consumers trust and recognize the DraftKings brand. We have an enormous customer database that is much more than a list and contains actionable information about player preferences such as favorite sports, favorite teams, favorite games, and favorite players. More than a decade of
experience acquiring this target demographic has given us significant pattern recognition on how to optimize our overall marketing machine.

To provide a more specific example on our product and technology strength and our ability to control our own destiny, you can see how we have enhanced our same game parlay offering over the last two years.

Initially, when we vertically integrated in 2021, we launched a same game parlay offering but we knew it was not everything we wanted it to be.

We improved the offering significantly in 2022, and now in 2023 we can confidently say we have the best same game parlay offering in the industry.

On the iGaming side, we have leading technology. From day one in December of 2018 our iGaming product has been vertically integrated and now it is clear that our homegrown game offerings including our jackpot technology and our recently launched in-house live dealer offering are differentiated in the eyes of our customers and very difficult to replicate.

And last, today we are announcing our newest offering – Progressive Parlays. This offering will sit within DraftKings Sportsbook and allow customers to place parlay wagers that can win even if one or more legs miss. We’ve prepared a video to explain.

[Video]

Hope you all enjoyed that short video. As you can see, we’re excited about our Progressive Parlay offering and its potential to generate higher parlay mix and leg count, and thus higher
hold percentage, as well as being a great win with customers who will be able to win money on their parlays even if they don’t hit every leg of their bet.

In summary, our product is highly differentiated, and customers are recognizing that we have the best app in U.S. online gaming, as demonstrated by the dramatic share gains that we’ve achieved over the last 12 to 15 months.

Thank you to J.P. Morgan for performing the survey on this page which is consistent with our own internal surveys as well as other third-party surveys that show that customers know that DraftKings has the best products.

And I leave you with this – we are not taking our foot off the gas. We believe that our velocity and pace of product innovation will continue to be faster than any other operator in the U.S. online gaming space, which could result in further share gains over the coming years.

With that, I’ll turn it over to Jason Park who will discuss our unit economics.
Thank you, Jason.

Over the next two sections I want to discuss the more foundational economics of DraftKings, first from a state vintage perspective and then from a customer perspective.

I’ll start with our state economics, which as many of you know, is at the core of our inflection to strong positive Adjusted EBITDA at the enterprise level.

We invest into a state launch for a period of time before it begins to generate strong, consistent, and growing positive cash flow for the company. And once the positive cash flowing states generate more than we are investing into newer states and our fixed costs, the company generates positive Adjusted EBITDA on an enterprise basis. Contribution profit is defined as Gross Profit from that state minus the external marketing that we deploy into that state, which includes an allocation of national marketing spend. From 2018 through 2022, we were in a net investment mode across our states. But starting in 2023, our older states began to generate significant contribution profit; so much that the contribution profit covered the investment in newer states, and starting in Q2 of 2023 our contribution profit from older and newer states exceeded our fixed costs such that we generated positive Adjusted EBITDA in Q2 and anticipate positive Adjusted EBITDA for the entirety of the second half of 2023.

If you look left to right on this page, you can see that our 2018-to-2019 state vintage, which represents 5 states and 10 percent of the U.S. population, is on track to generate $365 million of contribution profit – or cash flow – in 2023 and has been growing very quickly.
In a moment, I’ll take you through the income statement from top to bottom, from handle down to gross profit and down to contribution profit for each of these vintages.

In the middle of the page, the 2020-to-2021 state vintage is certainly already generating significant positive contribution profit after flipping positive overall in 2022, so about 2 years after launching, while the 2022 to 2023 state vintage is on a similar trajectory to be contribution profit positive in its second or third year after launch.

Importantly, our playbook is getting better and better – the average number of quarters before a state turns contribution profit positive is lessening rapidly compared to the earliest states that we launched, which is a function of us improving and always optimizing our state entry launch playbook over the years as well as the readiness of the states that are legalizing and launching more recently. Put simply, more recent states have citizens who are geared up and ready to go when their state finally launches online sports betting.

Another way to see the speed at which we are acquiring customers is to look at the customers acquired as a percentage of adult population over time. The X axis here is the number of months since we’ve launched and the Y axis is the percentage of the adult population that we’ve acquired – the green is our oldest state vintage, orange our medium-aged state vintage, and light blue our most recent state vintage. You can see that on a population-normalized basis, we have acquired 4.5 times as many customers in our ’22-to-‘23 state vintage as we did in our ’18-to-‘19 state vintage at the same point in time.

The key question that we debate is whether we have simply pulled forward customer acquisition of a terminal population penetration or if we have pulled forward that acquisition
and increased terminal population penetration. We are seeing more and more evidence that the latter is more likely.

So now that we've talked about the empirical results of states turning contribution profit positive in the timeline we've outlined for the past several years – and that the time to positive contribution profit is getting even shorter – I want to invest a few pages into the economics down the income statement.

Staying with the same three state vintages, let's start with handle. Handle growth has been outstanding and very importantly even years after states launch, handle growth continues to be very strong. As you can see, handle is growing nearly 30 percent even in our oldest state vintage. So, four or five years after launch, handle growth is still at a very healthy double-digit rate. The strong growth is a function of continued customer acquisition in states, our excellent customer retention, and growing handle per retained customer as we drive higher levels of engagement.

In terms of sources of handle growth for 2023, it is intuitive that growth in our ’18-to-’19 state vintage is more from growing handle per customer than it is from new customers. Growth in our ’20-to-’21 state vintage is balanced between strong handle per customer growth and new customer growth, while in our newest state vintage our growth comes mostly from new customers.

Next, promotional reinvestment lessens as our states mature. Promotional reinvestment within a state is a function of the mix of new and existing customers, so there is a natural decline as
we move away from new customers and towards existing customers. As you can see, we are bringing down promotional reinvestment within states over time.

In addition to the natural improvement in promotional reinvestment, we have been deploying multiple initiatives to surgically reduce promotional reinvestment. Specifically, we are consistently improving our customer-specific lifetime value calculations and customer-specific scores pertaining to engagement with past promotions. This data allows us to optimize reinvestment levels on a customer-specific basis and therefore maximize long-term gross profit generation.

So, handle continues to go up, promotional reinvestment is on a downward glide path, and as a result strong net revenue growth continues for multiple years after a state’s launch.

As you can see on this next page, in our oldest state vintage, three-to-four years after launch and four-to-five years after launch, net revenue is still growing in the 50 percent range on a year-over-year basis. Similarly, in the 2020-to-2021 state vintage, two-to-three years after launch, we are growing more than 50 percent year-over-year.

Continuing to work down the income statement, Gross Margin improves over time for a variety of reasons including high flow-through of incremental handle, lower promotional reinvestment, and higher hold rate. We’re also continuing to benefit from our increasing scale. We expect 12 states to have a Gross Margin of 55% or higher in full year 2023, which gives us a lot of confidence that our overall Gross Margin will continue to glide upwards for years as newer states continue to mature. We’re very confident in a long runway of continuous improvement.
Finally, as we work from handle to gross revenue to net revenue to Gross Profit to contribution profit, you can see that our external marketing declines in absolute dollars and therefore certainly as a percentage of revenue as a state matures.

As a reminder, we invest to acquire customers and as the number of potential new customers to acquire decreases naturally as a state matures, we deploy fewer marketing dollars into that state.

So, in summary, our foundational state economics are fantastic. All of our state vintages are turning contribution profit positive within the two to three-year time frame that we've outlined historically, and increasingly at a faster rate with more recent state launches. And our older states are now generating stable and increasing free cash flow as handle continues to grow, promotional reinvestment naturally and purposefully declines, Gross Margin rate improves correspondingly, and we decrease external marketing within those states. We have provided an Excel spreadsheet that aggregates all of this information into an easy-to-consume format, and by making conservative assumptions you can see that the 2024, 2026, and 2028 guidance that we are providing is very achievable.

Now let’s move on to customer economics.

We have utilized a simple heuristic internally for the past four to five years of allowing ourselves to acquire customers at a cost where we were confident that the three-year cumulative gross profit of that customer exceeded what we invested to acquire them. And that heuristic has held true for the cohorts we have acquired.
Illustratively, you can see that we have a permitted cost to acquire a customer at a dollar amount that is at or below the expected cumulative gross profit generation of that customer.

More specifically on this page, our customer acquisition costs have become even more efficient over the last few years. In 2022, our customer acquisition cost fell 21 percent year-over-year and this year we expect that it will decline 20 percent again, while we at the same time rapidly increase the number of new customers we are acquiring.

And as our customer acquisition costs continue to fall, our monetization of customers is improving. Specifically, our OSB hold percentage is rising as customers increase their engagement with newer, more entertaining, and more sophisticated bets such as our live same game parlays. Since 2021, we’ve added approximately 200 basis points to our OSB hold rate due to our customers’ handle mixing into parlay bets that are driving higher average leg count and therefore a higher average hold percentage, and as a result, we expect to achieve an OSB hold rate of approximately nine and a half percent this year.

In sum, as a result of these trends you can see that payback periods continue to improve across our cohorts.

With that, I’ll pass the mic back to Jason to discuss our new financial outlook.
Thank you, Jason.

As a result of our strong and improving unit economics, we are providing Adjusted EBITDA guidance for 2026 and 2028 only including the states already embedded in our 2024 guidance.

To be clear, we absolutely expect additional states to legalize and launch OSB and iGaming over the next few years. In order to provide a view of what our existing states alone will generate in terms of revenue and earnings power, we are providing this guidance with the state composition that is consistent with our 2024 guidance and with no additional states included.

As you can see, on this basis, we expect 2026 revenue of $6.2 billion and Adjusted EBITDA of $1.4 billion, representing a 23 percent Adjusted EBITDA margin.

For 2028, we expect revenue of $7.1 billion and Adjusted EBITDA of $2.1 billion, representing a 30 percent Adjusted EBITDA margin.

We will have higher revenue growth in the earlier years, so you can infer that we project 2025 revenue to be in the mid-$5 billion range and 2025 Adjusted EBITDA of between $900 million and $1 billion.

Importantly, we also expect to generate large and growing free cash flow over the next few years. DraftKings is a capital-lite technology company that is also generating net interest income, so we expect to convert our Adjusted EBITDA to Free Cash Flow before corporate taxes at a percentage above 90% in 2026 and 2028.
As you can see, our sustainable top and bottom-line growth outlook, long runway for margin expansion, and rapidly increasing free cash flow generation provide us with the opportunity to drive strong returns for our shareholders for years to come.

Now I’ll discuss the opportunity from additional legalization.

Most importantly, we absolutely expect more U.S. states to legalize OSB and iGaming.

On this slide, you can see that we expect to operate OSB in 25 U.S. states and Puerto Rico in 2024, with iGaming also in 5 of these states.

Importantly, there is also a very strong bill pipeline suggesting additional states could legalize various forms of online gaming in the years ahead. 8 additional states have introduced OSB legislation, and 8 additional states have also introduced iGaming legislation, representing 19% and 17% of the U.S. population, respectively. We will be focused on educating lawmakers about the benefits of regulated online gaming to their constituents in the years ahead to get them over the finish line.

We have provided a lot of metrics today on an existing state basis, but it’s important to remember how much opportunity there is in the U.S. from potential additional legalization.

On this slide, you can see that if only the states that have already introduced legislation pass, we would expect long-term Adjusted EBITDA to increase by approximately $1.5 billion above and beyond what we’re already guiding to on an existing state basis. This $1.5 billion of upside is the Adjusted EBITDA once those states are five years old. There is potential for up to an additional $6.2 billion of long-term annual Adjusted EBITDA for DraftKings from further OSB and
iGaming legalization in the U.S. on the same basis. Said differently, if every state not included in our 2024 guidance legalized OSB and iGaming today, we would project an increase in our 2028 Adjusted EBITDA outlook from $2.1 billion to $8.3 billion.

Last, we will discuss additional growth vectors.

I’d like to ensure all of you that while we remain hyper-focused on the U.S. online gaming opportunity ahead of us, we’re continuing to think big and think about the long-term on behalf of our shareholders.

DraftKings sits in a unique position within the sports and entertainment ecosystem and has the right assets to capitalize on mega trends including transitioning sports viewership, countries around the world regulating online gaming, and consumers looking to deepen engagement with their favorite apps.

We believe we have the right to play in the sports and entertainment ecosystem given our large and extremely valuable customer database, our well-known and trusted brand, our world-class product and technology, and our expertise navigating various regulatory landscapes.

We are a data-oriented company and will continue to think about our cost of capital relative to the projected returns we see from organic growth as well as potential inorganic opportunities that may arise. We will always pursue what we believe is in the best interest of our shareholders.

We will now take a short 15-minute break before beginning the Q&A portion of the event.