



DraftKings Inc.

Time to Cash Out

DraftKings is trying to stay ahead by buying Railbird and expanding into prediction markets, but newer platforms like Kalshi and Robinhood are gaining attention even faster. On top of that, regulators are targeting prop bets, which are a big part of what keeps users active on the app. With these challenges and the stock already priced for strong growth, DraftKings looks overvalued. My analysis points at DraftKings being a sell with a price target of \$29.00, representing very little upside from here on.

Thesis Point 1

New prediction platforms like Kalshi and Robinhood are starting to divert attention as well as traffic away from DraftKings. Kalshi just had over \$275 million traded in one weekend, which shows how quickly people are moving toward newer, more interactive betting options. If these platforms keep growing, DraftKings could lose a lot of its customers and market share.

Thesis Point 2

There's been a lot of talk lately about regulations on prop bets, which are a big part of DraftKings' business. Some states already limit them, and Ohio's governor even wants to ban them completely. If more states follow, that would materially dent DraftKings' revenue since prop bets make up a big chunk of revenue, as well as a primary driver of usage.

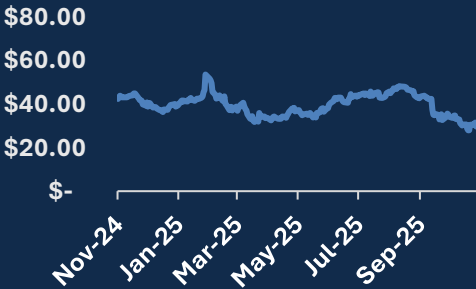
Company Overview

DraftKings (DKNG) is an online sports entertainment and gaming company based in Boston that started back in 2012 with daily fantasy sports and later expanded into sports betting in 2018 after more states made it legal. Most of the company's money now comes from online sports betting, with some extra from iGaming and fantasy contests. The company's name is well-known, but lately it feels like the hype around DraftKings has cooled off. There's been a lot more competition popping up, and people have more options now when it comes to betting platforms. On top of that, it doesn't seem like DraftKings has fully figured out how to make consistent profits yet, they still spend a ton trying to keep users interested. With talk about more rules and restrictions in different states, investors are starting to question how much room the company really has left to grow. Even though DraftKings helped shape the sports betting industry, it feels like the company is hitting a wall, and the stock doesn't look like a great long-term move right now.

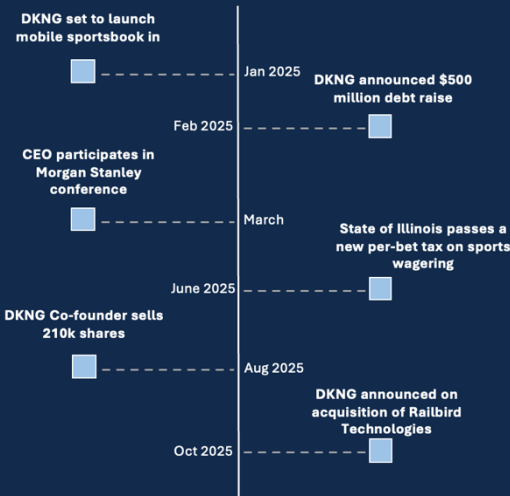


TICKER:	DKNG
RATING:	SELL
PRICE:	\$30.59
PRICE TARGET:	\$29.00
MARKET CAP:	\$15.00bn
52-W RANGE:	\$29.64 - \$53.61
P/E:	16.0x
IMPLIED DOWNSIDE:	(4%)

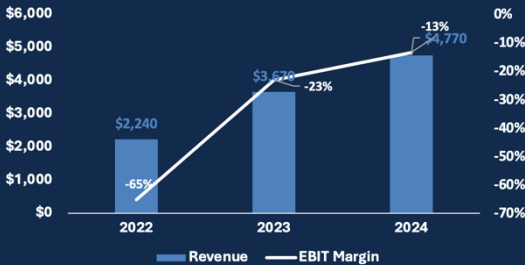
1 Year Price History



Recent Events Timeline



EBIT Margin with Annual Revenue



Risk 1

The biggest concern right now is regulation. Prediction markets still live in a gray area, and DraftKings’ move into Railbird could easily draw attention from regulators at both the state and federal level. If new rules or restrictions come down, what was supposed to be a growth opportunity could turn into a setback quickly. That uncertainty alone makes prospects feel shaky in the near term.

Risk 2

DraftKings is also still struggling to consistently turn a profit. The company spends heavily on promotions and customer acquisition, and that adds up fast. At the same time, competition in the industry is only getting more intense, not just from big players like FanDuel, but also from smaller prediction market platforms like Kalshi and Polymarket. That puts more pressure on DraftKings’ margins. Since the stock is already highly volatile, any slowdown in growth or earnings could lead to sharp downside movement, which supports a sell stance right now.

Catalysts

While DraftKings’ acquisition of Railbird and launch of “DraftKings Predictions” has generated excitement, it doesn’t necessarily change the company’s overall risk profile. The platform is still unproven and depends heavily on regulatory approval, which adds uncertainty. There’s also the risk that expanding into prediction markets distracts from DraftKings’ core sportsbook focus. Although analysts remain bullish, much of that optimism assumes future profitability and continued market growth that haven’t fully materialized. For cautious investors, the potential upside of these new ventures may not outweigh the company’s high valuation and ongoing financial losses. As prediction markets continue to gain traction or unfavorable regulation is passed, DraftKings stock will see downside.

Valuation

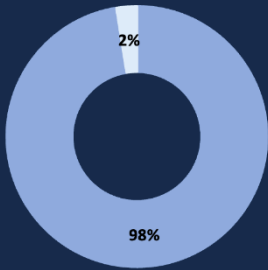
DCF Analysis (\$mm)							
	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
	12/31/2024	12/31/2025	12/31/2026	12/31/2027	12/30/2028	12/30/2029	12/31/2030
Revenue	4,768	5,600	6,702	8,099	9,904	12,288	15,521
Revenue Growth	30%	17%	20%	21%	22%	24%	26%
United States	4,649	5,400	6,372	7,551	8,985	10,738	12,885
International	119	200	330	549	919	1,551	2,636
EBIT	(583)	(550)	201	263	347	461	621
EBIT Margin	-12%	-10%	3%	3%	4%	4%	4%
Tax Expense	(86)	(70)	24	32	42	55	75
Effective Tax Rate	15%	13%	12%	12%	12%	12%	12%
NOPAT	(496.30)	(480.00)	176.93	231.64	305.06	405.52	546.35
D&A	291	350	402	486	594	737	931
Capex	10	10	13	16	20	25	31
Changes in NWC	(161)	(180)	(201)	(243)	(297)	(369)	(466)
UFCF	(34)	40	767	944	1,177	1,487	1,912
PV of FCF		40	731	833	961	1,124	1,338

Our base case valuation assumes a 12x multiple, showing a moderate expansion in the market. We project a 20.1% Revenue CAGR with EBIT margins at around - 2-3%. Reference the appendix with our downside/upside case assumptions.

Conclusion

We rate DraftKings as a sell. From recent prediction markets becoming more popular such as Robinhood and Kalshi, it will be difficult for DraftKings to continue to compete in this market with huge volatile risk. They are still yet to be profitable which is a concern for future investors. Our price target of \$29.53 implies possible downside in the future.

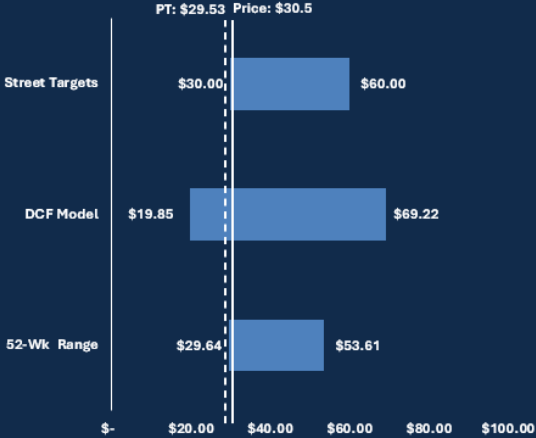
Revenue Segments



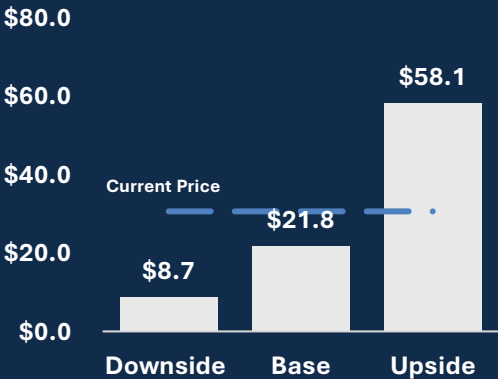
United States International

Terminal Value	
Exit Multiple Method	
2034 EBITDA	\$1,552
EV/EBITDA Exit Multiple	12.0x
Terminal Value	\$18,626
PV of Terminal Value	\$12,997
PV of Projection Period	\$5,013
PV of Terminal Value	\$12,997
Implied TEV	\$18,009
(-) Debt	\$1,910
(+) Cash	\$1,262
Implied Equity Value	\$17,361
Diluted Shares Outstanding	486
Implied Share Price	\$35.72
Upside/Downside	16.8%

Football Field Valuation Range



Risk vs. Reward - DCF Cases



Income Statement (\$mm)	2024A	2025E	2026E	2027E	2028E	CAGR%
Revenue	4,768	5,600	6,702	8,099	9,904	20.1%
EBITDA	(291)	(200)	603	749	941	11.8%
EBIT	(583)	(550)	201	263	347	14.6%
NOPAT	(496)	(480)	177	232	305	14.6%

Margin & Growth Data	2024A	2025E	2026E	2027E	2028E	AVG%
EBITDA Margin	-6.1%	-3.6%	9.0%	9.3%	9.5%	3.6%
EBIT Margin	-12.2%	-9.8%	3.0%	3.3%	3.5%	-2.5%
Revenue Growth	30.1%	17.5%	19.7%	20.9%	22.3%	22.1%
EBIT Growth	-27.8%	-5.6%	-136.6%	30.9%	31.7%	-21.5%

Valuation Metrics	2024A	2025E	2026E	2027E	2028E	AVG%
P/FCF	-282.7x	379.8x	19.8x	16.1x	12.9x	29.2x
EV/Sales	3.3x	2.8x	2.4x	2.0x	1.6x	2.4x
EV/EBITDA	-54.4x	-79.2x	26.2x	21.1x	16.8x	-13.9x
FCF Yield	-0.4%	0.3%	5.0%	6.2%	7.7%	3.8%

Comparable Companies

\$mm

Ticker	Mkt Cap	EV	P/E LTM	Revenue LTM	EBITDA LTM
EVVTY	\$13,430	\$12,770	10.3x	\$2,630	\$1,700
WYNN	\$12,250	\$21,670	35.0x	\$6,970	\$1,700
MGM	\$8,720	\$38,670	138.0x	\$17,280	\$2,310
SRAD	\$7,660	\$7,350	59.0x	\$1,400	\$471
DK DRAFTKINGS INC. (XNAS:DKNG)	\$15,190	\$15,830	1.0x	\$5,410	-\$31

Ticker	EV/Sales	Gross Margin	EBITDA Margin	EBIT Margin	1 Yr Rev Growth	Rate LF
EVVTY	4.9x	100.0%	64.9%	61.9%		11.6%
WYNN	3.1x	68.3%	24.5%	15.8%		(1.9%)
MGM	2.2x	44.7%	13.4%	7.9%		(0.1%)
SRAD	5.3x	24.4%	33.5%	10.5%		19.4%
DK DRAFTKINGS INC. (XNAS:DKNG)	2.9x	43.2%	(0.6%)	(6.0%)		25.8%

High	5.25x	100.0%	64.9%	61.9%	25.8%
75th Percentile	4.86x	68.3%	33.5%	15.8%	19.4%
Average	3.68x	56.1%	27.1%	18.0%	10.9%
Median	3.11x	44.7%	0.0%	10.5%	11.6%
25th Percentile	2.93x	43.2%	13.4%	7.9%	-0.1%
Low	2.24x	24.4%	-0.6%	-6.0%	-1.9%

DK DRAFTKINGS INC. (XNAS:DKNG)

Implied Enterprise Value (25th Percentile)	\$	15,830
Implied Enterprise Value (Median)	\$	16,820
Implied Enterprise Value (75th Percentile)	\$	26,268

Implied Share Price (25th Percentile)	\$	31.24
Implied Share Price (Median)	\$	33.28
Implied Share Price (75th Percentile)	\$	52.72

Weighted Average Cost of Capital (\$mm)	
Market Risk Premium	4.33%
Beta	1.14
Risk Free Rate	4.39%
Cost of Equity	5.97%
Weighted Average Cost of Debt	6.50%
Tax Rate	12.00%
Cost of Debt	2.06%
Total Equity	\$15,190
Total Debt	\$640
Equity/Total Capitalization	64.00%
Debt/Total Capitalization	36.00%
WACC	8.03%

Downside Case: Our downside case applies a 10x multiple, assuming strong competition in prediction markets. Revenue growth will slow to a 2% by 2030. This case yields a \$21.34 price target

Upside Case: Our upside case applies a 15x multiple, assuming stronger than expected results. Revenue is expected to grow 10% in 2030, supporting a \$74.40 price target

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