

DraftKings (DKNG) - Financial Model Review

Workbook analyzed: **dkng_mod v2.13.26.xlsx** | Model 'Last Update' field: 13 Feb 2026 | Deliverable limited to the evidence visible in the workbook plus external benchmark checks for reasonableness.

1. Executive Summary

Bottom line. The workbook captures a real and improving business: DraftKings delivered 2025 revenue of \$6.05bn, Adjusted EBITDA of \$620.0m, and free cash flow of \$647.5m while turning GAAP net income positive. The operating story - rising sportsbook hold, scaling iGaming/lottery mix, and sharply better marketing efficiency - is credible. The modeling problem is that the *forecast engine is not internally coherent*: the KPI build, long-term P&L, cash flow bridge, and summary valuation outputs do not agree with one another.

What the model is underwriting. The summary sheet values the business off a 2029 EPS of 4.73 and a 30.0x target P/E, producing a three-year target of 141.76/share versus a current price of 21.87. That implies a 6.5x money multiple and an 86% IRR. The core economic leap is the move from a 2025 Adjusted EBITDA margin of 10.2% to a 2029 long-term P&L; margin of 46.8%.

Why I would not underwrite this as a base case. Three issues are decisive: (1) the KPI revenue build shows only \$6.37bn in 2029 revenue while the headline revenue line shows \$8.46bn - a \$2.09bn gap; (2) the model carries two different 2026-29 EBITDA series, including \$3,321.0m in 2026 on the P&L; versus \$1,203.0m in the cash flow bridge; and (3) the summary page contains broken links, including forward "Adjusted EPS" pulling diluted EPS proxies and one EV/EBITDA cell referencing cash-per-share instead of EBITDA.

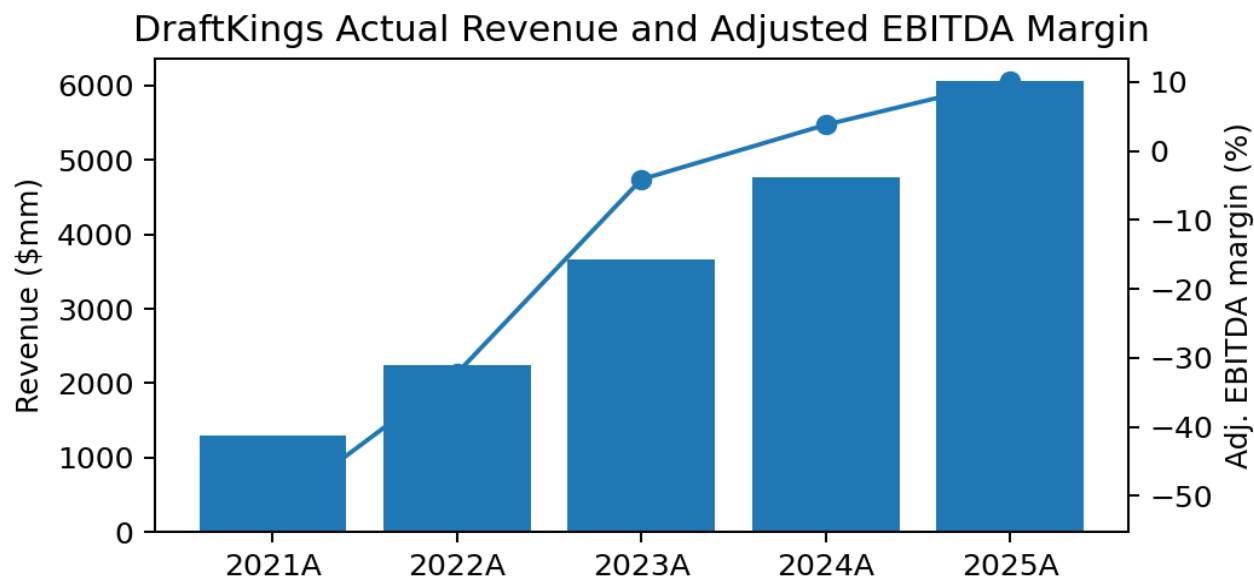
Overall verdict. Treat the file as a useful *bull-case thought piece* on DraftKings' unit economics and operating leverage, not as a decision-ready 3-statement model. The 2025 actuals are solid; the long-term margin architecture and valuation outputs require a rebuild before they can support underwriting.

Metric	2025A / Current	2026E / LT marker	Read-through
Revenue	\$6.05bn	2026E \$6.78bn	2025A is now effectively actual; 2026E topline is reasonable vs company guide.
Adj. EBITDA	\$620.0m (10.2%)	2026E \$1,203.0m CF bridge / \$3,321.0m P&L;	Profitability, not revenue, is the main modeling stretch.
FCF	\$647.5m (10.7%)	2029E \$659.8m (7.8%)	Cash conversion assumptions are simpler and slightly more conservative than the EBITDA build.
Capitalization	Price 21.87; EV \$12.14bn	3y target 141.76/sh	Target rests on 30.0x 2029 EPS and very high steady-state margins.

2. Business Understanding

Architecture. **MOD** is the core workbook and contains quarterly historicals, annual rollups, the operating build, cost stack, limited balance-sheet and cash-flow statements, and long-term assumptions in blue input cells. **SUM** is a market-value/valuation wrapper linked almost entirely to MOD. **UNIT ECONOMICS** translates 2024 actuals into per-user economics and simple bull/bear cases. **EARNINGS POWER** is a separate normalized P/E thought experiment. **NOTES** and **OVERVIEW** are qualitative thesis tabs; **CASE STUDY** is blank.

Input flow. The long-term forecast is mostly driven from blue assumption cells in MOD: revenue growth, sportsbook margin expansion, gaming tax rate, incremental gross margin, opex growth, tax rate, dilution, and simplified cash-flow margins. SUM and UNIT ECONOMICS then pull outputs from MOD rather than recomputing them independently.



Metric	2021A	2023A	2025A
Revenue	\$1.30bn	\$3.67bn	\$6.05bn
Adj. EBITDA	-\$676.1m	-\$151.0m	\$620.0m
Adj. EBITDA margin	-52.2%	-4.1%	10.2%
FCF	-\$435.4m	-\$22.7m	\$647.5m
Avg. monthly unique payers	1.5m	2.7m	4.0m
ARPMUP	\$67	\$113	\$125

From 2021 to 2025, the model shows DraftKings moving from land-grab mode to positive earnings power. Revenue rose from \$1.30bn in 2021 to \$6.05bn in 2025, while Adjusted EBITDA improved from -\$676m (-52.2% margin) to +\$620m (+10.2% margin). The company also crossed into positive free cash flow in 2024 and reached \$648m in 2025. Operationally, average monthly unique payers increased from 1.5m in 2021 to 4.0m in 2025, while ARPMUP rose from \$67 to \$125. Sportsbook handle nearly doubled from \$23.4bn in 2022 to \$53.6bn in 2025, and sportsbook net revenue margin improved from 4.4% to 7.1%, showing better product mix, hold, and promo efficiency. The main 2024-25 wrinkle is that 2024 ARPMUP fell to \$106 before rebounding, consistent with Jackpocket mix and customer-friendly sports outcomes noted in management commentary.

2. Business Understanding (cont.)

Driver	How it is modeled	Why it matters
MUP / unique customer count	MOD rows 8-18; full-year MUP averages, yearly adds, and seasonality. Long-term assumes 4.0m MUPs stay flat through 2029.	Primary volume driver and customer-base proxy; flat long-term users force the model to rely on monetization and margin expansion.
ARPMUP	MOD rows 21-31; revenue per paying user. 2025A = \$125 and only 1-2% annual growth thereafter.	Measures monetization and mix across sportsbook, casino, lottery, and promo intensity.
Sportsbook handle per MUP	MOD rows 35-39; rises from \$13.4k in 2025A to \$14.5k by 2029E.	Converts engagement into betting volume; especially important because sportsbook remains the largest vertical.
Sportsbook net revenue margin / hold	MOD rows 49-52; improves from 7.15% in 2025A to 9.85% in 2029E.	A few hundred bps of hold improvement is hugely valuable because it drops through with limited incremental acquisition cost.
Gaming tax rate	MOD rows 88-93; held at 34% of revenue from 2026E onward.	This is the single largest below-gross-profit leakage; small changes in tax rate materially alter margin.
S&M; intensity	MOD rows 116-119; expense grows only 1% per year after 2025.	This is where the model harvests most operating leverage. If acquisition costs or promos stay elevated, EBITDA falls quickly.
P&T; and G&A; leverage	MOD rows 123-133; P&T; grows 10%/8%/6%/5%, G&A; 12%/8%/6%/5%.	These lines determine whether DraftKings scales like software or like a highly taxed consumer platform.
Share dilution	MOD rows 192-196; diluted shares increase by 30m each year from 2026E to 2029E.	Per-share value creation is meaningfully lower than enterprise value creation if dilution persists.

P&L; dollar flow. Using the model's 2025 actuals, each revenue dollar becomes roughly 45.5c of adjusted gross profit, 10.2c of Adjusted EBITDA, and 10.7c of free cash flow. That is an attractive flow-through profile - but the long-term extension of that flow-through is where the workbook becomes difficult to trust.

2025A \$1 of revenue	\$/Revenue	Comment
Revenue	1.000	Base dollar.
Gaming tax	(0.349)	Largest structural leakage; taxes consume 34.9c of each revenue dollar.
Adjusted gross profit	0.455	The model lands at a 45.5% adjusted gross margin.
Adj. Sales & Marketing	(0.221)	Customer acquisition/retention remains the dominant controllable cost.
Adj. Product & Tech	(0.061)	Technology and platform investment.
Adj. G&A;	(0.070)	Central overhead and corporate infrastructure.
Adj. EBITDA	0.102	10.2c of EBITDA per revenue dollar.
Operating cash flow	0.109	Cash flow exceeds EBITDA in 2025 due mainly to working-capital dynamics.
Capex	(0.003)	Capex is light relative to revenue.
Free cash flow	0.107	10.7c of FCF per dollar of revenue.

3. Model Evaluation

Assumption	Workbook	Benchmark / sanity check	Assessment
2026E revenue growth	12.0% to \$6.78bn	Company FY26 guidance is \$6.5bn-\$6.9bn. Model sits inside the range.	Reasonable topline. The problem is not the 2026 revenue number itself.
Flat MUPs through 2029	4.0m in 2025A and 4.0m in 2029E	Management is now pushing a nationwide super-app and prediction-market cross-sell.	Conservative <i>within the KPI sub-build</i> ; however, because headline revenue already exceeds that sub-build, this conservatism is not additive.
Sportsbook net revenue margin	7.15% in 2025A to 9.85% in 2029E	AGA says U.S. sports-betting hold reached 10.16% in 2025.	Not obviously heroic. Hold improvement is plausible; cost leverage is the real stretch.
Gaming tax rate	34% of revenue from 2026E onward	2024A actual was 34.8%; company says 2026 guide assumes current tax rates stay where they are.	Slightly favorable versus 2024A, but within a plausible range.
Marketing leverage	Adj. S&M; grows just 1% per year after 2025A	Peer U.S. digital operators are improving, but still spend heavily to defend share and launch new products.	Aggressive. This is a major source of the outsize margin ramp.
Long-term EBITDA margin	P&L; reaches 46.8% by 2029E; CF bridge reaches 27.7%	DraftKings Investor Day now targets at least 30% long-term margin; Flutter U.S. 2025 margin was 13.2%.	Aggressive to implausible on the P&L; series; even the internal CF-bridge series is the more credible of the two.
Cash conversion	OCF margin fixed at 8.0% and capex at 0.2% of sales	2025A OCF margin was 10.9%.	Conservative on cash yield, but simplified and not linked to a forecast balance sheet.

Conservative areas. The file is not aggressive everywhere. Two places look conservative on their face: the 2026-29 operating cash flow margin is held at 8%, below 2025 actuals, and the KPI build freezes annual payer count despite a broader product suite and nationwide predictions reach. Both create upside, but neither fixes the model's internal contradictions.

Area	Why it looks conservative	Upside if normalized
Operating cash flow margin	2026-29 OCF margin is held at 8.0% versus 10.9% in 2025A.	If 2029 OCF margin simply held at the 2025A level, 2029 OCF would be ~\$926.1m versus modeled \$676.7m (+\$249.4m).
User count in KPI build	The sub-build freezes annual MUPs at 4.0m through 2029 despite a broader product suite and nationwide predictions reach.	At 4.8m MUPs and the model's 2029 ARPMUP, KPI-based revenue would be ~\$7.64bn versus \$6.37bn.

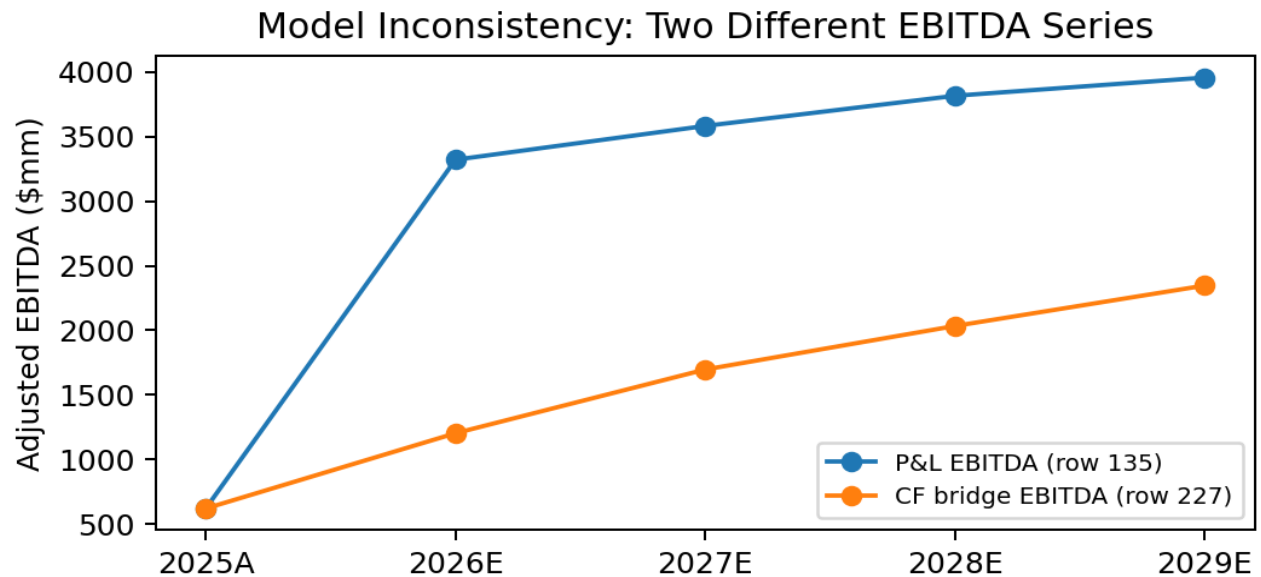
Aggressive areas. The margin bridge is the main stretch. Marketing barely grows, the long-term P&L; EBITDA margin rises to nearly 47%, and those outputs sit above both management's updated framework and the best public peer evidence.

Area	Why it looks aggressive	Downside if wrong
2026 EBITDA	The internal CF bridge shows \$1,203.0m in 2026E; the long-term P&L; shows \$3,321.0m. Company FY26 guidance is only \$700m-\$900m.	Even the lower internal series is 34% above the high end of current guidance; the P&L; series is unusable for underwriting.
2029 steady-state margin	Summary valuation effectively leans on a 46.8% margin by 2029E.	Using the company's new 30% long-term margin framework instead would imply ~\$2,537.6m of EBITDA, \$1,419.5m below the modeled P&L; output.
Revenue-driver disconnect	Headline 2029 revenue is \$8.46bn, but the KPI build only supports \$6.37bn.	The \$2.09bn gap means the valuation is not traceable back to operating assumptions.

The file is **not a clean base case**. The 2026 revenue line itself is broadly reasonable - it sits inside management's current 2026 guidance range - and the hold build is not obviously heroic. But the profit architecture is far too aggressive once the model leaves 2025 actuals. The workbook effectively embeds a bull-case margin outcome, then compounds that with broken summary formulas and a non-reconciling long-term driver build. I would classify this as a **bull-case model with audit issues**, not as a neutral forecast.

4. Model Audit

The workbook is strongest through 2025 actuals. Beyond that point, it behaves more like a collection of overlapping frameworks than one integrated model. The chart below shows the largest issue: two incompatible forward EBITDA series coexist in the same file, and SUM leans on the more aggressive one.



Tab / location	Issue type	Description	Severity
MOD!AY78:BB78 vs AY29:BB29	Input consistency	Long-term headline revenue reaches \$8.46bn, but the MUP x ARPMUP revenue build only reaches \$6.37bn by 2029E.	High
MOD!AY135:BB135 vs AY227:BB227	Formula integrity	Two different Adjusted EBITDA series are carried for the same years: \$3,321.0m vs \$1,203.0m in 2026E and \$3,957.1m vs \$2,346.4m in 2029E.	High
SUM!J15:N15	Input consistency	Forward "Adjusted EPS" pulls MOD row 1 proxies; from 2026E onward those proxies equal diluted EPS, not adjusted EPS, because MOD row 210 is blank.	High
SUM!K23	Formula integrity	2026E EV/EBITDA references K12 (cash-per-share line) instead of K9 (EBITDA line).	High
MOD!AY166:BB275	Mathematical checks	GAAP operating-income rows and balance-sheet statements are not forecast beyond 2025. Long-term net income and cash flow are simplified bridges, not a linked 3-statement model.	High
MOD!D4, D14, D390:R390, V390	Broken references	Workbook contains 13 formulas with #REF! and 366 error cells, mostly legacy first-period ratios and annualized FCF/share rows.	Medium
MOD!BB275	Balance sheet check	2025 balance sheet is off by ~\$0.03m - immaterial, but confirms manual noise is present.	Low

Mathematical checks. 2025 cash flow does reconcile on *total cash* (cash, restricted cash, and user cash), not on unrestricted cash alone. The 2025 balance sheet miss is immaterial at roughly \$0.03m. There is no forecast balance sheet, debt schedule, or linked cash reconciliation for 2026-29, so true 3-statement integrity cannot be validated beyond 2025.

5. Incremental Due Diligence

Workstream	What to do next	Why it matters
Rebuild 2026-29 from one driver tree	Tie revenue to MUP, handle/MUP, hold, mix, and tax rate; tie EBITDA to that same gross-profit bridge and one opex framework.	Eliminates the current disconnect between row 29, row 78, row 135, row 227, and SUM.
Margin sensitivity	Run 2029 EBITDA margins at 20%, 25%, 30%, and 35%; pair with 6%, 8%, and 10% revenue CAGR.	Shows whether the thesis still works if DraftKings lands closer to management's 30% long-term framework.
Tax/regulatory scenario grid	Stress gaming tax at 34%, 36%, and 38%; separately model Missouri/Arkansas/Puerto Rico and prediction-market contribution.	Taxes and jurisdiction mix are the largest structural swing factors below gross revenue.
Competitive benchmark	Benchmark DraftKings against Flutter U.S./FanDuel, BetMGM, and Caesars Digital on hold, promo intensity, marketing as % of revenue, and EBITDA margin.	Helps separate true structural advantage from simply over-assumed leverage.

Highest-value IR questions. (1) Which specific drivers bridge the KPI build to the headline 2026-29 revenue line? (2) What is the sustainable Adjusted EBITDA margin framework for the core sportsbook/casino business excluding prediction markets? (3) How much of hold expansion is structural versus promo normalization or favorable outcomes? (4) What is the expected steady-state tax rate by jurisdiction mix? (5) What share-count trajectory should investors assume after the 2025 buyback?

Primary research. Prioritize calls with: a former DraftKings or FanDuel sportsbook trading/product executive (hold, live betting, parlay mix); a former state gaming regulator or tax-policy specialist (state tax and prediction-market overlap); a lottery/Jackpocket distribution expert (cross-sell quality and economics); and a paid-marketing/affiliate specialist in U.S. online betting (CAC durability).

Channel checks. Build a weekly dashboard across the top 10 states tracking app-store ranking, promo intensity, parlay/live-bet merchandising, same-game-parlay prominence, iGaming lobby placement, and Jackpocket-to-sportsbook cross-sell. The goal is to validate whether the assumed marketing leverage can coexist with product investment and market-share defense.

Catalysts with the most binary impact. (1) 1Q26 and 2Q26 prints against the new 2026 guide: management now guides to \$6.5bn-\$6.9bn revenue and \$700m-\$900m Adjusted EBITDA. (2) Execution of the new super-app/predictions strategy unveiled at Investor Day, including cross-sell economics and regulatory durability. (3) New-state launches and tax/regulatory changes, especially where DraftKings is using prediction markets to reach users outside regulated sportsbook states.

External benchmark sources used in this report (for reasonableness checks only):

- 1) DraftKings FY2025 results and FY2026 guidance: <https://www.globenewswire.com/news-release/2026/02/12/3237698/0/en/DraftKings-Reports-Fourth-Quarter-Revenue-Growth-of-43.html>
- 2) DraftKings 2026 Investor Day framework: <https://www.businesswire.com/news/home/20260302197903/en/DraftKings-Outlines-Expanded-Growth-Strategy-and-Unveils-Plans-to-Launch-Super-App-DraftKings-Sports-Casino>
- 3) Flutter 2025 Annual Report (U.S. segment revenue and EBITDA margin): <https://flutter.com/media/e5b5mp4/2025-annual-report-and-accounts.pdf>
- 4) BetMGM FY2024 Update: <https://investors.mgmresorts.com/2025-02-04-BETMGM-FY-2024-UPDATE>
- 5) American Gaming Association Commercial Gaming Revenue Tracker: <https://www.americangaming.org/resources/commercial-gaming-revenue-tracker/>