# A Rollercoaster Year: The Flutter Case Study

In Forager's December 2023 CIO letter, Steve Johnson talked about increasing volatility and reduced focus on intrinsic value:

> "I don't think any rational person is changing their valuation of the market by 20% based on one month of inflation data. Rather, financial markets are being dominated (more than ever, in my opinion) by money that doesn't care what stocks are worth, only where they are going to trade in the short term. The computer says rates up equals sell. The computer says rates down equals buy."

It's a tale evident in both markets and individual stocks. Global online gambling giant **Flutter Entertainment** (LES:FLTR), held in the Forager International Shares Fund (the Fund), is a topical case study.

While Flutter owns market-leading positions in the UK and Australia via the Sportsbet brand, its most valuable segment is its number one position in the growing US market. The Fund first invested in late 2021 on the thesis that it was establishing a leadership position in the US market and would grow immensely over the coming years.

That thesis quickly became mainstream and the stock price rose significantly over the second half of 2022 and the first half of 2023. The Fund sold many of its shares by the first half of 2023, although it remained an important investment. Then, in the second half, Flutter shares commenced a gradual but persistent decline, down almost 30% by November.

There were genuine concerns to ponder. After a period where Flutter's FanDuel brand had it perhaps too easy, competitor **DraftKings** (NASDAQ:DKNG) has proven a resilient number two player. FanDuel's brand grew revenues significantly quicker than DraftKings over 2022 and the first quarter of 2023. But DraftKings grew faster during the 2023 northern hemisphere summer, coinciding with the legalisation of online gambling in Massachusetts, DraftKings' home state.

Draftkings' improved performance might have nudged our valuation of Flutter down a couple of percent. It's mostly been a case of both companies winning market share at the expense of smaller players. Consolidation is going to prove good for the bottom line.

Flutter's mid-January trading update put many concerns to bed. The company claimed a fourth quarter sports-betting market share of 51% (based on net revenue). Perhaps more impressive has been its growth in iGaming. As a sports-led brand, FanDuel has been a laggard in iGaming behind casino-focused BetMGM and DraftKings. But over the past 18 months, it's grown iGaming market share from 19% to 26% and has now claimed the number two mantle for the first time.

FanDuel achieved scale and profitability before anyone else in the American market, and we expect Flutter overall to continue growing rapidly.

The stock, formerly listed in both London and Ireland, abandoned its Irish listing and listed on the New York Stock Exchange in late January. New York will likely become its primary listing in short order. The stock is grabbing a lot more US attention than it used to.

We added to the investment in late 2023, although less aggressively than we ought to have. Flutter's share price is up 35% since the recent lows in November, bringing to mind another quote from Forager's CIO's December missive:

> "All of this focus on the next data point, however, makes the job somewhat easier for the investor with a longer investment horizon. The more the weight of money is focussed on the short-term, the more opportunity there is for those with a longer-term view."

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*This is an excerpt from the Forager International Shares Fund* January Monthly Report