Underdog Sports | BOFA - 2026 Gaming & Lodging Conference | September 9, 2026

Speaker 1:

Everybody, for those of you that have stuck around with us, this is a special treat. It's not every day that we get to actually host a private company on stage, and it's really unique opportunity. So to my right is Jeremy Levine, who's the founder and chief executive officer of Underdog Sports. Jeremy, thanks for joining us.

Jeremy Levine:

Of course. Of course. I'm glad to do this.

Speaker 1:

So variety of different ways we could go. I think where I'd love to start is just for those of people who may not be as familiar with Underdog, it's a great opportunity for you to tell a little bit more of the story. So give us a little touch of background on yourself, and then talk about who is Underdog.

Jeremy Levine:

Yeah, for sure. So I have been building games for sports fans in America for, I guess September I hit 18 years. Started my first company basically in college, incorporated right out of college in 2009. And the company was called Star Street. We sold the assets of that to DraftKings, then used that capital to build a company called Draft. Sold Draft to a company in 2017 that was then called Paddy Power Betfair, but now called Flutter. Helped them with the acquisition of FanDuel, and then left, and soon after that started Underdog.

So I've been kind of working on the same thing we're working on, in a way, for a long time now. Underdog started early 2020, right in the early days of COVID, with seven people from my last company, from Draft, and a really simple thesis. And it was, there's so much more to be built for sports fans in America. If we can be the best at building product, we'll ultimately build the biggest company in the space. We're six and a half years in. We've been, from zero through six years, the fastest-growing company in the history of this category in America in terms of revenue. And still very much believe it's all about building the best product for customers. And if we do that, we'll continue to build the biggest company in the space.

Speaker 1:

Sports betting in its broad form is, it's crowded, it's competitive. I mean, really since the PASPA repeal, it was just zero to a hundred. You saw that huge land grab back in that formative phase, 2020, 2021. But in such a crowded field, somehow you've found a way to differentiate and always be a little ahead of the curve. So how have you done that? What have you done to set Underdog apart?

Jeremy Levine:

Yeah, you're going to hear me talk about product probably an annoying amount during this, but-

Speaker 1:

Perfect.

Jeremy Levine:

... I mean, look, that's the focus. Again, it's how can we build the best product for our customers, for sports fans to have more fun with sports, to make sports more fun for them. And so those are the products we focus on. We've done that across now a lot of different regulatory frameworks, always looking for the way we can offer the best experience to the most customers, always making sure we do it in a responsible way and a thoughtful way, but really just trying to bring people the most joy through the product. And that's kind of an ever-evolving thing in this category, as there's ever evolving regulatory frameworks and opportunities, but it's always been a north star.

Speaker 1:

And maybe it's within the fantasy landscape to start, but one or two of those products that you think are deeply unique to Underdog that might resonate with everybody, just to get a little taste of what you're capable of, and steer clear of where we're going, because you know where we're going.

Jeremy Levine:

Look, there's a bunch of different products we offer. We started the business under the fantasy sports regulatory framework, and so we offer a draft-based product where you can do drafts. One of the products is called Best Ball. We actually just filled a $15 million Best Ball tournament where customers can do a draft for the season. After the draft, nothing they do. So no [inaudible 00:03:30] a lineup, no waiver wires, no trades. Each week you get the starting points for each starting position for the player who scores the most points. And you do it a 12-person draft, but then if your team is in first or second at the end of week 14, it advances all the way through. If it keeps winning, you'll win $2 million at the end of week 17.

So that's one of the products. Then the other core product we offer is a product we call Pick'Em. And Pick'em is, effectively, player selections, and you've always got to put multiples together. So it's very much similar to what you would call player prop parlays in sports betting. We were able to offer that, until recently, in about 36 states. And so in a state like California, Texas, Georgia, in a state without sports betting, it was the closest legal alternative to sports betting, and the best product there for sports fans who wanted to engage with product legally. And obviously there was a lot of growth as a result.

Speaker 1:

So the really big news for Underdog is what's happened really just in the last few weeks. So you announced, it's not yet closed, that you were recently set to be acquired by IG Group, which is a London-based exchange company, but there's a deeper relationship between you and one of the principals there. So maybe just talk through that a little bit, and then ultimately your decision to partner with them. Why was now the right time?

Jeremy Levine:

Yeah, so we announced our sale to IG Group at the very end of July. And the real tie, obviously, as you mentioned, is the CEO there's a guy named Brian Corcoran. He is who bought my last business, Draft. He was the CEO at the time of what was then called Paddy Power Betfair. He has a long history in the space where he was the COO of Paddy Power for many years, went to be the CEO of Betfair, did a merger of equals there, raised their value, acquired us in the US. We together with some others kicked off the conversations for Paddy Power Betfair to acquire FanDuel in the US. And obviously he left, they did that deal. Draft gets merged into FanDuel. I leave soon after that and we go start Underdog. But the relationship with him obviously made this really natural for a lot of reasons.

I have a lot of admiration for him and he's obviously one of the most accomplished, if not the most accomplished CEOs in our space. And then for them, they've clearly made it a priority to increase US footprint, increase growth. And I'll let them speak more on why they did the deal, but for us it's very much a relationship with him, the shared DNA. And I think we can see together what that business can become. A lot of belief in the value and the upside.

Speaker 1:

Julie?

Julie:

Yeah. So Underdog was the first sports-native company to really launch prediction markets, and you were able to do it before NFL kickoff last season. And then in the past 12 months you've acquired all the licenses, so now you're a fully vertically-integrated stack. So going into NFL kickoff in a few hours, what are some of the biggest product improvements and just what you're really excited about product-wise for this season?

Jeremy Levine:

Yeah, there's been a lot and it's been a real journey since, honestly, early in the year last year when I was like, "Oh, okay, prediction markets, these are very likely to be a thing." And if you fast-forward to beginning the last NFL season, we had built our business on being the best place for customers, especially in the States, without sports betting. And come September, we weren't anymore. The prediction markets, really Kalshi at the time was, and that wasn't a position we wanted to be in, where we don't have the best offering for our customers in the key states especially. And so we had to figure out how do we reinvent ourselves? In the early days, we did a partnership. We launched last September the first sports gaming company to launch prediction markets in partnership with Crypto.com using their DCM, but that was just dipping the toe in the water.

We knew over time we wanted to control the entire vertical stack, be able to really control the entire experience end-to-end for customers, to be able to build the best experience, and ultimately to be able to monetize it best. So we've been on a journey to do that.

In March, we closed an acquisition of the licenses that we needed, largely. We had already received our FCM from the NFA in January. Then in March, we closed a deal for a DCM and a DCO. They were non-operational at the time. We obviously took them operational, launched that three or so months ago. And just been evolving more and more onto that, what we now call UDX, Underdog Exchange. So now we've got the full stack of the licenses where we can be a brokerage, we can offer the exchange. We have the ability to market-make, we have the ability to set fees, we have the ability to really offer the entire product to our customers, and we'll talk some about orchestration and the benefits we get for that and the benefits our customers get from that. But we've now got all these different levers, which allow us to create the best customer experience.

Julie:

Yeah, that's great. And one of the things, just watching the industry evolve, that's always impressed me about Underdog is how quick your pace of product innovation is. So what do you think enables Underdog to do that versus peers?

Jeremy Levine:

Yeah, I mean, there's a lot that underpins it, but really it is the top focus of ours. I mean, our people in the company are sick of hearing me say this, because we have a company sync where we're doing all hands basically every two weeks, and pretty much every single one, I talk about people and product velocity. Those are the two reasons that we're going to win and we do win. It's having the best people and focusing on product velocity. And those things obviously go together. It's what we look for, it's who we hire, it's how we build the company, it's what we prioritize. Everything is about moving fast so we can build more product. Because again, we started with the thesis, there is so much more to be be built for this customer, and still believe that. So it's a lot from how we build our teams, how we hire, again, what we prioritize.

Obviously what has come with AI now, over 90% of our code is now written not by humans, it's written by AI. We're seeing our velocity. I just asked our CTO today to see if he agreed with this, and he says our velocity today is over 3x what it was at the beginning of the year-

Julie:

Wow.

Jeremy Levine:

... in terms of shipping features. And if you're paying attention to what we've shipped in recent time, a lot of it's come together. We're moving faster than we've ever moved from a product velocity perspective. There's a lot of exciting stuff going on. That probably the most exciting to me, because that's how we'll keep on building, how we'll keep an advantage, just building the best products.

Julie:

Yeah, that's great. And then, just looking at the broader prediction market landscape, about 50% of volume on a run rate basis is on parlays right now. And I think the request for quote mechanic was a really innovative solution to the parlay problem, but I think there's still some customer friction, whether it's price slippage, time execution. So just as a product person, what are your thoughts on innovation that can be done on the parlay side? And I know last year you had an innovative product too, so maybe if you want to talk a bit about that.

Jeremy Levine:

Yeah.

Jeremy Levine:

The answer is I think we've... I mean, I'm sure there's a lot to improve, but I think we've done it all. We're not finding many challenges with slippage order filling on our exchange. Now, parlays on our exchange are very new, but we have been effectively a parlays business for the life of our business, right? Because of the regulatory framework, the product we had to offer under fantasy, you always had to have multiple players, actually even from multiple teams. So, that's what we built our business around. So, as we started exploring, running an exchange and prediction markets, it was always what we thought was going to be the hard part for everyone else, but really the easy part for us was the parlay experience. Singles weren't something that... they weren't that hard, but not something we had done before, right?

Julie:

Yeah.

Jeremy Levine:

Resting order books, market makers on both sides, very different than parlays, but parlays are things we've done forever. So, I think we've just solved it really gracefully with the product experience and with the infrastructure. We're well over 50% of our handle on just the exchange right now is parlays-

Julie:

Parlays.

Jeremy Levine:

... and that doesn't include our entire fantasy business, which is effectively all.

Julie:

Parlays.

Speaker 1:

Yeah. Sorry, Jeremy, what matters the most here? Is it technology where it's like those little challenges around speed to market, how quickly the app works, how quickly those orders are filled, which again has some unique challenges in maybe RFQ, or is it merchandising, right? We hear from the product first guy, the DraftKings and the FanDuels. It's like, "Oh, well, you're going to have a lot of pre-populated stuff. You're going to open that menu, you're going to always know and always have the next idea. Maybe you have a celebrity pitching it to you," which we were joking about earlier, but whatever it is, right? So, what's your feeling as sort of a product expert? Which one of those do you lean to? I mean, obviously probably everything matters, but yeah, that amongst your children.

Jeremy Levine:

The answer is all the above and you've got to be able to do them all. You miss one piece and you're going to ruin your experience. It's funny, a lot of the things that are now becoming. Companies in our space have turned into hot buzzwords, are things that we've done out of the gate. This idea of a single app or a super app, of course everything should be in one app. Why would you want to go to different places with different wallets for different products? That made no sense to us, right? So, we've always built everything into a single app. A seamless experience, right? There's been products in sportsbook and there's big products today in prediction markets where if you want to create a parlay, you've got to go into parlay mode. Customers don't want to think about what are they creating. They don't want to have to go in a parlay mode.

They just want to select the things they want to select and put them together or not put them together. And so, for us, it's a seamless single app. Customers can just make their selections. It's about making everything combinable and that takes math on the backend, but largely everything in our product is combinable. If it's not, customers run into errors, errors are bad, you don't want friction. And so, it's just a lot of things we measure, a lot of things we work on, a lot that comes together. That's all the front end piece. On the back end, again, you've got to be able to do the math and the math on correlation is not impossible stuff, but that's the trickier piece and you've got to have the right infrastructure and the right setup. And I think as part of us now being fully vertically integrated, we have the opportunity to full stack, make sure we're offering the markets that ultimately, we can price and others can price in our market on our exchange.

Julie:

You touched on it earlier, but now UDX is up and running, fully vertically integrated on your exchange. Where do we sit in the transition from using third party exchange partners versus all of the trades being sent to UDX?

Jeremy Levine:

It's funny, my mind keeps going back to a slide we have in some of our presentations of just our prediction market's journey, the timeline and the end of that journey, not that it's really going to be the end of that journey is week one of NFL season.

Julie:

Uh-huh. And here we are.

Jeremy Levine:

So, our product as of today is very different than it was as of two weeks ago even. And there's still, we're kind of dotting some I's, crossing some Ts, ironing out some of the pieces. So, I think it will continue over the next two, three weeks to really become more seamless. And as a result, I think we'll see more go onto our exchange. But we've been really thoughtful around, again, what do we do best? And it's effectively parlays. What are commodities out there? Singles, right? A single is a single, are the Patriots going to win tonight? That's basically the same market everywhere. And so, we are using our FCM and the fact that we can orchestrate our customer flow to work with partners on things we find a commodity and we're really going to focus on the bespoke products, so that's parlays and other games we offer.

We're lucky to have some really great partners that we work with on the platform where we can intermediate and send flow to them. So, it's just always going to be an evolving mix. And ultimately, again, it's about how do we create the best customer experience with that mix? So, by using other partners, we can offer more liquidity and in full-time, probably the most liquidity because we can offer markets from every single DCM. We can offer the best price as a result and then always have the bespoke experiences where they want something custom to them as well. So, it's always going to be a hybrid for us, which for people playing the kind of measure the notional volume game, we're not about maximizing that notional volume number, we're about maximizing the experience for our core customer.

Julie:

I think I might know the answer to this one. Maybe it's product, but liquidity is obviously super important to a prediction market and an exchange and sometimes leads to a winner takes most market. But how do you attract liquidity to your platform, both on the consumer side and then on the market maker side too?

Jeremy Levine:

Since we've kind of gone into prediction markets, it's never one of the things we thought of as a hard challenge for us because we already have it. We have the customer, we have the retail customer on Underdog already. And if you think about the promise of the early days of prediction markets, I mean the experiences, the biggest step function from what customers had to what customers now have in the states without sports betting. And in those states, we had already had a massive customer base. I mean in California, Texas, Georgia, we've got more customers doing more revenue than the large sportsbook operators combined because that's where we focused and built our business and built our product. In those states, we've already got the liquidity, we've got the customers, and now we're able to offer those customers a lot more, right?

If you go back to what I said about the framework we're under, the fantasy sports regulatory framework, there's all these things the sports customer wants to do that we were never able to offer. You want to bet on the Patriots. I'm a Patriots fan, so I do. Can't do it. We couldn't offer teams. Those aren't fantasy sports. Okay, how about Drake May? Can't do it, can't do a single player. Okay, how about Drake May and AJ Brown tonight? Couldn't do it. You've got to have players from multiple teams. I was going to have to take someone from the Seahawks also to have a compliant fantasy entry. All of those things that I just said I couldn't do under fantasy sports, you can now do those on Underdog and you can do them via prediction markets. So, for us, this moment takes away all these restrictions. We used to think we could offer about a third of the experience sports fans want in total, and we were able to do it in two-thirds of the states.

Now we can offer really 100% of the experience in nearly 100% of the states, and hopefully with Supreme Court clarity, we get to 100% of the states.

Julie:

Yeah, that segues exactly to where I was going. So, it's the billion-dollar question, but what's your take on the regulatory environment? Where do you think we're going to shake out?

Jeremy Levine:

Yeah, this is where I think I count my blessings, I guess if you call them blessings, that I've been in the space for 18 years. There's always been very uncertain regulatory environments, and it's always been the companies that are best able to navigate uncertain regulatory environments who put themselves in the best position to win the next turn. You can go back to early days fantasy sports, real money fantasy sports online, FanDuel, DraftKings, and it was the land-based casinos yelling, "Get off my lawn," and saying, "That's illegal. Shut them down." It was their ability to navigate that. My company draft at the time was third to them, but obviously they were the two big winners there. That gave them poll position for when sports betting came to America. And then for years they pointed at us and said, "Hey, this pick 'em offering, that's illegal, that's sports betting."

And they tried to fight us and it was our ability to navigate that, and now they copied us until now everyone forget about that for predictions. But it was our ability to navigate that that has set us up so well for this moment and to be in pull position, especially in the really key states versus them. So, we've got a lot of experience with it and it's something our company's been through a lot even in the six years. So, it's great because I'm able to share with the company, "Hey, there's going to be a ton of noise, but it's not going to change the end outcome. There's one thing that's going to matter for the end outcome, and that's ultimately going to be how the Supreme Court rules. So, we've seen tons of noise. We're going to keep seeing tons of noise. You're going to open up Twitter any morning, and this thing's going to have happened in this state.

There's going to be this loss here, there's going to be this one here, there's going to be this Twitter lawyer saying this thing." None of that's really changing the course. We know where this is going. It's going to the Supreme Court. The Supreme Court's going to decide. I think if you read the laws, I mean, we obviously feel that it's very clear that sports event contracts are swaps, so I think it's very right on the law, but ultimately we'll see what the Supreme Court decides. I think what's really nice about the situation we're in is we're kind of good either way. We've obviously made this decision to, "Hey, we're going to go all in on prediction markets and use it to build the best experience because it allows us today to offer a better experience to more customers." But before prediction markets came, we're the fastest growing company in this category. We were the best product in nearly half the country.

If prediction markets go away, that's not a horrible place to be going back to. So, I think we feel pretty good no matter the outcome, and that's just with the products we have today, and we're continuing to diversify revenue, diversify products, build even more for our customers.

Julie:

Yeah. So, shifting away from prediction markets for a second, one of the new products that you just rolled out is called Rips, where you can virtually open card packs. Can you just talk a little bit more about that product and what the initial customer response has been?

Jeremy Levine:

Yeah, it's actually a place where I made a huge mistake because

Jeremy Levine:

We started exploring the product 18 months ago. I seen it in some of its early days. There were probably three platforms offering it online. I'm like, "Okay, this is something our customers are really going to like." And so we started exploring it. We started talking to some partners and then prediction markets came. I was like, "Okay, now we got to focus on prediction markets. That's in a way relatively existential to us. We've lost our position of being the best place for our customers in a lot of places. We need to get that back." So we put it in our back pocket, focused on prediction markets until, I want to say just a few months ago, three, four months ago. And it was like, "All right, we've got prediction markets now largely figured out at least to the point where I can start to turn some of my attention to what comes next." And we went back to the Rips product and again, just really clear to us that our customers were going to love it, it's sports and so it's for sports fans. We've always wanted to offer products for sports fans. And we launched it 11, 12 days ago and customer engagement's really exciting and our customers are really liking it. So we're really excited about it. It fits our product really well.

Julie:

Yeah.

Speaker 1:

Jeremy, we already alluded to this a little bit, but your product journey leading up to effectively today, which is the NFL kickoff. So help us think about customer acquisition here a little bit. Julie and I have also had this date circled in our calendar, but really from the competitive landscape being like, this is going to be the come out party for a lot of prediction markets trying to get recognized. We were sitting on the side, you were talking about some of the unique different creative and content that's being generated out there. We've called it a land grab, but you can call it whatever you want. We just know it's going to be intense. So first of all, what are you seeing out there? And then second of all, how do you want to get the message out there with all the initiatives that you put into place to make sure that customers know who Underdog is?

Jeremy Levine:

Yeah. We're seeing a lot out there. Everyone realizes this is a moment I think a lot of the sports betting companies are thinking about this as, "Hey, this is a new state launch... It's a new state launch in 40% of the country." And so I think what we will see this September is probably more spend than we've ever seen in this category. Ultimately, I always think the winners and losers are the folks who offer the best products and we've seen it. We've seen our customer acquisition costs and our payback periods at their best when we know we're the best product in a market and last NFL season expand a little bit when it's not. So we feel really good about our product and our product offering now. And for us, again, it's always product led. Historically, well over a third of our customers have come from directly attributed referrals. So that's customers referring other customers. That's either me saying, "Hey, come and we can both get this bonus," or it's me saying, "Hey, here's the picks I made. Come make the same picks." A lot of the activity happens in group chats for our product.

So we view our ability to acquire customers based on the product we offer and how enjoyable that product is. We're really excited about having, again, the full suite. We think that will just help a lot in our ability to acquire customers, but also different products and different games we offer. We've got a really cool one we just launched a couple of days ago called Keep Your Milli, and it's a free contest where we're giving everyone, I would tell you all to do it, but New York's one of the states we're not in right now with this product, but anywhere else, open up your Underdog account, you'll have a million dollars in your Underdog account, we're giving everyone a million dollars. But you've then got to make 20 selections or 20 picks and you get to keep what you have at the very end. So you've got to allocate that money every single time and you get to keep what you end with. We're really excited about that. We think it's going to get a lot of people engaged. People are going to start with the million dollars. We'll see where they end up, but that's building product that we think helps us with customer acquisition.

Speaker 1:

You talked about two different areas. One is earlier you said that you've already got the customers, so how are you informing or reengaging them now that the product has changed, just make sure that they are fully ready for this version of Underdog? Just what's that conversation like? What tools do you use? Are there promotional bonuses and things that go with that or not? How do you just make sure that they know?

Jeremy Levine:

It's a great question. I want to say that's the easy part, but historically we've, in a way, seen it's not. I'll say one thing we're seeing right now is our customer activity, our customer handle is way up. And again, we always knew that would be the case, but it's really great to see that come true where when we could only offer a sliver of the product, our customer handle was, doing the math in my head right now, well a fourth what Sportsbook's customer handle is. And prediction markets I think have even been higher because you get the trading dynamic and we're seeing the climb happen rapidly in real time. So that's super exciting. Sorry, the other part of your question?

Speaker 1:

Yeah, just again, are there promotions or things that you lean into that you found are great retention tools?

Jeremy Levine:

Yeah, it's interesting. I was going to say the part where you'd think it would be really easy, but I remember when we launched prediction markets and really by launching prediction markets last September was now giving our customers the ability to make team picks. We still had so many customers that were just player-centric because that's what they did on our platform. That's what they got used to. So we've had to educate those people of like, "Hey, you can now actually do the thing. You can now actually pick the Patriots to win the game. You can pick the Patriots and Drake Maye. You can pick just Drake Maye." That's all new user education. So there's a lot that goes into it from the product perspective. We've done a lot.

Again, with the restrictions, we used to have errors, you put two patriots on the same team, big red error, you need a player from another team. Over time we've taken away that error and now there's nice little pretty suggestor of like, "Hey, why don't you make this pick? It'll make you be able to submit this entry." And now that all gets to go away and it's like, "Hey, actually you can just submit this thing. You don't need to do something that you didn't actually want to do." So we've got a lot just telling the customer little tool tips and toasts and big button turns green and things like that that show the customer, "Hey, you can do this thing now," but it is education and it's ongoing education. I think we will see our mix shift, we have, from more players to more teams over time, but there'll definitely be a mix of both. And I have a feeling we'll always be the most player forward just because of where our customers and our brand came from and the most parlay forward because that's, until last September, all you could do.

Speaker 1:

And you mentioned group chats as one of those viral features, but you've always found a way to get this to translate a little bit more virally. What are you excited about as you turn the page this fall to keep some of that momentum going, but not try and compete with some of the broadcast media spend? Because it seems like there's going to be a lot of customers acquired and there's going to be a lot of money spent.

Jeremy Levine:

There's going to be a lot of money spent. We know that for sure. I keep on saying it, but it's the product, it's the games. Look, we've built a ton of new games recently. We talked about the Rips product. We just built another product called Crash, just a really fun live game where you can hop in for a baseball at bat and with every successive pitch, you can put down a dollar, $10, whatever. With every successive pitch, the amount you can cash out goes up, but you've got to cash it out before that bet ends. And once that bet ends, whether the ball's put in play, whether there's a strikeout, whatever it is, if that bet ends, you crash. It's just a really fun engaging game and we see people just sitting there during the live games playing it. So building games like that, I mentioned the Keep Your Milli thing where we're giving everyone a million dollars. I think that'll do a good job to get people reengaged and then show them, "Hey, you can make it on a team pick." "Oh, I've never done team picks on Underdog. Cool. I can do this now." So it's just features like that.

Speaker 1:

One of the multimillion dollar questions we've been asked as many times as we've probably talked about prediction markets is how maybe penetration compares in non-OSB states versus OSB states. You have a bit of a unique lens on that given, again, some of the DFS capabilities which sat outside of traditional regulated sportsbook, but you also do regulated sportsbook. What's your observation about how that mixture is working today and how do you think prediction markets may change that balance, if at all?

Jeremy Levine:

Yeah. Look, for us, we have all these advantages in the non-OSB states. It's also clearly the greenest field opportunity. I mentioned before, just the delta of what a customer could do legally, where the best experience was Pick'em and what we and a couple of competitors offer to now this full experience. And even with Pick'em, we were the best to the alternative by a wide margin. We're able to capture a lot of customers in those states as a result. And so we already have those customers, we've got the brand in those states. That's the greenfield opportunity. That's very obvious. In sports betting states, customers have been able to do a similar behavior in a lot of states for many years at this point.

Now, I think there are definitely experiences in prediction markets that are definitively better than what's offered on sportsbooks. There's also experiences on sportsbooks that are better than what's offered on prediction markets today. I think over time that starts to go away as we can build more of the creative solutions we have. But we'll learn a lot more right about now in our ability to acquire customers, monetize customers in the OSB states and the non-OSB states. We already know we can do that and that's just only going to get better.

Julie:

One of the things that has surprised us about prediction market so far, we're seeing all of the land grab and marketing and customer acquisition costs, but we haven't seen really meaningful fee compression and I've actually seen some companies raise their fees. So what are your views on the risk of fee compression over time and do you view any customer sensitivity to fees?

Jeremy Levine:

I think this notion that there's going to be fee compression because all of a sudden because there's an exchange really in the mix, I think is really overstated. There's a lot of reasons why. The first is that a lot of these products are not... They're not...

Jeremy Levine:

Commodities has multiple meanings here, so let me not say the word commodities, but they're not the same everywhere. It's not just here's an Apple stock. A lot of them are bespoke products. Parlays are bespoke products. A lot of the games we offer are bespoke products that are unique to the customer and what they've selected. There's this idea that markets become efficient. I think sports and expressing an opinion of sports has to be the market where there is the most emotion and fandom in a way there just isn't in other markets, and the turnover often is so fast as well that they almost don't have time to become efficient. So I think this notion that, oh, these markets are going to be so efficient all of a sudden because they're now on an exchange, I don't think that ends up being the truth.

There's just multiple levers. I mean, I think for some platforms on the way they've built it, there's going to be margin compression because they don't get to take margin from the full stack. The way we've set ourselves up, we get to control the entire vertically integrated solution so we can make sure we dictate what we want the right margin to be. Ultimately it's going to be about, again, what creates the best customer experience, but largely the customer behavior that we're built for and the customer behavior we have is people willing to risk money to have fun and to enjoy the game they're watching tonight more. Again, that's different than most other markets, and that's not going away.

Julie:

Building a little bit on the idea of vertical integration, your position that you can benefit no matter where unit economics end up, but how do you view longer term where unit economics end up between the exchange, the market-maker and the broker?

Jeremy Levine:

Look, we think there's a lot of merit to... I mean, it's been the way we've always thought about our business is we want to control the whole stack. We don't want to use third-party technology. When we launched our sportsbook, which we later shuttered because we could do a lot more with prediction markets, we are the first company in America to launch a licensed sportsbook on our own home-built technology. Over 70 had launched. We were the first to do that. It wasn't on third-party technology. So it's just the way we've always thought about things.

Julie:

Then the other dynamic that comes up sometimes in prediction markets and exchanges is the shark-versus-minnow dynamic. How do you avoid that on your own exchange?

Jeremy Levine:

To answer your prior question, too, you asked where the value would accumulate in a way, and to me that's always about the customers. It's about having the customers own the relationship with the customers. I think that's going to be the most important piece. I think it's very important to have the best experience for the customers to be able to offer the full stack or have the full stack, but it's really about the relationship with the customers, and that's obviously the focus of ours. It's kind of the same answer. It's about prioritizing the customer, the customer experience and making sure we set the rules in a way that makes it the best experience for them. Sometimes that's the best price. It's not always solely about the best price. There's a lot of things that go into the best experience.

Julie:

Yeah. You touched on the draft products earlier and you shut it down in seven states over the weekend. I know you got some social media pushback. What was the decision to shut drafts down in some ways?

Jeremy Levine:

Yeah, that was not a fun day on Twitter. I got canceled. I announced on Saturday that we were shutting down. We were surrendering our fantasy sports license in seven states because in those seven states, the regulators have made it very clear to us that they don't want us to offer prediction markets. As a licensee of theirs, we had a choice of, do we stay licensed and offer our fantasy product, which in most of those states was just the draft product, we weren't even able to offer the pickup product to most of those states, or do we surrender our license, give it back to them respectfully and say, okay, now that we do that, we can offer the rest of our full offering. Obviously one of them makes us a lot more money than the other one. So as much as I love drafts, we love drafts... We have a rabid community there of people who really love it and enjoy it. Sometimes, as the leader of a business office, you've got to make decisions in dollars and cents, and here that was a very obvious one.

I want to say it was bittersweet. I mean, the day just sucked, but I think the one thing it just showed us more and more is we built a product people really love. I think the tweet I made was viewed over a million times and I got fully ratioed on it and people were just totally bummed and it sucks. We have some ideas that we're exploring on how we can bring drafts back to more states, and I think with legal clarity, when the Supreme Court rules, hopefully in the right direction, then we'll have that ability too if we haven't figured it out before then. So that's something definitely looking forward to because we just took away an experience that a lot of our customers love from them. Obviously that's a bummer and they're bummed about that and we feel really bad about that, but obviously have to do what we can to build the strongest business so that we can continue to offer more to more customers and hopefully bring that back to them.

Speaker 1:

Jeremy, sorry, I just got to ask quickly because this just seems like it was just a really hard decision. I don't know, occasionally we get put in a position where we have to make hard decisions, but that one just, I kind of feel the sole impacting nature of it. So anything you can do you've learned or things you can do to help ameliorate the customer side? I always feel like also when you're in the trenches, how you react and so things that you learned or you're doing along the way just because it's, again, there's just no way around it, I think you said it right, but I'm kind of curious on, as a leader, okay, here are a couple of things we're just going to do to help the community.

Jeremy Levine:

Yeah, it was a very tough decision. It probably wasn't a very hard decision because, again, dollars and cents-

Speaker 1:

Right. Economically there.

Jeremy Levine:

... which is very obvious, but that doesn't make it easy or fun. Look, again, it's a game that a specific player, but way less of our players really loves, and I don't think anything's really going to matter to them in the states where they now can't get it unless we can get it back to them. So that's going to be a lot of the focus of how do we get it back to them? What's the regulatory framework we can do that under? We've got ideas, but it's really for us to commit to anything, but that's I think how we can win that customer back, or at least that customer's affinity back.

Julie:

Yeah. All right, last question. We can finish on market-making. Can you just talk to your views on market-making generally, and then how do you think operators will prioritize market-making on their own exchanges versus third-party exchanges?

Jeremy Levine:

Yeah, it's been interesting to see so much discussion made about market-making. Obviously I think a lot of the bigger companies in our category have kind of said, "Hey, here's a thing we're naturally already in a way have built so we can extend that here," and they're making a big deal about it. It's been interesting. I mean for us, we view it as, again, what is the best way we can offer the experience to our customers? By having a market-maker, we can do that. We can make sure if our customers want a price on something, they get a price on something. If they want to be able to express an opinion, we can give them the other side of that and let them do that.

So for us, it's largely a way to offer the best experience to the customers, and out of that, obviously economics come. But it's been interesting. I mean, just watching some of the things that happen in the ecosystem, a lot of the different players in the ecosystem, there's definitely this idea that there's a gold rush there, but I think over time we'll see a lot of that euphoria fade away.

Speaker 1:

Why is that? What's the wrinkle that... It sounds so good, right? You have big revenues, we're taking lion's share of the margin. We know it's going to be volatile, but is there anything beyond volatility? It feels like you're sensing something that is harder than it looks from the outside.

Jeremy Levine:

I mean, it's kind of not a new thing. It's what sportsbooks and related companies have done for a long time. Now it's just in a more open ecosystem where there's going to be more competition, so we're going to have more players. We're seeing those players from individuals to garage band market-makers to true institutions and Wall Street institutions. I think there's going to be a lot of players, and ultimately, people will be able to specialize in their lanes and their verticals and I think have good results doing that. I don't feel there's something that's going to dramatically change the game for any of the companies here.

Speaker 1:

Interesting. That's what we have time for. Jeremy, thank you so much for joining us. Congratulations on the deal and hope everything goes smoothly. I know these are never easy things, but look forward to hearing so much more from you and IG Group.

Jeremy Levine:

Awesome. Definitely. Thanks for having me. Thank you, guys.