



# DKNG BULLISH ALERT

*July 16, 2021*



# Bullish Opportunity Alert: **DKNG**

## Actionable Trade Idea

**Buy DraftKings Inc. (NASDAQ:DKNG) stock up to \$55/share\*\***

Alternative approaches would include selling OTM put options with a strike price 5% below the current price of the stock each month to generate income until a position is established.

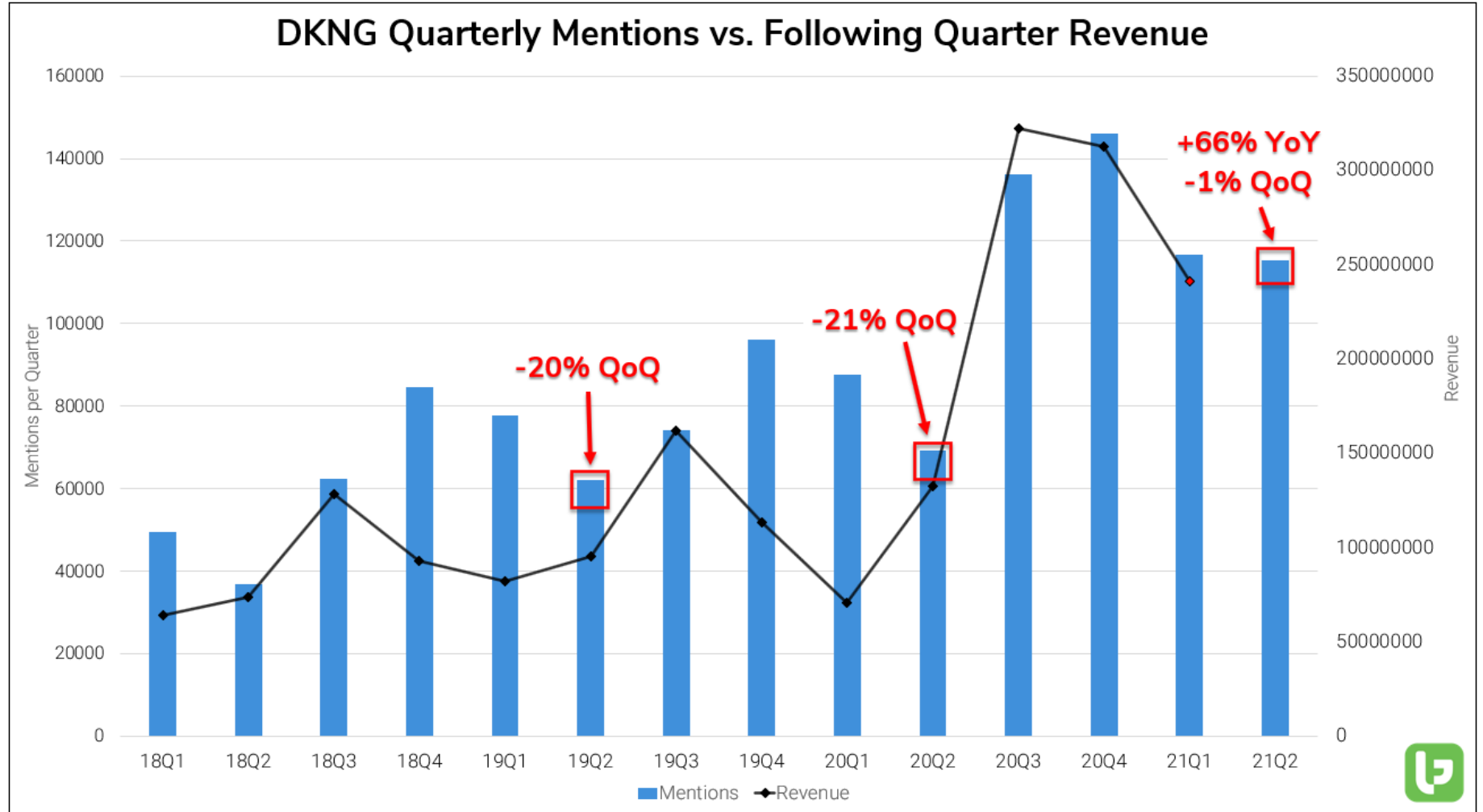
**We believe this stock could gain by more than 100% within the next 2 years.**

\*\*ON ALL TRADES, it is important to use proper risk management to correctly allocate and protect your capital. One popular exit strategy for bullish trades is a 25% trailing stop.

## Consumer Buzz:

- Consumer Mentions of DraftKing's sports betting services and daily fantasy sports contests are showing strength in a seasonally slow quarter: **+66% YoY** in 21Q2 (ended 6/30)
- Quarterly Mention volume has established a significant correlation to reported revenue in the following quarter: **~ 0.49**

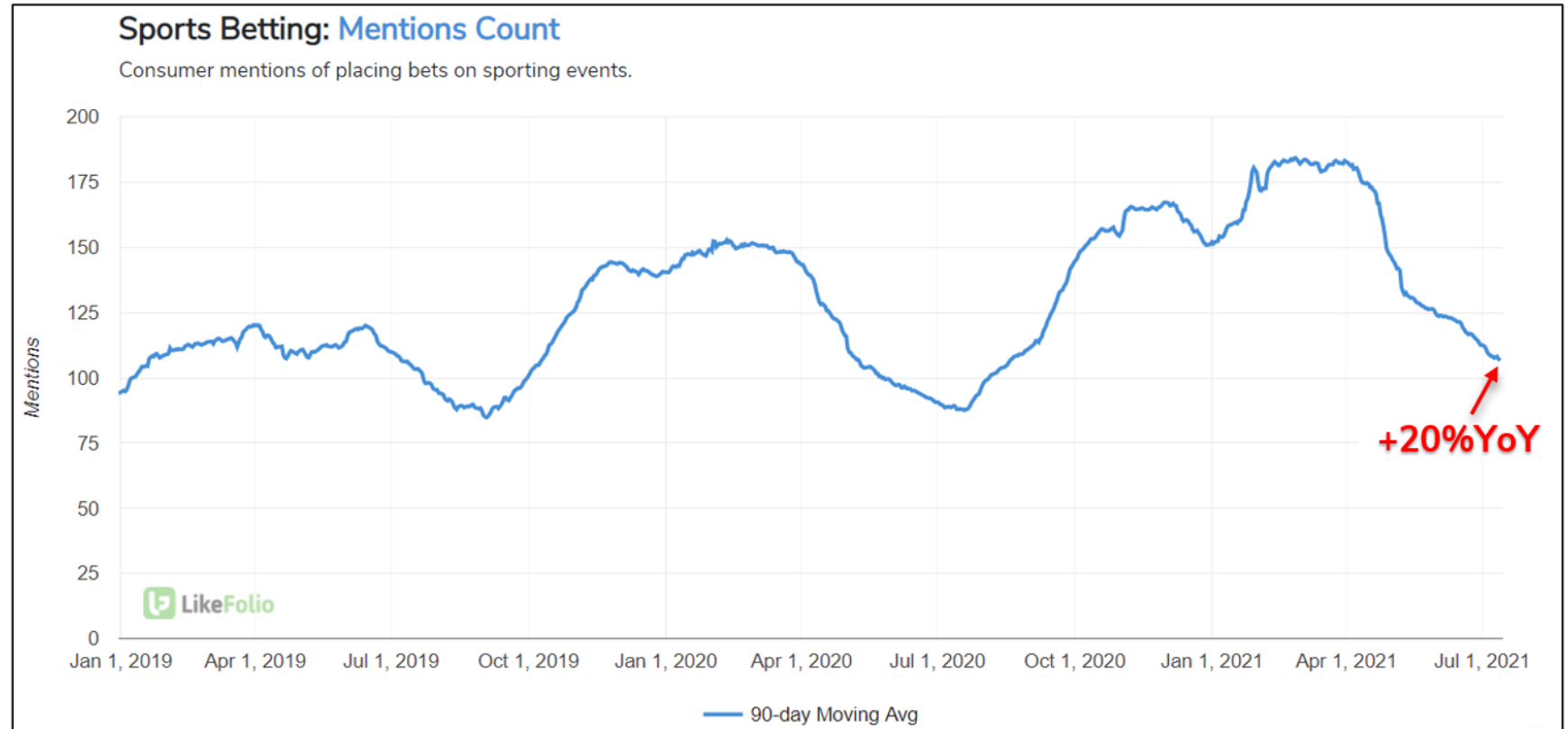
# DKNG: More Users – More Revenue



## Macro Tailwind:

- Consumer mentions of placing bets on sporting events have increased **+20% YoY** (90-day moving average)
- Sports Betting is seasonal (largest spikes around the Super Bowl, March Madness), dependent on legalization, and growing.

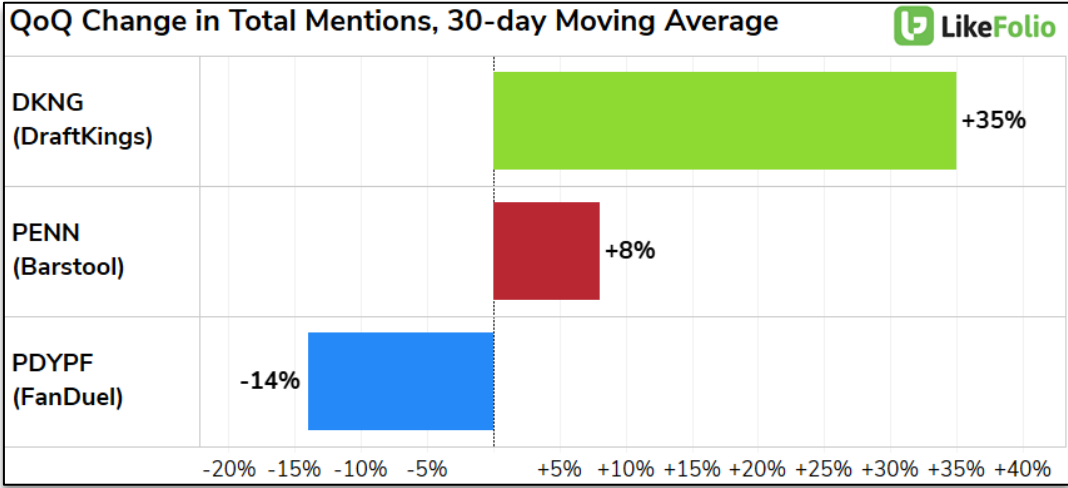
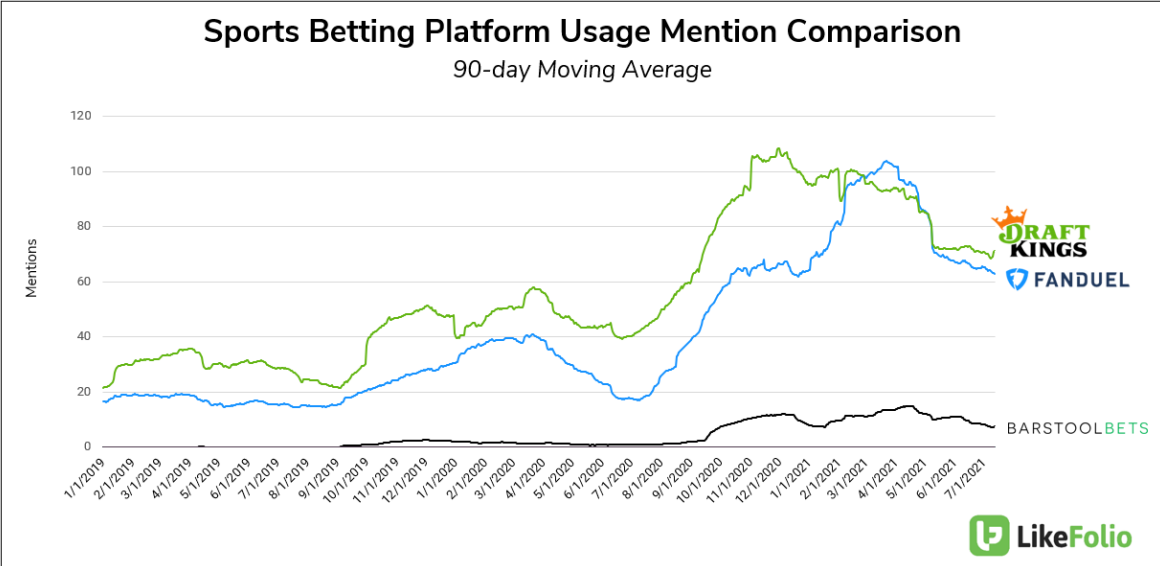
# DKNG: More People Betting on Sports



# Competitive Analysis:

- LikeFolio tracks 3 major online sportsbooks: DraftKings, FanDuel, and Barstool Bets – Draftkings is leading in terms of usage Mention volume
- Additionally, DKNNG’s short-term Consumer Buzz growth is outpacing that of its peers

# DKNNG: Industry Leader in the U.S.



# DKNG: The Bottom Line

- Total consumer mentions and mentions of making wagers using DraftKings' online platform (Purchase Intent), are showing continued YoY strength in 2021.
- Online sports betting is only fully legal in 10 states right now, with legislation pending in a handful of others. **Global [online betting](#) is expected to exceed \$92 billion by 2023**, with sports betting comprising more than 40% of online betting activity.
- **DraftKings is investing in its own digital ecosystem.** Speaking on the company's progress in the [first quarter of 2021](#), DKNG's CEO stated, "We continued to make progress and remain on track with the migration to our own **in-house proprietary sports betting engine**, strengthened our content and technology capabilities with the acquisitions of VSiN and BlueRibbon Software, and invested in further differentiating our product offering with the upcoming rollout of social functionality in our DFS and mobile Sportsbook apps."
- **Caveats:** DraftKings reported earnings per share have declined in the past 5 quarters, with EPS falling short of Wall St. expectations in the past 2 quarters. Profitability will continue to have an impact on the company's share price in the near-term, but we expect to see it improve as the company expands.
- **Short Interest:** Shares dropped recently following a [short-seller report](#) questioning DraftKing Bulgarian subsidiaries. DKNG denied the findings after conducting a thorough review of business practices. Currently, short interest is ~9% of float – higher vs. last year (~5%) but lower vs. levels recorded earlier this year.

LikeFolio first initiated a position in DraftKings with a [bullish alert](#) sent in November 2020. DKNG Shares gained by as much as +37% in the following months, but a recent correction has brought the stock price back near our original entry. The sports gambling industry is set to take off as legalization spreads across the U.S. -- DraftKings has already established itself as a best-of-breed online sportsbook, and underlying Mentions show that the company is on track to continue growing. We're using the current price level as an opportunity to **double down** on this company, with a long-term bullish outlook on DKNG and the industry at large.



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**LikeFolio**

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