



FEATURED OPTIONS RADAR REPORT



DraftKings Bull Eyes Return of Sports

Ticker/Price: DKNNG (\$30.20)

Analysis:

DraftKings (DKNNG) put in a hammer reversal candle at a 50% retracement of its March to June rally and also seeing options market sentiment shift more bullish, a large trade 7/9 sold 7000 of the August 28th (W) \$27.50 puts to buy the \$34/\$39 call spreads, and has over 19,000 August \$40 calls in open interest mainly from seller flow but the August \$45 calls traded 7000X on 7/14 with buyer flow. DKNNG has near-term room back to resistance at the 21 MA near \$34. August should be a key month with earnings scheduled for mid-August and we also should have a better idea on the return of sports, a key driver for DKNNG engagement. DKNNG is one of the few ways to ride the strong sports betting trend in the US with a lot of legislative tailwinds. DKNNG provide users with daily fantasy sports (“DFS”), sports betting and iGaming opportunities, and also involved in the design and development of sports betting and casino gaming platform software for online and retail sportsbook and casino gaming products. DraftKings has hosted over 4.3 million unique paid users. That number encompasses a user base that continues to steadily grow. Its growth is driven both by acquiring new users, engaging existing users and re-engaging past users. It estimates a Sportsbook TAM of \$70B and OSB and iGaming TAM of \$40B. DKNNG estimates a 31% CAGR for revenues 2017-2021 and sees a path to \$1B in EBITDA. It is a clear leader and faces limited competition, a very strong marketing presence. Analysts have an average target of \$47 and short interest is 7.7% of the float. Stephens started shares at Buy on 7/1 noting its presence in emerging mega-trends and the very early innings with DKNNG a clear winner given its brand recognition, product capability and scale. Jefferies on 6/22 started Buy with a \$55 target noting “DraftKings is among the best positioned companies to capitalize on the growth of digital/sports wagering in the U.S., which is in the initial stage of a decade-long acceleration, The political disposition toward expansion of sports betting and internet gaming is increasingly favorable, the demand from consumers is proven and technology is advancing the execution.” It was reported in late May DKNNG was exploring a deal for Bleacher Report and on 5-12 a headline noting Soros is investing in DKNNG, also Disney (DIS) disclosing a 6% stake in early May. Despite no major sports NJ sports betting revenue rose 30% Y/Y in June following a record-setting May. Hedge Fund ownership jumped 22.65% in Q1 filings.

Hawk Vision:



Hawk's Perspective: DKNNG is a great way to play the Sports Betting and iGaming strong theme and like the candle it put in at the 50% retracement level.

Confidence Ranking: \$\$