



THE GAME
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Q3 2020 EARNINGS PRESENTATION

NOVEMBER 13, 2020



LEGAL DISCLAIMER

Forward-Looking Statements and Non-GAAP Financial Measures

This presentation, and the accompanying oral presentation, contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 about us and our industry that involve substantial risks and uncertainties. All statements other than statements of historical facts contained in this presentation, including statements regarding guidance, our future results of operations or financial condition, business strategy and plans, user growth and engagement, product initiatives, and objectives of management for future operations, and the impact of COVID-19 on our business and the economy as a whole, are forward-looking statements.

In some cases, you can identify forward-looking statements because they contain words such as “anticipate,” “believe,” “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. 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 on our current expectations and projections about future events and trends, including the ongoing COVID-19 pandemic, that we believe may affect our business, financial condition, results of operations, and prospects. These forward-looking statements are subject to risks, uncertainties, and other factors, including those described in our Definitive Proxy Statement on Schedule 14A, filed with the SEC on April 15, 2020 and our Quarterly Report on Form 10-Q, filed with the SEC on November 13, 2020, which are available on the SEC’s website at www.sec.gov. Additional information and “Risk Factors” are available in other filings that we make from time to time with the SEC.

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This presentation includes certain non-GAAP financial measures. These non-GAAP financial measures, which may be different than similarly titled measures 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 U.S. generally accepted accounting principles (“GAAP”). A reconciliation of GAAP to non-GAAP is provided in the appendix of this presentation.

Q3 AND CURRENT BUSINESS HIGHLIGHTS

1 \$133M of revenue driven by customer acquisition and return of major sports

42%
YoY pro forma revenue growth⁽¹⁾

1 million+
MUPs in Q3,
increasing 64% YoY

2 Grew industry-leading OSB footprint, largest of any online operator in the U.S.

Launched
OSB in Illinois and Tennessee

Live
In 10 states for Online Sports Betting accounting for 20% of U.S. population⁽²⁾

3 Continued to establish DraftKings as a top iGaming brand

Record iGaming GGR
For NJ market, even with the return of major sports⁽³⁾

#1
Online Casino Brand in NJ by GGR for September⁽⁴⁾

4 Completed follow-on equity offering to bolster balance sheet and facilitate organized lock-up expiration

\$1BN+
Primary Capital Raised

Diversified
Shareholder Base

(1) Year over year Q3 pro forma revenue includes SBTech in Q3 2019 for like-for-like comparison.

(2) DraftKings is currently live in Colorado, Illinois, Indiana, Iowa, New Hampshire, New Jersey, Oregon, Pennsylvania, Tennessee, and West Virginia.

(3) For the Q3 2020 period. Refer to slide 4 for further details on NJ iGaming GGR.

(4) Measured on a gross gaming revenue "GGR" basis for September 2020. Eilers & Krejcik U.S. Online Casino Tracker, October 2020.

UNIQUE TIME FOR ATTRACTIVE CUSTOMER ACQUISITION

FAVORABLE NEAR-TERM SPORTS CALENDAR

- Pent up demand from suspension of major sports and heavy H2 sports calendar are key drivers of unique customer acquisition opportunity
- Stay-at-home nature of COVID is driving increased response rates to advertising spend
- Recent CAC better than expectations, even with scaled-up customer acquisition spend

ONE-OF-A-KIND, CONDENSED SPORTS CALENDAR IN H2 2020



LaLiga

NASCAR



BUNDESLIGA



UFC



Premier League



IGAMING MARKET GROWING RAPIDLY EVEN WITH THE RETURN OF MAJOR SPORTS

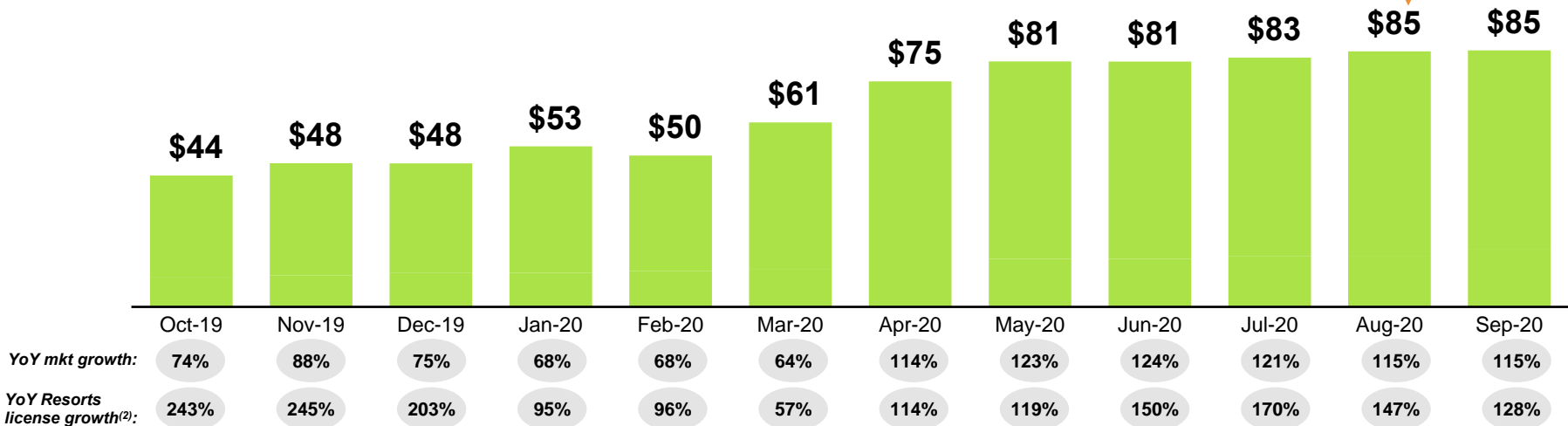
DRAFTKINGS' iGAMING UPDATE

- In terms of GGR share, DKNG was a top 2 iGaming operator in NJ, PA, and WV in September 2020⁽¹⁾
- MI has legalized iGaming and launch expected in early 2021
- OSB and iGaming are proving to be complimentary product offerings with NJ iGaming setting GGR records for three straight months, even with the return of major sports

NJ iGAMING MARKET SIZE⁽¹⁾

(GGR, \$ in millions)

iGaming hits and maintains all-time highs with return of major sports



Source: NJ Division of Gaming Enforcement.

(1) Eilers & Krejcik U.S. Online Casino Tracker, October 2020.

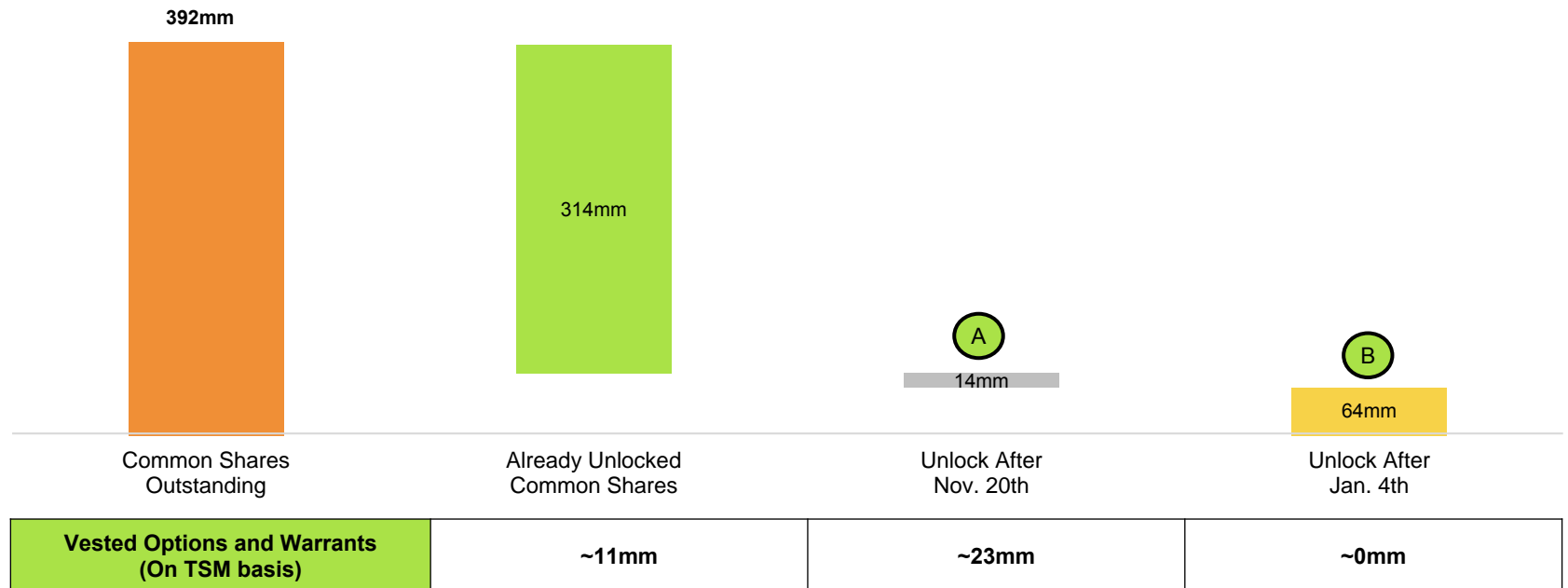
(2) Online casino only, does not include poker.

(3) Resorts Digital license; license includes DraftKings, FoxBet, Resorts Casino, and Mohegan Sun iGaming offerings.

80% OF DKNNG COMMON SHARES ARE ALREADY UNLOCKED

- A** Section 16 Officers and certain DKNNG Directors' common shares, includes 6mm of vested LTIP RSUs after net settlement for taxes
- B** October secondary offering participants' remaining locked-up shares
 - ~95% of locked up shares are held by affiliates of certain DKNNG Directors and subject to blackout restrictions until Q4 earnings at the earliest
- C** Vested and unexercised options and warrants (37mm total and 34mm @ Treasury Stock Method ("TSM"))
 - ~1/3 of which are already unlocked
 - ~2/3 of which are held by Section 16 Officers and Certain DKNNG Directors and will be unlocked after November 20th

SHARES UNLOCKING BRIDGE



Note: Numbers are rounded to the nearest million.



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APPENDIX



OVERVIEW OF OSB REPORTING METHODOLOGIES

	NJ	WV	IN	PA	NH	IA	CO	IL	OR
Reporting Day of Month	~12th	Weekly	~10th	~17th	~23rd	~10th		TBD	~20th
Handle									
Total Industry	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
By License	No	Yes	Yes	Yes	NA	Yes	No	Yes	NA
By Operator	No	No	No	No	NA	No	No	No	NA
Promo									
Total Industry	No	No	No	Yes	No	No	No	No	No
By License	No	No	No	Yes	NA	No	No	No	NA
By Operator	No	No	No	No	NA	No	No	No	NA
GGR⁽¹⁾									
Total Industry	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
By License	Yes	Yes	Yes	Yes	NA	Yes	No	Yes	NA
By Operator	No	No	No	No	NA	No	No	No	NA
Accounting Method ⁽²⁾	Cash	Cash	Cash	Cash	Accrual	Cash	Cash	Accrual	Cash

Yes

No

(1) GGR is taxable revenue as defined by each state.

(2) "Cash" accounting measures handle, GGR, and promo as wagers are placed and settled (i.e. paid out), while "Accrual" accounting measures handle, GGR, and promo as events relating to wagers are completed.

RECONCILIATION OF GAAP OPERATING EXPENSES TO NON-GAAP OPERATING EXPENSES

(\$ in millions)

	9/30/2020	6/30/2020	3/31/2020	9/30/2019	6/30/2019	3/31/2019
GAAP Operating Expenses						
Cost of Revenue	\$97	\$47	\$43	\$25	\$18	\$22
Sales and Marketing	\$203	\$46	\$54	\$58	\$30	\$37
General and Administrative	\$127	\$107 ⁽¹⁾	\$39 ⁽¹⁾	\$25	\$26	\$27
Product and Technology	\$54	\$31	\$18	\$14	\$12	\$13
Total GAAP Operating Expenses	\$481	\$231	\$155	\$123	\$86	\$98
Pro-Forma Operating Expense Adjustments						
Cost of Revenue		\$6	\$25	\$24	\$24	\$24
Sales and Marketing		\$1	\$4	\$1	\$2	\$4
General and Administrative		\$9	\$5	\$3	\$4	\$3
Product and Technology		\$6	\$12	\$10	\$9	\$9
Total Pro-Forma Operating Expense Adjustments	\$0	\$22	\$46	\$38	\$39	\$40
Non-GAAP Operating Expense Adjustments						
Cost of Revenue	(a) (\$0)	(\$0)				
	(b) (\$19)	(\$18)	(\$18)	(\$18)	(\$18)	(\$18)
	(d) (\$6)	(\$4)	(\$4)	(\$2)	(\$2)	(\$2)
Sales and Marketing	(a) (\$12)	(\$3)	(\$0)	(\$0)	(\$0)	(\$0)
	(d) (\$0)	(\$0)	(\$0)	(\$1)	(\$0)	(\$0)
General and Administrative	(a) (\$83)	(\$54)	(\$4)	(\$2)	(\$2)	(\$4)
	(c) (\$4)	(\$25 ⁽¹⁾)	(\$6 ⁽¹⁾)	(\$1)	(\$1)	
	(d) (\$1)	(\$1)	(\$1)	\$1	(\$0)	(\$1)
	(e) (\$2)	(\$2)	(\$1)	(\$1)	(\$1)	(\$1)
	(f) (\$2)	(\$3)	(\$0)	(\$0)	(\$0)	(\$1)
Product and Technology	(a) (\$22)	(\$8)	(\$0)	(\$0)	(\$0)	(\$1)
	(d) (\$1)	(\$1)	(\$1)	(\$2)	(\$1)	(\$0)
Total Non-GAAP Operating Expense Adjustments	(\$151)	(\$119)	(\$35)	(\$26)	(\$26)	(\$29)
Adjusted Pro-Forma Operating Expenses						
Cost of Revenue	\$72	\$32	\$47	\$29	\$22	\$25
Sales and Marketing	\$191	\$43	\$57	\$59	\$31	\$40
General and Administrative	\$36	\$33	\$33	\$24	\$25	\$23
Product and Technology	\$31	\$27	\$28	\$22	\$20	\$21
Total Adjusted Operating Expenses	\$330	\$135	\$165	\$134	\$99	\$110

- (a) Stock-based compensation expense
- (b) Amortization of acquired intangible assets
- (c) Transaction expenses
- (d) Depreciation & Amortization
- (e) Litigation
- (f) Other

(1) Pursuant to the principles of Article 11 of Regulation S-X, the transaction costs related to the Business Combination have been eliminated in calculating our Pro-Forma Operating Expenses in Proforma Adjusted EBITDA tables in our 10Q for the nine months ended September 30, 2020. These costs were approximately \$31mm for the nine months ended September 30, 2020 and are included in our GAAP Operating Expenses on this page.

NON-GAAP ADJUSTED EARNINGS PER SHARE BUILD

THREE MONTHS ENDED SEPTEMBER 30, 2020 – ADJUSTED EARNINGS PER SHARE BRIDGE



GAAP Reported EPS

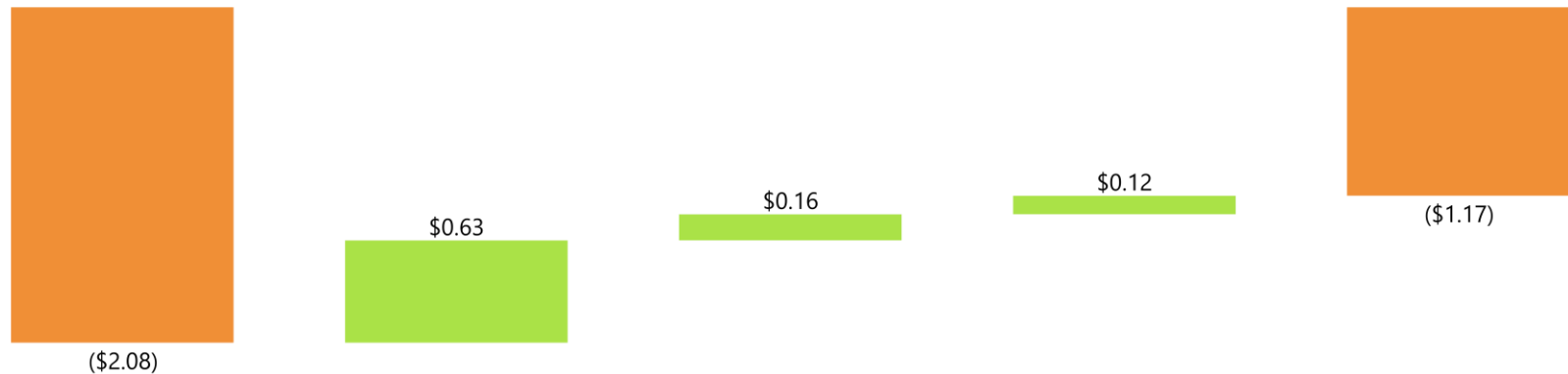
Stock Based Compensation

Other Non-GAAP Adj.

Amort. of Acq. Intangibles

Adjusted EPS

NINE MONTHS ENDED SEPTEMBER 30, 2020 – ADJUSTED EARNINGS PER SHARE BRIDGE



GAAP Reported EPS

Stock Based Compensation

Other Non-GAAP Adj.

Amort. of Acq. Intangibles

Adjusted EPS

PRO FORMA DRAFTKINGS P&L AND ADJUSTED EBITDA RECONCILIATION

■ Pro Forma Adjusted EBITDA

- We define and calculate Pro Forma Adjusted EBITDA as pro forma net loss (giving effect to the Business Combination as if it were consummated on January 1, 2019) before the impact of interest income or expense, income tax expense or benefit and depreciation and amortization, and further adjusted for the same items as Adjusted EBITDA.

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	Actual	Pro Forma	Pro Forma	Pro Forma
<i>(in thousands, except percentages)</i>				
Revenue	\$ 132,836	\$ 93,318	\$ 321,279	\$ 269,259
Cost of revenue	(96,569)	(49,295)	(218,177)	(137,208)
Sales and marketing	(203,339)	(59,804)	(307,530)	(131,789)
General and administrative	(127,376)	(27,698)	(257,596)	(88,015)
Product and technology	(53,909)	(23,954)	(120,070)	(67,192)
Loss from operations	(348,357)	(67,433)	(582,094)	(154,945)
Interest income (expense), net	686	497	(2,713)	1,330
Loss before income tax expense	(347,671)	(66,936)	(584,807)	(153,615)
Income tax benefit (expense)	13	4,312	(3,904)	13,036
Loss from equity method investment	(95)	-	(380)	-
Net Loss	\$ (347,753)	\$ (62,624)	\$ (589,091)	\$ (140,579)
<i>Adjusted for:</i>				
Depreciation and amortization (excluding acquired intangibles)	7,828	4,087	19,102	11,609
Amortization of acquired intangibles	18,767	17,857	54,150	54,134
Interest (income) expense, net	(686)	(497)	2,713	(1,330)
Income tax (benefit) expense	(13)	(4,312)	3,904	(13,036)
Stock-based compensation (1)	117,035	1,981	187,239	9,106
Transaction-related costs (2)	3,585	1,328	3,585	2,603
Litigation, settlement, and related costs (3)	2,419	710	5,771	2,411
Other non-recurring costs and special project costs (4)	1,645	444	4,291	1,816
Other non-operating costs	95	-	380	-
Pro forma Adjusted EBITDA	\$ (197,079)	\$ (41,026)	\$ (307,956)	\$ (73,266)

- (1) The amounts for the three and nine months ended September 30, 2020, primarily reflect stock-based compensation expenses resulting from the issuance of awards under long-term incentive plans and, for the nine months ended September 30, 2020, the issuance of our Class B shares (which have no economic or conversion rights) to our CEO, and \$10.9 million due to the satisfaction of the performance condition, immediately prior to the consummation of the Business Combination, on stock-based compensation awards granted to SBTech employees in prior periods.
- (2) Includes capital markets advisory, consulting, accounting and legal expenses related to evaluation, negotiation and integration costs incurred in connection with transactions and offerings. The transaction costs related to the Business Combination described in footnote 2 on the following page have been eliminated in calculating our pro forma net income for the nine months ended September 30, 2020 pursuant to the principles of Article 11 of Regulation S-X. In 2019, these costs related to exploratory acquisition activities.
- (3) Includes primarily external legal costs related to litigation and litigation settlement costs deemed unrelated to our core business operations.
- (4) Includes primarily consulting, advisory and other costs relating to non-recurring items and special projects, including, for the three and nine months ended September 30, 2019, the cost of our move to our new Boston headquarters, executive search costs and, for the three and nine months ended September 30, 2020, implementation of internal controls over financial reporting and tax structuring advisory costs.

DRAFTKINGS P&L AND ADJUSTED EBITDA RECONCILIATION

■ Adjusted EBITDA

- We define and calculate Adjusted EBITDA as net loss before the impact of interest income or expense, income tax expense and depreciation and amortization, and further adjusted for the following items: stock-based compensation, transaction-related costs, litigation, settlement and related costs and certain other non-recurring, non-cash and non-core items, as described in the footnotes to the reconciliation.

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
<i>(in thousands, except percentages)</i>				
Revenue	\$ 132,836	\$ 67,014	\$ 292,309	\$ 192,496
Cost of revenue	(96,569)	(25,332)	(187,315)	(64,718)
Sales and marketing	(203,339)	(58,351)	(303,233)	(124,867)
General and administrative	(127,376)	(25,185)	(274,180)	(78,181)
Product and technology	(53,909)	(14,323)	(102,499)	(39,645)
Loss from operations	(348,357)	(56,177)	(574,918)	(114,915)
Interest income (expense), net	686	277	(2,253)	1,364
Loss before income tax expense	(347,671)	(55,900)	(577,171)	(113,551)
Income tax benefit (expense)	13	(19)	(319)	(35)
Loss from equity method investment	(95)	-	(380)	-
Net Loss	\$ <u>(347,753)</u>	\$ <u>(55,919)</u>	\$ <u>(577,870)</u>	\$ <u>(113,586)</u>
<i>Adjusted for:</i>				
Depreciation and amortization (excluding acquired intangibles)	7,828	3,430	17,980	9,629
Amortization of acquired intangibles	18,767	-	31,987	-
Interest (income) expense, net	(686)	(277)	2,253	(1,364)
Income tax (benefit) expense	(13)	19	319	35
Stock-based compensation (1)	117,035	1,844	176,362	8,519
Transaction-related costs (2)	3,585	1,328	34,492	2,603
Litigation, settlement, and related costs (3)	2,419	710	5,771	2,411
Other non-recurring costs and special project costs (4)	1,645	444	4,291	1,816
Other non-operating costs	95	-	380	-
Adjusted EBITDA	\$ <u>(197,079)</u>	\$ <u>(48,421)</u>	\$ <u>(304,035)</u>	\$ <u>(89,937)</u>

(1) The amounts for the three and nine months ended September 30, 2020, primarily reflect stock-based compensation expenses resulting from the issuance of awards under long-term incentive plans and for the nine months ended September 30, 2020, the issuance of our Class B shares (which have no economic or conversion rights) to our CEO.

(2) Includes capital markets advisory, consulting, accounting and legal expenses related to evaluation, negotiation and integration costs incurred in connection with transactions and offerings, including the Business Combination. Also includes bonuses, paid in the second quarter of 2020, to certain employees in connection with the consummation of the Business Combination. In 2019, these costs related to exploratory acquisition activities.

(3) Includes primarily external legal costs related to litigation and litigation settlement costs deemed unrelated to our core business operations.

(4) Includes primarily consulting, advisory and other costs relating to non-recurring items and special projects, including, for the three and nine months ended September 30, 2019, the cost of our move to our new Boston headquarters, executive search costs and, for the three and nine months ended September 30, 2020, implementation of internal controls over financial reporting and tax structuring advisory costs.

DRAFTKINGS KPI COMPARISON OVER TIME

B2C KEY PERFORMANCE INDICATORS

■ Monthly Unique Payers (“MUPs”)

- We define MUPs as the number of unique paid users per month who had a paid engagement (i.e., participated in a real-money DFS contest, sports bet or casino game) across one or more of our product offerings via our platform
- MUPs is a key indicator of the scale of our user base and awareness of our brand
- We believe that growth of our MUP base is generally indicative of our long-term revenue growth potential of our B2C segment although MUPs in individual periods may be less indicative of our longer-term expectations

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Average Monthly Unique Payers (“MUPs”) (Users in 000s)	1,021	621	679	565

■ Average Revenue per MUP (“ARPMUP”)

- We define and calculate ARPMUP as the average monthly revenue for a reporting period, divided by MUPs (i.e., the average number of unique payers) for the same period
- ARPMUP represents our ability to drive usage and monetization of our product offerings
- We use ARPMUP to analyze comparative revenue growth and measure customer monetization and engagement trends

Average Revenue per MUP (“ARPMUP”)	\$34	\$36	\$41	\$38
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DKNG SHARE COUNT BUILD

(Shares in thousands)

Total Capitalization	
Common Shares Outstanding (As of 30-Sep-20)	357,347
Primary Equity Offering	20,800
Vested LTIP RSUs	8,807
<i>Memo: Vested LTIP (As of 11-Nov-20)</i>	15,554
<i>Memo: LTIP Net Settle for Taxes</i>	(6,747)
Vested Time Based RSUs (30-Sep-20 to 11-Nov-20)	14
Exercised Stock Options (30-Sep-20 to 11-Nov-20)	4,746
Common Shares Outstanding (11-Nov-20)	391,714
Vested Stock Options @ TSM⁽¹⁾	32,234
<i>Memo: Vested Stock Options</i>	34,558
<i>Memo: Vested Stock Options (As of 30-Sep-20)</i>	39,304
<i>Memo: Exercised Stock Options (Included in Common Shares)</i>	(4,746)
Diluted Shares Outstanding (With Vested Stock Options @ TSM)	423,948
DEAC Private Placement Warrants ⁽²⁾	1,338
Old DraftKings Private Warrants ⁽³⁾	121
Fully Diluted Shares Outstanding (With Vested Stock Options @ TSM)	425,407

Note: Table does not include Class B shares, which have no economic or participating rights.

- (1) Based on Treasury Stock Method ("TSM"); assumes DKNG share price as of 11-November-2020 and strike price of \$2.80 per share. Excludes options that are now common shares.
- (2) Based on TSM; assumes DKNG share price as of 11-November-2020 and strike price of \$11.50 per warrant.
- (3) Based on TSM; assumes DKNG share price as of 11-November-2020 and strike price of \$0.03 per warrant.