LTS Challenge 2021

The Walt Disney Company & DraftKings

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Transaction Overview

Summarizing the acquisition

Gives Disney the ability to benefit from **a potential 62-billion-dollar market** as a **top player**

Sports betting among Disney's platforms provides **more screen time and engagement**

Disney can significantly **reduce CAC and other expenses** for DKNG

Media networks and DTCI can **boost DKNG's revenues**

A 60% stock, 40% cash (half from new debt) transaction. 87 mm shares will be issued

Total **USD 8 billion synergies and 16% accretion** in base scenario

What is DraftKings?

A DFS operator which is expanding to OSB and iGaming

Source: DraftKings IR

A brief history...

2011 — DraftKings is **founded**

2013 — DKNG launches **the first DFS mobile app** in the industry

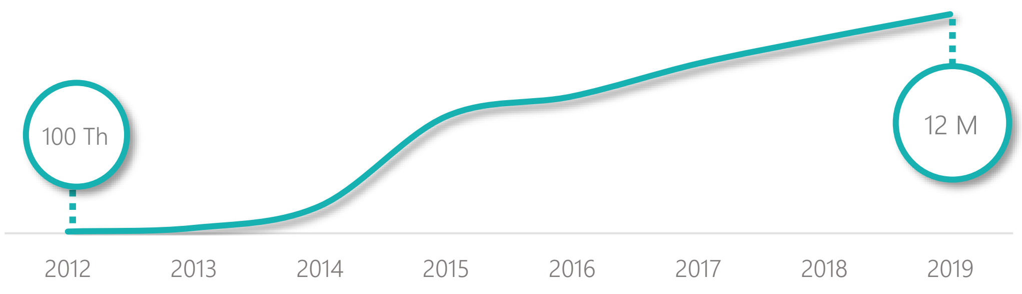
2018 — The **overturn of PASPA** and launch of the first **sportsbook** in NJ

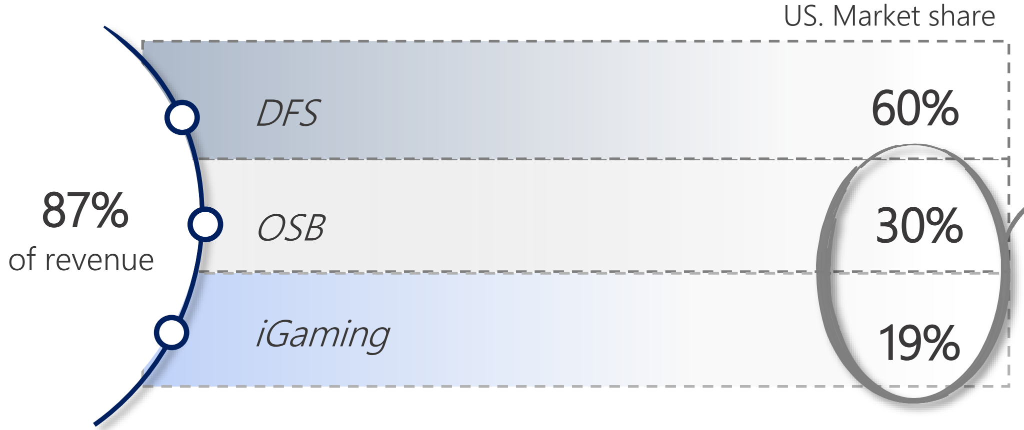
2019 — Launch of an **online casino**

2020 — The **SBTech acquisition** and the launch of a **standalone casino app**

How has DraftKings evolved?

Registered accounts evolution





Why are they so important?

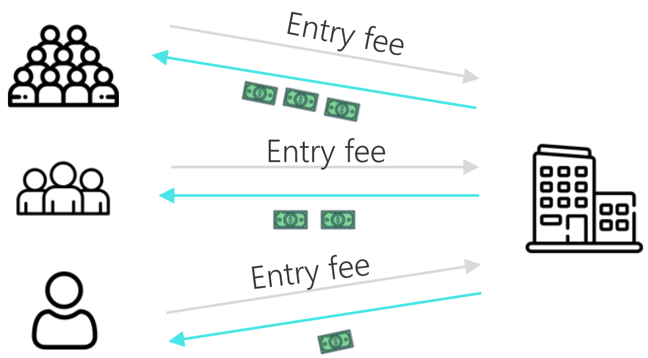
Draftkings overview and segment outlook

iGaming and OSB represents huge growth opportunities

Source: World Bank, DraftKings IR, US Bureau, TSG IR, Forbes

DFS: a fully penetrated scale business

More people ➔ Higher prizes ➔ More demand



DFS market share, 2020

iGaming: still very unpenetrated

How is the scenario for gambling?

There are 524 Native Tribe Casinos in 30 US states.

The 465 non-hotel casinos reported GGR over $49 bn in 2019

Blockchain could improve iGaming safety by creating a transparent record of bets checked by a network of computers.

2021 TAM

Pop. penetration (11%)

X Adult Population (259 M)

GGR per adult (0.93 x New Jersey)

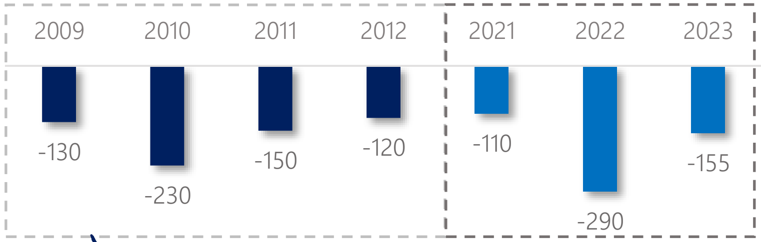
$ 3.8 bn — 7% of total GGR

Why we believe there is room for penetration?

iGaming/total GGR, 2020

US	7%
UK	> 20%
Australia	> 20%

State budget shortfalls on crises (US$ bn), 2020



Need for revenue sources boosts legalization

Online Sports Betting

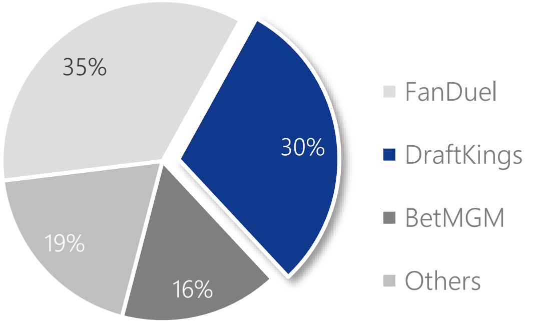
Good position in OSB allows DraftKings to explore a growing market

Source: Deloitte, 13 ABC, Review Journal, Saturday Down South

A larger and more concentrated market

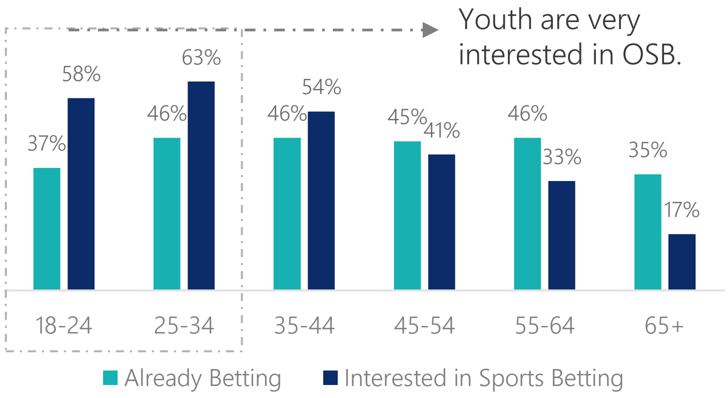
OSB Estimates using NJ as benchmark for USA	
Revenue NJ 2025E	$1.87 B
NJ pop as % of total	2.77%
NJ/America median income	1.05 x
% of pop. in legalized OSB states	32%
American Estimate at maturity (as is)	$8 Bn
American Est at Maturity (65% pop.)	$19 Bn

DraftKings' market share in US

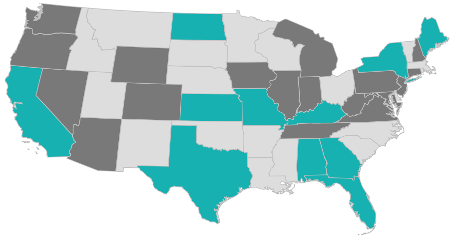


...which is trend among youth and legislators...

Interest in Sports Betting among ages



States Laws on OSB



Some states just allow OSB offshore.

- Legal OSB
- Start soon or will discuss
- Not legal Yet

...creating great perspectives

Texas: *"A bill has been filed in February to propose **the legalization of sports betting**."*

TAM $ 2.8Bn

California: *"sports wagering measure qualifies for November 2022 ballot"*

TAM $ 3.7Bn

*"Ohio lawmakers continue to hear competing testimonies about their latest **effort to legalize sports betting as more states pass and sign their own bills**"*

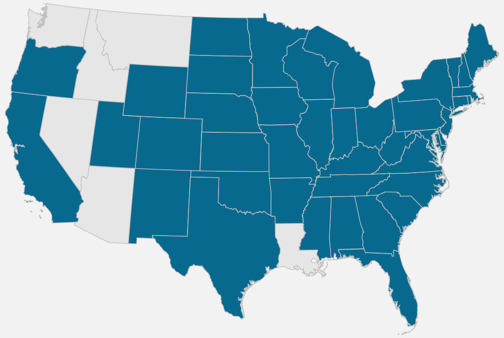
TAM $ 1.1 Bn

DFS scale gives DraftKings huge advantage in CAC

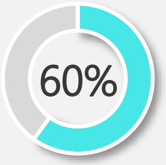
As DKNG enters new states, previous user base comes in handy

Source: DraftKings IR, Bing, US Bureau

DKNG's Daily Fantasy Sports



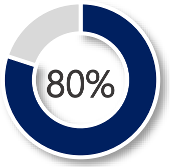
States with DKNG's DFS



Market share

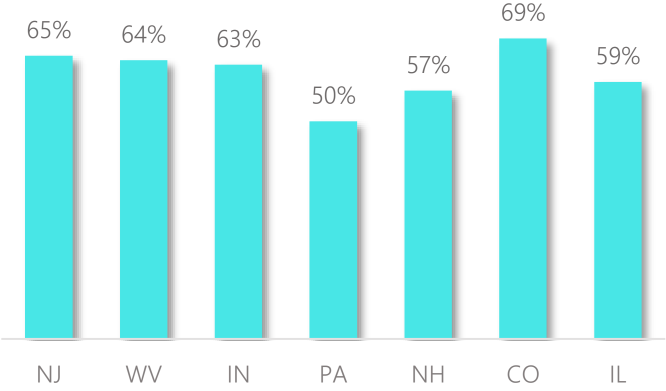
- **5 million** paid users
- **9+ years** of data

DFS provides huge cross-sell opportunities...



DFS players claim to bet on sports **at least once per month.**

Percentage of active users cross-sold (1 year launch)



...what gives OSB a head start on new states

	# of states	Population (%)	# states (DKNG)	Population % (DKNG)
DFS	44	95%	43	93%
OSB	17	29%	12	26%
Without OSB but with DFS	27	16%	24	67%

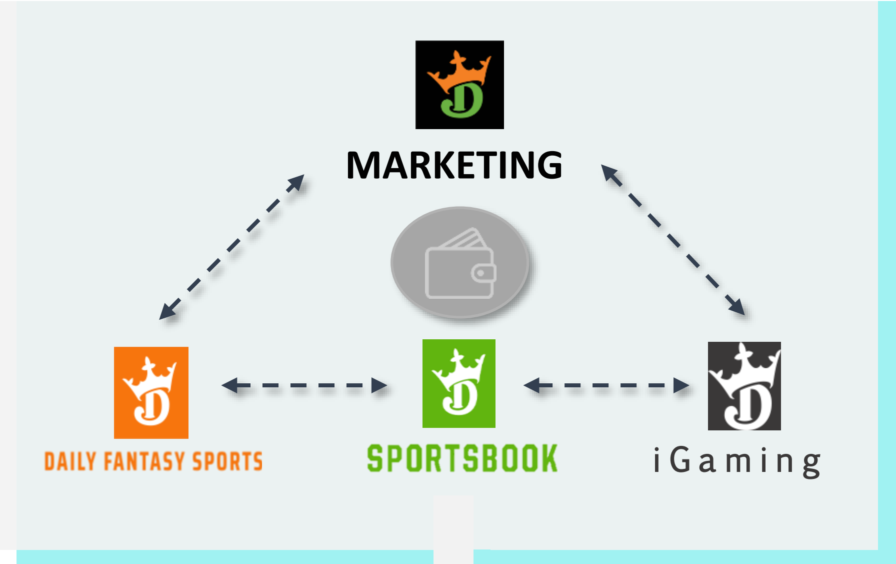
DKNG **already has DFS users** on states that still has **not legalized OSB and iGaming!**

A powerful interconnected ecosystem

Great UX is drived by data science, machine learning and M&A

Source: DraftKings IR

The Ecosystem: maximizing data sharing to improve customer experience



Data science & machine learning

User's **preferences/data are shared** between apps

+

One **common wallet** for all apps

+

Marketing collects data and **provides tailored promotions**

= **Personalized experience and LTV increase**

Recent acquisitions and developments

VSiN .... **Sports betting news,** increasing engagement

blueribbon .... **Jackpot technology** that improves customer UX

DraftKings Social: boosting engagement

Chat with bettors

Share bets/odds

Follow another user

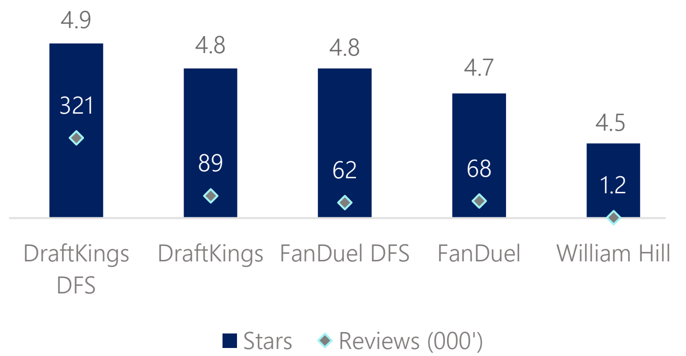
…resulting on outstanding KPIs

Users acknowledge DraftKings' product quality, which will be improved as verticalization increases

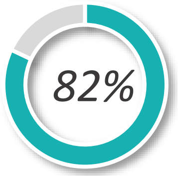
Source: App Store, Sensor Tower, DraftKings IR

DraftKings stands out in terms of quality…

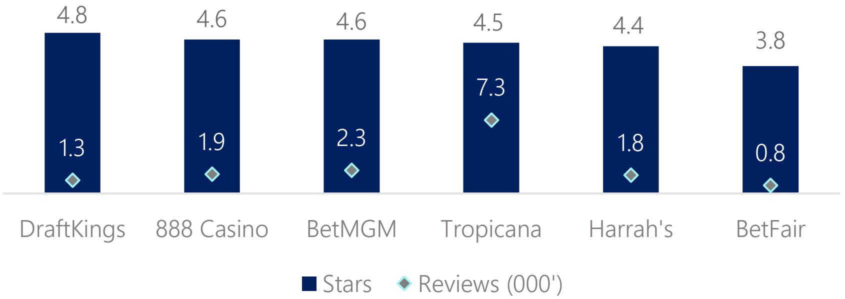
OSB and DFS app ratings



Retention after 1 year

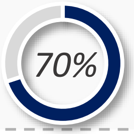


iGaming app ratings



…and verticalization will improve that even further…

Kambi — Standardized >> Personalized — SBTech



of new DraftKings casino customers place their first bet on DraftKings-branded games

…as well as significantly reduce DraftKings' costs

DKNG's expense structure, as % of revenue 2020

Sales & Marketing	*G&A*	*Taxes*	*Platform fees*	*Product & Technology*	*Others*
71%	60%	21%	~~12%~~	20%	18%

4% in 5 years

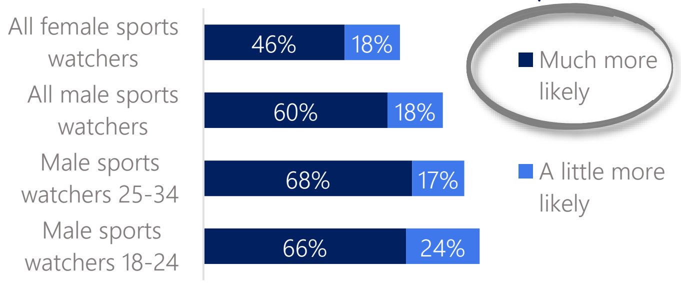
More engagement and screen time

Promoting sports betting among ESPN customers is worth it

Source: Deloite, Horowitz, ESPN

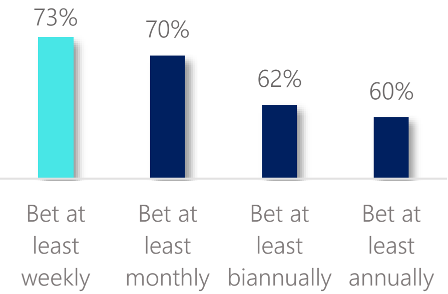
Users that bet are more likely to watch games…

Influence of betting on watching that sports event, 2018



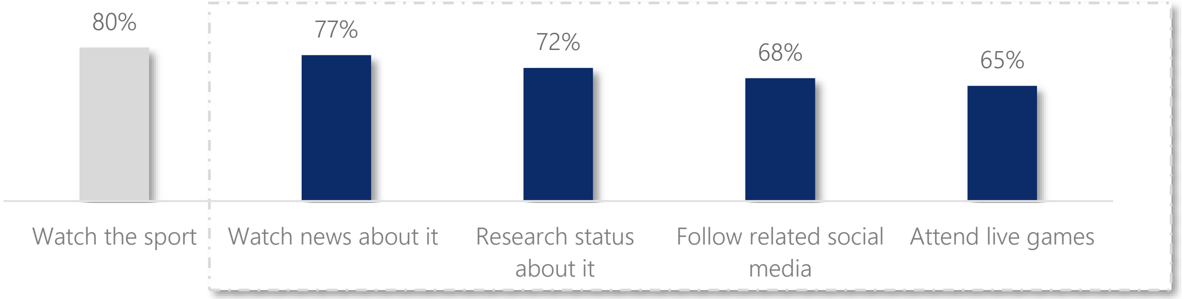
…And the more you watch, the more you bet…

Frequency of betting among "much more likely"



…but live events are not the only way to monetize that viewer

Betting makes sports betters much or somewhat more likely to… (2018)



Which benefits can be extracted from that engagement?

- Higher **ads revenue** across Disney's platforms
- **Higher affiliate fees** charged
- Lower **churn** on ESPN+
- **Optionalities**: is shoppable TV viable?

But how could that happen on practice?

Use of pre/post game shows

ESPN NFL PRIMETIME

SPORTSCENTER

115 mm views/month

\+

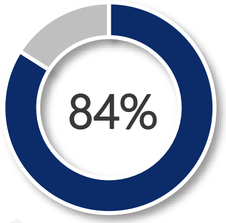
In-game content

Why is it so important?

Taking the live in-game betting to another level

DraftKings can use Disney's portfolio to leverage in-game bets

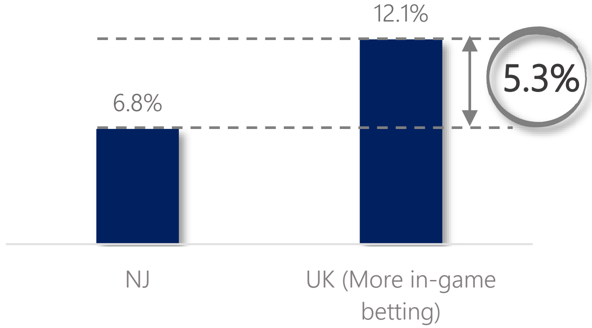
Source: FiveThirtyEight, Fortune, LegalSportsReport, TSG Group



Sports bettors are **at least somewhat interested** in betting directly on the TV **while watching a game**

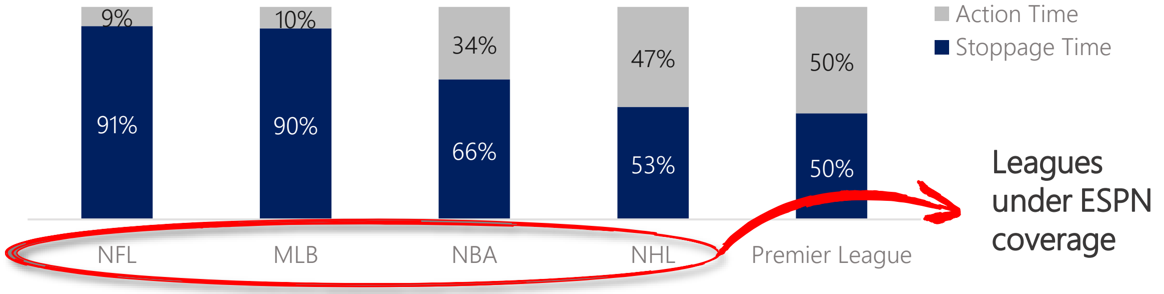
In-game betting is more profitable…

Average hold rates, NJ (2018-21), UK (2017-19)



…and ESPN has the rights in the best sports for in-game betting

Percentage of stoppage time across sports in USA



How would that happen?

Passive → *Interactive* experience

For ESPN+, Hulu and Star+: we envision something resembling the DISH & DKNG deal

- Betting **directly through the streaming** platform
- Option to **disable betting** content
- Payment in the DKNG app **(at least in the beginning)**

For ABC and ESPN: QR codes are the way to go

- **Second screen:** Access the bet through the QR code on mobile
- QR code accompanied with the nature of the bet

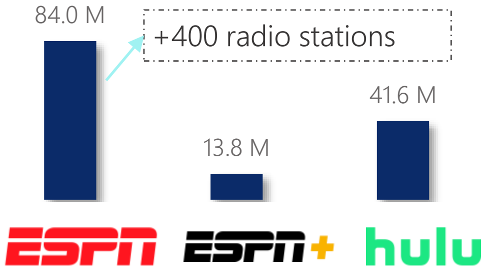
Disney can boost marketing for DraftKings

CAC will drastically reduce as DraftKings leverage on Disney's marketing reach

Source: Disney IR, ESPN Website,, Forbes; Marketing Dive;

Disney distribution is incredibly huge among US

Subscribers in USA, 2020



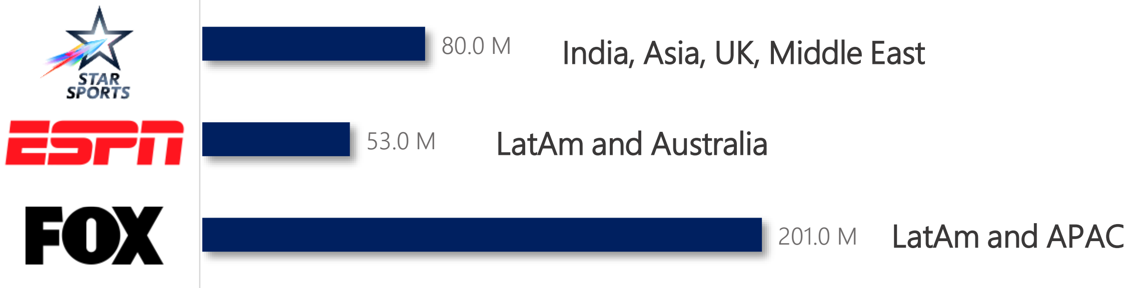
3rd most watched TV network

6 of 8 owned stations are in OSB Centers

NYC, Chicago and Philadelphia
Possible approval in Los Angeles, San Francisco and Fresno (2022).

...and leverage DKNG's international presence

International subscribers across platforms, 2020



Disney can enhance DraftKings' brand in all kind of sports leagues...

Leagues that have contracts with Disney, by viewership per match (mm, 2020)

NFL	15	UFC	3
NBA	1	us open	1
PGA TOUR	5		2
INDIAN PREMIER LEAGUE	116		

Moreover, branded content in Disney's movies can leverage DraftKings

DraftKings can benefit of being in the next Disney's movies and series

"Marvel was coming about on its own at the same time [as Audi] and gave us a position to start to build the Audi brand in America," Loren Angelo, VP of marketing, Audi.

R8 and e-Tron appeared in Iron Man and Avengers' movies

Disney can improve performance-incentives

Total compensation of Draftkings' executives is too high and is not long-term aligned

Source: Disney's IR, DraftKings IR, SEC

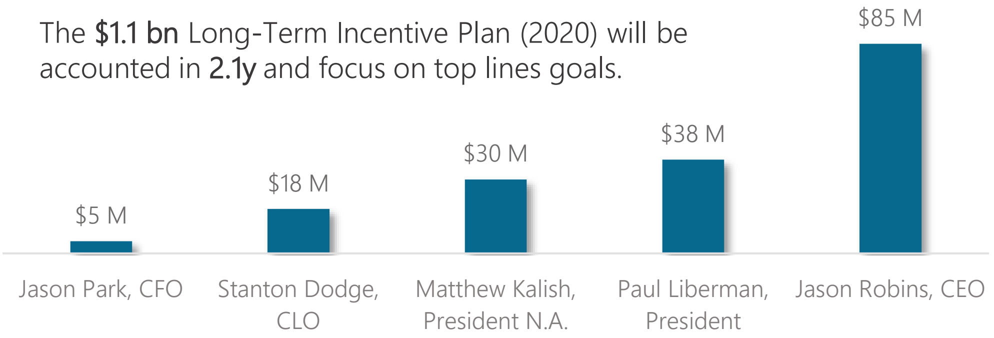
DraftKings Governance has questionable practices…

2020 Impact of stock-based comp.	With	Without
Gross Margin	44%	44%
Sales and Marketing	(81%)	(77%)
Product and Technology	(27%)	(18%)
G&A	(73%)	(31%)
EBIT Margin	**(137%)**	**(83%)**
Net Margin	(137%)	(83%)

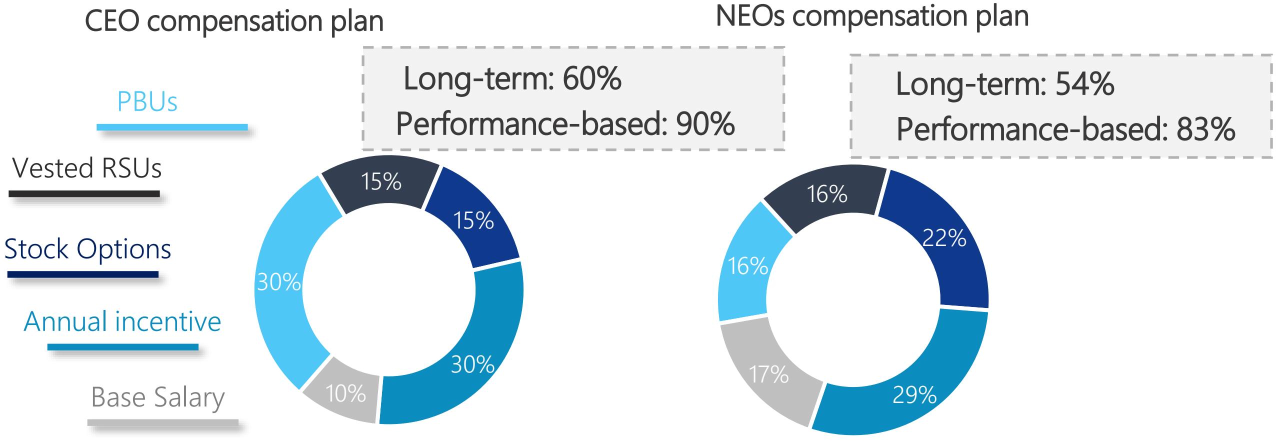
Q1'21 Impact of stock-based comp.	With	Without
Gross Margin	41%	41%
Sales and Marketing	(73%)	**(70%)**
Product and Technology	(18%)	(12%)
G&A	(54%)	(15%)
EBIT Margin	**(105%)**	**(56%)**
Net Margin	(111%)	(62%)

NEOs sold significant amount of stocks in open mkt

The **$1.1 bn** Long-Term Incentive Plan (2020) will be accounted in **2.1y** and focus on top lines goals.



…and we believe Disney governance will be adopted



During fiscal 2020, Disney's Investor Relations team and/or the Board spoke with 12 of top 20 shareholders and **contacted approximately 64% of largest 50 investors.**

5x — **Equity/salary must be held** by the Executive Chairman and CEO in a 5y period.

25% — **Stock-options** vested per year.

Costs and Expenses synergies for DKNG

Impacts on CAC and compensation are the main players here

Drivers & scenarios summary

New compensation structure for DKNG

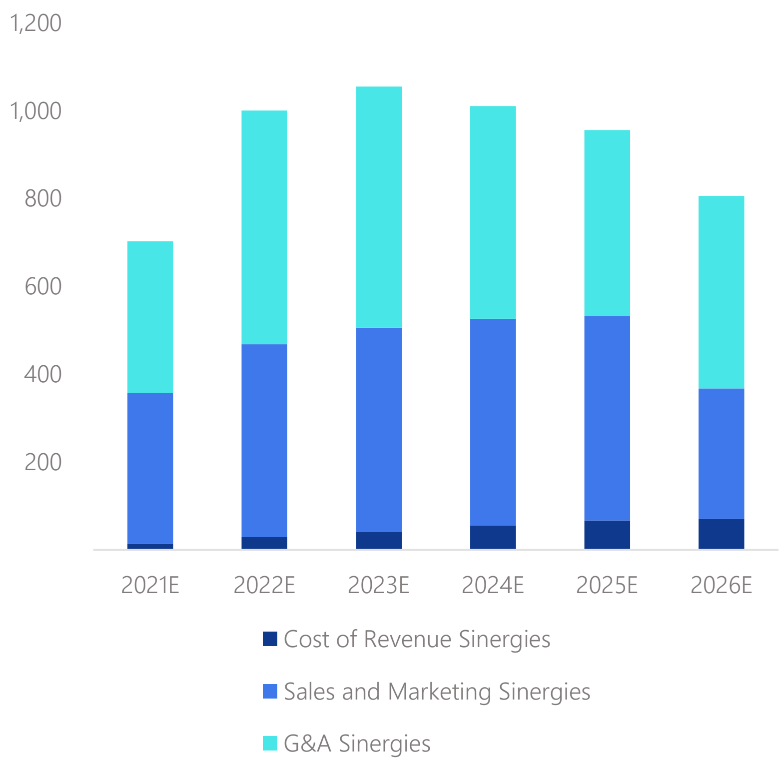
Leverage on Disney's **marketing capabilities**

Use of Disney's network

Costs and Expenses Synergies	Scenarios		
What changes?	Bear	Base	Bull
Share of Payments	5%	10%	15%
Acquisition Cost	30%	40%	50%
Compensation (SBC)	40%	50%	60%

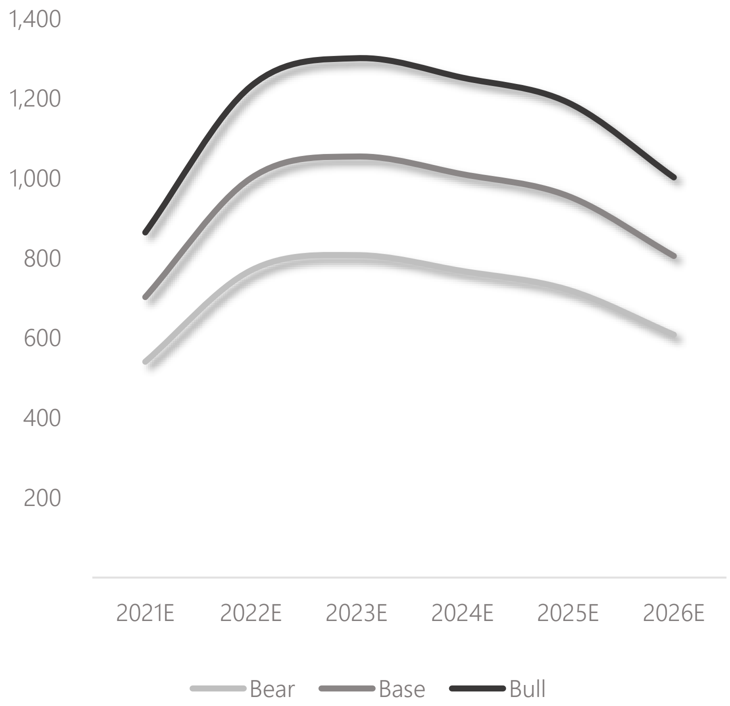
G&A and Marketing are key…

Costs and Expenses synergies, mm US$



…and we see many synergies even in bear case

Bull, Base and Bear scenarios, mm US$



Revenue synergies for DKNG

It all comes down to this: more marketing leads to more bets

Drivers & scenarios summary

Increase in users domestically using mainly ESPN, ABC and Hulu

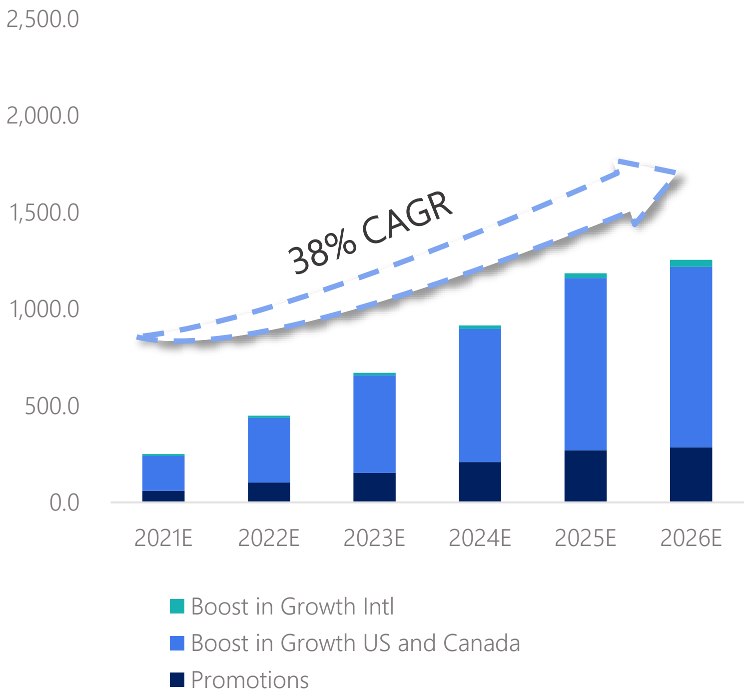
Increase in users internationally using ESPN, HotStar and Fox

Less need for **promotion expenses**

Revenue for DraftKings	Scenarios		
What changes?	Bear	Base	Bull
Promotion's reduction	0%	3%	5%
Premium Growth - US and Canada	0%	10%	15%
Premium Growth - International	0%	30%	50%

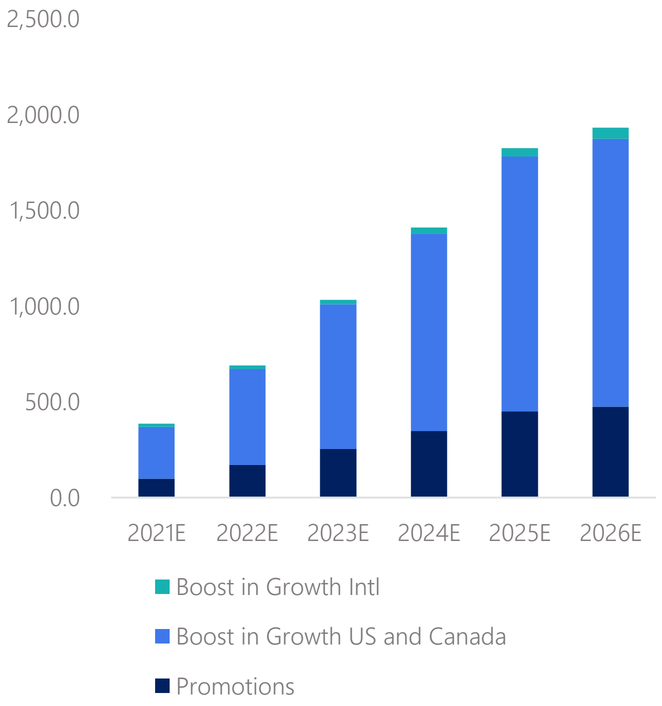
DKNG would benefit from ESPN's scale…

Revenue Synergies in DKNG lines, mm US$



..and our best scenario is not aggressive

Bull case, mm US$



Revenue synergies for Disney

Monetizing with more engagement

Drivers & scenarios summary

Higher **engagement in sports**

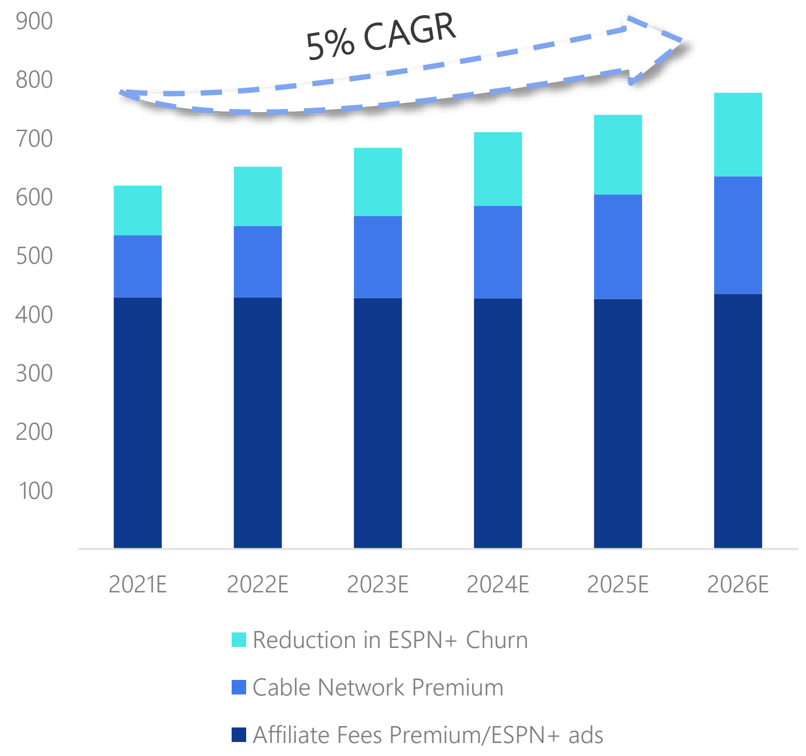
Shows related to betting

DTC platforms with sports betting

Revenue for Disney	Scenarios		
What changes?	Bear	Base	Bull
Affiliate Fees Premium/ESPN+ ads	0%	4%	8%
Cable Network Premium	0%	2%	5%
Reduction in ESPN+ Churn	10%	20%	30%

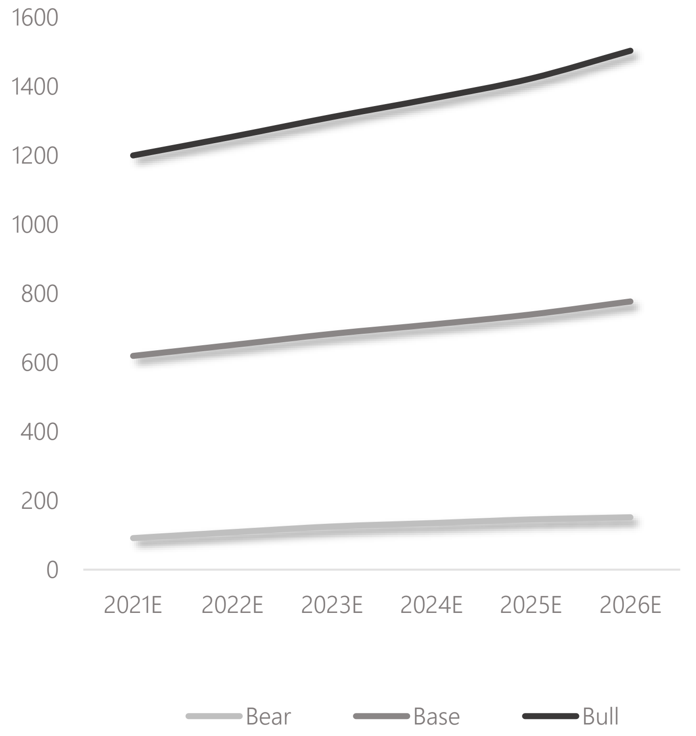
Affiliate fees should be largely impacted…

Revenue Synergies in base case, US$ mm



…even in our bear scenario, there is still synergy

Bull, Bear and Base – Revenue Synergies, US$ mm



Transaction Analysis

We recommend a 60% stock purchase, with 20% debt and 20% cash

Source: Disney's IR, DraftKings IR

Deal structure analysis: what's best for the NewCo?

% of stock / % of debt

Net Debt to EBITDA

	55%	60%	65%
0%	3.96	3.86	3.76
10%	3.97	3.86	3.76
20%	3.97	3.87	3.77
30%	3.97	3.87	3.77

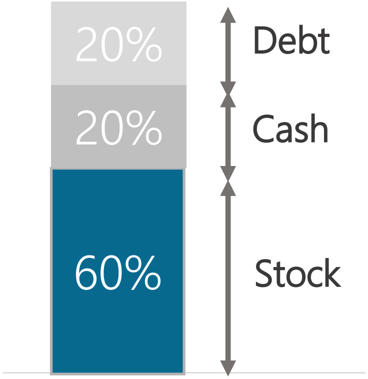
Total EPS in 5y

	55%	60%	65%
10%	65.61	65.80	65.15
20%	64.97	64.74	64.52
30%	64.33	64.10	63.88
40%	63.69	63.47	63.25

Cash to Current debt

	55%	60%	65%
0%	0.7x	0.9x	1.1x
10%	1.0x	1.2x	1.4x
20%	1.4x	1.6x	1.8x
30%	1.7x	1.9x	2.1x

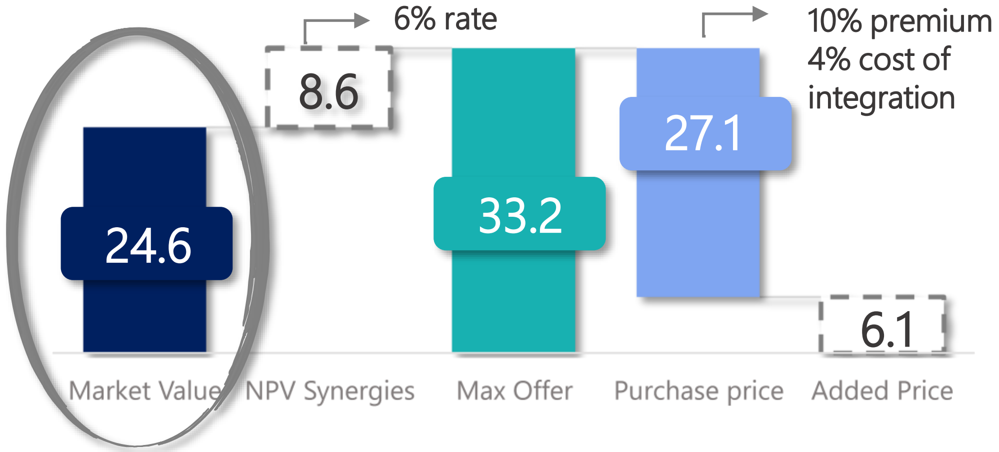
Suggested structure



Kd = 3.02%

Transaction structure

USD bn



Shares outstanding calculation

Shares outstanding class A

+ Stock option shares (treasury stock method)

= Fully diluted shares outstanding

Corporate Governance and Brand Combination

We believe it is necessary to keep Mr. Robins stimulated and do not merge brands entirely

Source: DraftKings IR, Disney IR, American Gambling Association

Pro Forma Shareholder structure

	Shares (mm)	Stake
The Vanguard Group	134	7.3%
BlackRock	113	5.9%
State Street Corp	70	3.7%
State Farm Mutual	38	2.0%
Shalom Meckenzie	5	0.3%
Jason Robins	4	0.2%
John S. Salter	4	0.2%

Jason Robins, CEO

93% of voting power in DKNG

Earnout structure – *1.8 mn shares* in 2025

- **EBITDA:** 3.5 billion in 2025
- **Net margin:** 33% in 2025
- Provides **confidence** in the **integration**

Brand integration: DraftKings must not be associated with Disney

51%

Of American adults view the casino gaming industry not favorably

In order to preserve **Disney's family friendly name,** we recommend a **brand dissociation.**

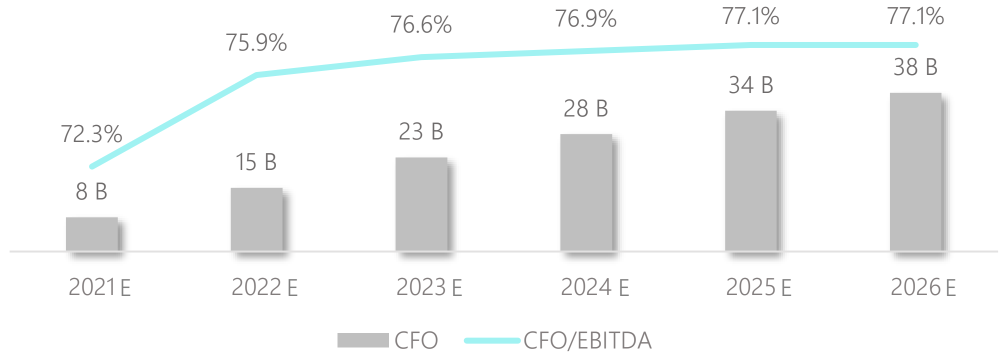
However, **we see strong synergies** with brand **integration regarding mostly ESPN,** but also with Star+ and Hulu

Financials & Key Numbers to NewCo

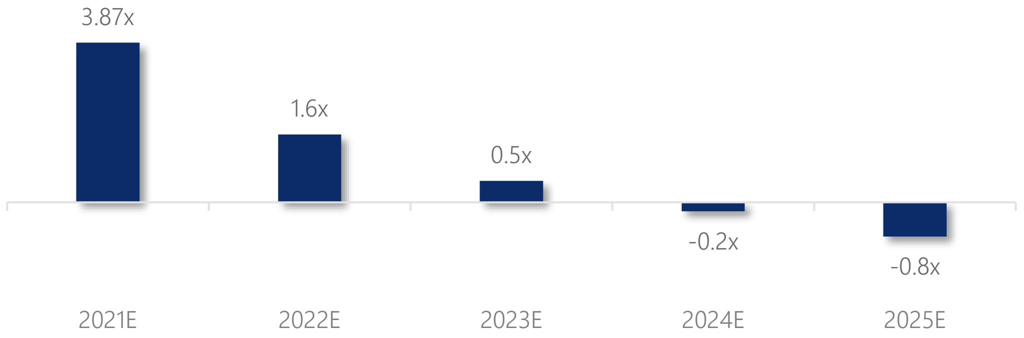
Cash generation and leverage will be sustainable

As the operations improve and DTCI and DraftKings grow, leverage will decrease

CFO and CFO/EBITDA (%)

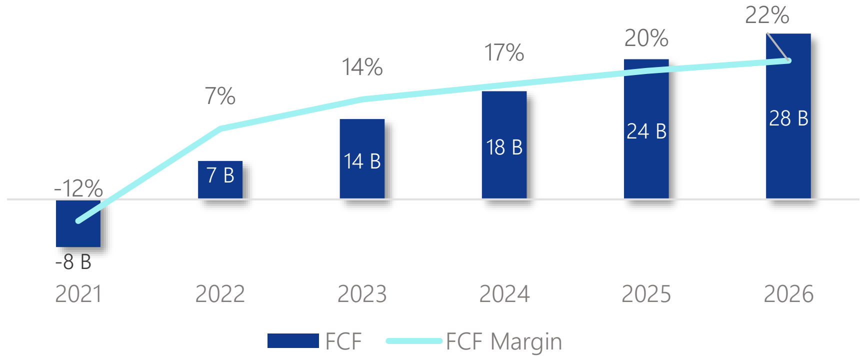


Net Debt to EBITDA



After the acquisition and the pandemics, NewCo will have high cash generation

Free Cash Flow (FCF) and FCF Margin (%) – Est.



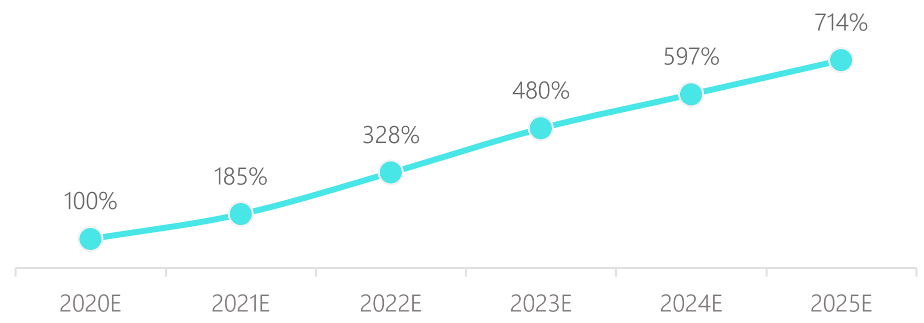
- The pandemic adversely **reduced much of Disney (non-DTC)** and DraftKings operation
- The return to "normal" **will increase sports, entertainment and parks.**
- The DTC business and DraftKings **are expected to break-even in the following years**, increasing cash flow generation.

Financials & Key Numbers to NewCo

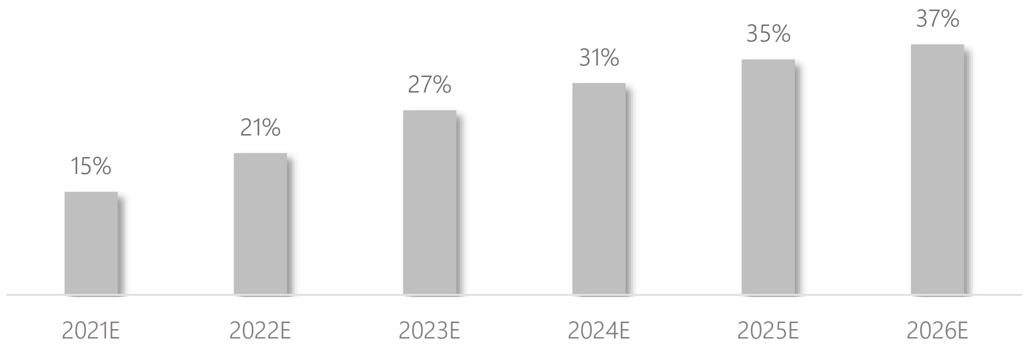
We expect that NewCo will take great part of video streaming in Sports and Entertainment

The operation income will be drived by DTCI

EBITDA Growth (Accumulated as % of 2020)



EBITDA Margin (%)

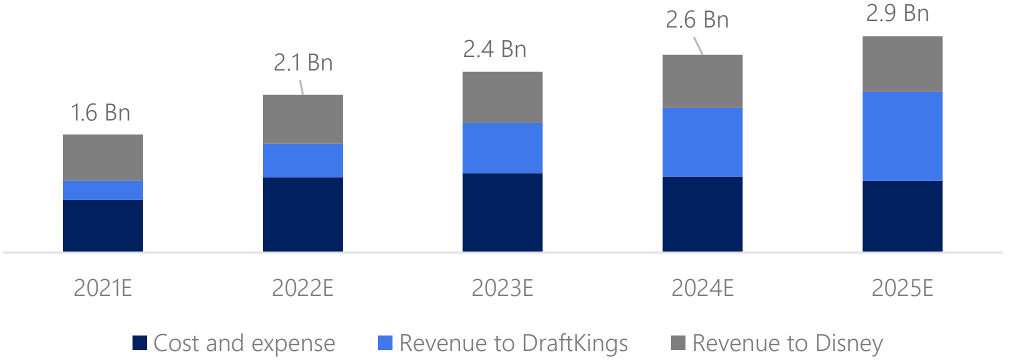


Shareholders will be benefited in short and long term

EPS in 2021 shows the accretion of the acquisition

% of synergies incorporated in base scenario	Takeover premium					
14.7%	0%	5%	10%	15%	20%	25%
60.0%	6%	6%	6%	5%	5%	5%
80.0%	11%	11%	10%	10%	10%	9%
100.0%	15%	15%	15%	14%	14%	14%
120.0%	20%	20%	19%	19%	18%	18%
140.0%	24%	24%	24%	23%	23%	23%

Total Synergies increase in the long term

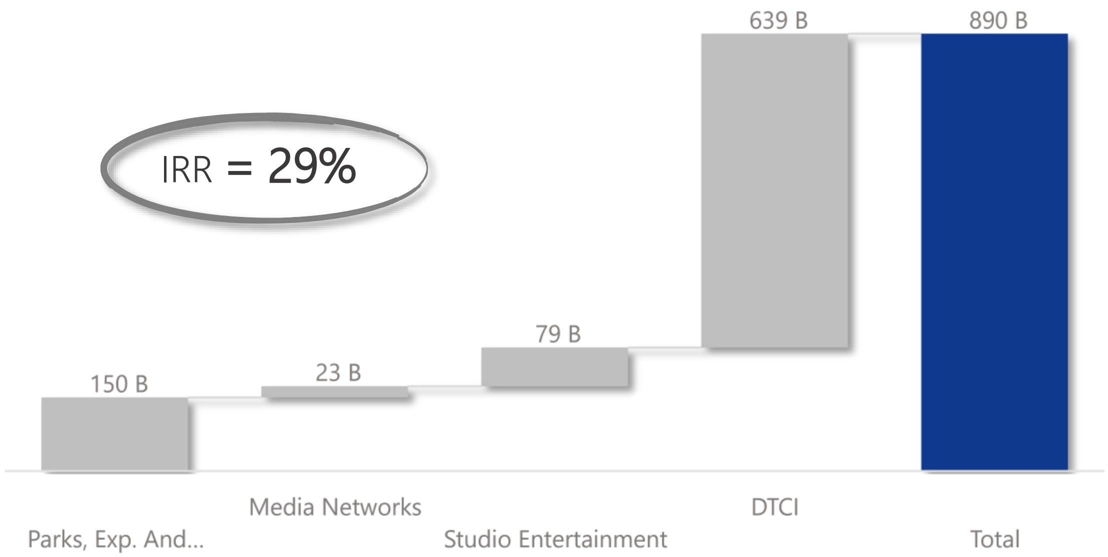


A step beyond in 2025 impact

The transaction will add value at an above-average return

We see great value in DTCI

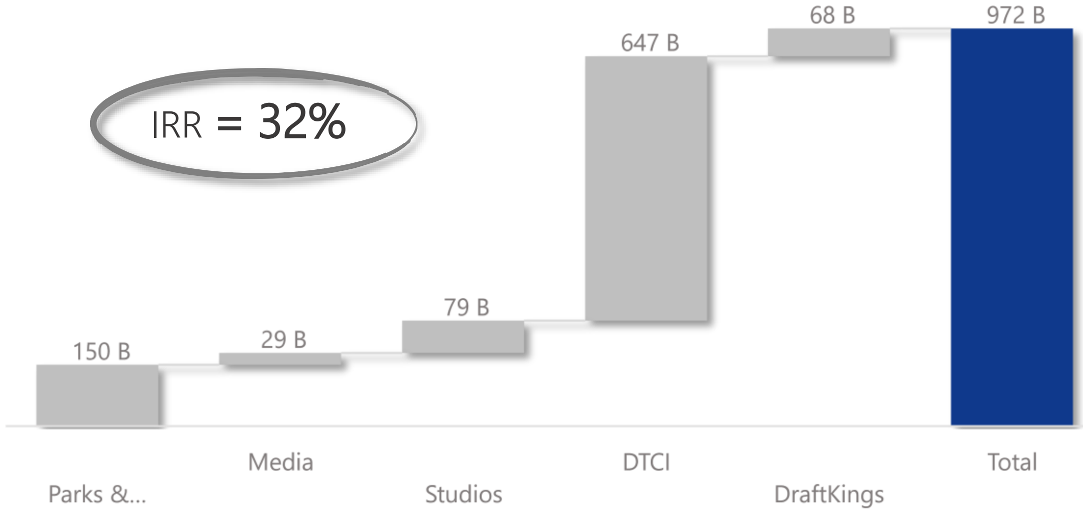
Disney Valuation in 2025



Multiples	Parks & Experience	Media Networks	Studio Entertainment	DTCI
EV 25E / EBITDA 26E	11.0x	7.4x	14.3x	27.2x

...and expect that most synergies incorporate until 2026

NewCo Valuation in 2025



Multiple	DraftKings
EV 25E / Sales 26E	7.0x

Δ in 2025 = 81B

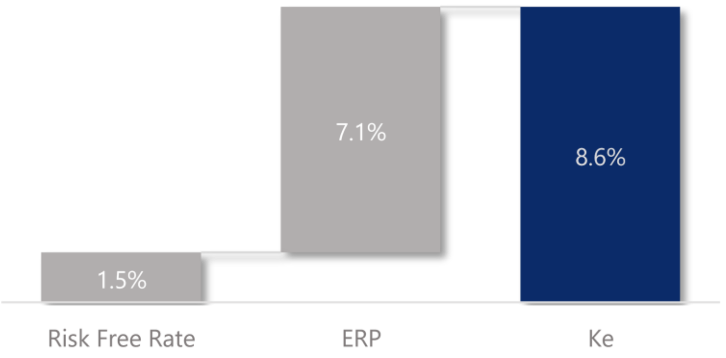
DraftKings Valuation

Even with no synergies involved, we still see DraftKings as a company that is worth to invest

Source: NYU Stern;; Investing.com

DraftKings is currently underpriced – FCFE Analysis

Cost of Equity build-up



Β: 1.42

Tax rate: 23%

Growth Rate	Ke				
	7.5%	8.0%	8.6%	9.0%	9.5%
4.5%	$74	$61	$50	$43	$37
5.0%	$91	$73	$58	$50	$42
5.2%	$100	$79	$63	$53	$45
5.7%	$131	$99	$76	$63	$52
6.2%	$186	$129	$94	$76	$62

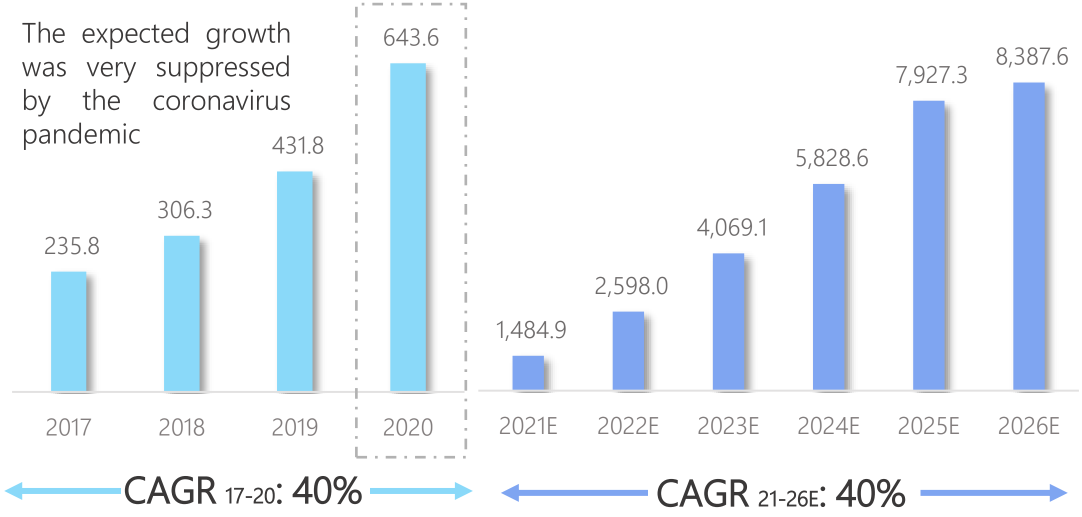
68% buy

16% hold

16% sell

DraftKings is currently underpriced – Multiples Analysis

Revenue estimates



Hotel & Gaming Industry	EV/Sales Multiple	Sales 2022E (MM)	EV 2021 (MM)
Industry	8.1x	2,598	20,992
DraftKings	7.4x		19,266

Thank You!


DRAFTKINGS
THE GAME INSIDE THE GAME.
TIGERS BASEBALL
97.1 TICKET

Q&A

Presentation Summary

Deal Summary

DraftKings Overview

DFS and iGaming

Online Sports Betting

Ecosystem

Engagement and Screen time

Synergies - Marketing

Synergies - Numbers

Capital Structure

Financials NewCo

Valuation

Appendix

Is there a brand issue?

Main Risks

India Opportunity

Legalization Risk

Marketing advantage

MUP and ARPU DraftKings

Cash Flow Statement – DKNG

Subscribers and ARPU – Disney

Branded content with Sin industry

Multiples, SBTech and TAM

Revenue Summary for DKNG

Subscribers DKNG

Churn and Marketing

Balance Sheet DKNG (pt. 1)

Cost of Revenue

Expenses Forecast - DKNG

Balance Sheet DKNG (pt.2) and Media (DIS)

Streaming Industry Analysis

Is there a brand issue?

Disney does its job on brand segmentation, and public perception is changing

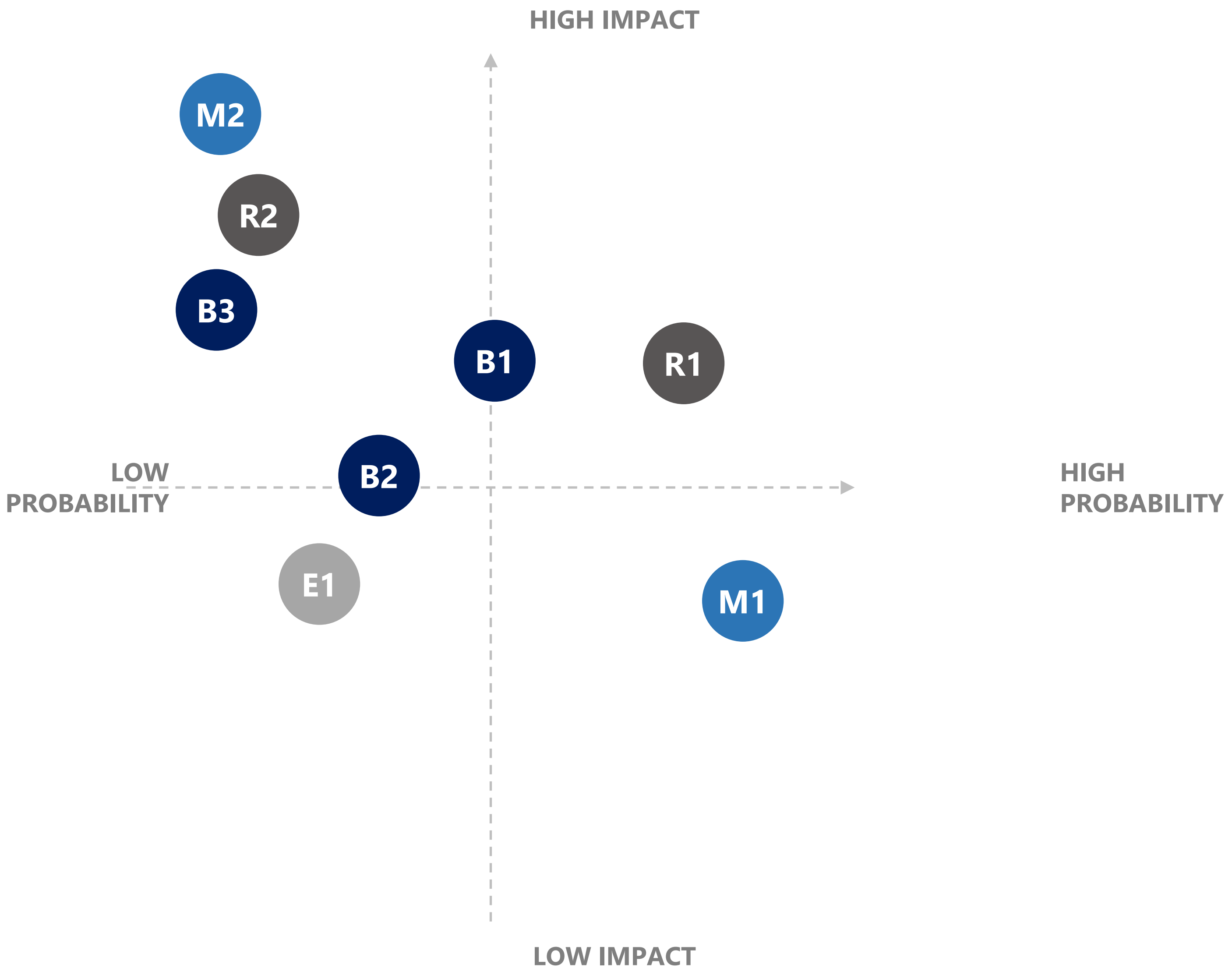
Public perception is changing…

Americans that have a favorable view on casino gambling industry

2018	2019
45%	49%

Yes, it's ok!

Risks



INTEGRATION

B1: Brand damage to Disney

B2: Lower synergies than expected

B3: SBTech issues

MARKET RISKS

M1: Increase in competition

MACROECONOMIC RISKS

E1: Higher pandemic impact than expected

REGULATORY RISKS

R1: Rising taxation

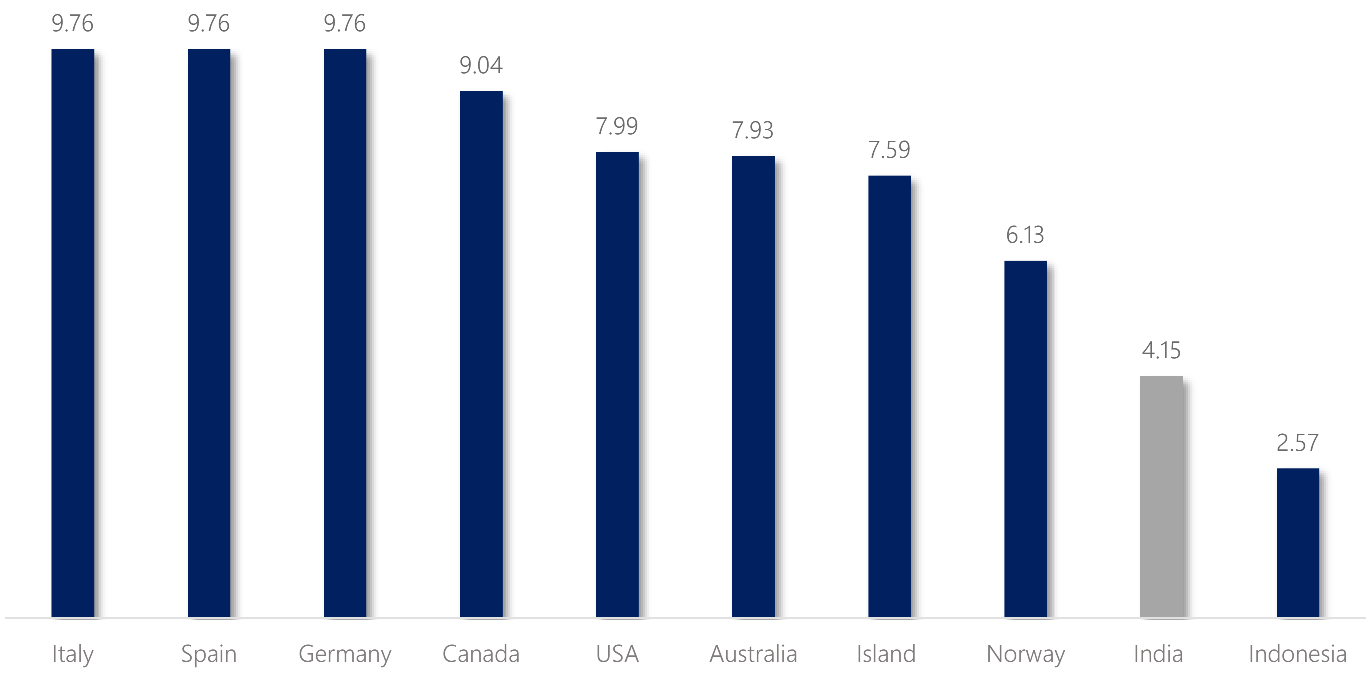
R2: Legislation's drawbacks

India Opportunity

Another way to monetize the viewer

DraftKings is currently underpriced – FCFE Analysis

Estimating the free cash flow to the company we estimate the stock fair price



IPL: A way to monetization

- 405 million viewers
- 400 bn viewing minutes
- 32 mm per match impression

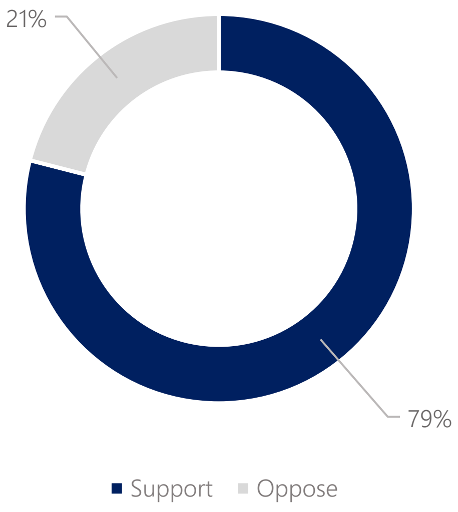
DraftKings is a way to further monetize that viewer!

Legalization: how big of a risk?

Source: American Gaming Association

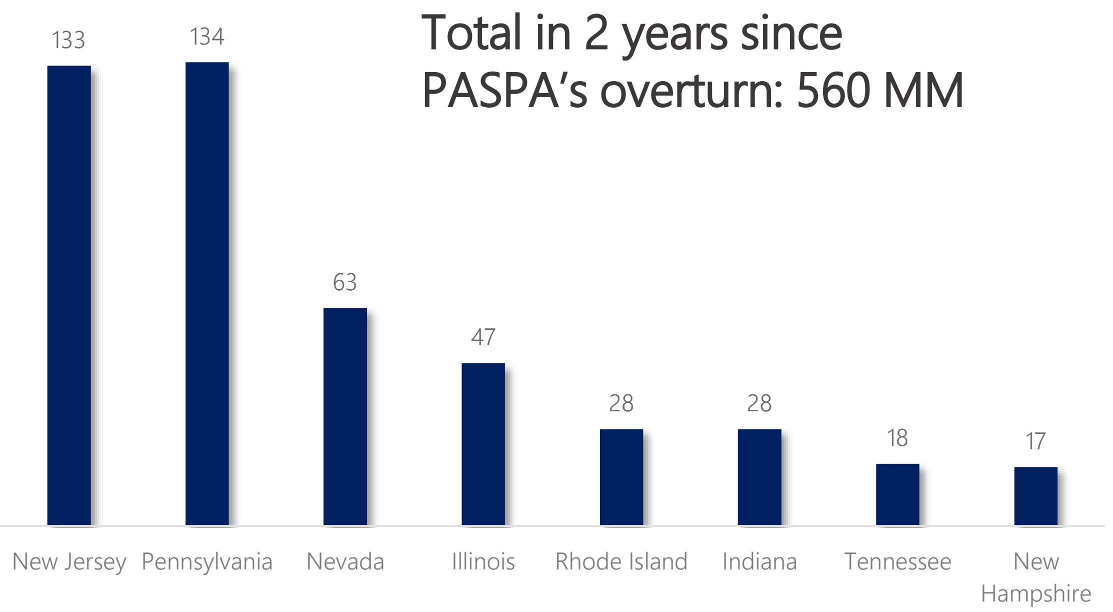
Sports betting legalization have public support…

Do you support Sports betting legalization in your state?



…and provides an important source of revenue

State taxes on sports betting since legalization



Marketing

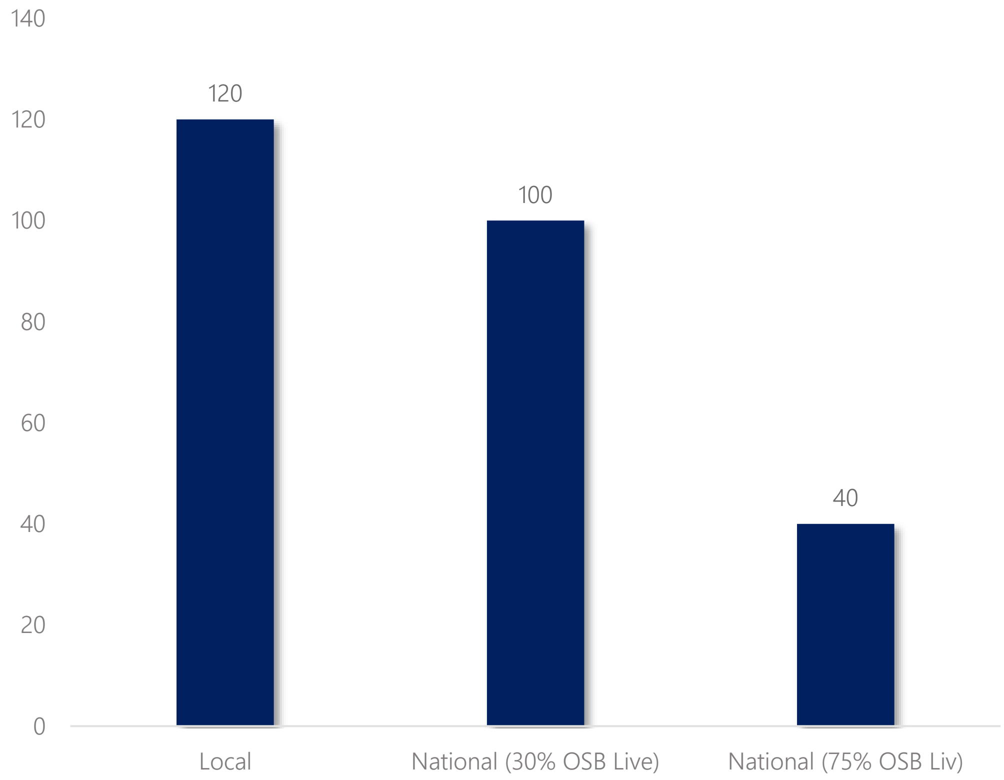
As DraftKings gains scale, marketing gets cheaper

Source: DraftKings IR

As DraftKings achieves scale, Marketing costs diminish

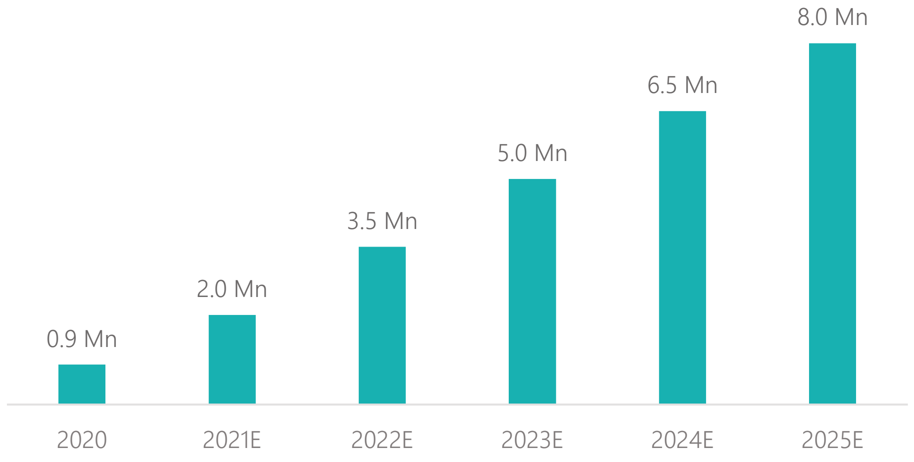
	Local	National (30% OSB Live)	National (75% OSB Live)
Average CPM	90	30	30
Marketing Efficiency	75%	30%	75%

Effective Cost Per Thousand (eCPM = CPM / Marketing Efficiency)

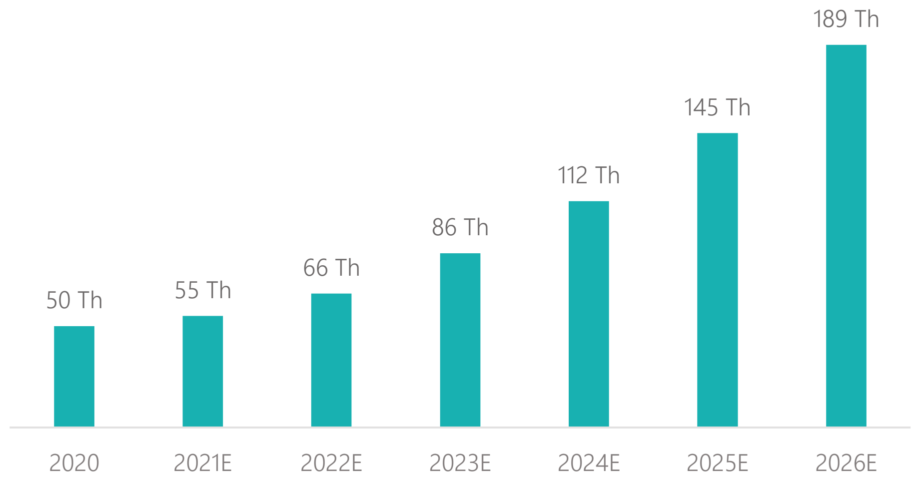


Appendix – MUP and ARPU DraftKings

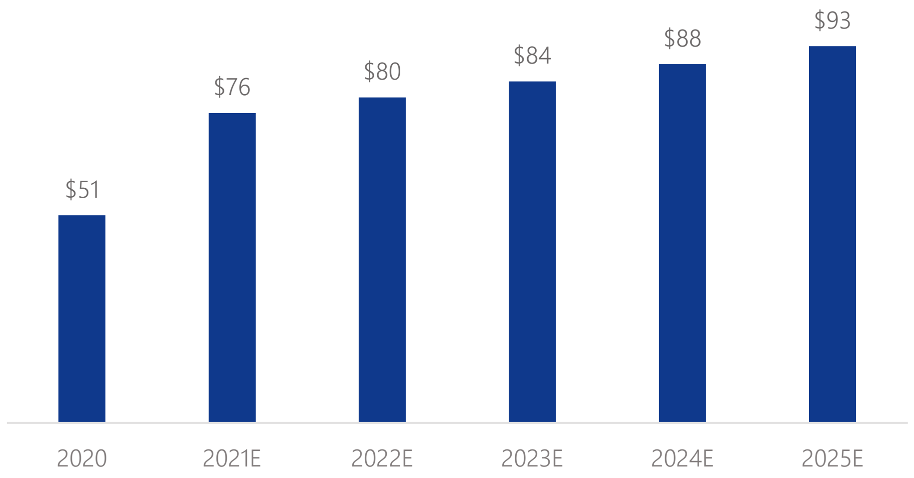
MUP, USA



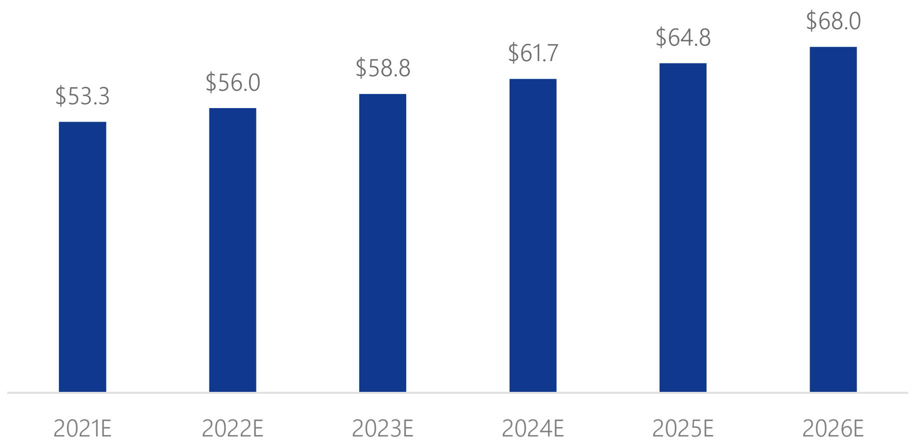
MUP, International



ARPU, USA

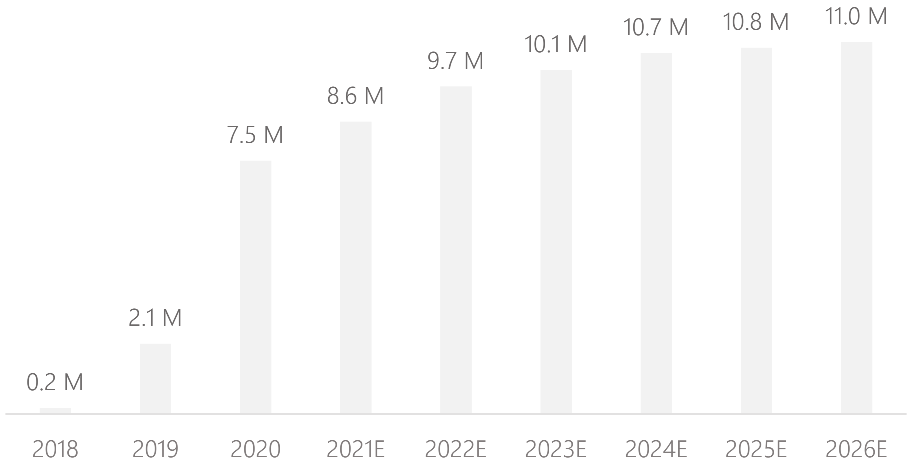


ARPU, International

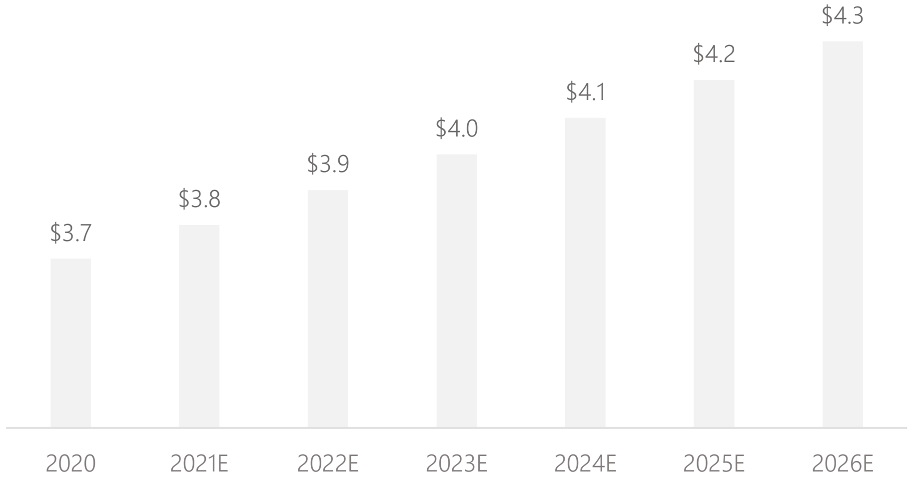


Appendix – Subscribers and ARPU - Disney

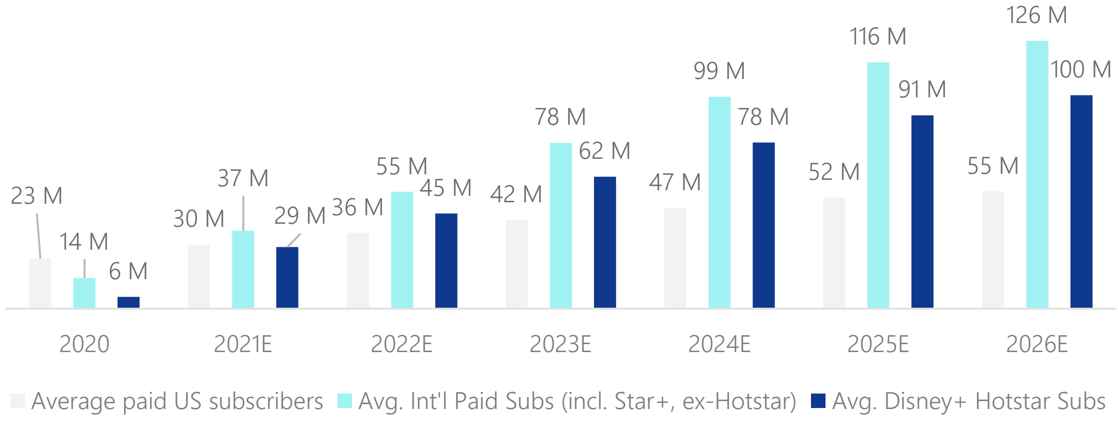
ESPN Subscribers



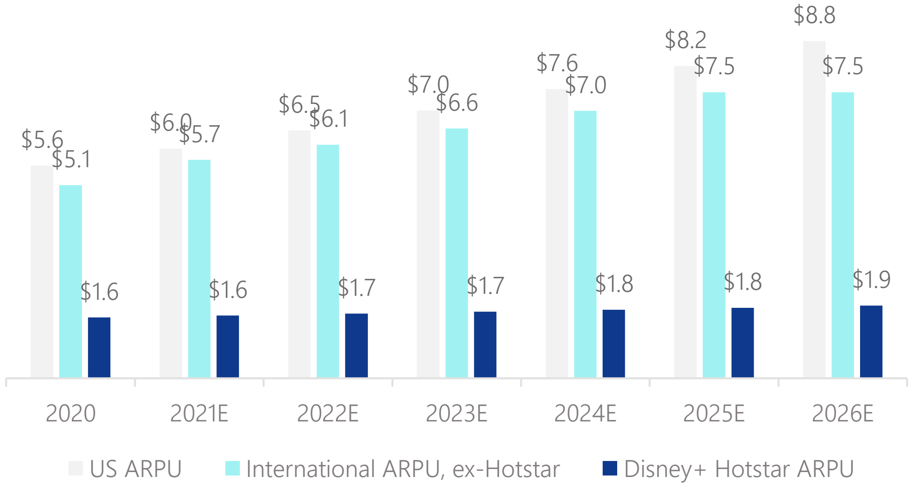
ESPN+ ARPU



Subscribers Disney DTC

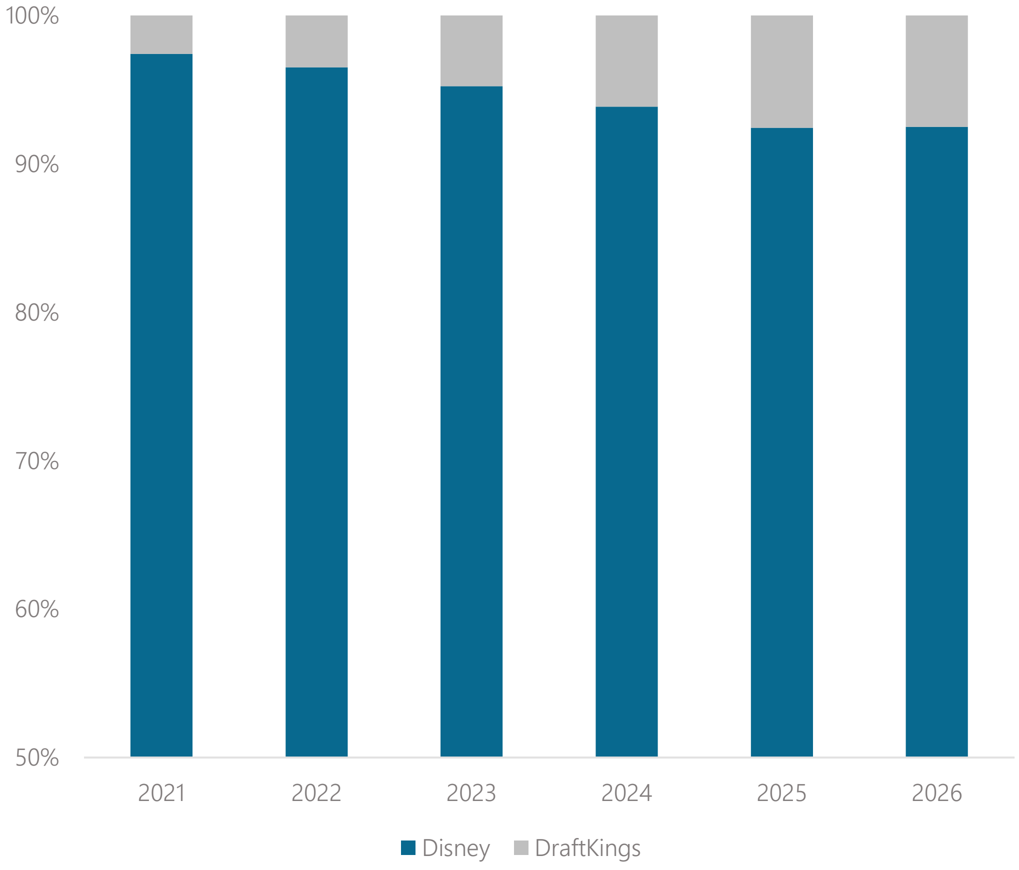


ARPU to DTC Lines



Appendix – DraftKings as part of Disney and Competition

Revenue composition after synergies

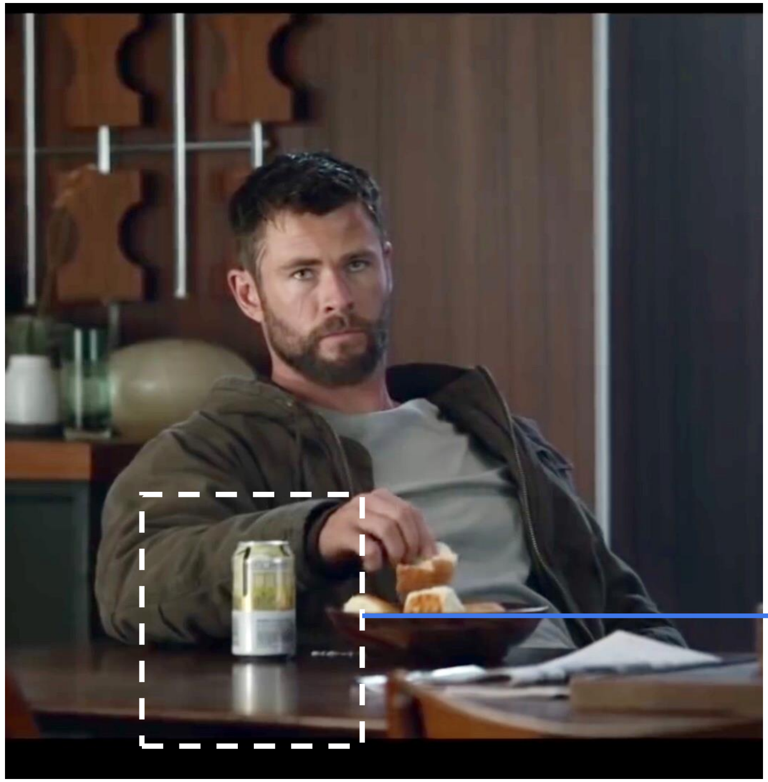


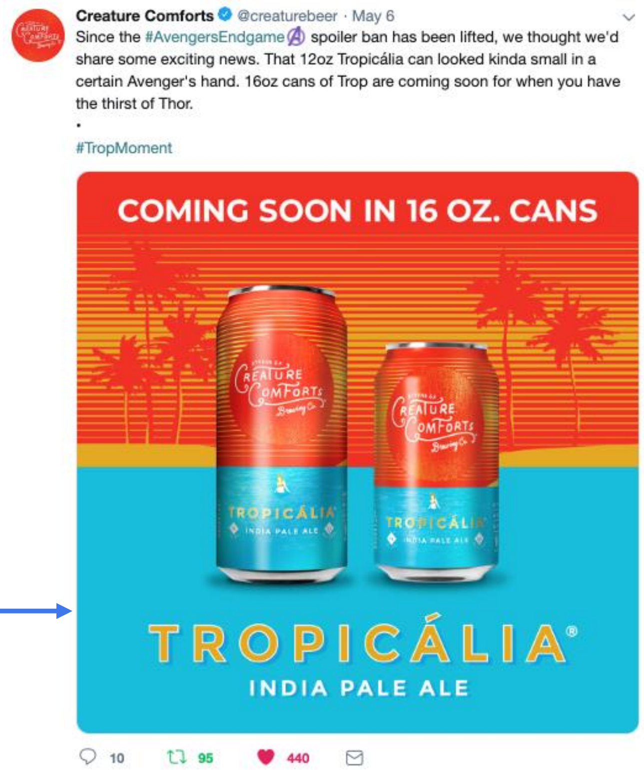
Ios Mobile App	Brand	States Where App is live
DraftKings Sportsbook & Casino	DraftKings	CO, IL, IN, IA, MI, NH, NJ, PA, TN VA, WV
FanDuel Sportsbook & Casino	FanDuel	CO, IL, IN, IA, MI, NJ, PA, TN, WV, VA
BetMGM Sportsbook	BetMGM	CO, IN, IA, MI, NJ, PA, TN, VA, WV
William Hill Sports Betting	William Hill	CO, IL, IN, IA, MI, NJ, TN, VA, WV
PointsBet Sports Betting	PointsBet	CO, IL, IN, IA, MI, NJ
WynnBET Sportsbook & Casino	WynnBET	CO, IN MI NJ, TN, VA
BetRivers Sportsbook	BetRivers	CO, IL, IN, IA, VA

Appendix – Branded Content with sin industry

Could Disney do branded content to a sportsbook operator?

We believe to youth and adult population that is feasible if discreet

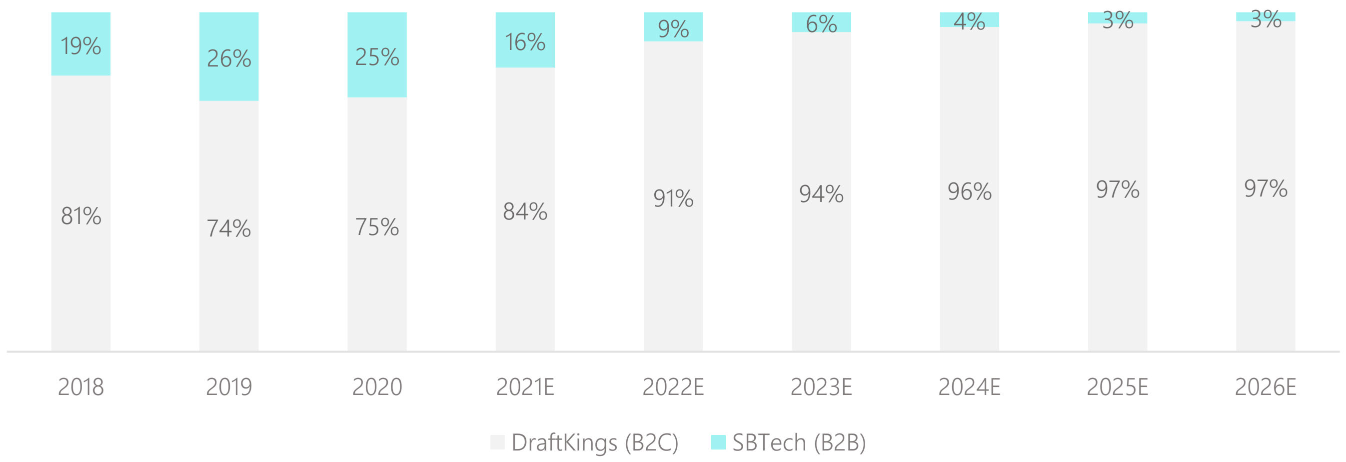




Appendix – Multiples, SBTech and TAM

	EV/EBITDA 22E
The Walt Disney Company	21.0x
Media Networks	
AMC	-
ViacomCBS	4.2x
Discovery Inc	7.4x
Sinclair	11.2x
Parks & Experiences	
Six Flags	12.9x
Sea World	9.2x
Cedar Fair	9.7x
Studio Entertainment	
Lionsgate	14.0x
MGM Holdings Inc	14.6x
Video Streaming	
Netflix	27.2x
Gaming	
Flutter	28.2x

DraftKings (without acquisition) revenue composition



Using NJ as benchmark to US OSB	TAM
Revenue NJ LTM (May, 2020 to Apr, 2021)	$503 M
CAGR (2020-2023)	20%
Revenue 2025E	$0.9 B
NJ pop as % of total	2.8%
NJ average/America average	1.05 x
Percentage of pop in legalized states	27.00%
American Estimate at Maturity (as is)	$8.06 B
American Estimate at Maturity (if 100% allow)	$29.86 B

Appendix – Revenue Summary to DKNG

Revenue Summary (All Business Lines)	2020	2021E	2022E	2023E	2024E	2025E	2026E
Gross Sports Betting Revenue (Incl. Retail)	304.4	874.4	1,356.8	2,036.1	2,781.8	3,599.3	3,793.5
Y/Y Growth %	205%						
US Market Share %	0.20						
% of Gross Revenue	40%		40%	40%	40%	40%	40%
Gross iCasino Revenue	200.4	706.2	1,696.0	2,647.0	3,755.4	4,859.1	5,121.2
Y/Y Growth %	315%	252%					
US Market Share %	13%						
% of Gross Revenue	27%		50%	52%	54%	54%	54%
Promotions (Sports Betting + iCasino)	(173.6)	(544.4)	(915.8)	(1,170.8)	(1,307.4)	(1,268.8)	(1,337.2)
Y/Y Growth %	290%						
% of Gross Sports Betting + iCasino Revenue	34%	34%	30%	25%	20%	15%	15%
Synergies		47.4	91.6	140.5	196.1	253.8	267.4
Synergies - reduction in promotions (%)		3%	3%	3%	3%	3%	3%
Gross DFS Revenue	246.7	374.1	339.2	407.2	417.3	539.9	569.0
Y/Y Growth %	-7%						
US Market Share %	77%						
% of Gross Revenue	33%	19%	10%	8%	6%	6%	6%
Promotions (DFS)	(61.0)	(78.3)	(67.8)	(81.4)	(83.5)	(108.0)	(113.8)
Y/Y Growth %	3%						
% of Gross DFS Revenue	25%	21%	20%	20%	20%	20%	20%
Synergies		11.2	10.2	12.2	12.5	16.2	17.1
Synergies - reduction in promotions (%)		3%	3%	3%	3%	3%	3%

Appendix – Subscribers DKNG

Income Statement ($ in millions)	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E	2026E
Other Revenue (Media)		9.2	9.8	19.0	24.4	36.6	54.8	71.3	92.7	120.5
Y/Y Growth %			6%	95%	28%	50%	50%	30%	30%	30%
Total Revenue Excl. SBTech		219.4	318.1	535.9	1,356.3	2,444.9	3,893.0	5,634.9	7,714.2	8,153.2
Y/Y Growth %			45%	68%		1.31				
Int'l Revenue		6.9	5.3	3.0	1.0	39.9	55.7	77.6	106.0	144.7
Y/Y Growth %			-23%	-43%	-67%	3889%	40%	39%	37%	37%
Total DraftKings Revenue Excl. SBTech		226.3	323.4	538.9	1,357.3	2,444.9	3,893.0	5,634.9	7,714.2	8,153.2
Y/Y Growth %			43%	67%	152%	80%	59%	45%	37%	6%
SBTech Revenue		80.0	108.4	104.7	127.6	153.1	176.1	193.7	213.1	234.4
Y/Y Growth %			36%	-3%	22%	20%	15%	10%	10%	10%
Consolidated Revenue		306.3	431.8	643.6	1,484.9	2,598.0	4,069.1	5,828.6	7,927.3	8,387.6
Y/Y Growth %			41%	49%	131%	75%	57%	43%	36%	6%

User Summary & Cost of Acquisition	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E	2026E
DraftKings Gross Revenue, Excluding SBTech and Media	191.8	226.3	323.4	538.9	1,814.3	3,392.0	5,090.4	6,954.5	8,998.3	9,483.7
United States and Canada										
Monthly Unique Payers (MUPs, m) - USA	0.57	0.60	0.68	0.88	2.0	3.5	5.0	6.5	8.0	8.0
Y/Y Growth %		5%	14%	29%	125%	76%	43%	30%	23%	0%
Q/Q Growth %								50%		
Synergy					181.4	334.8	503.0	687.2	888.6	933.0
Synergy - compounded premium growth					10%	10%	10%	10%	10%	10%
Avg Revenue per MUP	27.9	31.4	39.4	51.0	76.1	80.0	84.0	88.2	92.6	97.2
Y/Y Growth %		*13%*	*26%*	*29%*		5%	5%	5%	5%	5%
International										
Monthly Unique Payers (MUPs, m) - Intl				0.1	0.1	0.1	0.1	0.1	0.1	0.2
Y/Y Growth %					10%	20%	30%	30%	30%	30%
Q/Q Growth %										
Synergy					9.6	11.1	14.0	19.1	26.0	35.5
Synergy - compounded premium growth intl					30%	30%	30%	30%	30%	30%
Avg Revenue per MUP (Intl)					53.3	56.0	58.8	61.7	64.8	68.0
Discount over US MPU					30%	30%	30%	30%	30%	30%
Y/Y Growth %										

Appendix – Churn and Marketing

Annual Churn (on Prior Period)	30%	28%	24%	45%	40%	35%	35%	35%	35%	35%
Lost Customers		(0.2)	(0.1)	(0.3)	(0.4)	(0.7)	(1.2)	(1.8)	(2.3)	(2.9)
Legacy Customers		0.4	0.5	0.4	0.6	1.3	2.3	3.3	4.3	5.3
New Customers		0.19	0.23	0.51	1.48	2.2	2.8	3.3	3.8	2.9
Acq. Cost / New Customer		371.0	389.6	681.7	579.5	492.5	418.7	355.9	302.5	257.1
YoY Growth (Reduction) %			5%	75%	-15%	-15%	-15%	-15%	-15%	-15%
Synergy					343.2	439.1	463.5	470.7	465.8	297.7
Acq. Cost % of reduction					40%	40%	40%	40%	40%	40%

Income Statement ($ in millions)	**2017**	**2018**	**2019**	**2020**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**
Marketing Expense Build-up									
Fixed Marketing		(75.0)	(100.0)	(117.0)	(140.4)	(161.5)	(169.5)	(169.5)	(169.5)
Y/Y Growth %			33%	17%	20%	15%	5%	0%	0%
Variable Marketing				(345.5)	(858.0)	(1,097.8)	(1,158.7)	(1,176.8)	(1,164.5)
Y/Y Growth %					148%	28%	6%	2%	-1%
Total Adjusted Sales & Marketing Expense				**(475.0)**	**(998.4)**	**(1,259.2)**	**(1,328.3)**	**(1,346.3)**	**(1,334.0)**
Y/Y Growth %					110%	26%	5%	1%	-1%

Appendix – Cost of Revenue

Cost of Revenue Build-up	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E	2026E
Gaming Taxes	(10.0)	(17.0)	(37.6)	(123.1)	(84.9)	(644.5)	(967.2)	(1,321.4)	(1,709.7)	(1,801.9)
Y/Y Growth %		0.70	121%	227%						
% of GGR	5%	6%	9%	23%		19%	19%	19%	19%	19%
Platform Fees	(3.6)	(9.2)	(26.0)	(75.2)	(195.5)	(244.2)	(295.2)	(306.0)	(269.9)	(284.5)
Y/Y Growth %		1.54	-26.05	1.89						
% of GGR	2%	3%	6%	10%	9%	7%	6%	4%	3%	3%
Processing Fees	(18.1)	(20.5)	(29.8)	(59.5)	(156.4)	(237.4)	(305.4)	(417.3)	(539.9)	(569.0)
Y/Y Growth %		13%	45%	100%	95%					
% of GGR	9%	8%	7%	8%	8%	7%	6%	6%	6%	6%
Revenue Share Payments	0.0	(2.0)	(10.5)	(48.3)	(137.8)	(288.3)	(419.4)	(552.2)	(665.9)	(701.8)
Y/Y Growth %		NA	436%	362%	134%					
% of Sports Betting					6%	5%	5%	5%	5%	5%
% of iGaming					14%	13%	12%	11%	10%	10%
Synergy					13.8	28.8	41.9	55.2	66.6	70.2
Synergy - discount in revenue SP %					10%	10%	10%	10%	10%	10%
SBTech Expenses / Plug				21.08	38.14	38.1	28.1	18.1	8.1	0.0
Adjusted Cost of Revenue (No D&A)			(121.0)	(285.0)	(536.4)	(1,376.3)	(1,959.1)	(2,578.7)	(3,177.3)	(3,357.2)
Cash Adjusted Gross Profit			310.8	358.6	671.8					
Margin			72%	56%						
Adjustments (D&A, SBC, and Other)			(81.8)	(92.5)	(76.0)					
D&A						192.7	274.3	361.0	444.8	470.0
D&A is % CoR						14%	14%	14%	14%	14%
Stock-based compensation						13.8	19.6	25.8	31.8	33.6
SBC is % CoR						1%	1%	1%	1%	1%
GAAP Cost of Revenue			(202.8)	(377.5)	(562.6)	(1,376.3)	(1,959.1)	(2,578.7)	(3,177.3)	(3,357.2)

Appendix – Expenses Forecast

Consolidated Expense Forecast	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E	2026E
Cost of Revenue										
GAAP Expense			(202.8)	(377.5)	(562.6)	(1376.3)	(1959.1)	(2578.7)	(3177.3)	(3357.2)
Sales & Marketing										
SBC			0.0	22.0	41.8	50.4	53.1	53.9	53.4	36.5
SBC is % S&M						4%	4%	4%	4%	4%
Synergy - SBC					20.9	25.2	26.6	26.9	26.7	18.3
Synergy - SBC (% reduction)					50%	50%	50%	50%	50%	50%
Product & Technology										
GAAP Expense			(74.6)	(186.3)	(290.7)	(441.7)	(569.7)	(641.1)	(634.2)	(671.0)
SBC			2.0	55.0	20.0	159.0	170.9	160.3	158.5	167.8
SBC is % P&T						36%	30%	25%	25%	25%
Synergy - SBC					10.0	79.5	85.5	80.1	79.3	83.9
Synergy - SBC (% reduction)					50%	50%	50%	50%	50%	50%
General & Administrative										
GAAP Expense			(150.5)	(431.2)	(872.6)	(1169.1)	(1424.2)	(1457.2)	(1506.2)	(1593.6)
SBC				257.0	628.6	841.8	854.5	728.6	602.5	637.5
SBS is % G&A					72%	72%	60%	50%	40%	40%
Synergy - SBC					314.3	420.9	427.3	364.3	301.2	318.7
Synergy - SBC (% reduction)					50%	50%	50%	50%	50%	50%
Total GAAP Operating Expenses			(419.8)	(1,494.5)	(2,775.4)	(4,246.3)	(5,281.2)	(6,023.3)	(6,651.7)	(6,535.6)
D&A				102.0	21.0	213.2	299.9	388.4	472.6	499.4
SBC				335.0	691.4	1,064.9	1,098.1	968.5	846.2	875.3
Other Adjustments				18.5	12.1	0.0	0.0	0.0	0.0	0.0
Adjusted Operating Expenses				(1039.0)	(2050.9)	(2968.2)	(3883.2)	(4666.4)	(5333.0)	(5160.9)

Appendix – Cash Flow Statement DKNG

Cash Flow Statement	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E	2026E
(=) Net Income			(182.9)	(852.9)	(1312.1)	(1648.3)	(1212.2)	(194.7)	982.3	1,426.1
(+) D&A	10.1	14.9	31.6	(210.2)	73.6	213.2	299.9	388.4	472.6	499.4
(+) Stock-based Compensation			17.6	335.9	691.3	1,064.9	1,098.1	968.5	846.2	875.3
(-) Deferred Income Taxes			0.1	(0.0)	(4.6)					
(+/-) Other			(2.5)	477.7	(19.2)					
(+/-) Change in Working Capital:				0.0	(327.5)	(132.7)	(481.9)	(576.5)	(687.6)	(150.8)
Net Cash From Operating (CFO)			**(101.1)**	**(138.8)**	**(898.5)**	**(502.9)**	**(296.1)**	**585.8**	**1,613.4**	**2,650.0**
Net Cash from Investing (CFI)			**(42.3)**	**(46.1)**	**(51.9)**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
(+/-) Changes in Debt			3.0	(51.3)	1,247.1	0.0	0.0	0.0	0.0	0.0
Net Cash from Financing (CFF)			**79.8**	**1,408.7**	**1,127.9**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
(=) Beginning Cash			657.1	593.4	1,817.3	1,994.7	1,491.8	1,195.7	1,781.5	3,394.9
(+/-) Change in Cash			(63.6)	1,223.8	177.5	(502.9)	(296.1)	585.8	1,613.4	2,650.0
(=) Ending Cash		**657.05**	**593.4**	**1,817.3**	**1,994.7**	**1,491.8**	**1,195.7**	**1,781.5**	**3,394.9**	**6,044.9**

Appendix – Balance Sheet DKNG (pt1)

Balance Sheet	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E	2026E
Assets										
Operational Cash & Equivalents		657.1	593.4	1,817.3	1,994.7	1,491.8	1,195.7	1,781.5	3,394.9	6,044.9
Cash Reserved for Customers			144.0	287.7	426.5	779.4	1,220.7	1,748.6	2,378.2	2,516.3
% of (Annualized) Net Revenue			33%	45%	29%	30%	30%	30%	30%	30%
Total Cash Incl. Restricted Cash			737.4	2,105.0	2,421.2	2,271.5	2,416.7	3,530.4	5,773.4	8,561.5
Receivables Reserved for Customers			19.8	30.2	24.0	43.9	68.8	98.5	134.0	141.8
Trade Receivables, Net		0.0	27.8	44.5	48.4	48.4	48.4	48.4	48.4	48.4
Prepaid Expenses & Other			24.8	14.6	15.2	27.8	43.6	62.4	84.9	89.8
Current Assets			**809.9**	**2,194.3**	**2,508.8**	**2,391.6**	**2,577.5**	**3,739.7**	**6,040.7**	**8,841.5**
PP&E			37.30	40.83	42.99	43.0	43.0	43.0	43.0	43.0
Intangible Assets			303.18	555.93	532.08	532.08	532.08	532.08	532.08	532.08
Goodwill			465.84	569.60	612.48	612.48	612.48	612.48	612.48	612.48
Deposits			2.43	7.63	8.31					
Other Incl. Deferred Tax			3.39	71.03	75.82	75.82	75.82	75.82	75.82	75.82
(Accumulated D&A)						(213.2)	(513.1)	(901.5)	(1,374.1)	(1,873.5)
Total Assets			**1,622.0**	**3,439.3**	**3,780.5**	**3,441.7**	**3,327.7**	**4,101.6**	**5,930.0**	**8,231.4**
Liabilities & Equity										
Accounts Payable & Accrued Expenses		0	99.72	223.63	295.31	539.69	539.69	539.69	539.69	539.69
Liabilities to Customers			163.83	317.94	329.74	329.74	329.74	329.74	329.74	329.74
Settlement Liability			0.00	0.00	0.00					
Other			0.00	12.84	13.37	13.37	13.37	13.37	13.37	13.37
Current Liabilities			**263.6**	**554.4**	**638.4**	**882.8**	**882.8**	**882.8**	**882.8**	**882.8**
Other Long-term Liabilities Incl. Deferred Tax			48.97	188.13	0.00					
Total Debt			51.25	0.00	1247.11	1,247.1	1,247.1	1,247.1	1,247.1	1,247.1
Total Liabilities			**363.8**	**742.5**	**1,885.5**	**2,129.9**	**2,129.9**	**2,129.9**	**2,129.9**	**2,129.9**

Appendix – Balance Sheet DKNG (pt2) and Media (DIS)

Class A Common Stock		0.03	0.04						
Class B Common Stock		0.04	0.04						
Additional Paid-in Capital	0.001	2,311.24	4,456.23	5,381.32	6,446.2	7,544.3	8,512.8	9,359.0	10,234.3
Retained Earnings	0	0.00	0.00						
Accumulated Deficit		-1053.06	-1759.52	-3486.5	(5,134.8)	(6,346.9)	(6,541.6)	(5,559.3)	(4,133.2)
Non-controlling Interest		0.00	0.00						
Total Equity		**1,258.3**	**2,696.8**	**1,894.9**	**1,311.5**	**1,197.4**	**1,971.3**	**3,799.7**	**6,101.1**
			88263						
Check		Check	Check	Check	Check	Check	Check	Check	Check

Media Networks	**2017**	**2018**	**2019**	**2020**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**	**2026E**
Revenues	**21,299.0**	**21,922.0**	**24,827.0**	**28,393.0**	**29,524.4**	**29,834.3**	**30,188.0**	**30,558.0**	**30,956.3**	**31,857.4**
Affiliate fees	11,324.0	11,907.0	13,433.0	15,018.0	15,443.6	15,305.5	15,186.2	15,056.4	14,925.9	15,267.1
Broadcast	877.5	1,296.0	1,490.4	1,675.2	1,788.5	1,868.8	1,953.5	2,038.9	2,126.0	2,312.0
Cable Networks	10,446.6	10,611.0	11,942.6	13,342.8	13,655.2	13,436.7	13,232.7	13,017.5	12,799.9	12,955.1
Advertising	6,938.0	6,586.0	6,965.0	6,374.0	6,659.7	6,914.6	7,189.5	7,486.0	7,806.0	8,151.8
Broadcast	3,580.0	3,457.0	3,462.0	3,263.0	3,295.6	3,328.6	3,361.9	3,395.5	3,429.4	3,463.7
Cable Networks	3,358.0	3,129.0	3,503.0	3,111.0	3,364.1	3,586.1	3,827.6	4,090.5	4,376.6	4,688.0
TV/SVOD distribution and other	3,037.0	3,429.0	4,429.0	7,001.0	7,421.1	7,614.2	7,812.3	8,015.7	8,224.4	8,438.5
Broadcast	2,239.9	2,559.0	3,388.6	5,488.8	5,903.3	6,050.8	6,202.1	6,357.2	6,516.1	6,679.0
Cable Networks	797.1	870.0	1,040.4	1,512.2	1,517.8	1,563.3	1,610.2	1,658.5	1,708.3	1,759.6
Operating expenses	**(12,754.0)**	**(13,197.0)**	**(15,498.8)**	**(17,386.9)**	**(18,065.8)**	**(18,771.5)**	**(19,505.0)**	**(20,267.5)**	**(21,060.2)**	**(21,884.2)**
Programing and Production costs	(12,069.0)	(12,555.0)	(14,697.0)	(16,554.0)	(17,216.2)	(17,904.8)	(18,621.0)	(19,365.8)	(20,140.5)	(20,946.1)
change YoY (%)		4%	17%	13%	4%	4%	4%	4%	4%	4%
Other operating costs	(685.0)	(642.0)	(802.0)	(833.0)	(849.7)	(866.7)	(884.0)	(901.7)	(919.7)	(938.1)
Selling, general, administrative and other	**(1,909.0)**	**(1,899.0)**	**(2,361.0)**	**(2,514.0)**	**(2,639.7)**	**(2,930.1)**	**(3,281.7)**	**(3,675.5)**	**(4,116.5)**	**(4,610.5)**
change YoY (%)		-1%	24%	6%	5%	11%	12%	12%	12%	12%
Depreciation and amortization	(206.0)	(199.0)	(191.0)	(208.0)	(208.0)	(208.0)	(208.0)	(208.0)	(208.0)	(208.0)
Equity in the income of investees	766.0	711.0	703.0	737.0	700.0	665.0	631.8	600.2	570.2	541.6
Operating Income	7,196.0	7,338.0	7,479.2	9,021.1	9,310.9	8,589.8	7,825.1	7,007.2	6,141.8	5,696.3
EBITDA	**6,636.0**	**6,826.0**	**6,967.2**	**8,492.1**	**8,818.9**	**8,132.8**	**7,401.3**	**6,615.1**	**5,779.6**	**5,362.7**

LTS Challenge 2021

Team GD Capital

Hyrasson Gervásio

Thomas Vadas

POLI FINANCE

Presentation Summary

Measuring Disney's opportunity

Drivers and structural changes

Competitive overview

Opportunities

Conclusion and recommendation

The video streaming industry

Estimating TAM and market size projections

Source: SNL Kagan, Statista, fortunebusiness insights; Worldbank

What is the SVOD total addressable market? (ex-China)

Countries and regions selected have **more than 5M fixed broadbands** subs and are already penetrated by Netflix.

We used the **('18-'19) growth** to estimate 2021E.

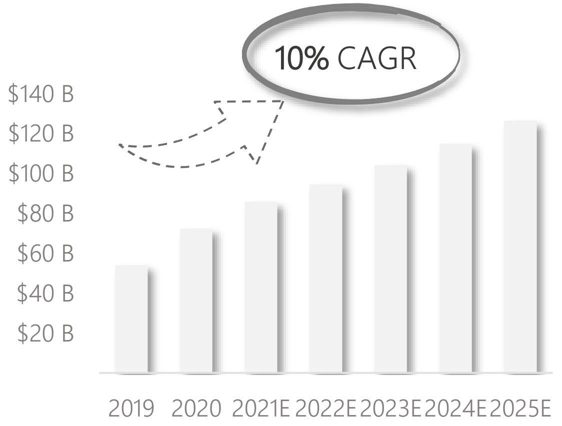
GDP per capita and comparation with **USA data** guided both video streaming subs. and penetration.

Fixed (only) broadband Subs. per region	2021E	GDP per capita ('000)	# of different SVOD subscriptions (avg est.)	Penetration (est.)
European Union	167 M	35	4	75%
United States	121 M	68	4	78%
Japan	45 M	42	4	75%
Brazil	37 M	7	2	60%
Russian Federation	35 M	11	3	70%
Arab World	37 M	6	2	60%
United Kingdom	27 M	46	4	75%
Korea, Rep.	23 M	35	4	75%
Mexico	22 M	9	2	60%
India	21 M	2	1	50%
Canada	17 M	49	4	75%
Vietnam	19 M	4	1	50%
Turkey	16 M	9	2	60%
Indonesia	14 M	4	1	50%
Thailand	12 M	8	2	60%
Argentina	9 M	9	2	60%
Australia	9 M	62	4	75%
Bangladesh	8 M	2	1	50%
Colombia	8 M	6	2	60%
Ukraine	11 M	4	1	50%
Philippines	14 M	4	1	50%
Total	672 M		2,111 M	1,529 M

Using a weighted average (by subs) global ARPU of Disney and Netflix:
Disney ARPU: $7.92. Netflix ARPU: $10.91. **Weighted Average: $8.67**
TAM = 1,529 M x 12 months x $8.67 per month = $159B

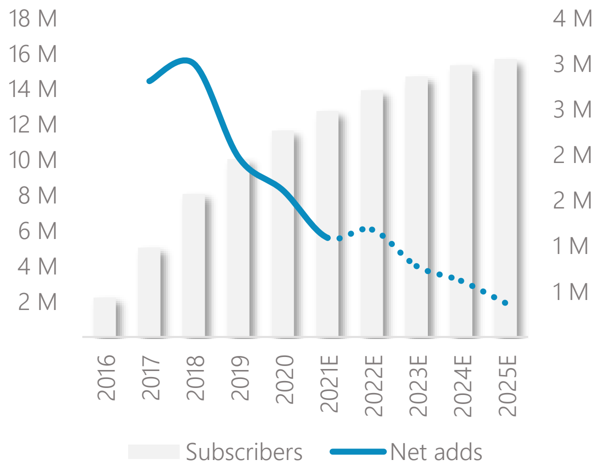
What about growth perspectives?

Global VOD (SVOD, AVOD, TVOD) market size, USD



VOD market should reach USD 126 billion in 2025, mainly driven by the SVOD segment, that is expected to reach USD 108 billion **and surpass 1.1 billion subscribers.**

USA vMVPD subscriber growth



The market is more cautious about the vMVPD segment. With programming costs rising, **it is unlikely that the industry will sustain current price levels.** With prices rising, **net adds should continue to drop**, giving vMVPD a less promising future.

Drivers – Digital

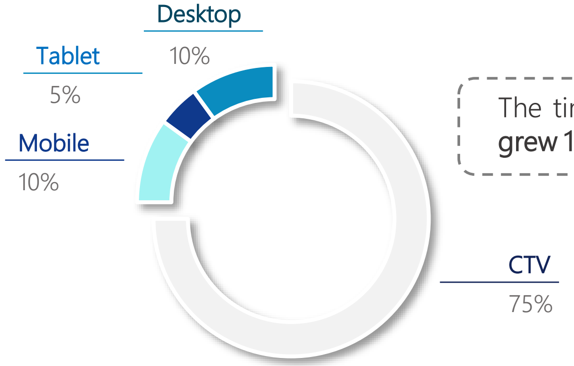
There are three main points: devices, connection and the coronavirus impact

Source: Nielsen; OpenSignal; Conviva, Statista

Devices: spread around the world

Connected TVs are the main way to watch streaming…

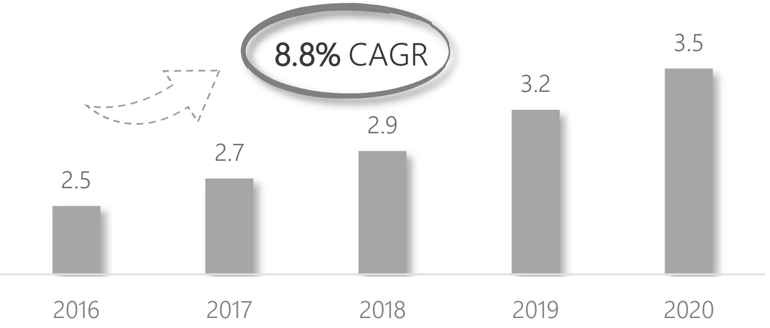
Global share of streaming viewing time (2020)



The time on smart TVs **grew 157%** YoY!

…In 2nd place is smartphones, which are growing fast

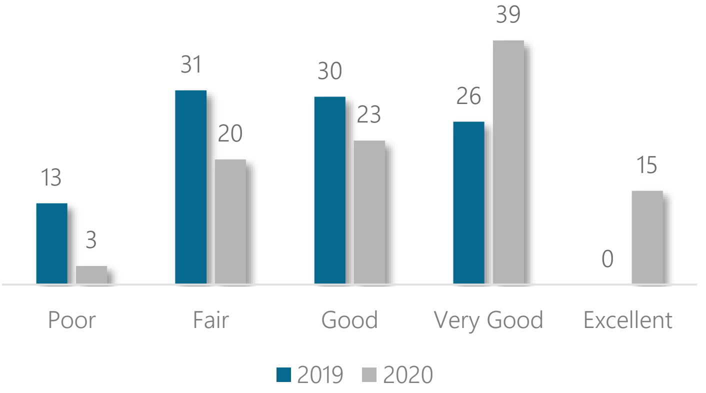
Smartphones' growth YoY, bn



Connection: faster than ever

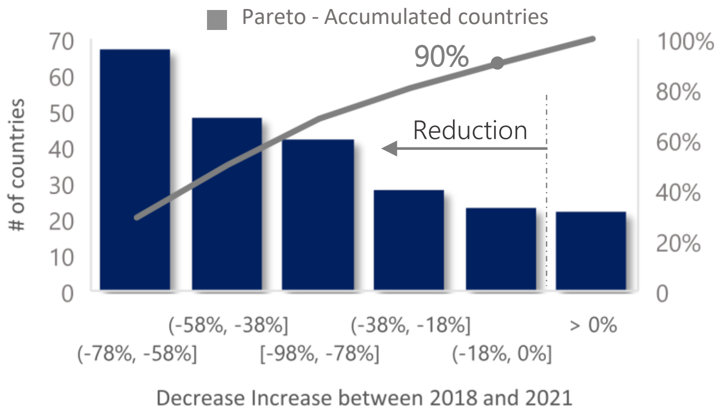
The connection has improved in every part of the world…

Number of countries by video experience category



…and it has got cheaper, increasing data consumption

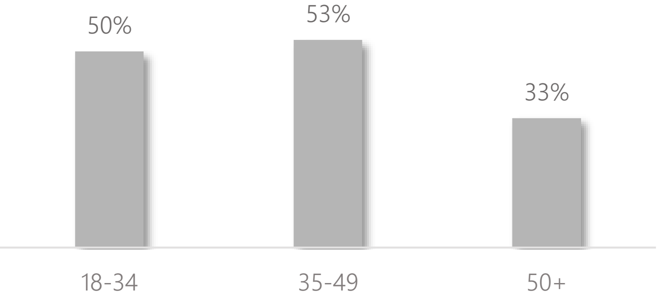
Average price of 1GB Decreased in most countries



Coronavirus: though not a driver, a catalyst

The COVID-19 crisis has boosted digitalization…

Technology (computer, TV, smartphone) is the main purchase category during Covid-19 among all ages



…and "stay at home" trend has increased demand for entertainment services

74% Growth YoY on average time using streaming video

Streaming services subscriptions +1B

4 Average of video streaming services subscribers have

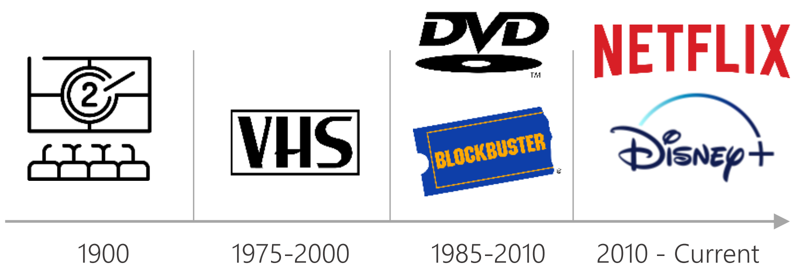
Drivers - Customer behavior

What I want, When I want, Where I Want

Source: Deloitte; Statista

Flexibility: what and when you want

Evolution of media consumption



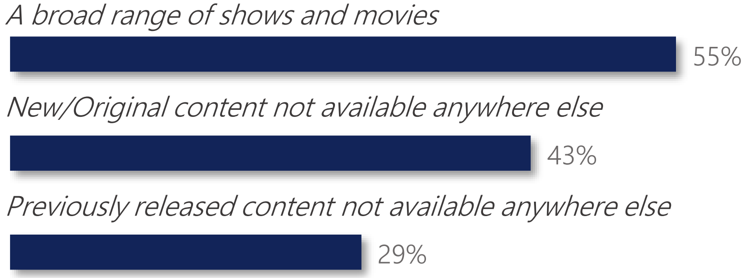
Historically, this evolution **brought more flexibility**

The **coexistence** of cinema, streaming services and Pay-TV **has not generated** a significant **cannibalization** because of the movie release windows. However, this segmentation is changing, with content producers, such as Netflix, releasing their titles directly to the consumer, without using distributors such as Pay TV or movie theaters. In addition, historical box office players such as Disney are **reducing considerably the amount of theaters releases, using instead its DTC platform**. It is expected that theaters will be used only for big releases, that can potentially generate billions in box office gross and promote a cultural impact.

Content: still the king

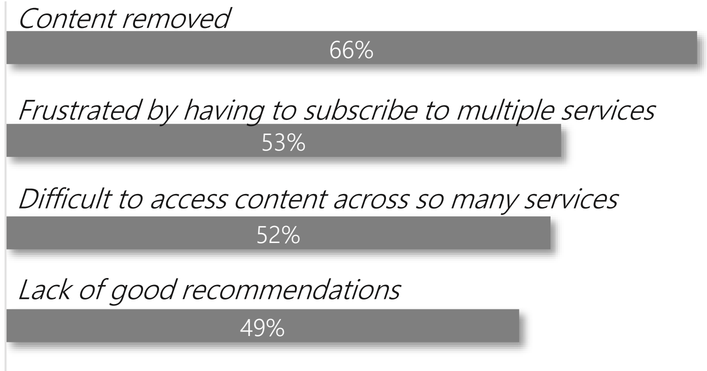
Subscriptions are mainly driven by content availability...

Reasons to be subscribed to a specific streaming service (2020)



...and the lack of content increases customer dissatisfaction

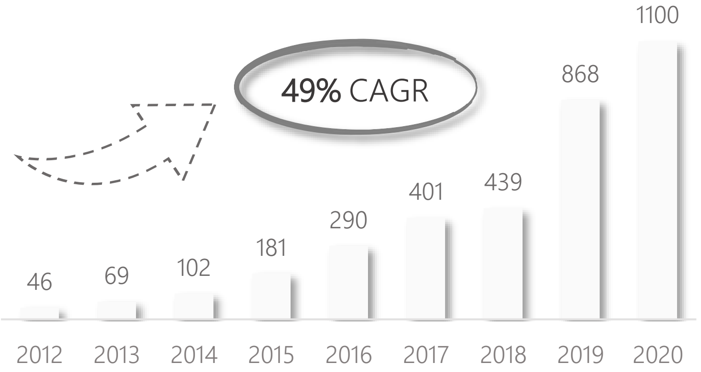
What annoys the costumer? (2020)



Results: high growth but high churn

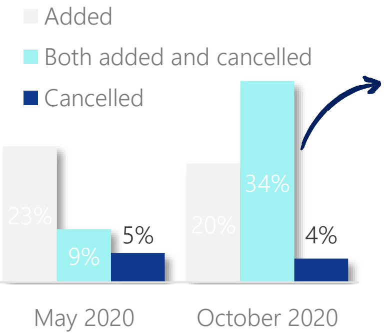
As a result, the streaming industry has grown fast...

OTT Video Service Subscribers Worldwide, mn



...but the industry has high churns, due to low switching costs

Changes made to paid subscriptions since the COVID-19 pandemic



The most common causes of churn: **price** (ended discounts or free trial), **replacement** to a new or to a free (ad-supported) streaming, and **lack of content**.

The pay TV industry: tough dynamics

Programming costs takes a tool on MVPDs

Source: US Census Bureau, SNL Kagan, companies' IR

How does the pay TV industry work?

Branded networks and broadcasters

Content

Programming and retransmission fees

Distributers (Cable, Satellite and Telecom)

Content

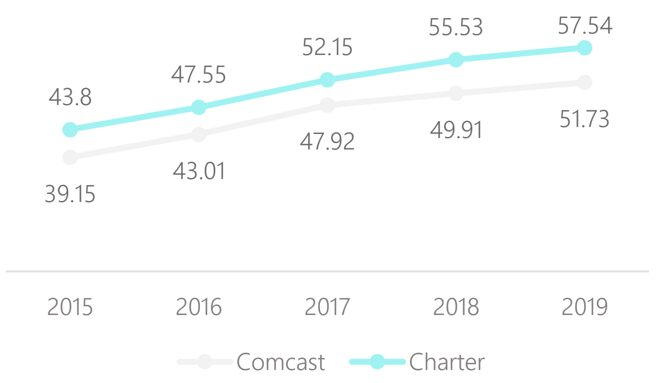
Monthly fees (adjusted according to the costs)

Consumers

For every network included in the bundle, programming and retransmissions fees **are freely negotiated.** Since MVPDs suffers more in blackouts, the networks usually **have the advantage on these negotiations** – which makes programming costs **increase even further.**

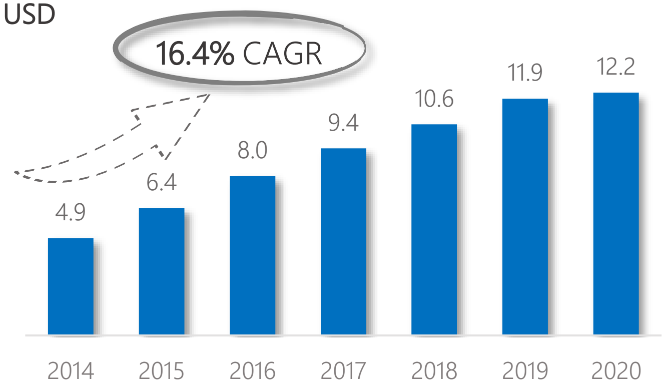
Programming costs have increased in the last years…

Video programming expenses/user, USD (monthly)



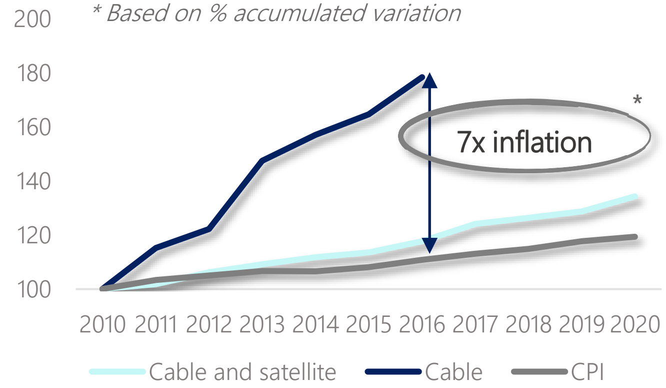
…partially explained by the retransmission fees expansion

USA Total broadcast retransmission & virtual sub carriage fees, bn USD



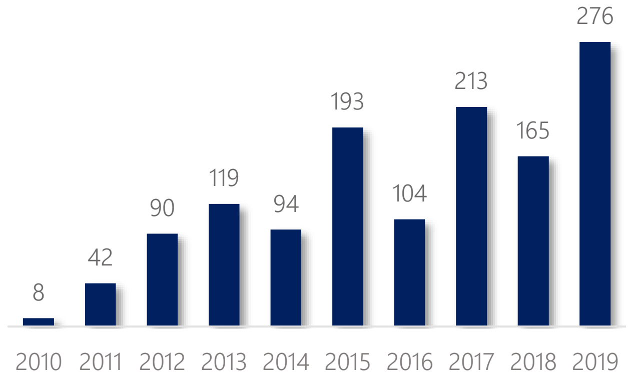
As cost goes up, the customer suffers the consequences…

Price variation for cable and satellite, cable only and CPI (accumulated)



…specially when the other two parties don't reach an agreement

Number of broadcast TV stations blackouts, USA



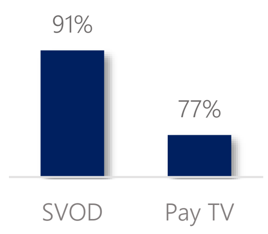
…and what does streaming get from all of this?

Many subscribers are cutting the cord and seeking streaming alternatives

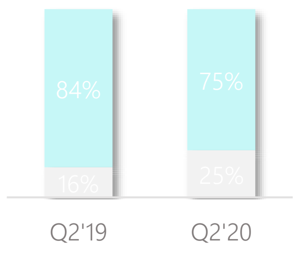
Source: MoffettNathansen, SNL Kagan, Statista, Screen Engine, Interactive Advertising Bureau

Streaming has great UX and has increased its time usage among TV HH…

UX, 2018

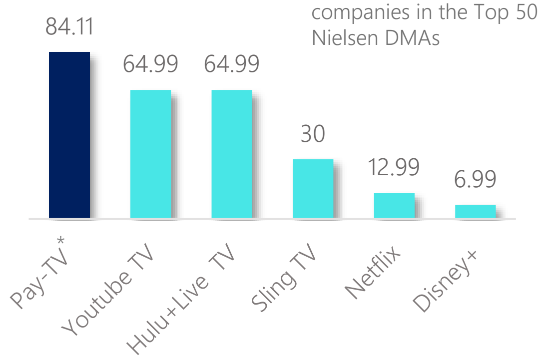


Time of TV Usage among streaming capable homes



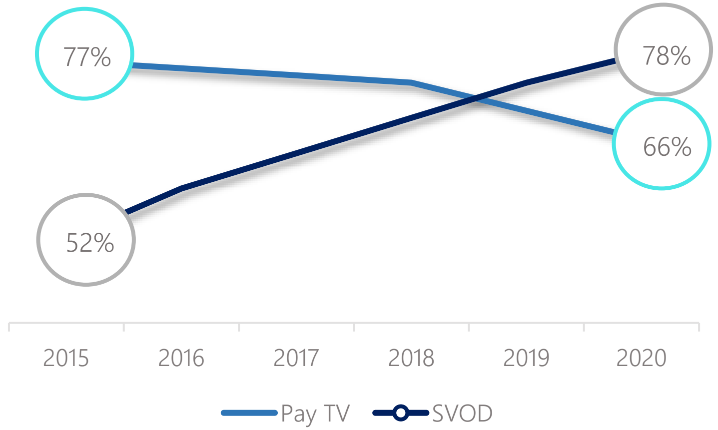
…and offers better prices than Pay TV

Prices by service, in USA (USD) 2020



Streaming is taking subscribers away from Pay TV due to better value proposition

Penetration in USA households, by service (%)



With **cheaper, more flexible, more accessible and on-demand content**, streaming services are accelerating the Pay-TV cord-cutting movement. It is expected that by 2026, only 53% of US households will have traditional pay TV service.

Sports: different dynamics

Considered as "must-have" content, sports networks charge higher fees…

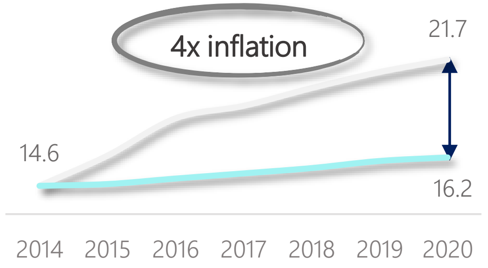
Top 10 highest affiliate fees charged by channel, US. 2020

Channel	Price (USD)	Channel	Price (USD)
ESPN	7.64	*CBS*	1.59
TNT	2.2	*NBC*	1.4
NFL Network	1.79	*FOX*	1.39
Fox News	1.72	*ABC*	1.29
USA	1.65	*Fox Sports 1*	1.12

59% of total Pay TV subscribers **are** regular sports viewers

…partly because sports rights are increasingly expensive

Sports rights fees charged x CPI, bn USD



Unlike entertainment, **verticalization is not a viable** option for sports, and DTC services still suffer from sports rights. Because of that, a streaming platform dedicated to sports is **more expensive** and shows the real cost of sports content, which is now **masked within the bundle price of MVPDs.**

Nevertheless, some players are creating sports streaming platforms…

Amazon has paid for 2023 to 2033 to have the exclusive **rights of the NFL Thursday Night** transmission on prime video.

Disney recently **acquired** ***La Liga*** **sports rights** to offer live games on ESPN+, until 2028-29

Streaming competition: overview and content comparison

While Amazon and Netflix have more titles, Disney+ steps up in terms of popularity

Source: Statista, Deadline, Companies'IR, Deloitte, Reelgood

Video streaming competitive landscape

Main players in VOD, US. 2021

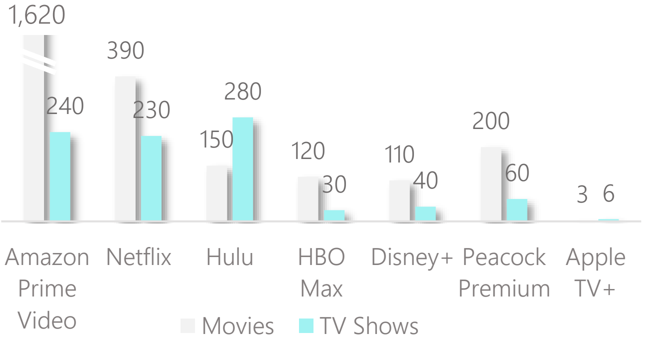
Service	Subscribers (mn, 4Q20)	Launched	Price*	Category
Netflix	204	1997	$8.99	SVOD
Amazon Prime	200	2006	$8.99	
Disney+	95	2019	$7.99	
Hulu (SVOD)	35.4	2007	$5.99	
HBO Max	37.7	2020	$14.99	
ESPN+	12.1	2018	$5.99	
ViacomCBS (Various)	29.9	-	$5.99-$18.99	SVOD/ AVOD
Peacock	33	2020	$9.99**	
Pluto TV	43.1	2013	-	AVOD
Tubi TV	33	2014	-	AVOD
Hulu Live TV	4	2017	$64.99	vMVPD
YouTube TV	3	2017	$65.00	
Sling TV	2.5	2015	$30.00	

*minimum prices offered in USA
**ad-free and access to full catalog

Content wise: Who has the best products?

While Netflix and Amazon lead in quantitative terms, Disney's popularity stands out…

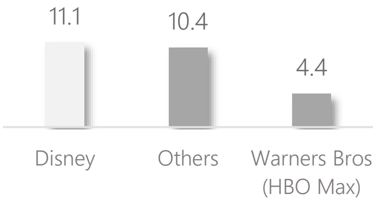
Number of movies/TV shows per dollar by platform, 2020



Top 5 movies by minutes watched on SVOD, 2020

Movie	Provider	Streamed minutes
Frozen II	Disney+	57,127
Moana	Disney+	39,405
Secret Life of Pets 2	Netflix	35,414
Onward	Disney+	28,134
Dr Seuss' The Grinch	Netflix	23,785

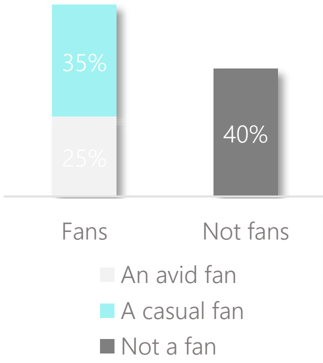
2019 Worldwide box office Studio rankings, USD bn



Out of top 10 films with highest box office gross, 7 are from Disney

…specially since it has plenty of superfans…

Share of Star Wars fans among adults, USA

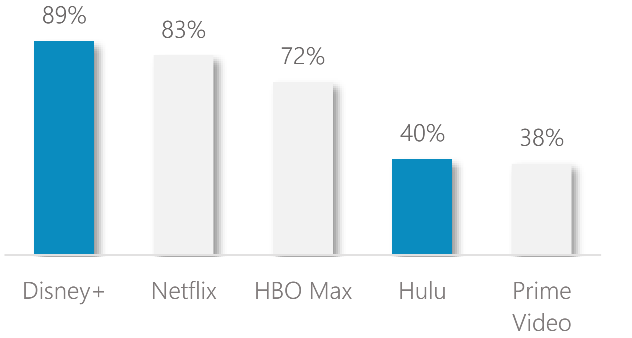


52M followers on Instagram

11M followers on Instagram

…and leads in terms of exclusivity

% of content that can't be found in any other SVOD service, 2021



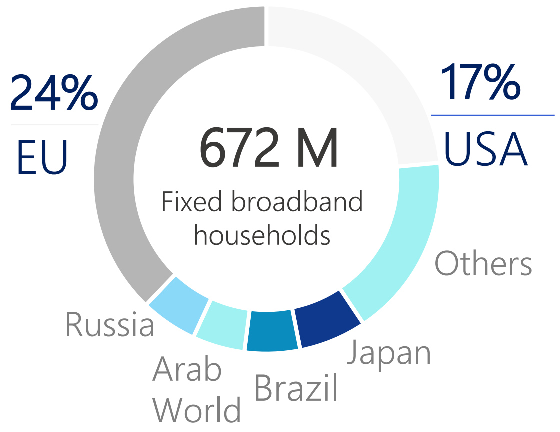
Internationalization and bundling also matters

Entering new markets increases TAM and brand awareness, while bundling decreases churn

Source: Second Measure, Worldbank, Disney's/Amazon's website

Internationalization: it's not only about US

The streaming market goes way beyond USA, and the biggest players recognize that…



Number of countries by service, 2021

Netflix	190
Amazon Prime	200
Disney+	59
Disney + Hotstar	3
Hulu	2
ESPN+	1
HBO Max*	1

Plans to launch **in 60 markets** outside USA in 2021

Presence in populated countries is important…

Top 10 most populated countries, 2021

	Netflix	Disney (DTC)
China	No	No
India	Yes	Yes
USA	Yes	Yes
Indonesia	Yes	Yes
Pakistan	Yes	No
Brazil	Yes	Yes
Nigeria	Yes	No
Bangladesh	Yes	No
Russia	Yes	No
Mexico	Yes	No

…as well as distribution of local content

Disney Plus Hotstar to Launch in Malaysia With Local Content Component

Netflix Plans More Anime Content, Strikes Deals With 4 Producers In Japan, Korea

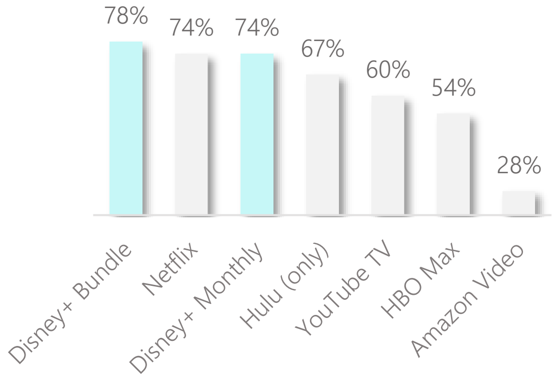
"…we will have a lot of program that's specifically programmed to subscribe within each market. In fact, we're thinking that by FY24, we'll have 50 originals on Star, original titles. "

Bob Chapek, Disney's CEO

Bundle options: a full solution for cord-cutters

Why bundles are important?

Retention rate after 6 months, 2020



In a market with high licensing/production costs and low monthly fees, retaining clients is essential to monetization. **The bundle helps to reduce the high churns** seen in the streaming market, since it offers a lower price/service and induces the users - in order to cancel a subscription - to forfeit all the services, including those that they most enjoy.

Today, Disney and Amazon are the main players to offer full streaming bundle options

Disney+ hulu ESPN+ — $13.99/month (most popular)

prime gaming prime video prime music … — $12.99/month

We see Disney's bundle as a major strength for the company. Besides reducing churn, the company offers **a full solution for cord-cutters**, specially as ESPN+ develops. Disney DTC has it all: news, entertainment and sports.

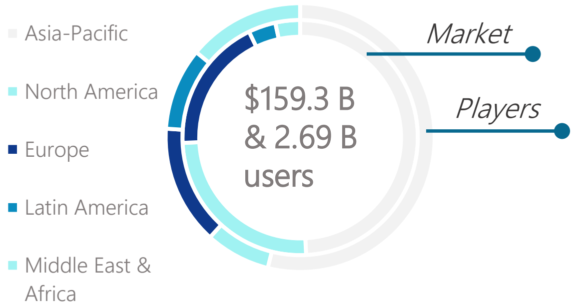
Opportunities: gaming and online sport betting

Videogames and online betting are severely competing with Disney services

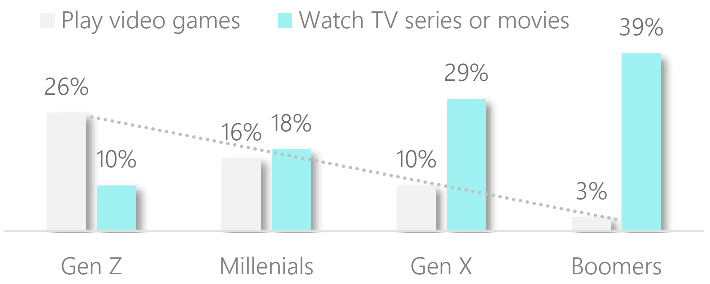
Source: EY, Deloitte, Engine Media; JPMorgan; StreamElements; Our estimatives

A vast market that is growing by preferences in generational change and tech improvement

Gaming TAM 2020

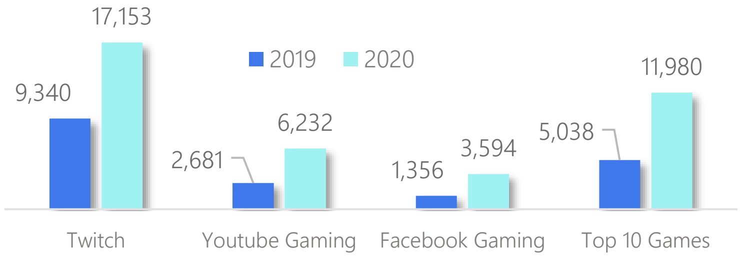


Favorite entertainment activity (2020)



Twitch is becoming a Youtube to gamers

Gaming Streaming Platform, million hours watched



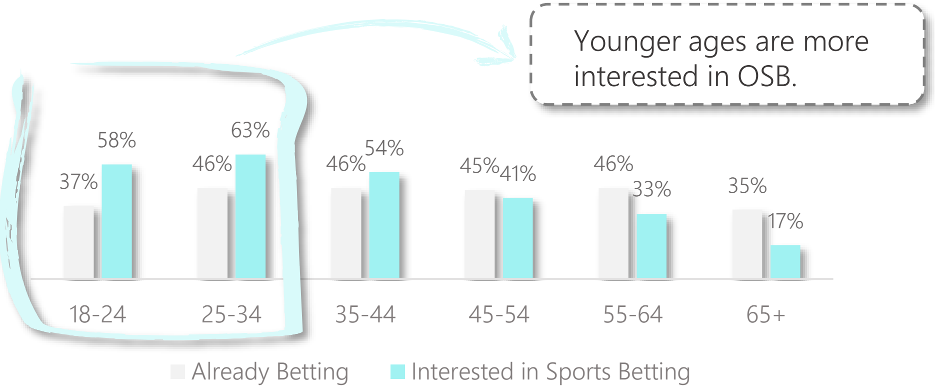
1.8M NFL Thursday Night Football **hours watched on Twitch**

51M **Hours watched on streaming platforms** about the 2020 U.S. Election.

The summary is: gaming is already a **big industry**, **growing** steadily YoY, changing generational preferences and the way people consume content. This is proved by a **strong customer captivity** which is reflected by **fandoms and hours watching streaming**. Furthermore, there are **optionalities** on these platforms to show other content as NFL and American 2020 Election.

Sport betting can be a strong engagement tool among youth

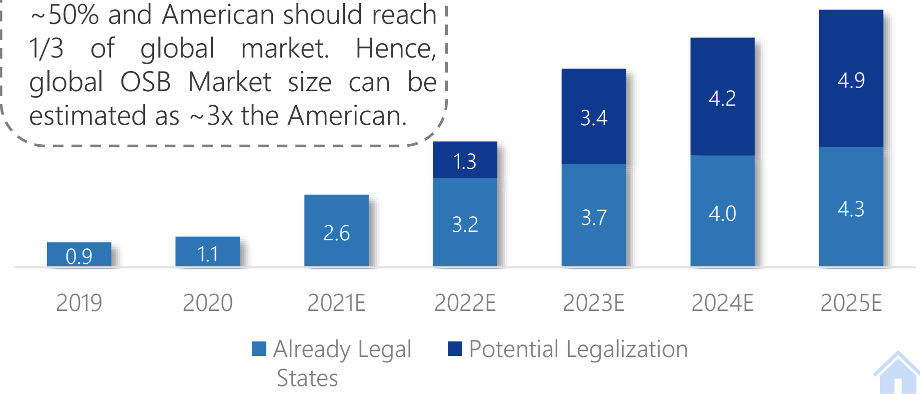
Interest in Sports Betting among ages



US Sports Betting Revenue Forecast (bn)

APAC has 47% of sports wagers nowadays. Our estimate is that by 2025, OSB in APAC will keep the ~50% and American should reach 1/3 of global market. Hence, global OSB Market size can be estimated as ~3x the American.

American market in 2025 = $9.2 B
Global Market estimate 2025 ~ $27B



Opportunities: music and news

Disney has optionalities to expand to music and news streaming with less resources than peers

Source: eMarketer, Nielsen; Deloitte

The music industry has changed…

iTunes
Transactional model looks **old-fashioned**

Music
Premium model

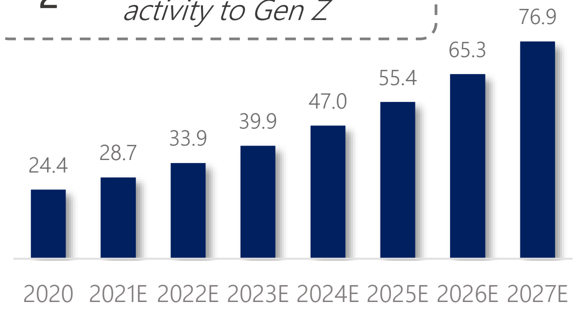
Spotify
Freemium model

Subscription take the place

…and is growing really fast

Global Music Streaming Revenue, bn USD

2nd *Favorite entertainment activity to Gen Z*



Disney is already positioned to fish in this ocean…

hulu + Spotify
Bundle for US Students

Disney Music Group

Disney Music Group (DMG) is the parent company of Hollywood Records and Disney Records. Great talents as **Demi Lovato, Miley Cyrus, Jonas Brothers** and **Selena Gomes** have recorded with them.

…but how would that happen?

Bundling with incumbents

Safer strategy, reduce the churn and can offer a more complete service

Developing its own music streaming

Could take more time, but would **add most value** by entering in this market

Acquiring companies

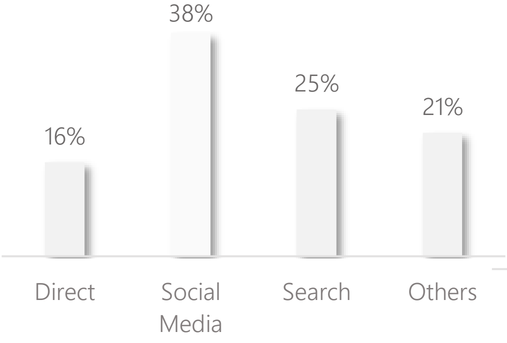
The **faster and riskier** strategy, but Disney is a good acquirer, making this feasible.

Streaming news: an unavoidable trend

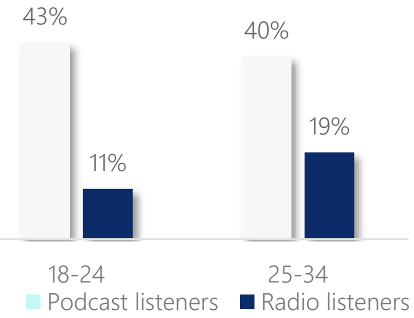
In 2014, **11% of Americans** paid for online news. **In 2020, this percentage grew to 20%**, almost 100% growth in 6 years.

The younger generation preferences have shifted to digital platforms

Main gateaways to News (Gen Z), 2020



Podcast is replacing radio, 2020



ABC news and the whole structure of Disney could take part of the American streaming news market by conquering the next generations producing **podcasts.**

The answer

Disney should suspend its dividends permanently to invest in DTC

Assumptions & Thesis

Huge market: The SVOD is a fast-growing market, that is changing the way people consume video content and is expected to reach more than USD 140 billion by 2025. Adding other streaming markets as gaming, music and news, the total streaming market could reach more than USD 210 billion in 5 years. As an entertainment company, it is crucial for Disney to be well-positioned in this transformational change.

Drivers and scenario: **Digital** improvements and **easier access to internet connection** drived the move to streaming services, catalysed by the **coronavirus pandemic** with the "stay at home" movement. Our assumption is that the cord-cutting trend will continue as we go forward, since the Pay TV industry shows structural issues, and the streaming alternatives offer a better value proposition to the user.

Unique competitive position: **(1) Content**: Disney has an extensive library, which provides spin-off opportunities and is continuously reloaded with top class titles from the world's most popular studios. We believe that this high-quality content will justify an increase in ARPU. **(2) DTC package**: The bundle helps to reduce churn and provides a full solution to cord-cutters, since it offers entertainment, sports and news (Hulu+Live TV).
(3) Customer captivity: Parks, products, and other business lines are continuously promoting Disney's content as well as its brand awareness, producing a powerful source of customer engagement throughout generations that should decrease the churn on DTC.

We see great opportunities for Disney on 4 verticals: **(1) Gaming:** a big market, with fandom to franchises. Therefore, the gaming streaming services are competing for screen-time with SVOD platforms as playing video games are the preffered entertainment activity among youth. **(2) Online sports betting**: we believe Draftking is a good asset of Disney that can be developed to grow more, especially in the USA. **(3) Music streaming**: Disney is already positioned to enter in this growing market that can complete the other services offered. **(4) Streaming News** on DTC, with ABC already structured to provide niched or local information on podcasts, as an example.

Estimates and Recommendation

Using only Disney+ in the estimates, the reinvestment should reduce churn, increase the monthly ARPU as well as the number of subscribers.

Assumptions: Currently, monthly churn is 4.89%, ARPU is $3.99 and Disney+ total subscribers is ~100M. We assume that Disney will reach 3.5% churn, $5.5 ARPU, and +40M subscribers. Finally, we are estimating the total CAC as $3B (dividends).

LTV added in each scenario

Churn/ ARPU	3.0%	3.5%	4.0%	4.8%	5.0%
$4.0	$5.2 B	$3.3 B	$1.8 B	$0.2 B	-$0.2 B
$4.5	$6.8 B	$4.7 B	$3.1 B	$1.2 B	$0.8 B
$5.0	$8.5 B	$6.1 B	$4.3 B	$2.3 B	$1.8 B
$5.5	$10.2 B	$7.6 B	$5.6 B	$3.3 B	$2.8 B
$6.0	$11.8 B	$9.0 B	$6.8 B	$4.3 B	$3.8 B
$6.5	$13.5 B	$10.4 B	$8.1 B	$5.4 B	$4.8 B

On this table, we are **not assuming any new subscribers**, so if the churn reduces to 3.5% and ARPU increase to $5.5, the LTV (**$7.6B**) will surpass by far the total CAC ($3.0B).

Our scenario: +40M subscribers in 1y at 3.5% churn and $5.5 ARPU
LTV added is $6.3B ➔ **LTV = $13.9B** (LTV/CAC = 4.6)

Bear scenario: +20M subscribers in 1y at 4.0% churn and $5.0 ARPU
LTV added is $2.5B ➔ **LTV = $6.8B** (LTV/CAC = 2.3)

Given our thesis and estimates, we are convinced and recommend that **Disney should suspend permanently its dividends to reinvest in the DTC segment.** We believe this investment could provide great optionalities as well as overall value for the company and, hence, for the shareholders, whose benefits would come from the market's revaluation of DIS stock price in the long-term.