

SPOTLIGHT OPTION TRADE



Calls in Online Gaming/Betting Winner as Peers Face Headwinds

TRADE SNAPSHOT

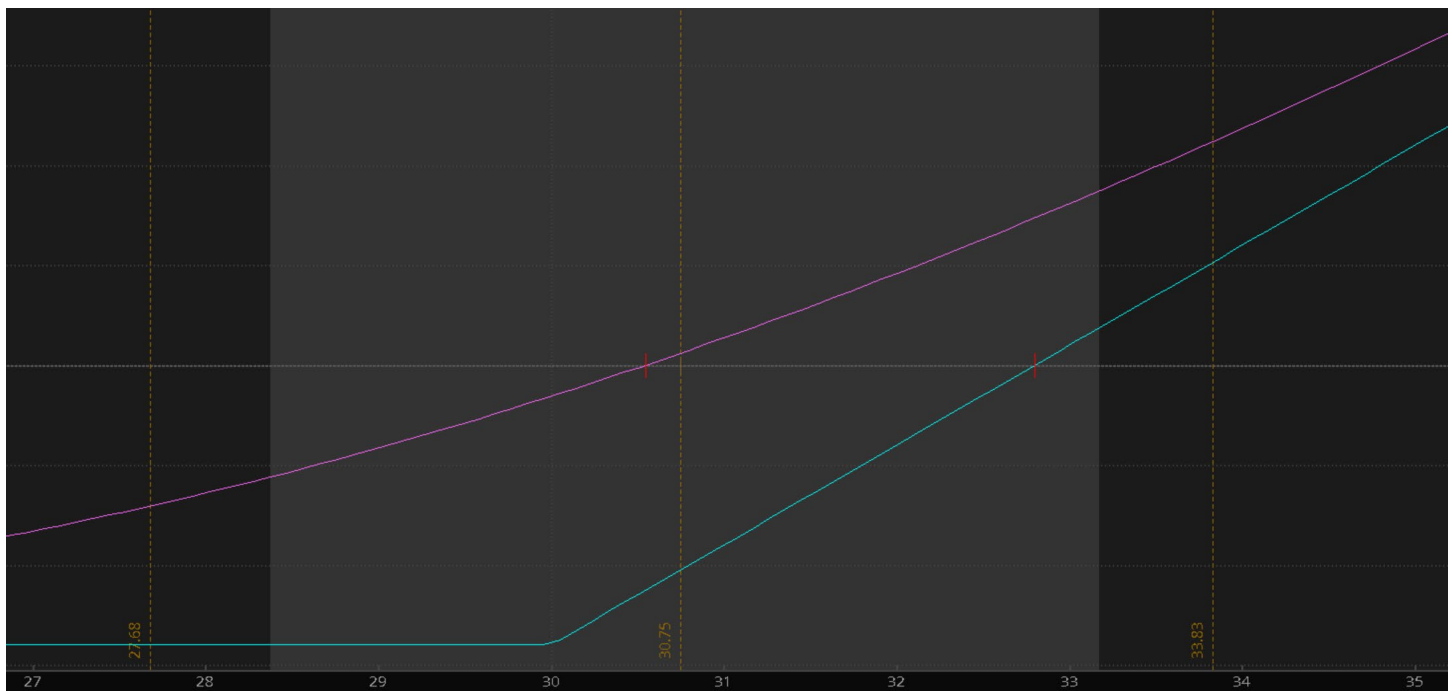
| | |
|---------------|----------------------------|
| TICKER | DKNG |
| SECURITY | DraftKings |
| SECTOR | Consumer Cyclical – Gaming |
| CURRENT PRICE | \$30.75 |
| LONG/SHORT | Long |
| TARGET | \$35 |
| STOP | \$27.50 |
| TIMEFRAME | 1 Month |

Trading Strategy: Long **DKNG** November \$30 Calls at \$2.80 or Better

Net Debit/Credit: Debit of \$2.80

Profitability Zone: DKNG Above \$32.80 on November OpEx

Options Volatility / Trade Simulator View:





Technical Analysis: DKNG has showed impressive relative strength during the correction which suggest it should lead to the upside. DKNG held the rising 21-week EMA as support and forming an explosive looking set-up.



Fundamental Analysis: DKNNG is a digital sports entertainment and gaming company offering online gaming, sports betting and fantasy sports. DKNNG has a market cap of \$14.25B and trades 4X EV/Sales with EBITDA profitability seen for FY24 putting it at 50X estimates but a strong profitability ramp seen the next few years while the topline continues to also grow quickly. DKNNG acquires the majority of its new customers in the Fall with NFL and NBA seasons and recent cyber-security incidents at peers could lead to outsized market share gains along with the ESPN/PENN deal. DKNNG feels it offers the best product in the industry and sees plenty of routes to further optimization for costs and should lead to further improved profitability. DKNNG's continued focus on product enhancement (SGP) and expansion of betting market offerings has enable the company to improve its share over the last year. DKNNG's hold continues to improve as 2Q sports betting hold was ~10% (9% hold-adjusted), up from 7% last year driven by higher parlay mix and increased trading optimization. Analysts have an average target of \$36 and short interest is at 6% of the float, down 21% Q/Q. Argus is at Buy with a \$34 target noting declining customer acquisition costs. JPM upgraded to Overweight recently with a \$37 target citing attractive same-store and new market growth prospects, against the backdrop of an industrywide improving operating expense control environment.

Options Activity:

| Date | Ticker | Contract | Volume | Price | OI | Delta | IV | Premium | Last | Current | ▲ Price % | ▲ OI % | Current Value |
|------------|--------|-------------------------------------|--------|--------|--------|-------|--------|-------------|--------|---------|-----------|-----------|---------------|
| 05-19-2023 | DKNNG | DKNNG 100 17 NOV 23 30 CALL | 11,035 | \$1.82 | 492 | 0.36 | 53.42% | \$2,052,510 | \$2.79 | 51,649 | ▲ 53.3% | ▲ 348.07% | \$14,410,071 |
| 10-03-2023 | DKNNG | DKNNG 100 17 NOV 23 30 CALL | 17,697 | \$1.63 | 32,604 | 0.42 | 60.99% | \$2,902,308 | \$2.79 | 51,649 | ▲ 71.17% | ▲ 2.68% | \$14,410,071 |
| 05-19-2023 | DKNNG | DKNNG 100 17 NOV 23 25 PUT | 11,000 | \$4.1 | 82 | -0.46 | 55.82% | \$4,565,000 | \$0.45 | 45,511 | ▲ 89.15% | ▲ 310.67% | \$2,025,240 |
| 10-03-2023 | DKNNG | DKNNG 100 17 NOV 23 25 PUT | 17,554 | \$1.17 | 28,064 | -0.27 | 65.16% | \$2,106,480 | \$0.45 | 45,511 | ▲ 61.97% | ▼ 0.23% | \$2,025,240 |
| 10-03-2023 | DKNNG | DKNNG 100 17 NOV 23 35 CALL | 17,859 | \$0.5 | 6,989 | 0.18 | 60.63% | \$928,668 | \$0.88 | 26,260 | ▼ 76% | ▲ 5.68% | \$2,310,880 |
| 12-02-2021 | DKNNG | DKNNG 100 19 JAN 24 30 PUT | 1,254 | \$9.25 | 2,383 | -0.31 | 58.51% | \$1,260,270 | \$2.77 | 21,486 | ▲ 70.11% | ▲ 490.76% | \$5,940,879 |
| 12-03-2021 | DKNNG | DKNNG 100 19 JAN 24 25 PUT | 3,035 | \$7.6 | 111 | -0.28 | 61.82% | \$2,306,600 | \$1.06 | 15,299 | ▲ 86.12% | ▲ 386.3% | \$1,614,045 |
| 06-06-2023 | DKNNG | DKNNG 100 19 JAN 24 35 CALL | 5,642 | \$1.74 | 5,012 | 0.32 | 50.97% | \$1,032,486 | \$1.89 | 11,677 | ▲ 8.62% | ▲ 9.6% | \$2,206,953 |
| 10-02-2023 | DKNNG | DKNNG 100 (Weeklys) 3 NOV 23 22 PUT | 10,005 | \$0.22 | 11 | -0.07 | 69.93% | \$220,110 | \$0.1 | 10,047 | ▲ 54.55% | ▲ 0.31% | \$100,470 |
| 08-07-2023 | DKNNG | DKNNG 100 17 NOV 23 30 PUT | 1,634 | \$2.55 | 314 | -0.36 | 53.93% | \$424,840 | \$1.88 | 8,298 | ▼ 26.47% | ▲ 325.98% | \$1,555,875 |
| 08-15-2023 | DKNNG | DKNNG 100 17 NOV 23 30 PUT | 1,518 | \$3.8 | 3,185 | -0.50 | 55.69% | \$584,430 | \$1.88 | 8,298 | ▲ 50.66% | ▲ 76.44% | \$1,555,875 |
| 08-17-2022 | DKNNG | DKNNG 100 19 JAN 24 22.5 CALL | 3,225 | \$6.4 | 2,137 | 0.64 | 71.16% | \$2,080,125 | \$9.2 | 7,791 | ▲ 43.75% | ▲ 45.3% | \$7,167,720 |
| 05-19-2023 | DKNNG | DKNNG 100 15 DEC 23 30 CALL | 1,609 | \$2.24 | 1,406 | 0.39 | 53.51% | \$358,807 | \$3.35 | 6,877 | ▲ 49.55% | ▲ 128.09% | \$2,303,795 |
| 03-08-2023 | DKNNG | DKNNG 100 20 OCT 23 25 CALL | 1,230 | \$1.85 | 228 | 0.39 | 56.67% | \$232,470 | \$5.8 | 6,607 | ▲ 213.51% | ▲ 353.16% | \$3,832,060 |
| 04-03-2023 | DKNNG | DKNNG 100 20 OCT 23 25 CALL | 4,413 | \$1.54 | 1,652 | 0.35 | 56.77% | \$679,602 | \$5.8 | 6,607 | ▲ 276.62% | ▲ 8.94% | \$3,832,060 |

Potential Catalysts: Earnings Early November

Disclaimer:

Not Investment Advice or Recommendation

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