

[Transcript] FYI - For Your Innovation / Bringing Sports Betting to Web3 with DraftKings Co-Founder Matt Kalish

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Hello, everyone, and welcome back to another episode of FYI. My name is Nicholas Gruce. I'm an associate portfolio manager here at Arc, and today I'm joined by Andrew Kim, one of Arc's research associates, and our very special guest, Matt Kalish, who is the co-founder of DraftKings and current president of DraftKings North America. Matt, welcome to the podcast. Hey, thanks for having me.

So, we'll get right into it. We'd love to just kick it off with your story, your background, and how you came to be one of the founding members of DraftKings.

Absolutely. I have what I would consider my dream job at this point. 41 years old, been in either corporate or at DraftKings for about 20 years now, and really what got me ultimately to DraftKings was a progression in my career where early on I was very engineering focused. I was writing code. I have a degree from Columbia for computer science. Got more into business analytics as I progressed a little bit, and I always saw a lot of appeal in the idea of bringing things to market, building products, but also like communicating and talking about them to end consumers. On a personal standpoint, I was always into a variety of different games. Poker was my passion throughout college and early in my career. I was playing a ton of poker, tons of fantasy sports with my friends. It was pretty much any game that was not easily mastered and skill-based and this sort of stuff that you really felt proud of yourself if you did well. Finding the way to merge those two things, really, DraftKings was my outlet. I had some friends in corporate America, Jason Robbins and Paul Lieberman, and we all worked together at VistaPrint. Back in 2011, we decided to start putting our nights and weekends against this idea for what if you could do fantasy sports every day, come on and pick a new team, which at the time that was everybody's favorite part really was the start of the season when you do the draft and who you end up with kind of dictates a lot about how your season goes in fantasy football or baseball or whatever. We were all playing all of these fantasy leagues and had this idea like what if you could just do that every single day. We started working towards a platform that let you do that. Within a year or so, we had raised some seed money. We were able to kind of quit our job at VistaPrint and go full-time on DraftKings, which was kind of a career milestone in and of itself. I was around 30. Jason, I think, was 31 and Paul, 29. I always felt like, hey, when I'm like 30, I'd love to be out doing my own thing entrepreneurially and stuff. Really was an exciting moment to see, hey, can we translate all of our skills in marketing and analytics and apply it to an area that we're super passionate about and build an awesome business. First few years, we really just got into it trying to find traction. It was a totally new product. I'd say thousands of people maybe had ever tried a

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daily fantasy sports platform at the time. FanDuel was out there. There was some other platforms that were smaller, but all of them were very small. We felt like we were a few years behind, but had a pretty fair starting line. Over the first few years, there was dozens and dozens of operators that jumped in the space that tried to grow it. Between 2012 and 2015, which was a really big year in terms of marketing intensity, it went from very few people playing daily fantasy sports to 10 million plus accounts on DraftKings that were all American sports fans that were jumping in, trying to predict who would have a good game. That was really the starting point of what's now become the whole flywheel around DraftKings and all of our products.

When was the moment when you had the daily fantasy product in the market? What was that moment

where the team said, hey, let's start looking at the mobile sports betting opportunity?

Obviously, you have the legislation that passes in 2018. Were you guys already thinking about this?

Were you watching that ahead of time to say, this is an opportunity to capitalize on an adjacent market that really does tie into fantasy as well?

It didn't really come on the radar until probably 2017, when New Jersey brought the case to the Supreme Court looking to repeal PASPA. Prior to that, we'd always had a really good customer insight. We always spent a lot of time in market. Maybe it was the biggest customers on the site, meeting them in person at events, or just getting to know our different profiles and personas around the DraftKings audience. At that stage, we'd also done a lot of national marketing, like reach marketing on TV and a lot of targeted stuff. Basically, every channel you could think of, we were operating as a daily fantasy sports operator with pretty meaningful budgets.

Kind of had a good idea of who our customer was, what worked, what didn't. Sports betting, of course, is a much bigger category than daily fantasy sports was, but it was just not legal in the US, aside from some very small in Nevada, for example, a couple very small local opportunities.

It wasn't a big-scale opportunity. It also wasn't digital. It was all retail-based, so it didn't really flex the muscles that we thought we were best at, which is building technology, building products, digital marketing, customer acquisition online. All of those things wouldn't have played to our strengths. It became interesting in 2017, early 2018.

It wasn't until May, I think it was of 2018 that we had certainty that New Jersey had won that Supreme Court case and that we would be able to launch, but we had placed a bet on sports betting kind of working out. We wanted to be prepared if it did go a certain way. Probably had about eight to 10 months in advance of that decision. We had started building a sports betting platform that we could launch in New Jersey in the event that that passpo was repealed. When we found out that that was the case, we were only a couple months from being live in market in New Jersey.

It was August 1 of 2018 that we took our first bet. I think it was a combination of conviction that the bill had a good chance of repeal, as well as leaning into that opportunity because we knew our customers so well. We understood that that was a very, very high rate. We would see our existing customer jump into that new product. Now it seems obvious, but at the time, it wasn't so clear that daily fantasy operators would be the winner in sports betting. It was like, what if Caesars, MGM, big casino companies come in and just dominate the market? Or what if a European

sportsbook can come or jump in and win the market? Only now, it's more clear that DraftKings and

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Fanduil are the two biggest operators nationally in the US, but back then, we still had a lot to prove. Definitely, it was quite the journey over the last several years, really demonstrating that. It's really interesting to think back at that time because you are digitally native companies, both DraftKings and Fanduil, and you were setting up digital online sportsbooks. Let's fast forward four or five years. You're now a public company. You have a very successful online sportsbook operation, daily fantasy, eye gaming. Now you're pushing into new frontiers with the inclusion of Web 3 and what you're doing with Rainmakers, which I think is an untold story for both investors and people that may use DraftKings products. Not many people are familiar with Rainmakers and what you're doing with Web 3 and incorporating there. We'd love for you to talk about this. I know it's one of your passions, Web 3, the whole space. You saw the market and where the market was headed with online sports betting back in 2018, and you took a bet then. Are you now taking another bet with the inclusion of Web 3 and what you're doing today with Rainmakers? Absolutely. It was probably around the earlier part of 2021. This was during the peak coming off the end of COVID right before the vaccines and everything. When people were pretty locked down, we definitely noticed a big change in a lot of our customers' behavior. Probably the biggest change was a lot more interest. Initially, it was things like day trading in the stock market or maybe some other things that were more familiar to our customers pre-COVID like trading cards, baseball cards, basketball cards, whatever. You'll see all of those industries did quite well in terms of whether it's retail stock traders or whether it be something like physical sports cards or other sorts of alternative collectibles. Those were all growing rapidly and we noticed that pretty quickly. Had some discussions early on about how interesting are these categories like physical sports card trading and whatever and kind of similar to retail sportsbook that we were talking about before. It was like, yes, interesting, but not necessarily in our sweet spot of building tech, building platforms, acquiring customers digitally. It's still at the end of the day was a physical product that you're probably storing it, you're maintaining it. Not a great entry point for us necessarily, even if our customers were doing it. What changed was probably around like Jan or February when NBA top shots and then ultimately, open sea and some of the big boom around NFT digital collectibles became super prominent. It was very noticeable. We always notice when our first golden cohorts of customers move a certain way, you always know what's next. It just happened to notice it's like the same people that are always onto what's next first. We're all jumping in on this thing. It was projects like CryptoPunks or top shots or some of the early NFT drops that maybe was Q1 or Q2 of 2021. These things were like a frenzy. People couldn't stay away from just the intrigue of what's going on with digital collectibles. It was even a little bit undefined why that was appealing, but it was undeniable that there was crazy momentum there. For us, step one was great entry point. It's something right in our sweet spot. We are excellent digital marketers. We're great at building tech. We need to build a platform that lets us effectively draft King's marketplace, like a blockchain-based marketplace solution that lets us play in this space that could become over the next decades gigantic. We did a partnership with Polygon, built in-house a team of blockchain engineers. We also had a lot of people who were building other products that we were able to swarm against different aspects of our marketplace business. It was only a handful of months. We were in market with our first NFT drops on our own native marketplace by August of 2021. It was probably a four or five-month build. We launched

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initially with a partner called Autograph. Autograph is the NFT project that Tom Brady and Tiger Woods, Tony Hawk, Simone Biles, all of these OG best ever at their sport athletes were in and around this project. It was a nice, intuitive learning experience to launch with Autograph had this dynamic that made sense to our customers and also was timely in terms of right during some of the digital collectible kind of peak. We were in market and got some really interesting data. That being said, our long game was always to kind of more deeply integrate in terms of draft King's core business. We have a lot to offer in terms of our gaming platform and as NFTs moved from more just pure collectible into like if you don't have utility that's meaningful, you're not doing well anymore. That was a moment I think we all probably remember

who were in the space like early 2022 when things just started to get really tough unless you have a serious project. That was our roadmap was utility based NFTs that play into our gameplay platform and that was really the origin of RainMakers, which is draft Kings like primary play when it comes to web three strategy. We think we can build one of the great games of any kind using this super novel web three pack that's really just now kind of shaping up and becoming more prominent. It's an amazing story that you have here with what you've built in web three, but for those that are maybe a little more unfamiliar with RainMakers, can you explain how it compares to the daily fantasy product that you offer? It has a bit of similarity to fantasy, but just how it incorporates web three and how it differs from what's already currently in the market and kind of the traditional fantasy space. Yeah, absolutely. I think the way that our customer describe RainMakers, it's like the merger of everything that they like doing. It's a combination of their love for fantasy sports. Tons of the people playing RainMakers are people that were playing daily fantasy sports and adopted that like a new format. Certainly it's the love of fantasy sports, but it's also interest in the web three and NFT space. It's interest in things like day trading. It's interest in things like collecting traditional sports cards or TCG game cards and things like that. Magic the Gathering or something like that was a good comp. It has a lot of similarities.

The whole spirit of it is you're collecting athletes into your collection that then you're building rosters similar to traditional fantasy using those NFTs. If you have somebody in your collection, you can use them. If you don't have them, you can't use them in your lineup. There's a big benefit of having athletes who are like stars, who are the people that would do well because they'll score more points. The core engine was we guaranteed over 30 million in prizes throughout the football season for free just to NFT holders. If you're holding NFTs, you'll be competing for a variety of prizes, rewards through missions, rewards through achievements and leaderboards, experiences. We even did a national championship in New Orleans that was a live final that had a chunk of people go down and compete for a \$250,000 top prize. Lots of different dimensions to it, especially for a year one product in a totally new space. We were really looking to build the best NFT utility-driven project out there. We saw some really great momentum, honestly, given how it was new. It was something that people had to pick up and learn. It was a deep game that had a lot of dimension to it. Really great progress in the first few months. I saw draftings. If we were reporting it on some of the big NFT sales trackers and stuff, it was like the top project a bunch of weeks in the entire space. It really gave us a lot of conviction around this idea of NFT-driven fantasy where the NFT ownership is your key to

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competing for prizes. You can constantly be buying, selling, trading in the marketplace to improve your collection, as well as then using your skill and fantasy to build the best team and win the best prizes. That whole engine we had a lot of conviction in. Then we went out and started doing additional deals to get... We didn't want to just have football through the NFL-PA partnership. We went out and did a deal with the UFC. We did a recently announced deal with PGA. We're really looking to expand. I kind of think of it almost like Madden Ultimate Team and there's FIFA Ultimate Team. In UFC, EA has kind of expanded this idea of Ultimate Team into a bunch of different lanes of sports. In a lot of ways, Rainmakers is similar.

What has been the reception by the leagues that you've been working with? You mentioned you have the NFL, you have the UFC, and you're now working with the PGA. Have they felt the impact of this type of engagement from the fan base? Because I have to imagine this takes the level of engagement from what you're used to in fantasy to now potentially being able to monetize some of that.

Not that you weren't able to do that with fantasy before. There's obviously ways to make money and to earn. But this, I feel like because you're now able to buy, sell, trade, you have that ability to do it throughout the season to continue to mix and match.

What has been the reception? Do you think that more leagues are going to join in on this? Do you think that the staying power of this is showing through?

To bring to market a product that has IP, authentic IP from these various sports requires the rights. You have to go out and work with the players associations and the league in a lot of cases to bring to market a game that has all of the IP. At a minimum, you usually need to deal with the players because the fantasy game is very player driven. Likeness, name, image, all of that's very important to the NFT being a sort of authentic, very strong collectible.

It wouldn't be the same if it just said Atlanta, QB number 11 or something. You want to have it. This is like that sports card collectible DNA. The idea of educating players associations and leagues, I think initially the interest came from the standpoint of, oh my god, the industry is exploding, growing super fast and they were hearing big checks. That was the 2021. You saw all these

fund raises so rare, raised \$680 million or something on a \$5 billion valuation with what I would consider to be a sub 100,000 audience, very few actually paying. It was projection out to the future. Is this going to be massive? The leagues, initially, I think we're getting behind it from the standpoint of, can we get a big check now? Then as things have cooled off a little bit, and a little bit more rational deals have started to show up, really it's been much more about the customer engagement. I think that's a much healthier place to be because draftings don't play in the super speculative space like that. We're not a startup that can just bet the house on one little venture like that. We only want to do rational things. The deal set of more recently been popping up in the space now that things are a little bit more cool. I think that's really allowed us to build from a foundation that's super solid. It's coming from a place of building a real business that really makes sense. It really has appealed to consumers. It has unit economics that makes sense to draftings. The consumers happy with their value prop. Most importantly, I think is that the players are getting compensated for the use of their likeness. You saw stuff like Rainmaker's football where we had TV spots with Kevin Hart, but also Lamar Jackson, Zeke, Stefan Diggs. The athletes getting behind it really helps to amplify. It's almost in a way that we can't do it. We can't do it with sports betting because active players have a prohibition against marketing and

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sports betting. It really gave us a new way to engage athletes who are the biggest stars today and get them involved in what I think is going to be a really exciting product.

Yeah, I just think it's such an interesting concept. I think it's the buy-in from a fan when you have to spend money and purchase and then you're responsible and you have this ownership. Right? And that's, I think, a big key point that is not talked about a lot when you hear the word NFT and Web3 because everyone, as you mentioned, gets caught up in the hysteria, the speculation. And now that we've come down to more, I would say, or we all have more level heads, this true concept around true digital ownership is really starting to show through. And I think what you've built in Rainmaker's allows fans to feel that a little bit more in a digital sense, where maybe they were only getting that when they were purchasing season tickets or wearing their favorite players jersey. Now you're buying in and I would just have to imagine from a league perspective, this is just going to speed up the level of engagement that maybe new fans or surrounding

fans in the space would have with a league when they're invested in this way. I just think it's an awesome concept. And to your point, I think it is probably one of the hidden gems in terms of games. We talk a lot about Web3 gaming. And this is one of the hidden gems of the last year or so. And not many people talk about or even put it in that space. So it's fascinating to hear about. Yeah. I think it's a pretty huge category into the future. And one of the ways that I've thought about specifically Rainmaker's, and a lot of this applies to Web3 and NFT and the type of opportunities that will come up for companies. But specifically to Rainmaker's, it's if I'm a sports and I do all of this personally, by the way, I have probably like one of the biggest NFT collections. I have sports card wise, I have some insane stuff, like I have like insane cards, you lose your mind. I'm a huge Celtics fan. I'm like every single game I'm at the Celtics, it's my one thing. My wife and I go to like almost every single game. My daughter is obsessed with it. We're like number one fan of the Celtics. And so I have like a giant sports card collection of Celtic stuff, like the best Larry Bird, Magic Johnson, 1980, 81, Tops Rookie, like all this, like Jason Tatum, RPAs, like that like insane. And but the reason I buy it is it doesn't have utility. I just feel like, you know, I'm a big fan, it makes me feel closer to the team, makes me feel like I went from like, I'm in like super fan mode when I'm engaging in that way, you know, I'm like building my identity almost around the sort of things that I collect. I want like game use jerseys and I want Tatum's new sneakers and all this stuff. But it's like identity, there's no utility. And when I think about fantasy, it's really just kind of like money and money out, there's no long term connection to the player. So it's like, sure, I could go on draft Kings and draft Jason Tatum every day. And that's great. But there's not a sense of it's like every day is a new day, right? And what's cool about Rainmakers is I think it really merges these ideas, like I can be that super fan, that super collector, but if my team does well, my NFT collection is suddenly super coveted. It's doing well in the fantasy leagues, like I'm scoring a ton of points, winning a bunch of prizes. If somebody gets traded, like I can just sell all of their cards on the marketplace and pick up, you know, we did like a couple small trades at the deadline, so I could go out and I'll get like Mike Mascalla and I'll, you know, like it's that kind of dynamic, right, where you can take the people that you are passionate about and, but it also has the utility behind it. And so I think that whole idea is just like it's much more powerful than either of the two by themselves. And that's where I think a lot of the growth and the future will

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come from is really like, what if I'm a sports card collector and 10% of what I'm doing becomes rain makers because like I like the collectability, but also like you can't match the utility. Or if I'm a fantasy player and 10% of what I do goes towards like building a collection in rain makers, because it also scratches that part of my like interest where I want to like hold and own like a player, you know, so lots of really cool stuff to like there. One other analogy that I tell a lot of people is like, even though DraftKings is a big sports company, a lot of what I collect personally is TCG games like Flesh and Blood, Magic, like Meta Zoo. Like why? Because that's weird. Isn't that nerdy? No, it's not. The reason why TCG games are super cool is because they have utility, right? You're playing a game with the cards. So there's always going to be collectability. There's always going to be like Metas in the TCG game that makes certain cards like more or less valuable. So it has all of the same aspects of like scarcity, card grades, like, but underneath that is there's a real game that consumers are playing. You know, it's like competitive games. And so I think it's almost like gravitated me equally so towards TCG as sports, even though I wouldn't have necessarily thought that five years ago. I've just noticed like I just see so much value in utility that it's hard to ignore TCG. Yeah, the focus on utility too. It does curb the speculation. Obviously, you can still have some speculation, right? If you think, you know, Patrick Mahomes is going to have another MVP like season, maybe those player cards start trading up, right? But it's never going to fully get ahead of itself, which is what you could say about maybe a lot of the projects in the Web3 space over the past two years. This is still going to always be tied to what can this player provide when I place them in my lineup for next week. And I think, you know, to your point, right, like when you talk about the TCG cards, all of those cards have value in the game that you end up playing with someone else. And as long as that's still entertaining to a broad base of individuals, there's going to be value associated with those underlying assets. And you're just bringing this concept of utility and ownership now into the digital age and focusing it on sports, which is one of the largest entertainment sectors in the world. I mean, I just, I think it's a home run. I mean, it's just, yeah, it's an incredible opportunity. Yeah, I think that idea brings probably the main thing to the forefront, which is like what you do if you're building, because there was a bubble right in 2021 for sure. And even personally, when I was in there, you would see this all the time. People would mint NFT projects, immediately flip it, arbitrage things. Like it was day trading almost. And that is a, that's super valid. Like when a market's really dynamic, when the prices are changing a lot, and there's lots of like, you know, some things could go to zero really fast, some things could go to like a hundred X. Like you do see a lot of that behavior, like the, the arbing, the speculation, all very short-term thinking. And like none of what Rainmakers has ever been has been with even like a shred of short-term. So during like the earliest part, it was a little bit of a tougher sell. It's like, why not, why not capitalize more on all the momentum, all the short-term like dollar opportunity? And on the flip side, I think now you see the benefits of the patience. Cause when you do that, then on the back end, what happens is there's a lot of unhappy people. Like the people end up being quite unhappy that it's like, okay, I tried to like get into this space. And it didn't go so well, you know, that's when you're in that frenzy, it's like hard to build something sustainable long term. But like that's what DraftKings does. It's like everything we did have a multi-year roadmap. It's not like quick cash in, right? And so like the idea of moderating customer expectations

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in a space where people are like, oh, I could mint some random like duck project and make a hundred X tomorrow. Why do I care about Rainmakers? It's like, well, it's because it's a game that for years and years will be here. And it's always going to be there, you know, it's always going to be there for you. And like over time, as you learn the game, it has a lot of depth, a lot of dimensions, it's going to be engaging almost in the same way that, you know, people engage with ultimate team, or they engage with World of Warcraft or any game that you're building a long term identity around, you know, it's like a, I think a much different approach that you take when you're building over the course of years versus if you're building with like a short term frame in mind. And so like, I think it was tough probably to keep like to try to moderate expectations and avoid the quick hit thing. And at times unpopular, but it also is really helpful during to have like a sort of vision like that when you're navigating through a bearish market like we are now. I guess on the topic of utility, how do you think about the transfer of utility? And I guess like on a higher level, like what does Web3 interoperability mean to you? So specifically to DraftKings, because I could do like a sort of like, like an industry answer or like DraftKings and I'm DraftKings. So from my standpoint, everything I do in Web3 is to learn things to apply to like specific use cases at DraftKings that make sense. It's like, like I said, my dream job. I love everything I'm doing here. And like everything I do in life pretty much is to apply in some way to DraftKings. So the core utility of Rainmakers is playing games or earning rewards on the DraftKings platform. And so what we've built had like a conscious decision around, like if you're buying Rainmakers and FTEs, the utility of owning them is related to playing on DraftKings platform. It's like you're playing fantasy on the platform to win millions in prizes every week. You're playing to yield rewards through the missions platform on DraftKings. You're playing to yield rewards on achievements that you do over the long term on DraftKings. Some of the pricing and rewards help you and other products that we have like FreeBets and things like that on the sportsbook. The leaderboard, everything's like so endemic to the DraftKings experience. And we've also had in mind, this is not like a giant external marketing push. A lot of this is, you know, cross sell or like adoption from our existing audience into a new project that we're hoping would be their favorite thing. And so as we thought about, you know, it's not like we have a small marketing budget, but this was never thought of as like, oh, let's now add a bunch of new sort of external reach marketing to like, like, no, we have millions and millions of customers that we can that are using our other products that we can bring into the fold here and then reward them on the things they're already doing, but also give them like an amazing experience within our world. I think there's some benefits and some some cons to that. Like, the benefits are a lot of our users, like the vast bulk of our users have like KYC in place. They have anybody playing for money for sure, right? So it's like, we have a lot of KYC verified accounts, people, we have like credit card relationships, we have the routines around how we deal with taxation and all of the reporting requirements and everything, right? That like that foundation that I think a lot of startups and web three are going to struggle with. It's like, oh, I have to start reporting stuff to the, you know, IRS or whatever. Oh, no, like DraftKings has already built that way because our other products are regulated and we have all the KYC and all of that done. So there's a lot of future proofing there. Like no matter what happens almost on the regular regulatory front, we already have a great organization around compliance, regulatory,

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tax, et cetera. And as a part of that, there was a little bit of, I know there's some principles of web three, like decentralization and whatever, like there's some principles of that that are less reflected in Rainmakers. Like it's definitely like DraftKings have custody of the NFTs, right? And they're sort of assigned to people's names. And so we maintain a ledger and the NFTs, like they do live on, on the blockchain, but it's sort of like in our custodial wallet, almost similar to, you know, like some of the other, like there's nifty gateway would be an example, like a marketplace that has a custodial wallet and a ledger of who owns what. And so I think the downside of that is some customers who really value decentralization and some of like the hardcore web three kind of like principles, like are turned off by that. On the plus side, there's really no scamming. There's no like people aren't losing their collection because they got hacked. Like stuff is pretty secure and safe and nice. And it's a nice playground. And I think for a product that has so many new users and maybe people that are like first time ever buying an NFT, like that is a good thing, like from an onboarding standpoint. And from there, it's kind of easy to gateway into like, I'm going to buy a ledger and go on open C or whatever, like I'll dabble in more sort of products that are decentralized or whatever. So for rain makers, that's kind of like how we looked at it, though, is so much of the utilities tied to the platform. It almost like doesn't make sense in the same way.

I guess on the topic of centralization, decentralization, can you talk about why you guys decided to go with polygon?

I think polygon is like sneaky in terms of their scale, like quite large. A lot of the kind of layer one chains that are thought of as like next in line behind Ethereum are much, much smaller in terms of volume than polygon. But because it's layer two, I don't think it gets quite enough credit. And a lot of it came down to like efficiency in terms of things like gas fees or being able to transact pretty seamlessly. And then I would say one area that was like super important was a deep relationship with the team. And you know, like we're a validator, we have like a very close business relationship with the team at polygon. So I think that's allowed us to collaborate much more closely to talk about like what we're building.

We're definitely like one of the biggest sort of users and mentors on the chain.

I know when we were minting our football product, it like it's noticeable. You see the imprint of DraftKings on polygon. And I think like operating at the scale we are like millions and millions of NFTs, things kind of like when you're one of the biggest, you want to have a close relationship with the team behind it, you know, because things don't always go perfectly and smoothly. So I thought more important almost than the tech being the best, which I thought it was up there. If not number one, like was the relationship with the team and like the operational aspect of it was also like top, top notch. So it's the best total package for us. It's interesting you say that in terms of usage, because I remember, you know, one of our associates Frank Downing, he helps on the on the crypto side, we are looking at a few engagement charts on polygon. And there was just this huge uptick, you know, sometime around football season. And in terms of, you know, activity and wallet use, and, you know, we were trying to put together the pieces and we kind of all kind of came to the same conclusion. Well, oh, this must be, you know, the Rainmaker program and what DraftKings is doing there because it's just, you know, starting to see success. So it's, you know, it's, it's, it's good to finally have that kind of confirmation. I know you didn't specifically point it out. But, you know, I remember looking

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at those charts, you know, a few months ago, and saying, wow, you know, polygons really started to see that uptick. And I would also agree with you, we've actually had Ryan Wyatt on the podcast. So huge fans of their business team. I think he's the president over there at Polygon Labs. And yeah, we're really impressed with what Polygon has done. So it was very, very, it was very great to see you guys choose them as the back end.

Yeah, yeah, I think for a lot of the more transactional NFT based games, Polygon's a great choice. It's like, I think Zed Run was built up on Polygon and some other, you know, it's a, it's a good option for sure. And team being top notch, like I have great, I have a, you know, high expectations about what's next and like how we might sort of deepen that relationship over time.

Well, just, you know, when you say what's next, I guess that that's our next question, right? You know, you have this intersection, you have this, you know, now budding business with Rainmakers. Where do you see all of this going? You know, this intersection between the sports world, sports betting, and now web three and what you're doing with fantasy and Rainmakers, like what's next on this roadmap? What's your kind of five year, not vision for, because we don't want to get into specific products that you may be launching, but just kind of your, your hopes and aspirations for this space as a whole. Yeah, like from a, just like what are the lanes that we're trying to invest right now? Like Rainmakers is our big bet 100%. Like when it comes to like how to apply what's great about this sort of like blockchain and NFT tech to DraftKings, this is the 90 plus percent scenario of like what makes sense for us, right? And so like most of our investment heavily behind Rainmakers, the sort of things that help us develop that business, this expansion of sports. So like I mentioned, we did the deal with NFLPA and then followed that on with UFC and PGA Tour. So I think those are, you know, when you think about those combined,

it covers off almost every single active customer on DraftKings are in one of these lanes.

Football is massive. Everyone I think knows that, but definitely would not bat an eye at the type of audience that UFC draws and I would not bat an eye at the audience golf draws either. Like tremendous

in terms of reach. And I think as we continue to build that out, like more relationships are of interest because that just deepens our customer relationship, gives people like the opportunity to play the game that they love against like the type of content, you know, the sport that's their favorite. And so like that's definitely a dimension, like hardening all aspects of the game, the game mechanics. Because at the end of the day, you launch something, you think it all makes sense, but there's always like major feedback, you know, when you launch effectively a beta or a version one of a new game, like we're getting feedback constantly, people like, I hate this, I love this, you know, and it's like lots of credit for innovation, but also like if we don't keep up with the demand to keep improving the core loop of the game and make it engaging, like I think the interest would die. So like we're constantly investing in like what are these P1 type like things that keep coming up and feedback that we want to fix up, spending a lot of time on things like the off season mechanics and like the year one to year two transition. So like an example would be we launched like a crafting and burning portal where you can take last year cards, throw them into this portal and convert them into like future cards at some rate.

Sorry, I didn't mean to interrupt, but I actually just did that today because I was, you know, doing

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my research for this. And I've been using Rainmakers all year, but I did the craft and burn. I hadn't seen it until today and I thought that was a really great feature. So yeah, it was fun.

Yeah. Cause you know, if you're on the front lines of being an early adopter year one of a product like this, you're dealing with a lot of ambiguity, you know, for sure. It's almost the equivalent of like if you played 2022 or 2023 Madden ultimate team, like I don't know when I was a kid Madden kind of sucked. It was like, all right, but you know, 20 years ago and even before that there was games like tech mobile or something. And you wouldn't judge the game at like an early stage

in terms of like what it could be in the future, right? Like objectively, the game has got developed over the course of years and years improved consistently, the tech, the, you know, creative, the marketing engine, the programs on top of it, like competition programs and whatnot, ultimate team, all this stuff, right? Gamification. So all the things that get developed over the course of years, I think it's important to remember that the game was launched quite recently in, you know, August of last year was literally the first NFT player card that ever sold, not even a year ago. What is that six months ago or something? Cause we're so, we do pride ourselves on being fast, agile, quick. But I think the version of that in this world is like, we're pushing pretty hard and things take time to build. So like, I think what customers can expect is over the course of months and years, that continued investment in hardening the game, you know, you open it up, it's really obvious what to do a hundred percent of the time, like you really get the game fast, you can jump in pretty easily. The onboarding offers are all like super proven out and hardened, the missions, the achievements, like what you're trying to do on leaderboards, collection goals, the fantasy gameplay and pricing, like everything just gets super hardened to a point where it's like an amazing experience and to end. And I feel like that's a job that never really ends. But in the early couple of years, I think the movement that people will see is going to be super rapid, you know, like it'll be, there's such low hanging fruit to improve the experience that I feel like we'll be able to demonstrate to customers, like there's some real investment going here and it's being built for like a long term success story. And so I think that's like a pretty big focus for us right now. And in terms of marketing, I don't think we're like super focused on scale at this point, aside from saying like, we'd love to have a ton of users on it right now. But like, we definitely want to make sure that we're able to retain and satisfy the people who are in the game. And so starting with like this pocket of tens of thousands of people playing, collect tons of data, then you kind of roll out a couple new sports with new models. And like, I think it's allowed us to learn really fast. And I think we'll know when it's time to really hit the gas super hard based on if people are loving the game and super satisfied, like, it'll be, that'll be the time, right? Like, that's when I think it could shift from like a fairly niche universe to something much more like an ultimate team or a magic to gathering like millions and millions and millions of people that are like, this game is for me, you know, but we have work to do, you know, it's going to take some time to really get it to that place where we have like the same conviction and rain makers as we do in our sports betting platform or our DFS or casino. Do you think the introduction of NFTs into fantasy sports makes a material impact on like private betting group behavior? Like, what do you think about like the social incentives to engage with sports NFTs? I guess like the difference between just general betting versus betting with friends? Yeah, it's, it's interesting. Like,

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there's some games that are peer to peer and some against the house and like those have been pretty

different. Like, we definitely see against the house games, like the sportsbook, people love, they love to kind of tell the same things or share bets with each other. And a lot of the time with games, I think one of the rain makers, I guess, challenges is people are competing against each other. So desire to share like the best info, the best tips, or even in some ways to desire to like grow the game, you have to get past that initial hurdle, right? Because it's like, oh, if you play, then that's more competition for me to win these prizes and whatever. And so I think job one is just kind of getting supplied to the right amount, getting to the scale where it's like, cool, everything's selling out, more is always better, because that just kind of makes interest in the secondary market, you know, there's more eyeballs on it. I think like getting to that kind of scale will really matter a lot. And that creates a lot of social interest in like, hey, the more the merrier, because like, I have a lot of NFTs, I want people looking at them and, you know, having interest in them and seeing them as valued, you know, collectibles. So that's really like a big part of the job. Some of what we're able to do with rain makers, I think is from a marketing standpoint as well, it lets us kind of tap into some new audiences that they could maybe a little differently than a skill gamer or a sports better. Like when I talk about, you know, like card collectors, for example, like people like I was talking about my Celtics collection and like that's very important to me and it has no utility other than my identity. And people are like, wow, Matt, you're cool that you have that. Like no one else has nothing else that it does for me other than identity or whatever. But to the extent that this is the right opportunity to engage that sort of consumer, I think it helps us open up the funnel quite a bit as well. And so yeah, I guess like where that would come into play on social would be like more of your friends, there's something for you in the game, then maybe a daily fantasy where people are intimidated a little bit more or sports betting where some people might just not be into it. So we don't have much time left, but I do want to broaden the scope a bit here. Move away from DraftKings because we know you're heavily involved outside of DraftKings in the Web3 space as at, you know, at large. I think and hopefully this doesn't come off as creepy, but I think both Andrew and I have followed your activity in the broader Web3 space and see what you're purchasing and what projects you're involved in. So that's been fun. But curious your take on, you know, we've been in this NFT winter for about a year, maybe a little bit less. You mentioned a lot about utility. It seems like that is an area of focus for developers and projects. But as we come out of this NFT winter, what do you think or what are you most excited for? What are you going to be looking for in projects? Where are you going to spend time focused on? And, you know, what excites you about the broader Web3 space as a whole? So in terms of personal collection, I've always made my wallet public just because like, even if people think I'm like, whatever, buying too much of something, selling too much of something, like disagree with my decisions, at least it's like, I'd rather have everything be just kind of public because otherwise I think there's a lot of speculation about like, the last thing I'd want is for something that's like a relatively smaller part of my life, like DraftKings is my, like I said, dream job, would never want to do anything that was kind of like at all, you know, undermines the awesome work going on in the company. So like, here's everything that's in all my accounts or whatever, right? I'm happy to like always do

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that. And I think it's important. And yeah, I've always gravitated toward, there's a couple categories of things that I thought were interesting. Like one is I think like history matters and scarcity matters. So some of like the earliest projects I always found to be quite interesting. Like some of the stuff that I like, I went pretty deep on was like spells of Genesis or things like way, way kind of pre the bubble, four or five years, the first ever projects that were on whatever name coin or Bitcoin or the earliest Ethereum projects. So I tried to make sure I was like covered off there. Like these could be the things that are like the Mickey Mantles or the, like if you believe in category growth, these become like Honest Wagner and Mickey Mantle and whatever. And so like pure collectible value tied to history, I always thought was interesting. CryptoPunks is probably like one of the biggest projects that I jumped into on that front. Then there's a second bucket, which is like current modern projects that I like the team, or I think the team is like doing good stuff. And I believe that they're going to keep working. So it's always a little bit of a question, like which projects are going to actually continue to work. And so the two main questions I ask are, is it good people that have something to lose? I love V friends, for example, because it's like, I know Gary is going to be there. He's not going to, I don't know if it's going to be like a huge, oh my God, everybody's like, it's G.I. Joe in 10 years, or if it's going to be like not that popular or somewhere in the middle. But I do know for sure that there's going to be work done. And I know for sure that there's like things to lose. It's not a rug. It's not like a scam, you know, and it also like supports people that I think are doing cool stuff in the space. So I'm like in the camp of, if I like the team, and I think that the team is going to work hard, and generally like see an upside scenario, I'll usually want to be involved a little bit. And then I'm always interested in like, just because I'm a kind of like, collector, I like flipping things, I like trading, I'm always interested in like, some stuff that I'm like buying with the intention to sell and buy and sell, just for fun. It's like a hobby for me. So a lot of the time, it's like macro, a lot of the time, it's like specific ideas. But I just like trading stuff, I like buying and selling cards, I like all of that is like a huge hobby for me. One of like the things I think it's underestimated to in the space is just like macro strategy around, for example, like taxes and like being a little bit more optimized, because it's easy to waste a ton of money unnecessarily in the space. But I think a good example would be like, holding the bag on a giant loss for no good reason. Like a lot of the time, there's like pretty good substitutes for an NFT. If you want to have a position in the project, and you have like a big basis on something, and you can sell it and get back into the project with like a pretty similar, you know, NFT, doesn't really make sense to just sit there and hold this like asset that has a ton of basis on it, like not take the loss. And so I think a lot of people are like more comfortable selling things that are up and holding things that are down. And to me, that's like the opposite of the idea. So like, I'm always interested in macro, like just making sure that you're kind of making the most of, you know, what you're putting into the space, you know, from that standpoint as a collector. Otherwise, yeah, I try to keep my eyes open. Sometimes I have more time for it. Sometimes I have less time. A lot of it depends on what's happening at DraftKings and the other things that are like demanding on time. But I always try to keep my eye out for like new innovative ideas and things that might be like, I didn't even know that that was a thing, but I guess it's a thing. And, you know, try to like jump in and get involved in

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some of those like potential disruptive experiences. I guess one more I would call out is like famous artists. I'm a sucker for like the one that I was like most, I thought was just so cool was Tom Sacks. I thought I built a really cool project. But anybody who's like the Damien Hurst and Tom Sacks and like the Murakami, like people that are traditionally in physical art, very highly thought of, I think we should always put some stock in, like that they're going to be able to translate that into digital and have like non-utility, pure collectible value. So a little bit of everything. I know it's a laundry list, but I just think this space has a lot to offer. And so I try to keep my eyes like open and keep an open mind towards all of those things. Yeah. And then last, last question. How are we feeling about the Celtics this season? Good? High hopes? Really good. Yeah,

I feel tremendous. I think it's, if, if health is there, it's going to be pretty tough to beat the Celtics, I think. And yeah, I know like, no, we haven't had any like season long season ending type injuries from the team, right? So I think we are in a position where like we're number one, should be able to get into the playoffs with home court, should hopefully have a healthy team. And then, you know, it's kind of nice to know that they've been there. Like last year, they were in the finals, narrowly missed it. Like at one point, Celtics were up 2-1. And I think that they were like minus 2-60 in the sportsbook to win. So like we were really close. I mean, very close. And I think the idea that like they get there again and don't get it done feels a little less likely now and always possible. But I think the main, the main thing is just like keeping that really positive team culture, execute really well. And hopefully you just have the right things break your way. So you can survive in advance and keep making it all the way to the end. There you go. Well, Matt, it was a pleasure. Thank you so much for coming on. This was a awesome discussion. It was great to get your perspective and your story around DraftKings and what you guys are doing in the Web3 space. Super fascinating stuff. And we wish you the best of luck. So thank you so much for coming on. Yeah, thank you so much. And as well with all of the support from our, it has been just such a wind in our sails. And it means so much. So good times, bad times, whatever, like the long-term conviction in what DraftKings is doing. I think it's always something that we've really valued. And as a founder, of course, like Jason Paul and I talk all the time about, you know, there's endless amounts of people that like will jump in at the best of times. And I thought ARC has always been a great supporter and in all times, you know, of our company. And I hope that that yields really great rewards in the future. And yeah, thanks for having me. ARC believes that the information presented is accurate and was obtained from sources that ARC believes to be reliable. However, ARC does not guarantee the

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