"Predicting More Downside Risk"

/ STRONG SELL OPINION /

DraftKings | Nasdaq: DKNG

SPRUCE POINT
CAPITAL MANAGEMENT

INVESTMENT RESEARCH REPORT

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Spruce Point Has A Track Record In Sports Betting Markets

Spruce Point has a track record in the sports betting market with an early report on Genius Sports (GENI), a sports data and technology company which is a partner of DraftKings.

Company:	Genius Sports Ltd
Ticker | Date Enterprise Value	NYSE: GENI | August 2021 $3.2 billion
Maximum Decline Post Report	**-86%**
Company Positioning	A leading provider of live sports data from its partnerships with sports leagues to sportsbook customers.
Spruce Point's Criticisms	A problematic and overhyped SPAC that has overpaid for data rights, lacks a competitive edge, and uses aggressive revenue accounting to project above market revenue growth. The market is anchoring too much weight to its DraftKings partnership. We estimate between 60%-80% downside risk.
Successful Outcome	Earnings estimates have failed to achieve lofty investor expectations and the Company's valuation multiple and share price has contracted. GENI revealed a material weakness and conducted a financial restatement. The share price hit a low of $2.25 in 2022 or -86%.

GENI Share Price

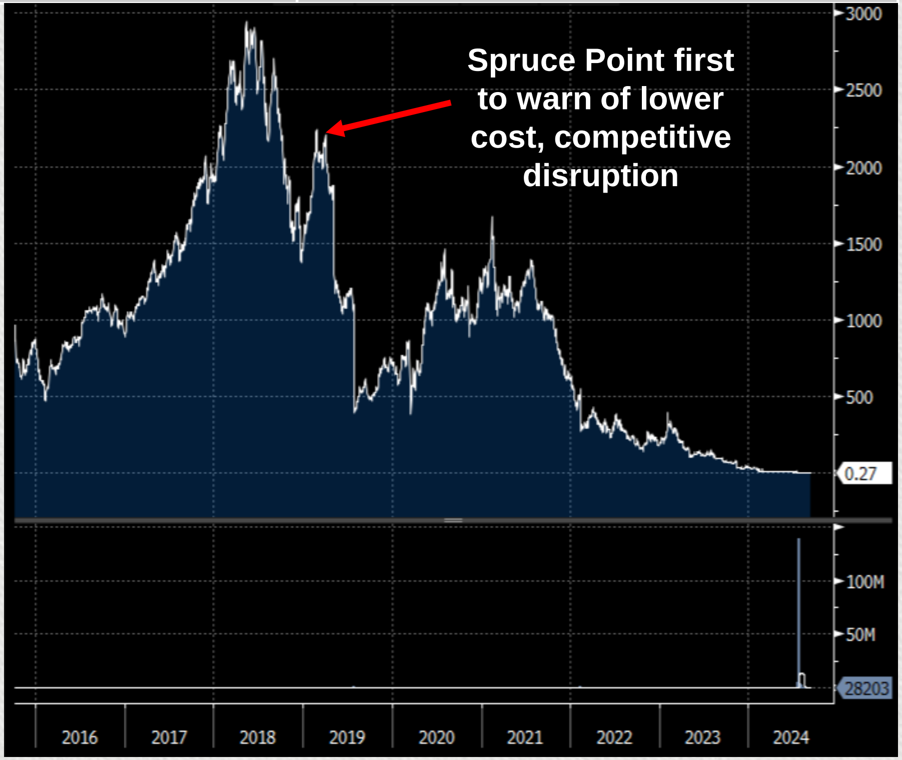
The recommendations shown above are not intended to be exhaustive or represent investment returns following Spruce Point's research campaigns. A full list of all recommendations made over the past twelve months can be found on our website.

Spruce Point Has A Track Record In Early Identification of Market Disruption

Spruce Point has a track record in warning early about technology and consumer-based business going through competitive disruption where margin pressure ultimately significantly impaired the share price.

Company:	iRobot
Ticker | Date **Enterprise Value**	NYSE: IRBT | June 2017 $3.2 billion

Company:	2U
Ticker | Date **Enterprise Value**	Nasdaq: TWOU | July 2018 $5.1 billion



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Executive Summary

Spruce Point Issues "Strong Sell" Recommendation On DraftKings Inc. (Nasdaq: DKNG)

After conducting a forensic review of DraftKings Inc. (Nasdaq: DKNG) ("DKNG" or the "Company"), we have serious concerns regarding the impact to DKNG's sportsbook market share given the significant volume, or handle, being generated in the prediction markets for sports betting. Spruce Point has been following the DKNG story closely, and despite the recent share price movement and other prescient short-seller critiques, we believe there is still significantly more downside risk because investors and sell-side analysts are not fully understanding the gravity of the situation and long-term disruptive impact on the Company's business.

Prediction markets are federally regulated exchanges where participants trade contracts based on the outcomes of future events. Unlike a sportsbook, which acts as the house, sets odds, and is taxed heavily by states on gross gaming revenue, a prediction exchange matches buyers and sellers peer-to-peer and charges a small transaction fee. While prediction exchanges have existed for many years in limited form, they exploded in popularity in 2024 thanks to the introduction of contracts that allowed people to bet on elections. There was over $3.5 billion of trading volume on prediction exchanges during the 2024 U.S. presidential election.

The Commodity Futures Trading Commission (CFTC) regulates the prediction exchanges as designated contract markets (DCMs) under the Commodity Exchange Act (CEA). This federal jurisdiction effectively preempts state gaming laws, a critical distinction that allows prediction exchanges to operate nationwide rather than on a state-by-state basis. Spruce Point believes the regulatory landscape has shifted materially in the U.S. especially given KalshiEX LLC and its parent company Kalshi Inc. (Kalshi) listed sports prediction contracts three days after Trump was inaugurated. In May 2025, the CFTC voluntarily dismissed its appeal of a federal court ruling that allowed Kalshi to list certain event contracts, including those for election outcomes, marking a shift in the CFTC's stance toward these types of contracts. In July 2025, the U.S. Department of Justice (DOJ) and the CFTC formally ended their investigations into Polymarket, the world's largest crypto-based prediction exchange platform, without bringing any new charges. On September 3, 2025, the CFTC issued a no-action letter regarding event contracts. The letter, issued in response to a request from QCX LLC, a DCM and QC Clearing LLC, a derivatives clearing organization, both owned by Polymarket, in essence gives Polymarket a regulatory green light to re-enter the U.S. market. We believe it is important to note that Donald Trump Jr. is an advisor to Kalshi and both an advisor to and investor in Polymarket through 1789 Capital. In February 2025, President Trump nominated former Commissioner Brian Quintenz to be the next CFTC Chairman. It is our understanding that Brian Quintenz is currently an equity holder and on the Board of Kalshi. While Mr. Quintenz's nomination was withdrawn one potential new candidate is a partner at Milbank who represents Kalshi in their state cases.

We acknowledge there is still a lot of uncertainty when it comes to prediction exchanges for sports. The central conflict is whether event contracts are financial derivatives regulated by the federal government or a form of gambling regulated by the states. In other words, does the CEA give the CFTC exclusive jurisdiction over event contracts, or do states have the authority to regulate or ban them as a form of gambling? There exists a litany of articles and debate around this topic, but our concern is not the outcome of the litigation, although we believe it is a major risk for all the online sportsbook betting (OSB) operators. Rather our concern is the amount of time it will take to get to a final decision on whether sports prediction exchanges will be allowed to operate freely in all 50 states.

Spruce Point Believes Kalshi Will Continue To Operate While Litigation Continues

Regulators in states such as Nevada, New Jersey, and Maryland issued cease-and-desist orders to Kalshi, arguing its contracts constitute unlicensed sports gambling. In response, Kalshi sued the state gaming regulators in federal court, arguing that as a DCM regulated by the CFTC, federal law preempts state gaming laws. Kalshi won preliminary injunction in Nevada and New Jersey but was denied in Maryland. Spruce Point engaged a sports gambling attorney to help us assess both the likely outcomes of all the litigation and more importantly the timelines. Ultimately, we believe the market is mispricing the risk of DKNG losing market share during its peak Q4 earnings season given MLB playoffs, start of the NBA season, and the NFL and NCAA football seasons. Furthermore, we believe the markets should be pricing in some Trump risk. With Donald Trump Jr. being an advisor to both Kalshi and Polymarket it is not inconceivable that a simple one sentence amendment to the CEA is put into a larger bill which passes through Congress, instantly codifying federal jurisdiction and rendering all state-level challenges irrelevant. Spruce Point believes there are two more likely scenarios which represent very significant risk to all the OSB operators: 1) The ability for the CFTC to implement a new federal rule making it clear they have jurisdiction and oversight of the sports prediction exchanges. With a Trump-nominated Chair, we believe this risk is real. We acknowledge this will be disputed by the states but we believe this litigation could take minimum of a year but more likely two to be resolved. 2) The oral argument for the NJ case before the U.S. Court of Appeals for the Third Circuit occurred on 9/10/25. Spruce Point believes the non-prevailing party will file a petition by Feb. ‘26 for a hearing with the U.S. Supreme Court (SCOTUS). We believe SCOTUS has until June ‘26 to decide if they will hear the case, then oral arguments would happen between Oct. ‘26 and Apr. ’27 with a decision in June ’27. Finally, Massachusetts filed a lawsuit against Kalshi and its partner Robinhood on 9/12/25. In response, Kalshi filed a Notice of Removal, in an attempt to shift the lawsuit from state court to federal court but MA responded with a motion to remand its lawsuit against Kalshi back to state court. Spruce Point believes the MA case will end up in the federal court and a petition to SCOTUS.

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It is very important to note, when considering injunctions, federal judges are required to apply two key tests: irreparable harm and public interest. We believe Kalshi's sportsbook-level handle on its exchange speaks directly to both. Shutting it down would disrupt a functioning, federally regulated market (irreparable harm), and courts are reluctant to dismantle platforms serving thousands of participants without incident (public interest). Together, these factors make it far more likely that Kalshi continues operating while litigation drags on.

We Believe Prediction Markets Are Unlikely To Expand TAM For OSBs In The Near Future

We believe DKNG and the other OSB operators are stuck between a rock and a hard place. From our understanding, the Ohio Casino Control Commission is one of the more prominent gaming regulators across the country. The commission has warned licensed sportsbooks in the state that offering or associating with prediction exchanges could put their licenses at risk. We also believe that Flutter appeared before the Nevada gaming commission where they addressed questions regarding a potential arrangement with Kalshi. Finally, we believe the nail in the coffin on this topic is the fact that the Arizona Department of Gaming recently warned OSBs that offering prediction markets inside or outside of AZ may jeopardize their licenses.

Our debate is not about what ultimately happens with sports prediction exchanges in the next year or two and who wins/loses the litigation. Our position is we do not believe DKNG or any other OSB operator would risk their gaming licenses by launching sports prediction exchanges in the next 3-6 months or in the next year or two while the CFTC and the states are potentially embroiled in further litigation or a pending SCOTUS decision. Flutter/FanDuel's partnership with CME was very clear to exclude sports. Even if DKNG decides to launch a sports prediction exchange on their own or acquire Railbird, our research indicates it could take 6-18 months for final CFTC approval and launch. With DKNG and the other OSB operators on the sidelines, Kalshi, Polymarket and others can continue to take market share. Individuals in CA, TX, GA, and the other 21 states where DKNG does not operate likely have never heard of Kalshi, Polymarket, etc. as most may assume all betting is prohibited. We believe the individuals who do know the prediction exchanges are those already in online sportsbook states, familiar with betting platforms, and often active across multiple operators to chase promotions or better odds. We do acknowledge Kalshi's partnership with Webull and Robinhood which has 26.5 million funded accounts across the U.S. Spruce Point also believes the impact to DKNG could be more severe given in 2024, 61% of its revenue came from its U.S. sportsbook vs. only 29% for Flutter.

Executive Summary

Kalshi Appears to Offer Better Odds Than DKNG

While investors and sell-side analysts continue to debate the long-term TAM question, Spruce Point has been closely monitoring Kalshi's odds and reported handle. There seems to be a lot of debate around the odds offered on prediction exchanges vs. OSBs. While we acknowledge there are going to be variances, we believe the economics favor Kalshi. We believe on average Kalshi charges just 1–2% per trade, while DKNG builds in an 8–10% vig and further adjusts its odds to protect its book. We believe sportsbook customers consistently shop for better odds. We do not think it will take long for the market to recognize this opportunity and in fact we believe it is already happening.

Kalshi Handle For NFL And NCAA Football Should Be Setting Off the Fire Alarm

In 2024, the total handle from the licensed online sportsbooks across 33 reporting markets combined to generate ~$150 billion (DKNG operates in 26 of the 33 states). The state of NY Gaming Commission reports weekly sports wagering by operator and reports the total combined figure. In 2024, NY generated a total of $22.7 billion in sports wagering and from Sept.-Dec. 2024, total weekly sports wagering averaged $513 million per week. We grossed up NY's $513 million per week by 6.6x ($150 billion / $22.7 billion) to get to an estimate for the weekly sports wagering for all 33 reporting markets. During Sept.-Dec. 2024, we estimate $3.4 billion of weekly sports wagers in the 33 reporting markets. The state of CO publishes the monthly amount of sport wagering by sport. From Sept.-Dec. 2024, the NFL and NCAA football games represented on average 27% and 7% of total sport wagering, respectively (excluding parlays). Based on these figures we estimate the 2024 total weekly NFL and NCAA football handle to be ~$914 million and ~$237 million, respectively.

We believe the scale of the disruption is already evident. During the first four weeks of the NFL season, Kalshi generated on average $277 million of handle per week. This represents ~30% of the weekly NFL handle that the OSB operators generated during Sept.-Dec. '24. During the first five weeks of the NCAA football season, Kalshi generated on average $187 million of handle per week. This represents ~79% of the weekly NCAA football handle that the OSB operators generated during Sept.-Dec. '24. In five weeks, Kalshi grew its NCAA football handle by 80% and in four weeks grew its NFL handle by 19%. Spruce Point believes the disruption is clear given DKNG's NY sportsbook handle declined 8.9% from Week 3 to Week 4 of the NFL season in '25 vs 8.1% growth in '24. Kalshi grew its NFL and NCAA football handle by 31% in the same week, a widening divergence that highlights Kalshi's potential share capture at DKNG's expense.

Executive Summary

We see more alarm bells from Kalshi filing to self certify for parlays. In fact, Kalshi launched a parlay product during Monday night football on Sept. 29th. We believe parlays are DKNG's most lucrative revenue stream. Kalshi did run an advertisement during the NBA finals but according to our research no ads have been run since. Spruce Point believes the fire alarms should be ringing as DKNG's 2025 consensus revenue estimates seem to be at risk. Furthermore, if the CFTC does step in and implements a new federal rule or the state cases go before SCOTUS, we believe DKNG's 2026 consensus estimates are at risk as well.

We Believe The Market Has Misinterpreted Kalshi's Handle And Hold Rate

We believe the market has attempted to dismiss Kalshi's handle as inflated. Two misconceptions recur. First, some claim each contract is counted as $2 of handle on Kalshi when only $1 is staked since a contract involves both a buyer and a seller. Upon review of Kalshi's disclosures and through email confirmation from the company, a buyer at 30 cents and a seller at 70 cents are matched and reported as $1 of volume, not $2.

Second, critics argue that resales exaggerate handle. Making this argument conveniently leaves out that the contract is trading hands but it's a separate market participant buying the contract. Kalshi's handle isn't inflated, it reflects real capital allocation decisions. Each trade is a customer transacting with Kalshi. The contract is the same, but each trade is a separate economic decision by a different buyer or seller. The individual buying the "re-sold" contract is brand-new money that could have gone to DKNG or others but didn't. Kalshi's handle is not an artificial inflation, it reflects real competitive diversion of wallet share away from OSB operators. Put another way, every dollar of handle on Kalshi is a dollar decision to use Kalshi over DKNG.

Typically, OSB operators keep $8–$10 of revenue on every $100 wagered through their 8–10% vig or margin. The 8-10% is the built-in margin if bets were perfectly balanced. DKNGs actual sportsbook hold is ~6-8%. Spruce Point believes there is some perception by the market recently that the exchanges hold rate is ~4%. Spruce Point's research indicates the hold rate is closer to ~1.5%. In other words, if DKNG pivots into exchanges in the coming years, the TAM expansion opportunity touted by sell-side equity analysts and others might not live up to expectations. In addition, once all the litigation settles, we believe sports prediction exchanges will either operate in all 50 states or none unless the exchanges pivot to gambling licenses and paying taxes. We believe there is a TAM expansion opportunity for DKNG if the sports exchanges are free to operate in the 50 states but we believe it is also a very significant TAM and EBITDA detractor for DKNG's business in its current 26 state sportsbook presence as a large portion of DKNG's hold rate could fall from 6-8% to the 1.5% to 3% range.

We See 35% - 60% Downside Risk Potential In DKNG’s Share Price

We See 35% to 60% Downside Risk Potential in DKNG’s Share Price

Spruce Point believes the launch of sports prediction exchanges comes at an unfortunate time in DKNG’s history. The Company is finally seeing some operating leverage and is starting to generate cash, however, average monthly unique player growth slowed from 57% YoY in Q3 ’24 to just 6% YoY in Q2 ‘25. Handle grew ~15% YoY in both Q4 ‘24 and Q1 ‘25 but is down to just 6.3% YoY growth in Q2 ‘25. The Company has done a nice job at diversifying away from its core OSB business but we believe further growth in iCasino will be challenging, states will likely continue to increase taxes, and the highly competitive and somewhat mature OSB marketplace will likely curtail handle growth. To our knowledge, Missouri and Alberta, Canada are the only two new markets expected through 2027. It’s not a question of are the sports prediction exchanges taking market share but rather a question of how much market share and how long can they seize on this opportunity. We believe DKNG’s 2025 and 2026 consensus revenue estimates appear very aggressive and DKNG’s revenue multiple will contract well below its historical average.

Spruce Point believes that analysts are downplaying the tectonic shift that we believe is occurring in the sports betting market and its impact on DKNG. Analysts are using emotionally charged language and softening concerns with words like “potentially challenging” to justify buying its shares. However, with some analysts still projecting a price target over $60, a dozen analysts making no recent price target change at all, and the consensus target at $53 per share, we still see a wave of downgrades and disappointment as likely to pressure the stock.

Based on our analysis, we estimate approximately 35% to 60% potential downside risk ($14 to $22 per share). We expect DKNG’s share price to underperform the gaming industry and overall equity market.

Spruce Point Believes The End Game In Kalshi's Litigation Is SCOTUS

While several states and tribes have issued cease-and-desist orders and injunctions against Kalshi, we believe the MA, NJ, MD and NV cases are the most relevant to date. The oral argument for the NJ case before the U.S. Court of Appeals for the Third Circuit occurred on 9/10/25. According to Daniel Wallach, sports gambling attorney, NJ is likely to lose and petition the court for a rehearing en banc, which means the full court, not just the three judges, listens to the argument. Mr. Wallach believes this could happen by year end '25 but it is rare that these rehearings en banc occur. Regardless, the non-prevailing party can file a petition for a hearing with SCOTUS. Spruce Point believes the MA case will get moved to federal court and ultimately a petition to SCOTUS. We believe SCOTUS has until June '26 to decide if they will hear the case, then oral arguments would happen between Oct. '26 and Apr. '27 with a decision in June '27.

	Commonwealth of MA v. KalshiEX LLC	NJ Case – 3rd Circuit (Kalshi v. Flaherty)	MD Case – 4th Circuit (Kalshi v. Martin)	NV Case (Kalshi v. Hendrick)
Current Status	Massachusetts sued Kalshi in state court alleging unlicensed sports wagering; Kalshi moved the lawsuit to federal court. MA filed motion to remand back to state. Oral argument on motion to remand may be held on Nov. 12th, per request of the parties. Remand order is non-appealable.	Judge Kiel granted injunction as he believes the CEA likely preempts NJ law. The state of NJ is appealing.	Judge Abelson denied injunction as he believes the CEA likely does not preempt MD law. Kalshi is appealing.	Judge Gordon granted injunction (Apr 9, 2025), finding CEA preempts NV law. No appeal filed but discovery granted.
Impact	We believe the preemption issue on a motion to remand is a closer call than the NJ or NV cases. Kalshi must show 'complete preemption'. Nonetheless, we believe that the case will stay in federal court as it involves the CFTC and CEA.	Determines if Kalshi can legally operate in NJ, PA, DE or face enforcement shutdown.	Determines if Kalshi can legally operate in MD, VA, WV, NC, SC or face enforcement shutdown.	NV elected not to immediately appeal to the 9th Circuit. Next opportunity to file an appeal mid-'26.
Decision Window	Court should decide in Nov. '25 whether the case will proceed in state or federal court. If in state court, ruling on Kalshi could come before end of year. If in federal court, final resolution likely in late '26 or petition to SCOTUS.	Ruling expected Oct–Dec '25. We believe case is petitioned to SCOTUS by the non-prevailing party.	No decision before Dec. '25 Q1 '26 likely.	Q2 or Q3 '26 since discovery process alone could take up to 6 months w/persistent motion practice.
Supreme Court	If circuit courts split, a cert petition could be filed by April 2026, with SCOTUS deciding on review in mid 2026. If granted, a final ruling would likely come June 2027.			

Source: In Game, Kalshi and NJ Set for Oral Arguments in Third Circuit Case; SBC Americas, Resolution in Kalshi sports contract case likely still 2 years away; Circuit Map of Appeals Court; Gambling News, Kalshi withdraws request for injunction in Maryland; Brownstein Third Time's The Charm for Gambling Regulators in Kalshi Litigation. MA lawsuit.

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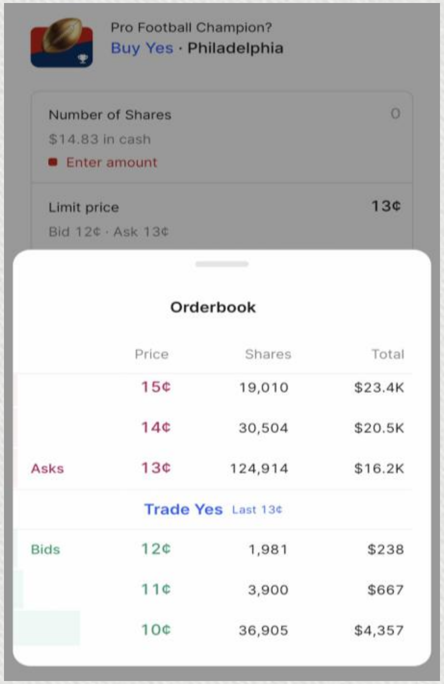
Spruce Point Believes Kalshi Has Structurally Better Odds

We believe sports prediction exchanges have structurally better odds. Prediction exchanges do not set the odds, users do. We believe Kalshi only charges ~1.5% on average to users per trade vs. the 8–10% DKNG margin. If DKNG eventually competes against sport prediction exchanges Spruce Point believes it will pressure DKNG's sportsbook net revenue margin or hold rate.

Kalshi: Supply / Demand

- *Kalshi doesn't set odds, users do*
- *Prices move on supply and demand via the Orderbook*
- *We believe Kalshi only charges ~1.5% on average to users per trade*



DKNG: Probability + Vig (Margin) + Book Risk Adjustment = Odds

- **Probability:** DKNG's internal model of how likely the outcome really is (e.g., 60% chance Eagles win).
- **Vig (Margin):** Built-in markup so the book always profits (usually 8% –10%).
- **Book Risk Adjustment:** Tweaks up or down depending on how much money is piling onto each side, so DKNG avoids getting crushed if one outcome hits.
- **Simple Example:**
  - **Probability:** –150 (60% win probability)
  - **Vig (8% margin):** –184
  - **Book Risk Adjustment (too much money on Eagles):** –200
  - **Worse Payout:** Payout at -150 would have been $166 at -200 its $150
- **Final hold rate or sportsbook net revenue margin:** 6-8%

Source: Kalshi app on August 20th. What Are True Odds in +EV Betting? Understanding Probability (OddsShopper, April 26 2025); Kalshi fee schedule, Sept 2025; InGame Analytics May 2025.

Kalshi Appears To Have Better Odds In Events That We Reviewed

Spruce Point recently tracked 12 games with 24 possible outcomes and Kalshi had better odds in 21 of the 24 outcomes. We acknowledge this data set is limited but we believe Kalshi will predominantly have better odds due to its structure as an exchange.

Sport	Matchup and Time of Screenshot	Kalshi Payout on $100	DraftKings Payout on $100	Kalshi Payout on $100	DraftKings Payout on $100
NFL	Cowboys at Eagles Q2, 14:56	Eagles Win $153	Eagles Win $151.28	Dallas Win $264	Dallas Win $250
NFL	Chiefs at Chargers 6 hours before Kickoff	Chargers Win $251	Chargers Win $240	Chiefs Win $160	Chiefs Win $160.24
NFL	Bucs at Falcons Q2, 14:07	Bucs Win $257	Bucs Win $250	Falcons Win $155	Falcons Win $151.28
NFL	Ravens at Bills End of Q2	Ravens Win $126	Ravens Win $124.39	Bills Win $423	Bills Win $390
NFL	Bears Vikings Q4, 00:16	Bears Win $1,875	Bears Win $1,600	Vikings Win $104	Vikings Win $102.50
College Football	Texas A&M vs Notre Dame 9/9	Notre Dame Win $138	Notre Dame Win $135.08	Texas A&M Win $321	Texas A&M Win $333

Source: See Kalshi odds screenshots in the appendix.

Spruce Point Capital Management

Kalshi Appears To Have Better Odds In Events That We Reviewed (Cont'd)

Sport	Matchup and Time of Screenshot	Kalshi Payout on $100	DraftKings Payout on $100	Kalshi Payout on $100	DraftKings Payout on $100
College Football	South Florida at Miami 9/9	Miami Win $113	Miami Win $111.76	South Florida Win $636	South Florida Win $675
College Football	Georgia at Tennessee 9/9	Georgia Win $162	Georgia Win $161.72	Tennessee Win $239	Tennessee Win $236
MLB	Red Sox at Yankees 8/24	RedSox Win $1,062	RedSox Win $950	Yankees Win $105	Yankees Win $103.44
Tennis	Tsitsipas vs Muller 8/24	Tsitsipas Win $152	Tsitsipas Win $150	Muller $258	Muller $240
Tennis	Humbert vs Walton 8/24	Humbert Win $140	Humbert Win $136.36	Walton Win $305	Walton Win $295
WNBA	Aces at Sky	Aces Win $118	Aces Win $117.39	Sky Win $538	Sky Win $525

Source: See Kalshi odds screenshots in the appendix.

Kalshi Appear To Have Better Odds Than DKNG In 12 of 16 Games, Both Pregame And In-Play (NFL Week 4)

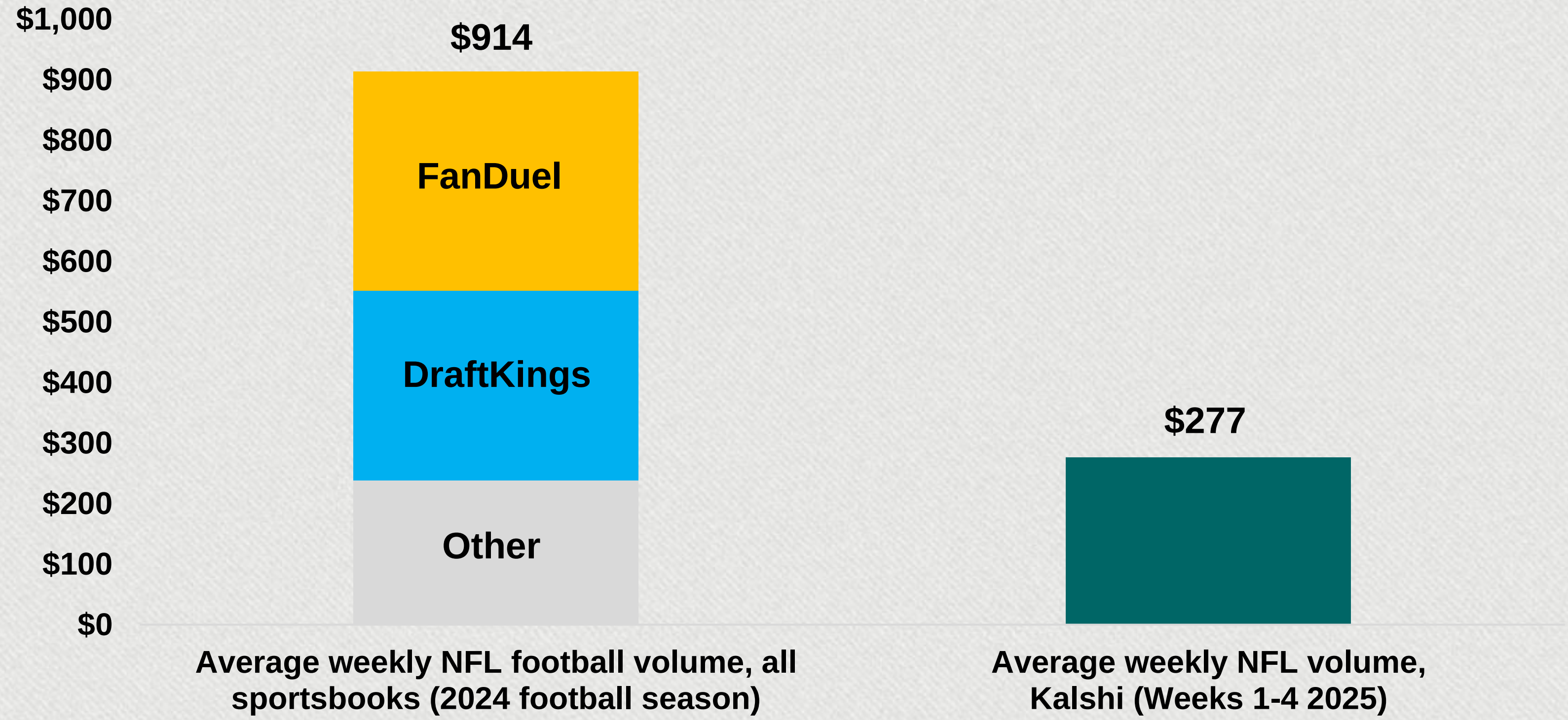
Sport	Matchup and Time of Screenshot	Kalshi Payout on $100	DraftKings Payout on $100	Kalshi Payout on $100	DraftKings Payout on $100
College Football	LSU vs Ole Miss 4 hours before Kickoff	LSU win $210	LSU win $205	Ole Miss win $180	Ole Miss win $180
College Football	LSU v Ole Miss Q2 5:04	LSU win $223	LSU win $220	Ole Miss win $170	Ole Miss win $164.93
NFL Football	CHI v LV 4 hours before Kickoff	CHI win $210	CHI win $200	LV win $183	LV win $183.33
NFL Football	CHI v LV Q4: 11:26	CHI win $392	CHI win $380	LV win $129	LV win $125.31
NFL Football	GB v DAL 45 minutes before Kickoff	GB win $132	GB win $128.98	DAL win $365	DAL win $375
NFL Football	GB v Dal Overtime 3:57	GB win $311	GB win $300	DAL win $146	DAL win $137.03
NFL Football	IND v LA 4 hours before Kickoff	IND win $257	IND win $260	LA win $157	LA win $152.08
NFL Football	IND v LA Q3 12:33	IND win $286	IND win $285	LA win $148	LA win $140.81

Source: See Kalshi odds screenshots in the appendix.

Kalshi Week 1 – 4 NFL Football Handle Should Set Off The Fire Alarm

In 2024, we estimate U.S. OSB operators averaged $3.4 billion in weekly handle across all sports during the football season. We estimate NFL football, excluding parlays, accounted for $914 million per week (27% of total). On average, Kalshi generated $277 million of handle per week in the first four weeks of the 2025 NFL season. This represents ~30% of the weekly NFL handle that the OSB operators generated during Sept.-Dec. ‘24.

OSBs vs. Kalshi Week 1 – 4 Weekly NFL Handle ($ in millions)



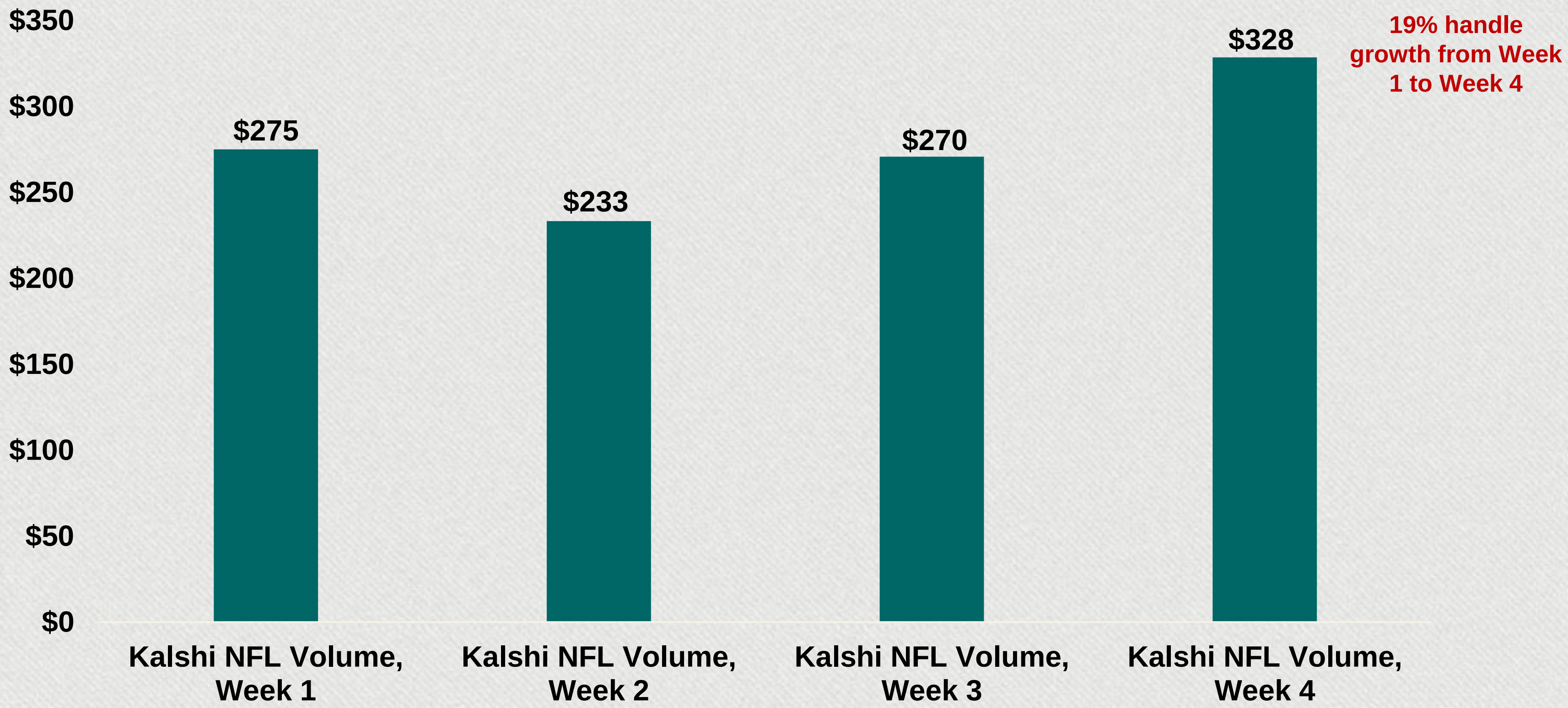
Source: Screenshots of handle in Appendix. We assume [$150 billion OSB market across 33 reporting markets](). [NY Gaming Commission reports weekly sports wagering]() and [CO monthly sport wagering]().

Spruce Point Capital Management

Kalshi Week 1 – 4 NFL Football Handle Should Set Off The Fire Alarm (Cont'd)

We estimate DKNG averaged $307 million (excluding parlays) in weekly NFL handle during the first four weeks of the 2025 season. Kalshi has already topped this benchmark in Week 4. Kalshi has grown its NFL handle by 19% from Week 1 to Week 4. Momentum is accelerating organically, without material ad spend, highlighting Kalshi's disruptive risk to DKNG.

Kalshi Week 1 – 4 NFL Handle ($ in millions)

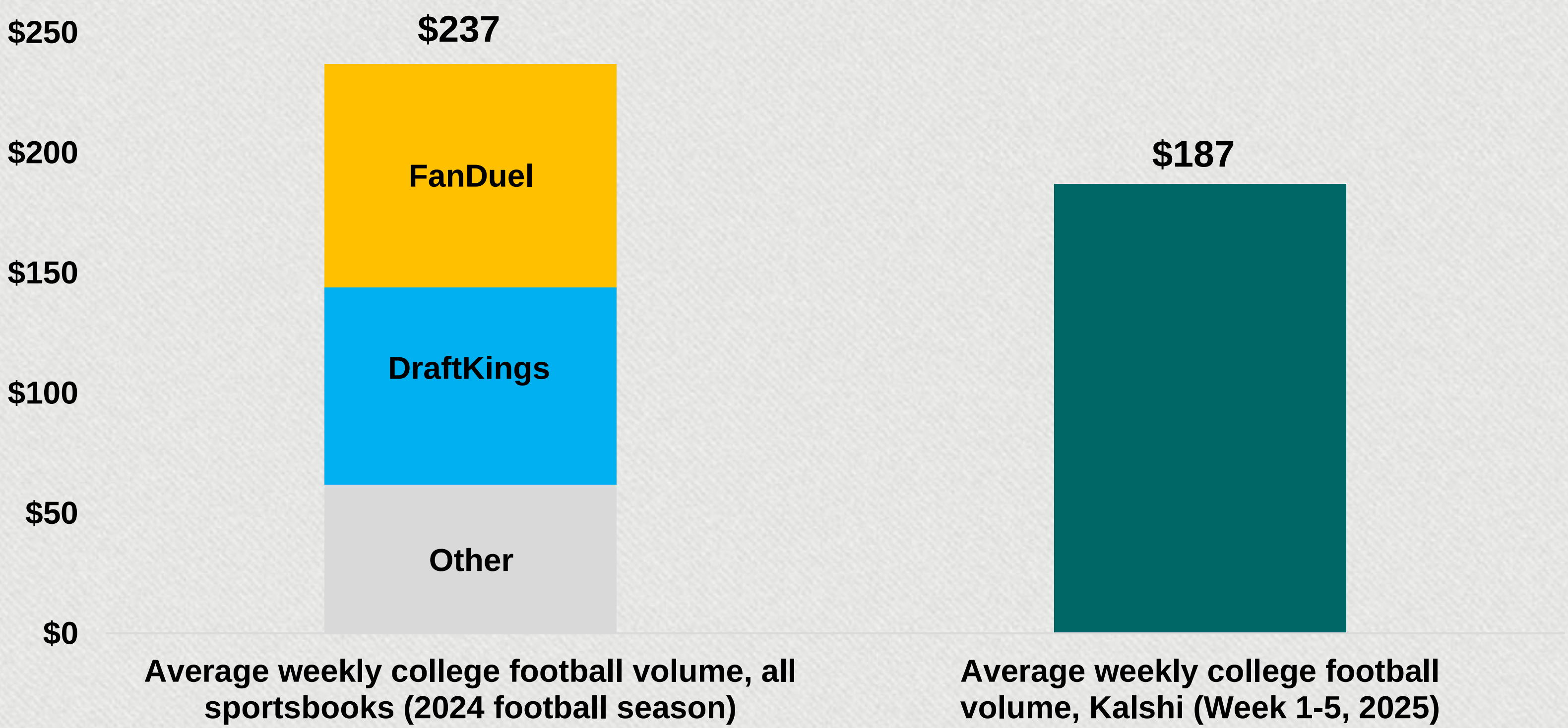


Source: Screenshots of handle in Appendix. We assume NY Gaming Commission reports weekly sports wagering and CO monthly sport wagering. Spruce Point red emphasis.

Kalshi Week 1 – 5 NCAA Football Handle Should Set Off The Fire Alarm

In 2024, we estimate U.S. OSB operators averaged $3.4 billion in weekly handle across all sports during the football season. We estimate NCAA football, excluding parlays, accounted for $237 million per week (7% of total). On average Kalshi generated $187 million of handle per week in the first five weeks of the 2025 NCAA football season. This represents ~79% of the weekly NCAA football handle that the OSB operators generated during Sept.-Dec. '24.

OSBs vs. Kalshi Week 1 – 5 NCAA Football Handle ($ in millions)

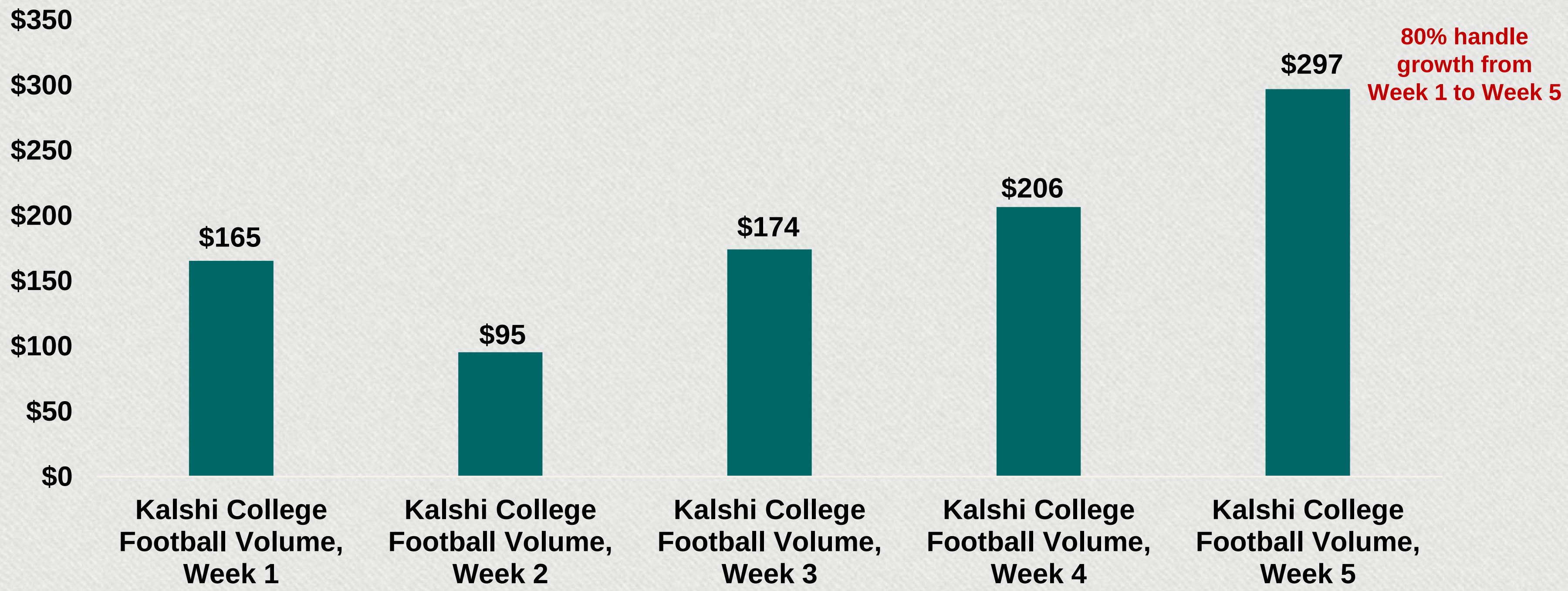


Source: Screen shots of handle in Appendix. We assume $150 billion OSB market across 33 reporting markets. NY Gaming Commission reports weekly sports wagering and CO monthly sport wagering.

Kalshi Week 1 – 5 NCAA Football Handle Should Set Off The Fire Alarm (Cont'd)

We estimate DKNG averaged $77 million (excluding parlays) in NCAA football handle during the first five weeks of the 2025 season. By contrast, Kalshi alone posted $297 million in Week 5. We believe a meaningful share of NCAA handle is driven by college students, since Kalshi is 18+ versus OSBs at 21+. The result: Kalshi is capturing would-be DKNG users three years before they can legally bet on sportsbooks, potentially hurting DKNG's future pipeline of users. In four weeks, Kalshi grew its NCAA football handle by 80%.

OSBs vs. Kalshi Week 1 – 5 NCAA Football Handle ($ in millions)



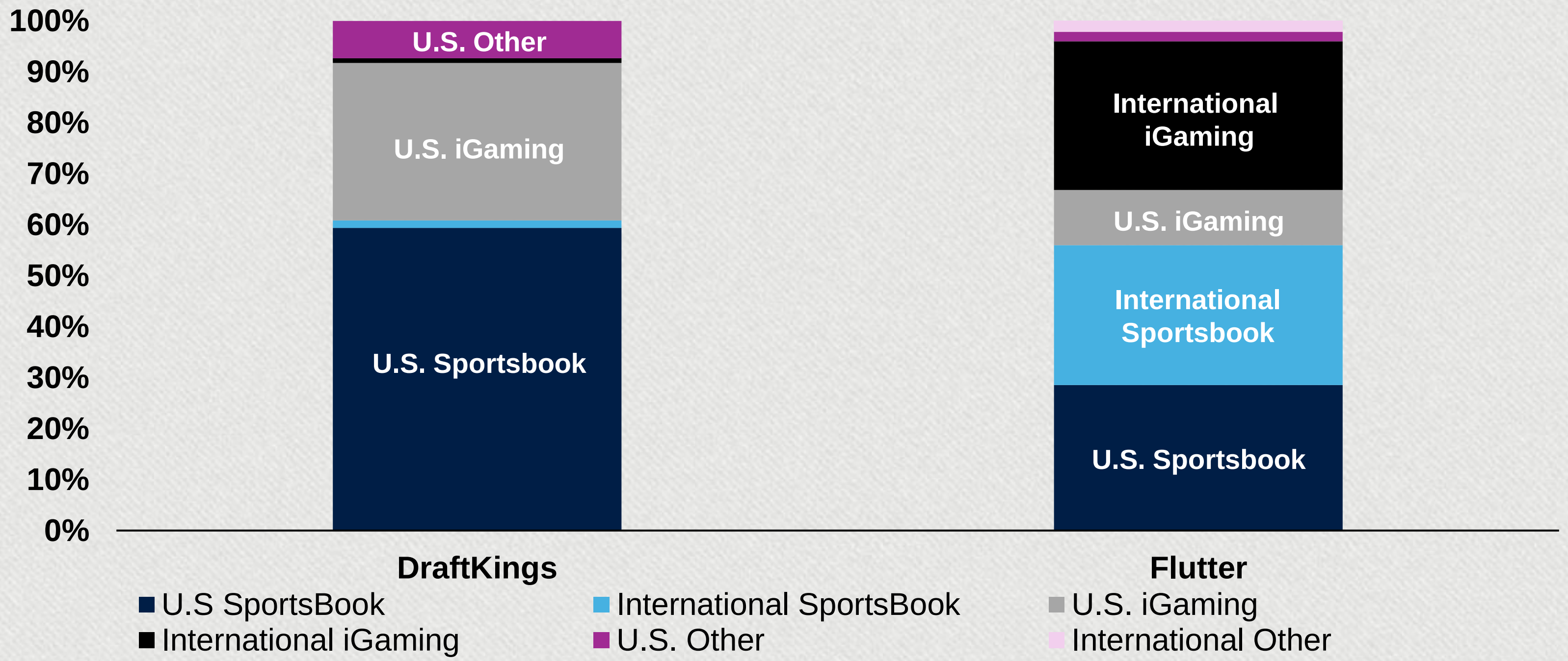
Source: Screen shots of handle in Appendix. We assume NY Gaming Commission reports weekly sports wagering and CO monthly sport wagering. Spruce Point red emphasis.

Spruce Point Capital Management

DKNG Business Is Concentrated In U.S. Sportsbook, FLUT (Flutter) Is Diversified

Spruce believes Kalshi and other prediction market entrants (e.g., Polymarket) represent a much larger threat to DKNG than to Flutter (FLUT). DKNG is almost entirely U.S.-dependent, with ~61% of its total revenue coming from its U.S. sportsbook, compared to just 29% for FLUT. FLUT offsets this risk with 27% of revenue from international sportsbooks, while DKNG has virtually no international presence.

2024 Revenue by Segment for DKNG and FLUT



Source: 2024 DKNG 10K and 2024 FLUT 10K.

According To State Of NY Data, Kalshi Appears To Be Taking Share

Spruce Point analyzed NY sportsbook handle growth excluding DKNG. Through September 29th, the combined handle of FanDuel, BetMGM, Fanatics, ESPN Bet, and others grew 18.4% YoY. Over the same period, DKNG grew only 13.1%. It appears Kalshi is having a disproportionate effect on DKNG relative to other sportsbooks. The 18.4% OSB growth vs the 13.1% growth for DKNG points to evidence that Kalshi siphoned off volume from DKNG during March Madness, NBA playoffs, MLB, Tennis, and now CFB and NFL. If we focus on the first four weeks of NFL football, DKNG's handle growth has slowed to 11.3% versus 13.1% for the rest of the year. Even worse, DKNG's handle dropped 8.9% from Week 3 to Week 4, while Kalshi's NFL and NCAA football handle surged 31% in the same week, a widening divergence that highlights Kalshi's potential share capture at DKNG's expense.

DKNG in NY

2024 Dates	2024 Handle	2025 Dates	2025 Handle
01/28/24	$ 143,997,840	01/26/25	$ 189,915,839
02/04/24	$ 126,201,056	02/02/25	$ 177,513,737
02/11/24	$ 167,309,535	02/09/25	$ 193,961,420
02/18/24	$ 155,691,619	02/16/25	$ 160,770,354
02/25/24	$ 130,039,010	02/23/25	$ 144,321,872
03/03/24	$ 155,205,021	03/02/25	$ 229,462,333
03/10/24	$ 146,538,194	03/09/25	$ 239,424,196
03/17/24	$ 147,970,778	03/16/25	$ 211,927,368
03/24/24	$ 174,377,327	03/23/25	$ 189,046,954
03/31/24	$ 153,852,827	03/30/25	$ 177,814,590
04/07/24	$ 163,456,468	04/06/25	$ 189,008,182
04/14/24	$ 193,232,471	04/13/25	$ 163,514,962
04/21/24	$ 187,129,088	04/20/25	$ 150,472,293
04/28/24	$ 152,809,081	04/27/25	$ 181,268,409
05/05/24	$ 217,230,356	05/04/25	$ 163,907,213
05/12/24	$ 231,480,985	05/11/25	$ 172,955,865
05/19/24	$ 167,614,361	05/18/25	$ 176,164,717
05/26/24	$ 155,730,752	05/25/25	$ 179,179,440
06/02/24	$ 121,291,970	06/01/25	$ 187,561,645
06/09/24	$ 123,736,469	06/08/25	$ 146,286,815
06/16/24	$ 125,653,267	06/15/25	$ 142,598,474
06/23/24	$ 118,021,954	06/22/25	$ 145,538,449
06/30/24	$ 113,507,625	06/29/25	$ 129,157,985
07/07/24	$ 118,012,754	07/06/25	$ 133,733,446
07/14/24	$ 110,224,049	07/13/25	$ 122,657,721
07/21/24	$ 81,544,841	07/20/25	$ 100,489,018
07/28/24	$ 97,010,134	07/27/25	$ 114,221,927
08/04/24	$ 125,768,346	08/03/25	$ 110,289,409
08/11/24	$ 116,388,685	08/10/25	$ 105,277,539
08/18/24	$ 103,743,269	08/17/25	$ 122,438,986
08/25/24	$ 105,138,977	08/24/25	$ 132,593,559
09/01/24	$ 150,365,004	08/31/25	$ 166,340,671
09/08/24	$ 181,128,402	09/07/25	$ 205,254,443
09/15/24	$ 184,345,077	09/14/25	$ 202,367,321
09/22/24	$ 181,648,143	09/21/25	$ 219,813,406
09/29/24	$ 196,317,297	09/28/25	$ 200,288,092

2024 Handle Jan 23 to Sept 28	$ 5,796,947,454
2025 Handle Jan 23 to Sept 28	$ 6,554,419,613
YoY Growth Jan 23 to Sept 28	13.1%

Sportsbook in NY, Excluding DKNG

2024 Dates	2024 Handle	2025 Dates	2025 Handle
01/28/24	$ 278,334,601	01/26/25	$ 351,201,944
02/04/24	$ 260,357,488	02/02/25	$ 341,477,188
02/11/24	$ 307,275,724	02/09/25	$ 363,917,860
02/18/24	$ 251,113,339	02/16/25	$ 273,306,752
02/25/24	$ 283,839,754	02/23/25	$ 283,920,504
03/03/24	$ 300,883,571	03/02/25	$ 320,402,505
03/10/24	$ 290,602,463	03/09/25	$ 322,758,584
03/17/24	$ 297,303,358	03/16/25	$ 338,904,436
03/24/24	$ 365,234,765	03/23/25	$ 366,296,496
03/31/24	$ 302,534,102	03/30/25	$ 344,556,041
04/07/24	$ 302,518,233	04/06/25	$ 373,476,583
04/14/24	$ 293,776,583	04/13/25	$ 310,915,145
04/21/24	$ 268,644,288	04/20/25	$ 311,643,152
04/28/24	$ 288,119,448	04/27/25	$ 344,898,734
05/05/24	$ 266,887,253	05/04/25	$ 316,344,589
05/12/24	$ 300,795,942	05/11/25	$ 348,127,236
05/19/24	$ 278,274,707	05/18/25	$ 324,668,782
05/26/24	$ 233,957,029	05/25/25	$ 299,052,098
06/02/24	$ 223,182,081	06/01/25	$ 305,752,349
06/09/24	$ 221,686,041	06/08/25	$ 253,892,037
06/16/24	$ 237,109,156	06/15/25	$ 248,232,686
06/23/24	$ 215,097,943	06/22/25	$ 252,801,309
06/30/24	$ 209,133,642	06/29/25	$ 220,518,340
07/07/24	$ 205,937,125	07/06/25	$ 220,711,204
07/14/24	$ 193,514,187	07/13/25	$ 206,037,191
07/21/24	$ 143,036,174	07/20/25	$ 166,102,623
07/28/24	$ 174,668,368	07/27/25	$ 213,500,966
08/04/24	$ 204,830,860	08/03/25	$ 228,677,843
08/11/24	$ 191,391,823	08/10/25	$ 211,337,823
08/18/24	$ 196,412,577	08/17/25	$ 335,760,204
08/25/24	$ 193,704,842	08/24/25	$ 411,475,591
09/01/24	$ 251,055,343	08/31/25	$ 391,768,167
09/08/24	$ 295,174,150	09/07/25	$ 322,327,538
09/15/24	$ 293,902,286	09/14/25	$ 331,419,039
09/22/24	$ 298,422,275	09/21/25	$ 336,027,475
09/29/24	$ 320,503,453	09/28/25	$ 350,118,775

2024 Handle Jan 23 to Sept 28	$ 9,239,214,976
2025 Handle Jan 23 to Sept 28	$ 10,942,329,788
YoY Growth Jan 23 to Sept 28	18.4%

DKNG NY Handle WoW Growth

DKNG Handle in NY

	2024	2025
NFL W1	$ 181,128,402	$ 205,254,443
NFL W2	$ 184,345,077	$ 202,367,321
NFL W3	$ 181,648,143	$ 219,813,406
NFL W4	$ 196,317,297	$ 200,288,092
W3 Over W4 Growth	8.1%	-8.9%

Source: NY Gaming Commission reports weekly sports wagering. Spruce Point red emphasis.

Spruce Point Believes Sports Prediction Exchanges Will Take Significant Market Share

Spruce Point adjusted DKNG's Q3 '25 and Q4 '25 handle based upon Kalshi's handle for the first few weeks of the 2025 NFL and NCAA football seasons. We assume all of DKNG's sportsbook handle is affected except the parlay book of business. Conservatively we estimate DKNG could potentially miss full year '25 consensus revenue estimates by 6.2%. We also illustrate a sensitivity analysis on the next page.

($ in millions)

Q1 '25	
Sportsbook Revenue	$882
Sportsbook Handle	13,880
Hold Rate	6.4%
iGaming Revenue	$423
Other Revenue	$103
Total Revenue for Q1	$1,409

Q2 '25	
Sportsbook Revenue	$998
Sportsbook Handle	11,475
Hold Rate	8.7%
iGaming Revenue	$430
Other Revenue	$85
Total Revenue for Q2	$1,513

Q3 '25E	
Sportsbook Handle (Consensus)	11,705
Kalshi Handle Impact (1)	7.3%
New Sportsbook Volume	10,846
Hold Rate (Consensus)	6.9%
Sportsbook Revenue	$748
iGaming Revenue (Consensus)	$440
Other Revenue Consensus)	$94
Total Revenue for Q3	$1,282

Q4 '25E	
Sportsbook Handle (Consensus)	17,201
Kalshi Handle Impact (2)	22.2%
New Sportsbook Volume	13,377
Hold Rate (Consensus)	8.0%
Sportsbook Revenue	$1,070
iGaming Revenue (Consensus)	$513
Other Revenue Consensus)	$155
Total Revenue for Q4	$1,739

Total 2025 Revenue	$5,942
2025 Consensus Revenue	$6,333
Miss as Dollars	$391
Miss as Percentage	6.2%

Notes: (1) DKNG handle only affected for one month (22.2%*.33). (2) See all assumptions in Appendix.

Spruce Point Believes DKNG's Full Year 2025 Consensus Is At Risk

Consensus hold rates for Q3 '25 and Q4 '25 are 6.9% and 8.0%, respectively. We acknowledge the uplift in recent quarters from parlays and promotional mix but the average hold rate for the past six quarters is 6.6%. Kalshi continues to grow its weekly handle and we believe is taking direct share from DKNG. Spruce Point believes Kalshi will continue to operate while in litigation and DKNG's full year '25 revenue consensus is likely at risk.

Spruce Point Case	Kalshi Sports Handle Growth	Percent of Kalshi Handle Coming from OSB States	Hold Rate, Blended for Q3 & Q4 '25	Miss Over Full Year '25 Consensus
Most Conservative	0%	20%	7.5% Consensus Blended	-3.6%
Semi- Conservative	2.5% per month	25%	7.5% Consensus Blended	-4.5%
Base	5% per month	35%	7.5% Consensus Blended	-6.2%
Semi-Aggressive	7.5% per month	40%	7.0%	-9.1%
Most Aggressive	10% per month	45%	6.5%	-11.9%

Note: See all assumptions in Appendix. Consensus blended is Q3 '25 6.9% hold and Q4 '25 8.0% hold. .

Spruce Point Believes DKNG's 2026 Consensus Revenue Estimates Are Extremely Aggressive

Spruce Point believes our assumptions are conservative given there is a good chance the state litigation ends up at SCOTUS, allowing Kalshi to operate at least through 2026. In our base case, we estimate DraftKings risks missing 2026 revenue by ~15.0%. A sensitivity analysis is shown on the next page.

Step	Description	Math	Result
1A. Consensus 2026 Sportsbook Handle	Start with Bloomberg consensus 2026 sportsbook handle	\$61.2B	\$61.2B sportsbook handle (before Kalshi impact)
1B. Adjust for Kalshi Impact	Assume Kalshi takes 20% of DKNG sportsbook volume, excluding parlays Context: This assumes 20% blended across all sports but excludes parlays. We believe Kalshi already took ~11% of DKNG NFL volume and ~27% of DKNG CFB volume during Week 1 of play. Numbers are based on Kalshi's W1 NFL and NCAA FB volume, DKNG 35% market share, and assumes 40% of its users are in OSB states.	\$61.2B × (1 – 0.20)	\$48.9B sportsbook handle (after Kalshi impact)
1C. Convert Handle to Revenue	Apply a 7.6% hold rate Avg: 6.4% Q1 '25, 8.7% Q2 '25, 7.3% Q3 '25E and 8.0% Q4 '25E	\$48.9B × 7.6%	\$3.7B Sportsbook Revenue
2. Add iGaming	Assume iGaming revenue grows 20% YoY from 2025 consensus	\$1.8B × 1.2	\$2.2B iGaming Revenue
3. Add Other Revenue	Assume Other revenue grows 15% YoY from 2025	\$0.43B × 1.15	\$0.5B Other Revenue
4. Total 2026 Revenue	Add sportsbook revenue, iGaming revenue, and other revenue	\$3.7B + \$2.2B + \$0.5B	\$6.4B Total Revenue
5. Compare to Street Consensus	Consensus revenue for 2026 is \$7.5B, at \$6.4B, DKNG is \$1.1B short	\$6.4B ÷ \$7.5B	**~15.0% Miss**

Spruce Point Believes DKNG's 2026 Consensus Revenue Estimates Are Extremely Aggressive (Cont'd)

DKNG's hold rate is the big driver for these assumptions. Over the last six quarters DNKG's hold rate averaged 6.6%. We acknowledge parlays and promotional mix drove the hold rate to 8.7% in Q2' '25 but we do not expect that to be the norm. We believe we have been very conservate by only taking the hold rate down to 7.2% in our most aggressive case.

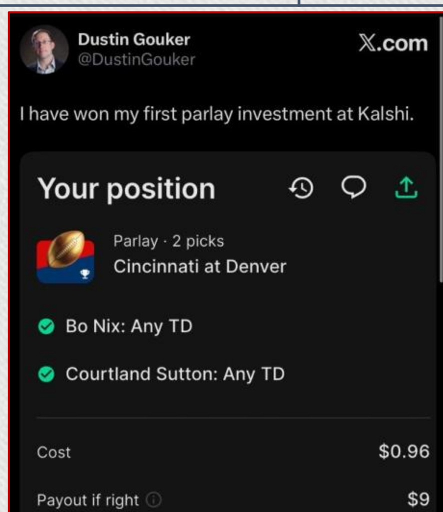
Spruce Point Case	Net Handle Kalshi Takes Away from DKNG Sportsbook	DKNG iGaming Growth YoY	DKNG Other Growth YoY	Hold Rate	Miss Over Consensus
Most Conservative	10%	25%	20%	8.0%	-4.4%
Semi-Conservative	15%	22%	17%	7.8%	-9.9%
Base	20%	20%	15%	7.6%	-15.0%
Semi-Aggressive	30%	15%	10%	7.4%	-23.8%
Most Aggressive	40%	10%	8%	7.2%	-32.2%

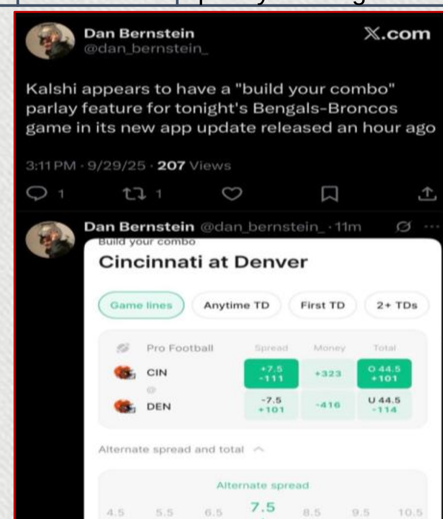
Note: See previous slide for assumptions.

Our Analysis Of DKNG Losing Volume Did Not Factor In Parlays, Which Kalshi Is Now Offering

Kalshi already offered most of the products available on DKNG. We estimate parlays account for ~25% of DKNG's betting mix and represent its most profitable product. Our 2025 and 2026 impact analysis did not assume any pressure on DKNG's parlay business. However, as of Monday Night Football on September 29, 2025, Kalshi has enabled users to build their own parlays, a direct threat to DKNG's most lucrative segment.

Bet Type	DraftKings	Kalshi	Notes
Moneyline: Picking a team or player to win outright.	✅	✅	Kalshi offers binary "Will Team X win?" contracts
Spread: Covering or failing to cover the handicap.	✅	✅	Kalshi added point-spread contracts on August 18, 2025
Prop: Player props (TDs, yards, points, rebounds, etc.)	✅	✅	Kalshi added prop bets contracts on August 18, 2025; still building out prop offering
Futures: Long-term outcomes (Super Bowl champ, Rookie of the Year, MVP).	✅	✅	Kalshi offers binary "Will X player or team win Y" contracts
In game / live betting: Bets placed as the game unfolds.	✅	✅	Kalshi offers live trades on games in progress, odds update in real time
Parlays: Multiple picks tied together; all must win.	✅	✅	First NFL parlay offered on September 29, 2025; still building out parlay offering





Source: Kalshi app. CO monthly sport wagering

Market Misperceptions: Handle

Spruce Point believe the market has two misinterpretations regarding Kalshi's handle. 1) Kalshi updated its volume or handle calculation back in 2021. Originally, they did count each Yes and No position as a separate contract but that is no longer the case. 2) Critics argue that resales exaggerate handle. This argument conveniently leaves out that the contract is trading hands but it's a separate market participant buying the contract. The contract is the same, but each trade is a separate economic decision by a different buyer or seller. We believe it reflects real competitive diversion of wallet share away from OSB operators' handle. Spruce Point believes the sports handle disclosed by Kalshi is comparable and consistent with the OSB operators' handle.

Kalshi Updates Handle Calculation

KalshiEX LLC

Announcement of Updated Calculation of Open Interest and Volume
12.24.21

As of Friday, December 24, 2021, the Exchange has updated the way that it calculates open interest and volume. The Exchange will now count each pair of Yes and No positions as a single contract. The Exchange originally counted each Yes and each No position as a separate contract. However, representing a Yes and No pair as a single contract is more helpful and consistent with standard industry and regulatory terminology. You'll see the effects of this change in our calculations of volume and open interest, including historical data.

Should you have any question or require further information, please contact us through our support email: support@kalshi.com

Kalshi Response To Handle Question 9/9/25

Joe (Kalshi)
Sep 9, 2025, 10:11 PM EDT

Hi [redacted] thanks for the note. On Kalshi, trading volume equals dollars traded counted once at $1 notional per contract. In your example you put up $38 and your counterparty puts up $62, so we report $100 in trading volume. I hope this is helpful!

Source: Kalshi 12/24/21 announcement and Kalshi response from Spruce Point email.

Spruce Point Capital Management

Sell-Side Misperception?

Spruce Point believes two key sell-side assumptions are flawed. First, JP Morgan's claim that 70% of handle comes from the NFL is inconsistent with state data: Colorado data shows that NFL averaged just 27% of sportsbook handle from Sept.–Dec. 2024 (including MNF, since data is weekly). Second, we believe that JP Morgan's model incorrectly divides by two on contract size, assuming each matched contract is $2. In reality, we believe, it is $1; Kalshi changed this methodology in 2021, which we confirmed directly with the company via email and in the Notice Regarding Volume Calculation by Kalshi in 2021.

JP Morgan Analysis

Figure 6: Week 1 Math: Kalshi Trading Volumes vs Legal OSB Handle

Kalshi Week 1 vs. Legal OSB Week 1 Math	
in $ millions	
NY OSB Week 1 Handle	528
Assume 50% NFL	264
Add 20% for MNF	20%
NY OSB NFL Week 1 est. Handle	317
NY Handle ~ 15% as % of US	15%
Implied Week 1 NFL Handle (OSB)	**2,112**
Kalshi NFL Week 1 Trading Volume	260
Two way trading (ie divide by two)	130
Assume avg. $0.50 notiona/contract	0.50
Kashi NFL equiv OSB handle	**65**
NFL OSB Volume (est.)	**2,112**
Kalshi NFL as % of US OSB NFL Handle	3.1%

Source: Kalshi, New York Gaming Commission, J.P. Morgan estimates.

Spruce Point Analysis

NY OSB Week 1-4 Avg. Handle	$541
Assume NFL share, based on CO data (1)	27%
NY OSB Weekly NFL Handle	**$146**
NFL Handle ~15% as % of US	6.6x
Implied Avg NFL Handle (OSB)	**$965**
Kalshi NFL Week 1-4 Avg. Handle	**$277**
NFL OSB Volume (est.)	**$965**
Kalshi NFL as % OSB NFL Handle	**29%**

Note: (1) While Spruce Point acknowledges a portion of parlays has NFL volume, we omitted NFL share from parlays in our analysis as we assume Kalshi is not taking share from parlays, given that they just launched NFL parlay markets as of this writing. Source: NY Gaming Commission reports weekly sports wagering, CO monthly sport wagering, and Notice Regarding Volume Calculation by Kalshi. . Spruce Point red emphasis.

SPRUCE POINT
CAPITAL MANAGEMENT

Market Misperceptions: Hold Rate

Typically, OSB operators keep \$8–\$10 of revenue on every \$100 wagered through their 8–10% vig or margin. The 8-10% is the built-in margin if bets were perfectly balanced. DKNG's actual sportsbook hold is ~6-8%. Spruce Point believes there is some perception by the market recently that the exchanges hold rate is ~4%. Spruce Point's research indicates the hold rate is closer to ~1.5%. In other words, if DKNG pivots into exchanges in the coming years, the TAM expansion opportunity touted by sell-side equity analysts and others might not meet expectations. In addition, once all the litigation settles, we believe sports prediction exchanges will either operate in all 50 states or none unless the exchanges pivot to gambling licenses and paying taxes. We believe there is a TAM expansion opportunity for DKNG if the sports exchanges are free to operate in the 50 states but we believe it is also a very significant TAM and EBITDA detractor for DKNG's business in its current 26 state sportsbook presence as a large portion of DKNG's hold rate could fall from 6-8% down to the 1.5% to 3% range.

Statistically Significant Analysis = 1.5%

- InGame reviewed millions of Kalshi trades from February to 2025 (over \$1B in reported volume) and applied Kalshi's published fee schedule to every contract, estimating \$15.2M in fees or ~1.5% hold rate.

\$2.6 / \$196 = 1.3%

Kalshi Former Employee

- Adhi Rajaprabhakaran, known as 50¢ Dollars on Substack, a former Kalshi employee, and prediction market expert estimates revenue to be ~1.3% of volume or handle.

Source: Kalshi fee schedule.

Sell-Side Misperception?

Spruce Point believes Barclays may have misinterpreted how Kalshi's fees work. Remember, contracts with Kalshi have two sides. We believe Barclays treated each bet or contract as just the buyer's spend but every contract also has a seller counterparty. Both sides together form the true notional volume of the contract. For example, at 10¢, Barclays showed only the $100 buyer side (1,000 Yes @ $0.10 = $100). What they missed: the seller side puts up $900 (1,000 No @ $0.90 = $900). Together, the real trade size is $1,000 notional, not $100, with a total fee of 1.1% not 6.3%. We believe Barclays' chart makes Kalshi's hold rate look much higher when measured against true notional traded (both sides).

Barclays Analysis

FIGURE 4. Prediction Trading Fee More Expensive for Long-shots/Underdogs Than Favorites

Contract Price/% Likelihood of Occuring	$100 Bet/Trade Size			
	Fee per Contract	# of Contracts (Rounded to Nearest Whole)	Trading Fee	Trading Fee % of Trading Size
$0.10	$0.006	1,000	$6.30	6.3%
$0.20	$0.011	500	$5.60	5.6%
$0.30	$0.015	333	$4.90	4.9%
$0.40	$0.017	250	$4.20	4.2%
$0.50	$0.018	200	$3.50	3.5%
$0.60	$0.017	167	$2.80	2.8%
$0.70	$0.015	143	$2.10	2.1%
$0.80	$0.011	125	$1.40	1.4%
$0.90	$0.006	111	$0.70	0.7%

Source: Kalshi.com, Barclays Research

Spruce Point Analysis

Matched Contract	Shares bought by each side	Buyer Stake	Seller Stake	Total Notional	Total Fee ($)	Fee % of Notional
$0.10 + $0.90	100	$10	$90	$100	$0.58 + $0.52 = **$1.10**	**1.10%**
$0.20 + $0.80	100	$20	$80	$100	$1.08 + $1.04 = **$2.12**	**2.12%**
$0.30 + $0.70	100	$30	$70	$100	$1.38 + $1.42 = **$2.80**	**2.80%**
$0.40 + $0.60	100	$40	$60	$100	$1.70 + 1.68 = **$3.38**	**3.38%**
$0.50 + $0.50	100	$50	$50	$100	$1.75 + $1.75 = **$3.50**	**3.50%**

Source: Kalshi fee schedule, Sept 2025. Spruce Point red emphasis.

We Believe In-Game Betting Drives Down Kalshi's Hold Rate

Spruce Point believes a significant portion of Kalshi's handle is generated in-game and typically late in the game when probabilities skew toward 10%/90% or 20%/80%, not 50%/50%. The distribution of contracts across odds bands drives fee yield, in-game skewed bets dominate, pulling down the average fee %. Kalshi's realized hold rate could be closer to ~1.5%, not the higher mid-point rates.

$0.10 + $0.90 Contract

New Orleans at Buffalo
Buy Yes · New Orleans

Number of Shares	100
Includes a fee of $0.58.	9¢
You're buying	$9.58
Payout if Yes wins	$100 (+$90.42)

New Orleans at Buffalo
Buy No · New Orleans

Number of Shares	100
Includes a fee of $0.52.	92¢
You're buying	$92.52
Payout if No wins	$100 (+$7.48)

Total fee = $1.10 out of $100 volume

$0.20 + $0.80 Contract

Cleveland at Detroit
Buy Yes · Cleveland

Number of Shares	100
Includes a fee of $1.08.	20¢
You're buying	$20.08
Payout if Yes wins	$100 (+$79.92)

Cleveland at Detroit
Buy No · Cleveland

Number of Shares	100
Includes a fee of $1.04.	83¢
You're buying	$83.04
Payout if No wins	$100 (+$16.96)

Total fee = $2.12 out of $100 volume

$0.30 + $0.70 Contract

Carolina at New England
Buy Yes · Carolina

Number of Shares	100
Includes a fee of $1.53.	33¢
You're buying	$33.53
Payout if Yes wins	$100 (+$66.47)

Carolina at New England
Buy No · Carolina

Number of Shares	100
Includes a fee of $1.50.	70¢
You're buying	$70.50
Payout if No wins	$100 (+$29.50)

Total fee = $3.03 out of $100 volume

$0.40 + $0.60 Contract

New York J at Miami
Buy Yes · New York J

Number of Shares	100
Includes a fee of $1.70.	42¢
You're buying	$42.70
Payout if Yes wins	$100 (+$57.30)

New York J at Miami
Buy No · New York J

Number of Shares	100
Includes a fee of $1.68.	61¢
You're buying	$61.68
Payout if No wins	$100 (+$38.32)

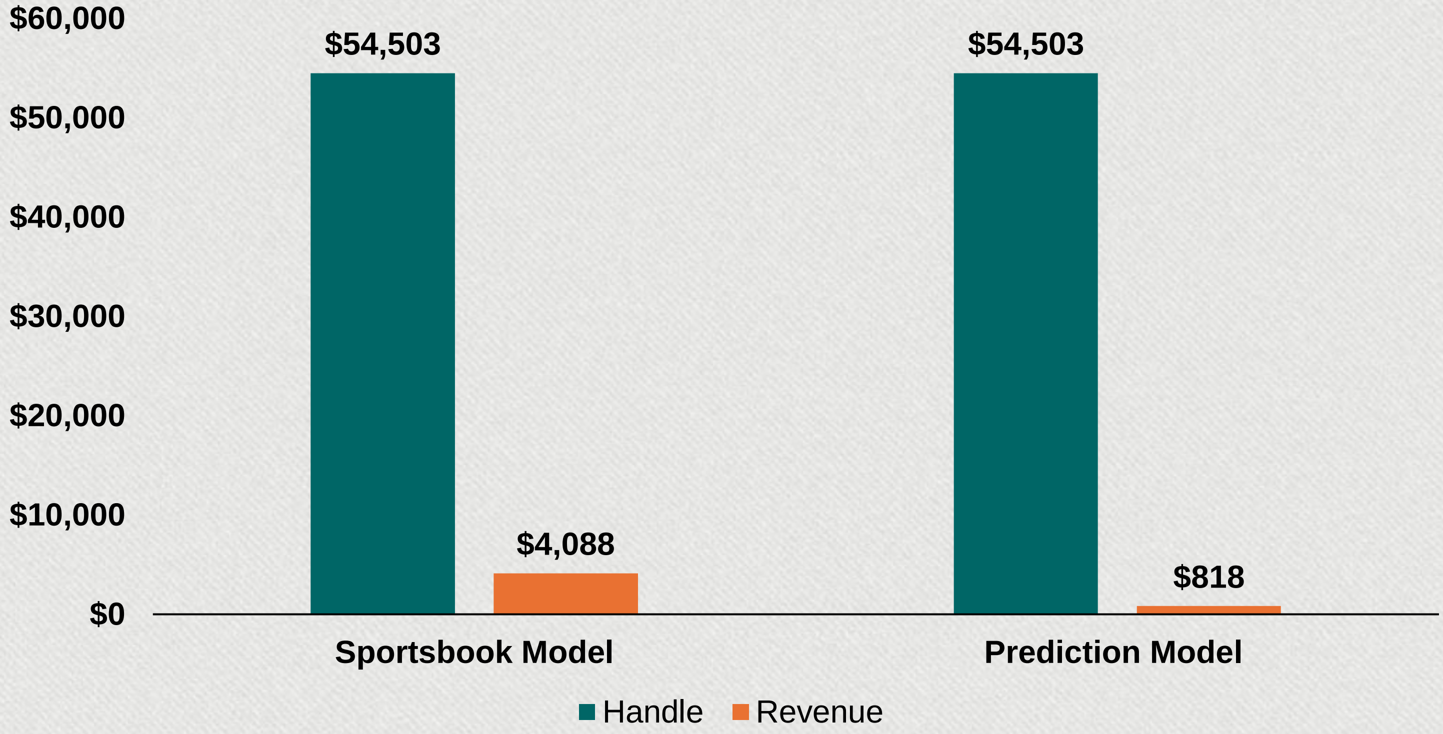
Total fee = $3.38 out of $100 volume

Source Kalshi screen shots.

We Believe Revenue Would Decline Significantly If DKNG Moved To A Prediction Market Model

Some analysts suggest that DKNG could pivot to a prediction market model, but we believe doing so would likely devastate its economics. Consensus estimates project $54.5 billion in handle and $4.1 billion in revenue from DKNG's sportsbook for 2025. If DKNG processed the same handle, avoided state GGR taxes, and instead collected a 1.5% fee, the rate experts estimate Kalshi captures, its revenue would fall to just $818 million, an 80% decline.

DraftKings Revenue, Sportsbook vs Prediction Market Model ($ in millions)



Source: 2025 Blomberg consensus for handle and sportsbook revenue.

We Believe Analysts Are Not Fully Coming To Grips With DKNG's Challenges

Spruce Point believes that analysts are downplaying the tectonic shift that we believe is occurring in the sports betting market and its impact on DKNG. Analysts are using emotionally charged language and softening concerns with words like "potentially challenging" to justify buying its shares. However, with some analysts still projecting a price target over $60, a dozen analysts making no price change target at all, and the consensus target at $53 per share, we still see a wave of downgrades and disappointment as likely to pressure the stock.

Morgan Stanley (Overweight, No Price Change)

"Morgan Stanley provided an update for investors Wednesday and advised them to buy into the weakness on both as they still detect "multiple avenues for both operators to benefit regardless of where this outcome ends." Morgan Stanley observes more than 40% upside on both DraftKings and Flutter to its respective price targets of $52 and $352. For Morgan Stanley, the sudden tumble in share prices looks like a knee-jerk overreaction."

BMO (Outperform, No Price Change)

"BMO Capital keeps an Outperform rating and $65 price target on DraftKings while also maintaining the firm's Top Pick designation on the stock. The 11.5% decline on competitive concerns regarding the launch of sports parlays on Kalshi creates a "back-up-the-truck" opportunity, as DraftKings remains a leading online sports betting platform that is well-positioned to scale up a leading prediction market over the long term, the analyst tells investors in a research note."

Benchmark (Buy, $10 Point Cut)

"Benchmark lowered the firm's price target on DraftKings to $43 from $53 and keeps a Buy rating on the shares. With business pressured by the "usual suspects," including unfavorable sports outcomes and elevated promotional expense, as well as a difficult macro backdrop and the rise of prediction markets having shaken investor confidence, the firm thinks Q3 looks "potentially challenging," the analyst tells investors in a preview. However, the firm remains constructive on DraftKings' long-term growth opportunity, the analyst added."

Source: Sell-side reports. Yellow highlight Spruce Point emphasis..

Spruce Point Capital Management

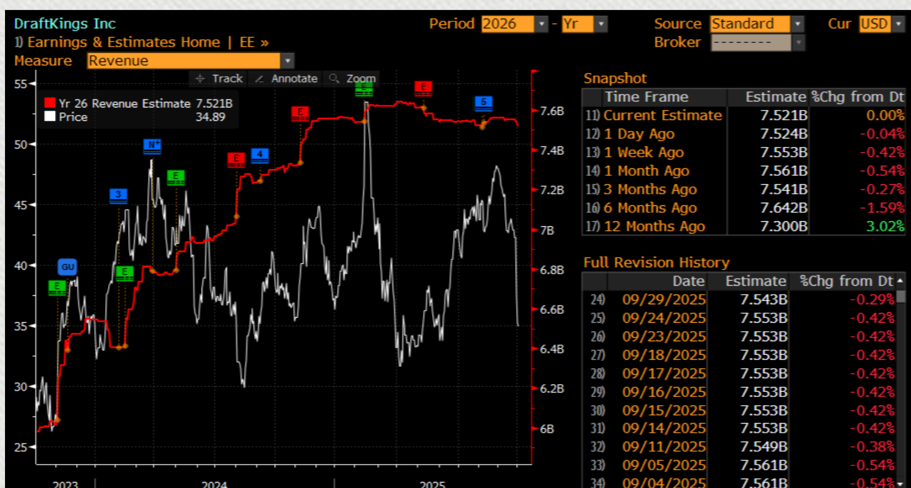
We Believe DKNG Trades At A Rich Valuation Despite The Mounting Headwinds

Spruce Point believes Kalshi, Polymarket, and others will continue to take handle into 2026 and the sell-side will eventually have to adjust their assumptions regarding sports prediction exchanges. Spruce Point finds it shocking that consensus revenue estimates for 2026 have barely declined with the new year only three months away.

DKNG Public Market Overview

Valuation ($ millions, except per share figures)	
Stock Price (as of 10/2/25)	$34.89
Shares Outstanding	496
Dilutive Shares (1)	46
Fully Diluted Shares Out.	542
Market Capitalization	**$18,919**
Less: Cash	(1,262)
Plus: Debt (2)	1,910
Enterprise Value	**$19,567**

Historical and Consensus Financials and Multiples						
(FYE Dec; $ millions)	2021	2022	2023	2024	2025E	2026E
Revenue	$1,296	$2,240	$3,665	$4,768	$6,333	$7,521
YoY Growth	*111%*	*73%*	*64%*	*30%*	*33%*	*19%*
Adj. EBITDA	($676)	($722)	($151)	$181	$828	$1,351
Margin	*(52%)*	*(32%)*	*(4%)*	*4%*	*13%*	*18%*
GAAP Net Income	($1,523)	($1,378)	($802)	($507)	$196	$642
Margin	*(118%)*	*(62%)*	*(22%)*	*(11%)*	*3%*	*9%*
EV / Revenue Multiple				**4.1x**	**3.1x**	**2.6x**



2026E revenue estimates have only modestly declined, with significant room for contraction and disappointment

Source: Bloomberg

(1) Includes 19.0 million stock options with an average $9.28 exercise price and 31.9 million RSUs, PSUs and warrants

(2) Includes $73.7 million of operating leases, $1,257.8 million of convertible debt and $578.5 million of Term Loan B

We See Approximately 35% To 60% Downside In DKNG Shares

Spruce Point believes the launch of sports prediction exchanges comes at an unfortunate time in DKNG's history. The Company is finally seeing some operating leverage but growth appears to be slowing. Spruce Point believes further growth in iCasino will be challenging, states will continue to increase taxes, and the highly competitive and somewhat mature OSB marketplace will curtail handle growth. To our knowledge, Missouri and Alberta are the only two new markets expected through 2027. It's not a question of are the sports prediction exchanges taking market share but rather a question of how much market share and how long can they seize on this opportunity. We believe DKNG's 2025 and 2026 consensus revenue estimates appear very aggressive and DKNG's revenue multiple will contract well below its historical average. Based on our analysis, we estimate approximately 35% to 60% potential downside risk ($14 to $22 per share).

$ in mm, except per share figures Calendar Year	EV / Revenue Multiple	
	Low Case: 25% Rev. Cut	Base Case: 15% Rev. Cut
Multiple	1.5x	2.0x
2026E Revenue	$5,640	$6,393
Enterprise Value	**$8,461**	**$12,785**
Less: Debt	($1,910)	($1,910)
Plus: Cash & Equivalents	$1,262	$1,262
= Equity Value	**$7,813**	**$12,137**
/ Diluted Shares	542	542
Estimated Share Price	**$14.41**	**$22.38**
% Downside	***-59%***	***-36%***

We believe a multiple re-rating is warranted given the tectonic shift in the competitive landscape. DKNG has previously traded as low as 1.7x revenues in late 2022 / early 2023

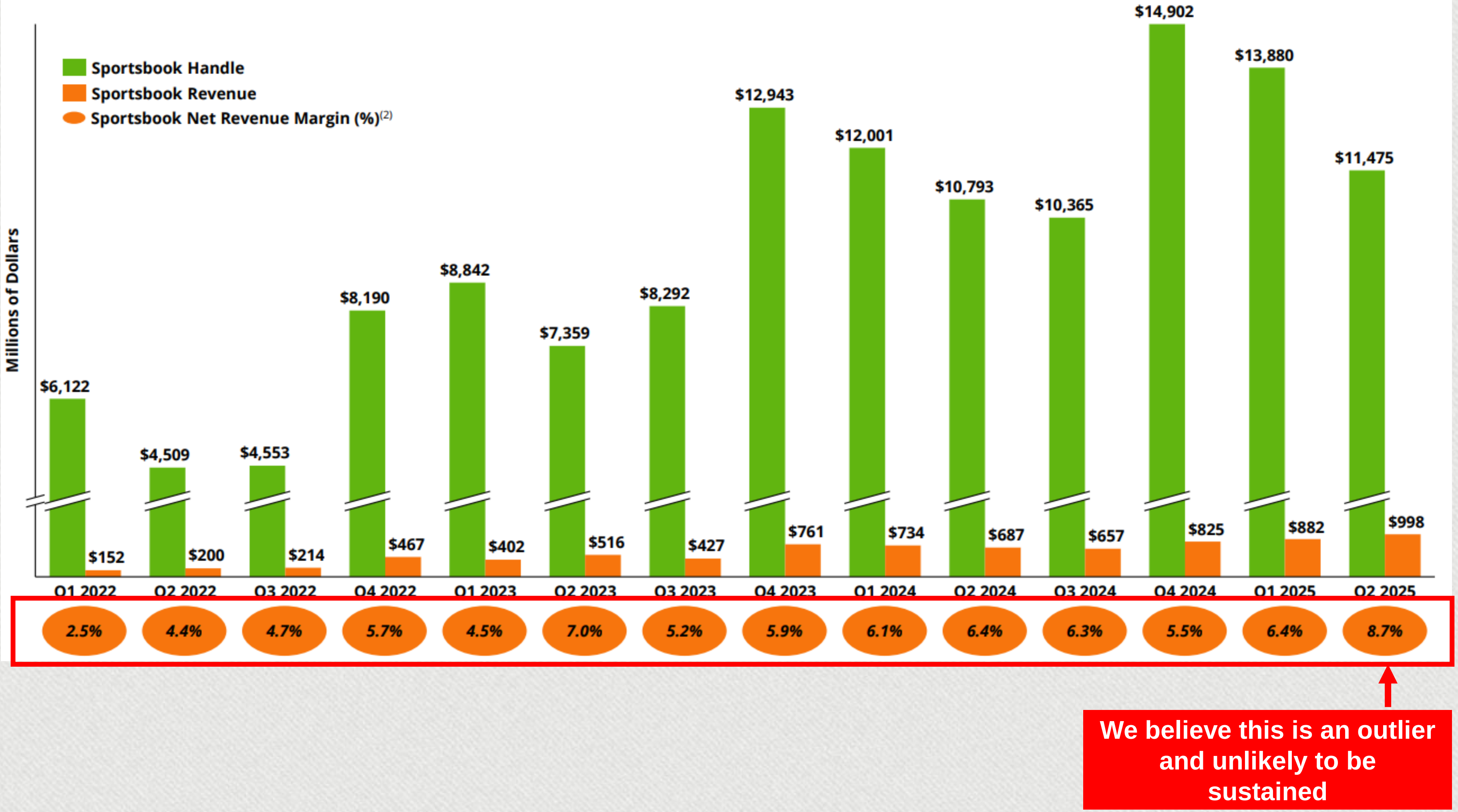
Appendix

Kalshi Market Share Capture Assumptions

Kalshi Market Share Capture	
	Amount
DKNG Weekly Handle (A)	$1,119
NFL % of Handle (B)	$345
NCAA FB % of Handle (C)	$84
Kalshi Weekly NFL Handle (D)	$353
Kalshi Weekly NCAA FB Handle (E)	$320
Kalshi Total NFL and NCAA FB Handle (F)	$673
Kalshi Users in Sportsbook States (G)	35%
DKNG Market Share (H)	35%
Kalshi Mkt. Share Cap. as Total % of All DKNG Handle: (F/A)*G*H	7.4%
Kalshi Mkt. Share Cap. as Total % of NFL DKNG Handle: (D/B)*G*H	12.6%
Kalshi Mkt. Share Cap. as Total % of NCAA FB DKNG Handle: (E/C)*G*H	46.7%
Kalshi Average Mkt. Share Cap. per Sport from DKNG (I)	29.6%
Kalshi Mkt. Share Cap. from DKNG, Exluding Parlays (J)	22.2%

Notes:
(A) Estimate takes the average of the 2024 DKNG NY Week 1-17 of the NFL season and adds 12.3% consensus '25 to '26 DKNG handle growth and then multiply by 5.5x to get the total U.S. weekly handle. 5.5x multiple is based on grossing up DKNG's NY handle to DKNG actual 1H '25 handle.
(B) DKNG weekly volume * 30.8% (CO Department of Rev.).
(C) DKNG weekly volume * 7.5% (CO Department of Rev.).
(D) Spruce Point used actual Kalshi NFL handle from Week 4 and then grew handle by 5% each following month.
(E) Spruce Point used actual Kalshi CFB handle from Week 5 and then grew handle by 5% each following month.
(F) Total Kalshi NFL & NCAA football.
(G) Spruce Point estimates 35% of Kalshi handle comes from the OSB regulated states.
(H) DKNG market share.
(I) Average of Kalshi market share capture (12.6% & 46.7%).
(J) Parlays are 25% of total handle (29.6%*75%)

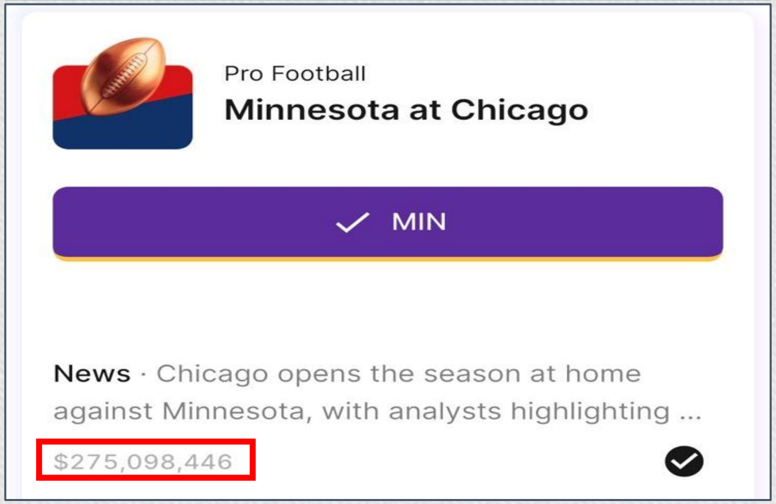
DKNG Historical Hold Rate Or Sportsbook Net Revenue Margin



Source: DKNG Q2 '25 investor presentation. Spruce Point red emphasis.

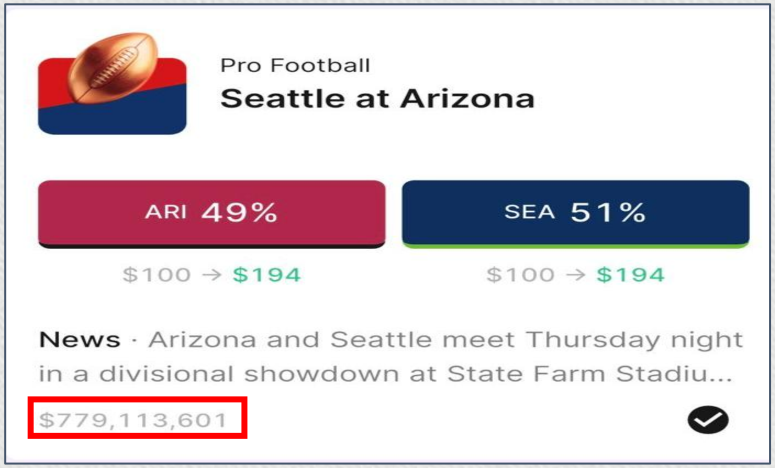
Kalshi NFL Handle (Red Box Is Cumulative Handle)

Kalshi Week 1 NFL Handle: $275m



Kalshi Week 2 NFL Handle: $233m

Kalshi Week 3 NFL Handle: $270m

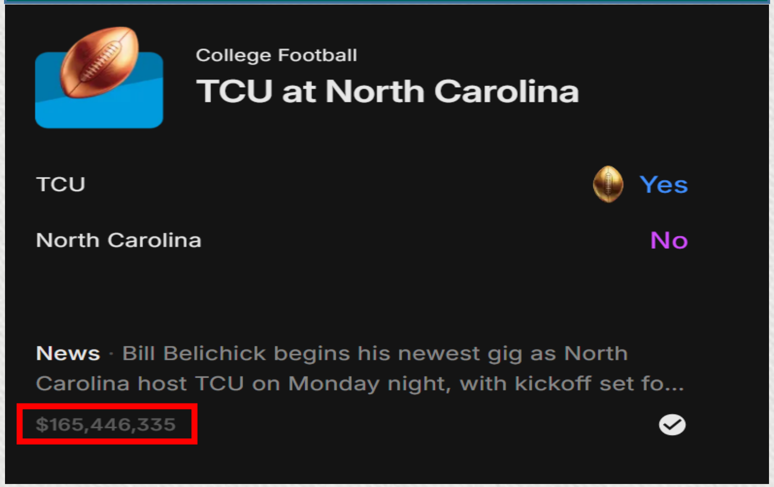


Kalshi Week 4 NFL Handle: $328m

Source: Screenshots taken after last MNF game each week

Kalshi NCAA Football Handle (Red Box Is Cumulative Handle)

Kalshi Week 1 NCAA FB Handle: $165m



Kalshi Week 2 NCAA FB Handle: $95m

Kalshi Week 3 NCAA FB Handle: $174m

Kalshi Week 4 NCAA FB Handle: $206m

Source: Screenshots taken on last game of each College Football Saturday

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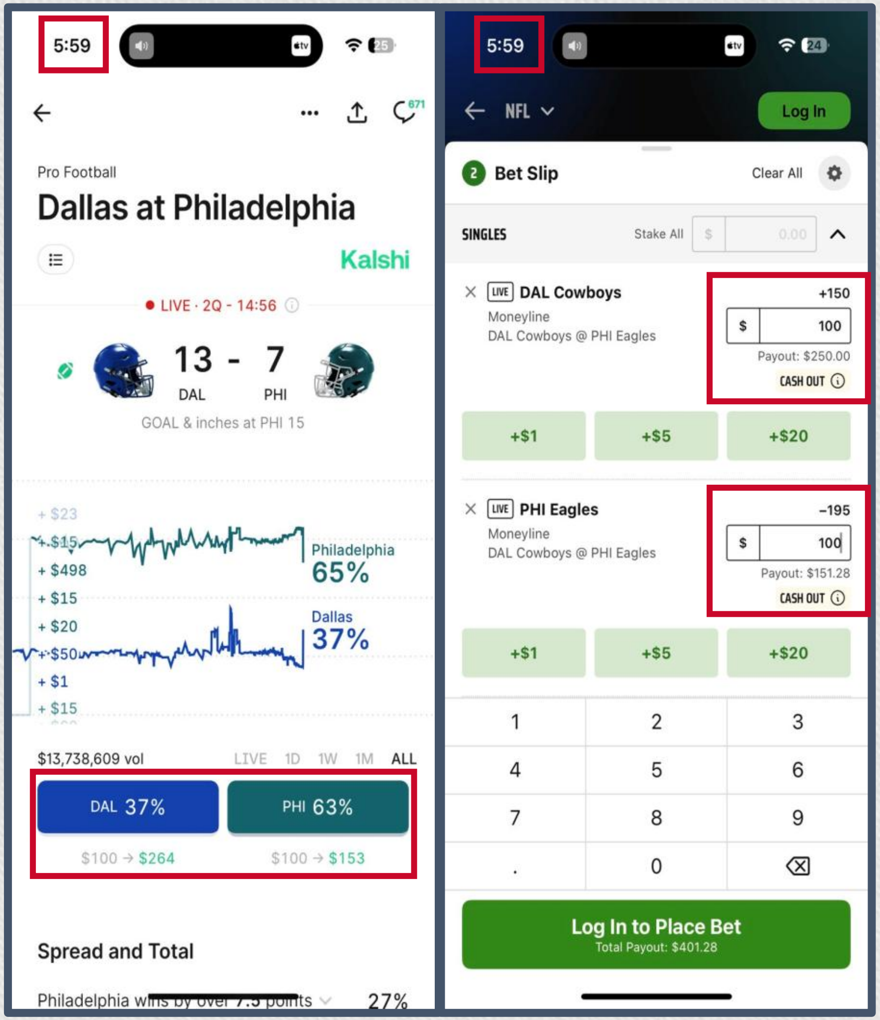
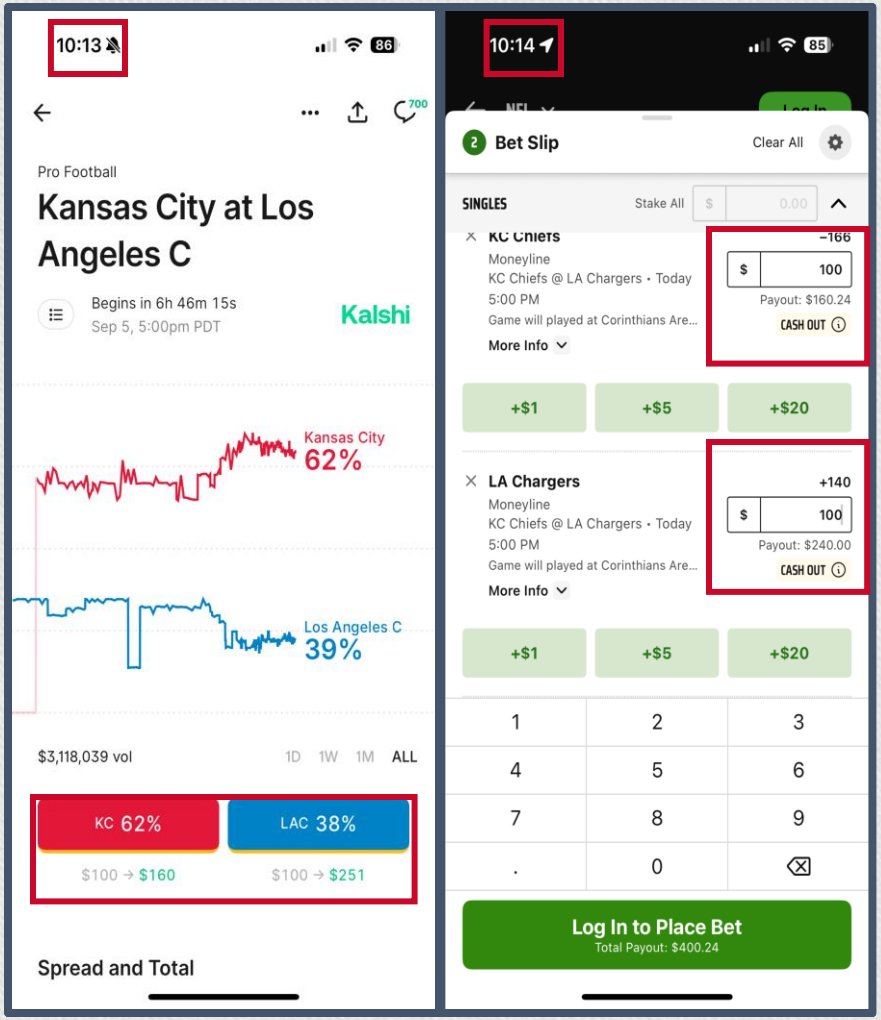
Kalshi NCAA Football Handle (Red Box Is Cumulative Handle)

Kalshi Week 5 NCAA FB Handle: $297m

Source: Screenshots taken on last game of each College Football Saturday

Kalshi vs. DKNG Odds Screenshots

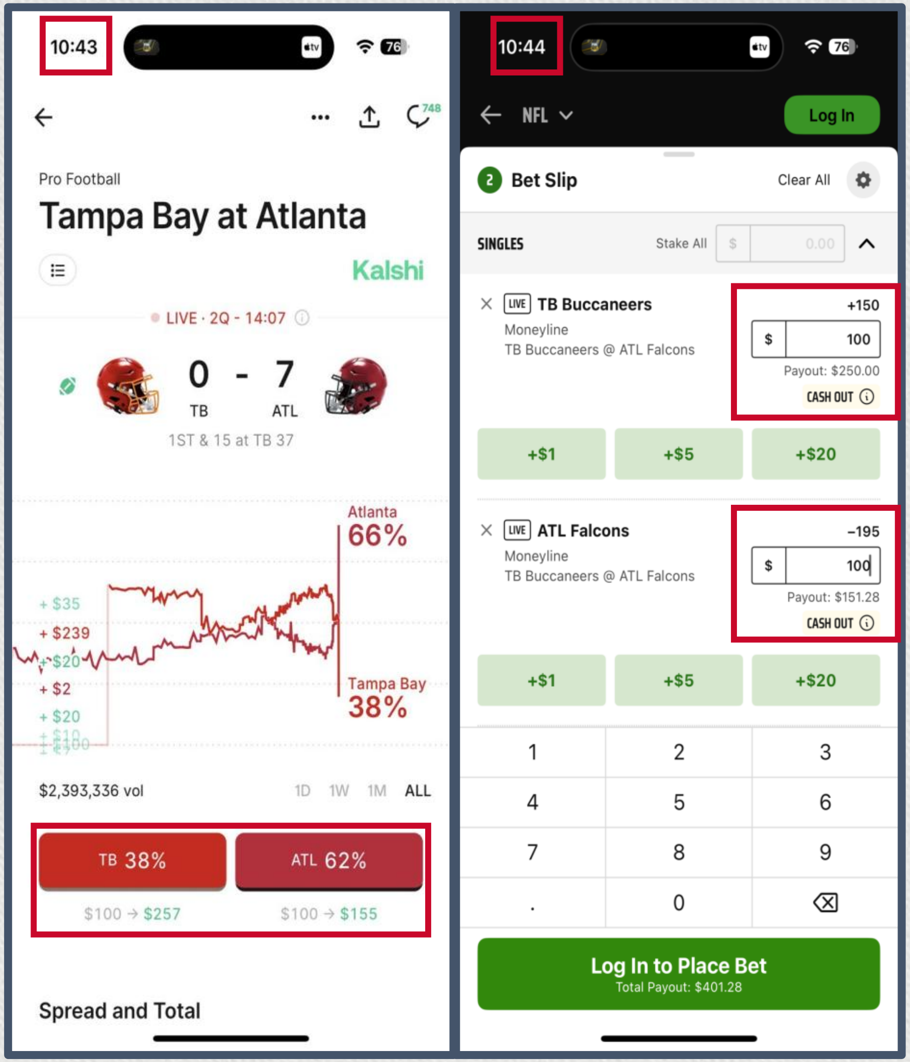


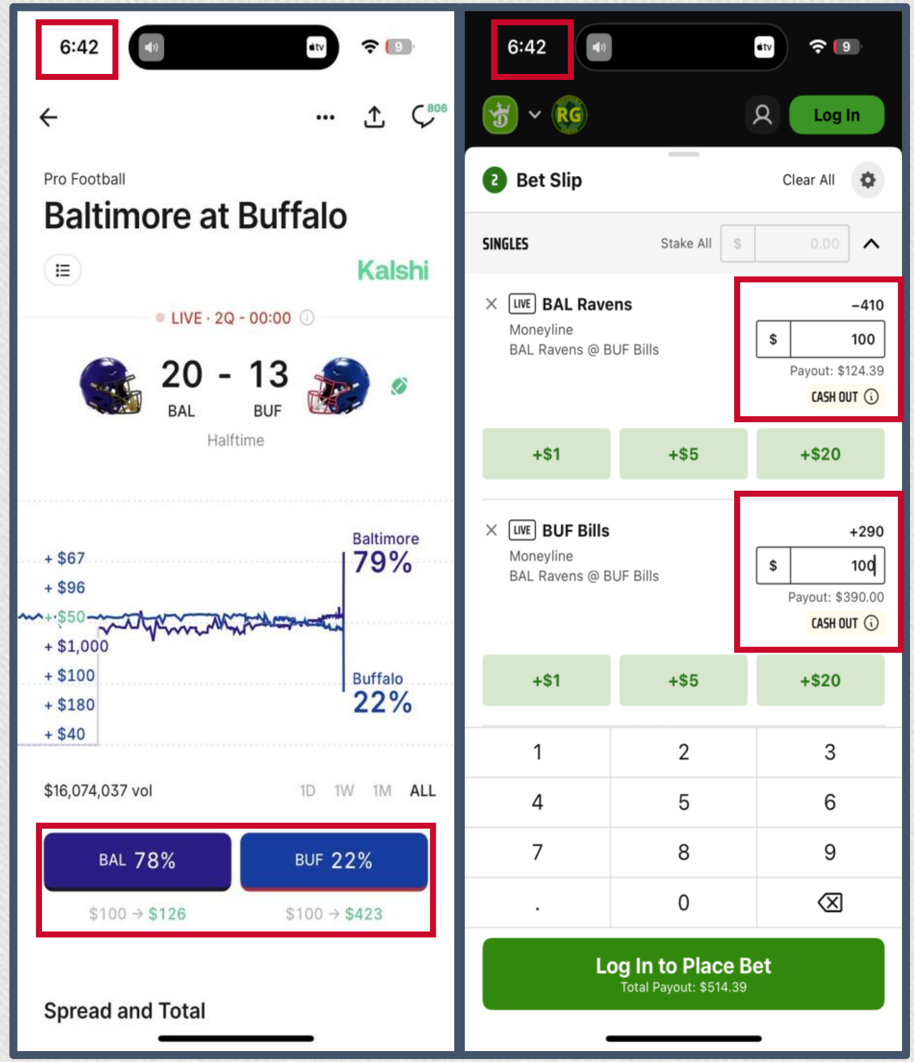


Source: Screenshots taken on Sept. 24, 2025

Spruce Point Capital Management

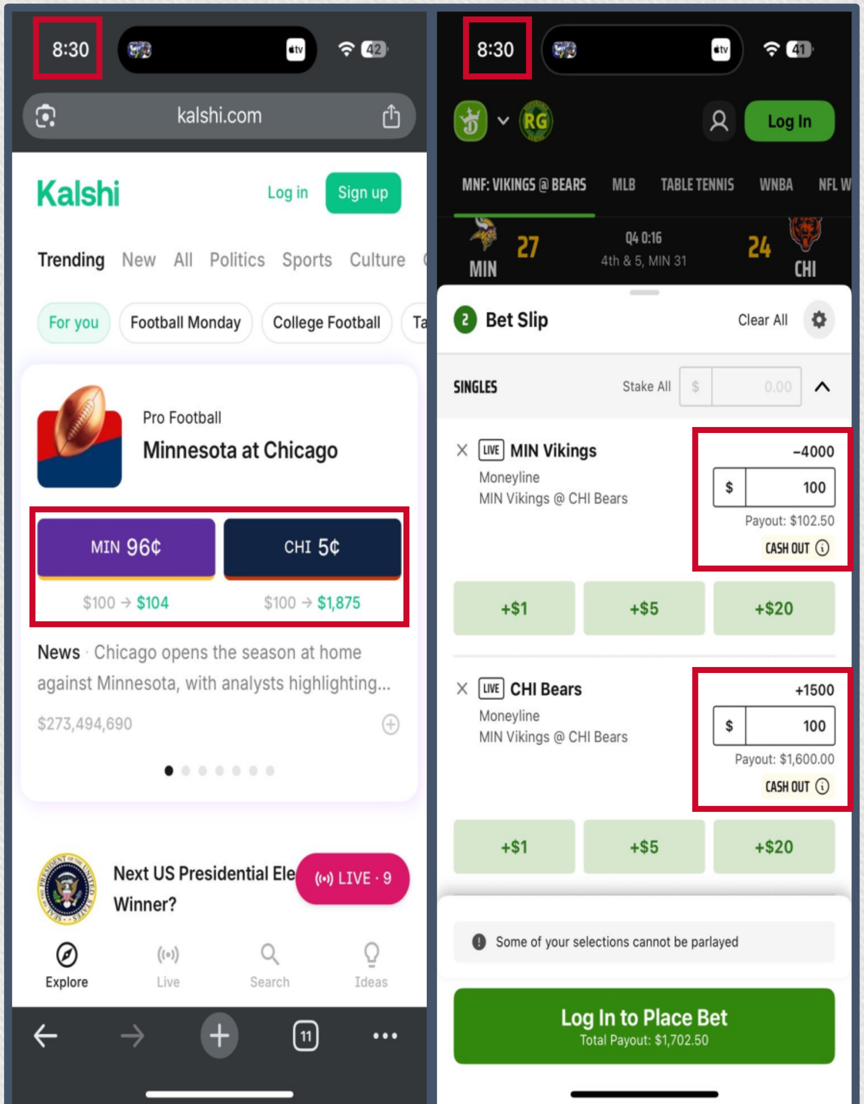
Kalshi vs. DKNG Odds Screenshots

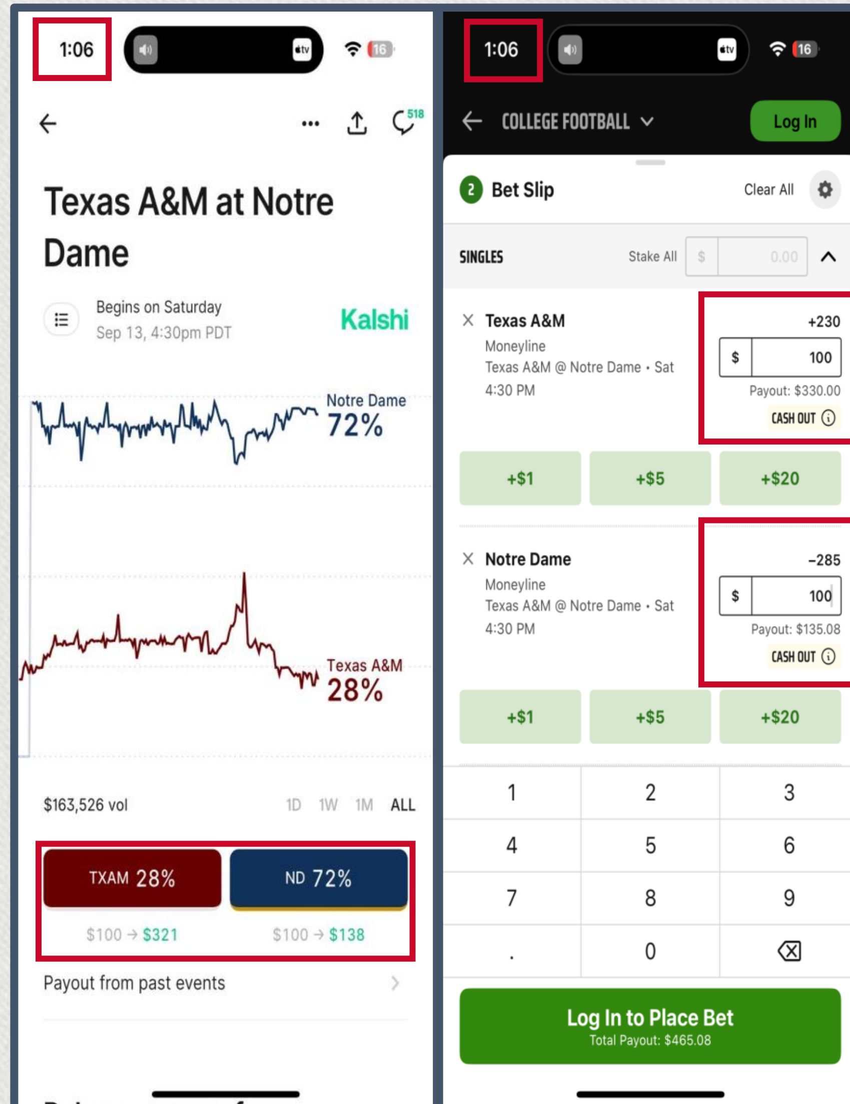




Source: Screenshots taken Sept. 7, 2025

Kalshi vs. DKNG Odds Screenshots

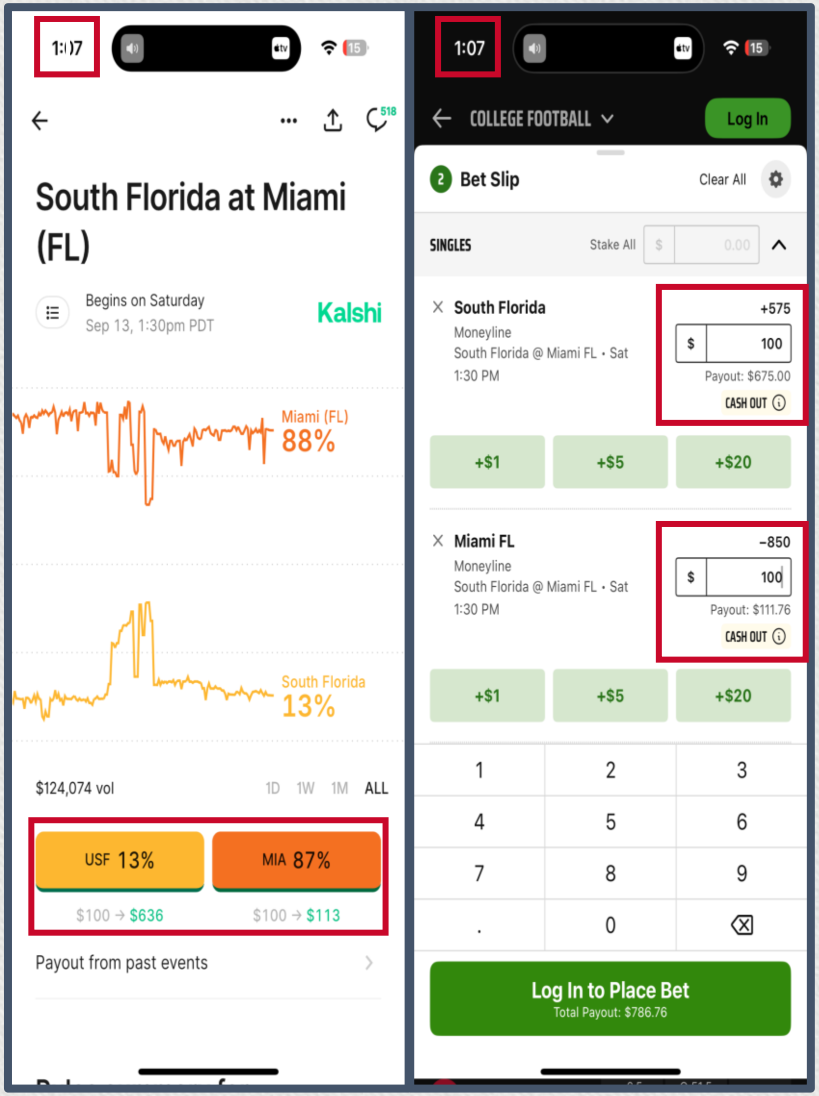


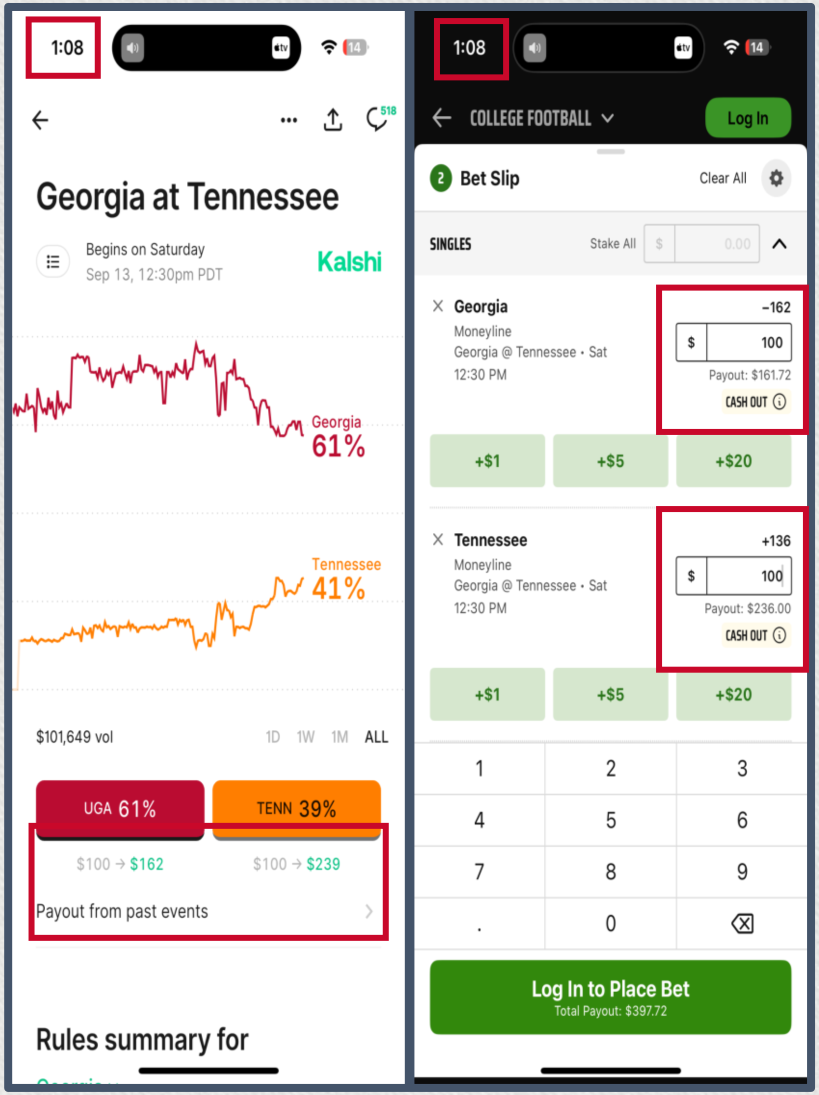


Source: Screenshots taken Sept. 8, 2025 and Sept. 13, 2025

SPRUCE POINT CAPITAL MANAGEMENT

Kalshi vs. DKNG Odds Screenshots





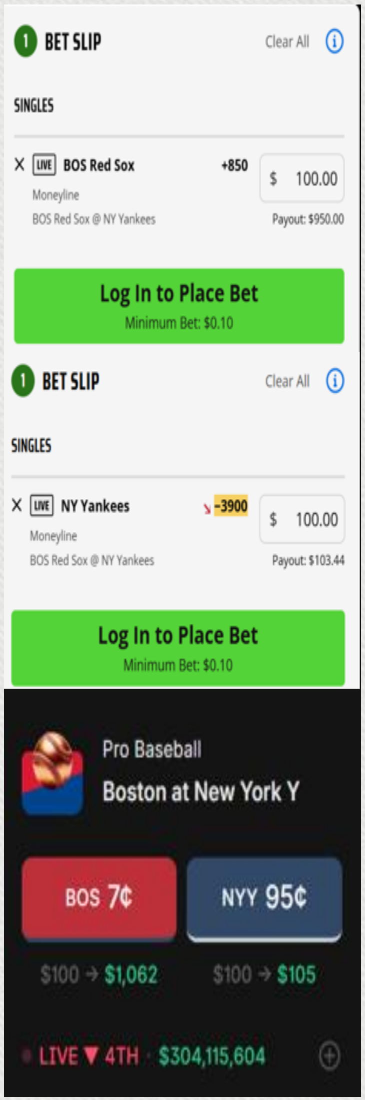
Source: Screenshots taken on Sept. 13, 2025

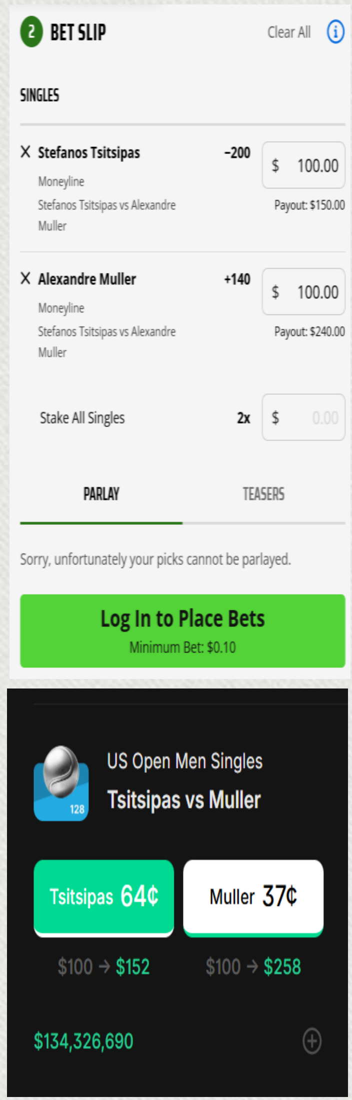
SPRUCE POINT
CAPITAL MANAGEMENT

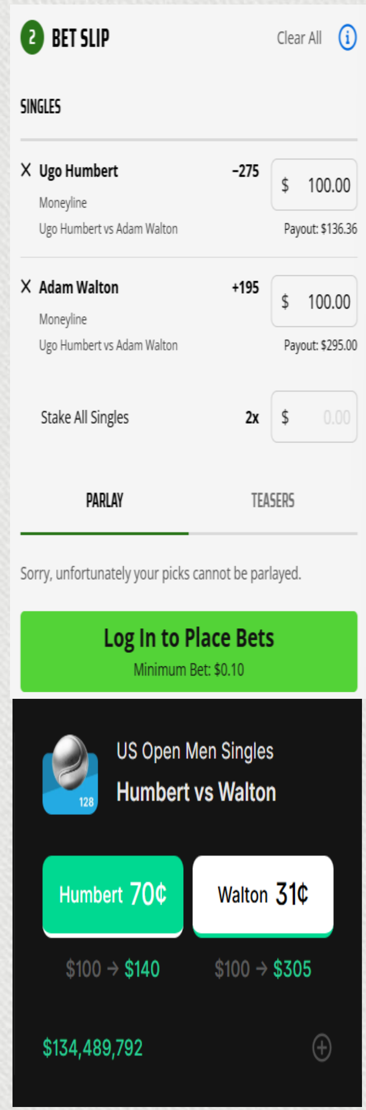
Kalshi vs. DKNG Odds Screenshots

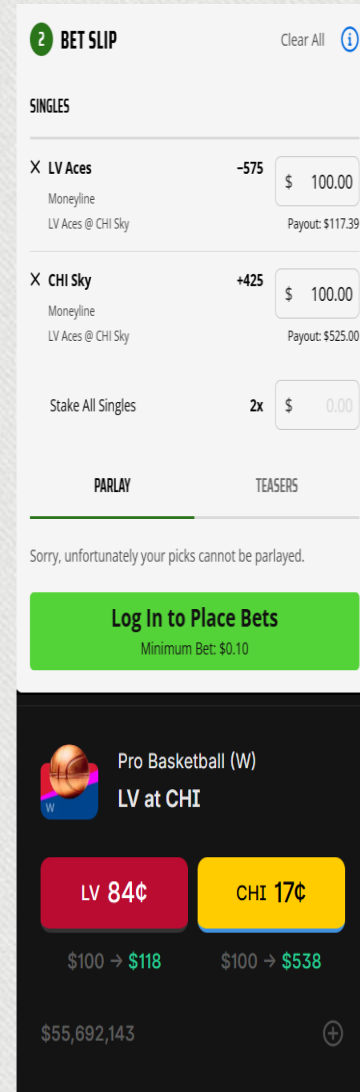
DKNG

Kalshi







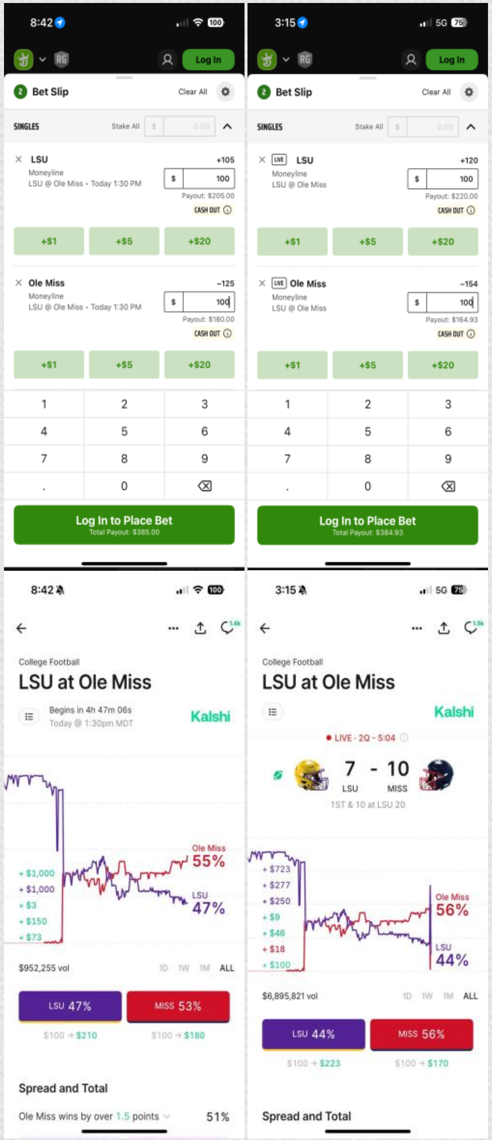


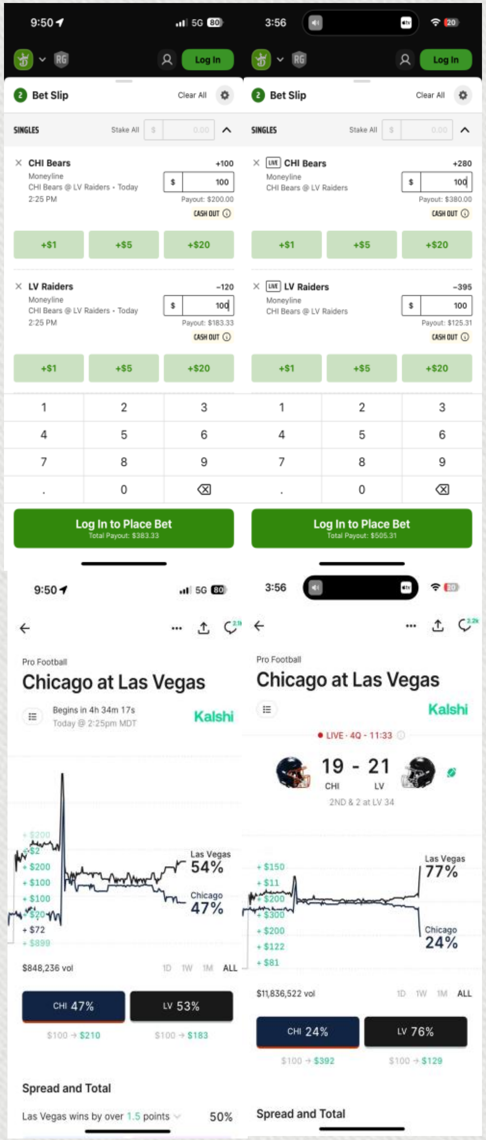
Source: Screenshots taken on Aug. 24, 2025

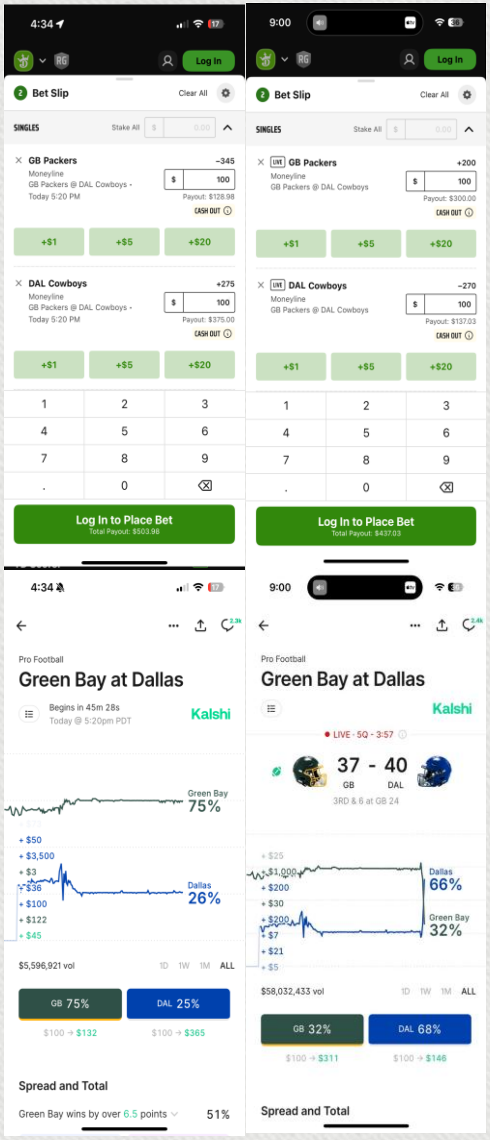
Kalshi vs. DKNG Odds Screenshots

DKNG

Kalshi







Source: Screenshots taken on Sept. 27, 2025 and Sept. 28, 2025