Business Update

First Quarter 2023

To Our Shareholders:

DraftKings is off to an excellent start in 2023 and we are excited to provide this business update. There are four critical takeaways as we begin the year:

- First, **our revenue growth rate is strong** as we continue to efficiently acquire new customers, focus on product innovation to drive higher hold percentage, decrease our promotional intensity in more mature states, and retain players at a high rate. We delivered 84% revenue growth in the first quarter of 2023 compared to the first quarter of 2022, and our increased revenue guidance midpoint implies approximately 42% year-over-year growth for full-year 2023.

- Second, **we are acquiring customers efficiently and gaining share** primarily due to highly productive national marketing combined with our differentiated product offerings that are enabled by our vertically integrated tech stack. In the first quarter, new users increased 57% year-over-year while our customer acquisition cost ("CAC") declined 27% year-over-year.

- Third, **we remain relentlessly focused on efficiency**, and our mantra of "revenue growth AND cost efficiency" is gaining even more momentum throughout the organization. We continue to seek incremental efficiencies throughout the business to ensure we have a healthy fixed cost structure that enables strong operating leverage.

- Fourth, **we are on the cusp of achieving profitability on an Adjusted EBITDA[1] basis**. We now expect to be approximately breakeven on an Adjusted EBITDA basis in the second quarter, supported by fixed costs that are projected to only grow at a single digit rate year-over-year during the quarter. We also expect to generate nearly $150 million of Adjusted EBITDA in the fourth quarter. Our profitability is inflecting rapidly with older states generating significant positive Contribution Profit[2] as revenue continues to grow, gross margin rate improves, and marketing spend decreases. We expect these trends to continue into 2024 and beyond.

First Quarter 2023 Results

In the first quarter, we generated $770 million of revenue, representing 84% year-over-year revenue growth, and negative $222 million of Adjusted EBITDA. Notable highlights in the quarter include:

- Our launches of our online sportsbook product in **Ohio and Massachusetts were strong**. We believe we are acquiring customers very efficiently in these states due, in part, to category awareness created by national marketing spend in the second half of 2022 which "primed the pump" prior to launch, as well as broader excitement for our mobile sports betting product. We have acquired 7% of the Ohio adult population since our launch on January 1, 2023 and 6% of the Massachusetts adult population since our launch on March 10, 2023. These population penetration rates are pacing ahead of any other jurisdiction we have launched. This

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

quicker ramp means that we expect these states to reach positive Contribution Profit faster than our historic two-to-three-year timeframe as we believe we will be able to reduce marketing expense sooner.

- We are **gaining share in both mobile sports betting and iGaming**.
  - DraftKings' mobile sport betting handle share was 32% in the first quarter of 2023 versus 28% in the first quarter of 2022. Our GGR share was 28% in the first quarter of 2023 versus 24% in the prior year period.[3] In our three most recently launched states (Maryland, Ohio, and Massachusetts), DraftKings' handle share and GGR share for March were 37% and 29%, respectively.
  - iGaming trends have been similarly strong. We estimate DraftKings' GGR share was #1 in the U.S. in the first quarter of 2023 representing a DraftKings record of 26%.[4]

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

- **Customer Retention and Engagement** coming out of the NFL Season and Super Bowl and into NCAA basketball and NBA was higher than we expected. Our initiatives to retain players as the sport seasons transitioned and a more engaging NBA product experience led to overperformance relative to our expectations. We drove similar trends in our sports-first iGaming customers where we increased retention following the Super Bowl due to CRM and personalization optimizations that we have made over the past 12 months.

- **Structural Hold Percentage** was better than we anticipated. Our expectations were for higher sportsbook hold percentage than the prior year period due to our new product offerings, including our first-to-market live Same Game Parlays for NBA. However, we exceeded our own expectations on this front. In the first quarter, our parlay mix of handle increased more than 400 basis points compared to the first quarter of 2022 and our average leg count increased approximately 10% compared to the same period in 2022.

- **Promotional intensity** continued to decline as we expected. The combination of year-over-year improvement in hold percentage and promotional reinvestment resulted in a more than 600 basis point year-over-year increase in our Adjusted Gross Margin[5] rate for the quarter.

- **Fixed Costs** were in-line with our expectations. Fixed cost growth is expected to be seasonally highest in the first quarter primarily because our already-implemented efficiency initiatives take hold in the second quarter and continue through the end of the year. We continue to look for efficiencies throughout the business and have succeeded in finding incremental opportunities that reduce costs without affecting our revenue growth outlook.

We are also continuing to experience strong trends in our most mature online Sportsbook and iGaming state vintages. In each of our 2018-2019 and 2020-2021 state vintages, first quarter 2023 handle grew more than 25% compared to the same period in 2022, revenue grew at least 80% year-over-year, Adjusted Gross Margin increased at least 1,200 basis points year-over-year, and external marketing spend declined at least 10% year-over-year,

[3] Includes all states in which DraftKings is live. IL data included through February 2023. AZ data included through January 2023.

[4] Includes combined DraftKings and Golden Nugget Online Gaming brand share for NJ, PA, WV, MI, and CT.

[5] 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.

resulting in much higher Contribution Profit. In addition, unique customers for each vintage grew by more than 10% in the first quarter of 2023.

This trend is a critical element of our business model; our older states continue to generate revenue growth due to increased handle-per-player, higher hold, less promotional intensity, and less absolute marketing dollars which results in meaningful increases in revenue, Adjusted Gross Margin rate, gross profit, and Contribution Profit.

Full Year 2023 Guidance

On our last earnings call, we guided to 2023 revenue of $2.85 billion to $3.05 billion and Adjusted EBITDA of negative $350 million to negative $450 million.

Today, we are improving our fiscal year 2023 revenue guidance range to $3.135 billion to $3.235 billion and our fiscal year 2023 Adjusted EBITDA guidance range to negative $290 million to negative $340 million. We continue to expect our Adjusted Gross Margin rate to be in the 42% to 45% range for the year.

The $235 million improvement in our revenue guidance midpoint and $85 million improvement in our Adjusted EBITDA guidance midpoint break down as follows:

- **Stronger Customer Retention and Engagement.** Customer retention and engagement, as well as acquisition of new customers, are exceeding expectations due to continued product innovation and marketing optimization initiatives. In addition, we continue to see no discernible impact from the challenging macroeconomic environment. These trends account for **approximately $195 million of the revenue improvement and approximately $80 million of the Adjusted EBITDA improvement**.

- **Structural Sportsbook Hold Improvement**. Our parlay mix and therefore our average leg count is increasing faster than our expectations, which is supported by our launches of in-house Same Game Parlay capabilities. This trend accounts for **approximately $20 million of the revenue improvement and approximately $15 million of the Adjusted EBITDA improvement.**

- **Favorable Sport Outcomes.** March Madness and NBA sport outcomes late in the first quarter were favorable, supported by strong performances by underdog teams and the "under" hitting more often than not for college and NBA basketball. Favorable sport outcomes in the first quarter account for **approximately $20 million of the revenue improvement and approximately $15 million of the Adjusted EBITDA improvement**.

- **Expense Recognition Timing.** Due to improved visibility into projected costs for our enhanced loyalty program, we plan to accrue $25 million of expenses throughout 2023 that we had originally planned to expense in the first quarter of 2024. This will not require additional cash outlay in 2023. Importantly, we expensed these costs for 2022 in the first quarter of 2023, which means that in 2023 we will have expensed two years of these costs in one year. In 2024 and beyond, we plan to only expense one year of these costs per year. **As a result, we expect $25 million less Adjusted EBITDA relative to the guidance we shared in February 2023.**

As previously discussed, we now expect to be approximately breakeven on an Adjusted EBITDA basis in the second quarter as we project fixed costs will grow at a single digit rate year-over-year, and to generate nearly $150 million of Adjusted EBITDA in the fourth quarter.

Other Items on Our Mind

- Our key **product initiatives have momentum.**
    - In the first quarter, DraftKings continued to introduce unique sports wagering opportunities for customers and verticalize its sports betting technology by launching live same game parlays, first for NFL and NBA and most recently for MLB, supported by our in-house trading platform. We will continue to invest in our in-house trading capabilities in advance of the NFL season this fall.
    - In iGaming, our homegrown games continue to function as a key differentiator. Our exclusive DraftKings jackpot product is now live in three states across more than 100 slots and tables games, and its growing popularity allowed two different players to win over $1 million in the last two months. In addition, the migration of Golden Nugget Online Gaming onto our DraftKings technology stack remains on track for completion in the second half of the year.
    - We also launched DK Horse, a standalone horse-racing app, at the end of March. DK Horse is available to residents of 15 states as of today, offering wagering on races from hundreds of domestic and international tracks including all three Triple Crown races beginning with this weekend's Kentucky Derby.

- The implication of **new states ramping faster is positive for their speed to profitability**. Historically, we have said that states should turn Contribution Profit positive two to three years after launch. With recent launches, we are seeing states ramp much faster. When comparing older versus newer state ramps, more recent states have had deeper investment earlier, but a much faster and more efficient path to positive Contribution Profit.

- We ended the quarter with **$1.1 billion of cash**. With our improved Adjusted EBITDA guidance and no change to our outlook for capital expenditures and other cash items, we plan to end the year with more than $800 million of cash.

- **Stock-based compensation expense** in the first quarter of 2023 was $117 million, down from $187 million in the first quarter of 2022. Our earlier equity programs have largely been expensed and replaced with more efficient new programs. We continue to expect that 2023 stock-based compensation expense will be less than $400 million versus nearly $600 million in 2022.

- **Legalization trends** continue to be positive. Kentucky has authorized mobile sports betting, and, in 2023, 12 states that collectively represent approximately 24% of the U.S. population have either introduced legislation to legalize mobile sports betting or introduced bills that may result in sports wagering referendums during an upcoming election. Progress is being made on additional iGaming legalization as well with 5 states that collectively represent approximately 14% of the U.S. population having either introduced legislation to legalize iGaming or introduced a bill that may result in an iGaming referendum during an upcoming election. Under any reasonable new state launch scenario in 2023 and 2024, we expect to be able to generate positive Adjusted EBITDA for full-year 2024.

- We plan to host an **Investor Day** in the fourth quarter of this year; this timing will allow us to talk more in-depth on our 2024 guidance including any new state launches.

We appreciate your continued support, excitement for, and conviction in DraftKings. We are laser-focused on driving outstanding revenue growth AND capturing efficiencies across our cost structure to maximize long-term shareholder value.

Kind Regards and Talk Soon,

Jason D. Robins
Chief Executive Officer and Co-founder

Jason Park
Chief Financial Officer

Webcast and Conference Call Details

As previously announced, DraftKings Inc. ("DraftKings" or the "Company") will host a conference call and audio webcast tomorrow, Friday, May 5, 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 June 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)

	March 31, 2023 (Unaudited)	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 1,087,668	$ 1,309,172
Cash reserved for users	436,935	469,653
Receivables reserved for users	124,536	160,083
Accounts receivable	41,423	51,097
Prepaid expenses and other current assets	115,194	94,836
Total current assets	**1,805,756**	**2,084,841**
Property and equipment, net	62,273	60,102
Intangible assets, net	754,509	776,934
Goodwill	886,373	886,373
Operating lease right-of-use assets	60,804	65,957
Equity method investment	9,961	10,080
Deposits and other non-current assets	159,598	155,865
Total assets	**$ 3,739,274**	**$ 4,040,152**
Liabilities and Stockholders' equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 508,725	$ 517,587
Liabilities to users	670,456	686,173
Operating lease liabilities, current portion	3,975	4,253
Other current liabilities	48,733	38,444
Total current liabilities	**1,231,889**	**1,246,457**
Convertible notes, net of issuance costs	1,251,758	1,251,103
Non-current operating lease liabilities	66,466	69,332
Warrant liabilities	27,715	10,680
Long-term income tax liability	69,238	69,858
Other long-term liabilities	74,428	70,029
Total liabilities	**$ 2,721,494**	**$ 2,717,459**
Commitments and contingent liabilities		
Stockholders' equity:		
Class A common stock, $0.0001 par value; 900,000 shares authorized as of March 31, 2023 and December 31, 2022; 471,723 and 459,265 shares issued and 461,634 and 450,575 outstanding as of March 31, 2023 and December 31, 2022, respectively	$ 46	$ 45
Class B common stock, $0.0001 par value; 900,000 shares authorized as of March 31, 2023 and December 31, 2022; 393,014 shares issued and outstanding as of March 31, 2023 and December 31,	39	39
Treasury stock, at cost; 10,089 and 8,690 shares as of March 31, 2023 and December 31, 2022, respectively	(359,491)	(332,133)
Additional paid-in capital	6,869,647	6,750,055
Accumulated deficit	(5,528,949)	(5,131,801)
Accumulated other comprehensive income	36,488	36,488
Total stockholders' equity	**1,017,780**	**1,322,693**
Total liabilities and stockholders' equity	**$ 3,739,274**	**$ 4,040,152**

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

	Three months ended March 31			
	2023		2022	
Revenue	**$**	**769,652**	**$**	**417,205**
Cost of revenue		521,740		313,379
Sales and marketing		389,133		321,452
Product and technology		88,088		81,352
General and administrative		160,476		216,606
Loss from operations		**(389,785)**		**(515,584)**
Other income (expense):				
Interest income		11,795		801
Interest expense		(655)		(653)
(Loss) gain on remeasurement of warrant liabilities		(17,035)		12,681
Other income, net		19		37,882
Loss before income tax provision and loss from equity method investment		**(395,661)**		**(464,873)**
Income tax provision		1,368		469
Loss from equity method investment		119		2,351
Net loss attributable to common stockholders	**$**	**(397,148)**	**$**	**(467,693)**
Loss per share attributable to common stockholders:				
Basic and diluted	$	(0.87)	$	(1.14)

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

	Three months ended March 31,			
	2023		2022	
Adjusted EBITDA	$	(221,611)	$	(289,509)
Adjusted Loss Per Share		(0.51)		(0.74)

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

	Three months ended March 31,	
	2023	**2022**
Operating Activities:		
Net loss	$ (397,148)	$ (467,693)
Adjustments to reconcile net loss to net cash flows used in operating activities:		
Depreciation and amortization	48,213	32,225
Non-cash interest expense	157	654
Stock-based compensation expense	117,400	187,077
Loss from equity method investment	119	2,351
Loss (gain) on remeasurement of warrant liabilities	17,035	(12,681)
Loss (gain) on marketable equity securities and other financial assets	136	(37,433)
Deferred income taxes	2,254	256
Other expenses, net	(2,726)	(768)
Change in operating assets and liabilities:		
Receivables reserved for users	35,547	(3,997)
Accounts receivable	9,674	(2,347)
Prepaid expenses and other current assets	(10,069)	(30,887)
Deposits and other non-current assets	(3,464)	(493)
Operating leases, net	1,864	(125)
Accounts payable and accrued expenses	(6,292)	(16,087)
Liabilities to users	(15,717)	(8,099)
Long-term income tax liability	(620)	(178)
Other long-term liabilities	2,145	1,507
Net cash flows used in operating activities	**(201,492)**	**(356,718)**
Investing Activities:		
Purchases of property and equipment	(7,094)	(8,614)
Cash paid for internally developed software costs	(19,419)	(13,195)
Acquisition of gaming licenses	(1,362)	(267)
Other investing activities, net	311	(989)
Net cash flows used in investing activities	**(27,564)**	**(23,065)**
Financing Activities:		
Purchase of treasury stock	(27,358)	(14,083)
Proceeds from exercise of stock options	2,192	1,770
Net cash flows used in financing activities	**(25,166)**	**(12,313)**
Net decrease in cash and cash equivalents and restricted cash	(254,222)	(392,096)
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	**$ 1,524,603**	**$ 2,237,746**
Disclosure of cash, cash equivalents and restricted cash:		
Cash and cash equivalents	$ 1,087,668	$ 1,772,892
Cash reserved for users	436,935	464,854
Total cash, cash equivalents and restricted cash, end of period	**$ 1,524,603**	**$ 2,237,746**
Supplemental Disclosure of Noncash Investing and Financing Activities:		
Investing activities included in changes in accounts payable and accrued expenses	(679)	7,604
Supplemental Disclosure of Cash Activities:		
Decrease in cash reserved for users	(32,718)	(12,096)
Cash paid for interest	—	—

Non-GAAP Financial Measures

This document includes Adjusted EBITDA, Adjusted Gross Profit, Adjusted Gross Margin, Adjusted Earnings 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 Earnings 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 Earnings 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 Earnings 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 Earnings 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:

(amounts in thousands)	Three months ended March 31, 2023	2022
Net loss	$ (397,148)	$ (467,693)
Adjusted for:		
Depreciation and amortization [1]	48,213	32,225
Interest income, net	(11,140)	(148)
Income tax provision	1,368	469
Stock-based compensation [2]	117,400	187,077
Transaction-related costs [3]	—	3,774
Litigation, settlement, and related costs [4]	2,563	1,950
Advocacy and other related legal expenses [5]	—	—
Loss (gain) on remeasurement of warrant liabilities	17,035	(12,681)
Other non-recurring costs and non-operating (income) costs [6]	98	(34,482)
Adjusted EBITDA	$ (221,611)	$ (289,509)

(1) The amounts include the amortization of acquired intangible assets of $29.8 million and $19.2 million for the three months ended March 31, 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 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 three months ended March 31, 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 Earnings Per Share reconciled to its basic and diluted loss per share attributable to common stockholders, which is the most directly comparable financial measure calculated in accordance with GAAP, for the periods indicated:

	Three months ended March 31,	
	2023	**2022**
Basic and diluted loss per share attributable to common stockholders	$ (0.87)	$ (1.14)
Adjusted for:		
Stock-based compensation (1)	0.26	0.46
Amortization of acquired intangible assets	0.07	0.05
Transaction-related costs (2)	—	0.01
Litigation, settlement, and related costs (3)	0.01	0.01
Loss (gain) on remeasurement of warrant liabilities	0.04	(0.03)
Advocacy and other related legal expenses (4)	—	—
Other non-recurring costs and non-operating (income) costs (5)	—	(0.09)
Adjusted Loss Per Share*	$ (0.51)	$ (0.74)

*Weighted average number of shares used to calculate Adjusted Earnings Per Share for the first quarter of 2023 was 455.1 million; totals may not sum due to rounding.

(1) Reflects stock-based compensation expenses per share resulting from the issuance of awards under incentive plans.

(2) Reflects capital markets advisory, consulting, accounting and legal expenses per share related to evaluation, negotiation and integration costs incurred in connection with 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 three months ended March 31, 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 March 31,	
(amounts in millions, except percentages)	**2023**	**2022**
Revenue	$ 770	$ 417
GAAP Gross Profit	248	104
Depreciation and amortization	14	9
Amortization of acquired intangible assets	30	19
Stock-based Compensation	1	1
Adjusted Gross Profit	293	133
Adjusted Gross Margin	38 %	32 %

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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