Flutter Entertainment plc

FANDUEL

US Capital Markets Day

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Opening Remarks

Lisa Kerney

TV Host, FanDuel

Welcome

If that is any indication, I just have to say you are in for a fantastic day here with us today. Good afternoon. Welcome to New York City for many of you, and for all of you, welcome to Flutter and FanDuel's Capital Markets Day. I am Lisa Kerney, host of FanDuel TV's More Ways To Win.

For those of you that have not watched, find me later. I will tell you how to catch the show. But also we are a sports betting show, currently prepping for week 11 of this NFL season, and as I stand here in New York City, I would be absolutely remiss not to shout out the surprise team of the year. How about the seven and two Giants? Seven wins. Are there Giants fans here? I mean tremendous football being played throughout the league, and lucky for us, a lot more football left to play this season.

And with that, there is a lot to get to today as well. I am thrilled to be your host in sharing insightful and important conversations as our business rapidly scales in this incredibly exciting time in our industry. Many of you know, I came to FanDuel from ESPN where I anchored SportsCenter as well as NFL Live and Fantasy Football Now. But I have to tell you, I am truly a basketball player at heart. I am a former collegiate point guard. So I am telling you fast break, pace, tempo that is in my nature, and it is no exception here today for all of you. So with that, we are going to get right to it, okay?

Agenda

Thank you for being here. Thank you for your interest in FanDuel, America's number one sportsbook with more than 42% market share in sports today. Over the next two hours, our leadership team will take us through market opportunity, FanDuel Advantage, Flutter Edge, iGaming opportunity as well as share some insights into our financial trajectory as well.

At the conclusion of these presentations, we are going to take a quick 10-minute break, 10 to 15 minutes, get up, stretch your legs, have some conversations, whatever you need to do. And then please return to your seats after that for a 50-minute Q&A session with our presenters. Following that Q&A session, we will invite you to enjoy our product demonstrations, which, as you walked into this phenomenal venue, you noticed the product demonstrations there ready to go for you. Those will be up and running, and will be looping over the course of an hour. So please take your time at each of the product demos. You will have plenty of time to take it in.

And during that time, we are very excited to be hosting a reception of cocktails and small bites as well, both during and after, which will be a great time for you to meet and engage with more of our FanDuel team as well.

At this time, please kindly silence your cell phones, and be aware today's event will be webcasting live and is being recorded.

And with that, it is game time. So let us begin and welcome in our audience joining us live via the webcast. For those of you joining remotely, welcome to Flutter and FanDuel's Capital

Markets Day. Again, I am Lisa Kerney, host of FanDuel TVs More Ways To Win and thrilled to be your host here for today's event. It is game time. There is a lot to get to. So let us get right to it and kick this thing off.

And it is my pleasure and honour to introduce to you the Chief Executive Officer of Flutter Entertainment, Mr Peter Jackson.

Introduction

Peter Jackson

CEO, Flutter Entertainment

What I will cover

Good afternoon, and thanks for taking the time to join us all here today. It is fantastic to see so many of you here in person in this amazing venue and to have even more of you joining us via the webcast. It is a real privilege to be able to introduce Amy and the team, who in tandem with the wider FanDuel and Flutter family have built the amazing position we have in the US.

We have wanted to demonstrate why we are the number one operator and why that leadership position is sustainable for a long time. And I am delighted we finally get the opportunity to do that this afternoon.

In my introduction, I will give you an overview of the hugely successful Flutter Group, with number one positions in the largest regulated online markets. I will touch on how the capabilities and expertise we have built up operating online sports betting and gaming businesses around the world have given FanDuel the raw materials and support to win in the US.

Finally, I will present why leadership matters in digital businesses and what this means for the future potential of the Group. Put together, this provides a clear path to creating significant shareholder value.

Unparalleled scale and success of world's #1 online gaming business…

Turning to slide five. Amy and the team are going to take you through our US business in depth. Outside of the US, we have some of the world's leading sports betting and gaming brands. We have over 20 years of experience in running highly profitable businesses. Our combined ex US businesses have eight million players on a monthly basis and generated £5.5 billion in revenues and £1.4 billion in EBITDA in the 12 months to June 2022.

We operate in over 100 countries with a well-diversified product range. This provides a business with exposure to attractive growth markets as our industry evolves, and also underpins our long track record of growing through regulatory change.

…extending scale and #1 position in the largest regulated markets

Slide six provides a visual representation of the geographical diversification we have across our top 15 global markets. As you will see in mature markets, there tends to be a higher concentration of share in sports, while gaming is more fragmented given the commoditised nature of the product, something we expect to be replicated in America.

We have the number one position in the largest regulated online markets in the world, including more than 40% share of the sports market in countries, including the UK and Ireland, Australia and the US. We also have strong online positions in a large range of exciting international markets, such as Italy, where we have a number one position in Europe's second largest market. We also have positions in Brazil, Georgia and Spain as well as India, where we are investing meaningfully to capitalise on our scale advantage.

This means that within the Group, we have built up the pattern recognition of what it takes to win in this sector across a whole range of market types, and we are bringing all this experience to bear here in the US.

Globally, the opportunity for our business is massive with a market size estimated to be over £300 billion in gross revenue annually, with only 25% of this online.

A diverse portfolio of products with a history of innovation

We are also able to combine this geographic diversification with product diversification, as you can see from the chart on slide seven. We have a broad range of complementary products within the Group and significant expertise in increasing customer value through cross-sell. This is allied with the heritage in launching game-changing innovations such as the Exchange, Cash Out and Same Game Parlay. We have a history in setting the agenda for the industry and given the scale of our investment in product innovation, we expect this to continue.

FanDuel was the premium US asset when PASPA was repealed in 2018

I now want to talk about the US opportunity and how we ended up owning FanDuel. In 2018, when I became CEO, the review of PASPA was before the Supreme Court. I knew, should it be repealed, first-mover advantage in the market would provide a significant head start for long-term success.

And as I have outlined in the previous slides, we knew we have the capabilities within the Group to win on the product side. And indeed, we started developing a product for America in early 2018. However, our market research told us we needed a brand. Outside of Boston, Paddy Power did not have cut through.

Now I would not go through all the bullets, but it was clear that FanDuel had all the right attributes to be our partner. And through its DFS business, it earned the right in consumers' minds to be associated with real money play on US sports. Through the large brand investment it made, FanDuel had built up a database of seven million sports fans with research pointing to a large proportion of these already betting on sports.

Crucially, we also saw FanDuel as a great cultural fit with the rest of our organisation, and given the need to share expertise across the Group this was essential to harnessing the power of the combined businesses. While some of the people may have changed since 2018, the FanDuel culture and the focus on winning in the right way has remained in place. Since Amy's transition into the CEO role last year and the evolution of her leadership team, the business has not missed a beat.

Strengths and expectations from 2019 CMD have played out

For those of you who were with us at the Meadowlands for our last US Capital Markets Day in March 2019, we gave you a range of key messages to take away from that session.

As the subsequent presentation will demonstrate, these messages have proved overwhelmingly true as the market has evolved over the last 3.5 years. The strength of FanDuel, combined with the capabilities of the Flutter Group, have delivered the successful business we have today, but also the competitive advantages that will maintain this success into the future.

FanDuel's success is underpinned by Flutter's deep expertise and capabilities

Slide 10 highlights how FanDuel is leveraging Flutter's capabilities across a broad range of areas, which Amy will expand on and what we describe as the Flutter Edge. It is not limited to the areas on the slide. As we take you through the presentation, you will see many touch points where Flutter capabilities allied with local skills and local knowledge are delivering key sustainable competitive advantages.

Nowhere is this more evident than how FanDuel has harnessed Flutter's pricing and risk management capabilities to deliver the industry's biggest range of sports betting products whilst also delivering leading win margins. We see this replicated in all our global brands, and this is the key factor in our leadership of this industry, both at local and global level.

In digital markets, being the leader matters

Earlier this year, we updated you on the refinements we have made to the Group strategy, most notably about our determination to maintain the number one position in the US market. Leaders in digital markets typically take an outsized share of the profit pool as they have the ability to leverage their investment in products, platforms and expertise across a larger business, and therefore, generate a higher margin than competitors.

These leaders can leverage the flywheel effect, which sees them taking their largest share of market revenue and reinvest this in a superior customer proposition, which in turn drives further revenue growth. As demonstrated on the slide, we see lots of digital industries where the leader can have over two times the market share of their nearest competitor. We see this effect at both a local and a global level in our industry, and Amy will take you through how the US team are leveraging this benefit.

Optimal group strategy to deliver long term shareholder value

Finally, on slide 12, I wanted to reference the Group strategy I have just mentioned. Flutter combines the huge value creation opportunity that exists in the US market with a growing, highly diversified and cash-generative business outside of America. Our US business has sustainable competitive advantages to continue to lead the market. And this is reflected in the superior customer unit economics we benefit from.

With expected FanDuel profits in 2023, the financial flexibility of the Group will be transformed. The ex-US business has grown the top line at 10% per annum over the last three years despite significant regulatory headwinds, while profits are converted into cash at a high rate. This combination makes Flutter a highly compelling investment proposition.

And with that, it gives me great pleasure to hand you over to Amy and the FanDuel team.

[Video]

Introduction to FanDuel

Amy Howe

CEO, FanDuel

Our management team

That video never gets old. I think I have watched it a dozen times. Welcome, everybody, and thank you so much for joining us today. I know my management team and I are delighted to share the FanDuel story with you, and as Peter said, to explain why we are winning in the US, why we believe our competitive advantages are sustainable, and of course, what it means as investors in Flutter. So let me take the next ten minutes or so and just simply set the stage for what you are going to hear from my top team.

So, my top team which I am incredibly proud of. It was just a little over a year ago when Peter, Gary and the Board gave me the opportunity to run FanDuel. And at the time, I knew my first and candidly my most important act was to solidify my top team. And as Peter mentioned – thank you, Peter – we did not skip a beat, and perhaps most importantly landed, in my humble opinion, what I think is one of the most distinctive and diverse teams in the sector, and you are going to have an opportunity to hear from them today.

But this team represents a combination of executives like Christian, Mike and Andy, who have not just shaped FanDuel from the early daily fantasy sports days but the entire sector, along with distinctive individuals like David Jennings, who came over from Flutter, many of you know him having run Flutter Investor Relations.

And we have a number of other amazing executives that are experts in their respective functional areas of expertise. Andy Sheh, who is our Chief Technology Officer, is one of them, and you are going to hear from him today about how we have been leveraging that Flutter Edge, particularly around the technology platforms. But my entire team is here today, and I hope you get an opportunity, many of them are sitting over here and over here, to interact with them during the reception.

But I think and I hope that there is also something else you will see about how powerful the FanDuel culture is today. This is a high integrity, humble and unbelievably competitive organisation that wants to win. But we want to win the right way. And one of the things I will talk about later on in the presentation is in the context of responsible gaming and diversity, equity and inclusion, and how we are leading from the front on both of those initiatives.

Diverse product suite available in 48 states

So let us talk about our position in the US and why we are winning. First, the fundamentals of our business. We will spend the majority of our time talking about the two core businesses where we are a dominant number one, in the sportsbook business, operating in 19 states today, and the FanDuel casino business, where we have a number three position, and I will talk specifically later on around our plans to accelerate our position in casino, which are very compelling.

But if you look at the bottom of the page, a number of those products play a critically important role in the portfolio as well. So either they are helping us drive critical acquisition to our core businesses and create further scale in both sports betting and iGaming, and/or as in the case of horse racing where we are also the number one, they are providing phenomenal engagement and monetisation opportunities as we bring millions of sports betting and iGaming users onto the platform. So critically important portfolio, and by far one of the most diverse in the industry today.

We have built a clear leadership position in online sportsbook…

Well, let us take a closer look at our position in sports betting. If there is one thing I hope you take away from this chart, it is that FanDuel is America's number one sportsbook by a wide margin. For three years, if you look at this chart, this goes back to Q1 2020, ironically the beginning of the pandemic, but we have consistently maintained that number one position.

And while the precise numbers, of course, are going to move around from quarter-to-quarter based on seasonality and acquisition activity, what you can see is that we have not just sustained that lead, but we have widened that margin, that gap over time.

What you do not see on this chart, though, and I am sure many of you read the monthly Eilers reports, is that in October, there were 59 different sports betting operators, yet only three companies had double-digit share positions. And then if you double-click even further, 52 of the 59 had less than a 2% share. Almost 90% of the operators had a sub-2% share of the market.

So while many of you asked us the question how do you feel about new competitors coming into the space, it should be clear that new entrants that are entering now at this point may face a real challenge taking on scale players who have more than a four-year head start.

…and we are #1 in almost every state in which we operate

As we zoom in and we then look at the performance by state, what you also see is that with very few exceptions, we are leading in nearly every state that we operate in. And this is a big portfolio of states, so it is true in states like in New Jersey and Pennsylvania, which were the first to legalise after the repeal of PASPA, but it is also true in states like New York, Arizona and Connecticut, which just came online in the last year. So, very proud of how we have been able to establish that position.

We are now a #3bn revenue business…

So what does all of that translate into? As you can see from this chart, a pretty radical transformation of the business in a short period of time. So if you go back to 2018 again, around the time the PASPA was repealed, FanDuel really was a $300 million business, and it was predominantly daily fantasy sports and racing.

If you fast forward less than four years later, we are projected to close out the year with $3 billion in net gaming revenue, 90% of that coming from sports betting and iGaming. So just a huge transformation in a really short period of time.

…with significant runway for growth

Despite that, we see significant runway for growth, and Christian Genetski is going to come up and talk about this in a minute, but we estimate that the market could grow from roughly $9 billion today to $40 billion by 2030, our estimate of maturity. And there are really two key drivers here. One is if you look at sportsbook, we are at about a little over a third of the population today, and we think that could be as high as 80% by 2030. That takes you to roughly a $23 billion TAM.

On iGaming, obviously we have not had quite the same regulatory momentum, but we see a potential doubling of the population from 12% to about a quarter of the US population, which could drive another $18 billion in TAM. So all in, a 4.5 times multiplier from where we are today. So a significant runway for growth despite what I just showed you.

The FanDuel Advantage driving our winning position

Now the question that I know all of you have, which is why are you winning, and probably more importantly, how sustainable are your competitive advantages?

So Mike Raffensperger, our Chief Commercial Officer, and Conor Farren, our Head of Sports Product and Risk and Trading, will speak to these very advantages and why we believe they are very difficult to replicate. But let me quickly set the stage for what you are going to hear from them.

First, we are incredibly efficient around how we acquire customers onto the platform. Mike will show you the numbers. The numbers are extremely compelling. And there are a few things that are driving this. One is we have been investing in a brand for over a decade. It has given us a huge head start. But we also have a database of 14 million engaged sports betting users. Now many of those came from, obviously, the early daily fantasy sports days, but we have kept building that database over time.

And what you will hear from Mike as well is we have access to some of the most coveted league, team and media assets in the industry. And candidly, many of those are just not available to late entrants in the market,so we acquire customers more efficiently than anyone else.

Once we get them onto the platform, we believe our retention rates are among the very best in the industry and this is thanks in large part to a few things. One is, as many of you have heard we have always had the leading edge on product, and that is thanks in large part to what Peter was talking about around that Flutter Edge; we were able to bring products from Australia, from UK and Ireland as early as 2018, 2019. But we have kept innovating, which you will see a little bit later on and Conor and Mike will talk about.

But we have also been the number one rated app. We understand the importance of speed and ease of use from the time that you sign up until the time that you cash out, and we have done a lot to improve that overall experience, which candidly builds trust over time. It is one of the most important things that we do. We are taking a lot of private and confidential financial information. So that trust has been a key driver of our success in the states.

And importantly, what you are going to hear from Mike in particular, is we have taken a generous, but perhaps more importantly, a highly disciplined approach to how we deploy promotions in the marketplace both in terms of acquiring and retaining those customers. And again you will see the numbers, which are also very compelling.

Conor Farren, who from my perspective is one of our most humble executives, runs our risk and trading organisation, came from outside the Group, and he has just done a phenomenal job. Runs, candidly, the most distinctive risk and trading organisation in the industry. And it is those proprietary skills that we had built in-house that have allowed us to price more accurately and more competitively than the rest of the field. And what you have seen or will see is that this has given us a huge structural margin advantage relative to the rest of the field, and we do not think we are done yet. And Conor will show you our path to that.

There is a couple of other important points to note here, right? Any one of these points taken in isolation is compelling and a real advantage. However, what is particularly unique and candidly hard to replicate is when all of these are taken in an integrated fashion, and that is what our team works incredibly hard every single day to do; to work across teams and across the organisation to make sure that all of these work together.

But the other thing I would say is, again, threaded throughout all of this is a level of financial discipline that we focus on every single day, but we are also putting our customer at the heart of this, right? We will talk about responsible gaming and we believe that both of these things are absolutely critical as we think about building a sustainable business for the long run, and candidly a lot of great learnings that we are taking from the rest of the Group.

So in a minute, Mike and Conor will come up on stage and talk through these in much more detail.

Benefiting from the Flutter Edge

What I want to do now is also talk about all of these advantages that are underpinned by what we call the Flutter Edge. Now what do we mean by the Flutter Edge? Some of you are familiar with these, some of you may be less familiar.

There are really four key drivers of the advantages that underpin what I just talked about in terms of all of our FanDuel Advantages. One of those is a massive infusion of capital, $1 billion of organic funding that has been deployed towards FanDuel since 2018, when Flutter first made the acquisition of FanDuel.

Talent. You will hear from many of those folks today. Many of them are also going to be doing some of the product demos, but 30% of my top team, VPs and above, came from Flutter. Collectively, that gives us 150-plus years of experience. Speaking of, if you look at globally, and I will share some of these numbers with you, which are incredibly compelling. 20 years, decades of experience; 20,000 employees serving 20 million customers; that is expertise and know-how that you simply cannot recreate overnight, and we are leveraging that every single day to fuel our position in the US.

And then finally, Andy Sheh, our Chief Technology Officer, will talk about the 6,000 technologists that we are leveraging, but perhaps more importantly, the scalable and proprietary tech platforms that have really fuelled our position in sports betting and we are now leveraging as well on the iGaming front. So that Flutter Edge has been critical, and as somebody who is still somewhat new to the organisation - less than two years - I can tell you, it has been very eye-opening for me just how powerful this has been.

The FanDuel Advantage drives our flywheel, creating a larger and more profitable business…

So taken together, the FanDuel and the Flutter Advantages create a really powerful flywheel effect for us, and I am sure you've heard Peter and Jonathan talk about this in earnings calls.

How do we do that? First, as I said, we are starting with the best customer proposition in the market. This, in turn, is driving higher revenue growth through that efficient acquisition, better retention and responsibly growing those customers once they are on our platform.

David Jennings will then talk about how we are creating phenomenal operating leverage in the business. That is obviously much easier to do when you are a scale player. But that operating leverage and the superior economics has allowed us to reinvest back into the business and better product innovation, continuing to build our brand, making sure that we are deploying generosity to the right customers in a responsible way, all of that creating a bigger scale advantage in fuelling that flywheel.

And as we all know from flywheel businesses - because lots of companies use this analogy - the hardest part is getting that momentum in the first place. We have that momentum, and now it is about just making that go even faster, so David will unpack this in a bit more detail.

…with potential to deliver ~5x 2022 revenue at maturity, at margins similar to other divisions

So all of that is great, but I am guessing what you really want to know is what does that translate to in terms of the future economics of the business. So again, David will go through the individual drivers, but we believe that at maturity, market growth, combined with our scale and competitive advantages that Mike and Conor will talk about, will create a pathway to 4.5 to 5 times revenue at EBITDA margins that are in line with other Flutter divisions, falling somewhere between 25% and 30%.

And we do believe that we will be on that high end of the range, five times because we are projecting a slight share growth, some of that coming from improvements in casino, but again David will talk through that in more detail.

As we have also said publicly, we are incredibly confident about our path to full year profitability for 2023. So huge opportunity, phenomenal momentum in the business and a pathway to phenomenal value creation.

So with that, let me now bring up Christian Genetski, President of FanDuel, and he will talk about the attractive market opportunity and how we see the regulatory environment unfolding in both sports betting and iGaming between now and 2030. Thank you.

Market Opportunity

Christian Genetski

President, FanDuel

Significant scope for further expansion

Good afternoon, everyone. It is great to be here with you today. I was having a conversation earlier this morning about the Super Bowl, and it brought to mind the fact that this year's game is being played in Arizona; makes it a bit of a bookend for me because my first day at FanDuel was the Monday after the Super Bowl that was played in Arizona the last time in 2015. And throughout my nearly eight-year tenure at FanDuel, I have had a number of different roles and responsibilities, but one that I have consistently held is oversight of our government affairs and lobbying efforts; managing them for FanDuel in conjunction with an industry coalition that during that time, has spurred the passage of over 40 state laws across daily fantasy sports, sports betting and iGaming.

In 2019, I stood on stage at our last Investor Day at our retail sportsbook in the Meadowlands, and I made a number of predictions about what we thought the potential for the sports betting market was. Looking back now it is very clear that we underestimated the power of this market. So today I want to talk to you about what we have seen as the markets developed over the 4.5 years since PASPA was repealed and what we believe that portends for the future.

The first thing to say is that we are ahead of where we thought we would be at this point. New states have opened more quickly than we anticipated, with our help driving those efforts. And in addition, once states have launched the growth of the business in those states has accelerated at a pace that we did not anticipate. But we are far from done. We have got major headroom from growth driven by two factors:

- First, there is a lot of white space left on the map, a lot of new states that we can open to increase our population coverage; and
- Second, we believe there is still a lot of runway for growth in our existing states.

Based on those, we have justifiable confidence based on our experience, that we will continue to expand the TAM in a manner that allows our business to thrive. Before we get to today, a quick history lesson, and when I think about looking back over a decade, I think about a quote that Brooklyn Dodgers legend, Branch Rickey, often used, which is that luck is the residue of design.

We have invested significantly in resource and expertise to get to where we are

Our company was sowing seeds, both on the FanDuel and the Flutter side, well in advance of the Supreme Court decision in 2018 that positioned us well to take advantage of that opportunity when it presented itself. On the FanDuel side, we were running a daily fantasy sports business, building a brand and a database attractive to sports fans who were interested in real money gaming. And starting in 2016, we built out a lobbying infrastructure that has suited us very well in the wake of the PASPA decision.

On the Flutter side, Flutter invested in TVG in the United States, launched an online casino in New Jersey, sent a lot of talent over to the US and began understanding the US market in preparation for the days to come. Now obviously, the seminal event here happened in 2018 in a conference room across town, where a number of people who are here with us today were gathered and were crossing the t's and dotting the i's on Flutter's acquisition of FanDuel and interrupted that process to flip open our laptops and feverishly read the Supreme Court decision that came down while we were sitting there, happily favourably and paved the way for sports betting.

Our market advocacy seeks to achieve two primary goals

We have two main goals in our market advocacy and I think our track record to-date has been largely successful.

- First, we are trying to unlock new markets, and we have opened 19 states for sports betting and five for iGaming since 2018; and
- Second, with rare exception, we have seen states adopt mostly consistent regulatory frameworks to both sports and iGaming that have created a regulatory environment, in which a company like FanDuel that is operating at scale can thrive.

Impressive market value already unlocked since PASPA repeal…

Let us take a look at the size of the market that we have already unlocked. Through the first half of 2022, so roughly four years post PASPA repeal, we are looking at a $4.6 billion total GGR market for online sports betting alone.

On the face of it, you will see from the chart the market has expanded at a mostly steady rate, give or take 7-9% of the US population becoming eligible to place a bet on FanDuel every year.

Now as someone who is painfully close to that effort in each individual state on a day-by-day basis, I can tell you that it did not always feel like that. It felt a little bit more like fits and starts. We had some pleasant surprises where states opened up well ahead of schedule, and we had some other more frustrating experiences where it may have taken an extra legislative session or two to get the result we wanted.

In fact, sometimes even the relation between passing a law and actually launching your business in a state can differ greatly. As one example, we are poised to launch in Maryland next week. That is roughly two years after we passed aballot referendum in Maryland to legalise online sports betting. By contrast in Kansas, the governor signed the sports betting law into effect in the middle of May of this year and we were live, taking bets the first week of September.

All of which to say the road is not always even on the way there but when you step back 4.5 years later and you look, you do see that steady drumbeat of growth, and we think the future is going to look similar to that.

The other important point on this slide that I would emphasise is the commensurate growth of the TAM during this period. When I stood onstage in 2019 in New Jersey that was our only state that was live, and so we said we could see a path to the overall online sports betting market at maturity being 10x that of New Jersey. At the time that equated to a $6 billion GGR market. Today, just four years later, we are already at $4.6 billion.

…in a mostly balanced regulatory environment

We have achieved that in a mostly balanced regulatory environment. It is important to remember that what the Supreme Court did was turn the keys over to the states. And so, each individual state had to find its own path for sports betting, so by necessity we were going to be looking at a patchwork quilt of different regulations.

We have invested considerable resources in trying to shape what that environment looks like and I think we have done a good job of achieving what I would call sufficient uniformity across the states that allows our business to thrive.

Let me give you a few examples of some of the critical achievements. First, with a couple of early exceptions which have since been remedied, we have not seen states institute artificial barriers to growth like requiring on-site registration to have a mobile account. It is hard to remember now but that was a big part of the early debates post PASPA. Does not come up much anymore; all states are going immediately to mobile registration.

Second, not only are we getting mobile registration, we are now seeing a trend towards getting authorisation to run pre-live marketing in advance of a launch. We are doing this today in Maryland and the ability to sign up customers before our official launch date, help them get their accounts ready, has led to much greater and quicker uptick when we launch a state.

Another interesting trend we are seeing is one towards direct licenses for mobile operators. Again, harkening back to 2019, there was a sizable chunk of my presentation that was covering our market access footprint. And while that has been important to our early success and we have market access where we know we will need it, what we have seen is a trend towards states doing direct mobile licenses.

Obviously given FanDuel's market position, if a state has even one or two mobile direct licenses available, we are going to be well positioned to get those licenses. And we are seeing this even in states like Massachusetts and Maryland that have casinos and racetracks who were also awarded licenses; they are adding to those, additional mobile licenses.

The fourth point, which is probably a bit less obvious, is that it is been critically important for us to achieve, again, a sufficient level of uniformity across states on our technology. The single most important point here is, although we have separate tech stacks in each state and it is a complex operation to run, for our customers their experience is that they have one account, one wallet, one user name and log-in across every state, and Mike is going to get into a bit more detail about why that is so important later.

Finally, the last point is the tax landscape. Now here, across the 19 states in which we have passed sports betting, we have seen fairly uniform and sustainable tax rates, ranging from high-single digits to 20%. There is one notable outlier and that is the state in which we are all sitting or standing right now, New York.

What I would say about New York is in the wake of the high tax rate in New York, I got a lot of questions about contagion to future states and that is just something that has not really materialised. We have passed laws in four states following New York, and the tax rates in those states have ranged from 10-20%, in line with the states before New York. And one of those was Massachusetts, which is a notably high tax jurisdiction.

So I think when you step back and think about what does the regulatory environment look like? It is not simple, it is not easy, and it is not necessarily low cost. Building a compliance infrastructure to manage your operations across 20 different states with 20 different regulators is no small feat in and of itself. But for a company like FanDuel that is operating at scale across all of these states, we feel that we have got a regulatory environment that is working well for us.

Increased upside from greater population coverage as new states go live…

Now let us talk about the future. We have a lot of runway for growth in this business. First, we have states representing a sizable chunk of the US population that have yet to come online. By June of this year, we had reached about 35% of the US population for sports betting and about 11.5% for iGaming.

We now see a path to those numbers reaching 80% for sports betting and 25% for iGaming by the end of this decade. The progress on the way there will probably be a little bit lumpy, as it felt on the way from 2018 to 2022. But we think when you look back over that same sort of period of time, it is going to look very similarly, like a steady drumbeat of growth.

Now some of you may be asking or thinking this is a bit of an odd time for me to be making this kind of claim given the results of the California referendum last week, which I am sure you are all familiar with, so let me address California briefly.

I have talked about how we have had states be ahead of schedule and states behind schedule. In the case of California, 2022 would have been by anyone's measure, audaciously ahead of schedule. If you would ask me 18 months ago, I would have said there was virtually no chance we would even be thinking about putting sports betting on the ballot.

We got some momentum in the industry, we had a lot of fundraising in the industry and commitment to give it a go, and so we thought we should. We figured we would learn a lot along the way, and we also thought it was important to give California citizens a choice other than a tribes-only, retail-only sports betting option which had already qualified for the ballot.

I do not want to go into too much detail about all the conversations we had along the way but suffice it to say, it was not always a fait accompli that the large tribal casinos in California were going to oppose mobile sports betting. As it turned out, ultimately, I think they were not ready for it in 2022, and they did oppose it, and they did so at the cost of their own retail sports betting measure.

The takeaway point I want to focus on, on California, however, is that there is one thing on which all the relevant stakeholders agree, the national online operators, the large tribal gaming casinos in California, the small non-gaming tribes, policymakers in California, and that is that, as sports betting continues to spread across the country and the majority of the United States population has access to mobile sports betting, California is not going to be an outlier. It is going to join those states.

I also want to take a minute in the future to talk about iGaming specifically. You can see in the bar charts that we have not achieved the same level of penetration for iGaming to-date and that we do not think that the ceiling in the long run is quite as high as that for sports betting. There are however several reasons for optimism.

First, the tax revenue generation in our existing iGaming states has been very impressive. We have been in a situation in the last four years where state budgets have been fairly flush. And so in those times, the states are not always out looking for new sources of revenue. But in a time of economic downturn, when state budgets become pinched, they will be looking for sources of revenue other than raising taxes on their own citizens, and iGaming is incredibly well positioned when that day comes.

Another significant point, and something that is changed over the course of the last two years, is that we now have near unanimity in the land-based casino community that iGaming is a net positive. So we now have a coalition that involves both the pure-play online operators and the land-based casinos working together to push for iGaming. As a result, we see real momentum, and if you think about the states that are ripe for iGaming, think states that have land-based casinos and have had them a while and have also passed mobile sports betting, so they are getting acclimated to online gaming. So you can think of states like Illinois, Indiana, Iowa, New York, Massachusetts, Maryland, Ohio, Louisiana.

…and increased population penetration in existing states with more recreational customers…

When you sum up the growth across new states on both sports and iGaming, we see a coverage multiplier of 2.3x. The growth of the market opportunity is not just from new states that aren't open yet. We also see a lot of runway in our existing states. It is easy to forget sometimes given the pace of our business, but even our most mature states are effectively teenagers in their life cycle.

In fact, in Q3 of 2022, our pre-2021 states delivered 16% staking growth year-over-year. So they are far from slowing down. And when we compare the penetration of the adult population who had become customers in our more mature international markets, we can see that ample runway for growth in our existing US states.

Now that said, we recognize that as new customers join the category in existing states later in their development, our base will necessarily become a bit more recreational. And for that reason, we have applied a customer data value discount relative to the current player base, based on the data gathered to-date by the Group both in the US and abroad. Net-net, at maturity, we anticipate a doubling in the size of the TAM from growth in our existing states alone.

…leading to massive long-term potential

When you combine these two factors, these two drivers of growth, population coverage and population penetration, you see the massive long-term potential of this market. We scope it to grow by up to 4.5x at maturity, leading to a GGR of $40 billion.

Now again, to close where I opened, I would harken back to our last Investor Day in 2019, when we opened some eyes with the projection that the sportsbook TAM could reach $6 billion at maturity. Today, only four years later, we are 75% of the way there, with only 35% of the country having access to mobile sports betting and much of that only having access for less than 18 to 24 months.

We believe the sizing of the total market, sportsbook plus iGaming, that we are discussing today is far better informed by our learnings over the past few years, but equally is one in which there is plenty of upside still to go.

With that, I am going to hand you over to Mike Raffensperger, who is going to take you through how we are going to capitalise on this immense opportunity in front of us. Thank you very much.

FanDuel Advantage

Mike Raffensperger

Chief Commercial Officer, FanDuel

Introduction

Thank you Christian, and good afternoon everyone. Thank you for joining us. I was also reflecting on sitting at a somewhat less nice stage, but a similar one a few years ago at a Capital Markets, and I had a tremendous amount of conviction then in FanDuel's team, our process and our ability to win the number one position in this marketplace. And I am even more confident as I stand here today in our ability to continue to defend and grow what we built over these last few years.

I am very excited to share about these advantages with you, so I am going to risk actually moving around the stage a little bit. And in a minute, I am going to invite my colleague, Conor Farren, to come up on stage and talk a bit about some of the value proposition and the way we can grow uniquely through our pricing and product proposition.

The FanDuel Advantage driving our winning position

But to get us started, fundamentally, FanDuel has been able to achieve a meaningful and sustained leadership position in this market for three key factors.

First, we are able to acquire new customers, bringing new people onto our sports betting product, trying it for the first time at greater volumes and more efficiently than any other operator. This, and I will walk through some of these numbers and details in a bit, has led to nearly a 24% lower cost per download than our second largest competitor.

Once we have them on our platform, they are more loyal and more likely to spend their sports betting dollars with FanDuel. We retain customers better than any other operator in the sector, resulting in a 77% year-on-year customer retention rate. So we have this big, loyal, highly retained base of customers and what Conor will come and talk to you in fascinating levels of detail is about how we are so uniquely able to create more value and a higher degree of margin than any other operator, to the point where we make 43% more margin per dollar of handle, so per dollar of bet, than the rest of the marketplace.

All of this is culminating in an industry-leading 18-month customer payback period from the point of initial trial.

How we are driving efficient customer acquisition

Let us jump into our advantage in acquiring new customers. Fundamentally, there are three key pillars that are driving our unique proposition and our unique ability to lead in this marketplace.

First and foremost, we have, full stop, the number one brand of any operator in this space. We have built through a head start advantage in both our fantasy sports and our racing business, and I am incredibly proud of the marketing apparatus we have built of world-class assets, process and partnerships across the space, all of which, and Amy touched on this earlier, is underpinned by an incredibly disciplined and thoughtful approach to the finances of our business and at the fundamental level, unit economics of acquiring a customer and then maximising their lifetime value for the shortest payback periods possible.

Invested $2.5bn in marketing over the past 10 years to be #1 brand

So let us start with the brand. FanDuel is, full stop, the largest and most aware brand of any competitor in this space. We have been doing this, importantly, over the past decade with over $2 billion invested in growing nationally the FanDuel brand in association with real money gaming. This is a material and competitive head start.

Not only is that size of check incredibly difficult for many people to cut, but doing so over that 10-year period of time has enabled FanDuel to learn how we do so more efficiently and more effectively than anyone else. Simply put, unless you have a time machine and a couple of billion dollars, it will be very hard to catch up with FanDuel as we continually invest and grow this leadership position over time.

Our customers are our most efficient acquisition channel

But not only is our brand big, it is also beloved. Our number one source of customer acquisition is actually referral from our current customers. About one out of every four customers that joined the FanDuel platform came because their friend or family member told them, "Hey, this is really great, and I want you to try it".

This is actually now our most efficient cost of customer acquisition, where a referral comes onto our platform approximately 60% more efficiently than other channels. This opportunity grows as it scales. As you would imagine, this bigger business of more customers then begets more customers through referral. This is a compounding advantage that grows our efficiency over time, reinforcing and driving forward our leadership position in the market.

Leveraging customer database to drive sportsbook acquisition efficiency

So that all sounds great, but how did we get here? To Amy's point, the hard part is getting the flywheel going. Now, we did so because we have an incredible head start advantage in the database we have been building for over a decade in both our DFS and our racing business. We have over 14 million cumulative registered customers who have signed up for our platform, interested in real money gaming.

Over six million of those have actually already converted in sportsbook states, but the even larger opportunity is yet to come, with over eight million people in that registered database in non-live states.

And one thing I would make a point to differentiate here, it is not just that it is a big database. It is the single most qualified database of sports interested in sports and gaming interested fans in the country. We are unbelievably proud of this. This is an advantage that continues to grow over time even today and so much so that last year, 44% of all the sportsbook wagers that we took actually came from someone who previously registered for one of our DFS products. This is a huge part of our competitive advantage, and again something that grows and compounds over time.

Continually improving playbook for new states

But that head start and that advantage is not just about the database or the fantasy business, it is about the world-class, rigorous and incredibly competitive execution of the entire team at FanDuel. And one thing we have learned beyond the shadow of a doubt, first-mover advantage matters in this marketplace. Launching a new state, not in the first day, but even the first hour, and doing so incredibly effectively matters a lot to winning long term in that state.

And I am happy to say this is a playbook we refine all the time, and we are continually getting better at it. The chart on the screen today shows those states that we launched in 2018 and 2019, so our first states. After about 12 months in operation, we penetrated 1.8% of the adult population. The next cohort of states that we launched in 2020 and 2021, we got a little better at it. And after 12 months of operation, we have penetrated 3.5% of the adult population of that state.

This year, in states that we have not even had 12 months of operation, we are already at 4.4% of all the adults in the state have trialled our product. This is a massive effort across the entire FanDuel team, but fundamentally is leveraging that DFS and head start cross-sell advantage I talked about, deploying innovative, creative and highly disciplined promotions to attract new people to trial our product, and going in and maximising local media team and partnerships to really supercharge our head start and hit day one as fast as possible.

Depth and breadth of partnerships create a barrier to entry for other operators

To that end of partnerships, we have constructed what I think is a world-class and absolutely industry-leading suite of them. It starts with our relationships with both the professional leagues and the teams. We are confident that no one has a more diverse but also rigorous and disciplined, thoughtful approach to who the partners we are in need, how do we drive the most values out of them.

This is a meaningful competitive barrier to entry and differentiator for FanDuel, both because with many of these partnerships, there are simply only a certain amount of exclusive or semi-exclusive slots available to create them. So if you have not had one or you are not able to secure it, it is very hard then to break in at a later time. And also, it unlocks meaningful marketing capabilities that matter in this market. As just one example, you are not able to advertise your sports betting product within a live NFL broadcast unless you have an official partnership with the NFL.

Access to media assets drives superior return on investment

So to that point, the league and the team activations are great. You also need a really powerful suite of relationships and a media strategy to activate them. This is an unbelievably dynamic and robust marketplace, and for an operator of scale, you need to be able to manipulate and think about maximising both national media assets and local media assets. I am incredibly proud of the approach that FanDuel has taken, leaving a tremendous amount of flexibility but also access where we have meaningful and integrated partnerships with access to all of the national media live sports broadcasters and also a number one position where we have more share of voice across the regional sports networks that are airing the majority of MLB, NBA and NHL games.

I know some of you are not necessarily from the United States, but just to put a fine point on this, about 90% of all the advertising inventory that is available across baseball, hockey and basketball takes place through these regional sport networks. No one has orchestrated quite the suite of partnerships that FanDuel has, again, driving our number one share of voice in this unique, and something we are always testing at mix of how we get our approach to these media partnerships just right.

Broad portfolio of betting influencer talent creates a hard to replicate network effect

One thing I have been incredibly proud of, and I think FanDuel was out very early on is getting in front of this shift from traditional media or even company-based partnerships to direct partnerships with the largest, most engaged and authentic voices in the space.

To be candid, we have swept the Board of exclusive partnerships with individuals and influencers who are endemic and authentic to sports and sports betting. The folks on this page are just a smattering of literally hundreds of relationships that we have, but are some of our most marquee. Our keystone partnership with Pat McAfee meaningfully and materially moves the needle in our business. As just one example, this past Super Bowl, Pat came up with a Same Game Parlay bet and encouraged his fans to tail alongside him. Nearly 0.25 million people wound up placing that bet.

We are pretty confident, in the global history of sports betting, this created the largest communal parlay bet in history.

So I am going to bring this all together for a second and spice things up with a video. What if you take our fantastic partnership with the NBA league, you pair that with a world-class broadcaster in TNT for national games and put it in the mouth, in the voice, of Charles Barkley, one of the most prominent sports media stars in the industry and also a very successful retired basketball player? What you are about to see, and I know, again, some of you are in from the UK, is one of the most prominent sports media broadcast of NBA basketball in the United States. This happens multiple times a week during the NBA season. Let us take a look.

[Video]

Again, that is just one example from one network of dozens of partnerships that FanDuel have that very uniquely integrates our brand into the actual programming of the show. This is above and beyond traditional commercial spot inventory that we know drives meaningful progress both for our brand and the performance of our marketing assets.

Genuinely, this is something we have perfected over time, and I believe, FanDuel does better than anyone else in the category.

FanDuel TV is a first of its kind betting entertainment hub and second screen experience

But we are not only looking to leverage the advertising, media and voices of others. We are looking to build our own. As some of you may know, we have actually operated a racing business and adjoining television network under the TVG brand for the past 20 years. I am very excited that just two months ago, we relaunched and rebranded that network under FanDuel TV. One of the reasons, and one of the observations that led to that, was the unbelievable virtuous circle between live content, notably live horseracing, and betting activity.

So much so that about 73% of all the horserace betting we took on the platform came from live horse races we aired on the network. For the first time, we are now leveraging the power and the expansiveness of the FanDuel brand to reintroduce horseracing to an entirely new segment of sports interested fans across the country.

We are also going and securing really world-class sports personalities to create talk and betting analysis programming on the network, growing the FanDuel brand over time. The network is already featuring former anchors from ESPN, NFL Network and other marquee networks.

And then finally, we are going out and acquiring what I will say are underloved sports that may have trouble reaching a distribution agreement with traditional media companies, such as international basketball and others, where we are giving our customers the ability to watch and bet on that content, creating incremental viewership and betting opportunities that they can only get on FanDuel.

We are incredibly encouraged at the early days of progress and we think over time, this can not only be unbelievably differentiated, where this capability will be extremely hard to build from scratch, but also a huge efficiency driver for the marketing apparatus at FanDuel.

Media efficiency at national scale will drive marketing rates closer to mature markets

Speaking of marketing efficiency. One of the unique moments in time we are in that FanDuel is uniquely able to leverage, because we are an operator of scale in the vast majority of the TAM for sports betting, is that you are getting to a point where the media math of going and buying all the various local markets you are operating in, actually lends itself to simply buying nationally.

As you can see on this chart, as the TAM for sports betting has grown, just two years ago, it was 50% more expensive to buy a national spot as opposed to going in and buying all the local spots in the markets we operate at sports betting. This year, we reached a meaningful tipping point, where it was 20% more efficient to simply buy national advertising, and FanDuel, for the first time, moved the majority of its NFL advertising budget national as opposed to local. This has had very encouraging and demonstrable results.

This year, on NFL performance, we spent 27% less year-on-year in existing states that had a comp to acquire 23% more customers. This is an immediate and accretive efficiency advantage that, again, falls to operators of scale primarily. But not only does it have that performance benefit, it is also then building the FanDuel brand in states that are soon-to-be sportsbook live, reinforcing the advantage I talked about at the beginning of this section with FanDuel brand and the database head start we have.

FanDuel is winning the customer acquisition battle

But bring this home a bit. If you remember nothing else from this section, maybe just remember this: we get more while spending less. Year-to-date, FanDuel has gotten 19% more customers to download our sports betting application than our next largest competitor. At the same time, we have spent 9% less than they did. This is culminating in achievement this year of 18-month paybacks.

To put that in perspective, our competitor is targeting less than 36 months. This is a material, wide and compounding advantage that, over time, our efficiency, as we are able to acquire more customers at a far more efficient payback rate, again, reinforces the financial strength of our company, driving that flywheel for us to reinvest.

How we are driving efficient customer retention

Okay. We got a bunch of customers, and we got them very efficiently on the platform. The trick is to keep them. Happy to say we also do that better than anyone else in the category. We do that by having the single best betting product in the market. What do I mean by that? Literally, the stuff you bet on: spreads, money lines, parlays.

We house all of that in the number one app in the industry, and we take a very rigorous and very specific approach to promotions that reward our customers generously for remaining loyal to us. Let us get into a few of these details.

What we mean by 'betting products'

So let me lay the stage a little bit here. What do I mean when I say betting products? Well, broadly, it is just the kinds of things that you bet on. Amy, our CEO is from Buffalo, so she forced me to do this. A straight bet simply is, hey, I think the Buffalo Bills are going to win this game. Pretty simple, pretty straightforward. A parlay bet is taking two uncorrelated outcomes and saying you think those two things are going to happen. I think the Buffalo Bills are going to win, and I think the Phoenix Suns are going to win.

But then it starts to get a little bit trickier. A Same Game Parlay is taking two correlated outcomes and putting them into one bet. So I think the Buffalo Bills are going to win, but I think their quarterback, Josh Allen, is going to do so by throwing two touchdowns or more. And then you get to one of our most complicated and sort of popular products, Same Game Parlay+, where you take correlated and uncorrelated bets and combine them into one. The Bills are going to win, Allen is going to throw two touchdowns, and the Suns are going to win.

Generally, as you move further right on this slide, the complexity of the ability to create this betting product increases, but also the engagement of our customers does as well. And as Conor is going to share in fascinating levels of detail a little later, it also improves our margin that we take per dollar-handled bet.

Pricing and risk management capabilities allow us to deliver what customers want

This is all really made possible by a unique and exclusive benefit that only FanDuel has, which is that Flutter Edge. Flutter is the largest global bookmaker on the planet and has a world-class in-house proprietary approach to risk and trading, basically setting the odds.

That lets our customers have more choice with a bigger range of markets, more flexibility in how they build those parlay bets. We have the most competitive odds in the marketplace, and that customer experience is incredibly low friction.

As just one very simple example to drive the point home, the chart here represents the number of markets, the stuff you can bet on at FanDuel relative to our competition. There are 60% more NBA markets relative to our next largest competitor and 3 times as many as our second largest competitor. This creates a really powerful combination that no one else in the industry can match.

Innovating ahead of the competition e.g., Same Game Parlay

And on the next slide, you will see just one way we brought this to life in one of our most popular and most innovative features, Same Game Parlay. So you take that breadth of markets, that means you can combine more things into these parlay bets. We took the strength of our proprietary in-house risk and trading capability, and we are the first and only operator to launch Same Game Parlays in 2019.

For a period of about six months, the only place you could place a Same Game Parlay wager in America was on FanDuel. The following year, we went on to make material improvements in the user interface. Last year, we introduced Same Game Parlay+ and great improvements in the merchandising and sociability of Same Game Parlays on the app. And then this year, we introduced for the first time the ability to place live Same Game Parlays, cash them out and track your bet over time.

This has proven so popular that about four out of five of every customers on our platform this year has placed one of these wagers, all the while our competitors are chasing us, a moving target. And they have primarily had to do this through third parties. This has two primary detractors for them and two meaningful differentiators for us.

- One, using a third party. In many places, the Same Game Parlay experience is kind of bolted on, outside the core betting platform; and
- Two, they are paying meaningful amounts of the margin of this product to that third party, reinforcing the cost of sales advantage that FanDuel has and reinforcing the strength of our balance sheet.

We deliver a superior app experience across three pillars

But all these great bets have to live somewhere. It lives in the number one app in the category and there are three primary foundations with which we built that app.

- First, is the foundational technology of our account and wallet, how you sign up and use our product;
- The second is the user experience itself, which is simple and easy to use; and
- The third and final is a continuous and ongoing stream of innovations, making the thrill of betting even better for our customers.

A single account and wallet across all FanDuel products drives cross-sell

So let us dig into that first section. Now this may not be the sexiest slide in the presentation today, but it is unbelievably important and matters hugely to our customers. We have gone through the work, as Christian referenced earlier, of creating a regulatory apparatus and a technology capability of making the process of signing up seamless, an advantage to scale, multi-product operators like FanDuel.

You sign up for FanDuel one-time on one product. You can use that in any state we operate on any of our suite of products, which you can take a look at in some of the showcases after the presentation today.

This moves the needle. So just as a simple example, sitting here in New York, many of you may be living in New Jersey or Connecticut. You have the FanDuel sportsbook app using here while you are at work at the office. You go home, that same account, that same app, it can be used. It is not the same for many of our competitors, and it matters to customers.

About one in four of all of our sports betting customers have actually placed bets in two or more states. And over half of all of our customers are actually using two or more of our products. This is definitely part of the hard work that Andy Sheh and team, which he will talk about, have gone through to create the best foundational technology platform in the industry.

Simple and easy-to-navigate app makes it easy for customers to find what they want

But of course, the actual experience of using the app matters incredibly. It has got to be fun. It has got to be intuitive. It has got to be simple and easy to use. And I have a hard time kind of getting this down to a slide because the truth is there is no silver bullet. There is no perfect thing that you can do or one real answer that solves this. It is literally the process of thousands of hardworking employees across FanDuel, making hundreds of product releases and hundreds of grace notes that add up to a seamless, simple, easy-to-use betting app.

That is just a couple of examples of the improvements that we have made and results that it has driven. This past Super Bowl, we really made the process of placing Same Game Parlays as easy as possible. We got 2.8 million bets on that game alone. We also go through incredible lengths to personalise your app based on what state you are in, your region, who you are, what you are sports fan of. So we pull hometown heroes and local team favourites early into the home page of the process.

That has delivered incredible results this year. So far, about 66% of all the bets on FanDuel happen just one tap away from our home page.

Consistently adding distinctive and exciting features

Finally, I am very proud of the culture we have built at FanDuel, and Amy referenced this earlier. We operate under a series of leadership principles that we try to hold ourselves accountable to and use as a framework for decision-making. One of those principles is that we will stay humble, and we will stay hungry. It is one of my favourites. This is where that comes into play.

We are constantly looking for new features, new releases, new things that we can enhance the thrill of betting. Just this past year, we introduced real-time bet tracking for those parlay products, which drive really high margin, where you can look at each individual leg of that bet, see how it is doing, follow along during the game, making both your betting and your game viewing experience even better. And I am incredibly excited that by the end of this year, we will be the first and only sportsbook to fully integrate a race book into our sports betting product, introducing 3.8 million active sports betting users to horse racing for the first time.

Delivers the #1 rated app by users and industry experts

But you do not really have to take my word for it. Fundamentally, this number one app experience is reinforced both by our customers, where we are consistently the number one rated app on the the Google Play Store and the Apple App Store, as well as by industry experts; Eilers & Krejcik consistently rate us the number one app in the category across a wide variety of functions.

Promotional generosity is a material driver of business performance

But great betting products and housing a great app is not the full piece of the equation. As you would imagine, customers really care about being rewarded through promotions and generosity. I also feel strongly we do this better than anyone else in the industry.

To be candid, it is one of the single largest cost items in our business, so getting this right really matters and really moves the needle. You need to do it through customer acquisition, were you able to entice people to sign up for your platform more effectively and efficiently than anybody else, and customer retention, keeping them active, and then having innovative and thoughtful promotions that enhance the thrill and excitement of betting.

Our sophistication promotions engine drives more efficient spend

We have gone through tremendous amounts of work over the past few years to maximise this advantage at FanDuel.

First and foremost, we are using the Flutter global promotions platform to automate 95% of every bonus that we put out on our platform, so that it is happening in real time and without a tremendous amount of manual operating expense overhead.

We have a flexible and disciplined approach to maximising the benefit both for our customers and for our business; literally thousands of tests run every year and how we get the right amount of bonus to the right customer at the right time. This has actually resulted in a radical shift where now 80% of all the promotional spend that happens across FanDuel for retention happens specifically in a targeted way.

Really, the proof is in the pudding on this one. I will simply point to the chart on the page. We spend as a percentage of revenue less than any other operator in the marketplace by a wide margin. Notably, we spend less than half as a percentage of revenue than our second largest competitor. This is another advantage that compounds and builds over time as we are able to retain more customers on our platform while spending less money that begets a bigger business, again, sustainably that compounds over time.

Case study: Product focus and disciplined promotions drive our leading position

But let us kind of bring this together. It is a little abstract. They sound good. Let us look at a real-life case study example. This launch of the state that we, again, are all sitting or standing in, New York. I will simply say some of our competitors were overly enthusiastic in the way they look to attack that marketplace.

We observed that, in many cases, they were spending many multiples that we were in media, some of the promotional generosity they were putting out to entice new customers. We have the biggest data set of any operator in the sector and we simply knew that was not going to pay back and did not make good economic sense. So we made the considered and specific decision to trust on the strength of our betting product, our number one app and have this disciplined approach to promotions, and trust that over the arc of time we would create and drive the leadership position in the market.

I am very happy to say that has taken place. FanDuel is now the number one operator in the state of New York by a meaningful margin, and that lead sustains to today.

Efficient promotional spend resulting in more revenue per dollar spent

But if you remember nothing else from this section, I would simply say FanDuel gets more by spending less. Per dollar of marketing spend, we make 80% more revenue than our next largest competitor. And this ultimately is resulting in a 77% year-on-year retention, which we are confident is industry-leading, again, an advantage that compounds and builds and grows over time.

And with that, it is my distinct pleasure to introduce my colleague, Conor Farren, who is possibly one of the brightest men I have had the privilege to work with. I will tell you guys, if during the cocktail reception you are looking for a betting tip on this weekend's action, this is the man to go find. As I lovingly refer to him, the godfather of bookmaking, Conor Farren.

FanDuel Advantage

Conor Farren

SVP Sports Product & Pricing, FanDuel

How we are growing customer value

Thank you, Mike. Hi, everyone. I am Conor and I manage the trading, risk and sports modelling teams at FanDuel. I have been with Flutter for 12 years now. The first eight of those were with Sportsbet in Australia, in commercial product, risk and trading roles. Four years ago, I joined FanDuel to set up the pricing and risk management function.

In this section, you are going to learn about how an in-house focus on accurate odds and best-in-class product has built an important structural margin advantage for our business. Today, for context, 90% of our handle is on odds we generate in-house, so we very much do our own cooking when it comes to this stuff, and I am going to tell you about the benefits.

We have a world class pricing & risk management capability

Firstly, a little about the team. FanDuel employs 200 experts that work on generating the odds and the product on US sports. The team was not set up overnight. In 2019, I airlifted some top talent from Flutter. We seated the leadership team, and we hired out from there.

Today, we operate across three centres of excellence in New Jersey, Melbourne and Dublin. We are also part of a global community of over 1,000 such experts in Flutter. Being able to tap that network has been invaluable in helping us build the capabilities we needed faster than we otherwise could have done. And while the scale of that resource has absolutely been critical to our success, the most important part of our approach is that the teams are highly integrated with the rest of the business.

We are integrated with the commercial, marketing, product, technology teams. We work hand in hand to deliver customer and commercial outcomes. We focus only on the things that matter for FanDuel. Our department care about the brand, the customer experience; it is very much a partnership model that you only get by doing this in-house.

What is pricing and risk management?

So what is pricing and risk management? Well, firstly, the team spend a lot of time working out the probabilities of outcomes in sporting events that are then used to generate the odds. That is mostly done by quants and trading.

Secondly, we innovate the betting product. This means creating more choice and flexibility for customers and focusing on improving the core product experience around bet placement and settlement and especially around live betting. This is a highly collaborative process that requires experts from all different departments. And you really do need to have every tool in the bag to do that sort of thing very well.

Finally, we segment the customers. So like most bookmakers, we use sharp customer bet information to shape the accuracy of our odds. However, I would put it to you that the second two bullet points there are actually a bigger benefit to the business. Our risk team assign an expected margin to every bet, and that is then rolled up into an expected margin at every customer level. And that variable is a critical input to an efficient generosity distribution strategy.

So Mike gave you a flavour earlier of how much we spend on generosity and the importance of spending it efficiently, so having that capability in-house is a nice edge for us.

Specialist capabilities and complex data are used to accurately predict probabilities

Odds accuracy. So why is it important? Well firstly, all else being equal, it is the bookmaker with the most accurate odds that will make the best margin. But accurate odds are not just important for margin. It is also the essential bedrock upon which you can then build more complex products.

In terms of how we do it, to draw your eye to the funnel for a second, let's look at trading and modelling first, which represents our opinion and is the most important part. It is a combination of quants modelling historical data and traders managing core inputs and adjusting for player news, team news, soft news, market and model inefficiencies.

Soon as you think you have nailed that, it is forever moving. Tactics change, trends change, players and teams get better and worse, so you really do need constant investment and attention on that.

Then you have the market and bet information, which represents our competitor opinions and our customer opinions, respectively. So even as much as you think you know, there is always someone out there who may know a little more than you so you would be a fool to ignore these very rich data sources. The trick with this really is to figure out what to listen to and what to ignore. As the biggest bookmaker, not just here but globally, one of the biggest bookmakers, we get the most amount of bet information, which is also a helpful advantage of scale in shaping our odds.

Finally, you have real-time game data feeds. So ball goes in the basket, 1.5 seconds later, we get that data point. About one second later, we have updated the odds of 100 markets on our website. So they are all the ingredients for working out the probabilities and if you do that stuff well, what you get is on the right-hand side. You can offer more complex products. You can take on large liabilities with confidence. And the last point, lower vig, leads nicely on to the next slide.

Accurate probabilities and odds enable us to confidently offer highly competitive odds

So notably, FanDuel on average offer better odds than our main competitors. Mike told you about the importance of promotional generosity. Well, highly competitive odds are the other half of the everyday value proposition. We are confident in our odds, and we are conscious about being competitive with them because we want to reduce reasons for customers to think about shopping elsewhere.

Proprietary and accurate pricing also delivers more choices for customers

So this is a quick recap slide before we get into some numbers. Mike explained we offer more choice, so more things to bet on than our competition. And we also improved flexibility in recent years with the introduction of some new bet types, and those bet types make higher margin.

Increased choice and flexibility drives higher margin for FanDuel

So a couple of interesting and important trends now. Almost all the expansion in the product offering in the last number of years has been in player markets, so they now represent 50% of bets on the big three leagues.

Player markets are an important part of the good SGP experience, so player market expansion is driving SGP adoption and vice versa. And if we look at some trends in parlays, the percentage of bets that are now parlays are over 60% today so it has become the dominant bet type. It has changed a lot in recent years. With more choice, customers are also adding more legs to a parlay and both of those factors are combining to increase the average odds that customers are betting at, and customers betting at higher average odds increases the structural margin of our business.

Importantly, as we have seen customers adopt parlays, we have seen no indication in a drop-off in their handle, and we have seen an increase in the retention rates of those customers.

We generate 43% more margin per dollar of handle

So we have talked about the pricing. We have talked about the product. And what does it actually all mean financially? Well, we make 43% more this year versus the market per dollar bet. That is despite offering highly competitive odds, which are a small headwind, but more than offset by our advantages in accurate pricing and in the structural changes in our bet type mix that we have seen.

We have continued to expand our margin lead

Just give you a second to take in this graph. It is the margin by year of FanDuel versus our competitors. So for me, this slide is a bit of a trip down memory lane, the good and the bad. But really, it is a story of the improvements over time that we have made. And as you can see, the gap is still widening.

Clear path to higher FanDuel gross win margins

Finally, the good news is that on behalf of my team, I am confident in saying that there is a lot more improvement to come and with that in mind, to give you a sense of that, we are targeting 12% margin in 2025. And the playbook to get to 12% is the same as the playbook to get to 10%. It is:

- Improve the accuracy of our odds;
- Innovate the betting product; and
- All the while maintaining highly competitive odds for our customers.

That is it, and with that, I will hand you back to Amy. Thank you.

The Flutter Edge

Amy Howe

CEO, FanDuel

Benefits we gain from Flutter Group provide unique competitive advantage

Thank you, Conor. Conor has, from my point of view, one of the most challenging jobs today, which is to take something that is inherently incredibly complex and try to make it simple. As you can tell, he is also beloved by our team. So great job.

Listen, as I hope you can see, FanDuel is winning because we started with a far more compelling consumer proposition. We have a superior brand, a much, much better product and a world-class risk and pricing engine. But I can assure you, as you have now heard many times today, our stay humble and hungry culture drives us every day to strengthen these advantages across the board. It really is a unique part of our culture.

Let me switch gears now and myself and Andy Sheh, our CTO, are going to spend a bit more time unpacking what we have been describing today as the Flutter Edge. And I can assure you, this has absolutely fuelled our leading position in the United States, but equally important to sustaining that advantage over time.

So we will talk about four factors: capital, talent and expertise and then Andy will talk about how we are leveraging the global network of technology experts and global platforms.

Capital funded FanDuel's growth and leadership position

So first, capital. I think this is a phenomenal page, and it just really illustrates the thoughtful and patient approach that Flutter has taken in investing in the FanDuel business. $1 billion of organic capital has gone into the business since 2018. And listen, I think many of you have heard Peter talk about the idea of Flutter providing the scale of a leader while allowing FanDuel to execute with the mindset of a challenger, right? The scale of a leader, the mindset of a challenger, and that is exactly what we have done.

And together, what we have done with $1 billion of capital is we have gone after and candidly pursued all of the meaningful growth opportunities that we have needed to get to the position that we are in, in the United States today.

But as Mike has said, and I think it has been a consistent theme throughout today, we have done that with an incredible amount of discipline. And I can assure you, there is a lot of thought and a lot of back and forth that goes into figuring out what deal should we do, but importantly, what deals we should not do and I think many of us are as proud of the deals that we walked away from.

Unique asset of 20,000+ global sports betting and iGaming specialists

Now this page, again, to me, is incredibly compelling as you just look at some of these numbers. 20,000 global sports betting and iGaming specialists, and just to contextualise this, by the end of the year we will have just over 3,000 employees within FanDuel, so that gives me 17,000 other experts across the world that we can tap into on a daily basis.

And just a few examples here, right? Globally, we are deploying $4 billion of sales, marketing and promotional generosity with experts of 1,500 employees. In fact, this was one of the first communities to come together and talk about how do we deploy that in a highly efficient and effective way, a lot of the results, candidly, that you see that Mike shared.

But we are serving 22 million customers globally, over 100 different countries and I think about the amount of expertise and know-how that comes from that is candidly just impossible to recreate overnight.

And I think one of the stats that many of us are most proud of in this page is the last one, which is 37% of our global players are voluntarily interacting with one of our Play Well tools. So this could be setting deposit limits, time and wager limits, and these are things that we are investing in globally and locally to make sure that we allow customers to keep this as a form of entertainment, which is exactly what they should be doing.

Taking insights from Flutter Positive Impact Plan to empower sustainability at FanDuel

So speaking of responsible gaming, many of you have seen what Jonathan and Peter would have unveiled a little over a year ago, which is the Flutter Positive Impact Plan. And let me try to talk to how we have operationalised these here in the United States, most importantly around responsible gaming and what we are calling Play Well.

A little over a month ago, we pulled together our entire organisation in New York. It was actually at Irving Plaza for a full day to talk about and really just contextualise what does it mean to keep our customers safe when they are on our platform, right? We talk about the fact that when you come into FanDuel, everybody has a responsibility to keep our customers safe.

And we spent literally a day talking about that with support from our NFL and NBA partners, we had the support of the American Gaming Association, and I can tell you they were incredibly provocative conversations. We also had Craig Carton, who is our responsible gaming ambassador and Amanda Serrano, some of those that you have seen in the opening intro.

And I think one of the things that I am most proud of is this is not something that a regulator is telling us we have to do. This is us doing it because we know if we are going to have a viable business and industry for the long term, we have got to build this thing right from the ground up. So we are putting our money where our mouth is.

Carolyn Renzin, who's our Chief Legal and Compliance Officer, has a team of over 100 phenomenal individuals. We are investing in the right products and tools to protect our consumers. Mike and the team are investing real marketing dollars to make sure that we can educate customers on how to play safe. So there is a lot that we are doing here. As it turns out, you can spend an entire day talking about responsible gaming. I would not do that today, but this is critically important to how we are building the business.

But I am also proud of what we are doing around diversity, equity and inclusion. And as one of the only female CEOs in this sector, it is critically important to me not just because we are reporting on some important statistics around gender diversity or diversity of all types for that matter, but I know that it builds a higher-performing team and I am proud of what we have done so far, but I am also proud of how we are leveraging the global advocacy groups to make sure that we are building a diverse team across the board.

And then finally, one of the things that is really important to our own employees is that we are getting back to our local communities. And this is, again, something that globally we are supporting, but we are trying to operationalise that the right way within the US.

So all of that to say that great global framework, I am really proud of how we are operationalising that here within the United States because we do think it is an important part of building this business the right way from the ground up.

So with that, I am now going to hand it over and invite Andy Sheh on stage, our Chief Technology Officer, and Andy is going to talk about how we have the great privilege of leveraging 6,000 technologists around the world and some pretty spectacular global platforms. So, welcome Andy.

The Flutter Edge

Andrew Sheh

Chief Technology Officer, FanDuel

Flutter Edge is driving key technology benefits

Good afternoon, everyone. As Amy said, my name is Andy Sheh. I am the CTO here at FanDuel. Around the Flutter Edge and technology, I would like to walk you around three areas of our tech strategy and execution, and I will highlight the Flutter benefits that we take advantage along the way.

The first is our proprietary tech that we built in-house, solving many of the complex regulatory and growth challenges we face as operators in this industry today. Second is the access to Flutter platforms that we have integrated. By quickly leveraging these core capabilities that have already been built and tested, we are able to really double down and focus on innovation.

Third is our access to global talent in Flutter. Having access to this international network of deep experience has really been a game changer for us technically. These three areas really help and play a big part in our ability to deliver scalable, efficient, stable technology that powers our business today as a market leader, and this is not easy to replicate.

Why having the right technology is critical

First, I would like to note that building technology in this industry is not easy. It is pretty hard. There is a lot of challenges. Let me touch upon a few. The first is volume. On any given single game day, our systems will experience a lot of system load of users. You have high velocities of bets, transactions, changing prices flowing through the system and as new markets launch, we have an increased growth of new customers coming online.

Second is the complex regulations. As Christian mentioned earlier, the patchwork nature of the state-by-state regulation really adds significant complexity to the technical implementation and delivery. Every state can set their regulations and the requirements that the operators must abide by. They change frequently, which makes it very difficult if you cannot adapt.

An example of some state requirements would be things like what kind of payment types we can accept, whether a credit card or a PayPal, all the way to how we deploy our technology, whether we have to deploy it in state, on-premises in a secure data centre or if we can leverage cloud-based services.

The third is the lack of third-party vendor differentiation. In this industry, there are only a handful of third-party vendors with core platform capabilities at scale that serve these operators. So if you are someone that relies on them, it is pretty common that you will have others that are using the same vendor, which makes it very difficult to differentiate your experience for your customers unless you invest heavily in innovation.

We have been able to successfully navigate these challenges with our system, primarily ensuring that we have scalability and performance to handle the volume, to make sure we have flexibility and agility to handle the complex regulations and to have a modular architecture and modern tech stack to support innovation.

Significant progress made in building our core proprietary stack

You will see here some of the results that we have had just this past year that really show the technology performance and throughput. And on top of that, we have been able to launch on day one for every new state that we have launched this year, which is really a critical part of our state launch playbook.

I think it is important to remind everybody of the tech progress we made in the last four years. Back in 2018, following the repeal of PASPA, you can see here that we relied heavily on lots of third-party vendors. It was our goal to get to market quickly. We knew, though, that by continuing on the strategy that there would be limitations by relying on these vendors.

The first would be the lack of control of system performance. Second, our inability to innovate quickly, given the capacity of the vendor's technical performance, as well as the longer lead times to adapt to any of these changing regulatory requirements. We knew we had to pivot our strategy and bring in some of this technology in-house to address these challenges, as well as give ourselves the ability to innovate quickly.

Fast forward to today. You will see that we have significantly decreased the dependence on third-party vendors. We have been able to do this with the access to Flutter platforms that we integrated as well as the technology that we have built in-house. We have also been able to take full control of areas like the Account & Wallet. As Mike mentioned earlier, it is a critical enabler to our business. By doing so, we have been able to integrate our products together.

We have also created cross-sell experiences that give our customers the ability to see other products very easily. We are able to do this because of the access to Flutter and we have been able to achieve all of this while growing our business as well as managing new state rollouts and bringing new products online.

Leveraging integrated Flutter platforms key to our technology advantage

So what are some of the platforms that we leverage? Here are four of them. You will see that they have been in development for a long time, some over a decade. They have been battle-tested in international markets, supporting over 22 million customers. Instead of building technology from the ground up, we integrate these platforms and have the ability to focus and develop on top of them, really bringing products and features online faster than our competitors.

One clear example is the promotions platform you see here, and we have mentioned a lot of the promotions capability that we have empowered with our customers. Once integrated, we have actually delivered an omnichannel capability that delivers segmented customer promotions throughout all of our products. We build these platforms in a shared code model, and this allows teams to incorporate new features and products and share them across all the divisions of Flutter. So there is always continuous innovation going on.

We are supported by a global talent network of Flutter technologists

These platforms are in development and support of a subset of the network of the 6,000 Flutter technologies that are across the globe. This global network has accelerated our tech progress and it allowed us to work with European and Australian teams who have deep experience and have been developing products and platform capabilities for over 20 years before the US market even opened. This was instrumental to our ability to take the leadership position in the US sport betting market.

Secondly, we have other businesses that also are able to access this network to their benefit. When we decided to increase our focus in the iGaming vertical, we were able to build a 100-person well-experienced engineering team in a matter of months in our Cluj, Romania site.

Third, with the global footprint, we are able to take advantage of the development, operation support and cybersecurity monitoring that happens 24 hours around the clock. This provides our customers with the best overall experience, whether it is day or night.

This edge allows us to build scalable, efficient and stable technology platforms

Our technology continues to support of the growth of the business. As you see here, bet count has doubled year-over-year and with all the operational and cost efficiencies that we have built into our technology, we have been able to bring the cost per bet down by almost half. This, while we also maintain a system performance and uptime of over 99.8% across all the environments that I mentioned previously. This is really important to keep our customers happy.

Maintaining performance as we grow

Lastly, I would like to leave you with a sense of the size of the business our technology supports. As you may know, the Super Bowl is the largest sport event in the United States. This past February, our systems observed a peak velocity of 52,000 bets per minute. And to give you kind of a frame of reference of what that looks like, you will see some of the nominal orders per minute that e-commerce sites like Amazon and trading platforms like Robinhood have.

Just this past week, about two weeks ago in week nine of NFL, we already observed a 20% lift in that velocity to 70,000 bets per minute. I am confident in the technology that we have built, and we are able to support the future growth of the business and our ability to leverage the Flutter benefits to really advance our capabilities in the future.

With that, I will hand it back to Amy.

The Flutter Edge

Amy Howe

CEO, FanDuel

Recap: Benefits of the Flutter Edge

I have to say I find these numbers incredibly compelling. It was not that long ago where many of us were doing media interviews at last year's Super Bowl about how that was the single biggest sports betting event in the history of the United States, maybe even in the world at that point. And now we are doing almost 20,000 more bets per minute on just an average NFL Sunday.

So it just gives you an appreciation for the scale of the business, but also as Andy said, we are able to do that with really great tech stability and reliability, which is really critical to building consumer trust over time.

So let me just quickly wrap this section. For those of you who are investors in Flutter and you know the company well, I am guessing that many of these advantages resonate. However, for those of you who may be newer to Flutter, the global entity, I hope this gives you a sense and an appreciation for just how powerful that Flutter Edge is and how difficult both the expertise, the talent and that know-how is to replicate overnight.

One final note, which is being part of the global Flutter executive team, is very compelling from my point of view, hard to convey in a setting like this, but how our global leadership team works together is pretty remarkable to me. Peter and Jonathan and the team do an incredibly good job of making sure that FanDuel is getting what we need from global or from the Group, that we are also giving innovations back to the rest of the Group, particularly given the scale of the business at which we are now operating, but that we can also run at a pace that we need to run in order to compete in this highly competitive US market. And I can tell you, it is not an easy balance to get right, but it is something that we work on every single day.

iGaming Opportunity

Okay. So we just spent the last hour or so talking about sports betting, why we are America's number one sportsbook, why we believe those advantages are sustainable. But I want to switch gears and talk importantly about the iGaming, the opportunity that we see there, which is a massive one. And candidly, something that when I stepped into the CEO seat, it was a big area of emphasis from me and the entire leadership team.

iGaming provides attractive additional growth opportunity to sportsbook

And let me just start by framing, I think, the biggest question that we get from many of you, which is: you guys are the clear number one in sportsbook, you are dominating in that space, but you are number three in casino; why is that, and what are you doing to change the trajectory of the business?

So listen, let me try to address that upfront. It is true. We are not where we want to be in iGaming yet, but we are on a very solid path to change that. I am going to talk about that today. Before I get into the details, though, I do think it is important to contextualise this conversation for a minute. If you rewind the clock to when Christian was giving you the history lesson since the repeal of PASPA, FanDuel made a very conscious decision to focus on sports betting because we knew the regulatory momentum was going to be more in that space at the time and candidly, it was the right strategy.

However, what it has meant is that in iGaming so far, our success has really been a function of the phenomenal success that we have had in sports betting. That said, as a leadership team, what we talk about all the time is those two things are not mutually exclusive. We can absolutely win in Sportsbook and continue to strengthen our lead, but at the same time, go after that core iGaming consumer and that is really been what the strategy is about. So what I am going to share today is a bit of the progress that we have made this year and going after that direct iGaming customer, some of the early indications, which are incredibly encouraging, and also where we are going over the next 12 to 18 months.

To date, we have been very successful at cross-selling sportsbook players in iGaming

So first, as I mentioned, our success in iGaming has really been a success in how well we have been doing in sports betting. Number one sportsbook in the US. We have, on average, about 1.6 million average monthly players in sportsbook that we are successfully cross-selling over into iGaming, and that has really driven an 18% share position.

I will not get into all the numbers, but there are also some similar numbers, candidly, that you see in sports betting, where there is only three players. We are one of them that has a double-digit share position and this has really come because we have been focused on sports betting.

We are now increasing focus on iGaming direct customers

That said, we know there are two very distinct segments of the market, right? On the left-hand side, you see that cross-sell, sportsbook consumer tends to skew a bit more male, we buy advertising for that 21 to 54-year-old consumer, a little younger, and then from a content perspective they prefer table games.

If you look at the right-hand side of the page, and this is really where we are focusing our strategy right now, because we have got the left-hand side covered and we continue to make improvements there. But the strategy now is how do we win that iGaming direct customer, right? And this customer is a bit more gender-balanced. We tend to see more 50-50 male, female. It is a little bit older. But importantly, from a content perspective, they very much prefer slots and so we knew we were disadvantaged from a product perspective, and this is really where we have focused a lot of our energy. So let me just talk a little bit about what we are doing to go after this customer.

Clear iGaming strategy which we have begun to execute

Four key elements. One is many of you ask us, does the FanDuel brand really resonate with the casino customer. I will show you the data in a minute, it is very compelling. Second, as I mentioned, we had some work to do with our product and we have made great strides already since the beginning of the year, but we have also made significant enhancements around our promotional capability and offering.

And as you see in this space, as many of you know, you have to create those moments, right? You do not have the Super Bowls, the March Madnesses of the world, and so creating that promotional excitement through innovative and exciting games is an important part of winning this customer.

And then last but perhaps the most important point on this page is we are building one of the best teams in the industry. We have the distinct pleasure of Asaf Noifeld, who is here with us today, he's sitting over here. But Asaf just came over from our PokerStars Casino business, where he brings 14 years of experience in the online casino space, and I will talk about the rest of the team as well. He has been on the ground for six months. Sara and Asaf will be doing the demos later for casino. So we will get an opportunity to grill him about what we are doing in casino, but he is building a really distinctive team along with the great talent we already have on the ground.

And as Andy Sheh mentioned, we were able to spin up a team of 100 engineers in Cluj in relatively short order, which is why we have been able to make some of the progress that I am going to show you in one minute.

FanDuel well positioned to grow differentiated iGaming brand

So let us click into some of these. So first question we always get, which is: does your brand really resonate with the FanDuel casino customer? And we have done a lot of research over the last 12 to 18 months with this customer to make sure we really understand it. The answer is definitively yes, and what you see here is a combination of some of the pure-play online companies, but also the omnichannel players and we are absolutely in that consideration set.

But we keep making investments. In fact, just this year, we enlisted the support of an agency called Mischief, which won 2021 Breakthrough Agency of the Year and they are doing some really phenomenal things, right? They are elevating how we represent the brand, of course, in a way that ties back to the overall FanDuel brand, but we knew we had to create excitement and we had to appeal to that iGaming direct persona and that is exactly what they are doing. You saw some of that in the sizzle reel earlier on.

But we are just getting started here and every day, that team is doing more and more great stuff in the marketing and the branding front.

Product improvements to match the preferences of iGaming direct consumers

But in addition to that, as I mentioned, we did have some work to do on the product front, particularly on slots. There is a couple of things illustrated on this page. On the left-hand side of the page, what you can see is just since the beginning of the year, we have increased our coverage, the number of games that we have been offering on our casino product by almost 50%.

But what we have been very focused on are the titles that matter, right? This customer, they want to be able to see the games that they are going to see when they go into their favourite brick-and-mortar casino. So if you rewind the clock to even just Q1 of 2022 in the beginning of the year, we had less than 50% coverage of those titles that matter. Right now, we are sitting at about 85%, on a path to be almost 100% next year.

And we know that that steady drumbeat of new innovations and new exciting product is going to be an important part of winning here, which is what we are very focused on.

We are focused on building innovative and engaging promotion tools

In addition to that, as I mentioned, the promotional strategy matters a lot here. We just launched this year a phenomenal new product. It is called the Daily Reward Machine. And actually, it was an inspiration from outside the US, from Group, and we brought this to market. It is in all, but one of our markets right now and it has done exactly that. It has created that daily excitement to bring customers onto our platform, but deployed in a very responsible way.

But we are also using, as Andy Sheh mentioned, we have the benefit of leveraging a promotional engine that was built by Flutter starting back as early as 2014, 2015. And what that allows us to do is to deploy promotion to the right customers at the right amount in order to bring them back and keep them on our platform and all of this is done in a real-time automated fashion.

And what that is delivered is, again early indicators, but as you can see on the right-hand side of the page, if you go back to even to just the beginning of summer, you see a nice divergence in retention rates year-over-year between 2022 and 2021. So great improvement on the product front, but phenomenal improvement as well on the promotional offering.

We have built the right team to deliver this strategy, leveraging the Flutter edge

And as I mentioned, we are building one of the best teams in the industry. In addition to Asaf, if you look at the VPs and SVPs and this team, they come from some of the leading online casino brands in the world: PokerStars, Sky Betting & Gaming, Paddy Power Betfair, and we are continuing to bring more folks into the organisation and pair them with the distinct talent we already had here in the United States.

But candidly, we are just getting started. We have not fully leveraged all the assets that we can leverage from Flutter and there is a number of in-house studios that we are in the process of leveraging, which, in addition to all the great partners that we are working with, will continue to allow us to improve that overall proposition.

So a lot more work to do, but I am incredibly proud of what this team has accomplished in a very short period of time.

Initial results from our strategy are encouraging…

So what are we seeing so far? As I mentioned, initial results, but we are incredibly encouraged by what we are seeing. On the left-hand side of the page, what you see is that our Q3 casino-led activations are increasing more than 50% year-over-year. And on the right-hand side, our player engagement and retention is improving almost 80% since Q3 of last year, so really just phenomenal growth.

And I think one thing that is important to remember is, unlike sports betting, you only have one new state in here, which is the state of Connecticut. So if you looked at our Q3 FanDuel casino year-over-year growth numbers, they would have been 31%, so we are seeing a lot of great growth and momentum in those existing states.

…and there is much more to come over the next 12 months

So just to quickly close this out, let me recap. No, we are not yet where we want to be, but hopefully as you can see, we have made phenomenal progress in a very short period of time.

And we have utmost confidence that we have the plan to continue to accelerate growth and progress.

So on the branding, the product and the promotions front, I look forward to coming back and talking to you about the progress but again, congratulations to the team who has done a lot in a very short period of time here.

Okay so we are in the home stretch, and I am going to turn it over to the individual that you are probably most excited to hear from, which is our CFO, David Jennings. David is going to help you understand what all of this means for the financial trajectory of the business. Welcome, David.

FanDuel Financial Trajectory

David Jennings

CFO, FanDuel

Overview of our financial trajectory

Thank you, Amy. Good afternoon, everybody. It is nice to see some familiar faces in the audience. It is also really encouraging to see the number of new investors who are with us today. Thank you all very much for giving us your time this afternoon.

So you have heard our team describe the things that have helped us to get to where we are today. And over the next few minutes, I am going to try to pull it all together to give you a sense of what we think it means for the financial trajectory of FanDuel. I am going to talk to you about three things. First, the potential revenue growth of the business. Then, how the shape of the market is evolving and what we think that means for market share concentration. And finally, how we are going to continue to use our scale advantage to deliver profitability in 2023 and excellent returns thereafter.

Reminder: The shape of the P&L for an online operator…

Before I do that, we thought it would be useful to very briefly recap on what the P&L looks like for an online gaming company. Given the sector-specific terms that we use, I would not go through every line item here, but I would just highlight three.

The first is net gaming revenue. This is the revenue we generate from customers after deducting generosity and promotions. And it is this revenue figure that is typically used for measuring profit margins.

The second is the contribution line. This is a measure of the profit we generate from customers after all acquisition and retention costs are accounted for. Contribution is calculated before deduction of other operating costs. As you will see later, the reason we focus so much on contribution is because it is ultimately the trajectory of this line that will dictate the timing and magnitude of our future profitability. We will only turn EBITDA positive once contribution exceeds other OpEx.

The third line I would highlight is the EBITDA line because Flutter's definition of EBITDA is different from US listed companies in the sector. Our definition includes the cost of share-based payments. These can be material costs that other operators often exclude in EBITDA guidance. This should be kept in mind from comparing our numbers with others.

At each stage of the P&L, we believe we enjoy advantages versus competitors. Something I will talk more about as we go through. So let us get into it.

The FanDuel Advantage has helped build a $3bn net revenue business today

Starting with where we are today. Earlier, Mike talked to you about how we have the most efficient and effective customer acquisition and retention engine in the industry. This has resulted in us building a business that currently has over 2.3 million average monthly players, who we estimate will generate over $3 billion in net revenue for us this year.

And as Amy said, we are only getting started. Christian showed you our latest estimate of potential TAM in the US. From a market worth $9 billion in GGR today, we see a credible path to a market that is 4.5 times bigger at maturity. Should we grow our market share from where it is today, our implied revenue growth would be higher again.

Potential size of the market: Over $40bn TAM by 2030

Now the potential size of the market is one thing, but we also believe that the evolving shape of the market plays to our strengths. You heard both Peter and Amy speak earlier to the importance of scale, and these next two slides reinforce the point.

You can see on this first slide that we expect our cost of sales as a percentage of revenue to be 50% in 2022, with nearly two-thirds of that coming in the form of gaming taxes.

Evolving shape of US market underlines importance of scale

What that ultimately means is that operators must cover all of their other costs with the remaining 50% of revenues before generating a profit. In our experience, that is generally only possible if you achieve true scale.

Higher market share concentration likely

To us, the shape of the US online market is increasingly looking like Australia, where cost of sales also account for roughly 50% of revenues. What this has led to there is a situation where the top three players account for 87% of the online sportsbook market, and where the market share gap between the number one and number two player is over 30 percentage points.

If you contrast that with the UK & Ireland, where cost of sales are lower, online sports betting market share is less concentrated with a smaller gap between the number one and number two players. Already in the US, the top 3 operators in online sportsbook account for 81% share, and we believe this level of market share concentration is likely to persist given the economics at play.

We will leverage our flywheel to compound our leadership position

So we think that scale is going to be critical. I am now going to explain how we will continue to use our scale advantage to compound our leadership position. Amy introduced the flywheel earlier, let me take you through it.

In the top right segment, you can see here the FanDuel advantages lead us to have the best customer proposition in the market. This allows us to acquire and retain more customers more efficiently than anyone else.

Better acquisition and retention results in higher revenue growth. This higher revenue in turn enables us to reinvest more in our business and more in our customer offering. We are able to outspend competitors in terms of media while at the same time giving greater levels of generosity back to our customers.

This, in turn, sees us continuously improve our customer proposition. Our scale and competitive advantages create a self-perpetuating flywheel that sees the gap between us and our competitors grow over time.

What does our relative scale advantage look like today?

So what does that gap look like today? Well, this year, we are on track to generate over $800 million more in revenue than our next nearest competitor. Perhaps more importantly, as you can see from this slide, the gap between FanDuel and its competitors has widened every single year since 2018. With each additional state that goes live, our advantage is compounding.

Quantum and efficiency of sportsbook promotions is difficult for competitors to match

How are we leveraging that? Earlier, Conor spoke to you about the sophistication of our pricing capabilities, and the fact that we can generate higher win margins than our competitors, while at the same time, being more competitive on price.

This slide shows you what this is allowing us to do. This year, we will invest over $850 million on sportsbook acquisition and retention bonuses, while at the same time our generosity as a percentage of GGR is continuing to materially come down.

Sheer Scale of marketing investment (>$1bn) reinforces our leadership position

Reinvestment does not stop there. From a brand and marketing perspective, we will spend approximately $1.1 billion on sales and marketing in 2022. Combined, these are very meaningful numbers; an annual investment in generosity and media of over $2 billion when we add casino generosity. Very few operators can write cheques at this size, and we believe that this is expanding the moat around our business over time.

It is not just that we are spending more than our competitors, but it is the efficiency of our spend that stands out.

Combined with highly efficient spend driving impressive returns

This next slide shows that versus our nearest competitor, we have generated over $1 billion more in revenue over the last four years while spending $200 million less on marketing. The good news is that we think there is plenty of scope to further improve our marketing efficiency in the coming years.

Huge scope to drive further operating leverage through marketing line

You heard Mike speak earlier to the benefits of moving to national marketing, and this, coupled with the ongoing expansion of the regulated map, means that sales and marketing will be a key driver in achieving favourable operating leverage. Our sales and marketing sat at 37% of NGR in H1.

If you look at where we have got to in Flutter's more mature markets, it sits at 18% in the UK and Ireland and just 9% in Australia, so we clearly have a very big opportunity to continue to drive efficiency here over time.

Headline contribution growth disguises true scale of embedded value being built

That brings us down to the contribution line that I spoke about at the start. You can see on this chart how our total contribution is growing with each passing year. But this chart arguably disguises the true embedded value that we are building in our business. To explain what I mean and to give you a proper sense for what is giving us confidence in our past profitability in 2023, I am going to show you how our sportsbook contribution is developing over time.

The cohort view is what gives us confidence in our path to profitability…

In 2018, we acquired 64,000 sportsbook customers. Those customers generated some revenue for us that year, but not enough to offset the cost of acquiring them. And so, their contribution to us was negative $13 million.

Now let's see what happened the contribution of these same customers the following year. The negative $13 million turned positive to the tune of $6 million, a swing from year one to year two of $19 million. And crucially, that same cohort of customers has materially grown its contribution ever since.

Now let us look at the 2019 cohort. That year, we acquired 285,000 customers, at an initial contribution investment of $59 million. In year two, that cohort once again turned contribution positive with a positive swing growing to $65 million. It is also worth bearing in mind that this year two contribution swing was despite COVID disruption to sports, and as you can see, the positive contribution from these customers has continued to grow since.

And so you see what is happening with each passing year; we acquire more customers as more states go live, leading to bigger upfront investment and the year one to year two swing gets bigger every year. For our 2021 cohort, we estimate that the swing will be circa $660 million.

So what about this year? Well, captured within Flutter's current 2022 guidance, we are on course to acquire approximately 2.8 million customers at a contribution investment of over $0.5 billion, our biggest investment yet. I will leave it to you to assess how big the swing is going to be in 2023.

This hopefully gives you a good sense of the contribution trajectory of the business. And for me, what is really encouraging is not just what it means for 2023 but what it means for the years thereafter.

Making progress on operating leverage

Now to grow profits, we also need to drive operating leverage across our other operating cost lines. As you can see on the slide, we have made good progress over the last four years. Despite being in heavy investment mode, our OpEx as a percentage of revenue has dropped by 18 percentage points since 2019 and we see good scope to continue to drive this lower.

That said, our first priority will continue to be investment for the long term. Thankfully, we do not believe those two goals are mutually exclusive. As we get closer to achieving critical scale in more parts of the business, we are confident we can continue to drive good efficiency gains across the organisation.

What does this mean for long-term EBITDA margins?

So what does this all add up to? My final slide just tries to give you a sense of how we think the main drivers of EBITDA margin will trend over time, once the market reaches maturity.

Now, as a former analyst, I recognise the perils in trying to look eight years out. If the ranges we present today turn out to be wide of the mark, then please do not be too quick to judge. After all, I have seen where some of your forecasts sit just one to two years out. There are numerous variables that will dictate where margins ultimately land, and some of these factors sit outside of our control, but we believe we can have a higher level of confidence around a few things.

Firstly, we think cost of sales will remain at similar levels to where they are currently, though where this number finally lands will obviously depend on where tax rates settle in new and existing states. As I said earlier, higher cost of sales tends to result in higher market share concentration, which we feel would benefit FanDuel.

Secondly, based on where we stand today, we see excellent scope to drive operating leverage improvements in both marketing and OpEx. We therefore see a credible path to EBITDA margins similar to Flutter's other online divisions. Given our expectation for the size of the market, we are clearly talking about very material levels of profitability, even in the context of Flutter's large earnings base today.

Therefore, we are excited about the future, and look forward to making this vision a reality in the years to come.

With that, I will hand you back to Amy.

Conclusion

Amy Howe

CEO, FanDuel

Key takeaways from today

All right. We are in the home stretch, and I promise I will be brief in my closing remarks because I know we have thrown a lot at you today. But let me try to recap what I hope you take away from today's Capital Markets Day.

One, FanDuel has a dominant leadership position in the US. We are America's number one sportsbook. But we also see a path to a much bigger opportunity in iGaming and candidly, we are very confident that we are well poised to go after that opportunity, so that is point one.

Second, Mike and Conor, I think, did a fantastic job of unpacking what we believe are sustainable advantages around FanDuel, around how we are acquiring customers more efficiently, retaining them on their platform and responsibly growing them over time. And this, combined with the unique benefits of Flutter, the Flutter Edge as we have described it today, we believe we have this great confidence in our ability to maintain, if not strengthen than number one position.

But we also talked about the phenomenal scale that keeps powering the flywheel and keeps that momentum spinning faster and faster. And what that is allowing us to do is continue to reinvest back in a lot of the great things that Conor and Mike talked about, investing in our product, making sure that we continue to strengthen our marketing and our brand and making sure that we continue to be even more efficient around how we are deploying generosity to the right customers.

And this, combined with candidly, superior execution and, as we have discussed throughout the course of today, highly disciplined cost management we believe gives us a very clear route to significant value creation, as David said, to the tune of five times revenue and margins that are within 25% to 30%. So hopefully, if there are four things you take away, those are the four things.

Thank you for joining us

I promise this is my last slide, but candidly, it would be remiss not to end with a final note of gratitude. First, to the more than 3,000 employees that come to work every day at FanDuel with a one team, anything is possible attitude. And trust me, we throw a lot at our employees. Thank you for what you do every day, to lead us to these results. You make all of us look good, and this management team is incredibly proud to have all of you, so thank you to our employees. And to all of you, to all of our current and potential investors, partners and friends who are here with us today, a sincere thank you.

On behalf of myself, Peter, Jonathan, Gary, who is also here with us and the entire FanDuel management team, we are incredibly grateful that you took your time out today to spend with us. I know it is a really busy time of the year, but thank you.

We look forward to connecting with all of you during our Q&A session and the reception afterwards.

And with that, I think we are going to take a 10-minute break and then we will formally reconvene and give you folks an opportunity to ask questions. So, thanks again.

Q&A

Lisa Kerney: It is now my honour and pleasure to bring back the leadership team because someone has to answer these questions, right? So back to stage we go. We have got Peter Jackson, Amy Howe, Christian Genetski, Mike Raffensperger, Conor Farren, David Jennings and Andy Sheh. While they are taking their seats, I just want to remind you all, we are resuming our webcast live. We are being recorded. And now it is time to have a little fun. So I turn it over to the audience to ask those questions for everyone here in the room.

Michael Mitchell (Davy): First of all, thank you very much for a very interesting set of presentations with that great detail. Two, if I could. The first on market share in sports betting and I think, David, you said the comparison with the Australian P&L is quite stark. You have got over 50% market share, obviously, in the Australian market. Are there any local reasons here in the US market, why the market leader in sports betting ultimately here would end up with a lower share than what you have seen and experienced in Australia? That is question one.

Question two, if I could, customer acquisition costs. I appreciate you typically look at customer economics more broadly rather than simply CAC rates. But when I think about the various messages in terms of increased level of referrals and yet to be harvested fantasy database in non-life states and shift to national advertising. Is the message that cost per acquisition can fall from here?

Peter Jackson: Thank you for the question, Michael. And I will take the first one and then, Mike, if you want to take the second one. Look, we have never set ourselves a market share target. We have always been very focused around our acquisition cost and lifetime value dynamic. And we have acquired as much business as we can whilst ever we see the opportunity to do that. We have never constrained the business. We have just taken as much share as we can.

I did though show that chart around digital leadership and the fact that when you get into that leadership position, the flywheel benefits you have, does allow you to escape from the pack. And so I think that is something we have to acknowledge and recognise as the leader in the space that we are in a very strong position. We are not setting ourselves a market share target.

We want to be number one, and we are continuing to invest hard. But the focus for us is around the CAC to LTV dynamic, and we will take as much share as we can.

Mike Raffensperger: Yes. Look, on the point of customer acquisition, I think the short answer is yes. I do think there is opportunity, and it is not just the shift to national, referrals. Like, every day hundreds of marketing employees are focused on how we deploy $1 billion in marketing spend as efficiently as possible. I would say the broader trend line is we are getting more efficient. I expect that to continue over time.

But it is only one part of the equation. It is also maximising the LTVs. Fundamentally, what we look for is that sweet spot of paybacks. And so we honestly do not want paybacks to be too good because we think we are leaving sugar on the table and we want to maximise our investment and the opportunity. So it is both sides of the coin, but broadly speaking, yes. I do think there is further efficiency in CAC.

Daniel Politzer (Wells Fargo): Good afternoon, and thanks for taking my questions. A couple. One, you have laid out a credible and detailed path to 2030. So one, I was hoping you could maybe bridge us 2023, 2025, what are the kind of guideposts through which we can measure your profitability?

And then the second question on iGaming. You talked a lot about focusing there and growing that business in the US. What are the options you are evaluating? Is it M&A, different brands? And I say that acknowledging the UK is a much more fragmented market in terms of the different brands there.

David Jennings: So let me take the first question. So if we think about nearer term, how we think about, say, top line growth, without providing any guidance, we think 2022 is a pretty good reference point. In 2022, we will have added about 8.5% to the population in terms of regulated states. And if you look at the prospects for 2023, it is a tad lower, it is about 7.5%. So it is not going to feel too dissimilar from this year. And obviously, this year, we have added about $1.2 billion in revenue or are on track to do that.

The other, obviously, important driver of future revenue growth is in our existing cohorts. And Flutter have previously disclosed that if you look at the year three revenue of a customer versus year one, we have typically seen about 22% CAGR there. So it is going to be the combination of ongoing expansion of the map and underlying growth in the business that will continue to drive top line.

In terms of earnings guidance, I am not going to provide anything more than we have already said, which is we are on track for profitability in 2023. I do think it is important that people are aware of the fact that we have said we are still in investment mode here. We are achieving operating leverage, but the first priority is to continue to invest for long-term growth. But as I said in my presentation, I do not think those two things are mutually exclusive.

Amy Howe: And then second, with respect to your question on iGaming, there is two parts of it. First of all, we agree that the market is likely to be more fragmented. I think Peter shared some of the numbers around UK and Ireland and some of the other markets where that has very much been the case vis-à-vis sports betting.

Listen, with respect to your question on M&A, I think you have to ask yourself if we were to acquire an asset, what would we be acquiring? You might be getting a brand, you might be getting a database and potentially a loyalty programme. As we have laid out, we feel very good about our path as it relates to the FanDuel brand and how that is resonating with the customer.

Candidly, if you look at some of the assets right now, we think it is a pretty expensive way to go out and acquire a database, and I think the other thing you have to keep in mind is a lot of what we are leveraging to accelerate our path in iGaming in the US, some of that actually came through acquisition that Flutter did, right? The Stars Group. We have yet to really leverage anything from Sisal, which was just closed not too long ago. So there is a tremendous number of assets that we have the benefit of already leveraging outside the US to grow. So right now, we feel very good about the path we are on.

Peter Jackson: The only thing I would add is we do also have an additional brand here in the US, which we run the PokerStars brand. It is not sat within the FanDuel family at the moment, but it is obviously a very important brand for the market.

Ed Young (Morgan Stanley): I have two, please. First of all, David, thank you very much for the slide on the cohort analysis. It is really useful information to have. Could we read into when you said 8.5% of the population this year, 7.5% next year, we spoke about generally maybe slightly more rational marketing environment, switch local to national. But you have also got faster and faster adult penetration each year. That is a trend that is continuing.

So when we think of the moving parts of what the activation contribution cost will be in 2023, are there any elements we could be thinking about in terms of trying to think through what that looks like?

And then second of all, cost of sales. I appreciate you saying that comes with advantages, it being relatively high in terms of market concentration. But what is the reasoning for that not trending down from current levels over time, given some of your costs will be struck on GGR? You are talking about NGR margins going higher and presuming there are some other efficiencies there you are getting over time. You mentioned tax, you expect future states to be lower, etc. So what is the basis for thinking cost of sales? Is that just conservatism, or are there other elements there for why it should be flat?

David Jennings: Thanks, Ed. Let me take them in turn. In terms of your question around the cohorts and contribution, I think the obvious other point with respect to next year is that whilst we will hopefully see a very meaningful swing in terms of the 2022 cohort turning positive, we are going to be continuing to acquire more customers next year as well. And so, we are not going to put a number on how many that is going to be. But you can see on the chart with every year that goes by, we are acquiring more customers. And I would expect that next year is probably going to see a continuation of that trend.

So there will be another large negative contribution block coming in. That said, captured within our EBITDA guidance, you have got the positive benefit from 2022, plus all of those other cohorts hopefully continuing to grow as well, which is how you get to that outcome.

In terms of your question on cost of sales, the only reason we provided a range is because it is less in our control, okay? As we described earlier, when we have got about 35% of the population with sportsbook today, which means more than that again is yet to regulate, and we do not know yet what the tax rates will be there. I know that as we look at our cost of sales today, a little less than two-thirds is gaming taxes. You can take it that we are doing everything we can to drive efficiency in the other one-third. And hopefully, I would be optimistic that we can drive improvements there over time as we leverage our scale.

So look, let us see where we get to here. We are encouraged by what we have seen post New York, where we have not seen contagion of tax rates. And I think that that is something that gives us hope that maybe in the future, you could see the blended tax rate come down a little bit.

Joe Stauff (Susquehanna): I wanted to ask, following up on the projection for sports margin that you outlined. I think you said 12% in 2025, 10% this year. As you think about those increments of structural improvement in margin, is it largely product mix, if you could just talk about that? And then if you could talk about, maybe you have seen this in Australia or other geographies that you have competed in, where competitors are obviously much lower than you are, how much of that gap can they make up for, and how much of that advantage can you maintain?

Conor Farren: Yes, so I think the bigger part of the delta will be from the product and bet type mix, but accurate odds is still very meaningful in terms of where we are getting to. In terms of what our competitors can do to bridge the gap, I guess the boring answer is we can only focus on the things that we can control, and we are very confident we can make ours better.

I would assume they will get better, but I am not sure to what extent. But one would assume they will improve, but I would be reluctant to guess by how much. The gap has been widening in recent years, but we will focus on the things we can control, and I know we can drive those up.

Kiranjot Grewal (Bank of America): I just had a question on the scale side of things. You have said throughout your presentation that scale is paramount for success. You are also delivering a lot more and a lot sooner. Should you be or are you thinking of perhaps spending more? Or should you be spending more given that your competitors are not in the same field as you in terms of the ability to spend to capture more sooner rather than waiting for profitability next year?

David Jennings: Yes, it is a good question. I think as we think about the appropriate level of investment in the business, it really needs to come down to what do our customer economics look like. We are less focused on how much others are spending in the market and more about whether or not we can continue to drive strong acquisition at compelling and disciplined returns. To-date, we have been able to do that. And I think you have seen that in terms of the payback is actually shortening for us.

I know Peter, in the past, you have spoken a little bit about how, had we known back in 2018 what we know now about customer economics, we would have spent more. I think we have learned some lessons from that, and I do not think anyone here would accuse us of being timid when it comes to investment.

Amy Howe: But David, I think I would also say the beginning of this year was a good example, right? Coming out of Q1, what you always see coming out of Super Bowl is everybody pulls back on spending. What we saw was competitors were pulling back in a much more dramatic fashion than you had seen in prior years and so collectively, we made a very conscious decision to lean in, right? And we said, we cannot predict exactly. We knew some states were probably going to shift to 2023 instead of 2022, and we said we are going to make a conscious decision to lean in and exit the year with a bigger business.

So there is that constant push and pull that we are always having those conversations. But again, it is what both Peter and David referred to is that relationship between the player value and the acquisition cost. And when we see that formula work, we are going to lean in, just as we did this year.

Joe Thomas (HSBC): Could you just help us bridge the gap between GGR and NGR, and I can see that your bonusing is dropping, but when you think about the market as a whole and market share, how do you see it settling down long term?

And then relating to that, I am just interested as well in trends on pricing, overrounds and how you would expect that to move over time? It sounds like it is quite competitive at the moment if you are pricing below the UK. As the market consolidates, would you expect that to trend upwards?

David Jennings: Sure. I will take the first one. So I think what we would expect over time is that the US market is likely to look similar to other markets in which Flutter operates. Typically, generosity as a percentage of GGR comes in somewhere between 20% and 30% of GGR. And our expectation would be for something similar here.

Conor Farren: Yes. To give you a flavour, Joe, say money line is 4% overround today and spreads and totals are 4.8%. Two way core player props are 4.8% on our site, a bit more on others. But comparatively, the best comparison probably to use in the UK is Win-Draw-Win, Premier League. So that is like 107, 108 there these days. I think in Australia, those sorts of markets are now crept to 106.

So since day one, it has been very competitive overrounds in this market, and that is a big part of the reason you see the kind of 6% historic. We have been willing participants in that because we felt we might have advantages to play into. It also helps for the health of the industry long term; makes it more sustainable, more attractive to customers, grows the acquisition base, probably faster, to have a good value proposition like that. So I would not see it definitely going up. It is probably a function of whether it has to.

But I would not see it is definitely going up just organically because things consolidate, because I think there is other ways you can increase the structural margin without having to touch that.

John DeCree (CBRE Securities): Maybe two regulatory questions, maybe for Christian. One on iGaming, the outlook to 2030 with maybe 25% population having access to iGaming. I know it is tough to handicap, we spend a lot of time on it as well, but is there a way that we could see greater penetration? Is there a real pushback from lawmakers today? Was it just sports first? Trying to get your views, is there kind of a catalyst, the accelerated speed that we have seen sports betting get approved. Could that happen for iGaming? What would have to go right?

Christian Genetski: Sure, and I touched on this a bit in my remarks earlier. There was pent-up demand for sports betting in part because there is a sense that legislators' constituents are already betting on sports and they are doing it in a way where there is no protection for the consumers, and there is no benefit to the state because it is being done through illegal means.

So there is a real impetus to bring into the light activity that is already happening. And I think it has been important for a lot of our mobile sports betting states, this is the first time the state has ever regulated an online product, so there is a growth curve for the regulators to get comfortable with it. I think those are all things that set a path for iGaming. I do think iGaming generates more tax revenue and more immediate tax revenue for states sso that is the number one attractive facet for iGaming. And I do think you will see, as iGaming states start to roll, you will see momentum out of the first couple of dominoes to go. And again, as I said, you are going to see states that look similar to one another, that have land-based casinos, that already have mobile sports betting, that are geographically clustered sort of in the Midwest and the Mid-Atlantic and Northeast. I think that is where you will see. And I think if you start to see a couple of dominoes fall, states will look and say, well, if Illinois is getting this much revenue out of this, why are we depriving ourselves of that in Indiana and so on.

John DeCree: A follow-up on the sports betting side. So you have talked about regulation as a patchwork quilt has been knitted that lawmakers, regulators have gotten a little bit more accommodating, perhaps direct to mobile licensing is one of those benefits that you called out. In the context of market access fees in the future there, maybe more broadly, is there a possibility for regulators, lawmakers to kind of go back and redo some things that they did not get right the first time around? I know tax rate in New York is one that has been talked about a couple of times; could we see some changes in the future that might benefit the margins?

Christian Genetski: I think so. Every state is a snowflake, and so what goes for one does not necessarily go for another but we are keeping our engagement in our current states in which we operate. We do not move on once we have passed a law in a state and only focus on states where we do not have products. We are going to maintain a presence in those states and part of that can be defensive to fight off changes that would be negative for us, but part of it is a continuing offensive.

And so you mentioned New York, and we certainly believe that we will see proposals submitted in the legislative session upcoming that would increase the number of operators in the market and reduce the tax rate, and we will be there for that debate and be present for it. I think we feel confident that, with our coalition partners, we are a very important stakeholder and a very important voice in any of those debates, and we will ensure that we are there for them, and we feel confident about the long-term regulatory outlook.

Clark Lampen (BTIG): I have a question on content. For a business that long run you guys think is going to generate several billion dollars of EBITDA, content is clearly a priority for you right now, but does it make sense over time to allocate more and more of that money towards content, potentially even live sports? Do you see, I guess, opportunities to unlock customer spend or higher LTV from providing a unified betting and content offering?

Mike Raffensperger: Yes, I can take that. Look, I think in any immediate or even midterm future, there are better homes for major American sports. They can monetise it through means and have a more mainstream audience than, let us say, something that is specifically oriented towards betting. But I do think there are secondary and tertiary sports leagues that just cannot find good fan bases in the United States, and they cannot find good distribution homes, and we found them really eager to work with us where we have millions of super engaged sports fans, that we can help them grow their league. And that creates a really interesting economic model where we can share, right, in the growth of the sport together.

And so my hunch is you can see us operate and be investing in ways we create incremental fandom, and incremental betting opportunities in secondary and tertiary sports. We are probably not the right home for major leagues.

David Brohan (Goodbody): Just two questions. So firstly, as part of the Fox arbitration ruling we got last week. It was confirmed that if the Fox Bet relationship was terminated, you guys would retain the Super 6 business. Just interested to hear your thoughts on how beneficial you think that would be for FanDuel if that customer acquisition funnel was redirected towards the FanDuel business.

And then secondly, in terms of kind of live casino, how important a role do you expect live casino to play in achieving that 2030 iGaming TAM that you outlined today?

Amy Howe: Listen, Super 6 has a very strong brand in the States. It is a good free-to-play game. The honest truth is we have not done that overlap in the database between Super 6 and ours, we suspect there is a fair bit of overlap if you look at what we have already done and accumulated through our DFS and our own free-to-play products, but it is a solid brand that we could certainly leverage.

Peter Jackson: And then the live casino point. I mean if we look at any of our gaming businesses around the world, live casino plays an important role. It is worth thinking about the different segmentation that we showed in terms of people's preferences around table games and slots. And clearly, live casino is very much focused around the table game segment.

Amy Howe: Yes, in fact, this year, we actually launched a live dealer product in a number of our markets. So we are starting to already experiment with that. But listen, as I said, just more broadly, with respect to iGaming, there is still so much that we have not fully leveraged from outside the US that is part of our overall roadmap.

Simon Davies (Deutsche Bank): Two from me, please. First, single game parlays have been a pretty key component in your relative success. How sustainable do you think your dominance of that category is given that we have seen in the UK that innovations such as cash backs etc have generally not lasted terribly long?

And the second question is, you gave a pretty compelling demonstration of the advantages that have been accrued to FanDuel as being part of the Flutter Group. How does that sit with the potential IPO of FanDuel? Is there a risk that you would be generating dis-synergies from separating it from the Group?

Peter Jackson: Simon, let me have a go at answering both of those questions. If you look at Australia, and Conor, you might want to comment on this as well, we launched the Multi Revolution there in 2016. And here we are six years later, and we are still developing and pushing that product forward. So this is a very different concept to cash out, which was much more straightforward for people to replicate. And it is not just in the delivery of the product. It is the integration of into the user experience, the application of generosity and the whole sort of customer life cycle, which I think is really important. Conor, I do not know if there is anything you want to add to that.

Conor Farren: Nothing to add, no. I think just increasing flexibility for our customers is front of mind and things like same-game parlay and evolutions of that are the most likely way that is going to happen, so we will keep investing in it.

Peter Jackson: And look, Simon, in terms of your question around potential listing of FanDuel and the impact that would have on the Flutter Edge, and I think you have very clearly seen the benefits we get from the ownership of the business and this is sort of a reciprocal piece. As we said when we were contemplating it, it was something we are going to think of a listing of a small stake in the business and it would remain a controlled subsidiary, so we would be able to continue to benefit both ways from the current advantage and edge that you see in the business.

Chad Beynon (Macquarie): We see a lot of studies in terms of how strong the female sports viewers are and I think also with respect to that, also their kind of appetite to bet on sports, yet every presentation we hear it is still the 95/5 gender, roughly - correct me if I am wrong - in terms of what is in the sports betting database. You guys talked about adult penetration growth. That is a big opportunity between now and 2030, getting to maybe where Australia is.

So I guess kind of a two-parter on that. A, is it really just kind of closing the gap or improving your database with more female sports betting customers? And then secondly, more importantly, what is it that is going to get females, is it brand, is it maybe single game parlays? Just a little help there.

Amy Howe: So I will take that one, and others should pile in. So first of all, this has actually been something that has been an important part of my platform as I have stepped into the CEO role. And if you look at the data, I have shared this publicly a number of times, you are right. If you look at the sports fan, it is closer to 50/50, 60/40, right, male/female. But the sports betting mix is more, it is not quite 95/5, so that is a bit extreme, but it is kind of probably closer to 15% female and the balance male.

And listen, I think the honest truth is, there is a couple of things. One is the early adopter was the younger male audience, right? So that is where a lot of the effort went to as we thought about who we were buying advertising for, but as I look at those numbers, instinctively, you know there is an opportunity that nobody has tapped into and I think there is a few things that we are trying to do.

One is, first of all, I think you have to figure out how to appeal to that female audience in a way that is not necessarily the traditional men 21 to 54. There is a bit of, I hate to use the words education, but some men would not admit it, but women need to be educated a little bit on sports betting. They may find it intimidating. So actually, Lisa Kerney has done some phenomenal training videos just to orient women in, candidly, any sports recreational better, to how to think about it.

But the second thing is, how do we market more effectively to this user in finding channels. We have done some great partnerships with channels like The GIST and the Gaming Society, which are for women, by women.

One of the things that we are seeing in the data is women like that social aspect of betting, so tend to over-index on things like Parlay and Same Game Parlay, and the ability to do things as a community. At a higher level, though, I think the part of it for us too is how do we also support female athletes, and so we partnered with the WNBA, the WTA. We were the first to take bets on Women's March Madness, believe it or not, andnd so I think there is an equal playing field that we need to try to create both in terms of the betting offering itself, but also how we appeal to that and we are making progress.

If you look at the numbers, FanDuel has actually acquired significantly more women than any of the other sports betting operators, but there is a lot of runway ahead of us, for sure.

Ryan Sigdahl (Craig-Hallum Capital Group): So as the industry transitions from primarily a betting transactional experience today to one more of a fan engagement, you guys have obviously built the widest breadth and depth of platform when you think about horse racing to DFS, to media, FanDuel TV, etc, etc. Is the plan going forward to really try and optimise the assets you have today, or is it to try and add more legs to the stool, so to speak?

Amy Howe: Yes, I will start. So as we said in the presentation, I think the first objective is to make sure we continue to build scale in the core businesses, right? As more and more new states come online, both in sports betting and then as Christian alluded, in iGaming, we want to make sure that we continue to build that scale, which is what keeps our flywheel spinning faster.

But what we are also looking at is if you go back to the suite of products that we talked about in the beginning of the presentation, horse racing is a great example. We will be one of the first, I think, or the first sports betting operator that will have racing integrated into our productand candidly, what we saw during the pandemic when sports calendar was shut down is that there is an audience, a younger audience that is excited about that.

And so what we are trying to do is look at those adjacencies and say, which of those help us either efficiently fuel scale in the core. We just launched a product this year called Faceoff, which is a player-to-player multigame product, which is skill based. But we are also looking to say, as we bring millions of customers onto our platform and we have that engagement, what are the smart engagement and monetisation opportunities? And so that is a big part of where do we go next, but we are going to make thoughtful investments and we are going to make sure it does not detract from, candidly, continuing to build scale on the core.

Jed Kelly (Oppenheimer): Two if I may. I think this one is more for Mike. You recently did a promo with the NBA, three months of League Pass. Great promo. So can you talk about how we are thinking about integrating more with media and how you are thinking about the overall media strategy?

And then this might be for Conor. A lot of talk on Same Game Parlay, but can you talk about where we are with live betting in the United States? It seems to be, not maybe with you guys, but industry-wide slower to adopt than most of us might have thought, so where are we with live betting?

Mike Raffensperger: Sure. So thank you, we are really excited about our partnership with the NBA. For those who do not know, this basketball season, any bet placed on the NBA came along with three free months of their premium subscription product, where you could watch all out-of-market basketball games, which is a significant value in terms of subscription cost to the customer.

We are one of very few partners that the NBA launched that with, not just within category, we are the only sportsbook, but broader marketplace. I think we are really pleased with the initial results of how that has worked, and it is part of a broader suite of what I would say, co-bundled and co-acquisition strategy; we are looking at where are there places that are either premium sports subscription or other adjacencies where our partner can underwrite or we can help underwrite a co-acquisition strategy.

And importantly, I think it is us being able to drive benefit to our partner, where we have a great large platform that is able to adopt new trial at their products and vice versa where they have a large acquisition funnel, and we can be participating in helping some of that. So I would say, very encouraged with the NBA results and more of that kind of thing we will be doing in the future.

Conor Farren: Yes. So yes, live betting, we have good engagement with live betting. So 25% of bets and 44% of handle, top of head. I think as an industry, we do not well serve customers with live betting product experience as we do for pre-live. I think a lot of that is because live betting inherited displays, et cetera, are designed for pre-live and it probably needs a rethink, frankly.

I think one of the challenges in the US is that most people are watching 40 seconds behind live as well, which creates user experience challenges. But I would say when we do survey data, we rank best on live betting experience. I kind of consider that result the least bad at the moment. I think there is a lot of improvements we need to make. So there is a runway to improve that.

Yes? So the question was, can we get the latency down, and we cannot is the answer. Somebody probably can, but I am not sure who.

Brandt Montour (Barclays): So curious on fixed costs and your outlook there near term in light of the additional investments in iGaming in the new states. Some of your competitors, one in particular, have had sort of fixed cost growth maybe in excess of what otherwise might have been if they were not trying to catch you. So in light of the infrastructure you already have built, I am curious as to what you are thinking on that front?

David Jennings: Yes, sure. So I think it is fair to say that more of the areas of our business are approaching kind of fixed cost status. They are not quite there yet and that is why we worded it increasingly fixed on the slide, but as you can imagine, they are the kind of areas we highlighted: finance, G&A, HR, TV production.

I think that we will continue to see improvements in operating leverage because more areas reach critical scale. But I would not underestimate the areas that will continue to require investment at the same time. So with every additional state we go live in, as we continue to grow our player base, as we frankly continue to grow our employee base, that brings additional complexity to the business. And so you are really balancing those two things.

But as I said, we do see an overall path to getting our operating costs as a percentage of NGR down to 10% or thereabouts, which is what we have achieved in other parts of Flutter.

Andrew Tam (Redburn): Just a quick one. It is great to see the encouraging statistics around retention. Just in terms of a relative sense, can you give us what it costs to retain a customer versus acquiring a new customer? Is there a cost advantage there? And what is the order of magnitude there roughly?

Mike Raffensperger: Yes, I mean I am happy to take it. As David shared earlier, generally, as a percentage of NGR, we slot somewhere between 20% and 30%. I think the trick and what FanDuel, I would argue, does better than anybody else is being very thoughtful about propensity models of where risk of churn is being built. We have a really robust data science team that is always looking to improve that. And importantly, being able to identify the relative value segment, so you get the right amount in the right ways, but also unlocking a lot of insights where it is not all about the percentage that you are getting into someone's accounts. It is actually a lot more sophisticated than that. It has to do with sort of what expected return they may be seeing or the frequency of betting.

And so as I mentioned in my remarks, truly, we run thousands of tests on an annual basis of how do we maximise that retention advantage. So there is a lot of build up that goes into it. And put in the aggregate, it is kind of in that percentage of GGR range.

Barry Jonas (Truist Securities): Can you just spend a minute talking about the relationship with Boyd? Are there opportunities to maybe reprice some of the market access agreements? And as you both lean in deeper into iGaming, maybe talk about how you are aligned?

Peter Jackson: I will maybe start. I mean I think the first thing I would say is that Keith Smith and the whole team of Boyd have been absolutely fantastic partners. So we are delighted with the support that we have had with them in helping us build the business, so a big thanks to Keith and the team at Boyd. Christian, I do not know if you want to add?

Christian Genetski: Yes, I mean I think Keith has spoken publicly, FanDuel is Boyd's sports partner. I think that is a long-term commitment we have there. We still have a couple more Boyd states to go. Ohio will be next up. And on the iGaming front, they are going to have an iGaming business of their own that supports their regional casino business, so I think that is the path forward.

And as far as market access goes, we have a term in those agreements. I think it is fair to say that FanDuel is in a position now that it was not in, in 2018 when we were first negotiating some of those agreements, and that is probably going to inure to our benefit. But we also have partners that we like, where the relationship is working and we are going to look to continue those partnerships.

Adam Seessel (Gravity Capital): Happy US shareholder, thanks for the great presentation. Peter, a question for you. Forget the FanDuel IPO for a second, I wonder if you have ever considered a direct listing of Flutter in the US, because the trading volume over in the UK is so thin. I ran the numbers, I think I have this directionally correct that your market cap is roughly 4 times out of DraftKings, but you have an average daily volume in dollar value of about a sixth of DraftKings. And even if you take a blue or chip stock like Amazon, Amazon's trading volume as a percent of its market cap is about 20x of Flutter's in the UK. So there is a lot of people here, but I do not know what they are doing here because they do not seem to be buying or selling the stock. And I just wonder if a direct listing would help those things before any FanDuel IPO.

Peter Jackson: There is another 600 people on the live stream, so I am hoping we will see some big volumes tomorrow. Yes, look, it is a good question and as we look forward and think about how we take advantage of the success we are having in America, clearly, one of the things we have got to ask ourselves is that very question and it is something that we are working through.

I think one of the big differences between the US market and what we are seeing in the European situation is that there is a lot more retail involvement and engagement here, and actually, it is one of the things that we consider when we look at the benefits that DraftKings have from their listing is that they have got a lot of their customers able to trade their stock.

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