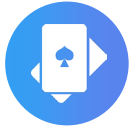


HEDGEYE

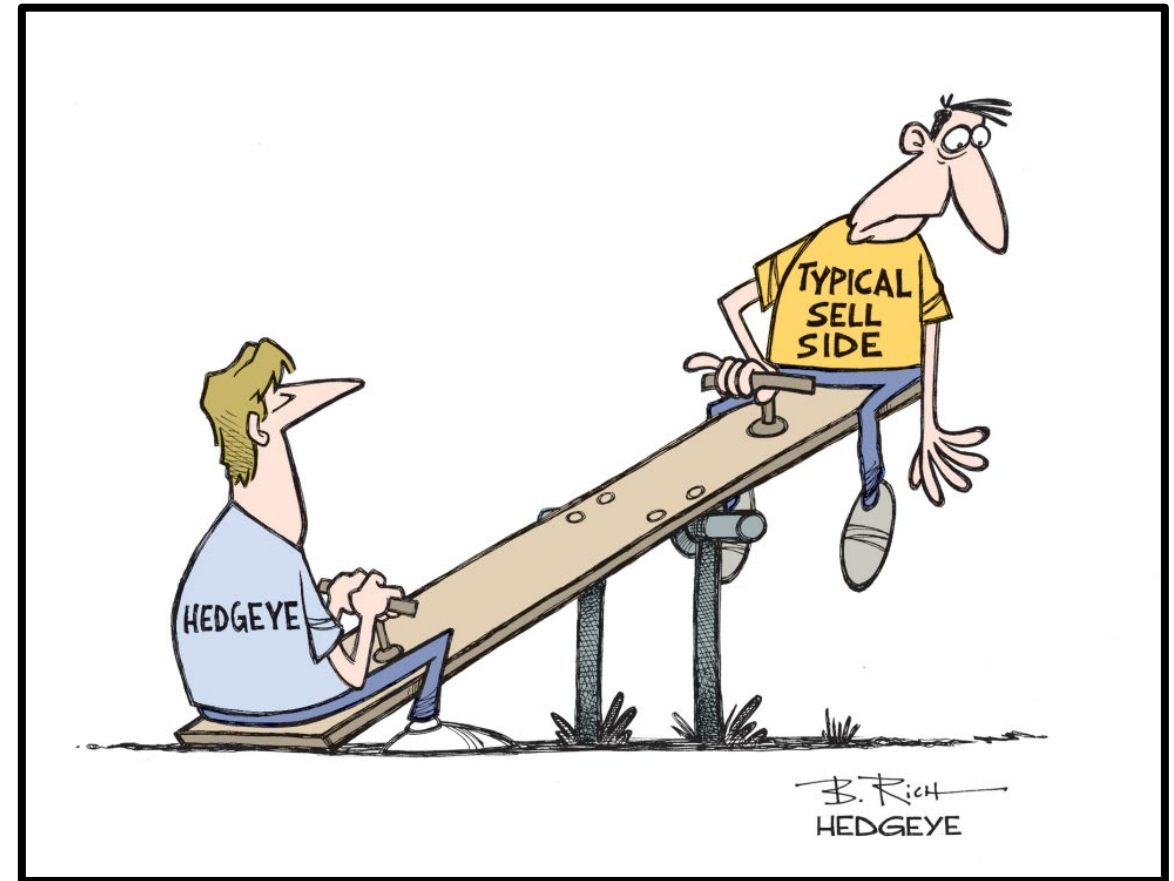


## GAMING, LODGING, & LEISURE

HEDGEYE LIVE SLIDES

MAY 4<sup>TH</sup>, 2024

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### HEDGEYE GAMING, LODGING, LEISURE

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**HEDGEYE GLL | COMPREHENSIVE & DIFFERENTIATED PROCESS**

## CORE TENETS TO RESEARCH PROCESS

### 1. IDEA GENERATION

- Thematic overlay – supported by penetration, TAMs, SAMs, etc.
- Focus on second derivative inflections in trends
- Relative and absolute performance / Battleground stocks
- Counter consensus screening models (short interest, ANR, etc.)
- Primary market research (professional interviews and surveys)

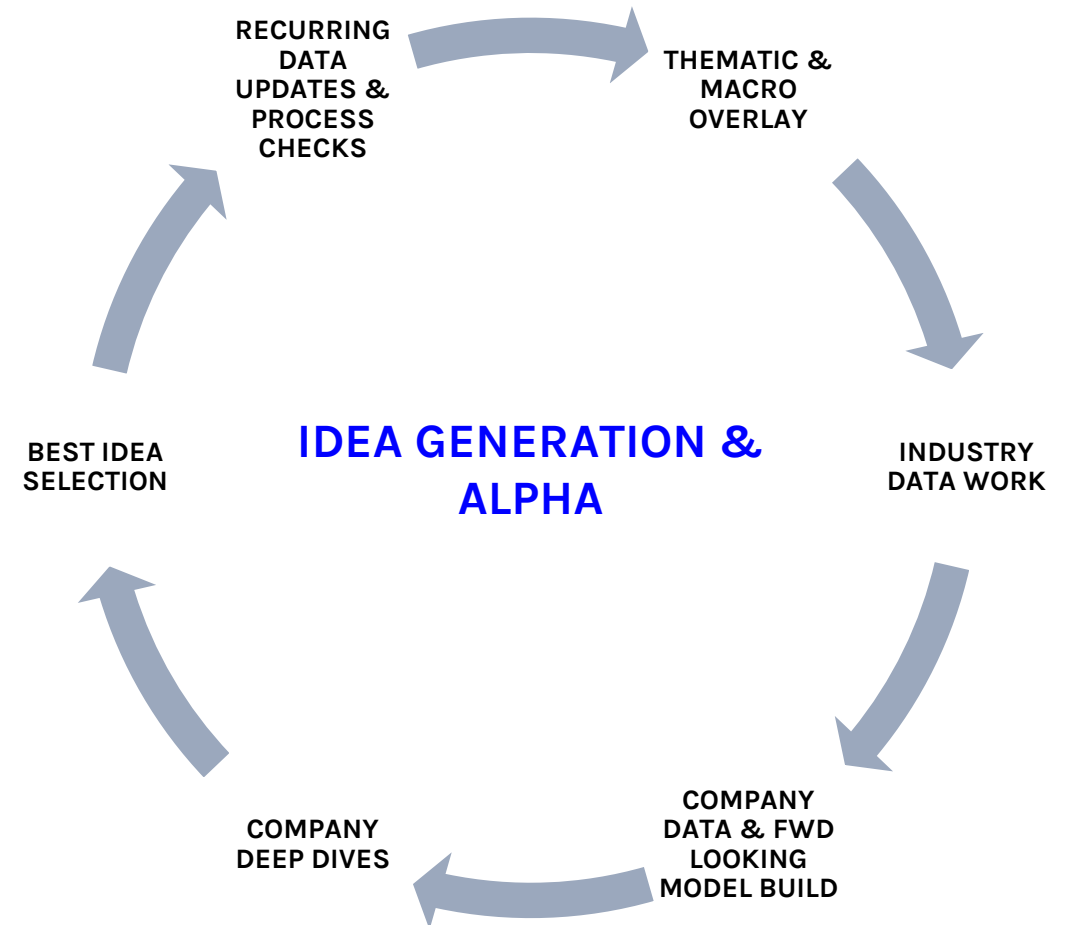
### 2. DATA DRIVEN

- Narrative NEEDS to be supported by data
- Identify correlations, update and chart high frequency key drivers
- Leverage alternative, proprietary and third-party data sets
- Heavy incorporation of data science to leverage larger datasets

### 3. FUNDAMENTALS

- Build out three-statement financial models
- Model top-line growth, market share and end-market
- Operating leverage, ROIC/Cost of Capital and free cash flow
- Focus on balance sheet, capital structure and management
- Consider all relevant valuation metrics (DCF, multiple, factor, etc.)
- Assess catalyst calendar, understand event path and risk/reward

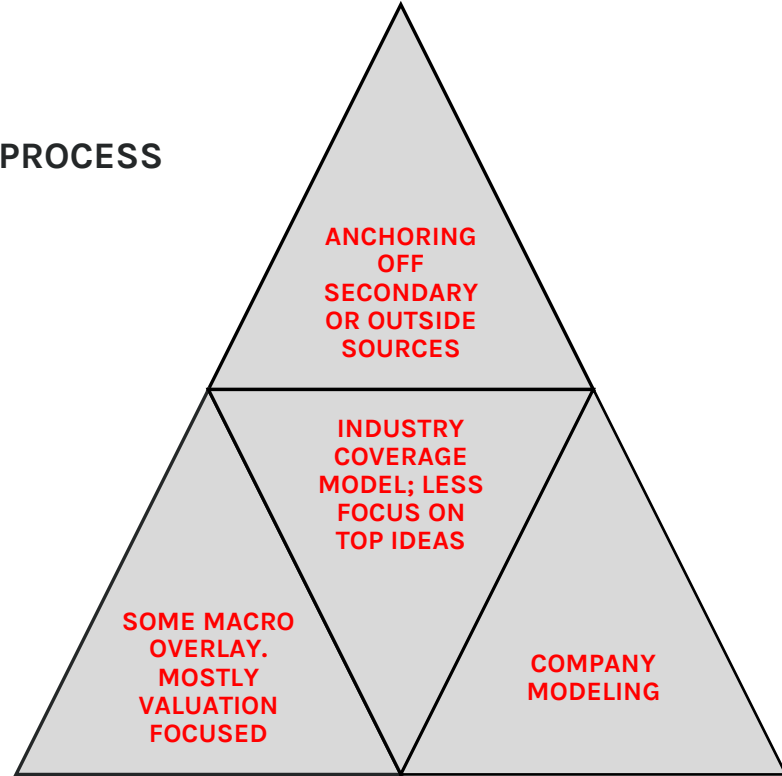
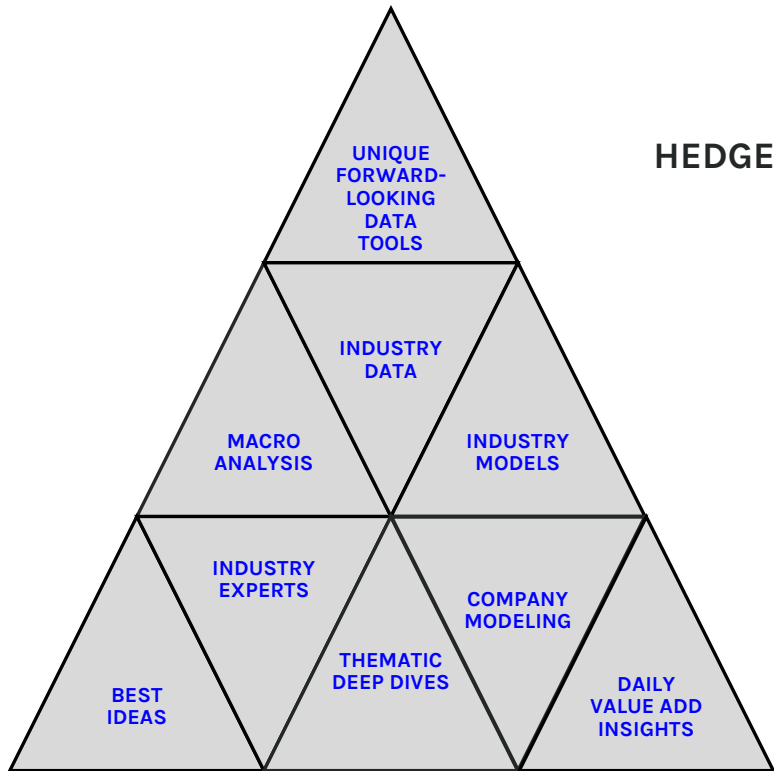
## RESEARCH PROCESS GOALS



**HEDGEYE MULTI-PRONGED RESEARCH APPROACH**

**CONSENSUS RESEARCH APPROACH**

HEDGEYE RESEARCH PROCESS  
US vs THEM



The game of investment research has evolved tremendously... So we have evolved alongside it...

Keeping tabs on quarterly trends, speaking with companies and maintaining models is no longer enough in the current world of fundamental research.

Having a **data centric process** is critical for adding value to the buy-side, and as such, we have evolved our process accordingly.

Leveraging data, proprietary tools, industry anecdotes, fundamental modeling, and macro = key ingredients to our success.

## HEDGEYE GLL RESEARCH INFRASTRUCTURE

Supported by a team of engineers, data scientists, and of course, a cartoonist!

### THIRD PARTY DATA

**Macau Data** – Consultant relationship with Macanese locals. Restoring data capabilities.

**H2 Gaming Capital** – Global casino gaming, sports betting, and iGaming resource with significant reach and breadth.

**SimilarWeb** – Traffic sourcing, total traffic, mix, etc.

**Sensor Tower** – Mobile app intelligence provider. Download and usage and attribution metrics for iOS and Android platforms world-wide

**ComScore** – Media metrix multi-platform (desktop, mobile and video). Digital reach and usage measurement. Demographic insights.

**Euromonitor** – Market research provider insight on both public and private components of an industry

**STR + Lodging Econometrics** – RevPAR, Demand, Supply, Pipeline tracking

**ForwardKeys** – Flight bookings tracker for insight on future travel demand growth

**Phocuswright** – Travel industry and research provider, focused on evolution of travel landscape

**eMarketer** – Media, advertising and consumer technology trends world-wide

**Govt. & Other Data** – UNWTO, WTTC, USTA, NTTO, BEA, BLS, Eurostat, Accuweather

### FEATURED HEDGEYE PROPRIETARY PRODUCTS

**SB / iC Platform Tracker(s)** – Monthly platform scorecard utilizing 7 key inputs to measure Sports Betting and iGaming platform / brand momentum.

**DKNG Revs + MUPs Tracker** – Multi variable trackers/models using 3rd party data to forecast quarterly revenues and MUPs for DKNG. (0.80-0.85 R<sup>2</sup>)

**Regional Gaming Revenue Model** – Statistical model which predicts monthly SS gaming revenue growth.

**Las Vegas Strip Tools & Models** – Convention & Leisure events tracker(s), Quarterly RevPAR model

**Hotel Industry Tools & Models** – Room rate surveys, forward looking **Macro-based Quarterly RevPAR models**. For U.S. only but developing Intl. models. Pipeline forecasting + supply growth forecasting for branded and non-branded hotels

**OTA Penetration / L/T TAM Models** – Penetration & TAM workbooks maintained for both hotel and alternative accommodation. Bi-Annual updates.

**BKNG + ABNB + EXPE Trackers** – Multi variable trackers using 3<sup>rd</sup> party data + Hedgeye process overlay. All hold high R<sup>2</sup> to reported top line figures.

**Airbnb Database** – Worldwide listings and ADR data. Tracked weekly, monthly, quarterly. By city, region, country

**Cruise Pricing Tracker** – Weekly scan of 28,000+ global itineraries (back tested for 5 years).

### FUNDAMENTAL

**Company Models** – Monitor key drivers and metrics. Run quarterly & annual projections.

**Industry Models** – Aggregate company and industry data to track and forecast penetration curves + industry trends.

**Sub-Industry Compendiums** – Monthly data matrices for OTAs and Hotels which tracks concurrent, alternative, and leading data. Aggregated and shared monthly.

**Valuation/Sentiment** – Track holder base trends, Macro sentiment (Quads), Short interest, sell side ranking, valuation.

**Anecdotes** – Interviews with industry professionals and published insights.

**Client Feedback Loop** – Range of clients offers valuable feedback for different durations.

# PROCESS | HEDGEYE GLL POSITION MONITOR

## ACTIVE BEST IDEA LONGS

Ticker	Company Name	Share Price (\$)	Mkt. Cap (\$Bn)	FY2 EV/ EBITDA	Short Interest
<b>DKNG</b>	DraftKings, Inc. Class A	\$42.38	\$20.1	N/A	4.4%
<b>RCL</b>	Royal Caribbean Group	138.73	\$35.7	8.6x	6.4%
<b>BYD</b>	Boyd Gaming Corporation	54.42	\$5.2	6.1x	4.1%
<b>CCL</b>	Carnival Corporation	14.58	\$16.4	7.1x	10.0%
<b>MGM</b>	MGM Resorts International	41.24	\$13.1	7.0x	5.0%
<b>ENT-GB</b>	Entain PLC	£7.89	£5.0	7.8x	N/A

## ACTIVE BEST IDEA SHORTS

Ticker	Company Name	Share Price (\$)	Mkt. Cap (\$Bn)	FY2 EV/ EBITDA	Short Interest
<b>PK</b>	Park Hotels & Resorts, Inc.	\$15.95	\$3.4	10.1x	8.2%
<b>PEB</b>	Pebblebrook Hotel Trust	14.24	\$1.8	10.4x	16.6%
<b>XHR</b>	Xenia Hotels & Resorts, Inc.	13.99	\$1.6	10.7x	5.1%

## LONG BIAS

Ticker	Company Name	Share Price (\$)	Mkt. Cap (\$Bn)	FY2 EV/ EBITDA	Short Interest
<b>WYNN</b>	Wynn Resorts, Limited	\$96.43	\$10.8	7.8x	5.5%
<b>ABNB</b>	Airbnb, Inc. Class A	161.49	\$117.9	19.9x	4.0%
<b>EXPE</b>	Expedia Group, Inc.	117.81	\$15.0	5.0x	5.2%
<b>NCLH</b>	Norwegian Cruise Line Holdings Ltd.	16.17	\$6.9	7.7x	8.6%
<b>VIK</b>	Viking Holdings Ltd.	23.00	\$10.2	9.0x	N/A
<b>CZR</b>	Caesars Entertainment Inc	35.79	\$7.7	5.3x	7.2%
<b>PENN</b>	PENN Entertainment, Inc.	15.45	\$2.3	5.9x	19.9%
<b>LVS</b>	Las Vegas Sands Corp.	46.63	\$34.7	8.0x	2.0%
<b>HLT</b>	Hilton Worldwide Holdings Inc	198.71	\$49.7	16.4x	1.1%
<b>RHP</b>	Ryman Hospitality Properties, Inc.	104.46	\$6.2	11.3x	2.0%
<b>RSI</b>	Rush Street Interactive, Inc. Class A	7.76	\$1.7	N/A	3.0%
<b>FLUT</b>	Flutter Entertainment Plc	197.86	\$35.1	12.2x	N/A

## SHORT BIAS

Ticker	Company Name	Share Price (\$)	Mkt. Cap (\$Bn)	FY2 EV/ EBITDA	Short Interest
<b>CHH</b>	Choice Hotels International, Inc.	\$120.67	\$6.0	12.3x	19.6%
<b>TNL</b>	Travel + Leisure Co.	44.50	\$3.2	6.3x	3.4%
<b>HST</b>	Host Hotels & Resorts, Inc.	18.56	\$13.1	9.6x	6.7%
<b>DRH</b>	DiamondRock Hospitality Company	8.97	\$1.9	10.0x	7.5%
<b>MAR</b>	Marriott International, Inc. Class A	236.69	\$68.5	15.5x	2.2%

## SWITZERLAND (NEUTRAL)

Ticker	Company Name	Share Price (\$)	Mkt. Cap (\$Bn)	FY2 EV/ EBITDA	Short Interest
<b>RRR</b>	Red Rock Resorts, Inc. Class A	\$54.32	\$5.7	9.9x	3.5%
<b>BKNG</b>	Booking Holdings Inc.	3,660.24	\$110.1	14.5x	2.2%
<b>H</b>	Hyatt Hotels Corporation Class A	151.32	\$6.8	13.0x	8.5%
<b>VAC</b>	Marriott Vacations Worldwide Corporation	98.25	\$3.5	7.6x	7.6%
<b>MLCO</b>	Melco Resorts & Entertainment Ltd. Sponsored ADR	7.21	\$3.2	6.5x	N/A
<b>IHG</b>	InterContinental Hotels Group PLC Sponsored ADR	97.11	\$15.7	14.3x	N/A
<b>27-HK</b>	Galaxy Entertainment Group Limited	37.50	HK\$164.0	9.1x	N/A
<b>WH</b>	Wyndham Hotels & Resorts, Inc.	72.97	\$5.9	11.2x	1.9%
<b>TRIP</b>	TripAdvisor, Inc.	25.41	\$3.2	6.3x	5.9%

Last Updated: 5/3/2024

### Notes

- Hedgeye's "bias" represents Hedgeye's outlook on companies currently under Hedgeye's review, or for which timing is not right for greater coverage. Hedgeye may or may not provide further commentary on any or all companies represented on the bias list and representation of a company on the bias list does not forecast whether Hedgeye will or will not issue any additional material on that company

- Valuation based on consensus estimates; EV / EBITDAR used for **MGM, CZR, PENN, BYD**

- 1** RCL – TOP CRUISE PICK – TO BENEFIT FROM RECENT VALUATION OF SUCCESSFUL VIK IPO
- 2** DKNG – TOP GAMING PICK – OPPORTUNITY TO BUY AFTER MUTED EARNINGS REACTION
- 3** BYD – REGIONAL GAMING TURNAROUND – SIGNIFICANT TAIL UPSIDE



## RCL – BUY THE DIP

CURRENT WEAKNESS = BUYING OPPORTUNITY FOR THE BEST-IN-CLASS CRUISE STOCK. NCLH'S QUARTER PROVED NOT TO BE A POSITIVE CATALYST FOR THE GROUP (GOOD NEWS ALREADY PRICED IN?). RCL LOOKS PRIMED FOR ITS NEXT LEG HIGHER AS MANY OF THE CATALYSTS WE HAVE OUTLINED ARE STILL MORE THAN INTACT. TO REVIEW THE CATALYSTS...

- 1) RCL'S PRINT TO BEAT AND BEAT & RAISE ✓ ✓
- 2) POSITIVE MOMENTUM LEADING INTO VIK IPO ✓ ✓
- 3) NCLH'S PRINT OFFERING ANOTHER POSITIVE LOOK INTO THE INDUSTRY GROWTH ✗

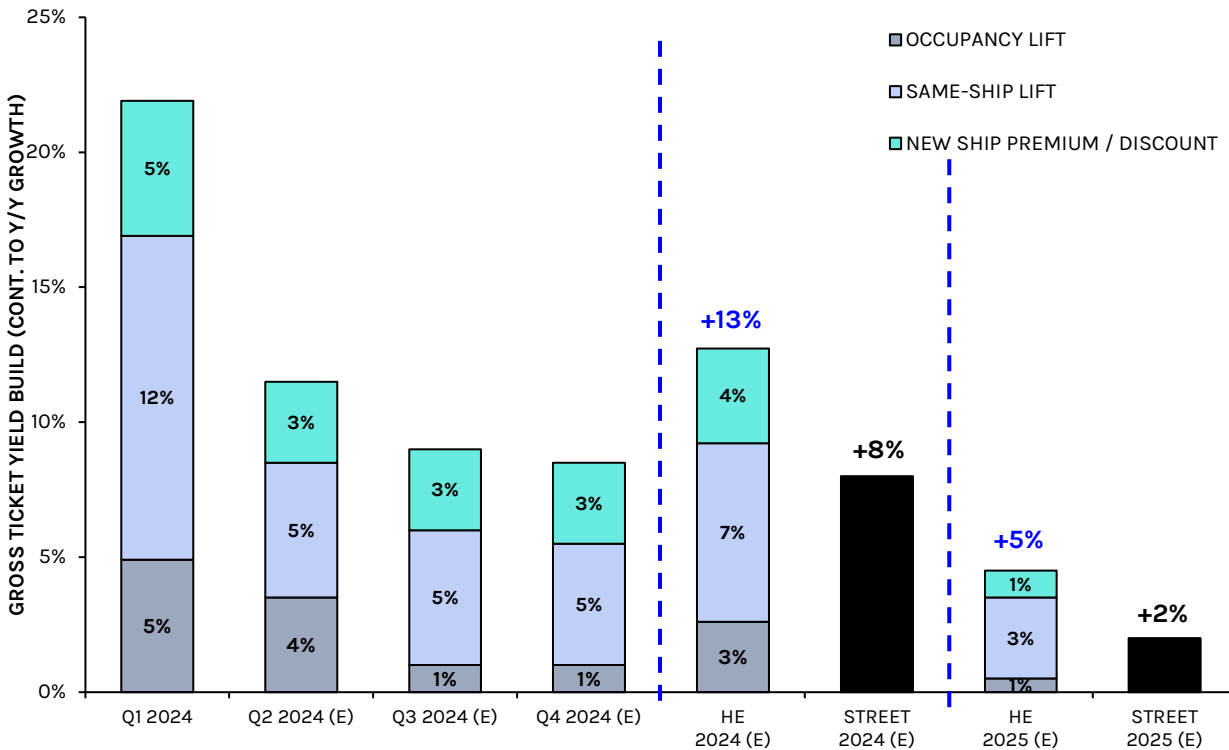
### WHAT'S TO COME...

- 1) POST-EARNINGS PRICING CHECKS TO STAY POSITIVE AND IMPLY ACCELERATION
- 2) VIK IPO TO BEGIN TRADING AND GIVE THE INDUSTRY A LUXURY COMP
- 3) LEVERAGE TO BREAK 4x BY END OF Q2... POTENTIAL FOR IG RATING ANNOUNCEMENT
- 4) Q2 BEAT & ... RAISE AGAIN ON THE BACK OF STRONGER TICKET YIELDS
- 5) RESTART OF CAPITAL RETURN IN EARLY Q4 (RCL COULD PAY DOWN OUTSTANDING RC BALANCES)

# RCL | YIELD BUILD – CONSENSUS IS TOO BEARISH ON TICKET YIELDS

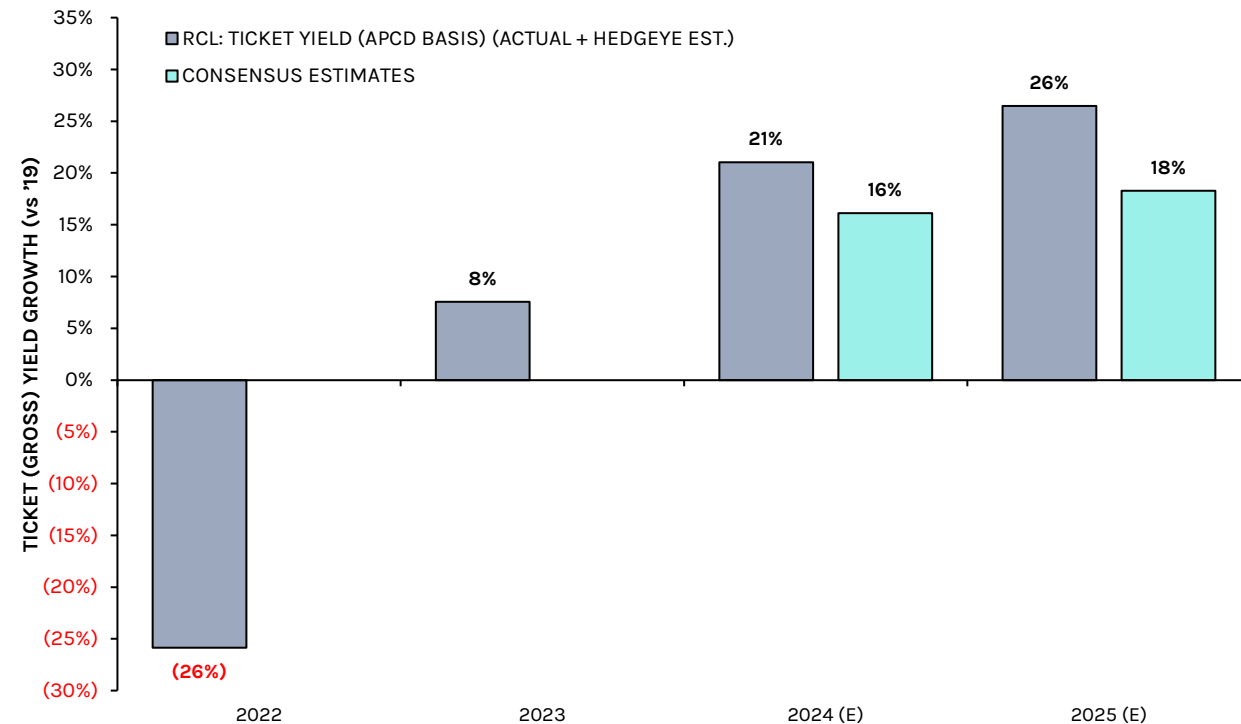
## RCL HAS PLENTY OF DRIVERS IN PLACE TO BEAT ON TICKET YIELDS

(Y/Y CHANGE FORMAT)



## L/T OUTLOOK – GROWTH TO COMPOUND ON PRE-COVID BASE

(vs '19 FORMAT)



**NOTES**

- CHART REFLECTS THE CONTRIBUTING FACTORS TO GROSS TICKET YIELD Y/Y GROWTH FOR RCL vs STREET; '24 & '25  
 - RCL OCCUPANCY ASSUMPTIONS IMPLY A RETURN TO PRE-COVID LOAD / OCC IN '24. PRICING & NEW SHIP ESTIMATES ARE DERIVED FROM PRICING SURVEY  
 - IMPLIED PRICING MAY NOT RECONCILE DIRECTLY WITH SURVEY DUE TO FACTORS (DEPLOYMENT SHIFTS, MIX, FCCs, ETC.)

**NOTES**

- CHART REFLECTS THE GROWTH IN TICKET REVENUES / APCD (AVAILABLE PASSENGER CRUISE DAYS); COMPARED TO '19 BASE  
 - '24 – '25 = HEDGEYE ESTIMATES & CONSENSUS ESTIMATES

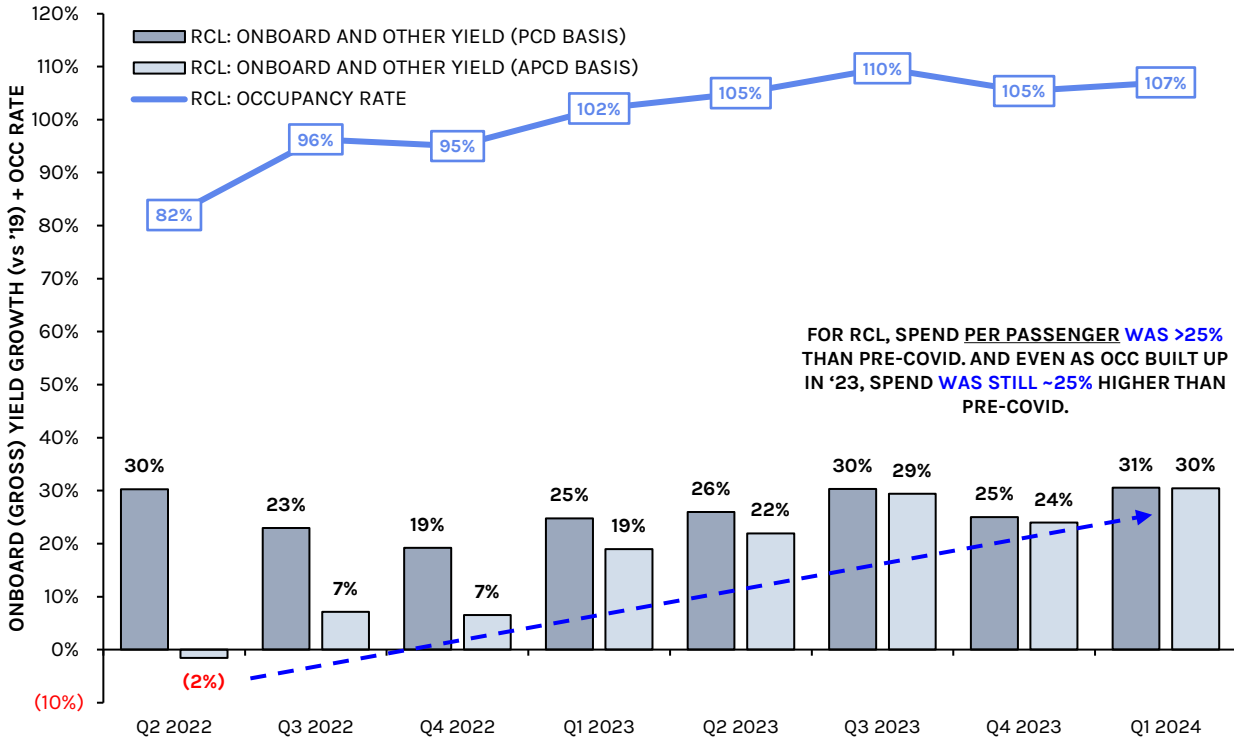
## KEY DRIVERS IN PLACE FOR TICKET YIELD OUTPERFORMANCE

It's up to the company to **keep putting up robust results (they just did)** on both ticket and onboard, but we think they have unique formula for '24 and '25 that should drive robust and above average yield growth. Yes, yield growth is going to decelerate from last year's early recovery (and Covid impacted) growth, but the potential for LDD and then MSD yield growth has significant implications for the P&L (as our estimates indicate). We think the Street is missing the potential upside and tailwinds stemming from RCL's new tonnage this year and the Street is also not capturing the upside from the YTD results and late Wave Season strength for the existing fleet.

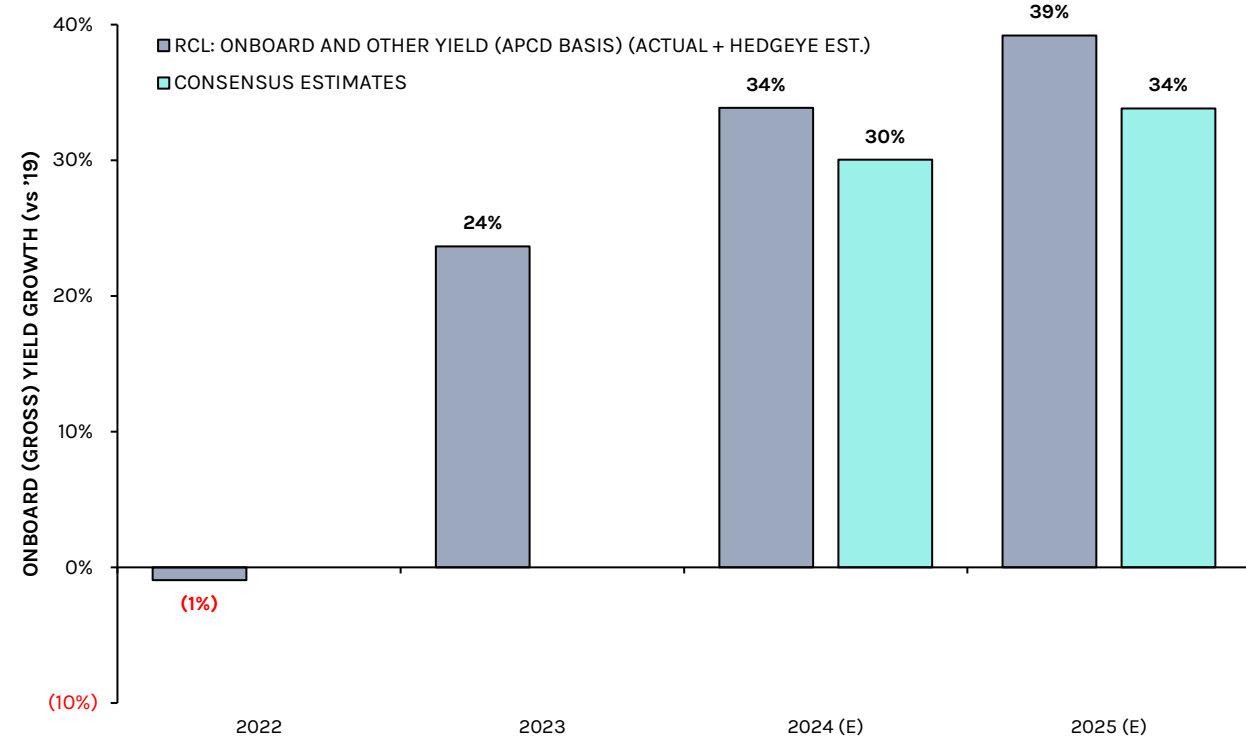
Note, our implied 2H estimates for same-ship pricing remains conservative but if current trends hold, we could see upside to our current ticket yield estimates.

# RCL | YIELD BUILD – POSITIVE LIFT FROM ONBOARD

## DESPITE OCCUPANCY RAMP, SPEND ON A PCD BASIS REMAINED ELEVATED IN '23 AND SHOULD CONTINUE IN '24



## L/T OUTLOOK – PER DIEMS AND TOTAL ONBOARD PER APCD SHOULD KEEP GROWING IN '24 AND '25



**NOTES**  
 - CHART REFLECTS THE ONBOARD REVENUES / PCD (PASSENGER CRUISE DAYS) & APCD (AVAILABLE PASSENGER CRUISE DAYS); COMPARED TO '19 BASE  
 - APCD CALC. USED TO SHOW THE PROGRESS IN ONBOARD SPENDING RELATIVE TO AVAILABLE CAPACITY AS OCCUPANCY RATES RAMP

**NOTES**  
 - CHART REFLECTS THE GROWTH IN ONBOARD REVENUES / APCD (AVAILABLE PASSENGER CRUISE DAYS); COMPARED TO '19 BASE  
 - APCD CALC. USED TO SHOW THE PROGRESS IN ONBOARD SPENDING RELATIVE TO AVAILABLE CAPACITY  
 - '24 – '25 = HEDGEYE ESTIMATES & CONSENSUS ESTIMATES

## NEW HARDWARE & MIX TO DRIVE INCREMENTAL ONBOARD SPEND

Despite the occupancy normalization in '23 and despite the broadening out of customer sourcing and itinerary mix in '23, spending trends did not give back their post-Covid gains. Onboard continued to trend higher in '23 and we expect the same this year, with growth like to be up in the HSD rate YoY driven by fresh new hardware, private island utilization, pre-booked onboard trends, and macro forces. The Street has contemplated many of these trends, but we see upside in '24 and '25.

# RCL | UPSIDE / DOWNSIDE SCENARIOS

## RCL VALUATION SENSITIVITY ON ADJ. EPS 2025 (E)

### ESTIMATES / ASSUMPTIONS

HEDGEYE ADJ. EPS EST. (2024) (1)	\$ 14.56
DISCOUNT RATE (2)	12%

		P / E MULTIPLE RANGE (3)						
		11.0x	11.5x	12.0x	12.5x	13.0x	13.5x	14.0x
UP / DOWNSIDE TO EPS EST. (4)	-4%	\$145	\$152	\$158	\$165	\$172	\$178	\$185
	-3%	\$147	\$153	\$160	\$167	\$173	\$180	\$187
	-2%	\$148	\$155	\$162	\$169	\$175	\$182	\$189
	-1%	\$150	\$157	\$163	\$170	\$177	\$184	\$191
	0%	\$151	\$158	\$165	\$172	\$179	\$186	\$193
	1%	\$153	\$160	\$167	\$174	\$181	\$188	\$195
	2%	\$154	\$161	\$168	\$175	\$182	\$189	\$196
	3%	\$156	\$163	\$170	\$177	\$184	\$191	\$198
	4%	\$157	\$165	\$172	\$179	\$186	\$193	\$200

## RCL VALUATION SENSITIVITY ON ADJ. EBITDA 2025 (E)

### ESTIMATES / ASSUMPTIONS

HEDGEYE ADJ. EBITDA EST. (2025) (1)	\$6,637
HEDGEYE NET DEBT EST. (2025) (2)	\$17,127
SHARE COUNT EST. (2025) (3)	281
DISCOUNT RATE (4)	12%

		EV / EBITDA MULTIPLE RANGE (5)						
		10.3x	10.4x	10.6x	10.7x	10.9x	11.0x	11.2x
UP / DOWNSIDE TO EBITDA EST. (6)	-4%	\$153	\$156	\$159	\$162	\$165	\$168	\$171
	-3%	\$155	\$158	\$161	\$164	\$168	\$171	\$174
	-2%	\$157	\$161	\$164	\$167	\$170	\$173	\$176
	-1%	\$160	\$163	\$166	\$169	\$172	\$175	\$178
	0%	\$162	\$165	\$168	\$171	\$174	\$178	\$181
	1%	\$164	\$167	\$170	\$173	\$177	\$180	\$183
	2%	\$166	\$169	\$173	\$176	\$179	\$182	\$185
	3%	\$168	\$171	\$175	\$178	\$181	\$185	\$188
	4%	\$170	\$174	\$177	\$180	\$184	\$187	\$190

**NOTES**  
 (1) CURRENT HEDGEYE ESTIMATE FOR 2025 ADJ. EPS  
 (2) DISCOUNT RATE AT ~12%; DISCOUNT WINDOW = 1 YEAR  
 (3) P/E MULTIPLE RANGE BASED ON DISCOUNT OF PRE-COVID RANGE; 13x = YIELD DECEL ENVIRONMENT; 14x = YIELD ACCEL ENVIRONMENT  
 (4) TOGGLE FOR HEDGEYE EBITDA ESTIMATE (HIGHER OR LOWER) vs CURRENT BASE CASE

**NOTES**  
 (1) CURRENT HEDGEYE ESTIMATE FOR 2025 EBITDA  
 (2) CURRENT HEDGEYE ESTIMATE FOR 2024 NET DEBT (CASH)  
 (3) CURRENT HEDGEYE ESTIMATE FOR 2025 FULLY DILUTED SHARE COUNT  
 (4) DISCOUNT RATE AT ~13%; DISCOUNT WINDOW = 1 YEAR  
 (5) EV / EBITDA RANGE BASED ON PRE-COVID LOWER ENDS OF HISTORICAL REGIME  
 (6) TOGGLE FOR HEDGEYE EBITDA ESTIMATE (HIGHER OR LOWER) vs CURRENT BASE CASE

## ON RESET EXPECTATIONS, WE SEE ~30% UPSIDE FOR CCL

Following the quarter and our preliminary update, our numbers are moving higher and as such, the upside target has as well. Under our current base case, we see almost as much upside in RCL as we do in CCL... And for RCL, given managements commentary and actions corroborating a lot of work and their recent track record, we have a lot of conviction in the name over the near term. Investor sentiment is no longer at the bottom, as we've discussed, but the YTD trading in the stocks and catalysts ahead provides an opportunity.

Our target multiples are 12-13x PE and 10.5-11.0x EV/EBITDA which are both above the middle of the historical, but for the current yield environment could prove conservative.

# DKNG – TAKE ADVANTAGE OF WEAK REACTION

DESPITE THE CONSTERNATION AROUND UNFAVORABLE SPORT OUTCOMES, COLLEGE PROP BETTING BANS, MARKET SHARE "SLIPPAGE", AND OTHER FACTORS, DKNG DELIVERED THE GOODS AGAIN THIS QUARTER AND IMPORTANTLY RAISED THEIR OUTLOOK FOR '24. WHILE THE QUARTER WAS STRONG AND SHOULD FORCE MANY ANALYSTS OUT THERE TO RAISE THEIR NUMBERS, THE PRINT ALSO HAS POSITIVE IMPLICATIONS FOR THE LONGER TERM AS THE COMPANY TRANSITIONS FROM RAPID TOPLINE GROWTH TO RAPID EBITDA AND FCF GROWTH.

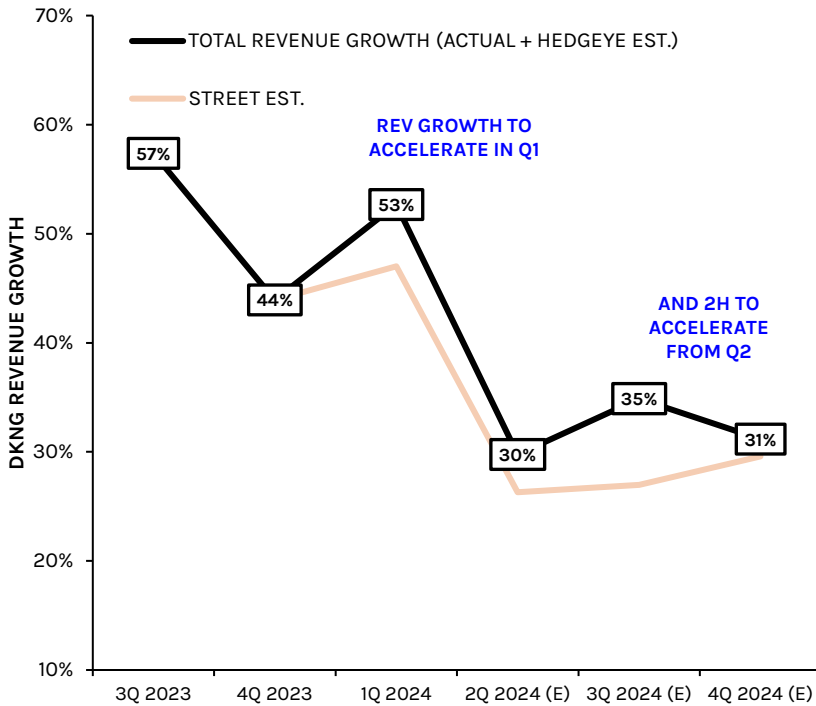
KEEP IN MIND, TOPLINE GROWTH IS STILL SLATED TO COMPOUND >20% FOR THE COMING YEARS, BUT THE STORY FROM HERE WILL CENTER MORE AROUND INCREMENTAL EBITDA AND FREE CASH PRODUCTION. ON BOTH METRICS, ONE COULD ARGUE, AND WE CERTAINLY WILL, THAT THE STOCK IS INEXPENSIVE RELATIVE TO ITS UNDERLYING GROWTH AND P&L PHASE TRANSITION. Q1'24 REPRESENTS ANOTHER STEP IN THE RIGHT DIRECTION AS THE COMPANY EMBARKS ON ITS NEXT BULLISH PHASE TRANSITION.

## WHAT'S TO COME...

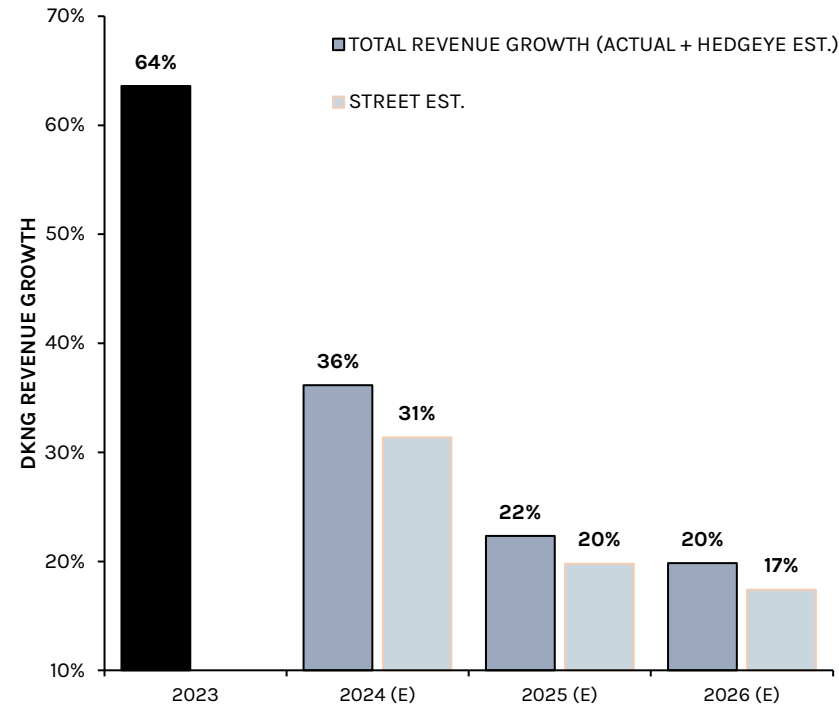
- 1) APRIL GGR TO ACCELERATE vs MAY... DKNG TO GAIN SHARE
- 2) CORE / PROFITABLE STATE GROWTH TO ACCELERATE IN MUCH OF Q2
- 3) NET REVENUE GROWTH TO EXCEED (MATERIALLY) THAT OF GROSS REVENUE GROWTH
- 4) Q2 BEAT & ... RAISE AGAIN ON THE BACK OF STRONGER REVENUE GROWTH (HOLD NORMALIZATION)
- 5) POTENTIAL INFLECTION TO CAP RETURN AND MORE

# DKNG | REVENUE GROWTH PREMIUM & EBITDA INFLECTION

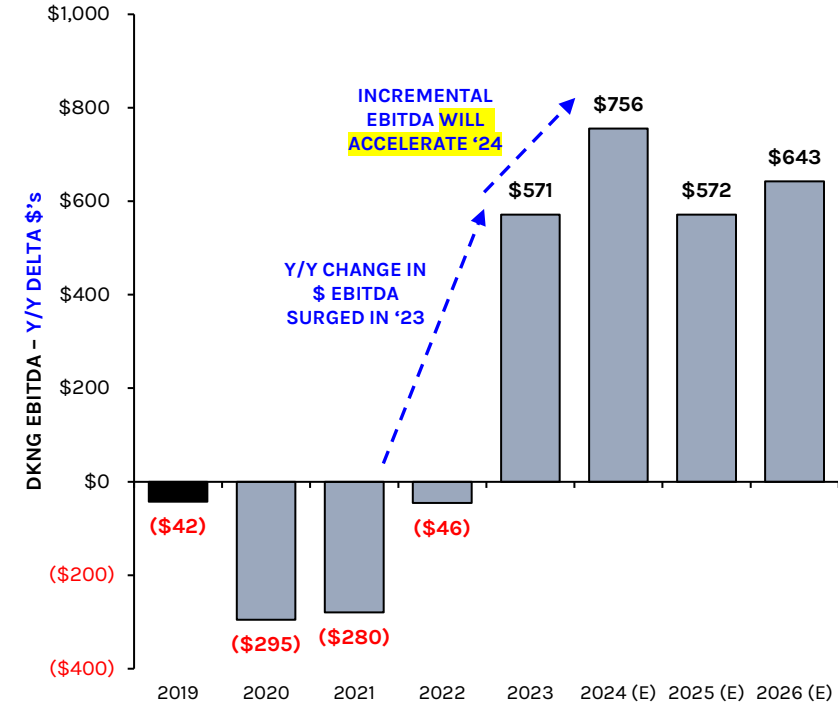
**NEAR TERM – QUARTERLY REVENUE GROWTH  
“SLOW DOWN”**



**LONG TERM – ANNUAL GROWTH TO  
“MODERATE” BUT STILL > STREET**



**LONG TERM – SLOWING REVENUE GROWTH BUT  
ACCELERATING EBITDA PRODUCTION**



**NOTES**  
 - LHC = SHOWS THE QUARTERLY TOTAL REVENUE GROWTH RATE (Y/Y) FOR DKNG – ACTUALS, HEDGEYE EST. AND STREET ESTIMATES  
 - MIDDLE = SHOWS THE ANNUAL TOTAL REVENUE GROWTH RATE (Y/Y) FOR DKNG – ACTUALS, HEDGEYE EST. AND STREET ESTIMATES  
 - RHC = SHOWS THE Y/Y DELTA IN ADJ. EBITDA FOR DKNG, AKA INCREMENTAL EBITDA. EXAMPLE: '23 = '23 ADJ. EBITDA – '22 ADJ. EBITDA

## PASSING THE TORCH... FROM EXPLOSIVE REVENUE GROWTH... TO SOLID REVENUE GROWTH AND AN EBITDA SURGE

But wait a minute... revenue growth is accelerating over the near term and then will accelerate once we hit 2H. For those focused on the super short term – there's revenue growth coverage here and upside to guidance for revenue and EBITDA. Looking beyond the quarters there's deceleration expected by us, but that's offset by the fact that revenue growth is still set to maintain a near 20% clip and importantly, incremental EBITDA each year is going to surge as compared to '23.

The quarterly growth slowdown into Q2 is offset by several factors we think.

# DKNG | VALUATION – UPSIDE / DOWNSIDE SENSITIVITIES

## DKNG – VALUATION SCENARIO ANALYSIS

FINDING A CONSENSUS ON HOW TO VALUE DKNG IS NOT EASY, AND ADMITTEDLY, VALUATION FOR THIS COMPANY REMAINS A MOVING TARGET. THE STOCK HAS SUCCESSFULLY TRANSITIONED FROM A HYPER GROWTH MEME STOCK TO A REAL BUSINESS AND GIVEN THE CADENCE AND EXPECTED TRAJECTORY OF EBITDA AND FCF GROWTH, OUR PRICE TARGETS HAVE DRIFTED HIGHER THROUGH THE LTM. FROM OUR VANTAGE, THE EV / EBITDA METHOD WILL BECOME MORE COMMON PRACTICE AND THEN ULTIMATELY DCF & FCF YIELD ANALYSIS WILL TAKE OVER. GIVEN THE GROWTH PROFILE AND DOMINANT MARKET SHARE POSITION, RAMPING MARGINS AND FCF, WE THINK LOOKING AT THE COMPANY ON A VARIETY OF METHODS IS THE BEST APPROACH.

- ❑ EV / SALES METHOD EXPLAINED: DKNG’S EV / FY2 SALES MULTIPLE HAS TRENDED IN THE RANGE OF 2x ALL THE WAY TO 8-9x. WE DIDN’T BUY INTO THE HYPE AT 8-9x BUT GIVEN THE GM EXPANSION, EBITDA MARGIN EXPANSION, AND FCF PRODUCTION THAT’S ON THE COME, AND BROADER GROWTH PROFILE, 4-5x SEEMS MORE THAN APPROPRIATE. UNDER THIS SCENARIO THERE’S UPSIDE TO ~\$56-\$59 / SHARE.
- ❑ EV / EBITDA METHOD (BASE CASE) EXPLAINED: EV / EBITDA VALUATION BASED ON COMPS AND REVENUE GROWTH WAS, AT ONE POINT, 40-50x. THOSE DAYS ARE OVER BUT BASED ON THOSE SAME PUBLIC COMPS AND GROWTH, WE SEE ~20-25x FORWARD EBITDA AS REASONABLE RANGE FOR DKNG. USING OUR UPWARDLY REVISED BASE CASE FOR ADJ. EBITDA IN ’25 AND ’26, WE SEE UPSIDE TO >\$60-\$70 / SHARE.
- ❑ EV / EBITDA METHOD (MGMT. GUIDANCE) EXPLAINED: UNDER THE ASSUMPTION THAT DKNG CAN MERELY HIT THEIR LAID-OUT TARGETS FOR MARGINS & EBITDA OUT TO ’28, WE ASSUME THE FOLLOWING SCENARIO FOR THE STOCK. IMPLIED IN THEIR ASSUMPTION IS THAT MARGINS HIT ~30% BY ’28 (MUCH EARLIER THAN PRIOR EXPECTATION OF ’30), WE SEE UPSIDE TO ~\$53-\$60 / SHARE.
- ❑ SOTP AT MATURITY (NOT SHOWN) EXPLAINED: INDUSTRY AT MATURITY (2030) USING GGR TAMs + MARGIN ASSUMPTIONS FOR ALL OPERATORS. IN THAT ANALYSIS WE ASSUME \$25 / SHARE IN VALUE FOR DKNG’S OSB BUSINESS, \$26 / SHARE FOR ITS IC BUSINESS, AND \$4 / SHARE FOR ITS DFS BUSINESS, ALL DISCOUNTED BACK TO CURRENT WOULD YIELD UPSIDE TO \$55-\$60 / SHARE. NO VALUE YET ASCRIBED TO JACKPOCKET.
- ❑ CONCLUSIONS: ON A BLENDED BASIS OF EV / SALES, EV / EBITDA AND SOTP AT MATURITY WE SEE UPSIDE TO ~\$60, OR +35% FROM CURRENT.

	2023	2024 (E)	2025 (E)	2026 (E)	2028 (E)
<b>KEY INPUTS (HE EST.)</b>					
NET REVENUES (\$, MM\$)	\$ 3,665	\$ 4,990	\$ 6,104	\$ 7,315	\$ 8,851
ADJ. EBITDA (\$, MM\$)	\$ (151)	\$ 605	\$ 1,174	\$ 1,812	\$ 2,478
CASH (NET) (\$, MM\$)	1,271	1,933	3,248	4,979	5,979
FULL DILUTED SHARES (MM\$)	493	503	509	515	525
DISCOUNT RATE	12%	12%	12%	12%	12%
DISCOUNT WINDOW	-	-	1	2	4
<b>EV / SALES METHOD</b>					
MULTIPLE (RANGE: 2x - 8x)	4.5x	4.5x	4.5x	4.5x	4.5x
IMPLIED EQUITY VALUE			\$ 30,717	\$ 37,896	\$ 45,809
IMPLIED DKNG STOCK PRICE			60.33	73.57	87.24
DISCOUNTED STOCK PRICE			\$ 53.87	\$ 58.65	\$ 55.44
UPSIDE FROM CURRENT			23%	34%	27%
<b>EV / EBITDA METHOD (HEDGEYE)</b>					
MULTIPLE (COMPS: 15x - 25x)	21.0x	21.0x	21.0x	21.0x	21.0x
IMPLIED EQUITY VALUE			\$ 27,904	\$ 43,036	\$ 58,024
IMPLIED DKNG STOCK PRICE			54.81	83.55	110.50
DISCOUNTED STOCK PRICE			\$ 48.94	\$ 66.60	\$ 70.22
UPSIDE FROM CURRENT			12%	52%	60%
<b>EV / EBITDA METHOD (MGMT. GUIDE)</b>					
MULTIPLE (COMPS: 15x - 25x)	21.0x	21.0x	21.0x	21.0x	21.0x
MGMT. GUIDED EBITDA			\$ 1,400	\$ 2,100	\$ 2,100
IMPLIED EQUITY VALUE			\$ 34,379	\$ 50,079	\$ 50,079
IMPLIED DKNG STOCK PRICE			66.74	95.37	95.37
DISCOUNTED STOCK PRICE			\$ 53.21	\$ 60.61	\$ 60.61
UPSIDE FROM CURRENT			21%	38%	38%

# REGIONALS / BYD – STILL SEEING OPPORTUNITY

BEING “EARLY” ON AN INVESTMENT IDEA IS OFTEN A SUGARCOATED WAY OF SAYING “WRONG” AND FOR US THAT’S DEFINITELY THE CASE ON BYD, AT LEAST FOR NOW. WE’LL TAKE IT ON THE CHIN WITH OUR POSITIVE BYD CALL... WE HAVE BEEN WRONG TO DATE.

THAT SAID, WE STILL SEE SOME OPPORTUNITY IN THE STOCK AND WOULD REMIND INVESTORS OF THE BASIS OF OUR LONG BYD CALL. BACK IN **MARCH** WHEN WE PIVOTED BULLISH ON BYD (AFTER A LONG TENURE OF BEING NEUTRAL ON THE STOCK), WE VIEWED Q1 LARGELY AS A THROWAWAY PRINT GIVEN THE JANUARY DRAG BUT WERE LOOKING FOR POSITIVE FEB/MAR COMMENTARY AND COMPARABLE TONE AROUND **APRIL, WHICH WOULD DIVERT INVESTOR ATTENTION TO THE EASY COMPS OF Q2, THEN Q3, AND THEN IMPLY UPSIDE FOR Q4 AND ’25.**

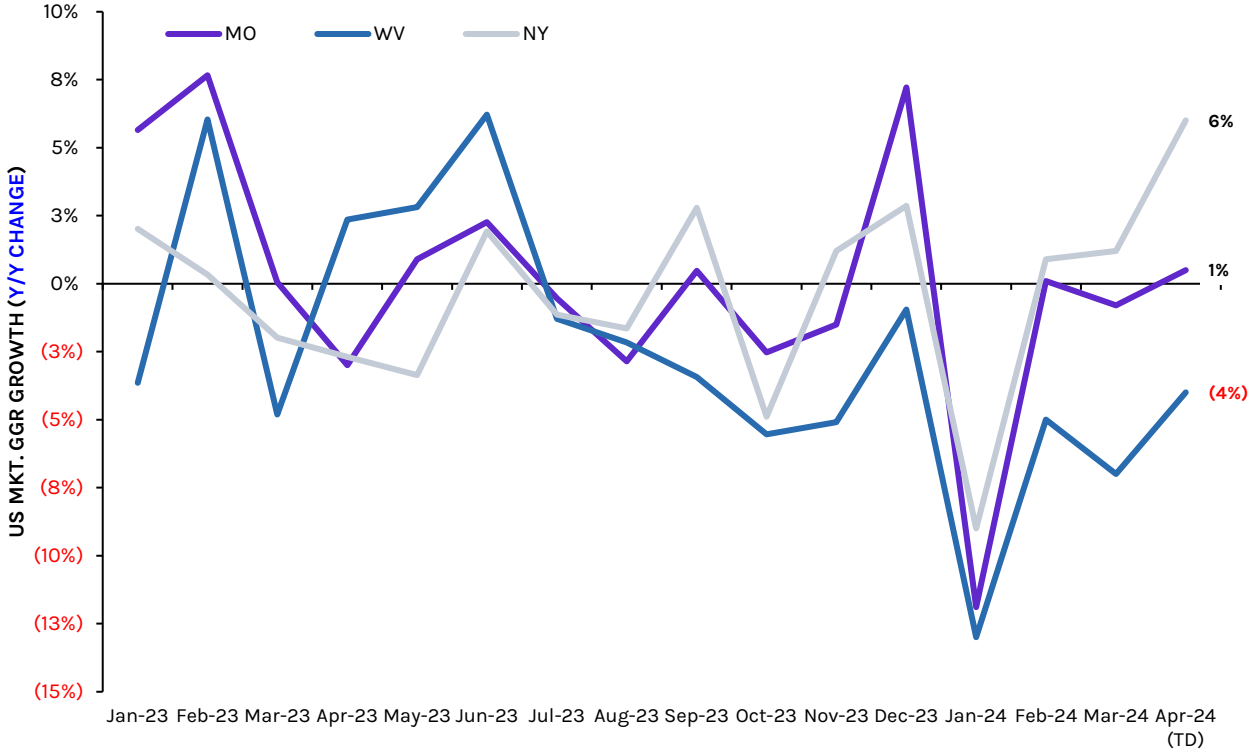
**FROM CURRENT (READ: LOWER) LEVELS IN THE STOCK AGAINST A BACKDROP OF EASING COMPARISONS AND A SOLID EXIT RATE OUT OF THE QUARTER, WE’RE WILLING TO LOOK PAST THE NEAR TERM VOLATILITY AND IN DUE TIME, WE THINK MORE INVESTORS WILL, TOO.**

## WHERE DO WE STAND ON CATALYSTS...

- 1) REGIONALS STILL BOTTOMING AND Q2 – Q3 TO ACCELERATE FROM Q1 AND BUILD OFF THE TREND ESTABLISHED IN FEB-MAR
- 2) BYD’S PERFORMANCE IN THE LOCALS MARKET SHOULD STABILIZE, ALBEIT AT LOWER LEVELS. MARKET GROWTH SHOULD PICK UP
- 3) DOWNTOWN SHOULD IMPROVE
- 4) BYD’S LOW LEVERAGE AFFORDS THEM THE ABILITY TO LEAN INTO THE STOCK
- 5) OTHER ITEMS... EXTRA GROWTH VIA ONLINE & MANAGED SEGMENT, REALIZATION / MONETIZATION OF FANDUEL STAKE

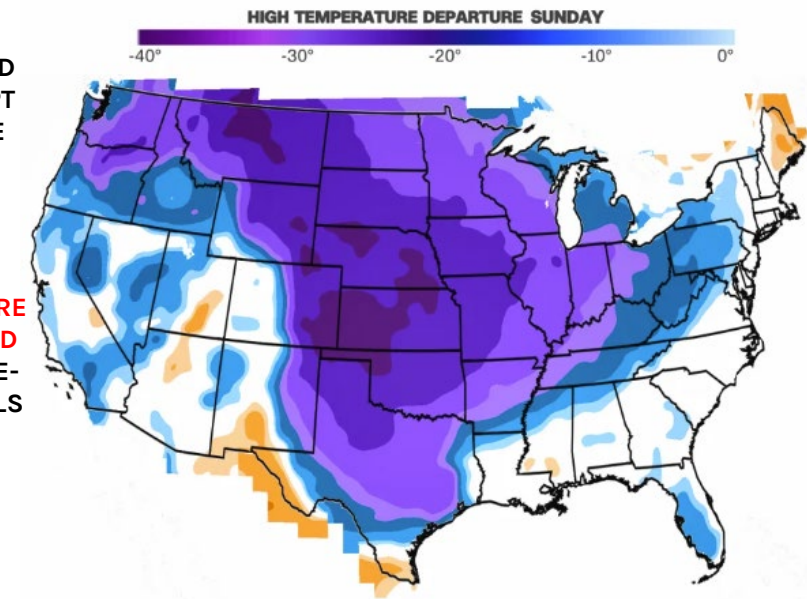


AFTER A WEATHER IMPACTED JAN, FEB & MAR BOUNCED BACK, AND NOW EARLY APRIL PICKING UP



WEATHER HAD A CLEAR IMPACT IN MIDWEST & NORTHEAST

EXTREMELY COLD ARCTIC AIR AND SEVERE WINTER WEATHER SWEEPED SOUTHWARD INTO MUCH OF THE U.S. IN MID-JANUARY 2024, **BREAKING DAILY LOW TEMPERATURE RECORDS FROM MONTANA TO TEXAS.** TENS OF MILLIONS OF PEOPLE WERE AFFECTED BY DANGEROUSLY COLD TEMPERATURES, AND HEAVY LAKE-EFFECT SNOW AND SNOW SQUALLS HAVE HAD SEVERE EFFECTS ACROSS THE GREAT LAKES AND NORTHEAST REGIONS.



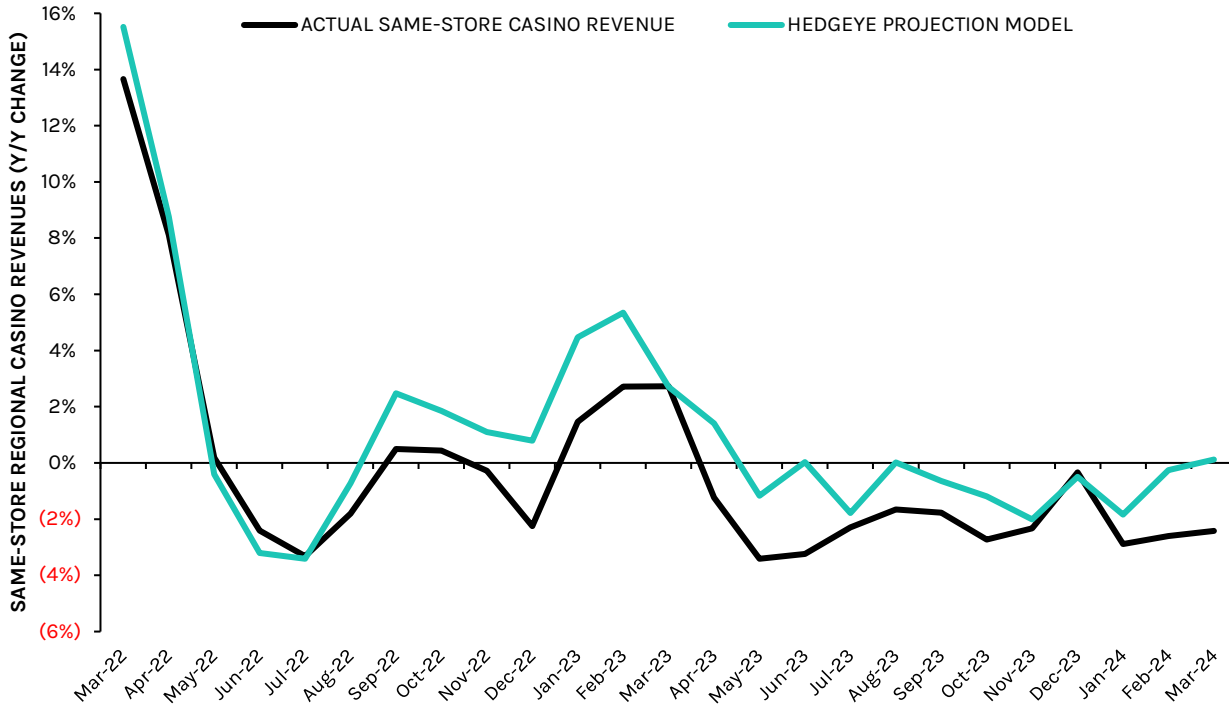
NOTES  
 - GGR DATA REFLECTS MONTHLY PERFORMANCE ON A YY BASIS BY STATE  
 - APR TO DATE = ESTIMATES BASED ON WEEKLY AND DAILY REPORTING BY STATE (HEDGEYE CALCS.), 2-3 WEEKS OF DATA

## REGIONAL GGR TRENDS REMAIN RESILIENT

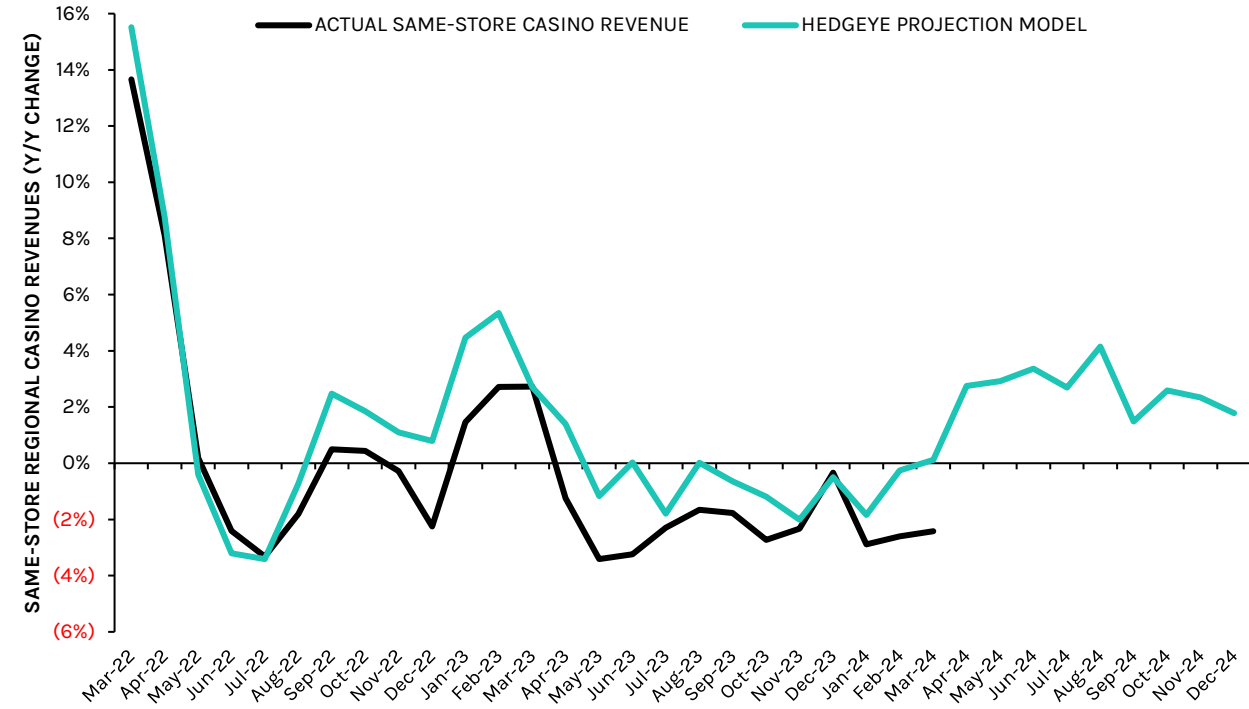
Weather issues are an annual event and typically are a wash on the quarter, but the impact on January should be viewed differently... temps in the -20 to -30 (Fahrenheit) in Missouri is nothing to mess with. Indeed, based off intra-month tracking, revenues declined nearly 20% YoY at the trough across certain markets and then rallied to exit the month.

With February and March now in the books, it seems trends bounced back, but there's evidence pointing to a stronger April, which supports the recovery theme. Consensus commentary and estimates seem too bearish on the Regional markets.

REGIONAL GGR – DECELERATION TO START THE NEW YEAR, BUT HELP (ACCELERATION) IS ON THE WAY



REGIONAL GGR – UPDATE AND EXPANDED FORECAST NOW POINTS TO ACCELERATING GROWTH IN 1H'24



**NOTES**  
 - FOR CHARTING PURPOSES, DATA SHOWN ON A 3MMA  
 - GGR DATA IS SAME-STORE (EX. NEW CASINOS) FOR SELECT MATURE MARKETS. HEDGEYE PROJECTION MODEL IS MULTI-FACTOR & USES SEASONALITY  
 - STATES IN HEDGEYE SAMPLE: IL, IA, IN, LA, MO, MS, PA, OH

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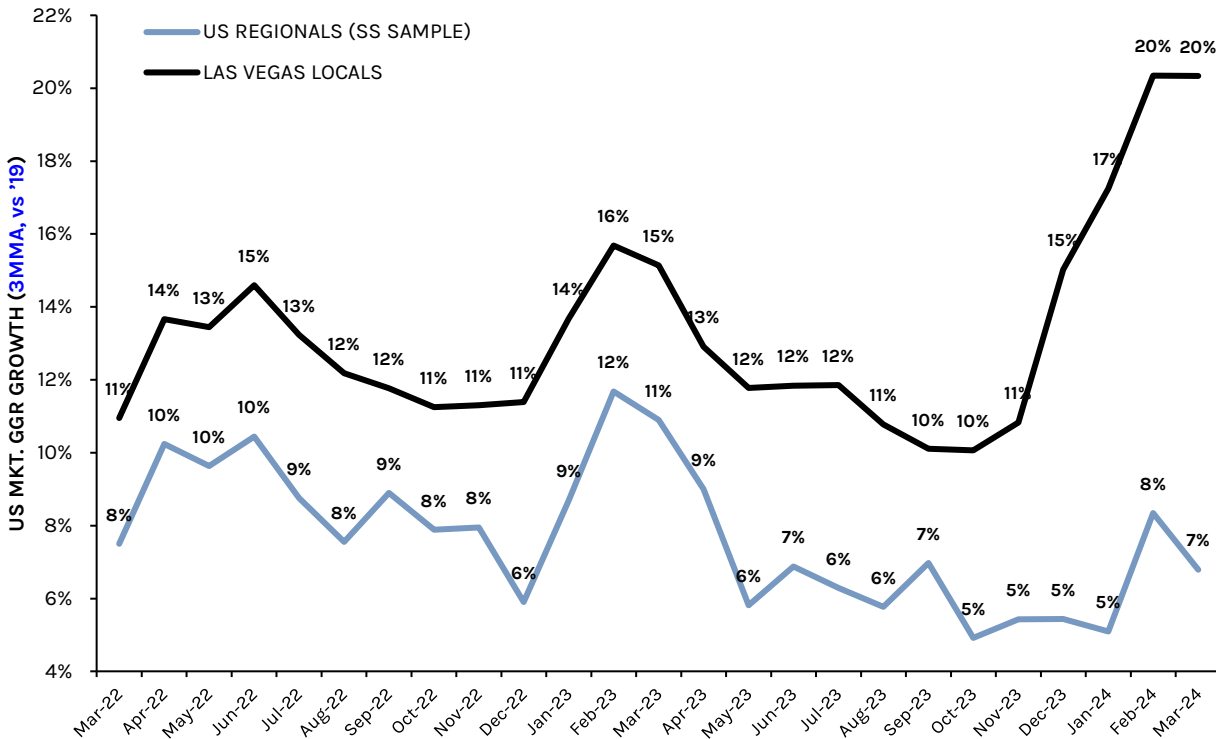
## OUT WITH THE LACKLUSTER '23 AND IN WITH THE ACCELERATING & IMPROVING '24

Since early '23, it's mostly been tough sledding for US regional markets. Q2 was soft and forced a negative reset in our model. Q3 was less soft, aided by a decent July and better September. Then came a **soft October**, but that was followed by encouraging data in November (**slightly improvement vs model**) and then a **stronger December**. January was then **softer due to weather**, but the setup points to sustained accelerating growth through much of 1H and into the Summer.

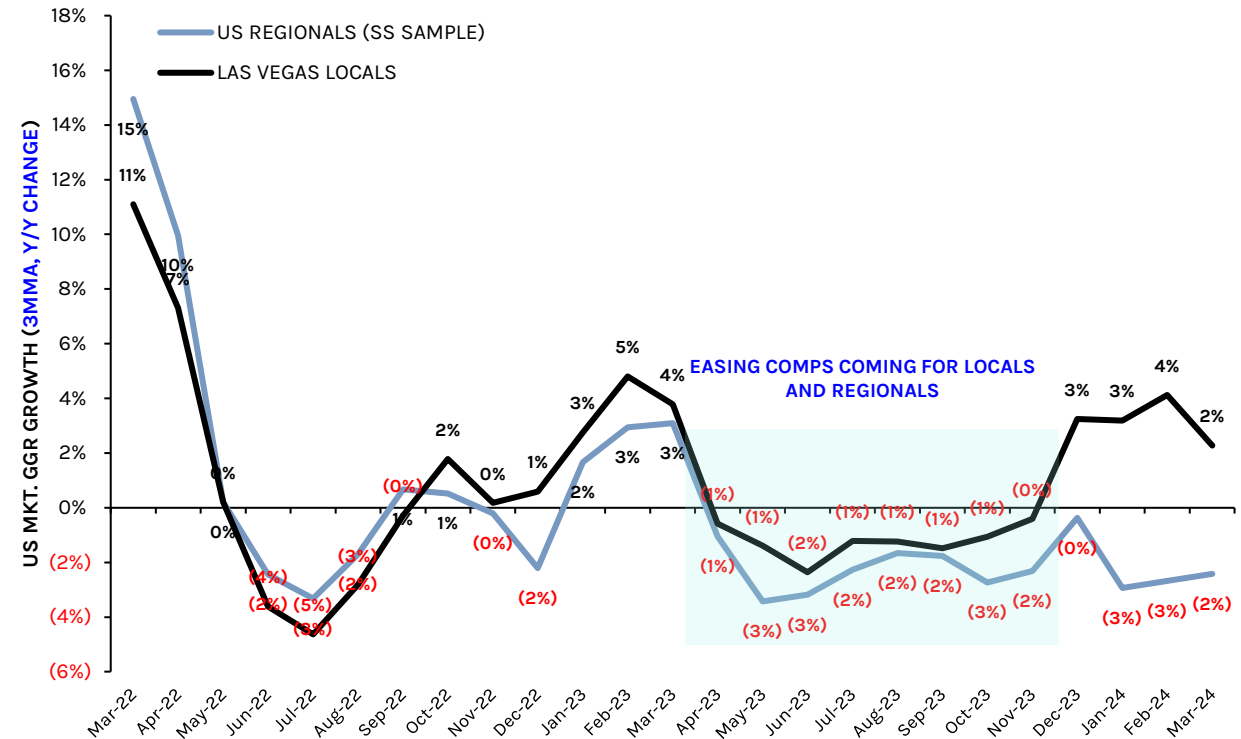
Growth is not going gangbusters, but a return to growth of any kind is exactly what these stocks need and could spark positive estimate revision trends. March turned into a solid month but the drawdown in January kept the 3mma trend in check. We do expect the black line to catch up to the green line once we work through April. With April looking like a solid month, we expect commentary on the month to be a positive catalyst.

# REGIONAL GAMING | GGR - COMPARISON ANALYSIS

TOP LINE TRENDS ELEVATED ON A vs '19 BASIS (LOCALS LEADING)



Y/Y GROWTH HAS BEEN TOUGH TO COME BY... ESPECIALLY IN THE REGIONAL MARKETS (TRENDING NEG. FOR 12MTHS)



**NOTES**  
 - LAS VEGAS LOCALS = ALL REPORTING SIZES FOR THE COMBINED NORTH LAS VEGAS, BOULDER AREA, BALANCE OF COUNTY (ADJ. FOR ACCT. QUIRK)  
 - US REGIONALS = SAME-PROPERTY GROWTH FOR OH, PA, IN, IA, IL, LA, MS

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## COMPS EASING FOR BOTH REGIONALS... AND LV LOCALS...

LV Locals has been the stronger performer but on balance, this slower industry growth (esp. in the Regionals) has been a headwind for valuations but signs are starting to look more positive off late. Quarters have been more inconsistent but until growth inflects higher... valuations aren't going to expand. The good news... we see some relief on the way.

BYD will continue to lose share but as the LV macro picture continues to hang in and comps ease, we expect them to meet numbers in the coming quarters.

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