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BERNSTEIN
SOCIETE GENERALE GROUP

Prediction Markets

A Primer on prediction markets: Sportsbook or exchange? A new financial markets primitive with a $10Tn TAM



Gautam Chhugani
+91 226 842 1416
gautam.chhugani@bernsteinsg.com



Ian Moore
+1 917 344 8434
ian.moore@bernsteinsg.com



Mahika Sapra
+91 226 842 1408
mahika.sapra@bernsteinsg.com



Sanskar Chindalia
+91 226 842 1445
sanskar.chindalia@bernsteinsg.com



Harsh Misra
+91 226 842 1457
harsh.misra@bernsteinsg.com

We present a prediction markets primer as a collaboration between the Global Digital Assets team and the U.S. Entertainment team. We believe, much of the controversy on prediction markets so far has focused on the label - is a sports event contract a state regulated sportsbook or a 'swap' regulated by CFTC. The legal question remains outstanding (see our legal comments), however, we believe, the structural opportunity is still unappreciated. The exchange model inverts the sportsbook into a flows business (no House position!) with a global order book, strong liquidity and institutional market-making. This widens the prediction markets opportunity beyond sports into broader financial markets with long term institutional participation. We expect prediction volumes to grow from $410Bn (2026E) to $10Tn by 2035E split across sports, financial assets, politics and economics. We also highlight prediction markets are expanding the sports market liquidity by widening the customer acquisition funnel.

Prediction markets are widening the customer acquisition funnel and creating incremental sports trading liquidity: User acquisition metrics suggest participation extends beyond traditional sportsbook customers, including ~80% of Kalshi users having never used a sportsbook app and only ~1% overlap between DraftKings Predictions and DraftKings OSB users. In our view, this broader customer base, alongside access to consumers in non-OSB states, supports a larger long-term opportunity than would be implied by sportsbook penetration alone.

$10Tn volumes by 2035E: Prediction market volumes increased from ~$50Bn in 2025 to ~$300Bn in 2026-YTD (as of August 2026), driven by the launch of short-duration markets across crypto and commodities (e.g. BTC 15-minute contracts) and a sports inflection led by the FIFA World Cup. The event expanded the consumer funnel and volumes have remained at record levels even after the tournament ended. We expect volumes to reach ~$410Bn in 2026E and compound at a ~70% CAGR between 2025-2035E to ~$10Tn by 2035E. We size the opportunity across three categories: sports declines from ~61% of volumes in 2025 to ~38% by 2035E; financial assets (crypto, equities and commodities) increase from ~12% to ~49% and become the largest category; and other markets (economics, politics and similar event-driven contracts) settle at ~14%.

We expect financial assets to expand beyond crypto into commodities, equities, KPI markets: We expect short-dated binary options and long-dated perpetual futures to converge on the same platforms, bringing the full duration spectrum onto a single account. Binary options offer defined downside with no margin calls, liquidations or funding payments, while perpetual futures provide leverage and continuous exposure without rollover costs. We expect new products such as KPI markets, which allow users to trade a single corporate metric, such as production, deliveries or subscriber growth, rather than the stock price itself. Further, perp futures are expanding from crypto to commodities and single stock perps.

Continued on page 2...

See the Disclosure Appendix of this report for required disclosures, analyst certifications and other important information. Alternatively, visit our Global Research Disclosure Website.

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BERNSTEIN TICKER TABLE

Ticker	Rating	Cur	21 Sep 2026 Closing Price	Price Target	TTM Rel. Perf.	Reported EPS Cur	2025A	2026E	2027E	Reported P/E (x) 2025A	2026E	2027E
COIN (Coinbase)	O	USD	201.05	330.00	(57.8)%	USD	4.85	5.97	13.20	41.5	33.7	15.2
HOOD (Robinhood)	O	USD	123.30	160.00	(17.7)%	USD	2.12	2.05	3.35	58.2	60.3	36.8
DKNG (DraftKings)	O	USD	21.97	29.00	(65.9)%	USD	0.61	0.90	1.68	36.3	24.4	13.1
FLUT (Flutter)	M	USD	86.86	110.00	(86.0)%	USD	7.91	4.68	5.55	11.0	18.6	15.7
SPX			7,764.70									

O - Outperform, M - Market-Perform, U - Underperform, NR - Not Rated, CS - Coverage Suspended

DKNG, FLUT estimate is Adjusted EPS; DKNG, FLUT valuation is Adjusted P/E (x);

Source: Bloomberg, Bernstein estimates and analysis.

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DETAILS

Prediction market value chain: Value accrues across distribution and brokerage (FCM - Futures Commission Merchant), exchange (DCM - Designated Contract Market), clearing (DCO - Derivatives Clearing Organization) and market making, and the key strategic question is how many layers a participant controls. From an economic perspective, integration is likely to win, as each additional layer adds a revenue stream. From a defensibility perspective, we believe distribution remains the primary edge. Within our coverage, Robinhood appears best positioned, controlling the full stack: the consumer application and FCM, and through Rothera, in partnership with Susquehanna (not covered), both the exchange and clearinghouse. Its 28Mn funded accounts provide a significant distribution advantage, while continued access to Kalshi, ForecastEx (IBKR - not covered) and Crypto.com (not covered) contracts broadens product breadth.

The long-term regulatory framework remains uncertain for sports prediction markets, with ultimate clarity unlikely before 2027-28: Recent court decisions have produced conflicting interpretations of whether sports event contracts fall under federal derivatives regulation or state gaming authority, while proposed CFTC Rule 40.11(a) revisions could create an additional avenue for legal challenges. In our view, the next several months should determine whether the industry moves toward Supreme Court review, expanded state enforcement/taxation, or a revised federal regulatory framework.

Prediction markets appear capable of acquiring customers beyond the traditional sportsbook demographic, while exhibiting similar retention dynamics once users are onboarded: FIFA World Cup-related download trends show prediction market platforms can attract users at scale, while retention curves across Kalshi, DraftKings, and FanDuel remain broadly comparable over time. In our view, the key differentiator is customer acquisition rather than retention, supporting the thesis that prediction markets are expanding the overall sports trading ecosystem rather than simply reallocating existing sportsbook customers.

We estimate combo market making is already a multi-billion-dollar opportunity, with growth driven by both expanding prediction market volumes and increasing combo penetration: Using a bottom-up framework, we estimate the current combo market making TAM at ~$1.9B, growing to ~$7.5B by 2030E and ~$16B by 2035E. We think the growth of combos is creating a sizable and expanding revenue pool for liquidity providers within the prediction market ecosystem.

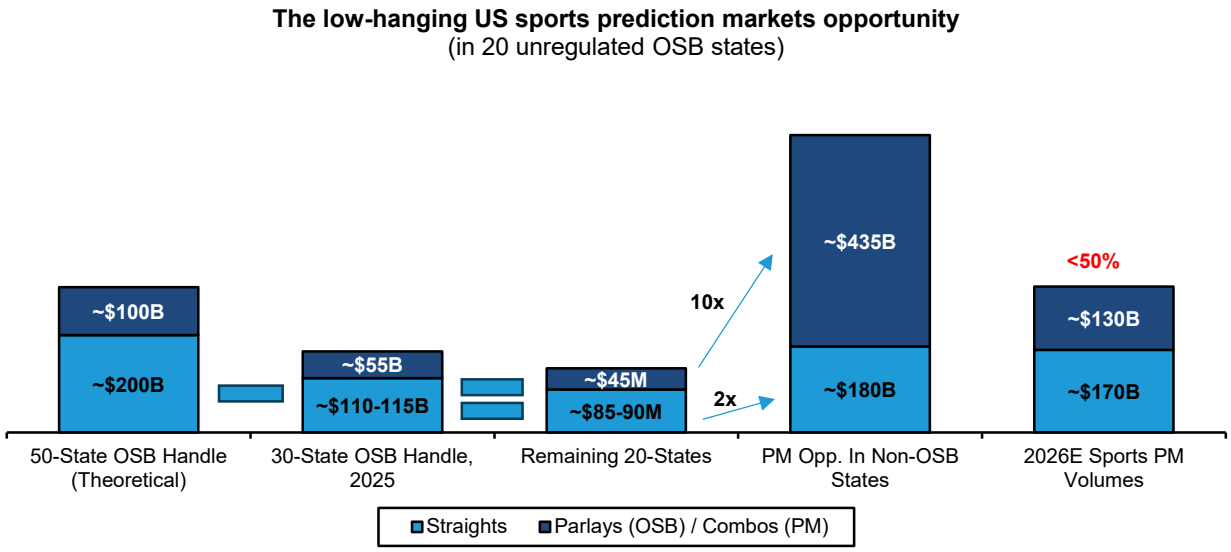
HOW PREDICTION MARKETS HAVE UNLOCKED INCREMENTAL LIQUIDITY IN SPORTS - US ENTERTAINMENT PERSPECTIVE

An underappreciated aspect of the prediction market opportunity is the potential for market expansion rather than market share transfer. Evidence suggests participation may extend beyond the conventional sportsbook user base.

We assess the implications of wider customer acquisition by comparing current activity levels with a scenario in which prediction markets reach sportsbook-like penetration. 20 states representing ~150M consumers are not able to access the liquidity offered by open licensed online sportsbook markets. This is ~45% of the US population and a similar share of the 18+ and 21+ demographics. In 2025, licensed sportsbook handle reached ~$165-170B. By assuming consumer behavior within those 20 states is identical to the 30 with open licensed OSB, we estimate ~$130B of potential incremental consumer volume. If we assume market makers account for 50% of volume in straight predictions contracts (driven by an average probability of ~50%) and 90% of volume in combos (~10% probability), we would estimate that the addressable volume market within those 20 states amounts to $600B+ in 2026. Furthermore, we view this estimate of the addressable consumer volume opportunity for sports prediction markets as highly conservative. The scale of the true potential opportunity today includes not only the niche currently filled by regulated sportsbooks but also by grey and black markets.

Gautam Chhugani +91 226 842 1416 gautam.chhugani@bernsteinsg.com

EXHIBIT 1: **We estimate that if sports prediction markets were to capture only the would-be sports-bettors in the 20 unregulated OSB states, industry volumes would exceed $600B in 2026**



Source: State filings, AGA, Bernstein analysis and estimates

The evidence in Exhibit 2 suggests prediction markets are not only bringing in market makers as additional liquidity providers (the OSB model obviously relies on sportsbooks to provide all of the liquidity on their platforms) but also expanding the customer acquisition funnel itself. Low overlap with existing sportsbook users, growing demographic diversity, and increasing consumer awareness all point to incremental participation rather than pure substitution. In our view, this distinction is important: if prediction markets are creating new participants in addition to capturing underserved sports bettors, the long-term opportunity extends beyond the penetration analysis shown in Exhibit 1 and helps support our broader view that prediction markets can ultimately support trillions of dollars in annual trading volume.

EXHIBIT 2: **In reality, prediction markets are widening the customer acquisition funnel beyond just would-be sports-bettors, and the opportunity is much larger - as we quantify in the following sections**

Prediction markets enhance liquidity by…	Metric	
…introducing new cusomters to sports trading	80%	Kalshi Users had not used an OSB app
…attracting customers who do not use major OSBs	1%	User overlap of DK Predictions and DK OSB
…acquiring more female customers	26% vs 16%	est. Female users on Kalshi vs Fanduel
…rapidly scaling their reach	232%	YoY Prediction market ad impressions as of 1H26

Source: Apptopia, Company reports, Wall Street Journal, G3 Newswire, Bernstein analysis and estimates

PREDICTION MARKETS TAM

We expect prediction market volumes to scale to ~$410Bn in 2026E (vs. ~$50Bn in 2025) and compound at a ~70% CAGR between 2025–2035E, reaching ~$10Tn by 2035E (Exhibit 3). Growth will be driven by greater regulatory clarity, mainstream distribution partnerships, and a structural liquidity advantage relative to traditional markets. Increasing federal regulatory clarity, compared to state-regulated traditional frameworks, is expanding the addressable market. At the same time, prediction markets are enabling global liquidity, long-tail event markets, real-world asset markets (commodity, stocks - short duration, perps and KPIs etc.) and broader institutional participation.

Total prediction-market volumes have increased from ~$50Bn in 2025 to ~$300Bn in 2026-YTD (as of August 2026). Two factors drove this step-up: (i) the launch of short-term markets across crypto and commodities (e.g. BTC 15 min); and (ii) a sports volume inflection led by the World Cup has widened the consumer funnel leading to new record volumes post-WC. We expect

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total volumes to reach ~$10Tn by 2035E, implying a ~70% CAGR between 2025–2035E.

We size the opportunity across three categories: sports; financial assets (crypto, equities, and commodities) and others, including economics and politics. Traditional finance separates these venues: options exchanges, futures exchanges, and sportsbooks are distinct businesses with distinct regulatory frameworks. Prediction markets, however, are bringing the full duration spectrum - from a 5-minute Bitcoin binary to a perpetual future on gold to a sports contract - onto a single account, collateral pool, and interface.

In 2025, sports represented ~61% of volumes, financial assets represented ~12%, and others represented ~26%. In 2026-YTD, sports increased to ~75% of volumes, supported by the World Cup and growth in exotics and parlays. However, we expect sports' share to decline to ~38% by 2035E as other categories scale. We expect financial assets to become the largest category, accounting for ~49% of volumes by 2035E, while other categories account for the remaining ~14%. Overall, non-sports categories should grow from ~39% of volumes in 2025 to ~62% by 2035E, representing ~$6Tn of the ~$10Tn volume opportunity (Exhibit 4).

Sports - Sports prediction-market volumes are already tracking at ~$275Bn across Kalshi and Polymarket in 2026-YTD (as of August 2026) annualized, surpassing the ~$160Bn US sportsbook handle recorded in 2025. We expect sports volumes to grow at a ~61% CAGR over 2025-2035E, reaching ~$3.6Tn, although we expect sports' share of total volumes to decline from 61% in 2025 to 38% by 2035E. Relative to traditional sportsbooks, prediction markets offer three structural advantages: broader regulatory reach, peer-to-peer trading without a traditional house model, and continuous tradability. We view sports as the entry point rather than the end-state category. It is the most mainstream use case and brings retail users onto prediction-market platforms, but we expect its share to decline as financial and other categories scale and institutional participation increases.

Financial assets - crypto, equities, and commodities - Financial assets accounted for ~12% of prediction-market volumes in 2025, rising to ~16% in 2026-YTD (as of August 2026). We expect this category to become the largest by 2035E, accounting for ~49% of total volumes and growing at a ~93% CAGR to ~$4.7Tn. We expect short-dated binary options and long-dated perpetual futures to converge on the same platforms. Growth is being driven by launches across both products: Kalshi offers 15-minute Bitcoin, gold, and silver binaries alongside perpetual futures on the same underlyings. Polymarket (International) also offers 5-minute crypto binaries alongside 60+ perpetual futures, across crypto, single-stocks, commodities and indices/ ETFs.

Short-dated crypto markets helped increase crypto's share of Kalshi's volumes from <5% in January 2026 to ~20% in August 2026. The same 15-minute format, when extended to commodities, grew that product from zero to ~$410Mn in August 2026, making commodities the third-largest category by volumes on Kalshi (after sports and crypto). Perpetual futures have added ~$50Bn of notional volume since launching in June 2026, with single-stock perpetual futures filed in September.

The category can also expand beyond price-based markets to company fundamentals, to allow users to trade on specific operating metrics such as production, deliveries, subscriber growth, and trading volumes. Unlike a company's share price, which reflects a wide range of factors including earnings expectations, management guidance, capital allocation decisions, and macroeconomic conditions, KPI markets are tied to a single measurable outcome. This allows users to express a more direct view on a company's fundamentals and reduces the basis risk associated with using equities to trade or hedge a specific business performance metric.

Others - economics, politics, etc. - This category accounted for ~26% of prediction-market volumes in 2025. Its share has fallen to <10% in 2026-YTD (as of August 2026) across Polymarket and Kalshi, largely because sports and financial-assets volumes have grown faster. We expect the category to grow at a ~58% CAGR to ~$1.3Tn by 2035E, representing ~14% of total volumes. We expect growth to be driven primarily by the creation of new markets rather than displacement of existing products. For example, a contract on whether the CLARITY Act will pass in 2026 creates an exposure that is not readily available through conventional retail investment products. These markets provide access to risks that otherwise lack a direct instrument: recession probabilities, elections, policy decisions, interest rates, etc. Users can take a position on the specific event rather than trade an indirect proxy, reducing basis risk.

INSTITUTIONAL ADOPTION -

We expect institutional adoption to be concentrated in non-sports categories - financial assets (crypto, equities and commodities) and others (economics, politics, etc.). These contracts can allow institutions to manage specific real-world risks that can be difficult to hedge through traditional instruments. By 2035E, we expect institutional flow to represent ~50% of non-sports volumes, or ~$3Tn volumes, equivalent to ~31% of total prediction market volumes (Exhibit 5).

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Regulated crypto venues provide a useful comparison. On Coinbase, institutions now account for ~80% of trading volume, compared to <30% in 2018 (Exhibit 6). We expect non-sports prediction-market segments to follow a similar trajectory, with retail users building early liquidity and institutions accounting for a growing share of volume over time.

We see 4 reasons for building the case for institutional adoption -

1. Direct hedging of event risk with no basis risk - Prediction markets allow institutions to hedge specific events directly rather than relying on correlated assets such as equities, rates, or FX. A portfolio manager concerned about an FOMC decision, economic data release, policy change, or election outcome can hedge the exact event, making prediction markets a more precise tool for managing political, regulatory, and macro risk.

2. A new, uncorrelated return stream - Event outcomes are often uncorrelated with traditional equity and bond markets. This gives hedge funds and proprietary trading firms an additional source of returns, allowing them to express differentiated views and capitalize on mispriced probabilities.

3. Capital efficiency - As prediction markets transition from fully collateralized positions to margin-based trading, institutions will be able to achieve the same exposure with a fraction of the capital commitment. This aligns prediction markets more closely with the futures and options markets institutions already use, improving capital efficiency.

4. A regulated venue and continuous signal - Regulated exchanges provide the compliance framework institutions require, while continuously updated market-implied probabilities offer a valuable real-time signal for risk management, research, and decision-making.

Institutional activity-to-date -

Institutional trading is still early, but the trend is now backed by evidence and real trades/ integrations. It falls into three groups - executed block trades, dedicated institutional desks and liquidity provision, and data and distribution agreements.

Executed block trades

- Kalshi - In April 2026, Kalshi cleared the prediction market industry's first institutional block trade, brokered by Greenlight Commodities (not covered) with Jump Trading (not covered) providing liquidity, helping a Houston-based environmental hedge fund hedge California carbon allowance pricing.
- Polymarket - In June 2026, Polymarket facilitated its first on-chain institutional block trade, between FalconX (not covered) and AneraLabs (not covered) to hedge H100 GPU compute rental costs against the Ornn Compute Price Index. FalconX also became a dedicated market maker for future block trades.
- Galaxy Digital (not covered) - In June 2026, Galaxy Digital executed a ~$10Mn trade on Kalshi with crypto-native hedge fund Arca (not covered), tied to the outcome of the CLARITY Act, coinciding with the launch of its institutional OTC prediction markets desk.

Institutional desks, prime brokerage and liquidity

- Galaxy Digital - In June 2026, Galaxy Digital launched an institutional OTC prediction markets desk, allowing institutions to trade large positions privately off public order books. The desk covers non-sports contracts on both Kalshi and Polymarket, with Galaxy acting as the principal counterparty.
- BitGo Prime (not covered) and Susquehanna Crypto - In March 2026, BitGo Prime and Susquehanna Crypto launched institutional OTC access, enabling hedge funds, family offices, and UHNW clients to trade listed contracts larger than $100K bilaterally, with Susquehanna Crypto providing liquidity.
- Marex (not covered)- In April 2026, Marex introduced a bond-like note linked to prediction market outcomes. Its first product pays a 7% coupon if Nvidia remains the world's largest company after one year, with Marex hedging its exposure through prediction market derivatives.

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- Wintermute (not covered)- In May 2026, Wintermute began quoting two-sided markets across event contracts on major prediction market venues, helping reduce spreads, support larger trade sizes, and improve market liquidity.

- Clear Street (not covered)- In May 2026, Clear Street became the first institutional FCM to join Kalshi's exchange and clearinghouse, giving institutions access to Kalshi's regulated 24/7 event contracts, along with clearing, settlement, and block trading capabilities.

- Talos (not covered)- In June 2026, Talos integrated with Kalshi, allowing institutional clients to trade Kalshi's event contracts and perpetual futures on the same platform they use for crypto trading. Talos RFQ (Request For Quote) also enables large trades to be executed off-exchange through its network of OTC liquidity providers.

Data and distribution agreements

- ICE (not covered) and Polymarket - In October 2025, ICE agreed to invest up to $2Bn in Polymarket at a $9Bn post-money valuation. The partnership also made ICE the exclusive global distributor of Polymarket's event-driven data to institutional clients through its existing market data infrastructure.

- Tradeweb (not covered) and Kalshi - In February 2026, Tradeweb announced a strategic partnership and minority investment in Kalshi to bring prediction market data and analytics to institutional investors. In June 2026, Tradeweb launched a dedicated Kalshi pricing page, providing real-time event probabilities within existing client workflows, while the two firms continue to develop institutional analytics and explore an institutional event contracts platform.

Individual tickets remain small, but the pattern is evident - trades are being brokered through institutional intermediaries (Greenlight, Jump, FalconX, Galaxy, Susquehanna, BitGo) across both Kalshi and Polymarket, to hedge real, specific exposures - carbon pricing, compute costs, legislative outcomes - that traditional listed instruments cover poorly or not at all. Meanwhile, ICE and Tradeweb are embedding prediction-market probabilities directly into institutional workflows, which both validates the market-implied probability as a risk signal and builds the distribution through which institutional flow will eventually arrive.

Other illustrative use cases by risk type - Put in the position of an institution, the natural applications cluster around risks that are binary, event-dated and less served by listed instruments:

1. Monetary-policy and rates risk - A fixed-income desk positioned for a Fed rate cut can use a rate-decision contract to hedge against the risk of the Fed holding rates unchanged, with returns linked directly to the decision itself, rather than through the broader move in Fed funds or Treasury futures.

2. Legislative and regulatory risk - A fund can hedge the passage or failure of a specific bill for example, a pharma fund hedging drug-pricing legislation, rather than through equities that also carry unrelated risks.

3. Corporate-event and deal risk - A merger-arbitrage desk can hedge whether a pending acquisition clears antitrust review; a sector fund can hedge a specific regulatory ruling that would re-rate its holdings.

4. Election and political risk - An asset manager can hedge an election or policy outcome that would reprice an entire sector without having to pre-position in the equities themselves.

5. Catastrophe, weather and operational risk - An insurer or energy firm can hedge a hurricane landfall, or an extreme-temperature reading.

6. Macro-tail and geopolitical risk - A multi-asset fund can hedge a government shutdown, a tariff decision, a sovereign event or a geopolitical event, risks for which no clean listed instrument exists.

Catalysts that accelerate institutional adoption - The infrastructure required to scale institutional participation is being created now:

1. Leverage/ Margin - Kalshi has registered an affiliated futures commission merchant (Kinetic Markets, NFA-registered as an FCM in March 2026), which would allow it to move beyond the fully-collateralized model. This will make event contracts capital-comparable to futures and options, improving capital efficiency for institutions.

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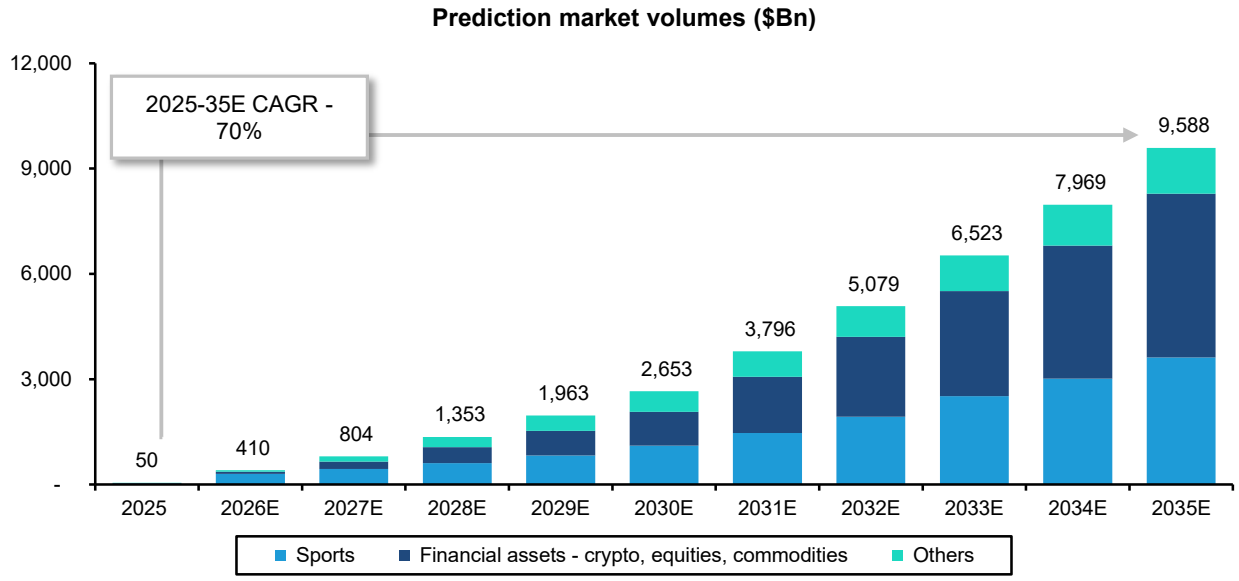
2. OTC desk for size, discretion and custom contracts - Institutional OTC infrastructure is also expanding. Galaxy Digital has launched an OTC prediction markets desk, while Wintermute is providing liquidity through two-sided quotes and BitGo Prime has partnered with Susquehanna Crypto to offer institutional OTC access. These services allow institutions to execute large trades privately, access deeper liquidity, and structure customized hedges that are difficult to achieve through public exchange order books.

3. Prime broker, clearing and execution integrations - Clear Street has become the first institutional FCM on Kalshi's exchange; FIS is building clearing connectivity; Trading Technologies is extending its execution and algorithmic toolset (used by Tier-1 banks, hedge funds and proprietary traders) to Kalshi; and Interactive Brokers has integrated event contracts alongside equities, options and futures. This plumbing resolves the chicken and egg problem - without professional tools institutions cannot deploy at scale, and without that capital the market lacks the liquidity to attract them.

4. Market-making liquidity and data distribution - Dedicated market-makers posting continuous two-sided prices tighten spreads and support larger trade sizes, while distribution of prediction market data through institutional channels (for example, Tradeweb) embeds the market-implied probabilities into the workflows that institutions already use both of which raise the reliability of the signal and lower the cost of participating. SIG, DRW, and Jump Trading are building dedicated prediction markets trading desks.

Taken together, we expect these developments to move prediction markets from a mainly retail product towards institutional-grade infrastructure.

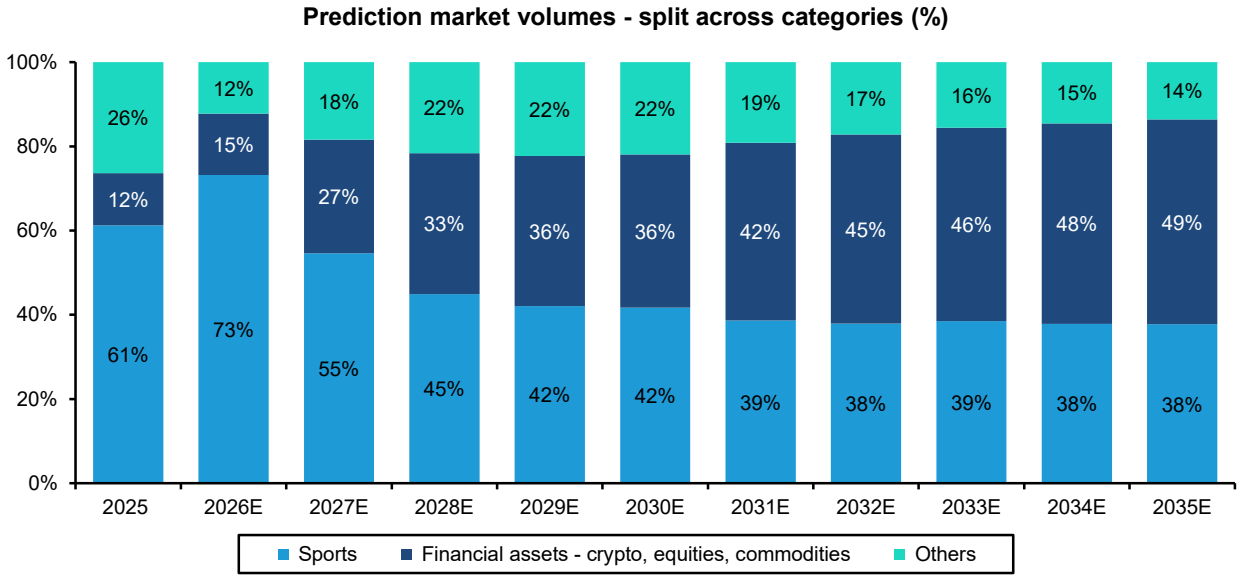
EXHIBIT 3: **We expect prediction market volumes to grow at a CAGR of ~70% over 2025-35E**



Source: Dune analytics, Company filings, Bernstein estimates and analysis

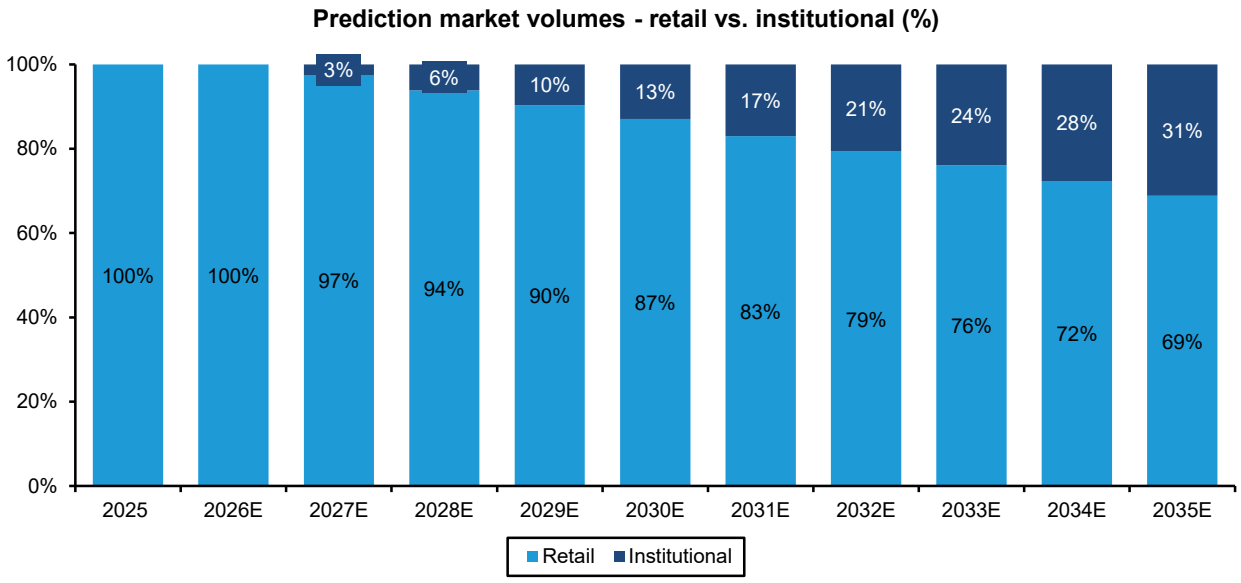
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EXHIBIT 4: **Prediction market volumes - split across categories (%)**



Source: Dune analytics, Company filings, Bernstein estimates and analysis

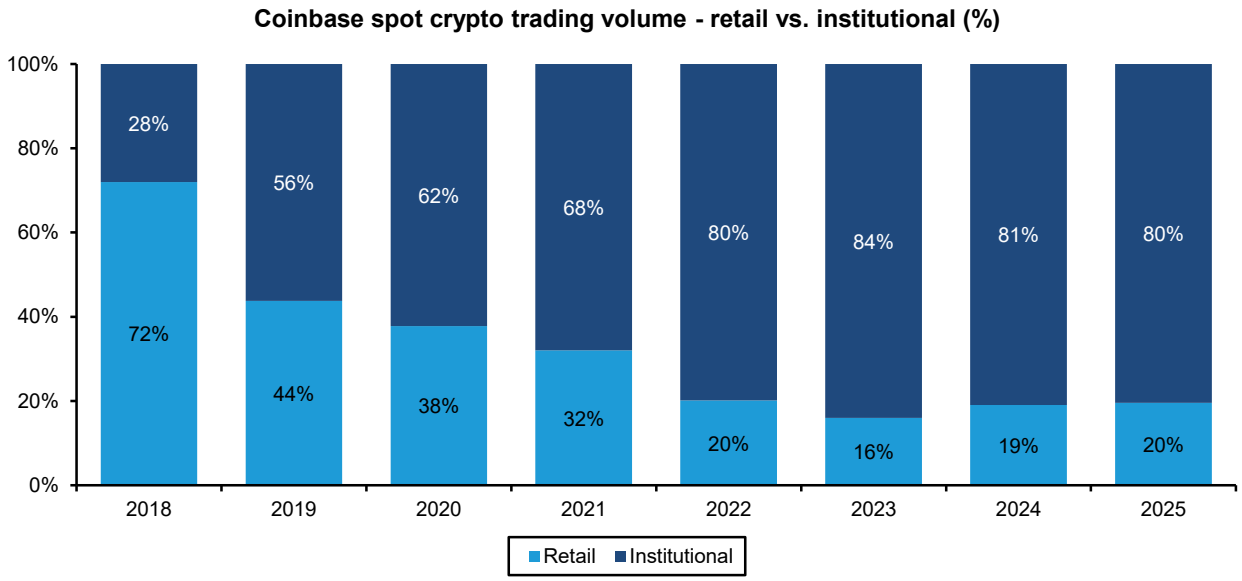
EXHIBIT 5: **Prediction market volumes - retail vs. institutional (%)**



Source: Dune analytics, The Block, Company filings, Bernstein estimates and analysis

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EXHIBIT 6: **Coinbase spot crypto trading volume - retail vs. institutional (%)**



Source: Company filings, Bernstein analysis

THE PRODUCT - WHAT IS A PREDICTION MARKET CONTRACT?

At its core, a prediction market contract is an exchange-traded financial instrument - a binary claim on a yes/no question about a future, objectively verifiable event - whether a candidate wins, an index closes above a level, an economic figure prints above a threshold, or a team wins a game. Each contract settles at $1 if the event occurs and $0 if it does not, and trades anywhere between $0.01 to $0.99 before maturity on an exchange orderbook. Because the payoff on a "yes" is a fixed $1, the price is read directly as the market's implied probability; a contract at $0.60 implies 60% chance of the event happening. So, prediction markets convert a question about the world into a tradable, exchange-listed price that is simultaneously a probability/ signal.

Genesis and initial use case - The idea predates the product. The statistician Francis Galton showed in 1907 that the aggregated guesses of a crowd can be close to the truth, and later the Nobel Prize winning economist Friedrich Hayek argued in his 1945 essay "The Use of Knowledge in Society" that prices can efficiently aggregate information dispersed across many individuals. Together they explain why a market price can function as a forecast - the core idea behind prediction markets. The modern electronic version began with the Iowa Electronic Markets (IEM) in 1988, built by University of Iowa economists. Their hypothesis was that a market in which participants stake real money would aggregate dispersed information better than any single poll or expert, and it held up: the IEM's closing prices generally predicted election outcomes more accurately than the major polls, using small, capped real-money stakes under a CFTC no-action exemption as an academic research tool. The original use case was therefore information aggregation - a forecasting instrument that happened to be built as a market, with the price itself serving as the forecast.

From academic experiment to commercial product - Through the 2000s the concept moved online. Intrade, based in Dublin, was the best-known venue during the 2008 and 2012 US elections, until the CFTC sued Intrade in November 2012 for offering unregistered commodity-option contracts to U.S. customers; and Intrade ceased operations in 2013. PredictIt operated where Intrade could not because it was structured differently: a not-for-profit market run by a Victoria University of Wellington, purely for academic research. On that basis it secured a CFTC no-action letter, conditioned on staying non-commercial, with capped stakes, a limited number of traders per market, and no brokerage commissions. That relief was itself withdrawn in 2022, when the CFTC found PredictIt had drifted from those terms; the platform kept running through a court injunction and, in 2025, secured amended relief with higher limits.

In parallel, a regulated path opened: HedgeStreet (not covered) was approved in 2004 as the first CFTC-designated contract market (DCM) offering binary options, later becoming Nadex. But event contracts on politics and sports repeatedly ran into the CFTC's "economic-purpose" test - the requirement that a contract serve hedging or price discovery rather than pure gaming.

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How it gained commercial significance - The breakthrough came with a new generation of venues built for scale. Kalshi, founded in 2018, was designated a CFTC-regulated exchange in 2020 and launched trading in 2021; after a 2024 court ruling cleared the way for regulated election markets, its volumes surged around the US presidential election. Polymarket, launched in 2020 on crypto rails, drew global attention through the same election - though a 2022 CFTC settlement ($1.4Mn, for running an unregistered contract market) required it to cease offering its markets to U.S. persons, it re-entered the US only in late 2025, after acquiring a CFTC-licensed exchange and clearinghouse (QCEX) for $112Mn and receiving an amended CFTC designation that lets US users trade through regulated brokers.

The prediction markets competitive landscape now includes broker-dealers, incumbent exchanges, traditional OSBs (Online Sportsbooks), crypto native venues and prediction market exchanges, all competing for market share. Kalshi and Polymarket processed $16Bn of notional volumes in 2024 and ~$50Bn in 2025. Industry-wide volumes accelerated throughout 2026, driven by the FIFA World Cup, climbing to ~$52Bn in June and $58Bn in July, and remaining above $50Bn in August even after the tournament ended. Total industry volumes stand at $300Bn YTD (as of August 2026) - Exhibit 8.

Kalshi's share has increased from 35% in 2025 to 60% in 2026-YTD (till August 2026). Polymarket's share has decreased from 44% to 22% over the same time period, but Polymarket US has gained traction, and now accounts for ~6% market share. So combined market share for Polymarket stands at ~28% in 2026-YTD.

An exchange-traded instrument - A prediction-market contract is a financial instrument traded on an exchange - not a stake placed with a bookmaker, and not a sportsbook product. The distinction is structural -

1. Traded on an exchange, against other participants - not against a house - Buyers and sellers meet on a central order book and transact with each other at prices they choose; the venue is a neutral marketplace that earns a transaction fee. A sportsbook, by contrast, is the counterparty to every position it books - it sets the odds, takes the other side, and profits from the built-in margin. A prediction market takes no position and embeds no house edge; price is set by supply and demand.

2. A continuous, tradable position - As the contract is exchange-listed, a holder can buy and sell it at live market prices at any time before the event resolves - taking profit, cutting a loss, or hedging - exactly as with any listed security.

3. Cleared, collateralized and regulated as a derivative - These are standardized, listed contracts, fully collateralized and regulated by CFTC.

4. A price that is a forecast - The contract price is a market-clearing probability and a price-discovery signal - which is why they're quoted as forecasts.

So what kind of instrument is it? A binary option

At its core the product is a binary option. A conventional call option pays progressively more the further the underlying finishes above its strike; a binary option instead pays a fixed amount if a condition is met at expiry and nothing if it is not. A prediction market "yes" contract is exactly that - a cash-or-nothing binary call whose "strike" is the event threshold and whose fixed payoff is $1, with the "no" contract its opposite. So whether a venue labels the instrument an "event contract," an "event future," or a "binary option," the economic substance is identical: a fixed $0/$1 payoff on a defined outcome. The differences between venues lie in the legal and clearing structure - the wrapper - not the payoff:

- On Kalshi, and through Robinhood's and Interactive Brokers' Futures Commission Merchants (FCM), the contracts are event contracts that the CFTC treats as swaps under the Commodity Exchange Act, traded on a CFTC-regulated DCM (Designated Contract Market) and, today, fully collateralised (both sides combined deposit $1).
- On Polymarket (International), the same binary structure is issued on-chain and settled in stablecoins, domiciled offshore for US purposes.
- On CBOE (not covered) - the route Charles Schwab (not covered) is taking — the instrument is structured as a binary option, listed on a securities options exchange, cleared by the OCC and regulated by the SEC.

MARKET STRUCTURE: THE VALUE CHAIN AND WHO OWNS WHAT

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In the U.S., event contracts are classified as CFTC-regulated derivatives, placing them within a three-layer market structure: exchange (Designed Contract Market - DCM), clearinghouse (Derivatives Clearing Organization - DCO) and broker (Futures Commission Merchant - FCM). This single regulatory framing enables a nationwide, 50-state footprint under federal law, bypassing state-by-state restrictions and turning competition into a strategic race to control key parts of the stack. Against this backdrop, brokers now face three distinct strategic paths - from pure distribution to vertical integration - while exchanges and incumbents position themselves across layers to capture the most economic value.

The Value Chain -

1. **Consumer front-end (distribution) -** The app that acquires and retains customers, controlling UX, onboarding, branding, and engagement. In our view, this is the scarce link - infrastructure can be bought or built, but a large, funded retail audience takes time to build. It is the moat.

2. **FCM (Futures Commission Merchant) -** The brokerage layer that holds customer accounts, custodies funds, manages margin, and routes orders to the exchange. It earns a brokerage take-rate or commission on all contracts traded through its platform.

3. **DCM (Designated Contract Market) -** The federally licensed exchange that lists contracts, operates the order book, and defines the product roadmap. This layer effectively controls what markets exist and how they trade, and earns the exchange fees.

4. **DCO (Derivatives Clearing Organization) -** The clearinghouse that novates trades and guarantees settlement. Because event contracts are fully collateralised with fixed $0–$1 payouts, the DCO carries materially lower default risk than leveraged futures, and primarily earns float on posted collateral, often bundled with the exchange.

5. **Market makers (liquidity) -** Specialist firms that post two-sided quotes into the order book, tightening spreads and absorbing large orders, earning the spread - Wintermute, Jump Trading, Susquehanna, Galaxy Digital, etc.

HOW A BROKER CAN ENTER -

1. **Distribution only (introducing broker/FCM) -** A broker can own the consumer app and an FCM (or introducing broker), but lists contracts from a third-party DCM (e.g., Kalshi). This model captures the front-end (distribution) and brokerage commission while relying on the prediction market exchange for product supply, resulting in limited control over which contracts are launched and when.

2. **Full-stack integration -** A broker can buy or build the entire stack - consumer app, FCM, DCM, and DCO. This structure captures the full economic value chain (exchange fees, clearing float, and brokerage commission) and provides unilateral control over product design and contract listings, though it requires more time, regulatory approvals, and capital to build.

3. **Securities-options wrapper -** A broker can sidestep the CFTC event contract framework entirely by listing binary payoff contracts as securities options on an existing options exchange, cleared through the OCC on established options infrastructure. This approach avoids ongoing regulatory uncertainty around prediction markets and keeps trading within the standard brokerage account, but restricts product scope to clean financial outcomes and excludes the broader long-tail of sports, politics, and cultural events.

WHAT ARE THE INCUMBENTS DOING?

Exchange and clearing infrastructure -

- **Kalshi** built its own exchange (KalshiEx) and clearinghouse (Kalshi Klear), onboards users directly, and added an FCM affiliate (Kinetic) for future margin offering optionality. It owns the stack, operating both a direct-to-consumer platform and an intermediated B2B rail that fintech distributors (Robinhood, Webull, Coinbase) sit on top of.

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- **Polymarket** operates through QCX LLC (DCM) and QC Clearing LLC (DCO) in US - both acquired in July 2025 - giving it a fully owned exchange and clearing stack, allowing it to re-enter the US market under a CFTC Amended Order that permits intermediated access - retail flow routing through a licensed third-party FCM.

- **Rothera** is a CFTC-regulated U.S. derivatives exchange and clearinghouse that operates under both Designated Contract Market (DCM) and Derivatives Clearing Organization (DCO) licenses. Formerly known as LedgerX and later MIAXdx, it enables the trading and clearing of fully collateralized futures, options, swaps, and event contracts. Following its acquisition by a Robinhood and Susquehanna International Group (SIG) joint venture in November 2025, Rothera became a key platform for Robinhood's expansion into regulated prediction markets, leveraging Robinhood's distribution capabilities and SIG's market-making expertise.

- **CME Group (not covered)** owns the full exchange and clearing infrastructure for prediction markets through its existing CFTC-designated Chicago Mercantile Exchange (DCM) and CME Clearing (DCO). It distributes entirely through third-party partners - it owns the regulated stack and lets its distribution partners own the customer relationship.

- **CBOE** lists its prediction market contracts as binary options on its existing CBOE Options Exchange, with clearing handled by OCC. It has no proprietary FCM, no direct retail onboarding capability, and no affiliated market maker designated specifically for prediction markets; distribution is entirely intermediated through existing broker-dealers, currently live only on IBKR with SCHW pending.

Distribution-led -

- **Coinbase** operates prediction markets through two owned layers - the Coinbase app (front end) and Coinbase Financial Markets (FCM) - while relying on Kalshi for DCM and DCO. It has agreed to acquire The Clearing Company, a purpose-built prediction market DCO with a pending CFTC application, which will add the clearing layer to its stack.

- **Webull (not covered)** also operates as a distribution-led broker with an FCM license, distributing Kalshi contracts through its platform and earning brokerage commissions without owning the exchange or clearing infrastructure.

Full-stack integration -

- **Robinhood** operates prediction markets across all five layers of the value chain. It owns the Robinhood app (front end), Robinhood Derivatives LLC (FCM), and - following the January 2026 close of its joint venture's acquisition of MIAXdx — now owns both the DCM (Rothera Exchange) and DCO (Rothera Clearing), making Robinhood the most vertically integrated player in the prediction market value chain. Despite operating its own exchange, Robinhood continues to list contracts from other DCMs - Kalshi, ForecastEx, and Crypto.com, focusing on providing a wider selection of products to its customers.

- **Interactive Brokers** owns the entire chain under the IBKR Group. ForecastEx LLC - a wholly-owned subsidiary - holds both the DCM and DCO licenses within a single entity, Interactive Brokers LLC serves as the CFTC-registered FCM and clearing member, and IB Global Investments LLC (IBGI) acts as the affiliated market maker, posting liquidity on both sides of ForecastEx markets. IBKR launched with full vertical ownership in July 2024 and has since layered on a multi-venue front end - aggregating contracts from ForecastEx, Kalshi, CME, and CBOE Predicts within the same platform.

- **Crypto.com** operates a B2B infrastructure play wrapped in a direct-to-consumer front end. CDNA (Crypto.com Derivatives North America) holds a full CFTC DCM + DCO stack - which it monetizes in two ways: first by running its own consumer-facing prediction market within the Crypto.com app (direct revenue from spreads and fees), and second by white-labeling its DCM/DCO infrastructure to third-party distributors. This B2B licensing model, where CDNA acts as a turnkey regulated exchange-and-clearinghouse-as-a-service for niche distributors who would never build their own CFTC stack is similar to what Kalshi does for fintech platforms, except Crypto.com's third-party partners skew toward entertainment and gaming rather than brokerage.

- **Gemini (not covered)** owns the full exchange and clearing infrastructure for prediction markets through its two CFTC-licensed subsidiaries - Gemini Titan (DCM) and Gemini Olympus (DCO) - and operates a direct-to-consumer product through its app.

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Securities-options wrapper -

- **Charles Schwab** is planning to distribute CBOE's binary options on the S&P 500 through its existing brokerage, cleared by the OCC - staying a pure distributor and sidestepping the CFTC stack.

On economics, we believe integration is likely to win: each additional layer owned adds revenue streams (exchange fees, clearing float, brokerage commissions). On defensibility, we believe distribution remains the key moat - brokers with large, funded customer bases are best positioned to scale market share.

EXHIBIT 7: **Prediction markets' value chain - who owns what?**

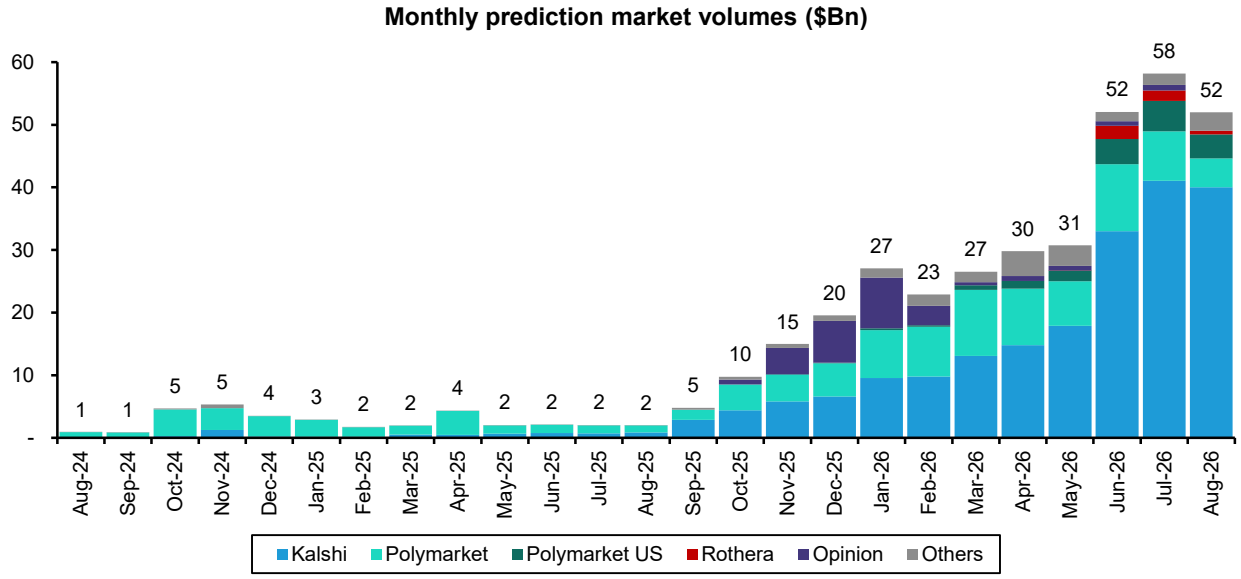
Revenue share ->	*Brokerage commission*		*Exchange fee*	*Float income*	*Spread*
Incumbent	**Front-end**	**FCM**	**DCM**	**DCO**	**Market-makers**
Robinhood	●	●	●	●	◉
Interactive Brokers	●	●	●	●	●
Coinbase	●	●	—	—	—
Kalshi	●	●	●	●	◉
Polymarket	●	—	●	●	◉
Crypto.com	●	●	●	●	—
Gemini	●	—	●	●	—
Charles Schwab	●	—	—	—	—
Webull	●	●	—	—	—
CBOE Group	—	—	—	—	—
CME Group	—	◉	●	●	—

● Owns/ controls ◉ Partial/ via partner — No control

Source: Company filings, Bernstein analysis

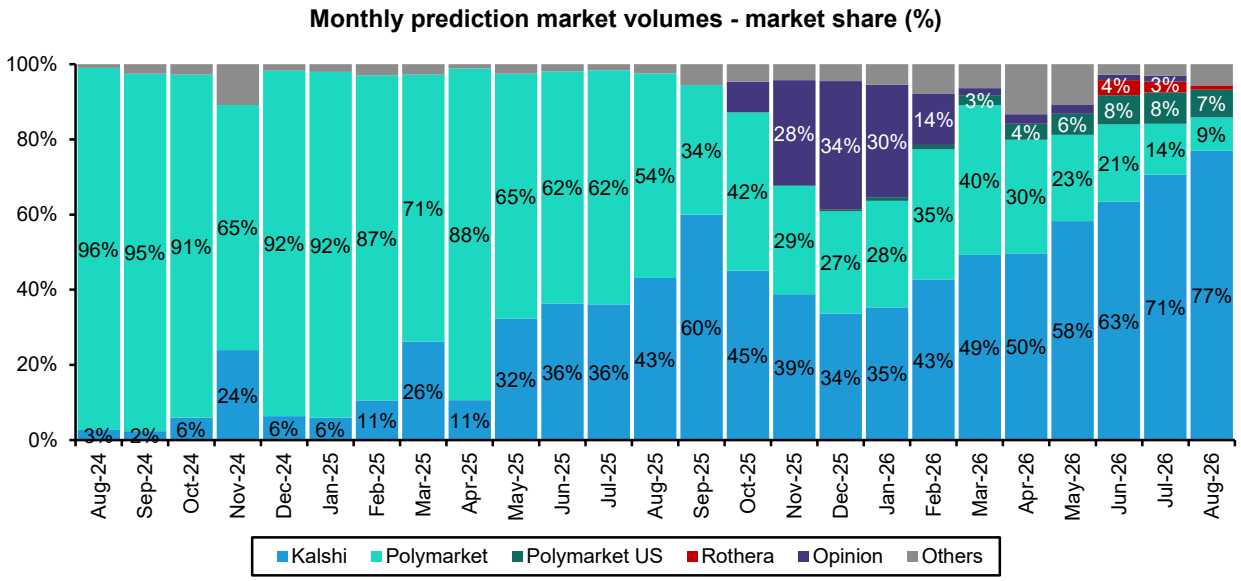
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EXHIBIT 8: **Monthly prediction market volumes - global ($Bn)**



Source: Dune analytics, Company filings, Bernstein analysis

EXHIBIT 9: **Monthly prediction market volumes - global market share (%)**



Source: Dune analytics, Company filings, Bernstein analysis

REGULATION

The regulatory framework governing U.S. prediction markets has evolved from a largely theoretical jurisdictional debate into a broad legal contest involving the Commodity Futures Trading Commission (CFTC), state gaming regulators, federal and state courts, tribal interests, and potentially Congress. Over the past several months, the industry has moved from asking whether sports event contracts could coexist alongside state-regulated sportsbooks to addressing a more fundamental question: who ultimately has authority to regulate products that increasingly resemble sports wagering?

The controversy emerged following federal litigation that allowed Kalshi to offer contracts tied to political elections. This established a pathway for designated contract markets (DCMs) to expand event-based products into new categories.

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Prediction-market operators subsequently began self-certifying sports event contracts under the Commodity Exchange Act (CEA), arguing that these instruments qualify as federally regulated swaps.

At its core, the industry's argument rests on two propositions. First, sports event contracts fall within the broad statutory definition of a swap because their value depends on the occurrence or non-occurrence of a future event. Second, if those contracts are valid swaps traded on a regulated exchange, the CFTC enjoys exclusive jurisdiction and state gambling laws are preempted.

State regulators, tribes, and gaming stakeholders dispute both propositions. Their position is that sports event contracts are functionally indistinguishable from sports wagers and therefore belong within a regulatory domain historically administered by the states. They further argue that Congress never clearly authorized the CFTC to become a national sports-gambling regulator through either the Commodity Exchange Act or Dodd-Frank.

The result is a debate that now extends well beyond swap classification. Increasingly, courts are being asked to determine where the boundary lies between federal commodities regulation and state gaming authority.

March 2026 marked the first point at which a more coherent legal framework began to emerge. By that stage, the litigation was already moving away from what many market participants viewed as a regulatory "Wild West," with states securing favorable rulings in Maryland, Massachusetts, Michigan, Nevada, and Ohio.

Courts started increasingly evaluating prediction markets through the lens of congressional intent rather than swap definitions. While early favorable rulings for Kalshi focused on whether sports event contracts could fit within the Commodity Exchange Act's broad definition of a swap, more recent decisions examined the broader statutory and historical context surrounding gambling regulation, including the Wire Act, PASPA, and the longstanding role of states as primary regulators of sports wagering.

This distinction remains important because it creates a fundamental asymmetry in the litigation. Prediction-market platforms effectively must establish both that sports event contracts qualify as swaps and that federal law preempts state gaming laws. States, by contrast, can prevail through multiple independent theories, including a determination that the contracts are not swaps, that federal preemption does not apply, that Congress never clearly delegated authority over sports gambling to the CFTC, or that traditional state authority over gambling remains intact.

The increasing focus on congressional intent also elevated the importance of statutes such as the Wire Act and PASPA, which reflect a longstanding congressional practice of addressing sports gambling through explicit legislation rather than through broad delegations of authority to financial regulators.

By March, two separate paths to Supreme Court review had begun to emerge. The first was the conventional appellate route, in which conflicting decisions among federal circuit courts eventually require review. The second involved potential emergency applications seeking to stay state enforcement actions and avoid geofencing while litigation remained ongoing.

A second important shift became apparent later in March, as attention moved from legal theory to the mechanics of enforcement.

States increasingly abandoned reliance on cease-and-desist letters and instead began pursuing direct enforcement actions in state court. This represented a significant procedural evolution because cease-and-desist letters often enabled prediction-market operators to seek immediate protection in federal court through preemption claims. Direct state-court actions substantially reduced that flexibility.

Massachusetts, Nevada, and Arizona became early examples of this emerging strategy. Civil enforcement actions could produce temporary restraining orders and preliminary injunctions, while parallel criminal proceedings created an even more difficult path for operators attempting to relocate disputes into federal court. The Younger abstention doctrine generally limits federal interference with ongoing state criminal proceedings, making combined civil and criminal enforcement a potentially powerful tool for states seeking to preserve jurisdiction.

This represented a more coordinated and effective enforcement model than the fragmented approaches initially adopted following the launch of sports event contracts.

The March legislative debate also highlighted the limited role Congress is likely to play in the near term. Although several legislative proposals attracted significant attention, the courts continued to appear more likely than Congress to determine the industry's ultimate regulatory structure. Proposed legislation functioned largely as a political firewall against future efforts to explicitly authorize sports prediction markets rather than as a realistic pathway to immediate regulatory resolution.

The legal landscape shifted materially following the Ninth Circuit's unanimous ruling against Kalshi. The decision represented the strongest opinion issued against Kalshi to date and materially altered the structure of the litigation. Unlike the Third Circuit, which largely focused on statutory text, the Ninth Circuit examined broader statutory context, congressional intent, federalism concerns, and the historical treatment of sports gambling under federal law.

The court concluded that sports event contracts are not swaps and rejected the argument that the Commodity Exchange Act preempts Nevada gaming law. In doing so, it created a direct conflict with the Third Circuit's ruling in New Jersey and established the first meaningful circuit split in the litigation.

More importantly, the Ninth Circuit elevated the Major Questions Doctrine from a secondary consideration to one of the central legal issues in the case. Under that doctrine, agencies require clear congressional authorization before asserting authority over matters of significant economic and political importance. The court concluded that converting the CFTC into a de facto national regulator of sports gambling through broad interpretations of existing statutory language raised exactly that concern.

The Ninth Circuit also relied heavily on Murphy v. NCAA. If sports event contracts are ultimately viewed as wagering products rather than traditional derivatives, Murphy may provide a powerful basis for preserving state authority. This distinction increasingly appears central to the case. Prediction-market operators benefit if courts frame the dispute primarily as a derivatives issue. States benefit if courts view it as a gambling and federalism issue.

Rule 40.11(a): The next battleground

The next major source of uncertainty involves the CFTC's efforts to revise Rule 40.11(a).

The CFTC published a Notice of Proposed Rulemaking (“NPRM”) on 12 June 2026 proposing amendments to CFTC Regulation 40.11 and a new Appendix F to Part 40 concerning prediction-market event contracts. The proposal addresses contracts involving the activities specified in Commodity Exchange Act - namely unlawful activity, terrorism, assassination, war, gaming, and other similar activities that the Commission may determine to be contrary to the public interest. The CFTC’s stated view is that the statute grants it discretion to prohibit a covered contract after a public-interest determination; it does not itself create an automatic ban on all contracts involving those categories.

Proposed Rule 40.11(a) would establish the process for those determinations and clarify when an event contract “involves” an enumerated activity. The proposal would also define “gaming” and identify public-interest considerations relevant to the Commission’s evaluation, including market integrity and the characteristics of the underlying activity. In its accompanying explanation, the CFTC highlighted several gaming-related contract types as presenting heightened public-policy concerns, including player-injury, officiating, altercation, pre-collegiate sports, and casino-style games-of-chance contracts.

A revised Rule 40.11(a) could strengthen the federal government's preemption arguments by creating a more explicit regulatory framework for sports event contracts. Such a framework could enhance the argument that the CFTC has actively exercised its authority and developed an oversight regime specifically designed for these products. But, any effort to expand CFTC authority can trigger immediate challenges from states and tribal interests under the Administrative Procedure Act.

The road to the Supreme Court

The Ninth Circuit's ruling transformed what had previously been a theoretical possibility into a live Supreme Court question. Following the emergence of the circuit split, New Jersey petitioned the Supreme Court to review the Third Circuit's decision. New Jersey currently appears to be the most likely vehicle for Supreme Court review, with a timetable that could result in oral arguments during spring 2027 and a decision by June 2027 if certiorari is granted (**link**).

Several factors could influence that timeline. Kalshi is seeking rehearing en banc in the Ninth Circuit, delaying finality. Additional appellate decisions from the Second, Fourth, and Sixth Circuits, as well as the Massachusetts Supreme Judicial Court, could either reinforce or dilute the existing split. At the same time, Rule 40.11(a) rulemaking and related APA challenges could create

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an additional layer of litigation running in parallel with the appellate process.

Our current view remains 2027 is more likely to function as a transition year with ultimate resolution increasingly shifting into 2028.

KALSHI

Strategy and origins. Kalshi was founded in 2018, and launched publicly in July 2021 as the first federally regulated event-contract exchange in the United States. It pursued regulatory approval first, built the exchange around a single federal licence, and gradually expanded the product set. A CFTC license granted it access to all 50 states, bypassing the state-by-state licensing regime that confined the sportsbooks.

Regulatory path. Kalshi got approved as a DCM (designated contract market) in 2020. Its defining regulatory battle was over election markets: it sued the CFTC and won on appeal in 2024, clearing the way for regulated election contracts, leading to volume growth around the US presidential election contract. It has since built the rest of the regulated stack in-house — Kalshi Klear, its own CFTC-approved clearinghouse, went live in March 2026, and affiliate Kinetic Markets registered as a futures commission merchant, that will make margin trading possible in the future.

Scale and where volumes come from. Monthly volumes have increased from <$1Bn in August 2025 to ~$40Bn in August 2026 (Exhibit 10). It holds ~60% share in global prediction markets in 2026-YTD (as of August 2026, compared to 35% in 2025) - (Exhibit 11), and at the same time is diversifying its volume base away from sports (Exhibit 12). The mix remains concentrated, but is broadening (Exhibit 13-Exhibit 16):

- Sports is the dominant category, at ~83% of total volumes in 2026-YTD (including exotics, till August 2026). However, more recently, share of sports has marginally declined from ~90% in January 2026 to ~78% in August 2026. Exotics surged from <20% of volumes in early 2026, to ~45% of total volumes since the FIFA World Cup.

- Crypto is now the clear second category. It's share of total volumes has increased from <5% in January 2026 to ~20% in August 2026. The driver is short-dated contracts - 15 minute up/down markets and Bitcoin price-by-time contracts launched in December 2025. Kalshi's share of total crypto volumes on prediction markets has increased to ~90% relative to Polymarket, vs. ~10% at the beginning of the year (Exhibit 17).

- Commodities is the fastest-growing category, increasing from <$2Mn in 2025 to ~$590Mn in 2026-YTD (till August 2026). Growth was driven by the launch of the 15-minute gold and silver markets, with August 2026 alone contributing $410Mn, a 8x increase from July 2026. As a result, commodities has overtaken both Politics and Economics.

Further, Kalshi also launched perpetual futures in June 2026, with cumulative volume since launch at ~$50Bn (Exhibit 18). The offering has broadened quickly to 18 crypto assets (including BTC, ETH, SOL, XRP, etc.) and 2 real-world asset perpetual futures - Gold (~16x leverage) and Silver (~9x leverage), with crude oil, copper, and a US500 contract tracking the MerQube US Large Cap Index also filed (pending approval).

How the market actually works. The mechanics are those of a regulated futures exchange rather than a wagering site.

1. *Market creation.* Kalshi controls its own product slate. Every contract is drafted by the exchange and self-certified with the CFTC, with the contract terms specifying named "source agencies" - the official body whose data determines the outcome. Users cannot create markets. This limits breadth relative to Polymarket, but means every listed market has a pre-agreed, regulator-filed resolution source.

2. *Resolution and settlement.* Resolution is centralised: Kalshi checks the named source and settles the contract, typically within a few hours of the event resolving. Settlement is automatic - positions resolve and funds move into the user's cash balance without any claim step. Clearing runs through Kalshi Klear, its own CFTC-approved clearinghouse (live March 2026), which removed reliance on third parties and gave it direct control over collateral and, prospectively, margin.

3. *Collateral and rails.* Kalshi is dollar-native. Trading is fully collateralised - a user funds the entire exposure, with no leverage - and accounts are funded by ACH, wire, debit card and, increasingly, stablecoins; USDC balances are custodied with Coinbase. Idle cash earns interest.

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4. *Liquidity.* Kalshi relies on external market makers rather than an automated market maker, with more than 20 active firms and a tiered rebate program paying up to about 1% to makers. Susquehanna is its first dedicated institutional market maker, with block-trade functionality for size.

Distribution. Kalshi runs a wholesale-plus-direct model.

1. *Direct.* Its own app and web platform.
2. *Brokerage partners.* Kalshi supplies contracts to third-party front-ends including Robinhood and Webull, sharing revenue on a per-contract basis.
3. *International.* Expansion into Canada through Wealthsimple.
4. *Institutional.* Access through Clear Street (its first institutional FCM member) and Marex, execution tooling via Trading Technologies, block trading, and data distribution through Tradeweb, whose 3,000-plus institutional clients can now see Kalshi probabilities alongside rates and credit tools.
5. *Media.* Partnerships with CNN and CNBC that display Kalshi's live probabilities on air, which function as brand distribution and reinforce the price-as-forecast positioning.

New products. Kalshi has moved from prediction market to full-service derivatives exchange, trying to diversify away from a sports-dominated base.

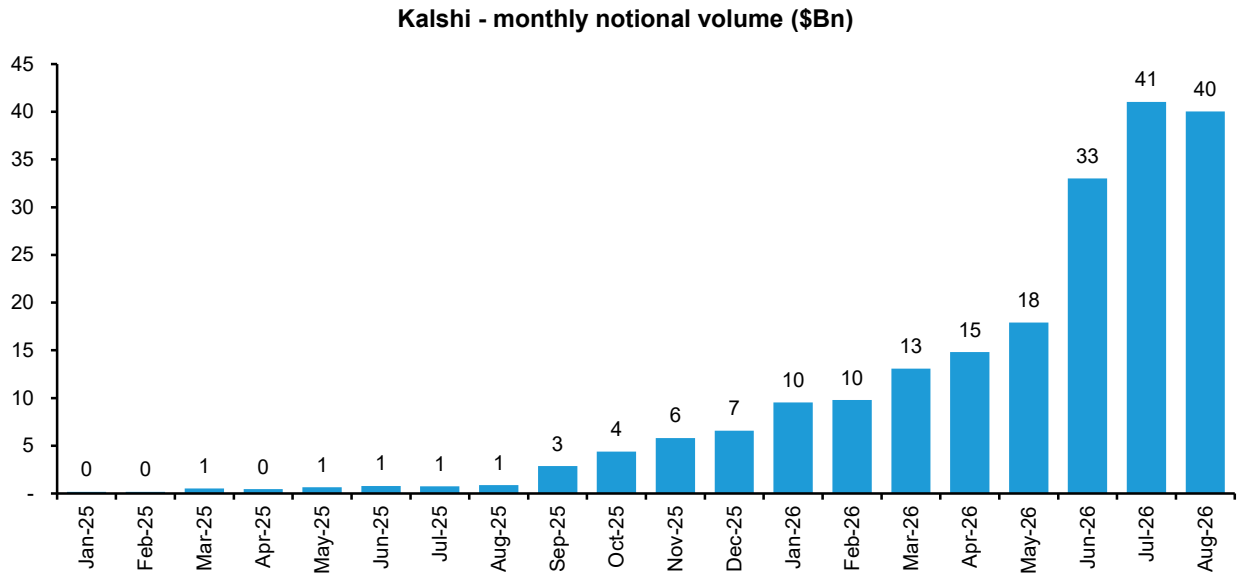
- Perpetual futures: Approved by the CFTC in May 2026 and launched on 3 June, these were the first product beyond event contracts and the first crypto perpetuals offered onshore in the US. Perps volumes stand at ~$50Bn, moving Kalshi from a single-product event exchange into leveraged derivatives, to target a crypto-native high-frequency cohort that sports contracts do not reach, and reduce dependence on the sports franchise. Kalshi has already expanded its offering to ~18 crypto assets, and gold and silver perpetual futures. It has also moved to list the first single-stock perpetual futures in U.S., seeking approval for contracts on Tesla, Apple, Nvidia, etc.
- 15-minute commodity markets: Kalshi has ported the high-velocity 15-minute format that drove its crypto growth into commodities, launching 15-minute gold and silver markets, with possibility of extending to equities in the future.
- Public Companies Hub - Kalshi launched its Public Companies Hub in August 2026, with focus on whether particular topics are discussed during earnings calls (mention markets).
- Compute markets and forward curves. In July 2026 Kalshi launched contracts on GPU rental prices and, from them, the first market-derived compute forward curves, showing the implied future cost of renting an Nvidia B200, H200 or A100 for an hour. The curves are built from its own weekly and monthly compute-price contracts rather than from bilateral OTC quotes, in the same way interest-rate futures generate the SOFR curve. The curves themselves are not tradeable; they serve as a reference price for structuring swaps and OTC compute deals, while participants hedge on the underlying markets or through block trades.
- Other launches: A Commodities Hub (April 2026) for hedging physical-market outcomes without rollovers or margin, product-event contracts with StockX tied to sneaker and collectible resale prices, a desktop trading terminal, and Kalshi Research.

Future products.

- In the future, Kalshi could launch a dedicated KPI market for public equities. Unlike a stock price, which reflects a range of factors including guidance, earnings expectations, valuation changes, and broader market conditions, KPI markets are tied to a single measurable outcome. This gives investors a more direct way to express or hedge a view on a specific business metric, without the additional factors that influence equity performance.

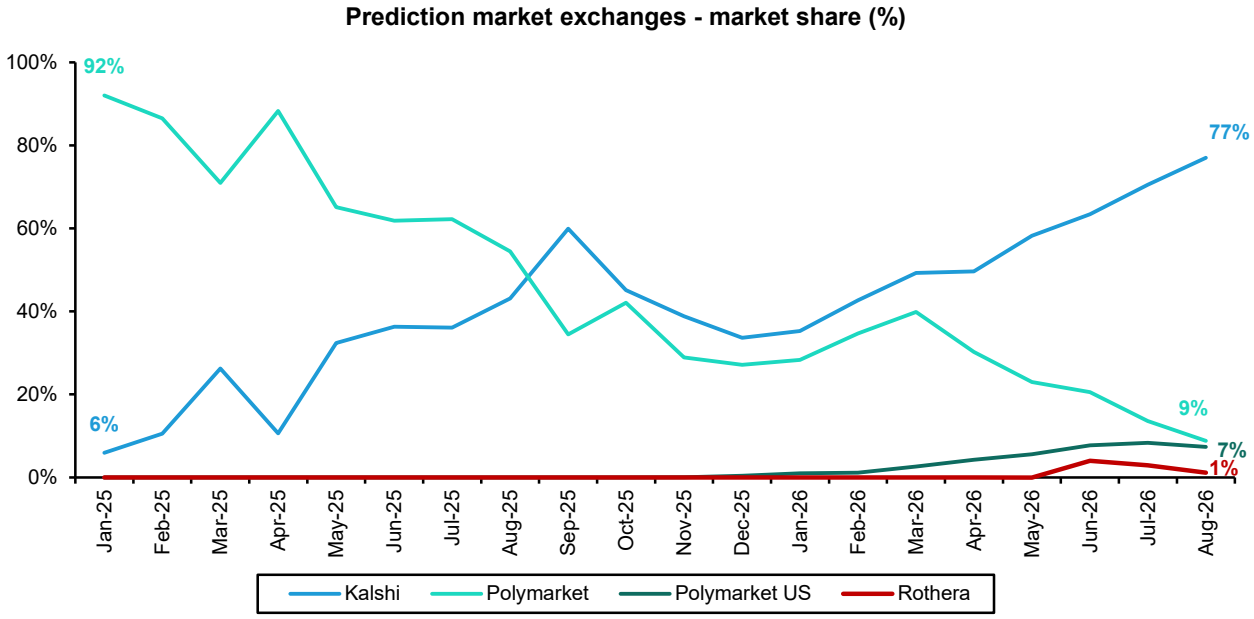
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EXHIBIT 10: **Kalshi - monthly notional volume ($Bn)**



Source: Dune Analytics, Bernstein analysis

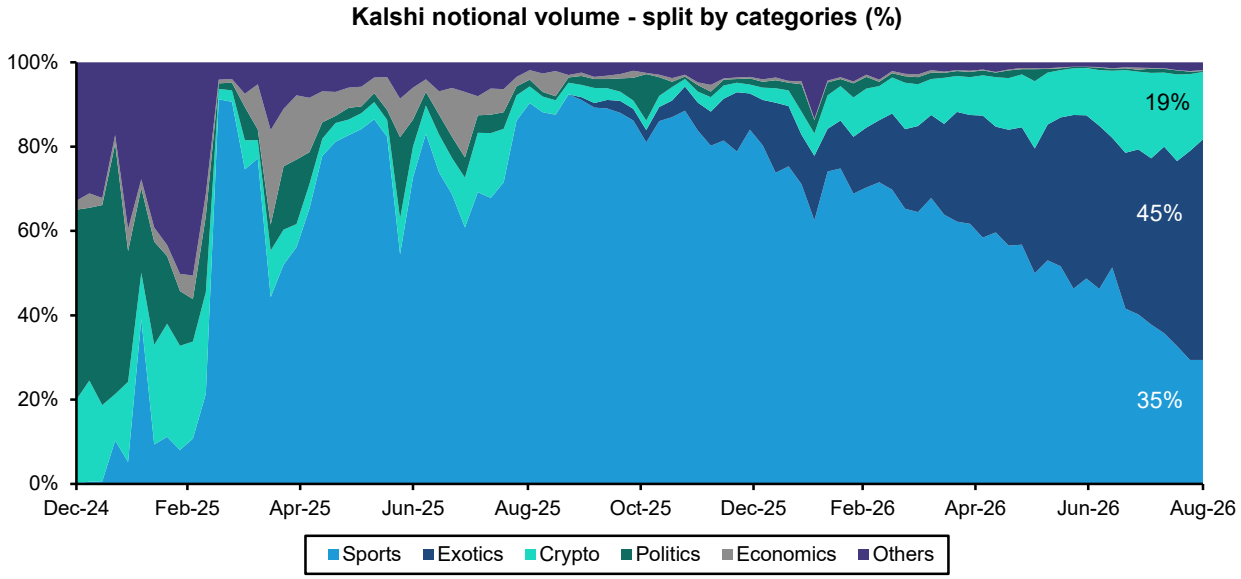
EXHIBIT 11: **Prediction market exchanges - market share (%)**



Source: Dune analytics, Company filings, Bernstein analysis

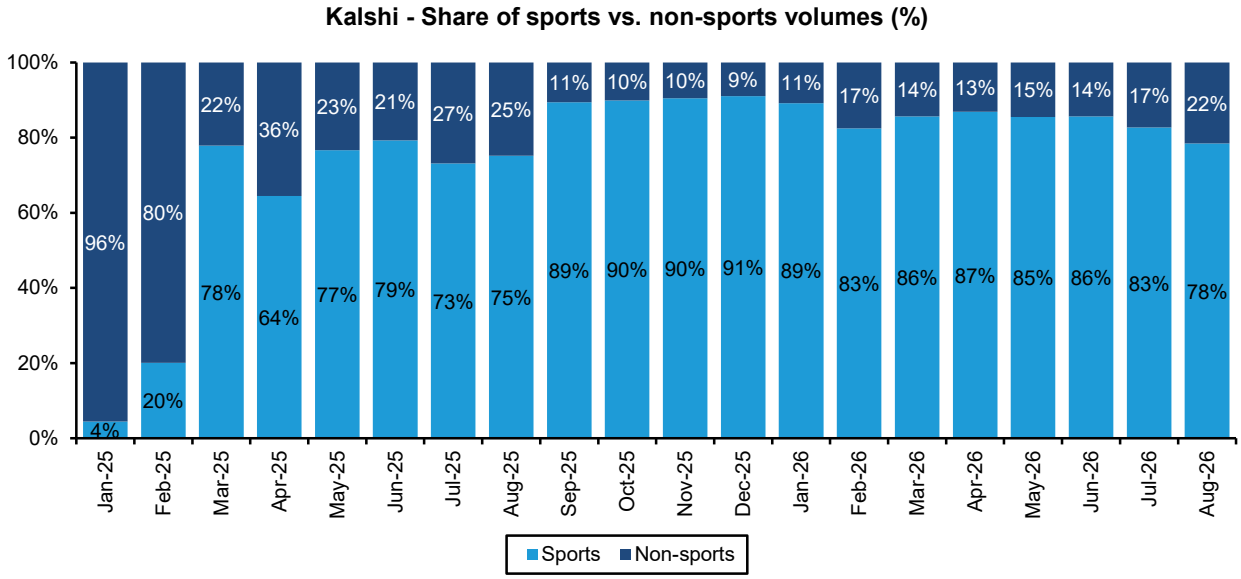
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EXHIBIT 12: **Kalshi volumes - split by categories (%)**



Source: Dune analytics, Bernstein analysis

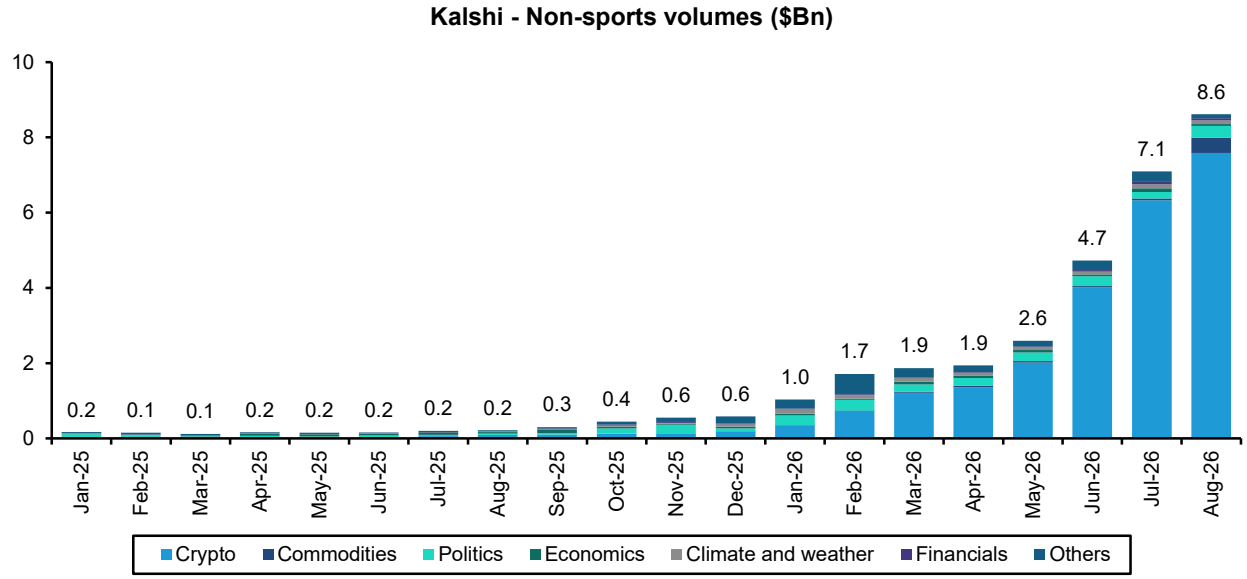
EXHIBIT 13: **Kalshi volume mix - split by sports and non-sports**



Source: Dune analytics, Bernstein analysis

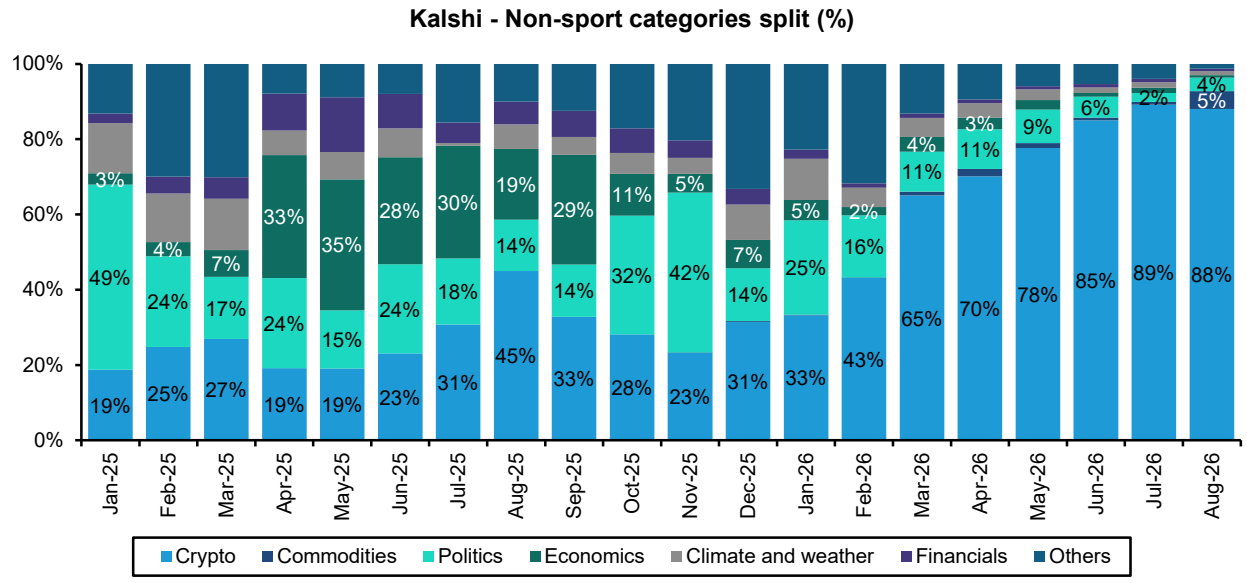
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EXHIBIT 14: **Kalshi - non-sports volumes have scaled up rapidly, led by crypto contracts**



Source: Dune analytics, Bernstein analysis

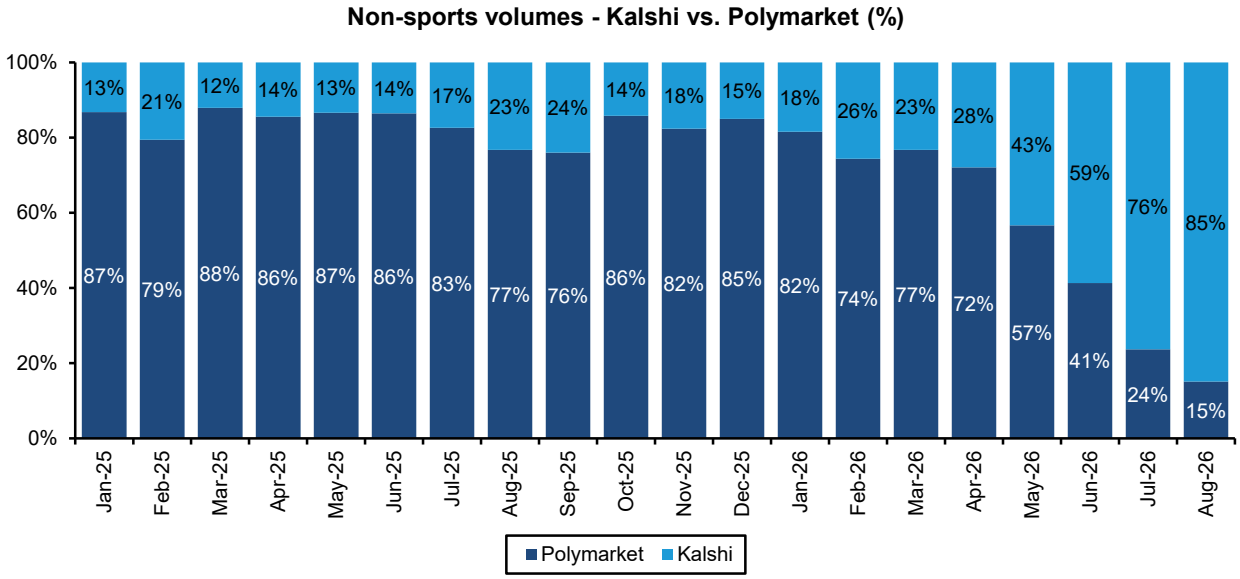
EXHIBIT 15: **Kalshi - crypto leads non-sports volumes on Kalshi, followed by commodities**



Source: Dune analytics, Bernstein analysis

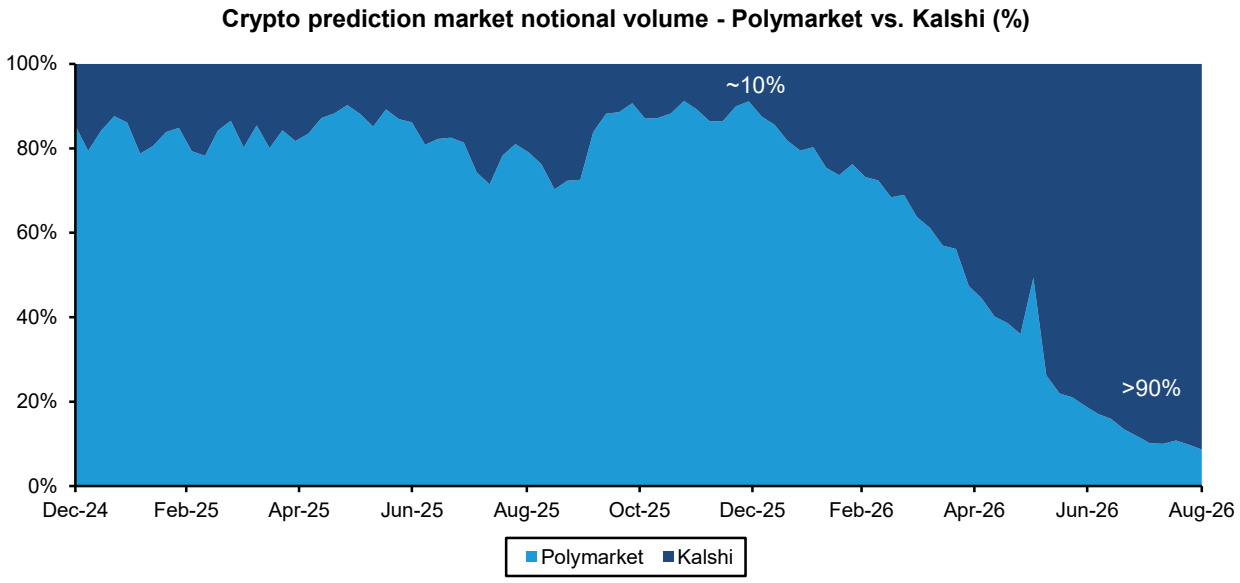
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EXHIBIT 16: **Non-sports volumes - Kalshi vs. Polymarket**



Source: Dune analytics, Bernstein analysis

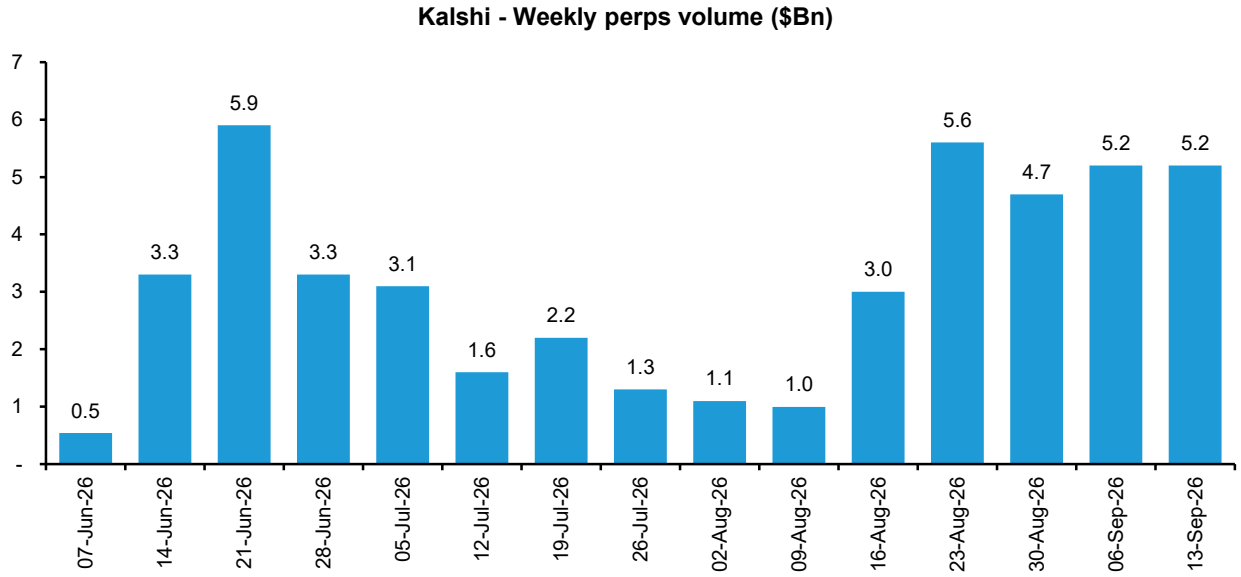
EXHIBIT 17: **Crypto volume on prediction markets - Polymarket vs. Kalshi (%)**



Source: Dune analytics, Bernstein analysis

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EXHIBIT 18: **Kalshi - weekly perps volume**



Source: Artemis, Company website, Bernstein analysis

POLYMARKET

Strategy and origins. Polymarket was founded in June 2020, built on crypto rails - Polygon settlement, USDC collateral, oracle-based resolution - and scaled globally without US regulatory permission. That gave it speed and a global user base; it charged no trading fees at all through 2025, prioritizing liquidity and market share over monetization.

Regulatory path. In 2022, a $1.4Mn CFTC settlement for operating an unregistered contract market forced Polymarket to block US users. In July 2025, the company acquired QCEX, a CFTC-licensed exchange and clearinghouse, for $112Mn, and received approval in November 2025 to offer access to US users through regulated channels. The US rollout, completed by mid-2026, added features such as KYC verification, fiat on-ramps, and fees. Today, Polymarket operates two separate products: an international platform on Polygon using USDC and no KYC, and a CFTC-regulated US platform that requires KYC.

Scale and where volumes come from. Volume on Polymarket (International) has increased from $1.1Bn in August 2025 to $4.6Bn in August 2026, representing ~10% of global prediction market volume (Exhibit 19-Exhibit 20). Polymarket's share has halved from ~44% in 2025 to ~22% in 2026-YTD (As of August 2026). But, Polymarket US is scaling rapidly (Exhibit 25), with monthly volumes touching ~$4Bn in August, standing at ~7% share of global volumes, and ~46% of Polymarket's total volumes (International and US), making Polymarket US the second-largest prediction market exchange onshore, accounting for ~8% of US prediction market volumes in 2026-YTD (as of August 2026).

Polymarket (global) volume mix has evolved significantly (Exhibit 21-Exhibit 24):

- Sports is now the largest category, at ~52% of 2026-YTD volumes, compared to ~39% in 2025, supported by high-frequency in-game and micro-markets and a World Cup-led inflection.
- Politics has fallen from ~32% of volumes in 2025 to 22% in 2026-YTD, but Polymarket continues to dominate political prediction markets, accounting for ~60% of total politics related volumes (in August 2026), supported by first-mover advantage and global user base (Exhibit 26).
- Crypto is ~21% of volumes in 2026-YTD (as of August 2026), and the platform has introduced ultra-short-dated direction markets (example - 5 minutes).

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How the market actually works - International vs. US. The two platforms share an interface and an order book design but differ fundamentally in plumbing.

1. *Market creation.* On International, breadth is the point - the platform lists a far wider and more niche set of markets, including viral and culture questions, with a Markets Team issuing clarifications on how a market should resolve. On US, contracts sit inside a CFTC rulebook with defined resolution criteria, so the slate is narrower and closer to Kalshi's.

2. *Resolution.* International resolves through UMA's optimistic oracle: a proposer posts an outcome with a bond, a challenge window opens, and disputes escalate to a vote of UMA token holders. It is transparent and decentralised. Polymarket has tightened the model, whitelisting proposers against an accuracy bar, which materially cut bad proposals and disputes; short-dated crypto markets resolve automatically via Chainlink data feeds, removing human judgment entirely. Polymarket US does not use UMA at all: markets resolve centrally through Polymarket Clearing, a CFTC-regulated DCO, against a defined hierarchy of official sources - the same centralised model Kalshi uses.

3. *Settlement timing.* International settles after the oracle process completes - a minimum of about two hours if uncontested, but potentially days or weeks if a dispute escalates. US settles on the exchange's own determination, without a dispute window, so timing is more predictable.

4. *Collateral and rails.* International is crypto-native and non-custodial: users hold funds in a connected wallet, and trading collateral is Polymarket USD (pUSD), a Polygon-based token backed 1:1 by Circle's USDC that replaced bridged USDC.e in April 2026. Deposits arrive across supported chains or via card on-ramps, and costs are network gas and third-party provider fees rather than platform fees. US is dollar-and-KYC based: identity verification, USD funding through approved intermediaries including ACH and debit card, and no wallet required, making it more reachable for mainstream and institutional users.

5. *Liquidity.* Both run a central limit order book rather than an automated market maker. The incentive design is distinctive: makers pay nothing and are paid a rebate funded out of taker fees, which subsidises liquidity provision and helps explain Polymarket's depth in short-dated crypto markets despite lower headline fees than Kalshi.

Distribution.

- *Direct - International.* Web and mobile apps serving a global, crypto-native user base, geoblocked from the US. Access is wallet-based with no identity verification, which lowers onboarding friction outside the US but rules out regulated institutional participation. Polymarket US launched as a separate, CFTC-regulated venue launched in December 2025, initially invite-gated with a waitlist that was removed in May 2026.

- *Institutional distribution.* Its most valuable channel is not consumer at all: ICE is the exclusive global distributor of Polymarket's event data to institutional clients, normalising it against ICE reference data and delivering it through the same consolidated feed that carries NYSE pricing. That embeds Polymarket probabilities directly into institutional workflows.

- *No brokerage layer.* Unlike Kalshi, Polymarket does not supply contracts to third-party US retail front-ends.

New products. Polymarket's expansion is pushing the platform away from event contracts alone and towards financial markets exposure. As it runs 2 venues, availability differs: the International site lists quickly, while Polymarket US must sit inside a CFTC rule book, so the US venue trails on breadth - for example perpetual futures are not available in US right now.

- Polymarket Perps - In September 2026, Perps opened with 10 markets and expanded to 60+, across equities, crypto, indices and commodities. Leverage runs to 20x on crypto, the S&P 500, oil, gold and silver, and 10x on single stocks and other real-world assets. Perps is currently International-only.

- Private company markets - In May 2026, Polymarket launched contracts on private-company milestones - valuation thresholds, IPO timing and secondary activity - covering OpenAI, Anthropic, SpaceX, Stripe, Ripple, etc., under an exclusive partnership with NASDAQ Private Market, which supplies the resolution data. Contracts are ordinary binaries, allowing retail an instrument to participate in private-company exposure, and the resulting prices are a live sentiment signal that institutions can read. It is a global launch, led by the International platform.

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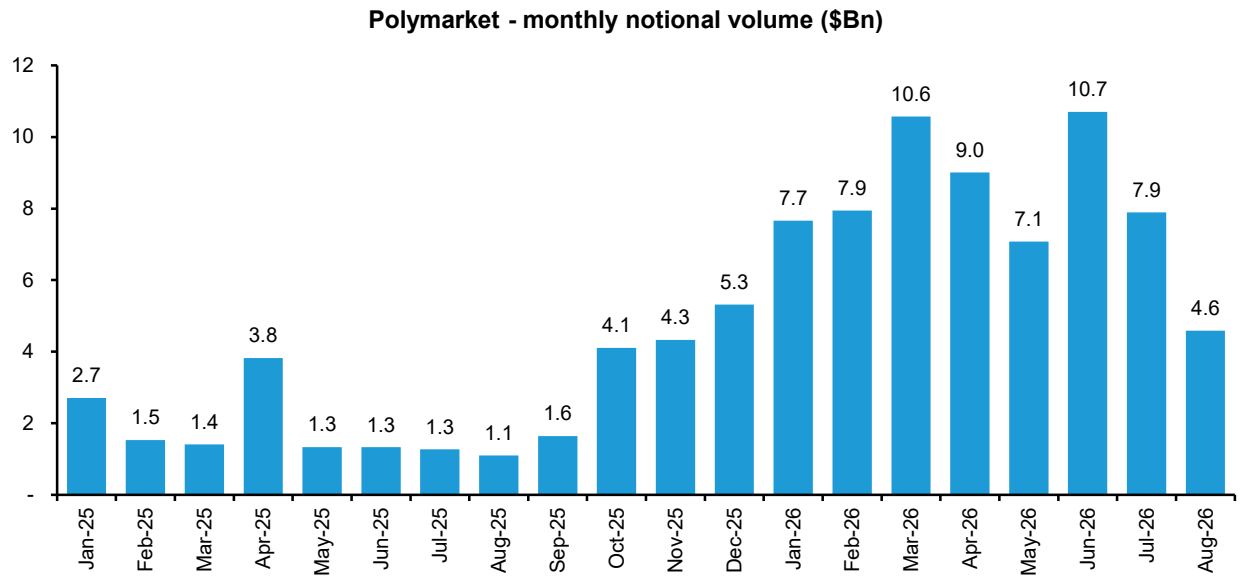
- Listed equity, index, ETF and commodity markets - From April 2026, Polymarket added daily contracts on major equity indices and ETFs, commodities (gold, silver, WTI crude, natural gas) and ~15 US equities including Tesla, Nvidia, Apple, Coinbase, etc. Two formats are offered - daily up/down against the opening price, and closing price brackets - resetting each trading day. Resolution is automated through Pyth Network price feeds, with a public "price to beat" that updates in real time.

- Expanded sports micro-markets and parlays - For Polymarket, share of sports has increased, helped by high-velocity in-game and micro-markets rather than simple match outcomes and World Cup inflection. In May 2026, Polymarket self-certified Combinatorial outcome contracts with the CFTC - the parlay structure.

- Ultra-short-dated crypto directional - Polymarket introduced five-minute "Up or Down" crypto markets in February 2026, building on the existing 15-minute format. They settle on whether an asset's Chainlink-referenced price at the end of a five-minute interval is at or above its starting level.

- In April 2026 it replaced bridged USDC.e with Polymarket USD, a proprietary collateral token backed 1:1 by Circle's USDC, and shipped CTF Exchange V2 with faster matching, smart-contract wallet support and builder codes; it is also upgrading its resolution oracle to reduce disputed settlements. A native token, POLY, with a retroactive airdrop has been confirmed by management but not dated.

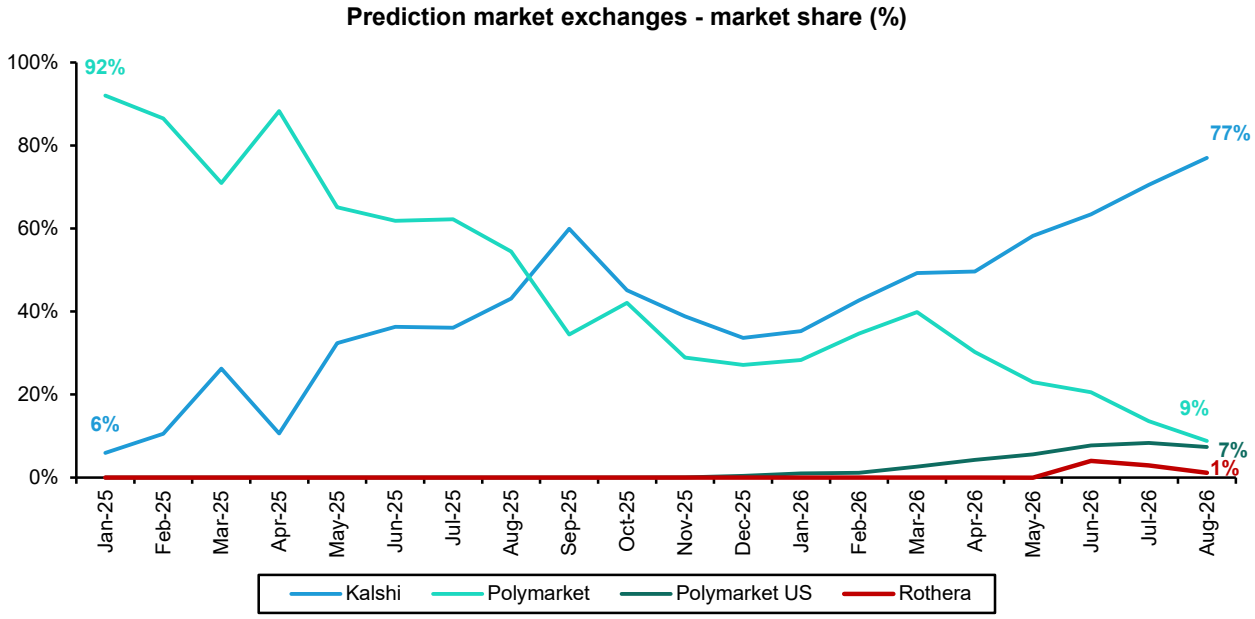
EXHIBIT 19: **Polymarket - monthly notional volume ($Bn)**



Source: Dune Analytics, Bernstein analysis

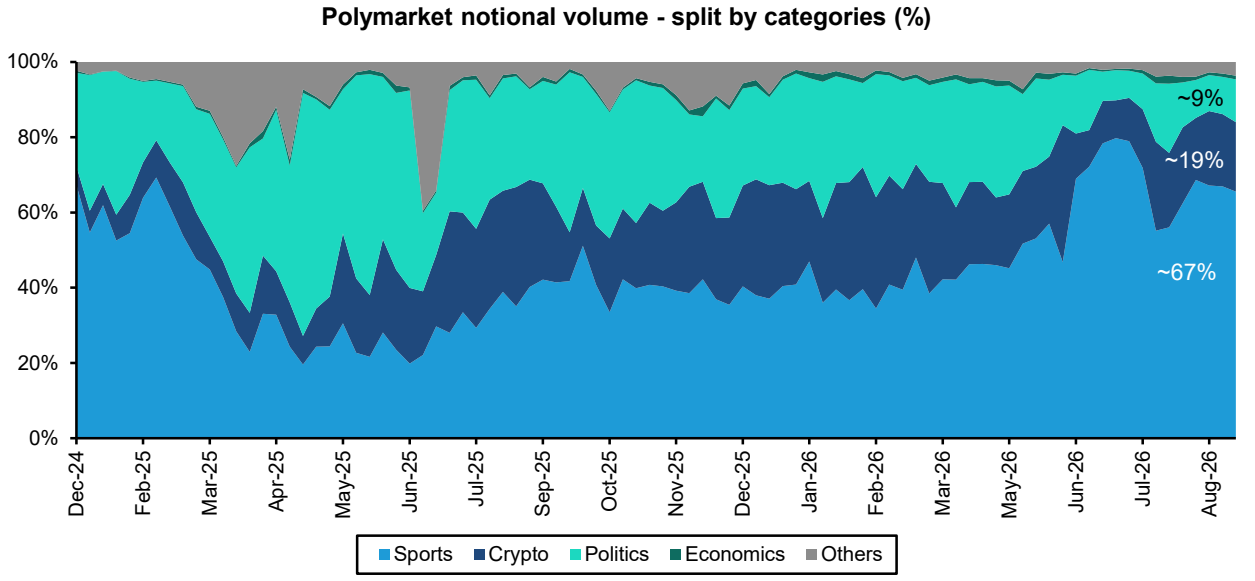
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EXHIBIT 20: **Prediction market exchanges - market share (%)**



Source: Dune analytics, Company filings, Bernstein analysis

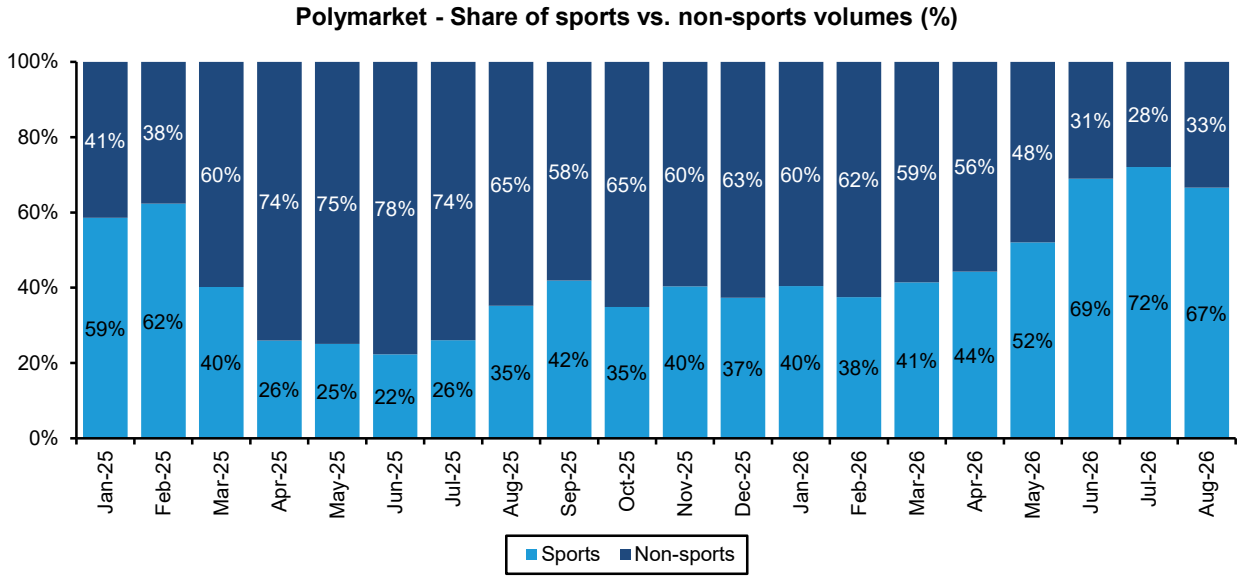
EXHIBIT 21: **Polymarket volumes - split by categories (%)**



Source: Dune analytics, Bernstein analysis

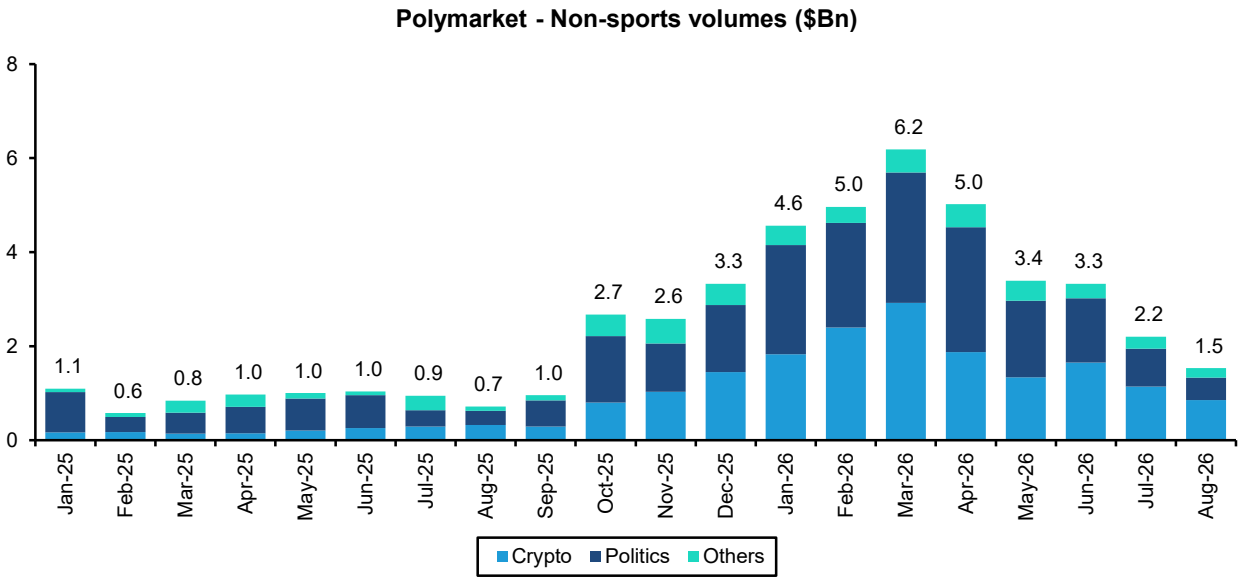
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EXHIBIT 22: **Polymarket volume mix - split by sports and non-sports**



Source: Dune analytics, Bernstein analysis

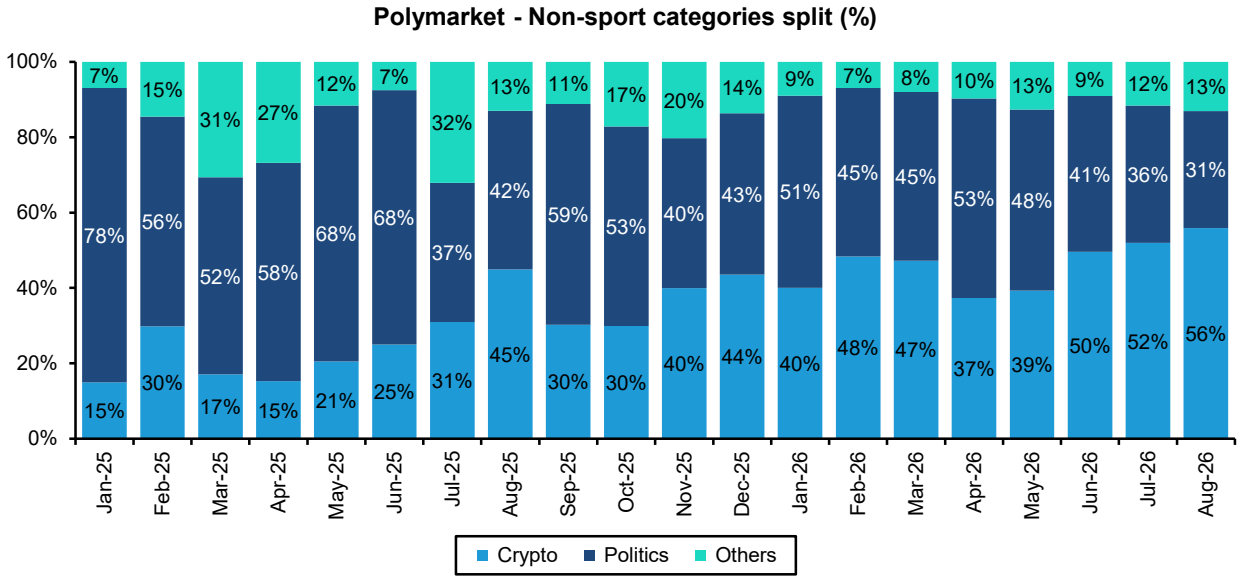
EXHIBIT 23: **Polymarket - non-sports volumes**



Source: Dune analytics, Bernstein analysis

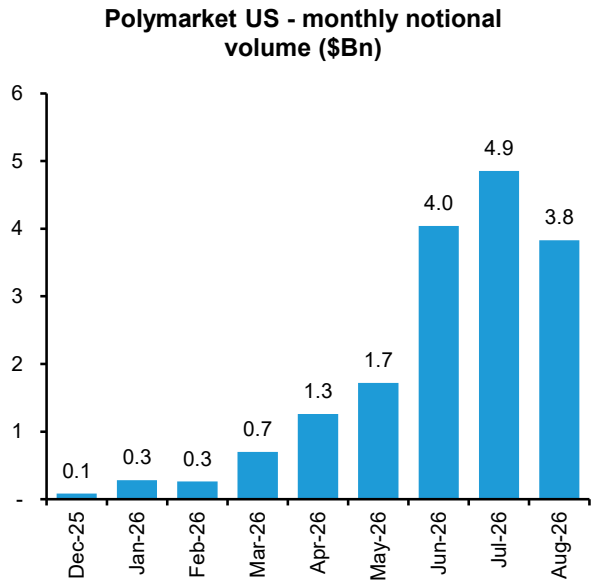
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EXHIBIT 24: **Polymarket - crypto leads non-sports volumes, followed by politics**



Source: Dune analytics, Bernstein analysis

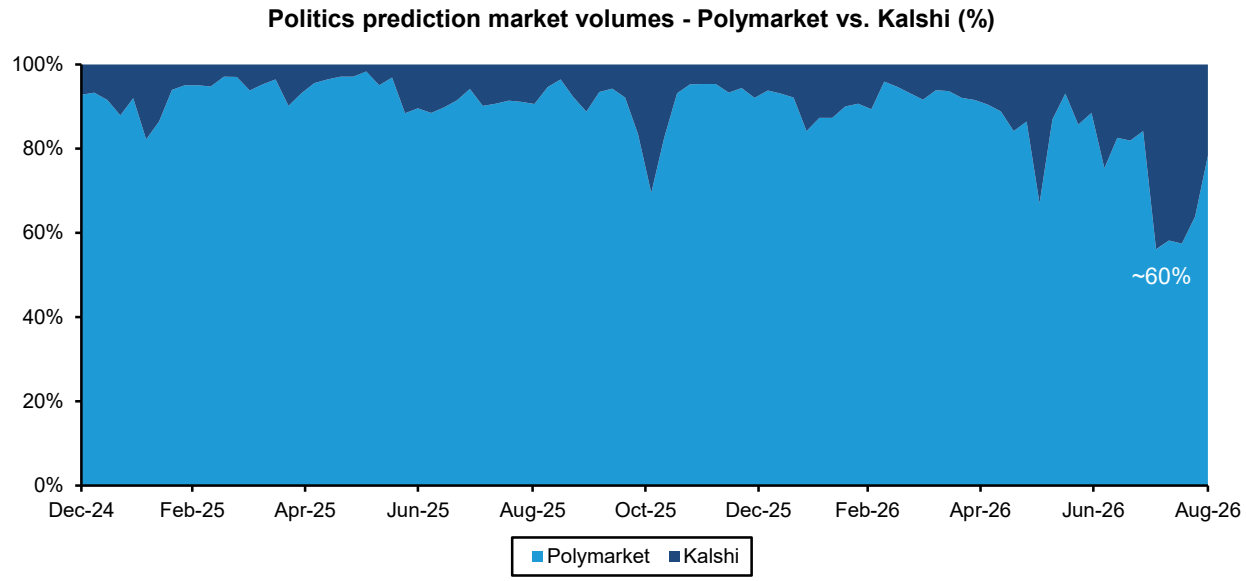
EXHIBIT 25: **Polymarket US - monthly notional volume ($Bn)**



Source: Dune Analytics, Bernstein analysis

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EXHIBIT 26: **Politics volume on prediction markets - Polymarket vs. Kalshi (%)**



Source: Dune Analytics, Bernstein analysis

ROTHERA

Strategy and origins. Robinhood entered prediction markets in Q4 2024 as a pure distributor, routing to ForecastEx, then scaling from Q1 2025 with Kalshi. By Q2 2025, >50% of Kalshi's volumes were being routed through Robinhood (Exhibit 30). In November 2025, Robinhood announced a joint venture with Susquehanna International Group to operate its own CFTC-licensed exchange and clearinghouse. The JV acquired MIAXdx (formerly LedgerX) under Miami International Holdings (MIAX). This was renamed to Rothera, and the venture of Robinhood/SIG owns 90% controlling stake, with MIAX retaining 10%. By acquiring a pre-licensed entity, Robinhood gained immediate access to regulatory infrastructure, accelerating its entry into prediction markets. This enabled Rothera to launch event contracts by May 2026, within ~6 months after the deal announcement. Within the joint venture, Robinhood acts as the controlling partner, while SIG contributes liquidity and market-making expertise to ensure sufficient depth and efficiency in trading.

Regulatory path. The joint venture acquired licenses through the purchase of MIAXdx - delivering the full regulatory stack - a Designated Contract Market (DCM), a Derivatives Clearing Organization (DCO), and a Swap Execution Facility.

Launch and Migration. Rothera self certified its first contracts in May 2026, and launched with economic-data and baseball markets. It later launched World Cup contracts - with match outcomes, tournament winner, and totals migrating to Rothera, while player props, parlays and complex multi-leg contracts continued routing to Kalshi. Management expects that most flow will move over to Rothera over the medium term, but at the same time, Robinhood will keep distributing contracts of multiple exchanges.

Products and Scale. On the listings side, Rothera has listed Core PCE Price Index, U.S. weekly jobless claims, professional baseball games (MLB), and events around FIFA World Cup (Winner, individual games, group winners, etc.) and tennis (Wimbledon, US Open), Golf tournament, professional football, NFL, NHL, politics contracts, etc. Since launch, Rothera has processed ~5Bn contracts, with ~99% of volumes concentrated across sports (Exhibit 27-Exhibit 28).

Vertically integrated Predictions platforms - Rothera's DCM and Robinhood as FCM - Prior to Rothera, Robinhood routed its event contracts through third-party exchanges such as Kalshi and ForecastEx. In this model, Robinhood captured only the brokerage commission, while the exchange and clearing revenues accrued to the underlying venue. ~50% of Kalshi's volumes were routed via Robinhood in 2025, underscoring the scale of economics flowing externally.

Ownership of Rothera can improve unit economics by enabling Robinhood to capture the full value chain - both commission and exchange fees - on each contract. This shift can potentially expand revenue per trade while reducing dependence on third-party

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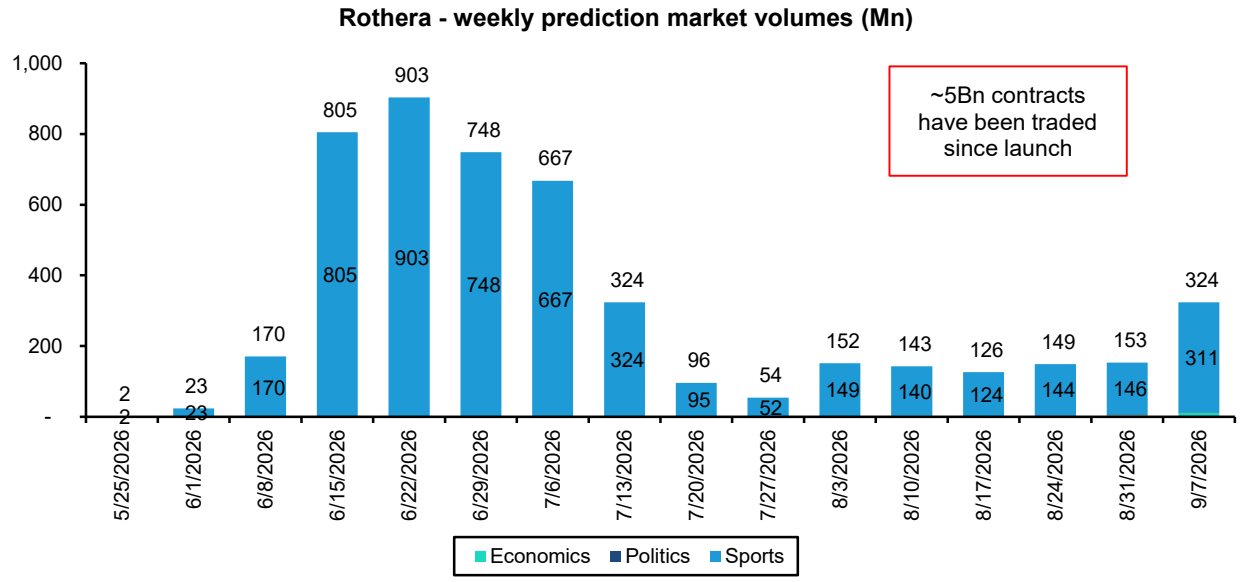
platforms.

In addition, operating its own exchange provides full control over product strategy and contract listings, removing reliance on external roadmaps and approval timelines. Robinhood can now determine which event contracts to offer, and bring them to market more quickly.

The timing of the rollout - coinciding with the FIFA World Cup - served as a strategic launch window. It allowed Robinhood to stress-test its infrastructure during a high-volume event cycle.

Revenue: Event contracts traded on Robinhood reached a record 13.6Bn in 2Q2026 (Exhibit 29), supported by the World Cup. Event contracts revenue was $156Mn (+50% QoQ, >10x YoY), accounting for 20% of transaction revenue and 12% of total revenue in 2Q2026 (vs. 17% and 10% in 1Q2026 respectively). Rothera went live in June and is now the third-largest exchange in U.S., with 3.5Bn+ contracts traded to date (2.1Bn in 2Q2026) and $17Mn of revenue in the quarter. Management expects a greater share of prediction market flow to migrate to Rothera over time, while continuing to distribute event contracts from third-party exchanges and retaining the longer-term optionality to offer Rothera as a B2B platform for other FCMs (Futures Commission Merchant).

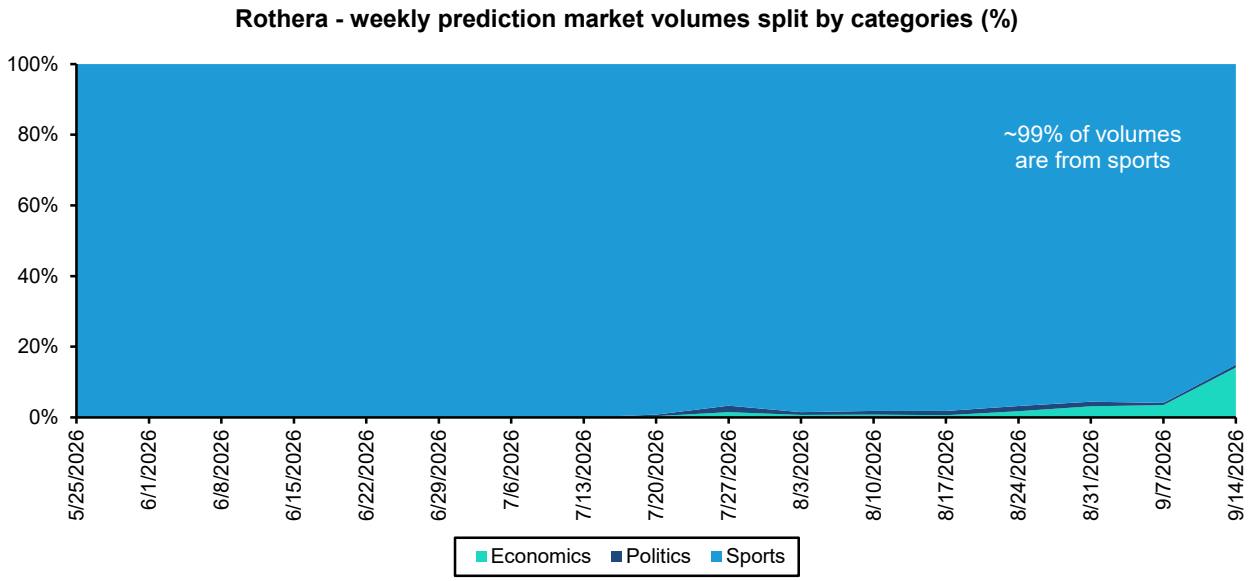
EXHIBIT 27: **Rothera - weekly prediction market volumes**



Source: Company filings, Bernstein analysis

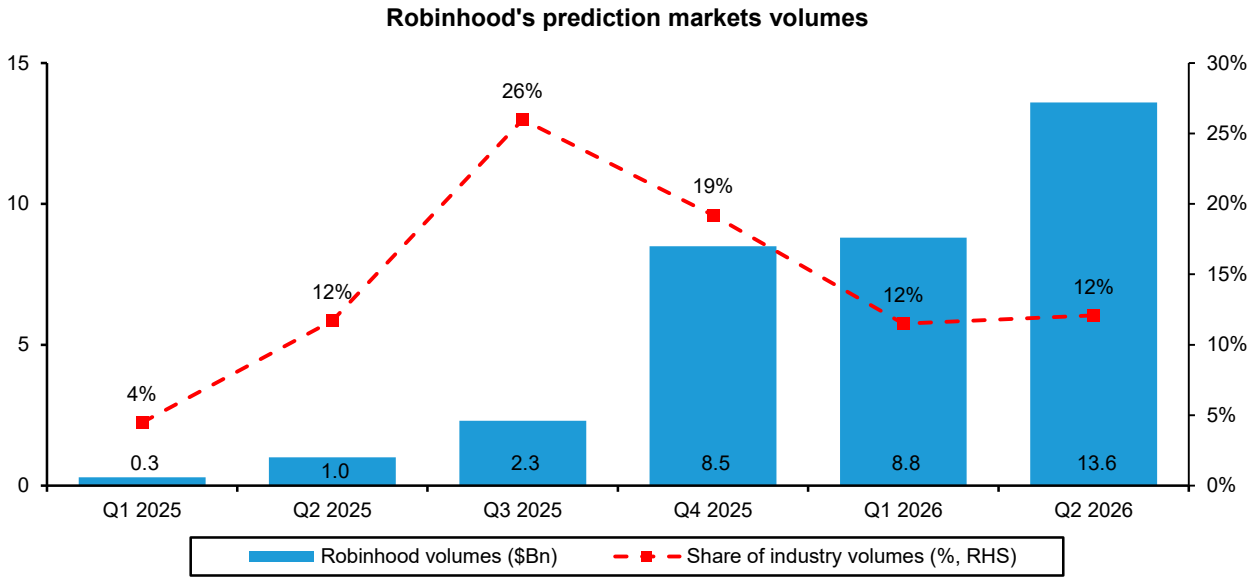
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EXHIBIT 28: **Rothera - weekly prediction market volumes split by categories (%)**



Source: Company filings, Bernstein analysis

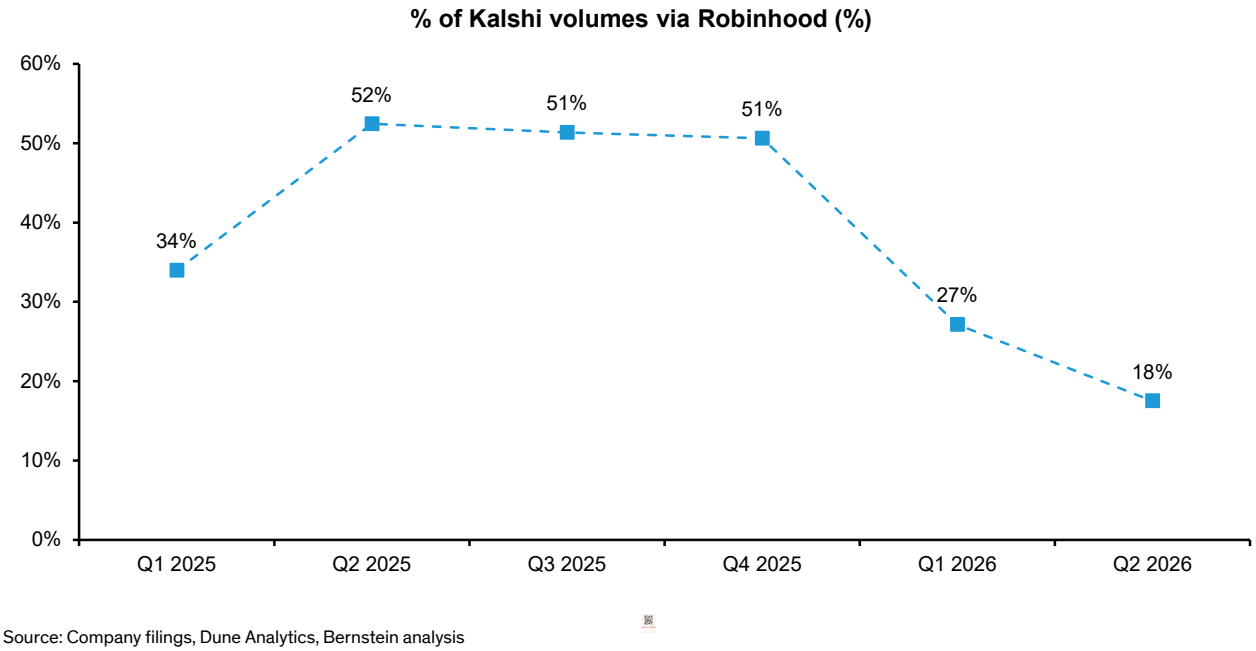
EXHIBIT 29: **Robinhood - prediction market volumes ($Bn) and market share (%)**



Source: Company filings, Dune analytics, Bernstein analysis

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EXHIBIT 30: **Share of Kalshi's volumes routed via Robinhood**



Source: Company filings, Dune Analytics, Bernstein analysis

DKEX

Strategy and origins. DraftKings entered prediction markets through the acquisition of Railbird Technologies and its wholly owned subsidiary Railbird Exchange in October 2025. Railbird was a federally regulated event-contract exchange, providing DraftKings with exchange technology, regulatory licenses, and an operating team. Alongside the acquisition, DraftKings announced DraftKings Predictions, a dedicated platform for trading event contracts across finance, culture, entertainment, and other real-world outcomes. The transaction marked DraftKings' transition from a potential distributor of prediction markets to an operator with its own exchange infrastructure.

Regulatory path. DraftKings obtained its regulatory framework through the acquisition of Railbird Exchange, which had already received CFTC approval as a Designated Contract Market (DCM). Acquiring a licensed entity accelerated DraftKings' entry into prediction markets relative to pursuing a new regulatory application.

Launch and Migration. Following the acquisition, DraftKings announced plans to launch DraftKings Predictions as a standalone event-contract platform. Management indicated the product would be capable of connecting to multiple exchanges, allowing DraftKings to offer both internally listed contracts and products from third-party venues. Over time, a larger share of activity may migrate to DraftKings-operated infrastructure as the exchange expands its listings and liquidity base.

Products and Scale. DraftKings initially positioned DraftKings Predictions around finance, culture, entertainment, and other real-world events rather than focusing exclusively on sports. The company expects to expand into additional categories over time and leverage its existing sportsbook, fantasy sports, and iGaming customer base to drive adoption.

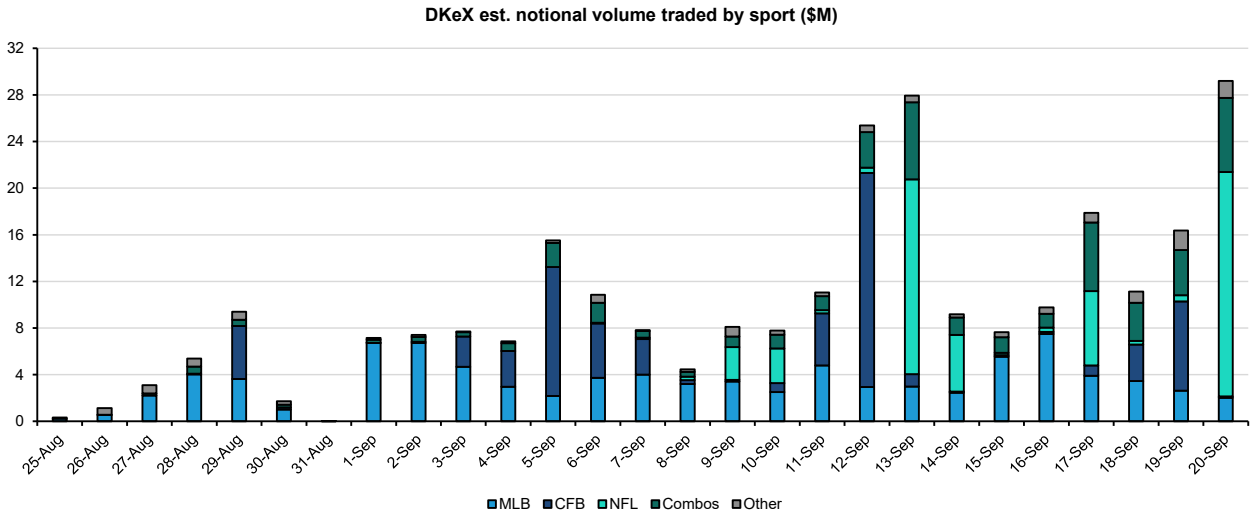
Vertical integration across the full stack - DraftKings Exchange as DCM and DraftKings Predictions as customer interface - The Railbird acquisition gives DraftKings ownership of both the exchange layer and the customer-facing distribution platform. This structure enables DraftKings to participate in exchange economics in addition to customer-facing revenues, while also providing greater control over contract development and listings. Unlike a pure distribution model, DraftKings can increasingly determine which contracts to launch and when to bring them to market. The platform also retains flexibility to distribute products from third-party exchanges where appropriate.

Revenue. DraftKings has not separately disclosed revenue generated from its prediction-market operations. Instead, prediction-market activity is incorporated into consolidated company reporting. Management described prediction markets as an adjacent growth opportunity that complements the company's existing sportsbook and gaming businesses. As activity scales, DraftKings could benefit from both distribution and exchange-related revenues, although the segment remains

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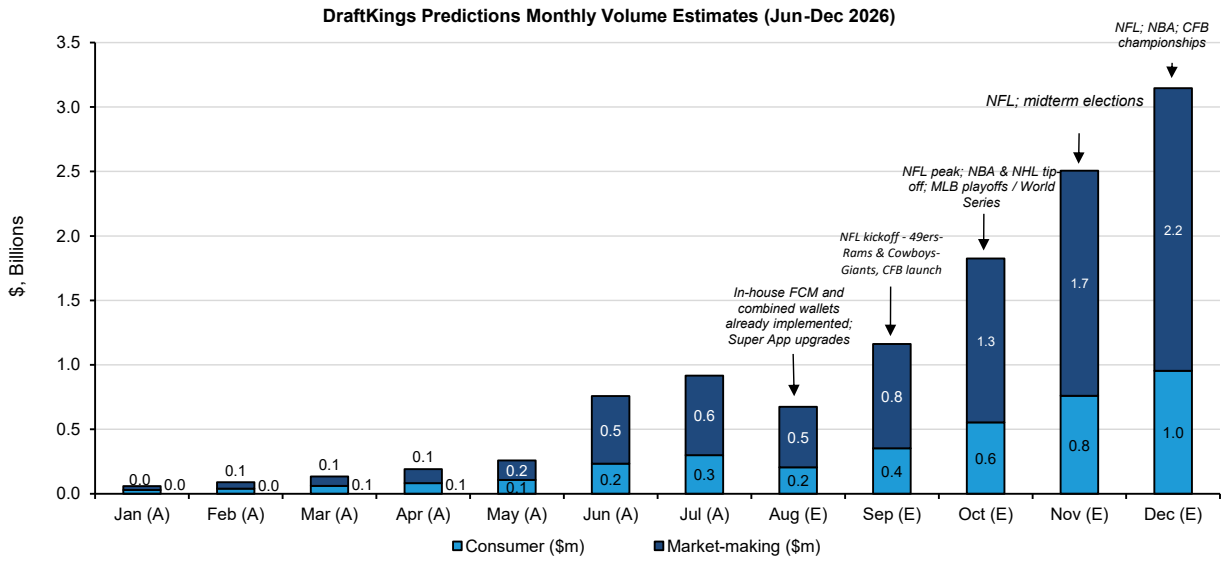
immaterial relative to the company's core operations today.

EXHIBIT 31: **DKeX's daily volumes have exploded in the last month, initially from CFB, and more recently from NFL and combos, reaching a peak of ~$29M**



Source: DKeX, Bernstein analysis and estimates

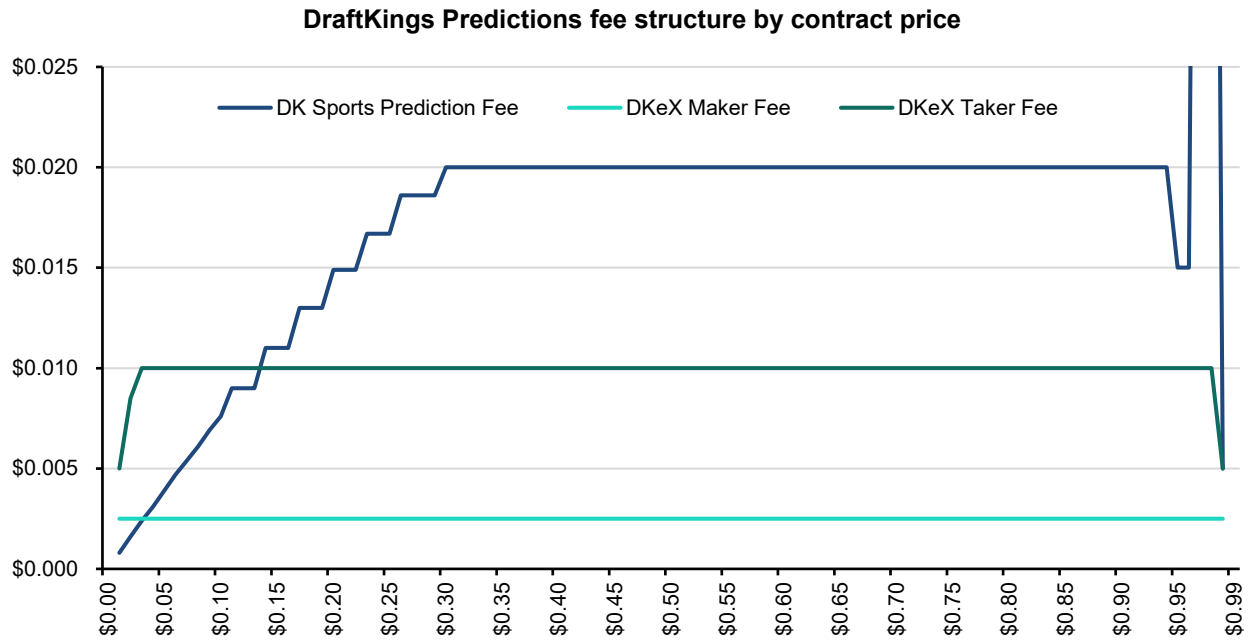
EXHIBIT 32: **We conservatively estimate DraftKings' monthly consumer volume closing to $1B by the end of this year owing to a number of upcoming catalysts**



Source: Company reports, Bernstein estimates and analysis

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EXHIBIT 33: **Sports Prediction fees increase stepwise with contract probability, while DKeX maker fees remain flat at $0.0025and taker fees are capped at $0.0100**



DK Predictions fees spike to $0.088 for events with 97% or 98% implied probabilities
Source: DraftKings, Railbird, Bernstein analysis

NOVIG

Strategy and origins. Novig represents one of the clearest examples of how sports-focused operators may reposition themselves within the emerging prediction market ecosystem. Unlike Kalshi, which originated as a prediction market and later expanded into sports, Novig's roots lie in sports trading and exchange-based wagering products. The company's strategy has centered on combining sports-focused customer acquisition and trading activity with a federally regulated market structure capable of operating under a single national framework. Following CFTC approval of its designated contract market (DCM), Novig has increasingly positioned itself as a sports-native prediction market rather than a conventional sportsbook or betting exchange. From an industry perspective, Novig highlights a potential pathway for operators seeking to reduce regulatory fragmentation, improve tax efficiency, and access nationwide distribution through federal regulation rather than state-by-state sportsbook licensing.

Regulatory path. Novig operates through Ludlow Exchange, LLC, a CFTC-approved designated contract market. The company received DCM approval in June 2026, allowing it to transition from its prior sweepstakes-based model to a federally regulated prediction market structure. Novig has consistently framed federal approval as a mechanism for operating nationwide under a single regulatory framework rather than through individual state gaming licenses. The long-term viability of Novig's sports-event contract business remains closely tied to the legal treatment of federal preemption, sports event contracts, and Rule 40.11(a). Supreme Court review, CFTC rulemaking, and state enforcement activity will likely play a significant role in determining the ultimate scope of the company's addressable market.

Launch and Migration. Novig completed its transition to a federally regulated prediction market platform during the summer of 2026 following receipt of its DCM designation. Prior to that shift, the company operated as a betting exchange, briefly held a Colorado sportsbook license, and later adopted a nationwide sweepstakes-based model while awaiting federal approval. The transition provides one of the earliest examples of customer migration from sportsbook-style products into federally regulated sports prediction markets. Although the long-term durability of that migration remains unproven, early volume trends suggest that sports-focused users have shown a willingness to engage with exchange-based prediction products when presented

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within a familiar sports-betting experience.

Products and Scale. Unlike broader prediction market operators that maintain meaningful exposure to elections, economics, crypto, and entertainment markets, Novig remains heavily concentrated in sports. The platform utilizes an order-book structure in which users trade contracts tied to sporting outcomes rather than placing wagers directly against the operator. This approach allows Novig to position itself as a sports trading platform rather than a traditional sportsbook.

The company has reported more than $6 billion in cumulative trading volume and launched its federally regulated prediction market nationwide in August 2026. Early trading activity has been notable relative to the platform's age, with reported first-week notional volume exceeding $125 million and average daily contract volume reaching approximately $21 million. Baseball has been a significant early contributor to activity, although the NFL and college football seasons represent the first meaningful test of the platform's ability to sustain and expand volume at scale.

Revenue. As an exchange operator, Novig's economics differ materially from those of a traditional sportsbook. Rather than relying primarily on hold percentage from wagering activity, the platform generates revenue through exchange-based trading activity and market participation. Long-term revenue potential is therefore more closely tied to liquidity, trading volume, and market depth than to conventional sportsbook hold metrics. Novig represents an early test case for how sports-native prediction markets may monetize user engagement under a federally regulated framework. Outcomes related to Rule 40.11(a), federal preemption, and state enforcement are likely to have a disproportionate impact on the company's commercial opportunity given its concentration in sports-related contracts relative to more diversified prediction market operators.

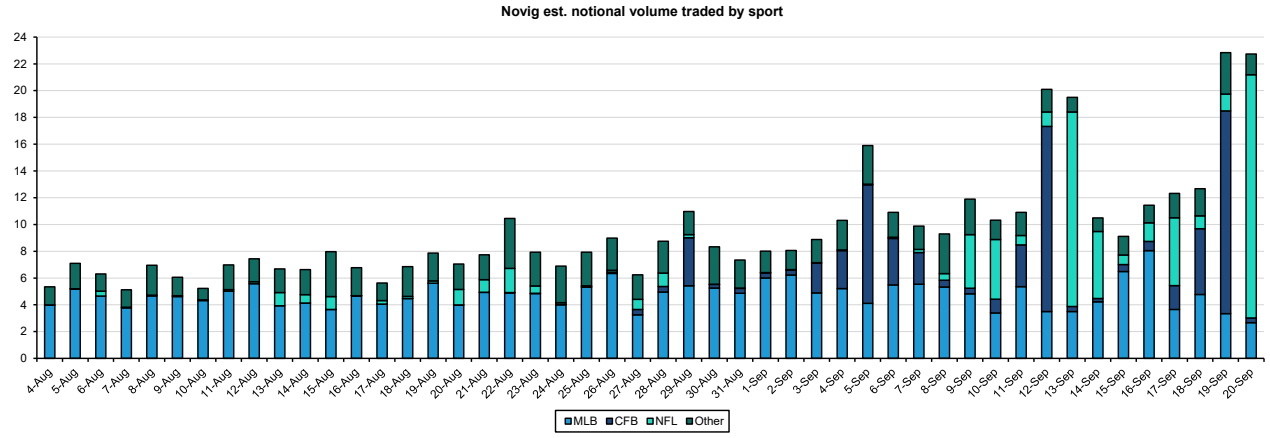
EXHIBIT 34: **Novig demonstrates a potential blueprint for migrating sportsbook activity into federally regulated prediction markets**

Category	Legacy Model	Current Model
Regulatory Framework	State gaming licenses and sweepstakes-based structures	CFTC-regulated Designated Contract Market (DCM) through LLC
Distribution Model	State-by-state regulatory footprint	Nationwide distribution under a federal framework
Core Product	Sports betting exchange / sportsbook-style offering	Sports-focused prediction market utilizing event contracts
Customer Experience	Traditional wagering model	Order-book based trading model where users trade contracts on sporting outcomes
Business Evolution	Betting exchange → Colorado sportsbook → nationwide sweepstakes model	Federally regulated prediction market following DCM approval
Scale Metrics	Pre-DCM sports-betting and sweepstakes activities	>$6B cumulative trading volume; >$125M first-week notional volume; ~$21M average daily contract volume following launch
Revenue Driver	Sports-betting activity and traditional sportsbook economics	Liquidity, trading volume, market participation, and exchange activity
Primary Regulatory Risk	State gaming regulation	Rule 40.11(a), federal preemption, state enforcement actions, and ongoing litigation regarding sports event contracts
Key Strategic Implication	Competition within licensed sportsbook markets	Competition within federally regulated sports prediction markets

Source: Action Network, Covers, Gaming Today, PR Newswire, Bernstein analysis

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EXHIBIT 35: **As expected, NFL betting has increased daily notional volume on Novig, reaching a peak of just under $23M**



Source: Novig, Bernstein estimates and analysis

UNDERDOG

Strategy and origins. Underdog represents a different strategic pathway into prediction markets than either Kalshi or Novig. Whereas Kalshi originated as a prediction market operator and Novig evolved from sports trading and exchange-based wagering products, Underdog built its business around fantasy sports and sports-focused media. The company's growth was driven by daily fantasy sports, best-ball contests, sports content, and direct engagement with highly active sports fans.

The company's prediction-market strategy has centered on leveraging its existing sports audience rather than building a new customer base from scratch. Management has repeatedly emphasized the view that sports prediction markets represent a natural extension of how sports fans already engage with games, players, and outcomes. As a result, prediction markets appear less like a new business line and more like an additional product layer built on top of an already established sports ecosystem.

Regulatory path. Underdog accelerated its entry into prediction markets through acquisition rather than organic regulatory approval. In March 2026, the company acquired Aristotle Exchange DCM, Inc. and Aristotle Exchange DCO, Inc., obtaining a CFTC-registered Designated Contract Market (DCM) and Derivatives Clearing Organization (DCO).

The acquisition provided Underdog with the regulatory infrastructure necessary to operate its own exchange, clear trades internally, and expand beyond its prior role as a distribution partner. Prior to launching its proprietary platform, Underdog offered customer access to sports prediction markets through third-party exchanges, including Kalshi and Crypto.com. The company now faces many of the same regulatory questions confronting the broader prediction-market industry. The future of sports event contracts, federal preemption, state enforcement actions, and the ultimate interpretation of Rule 40.11(a) will likely play an important role in determining the long-term scope of the opportunity.

Launch and Migration. Underdog launched its own federally licensed prediction market exchange in July 2026, marking its transition from intermediary to exchange operator. Prior to that launch, the company functioned primarily as a customer-acquisition and distribution channel for third-party prediction markets. The strategic significance of the launch extends beyond product ownership. By controlling the exchange infrastructure, clearing function, and customer relationship, Underdog has moved toward a vertically integrated model that captures a greater share of the economic value chain. The structure provides greater control over product development, market design, customer experience, and future expansion into additional event-contract categories.

Products and Scale. Underdog remains heavily sports-centric and benefits from an existing user base built around fantasy sports and sports media. Unlike general-purpose prediction-market platforms, the company's customer base is already composed of highly engaged sports participants who regularly consume player, team, and game-related information. The

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company initially offered prediction-market access through third-party exchanges before launching its own venue. Early product offerings have focused on sports event contracts, including game outcomes and other sports-related trading opportunities. Industry reports indicate that Underdog has generated approximately $6.5 billion in cumulative notional prediction-market volume, placing it among the larger sports-focused operators participating in the category.

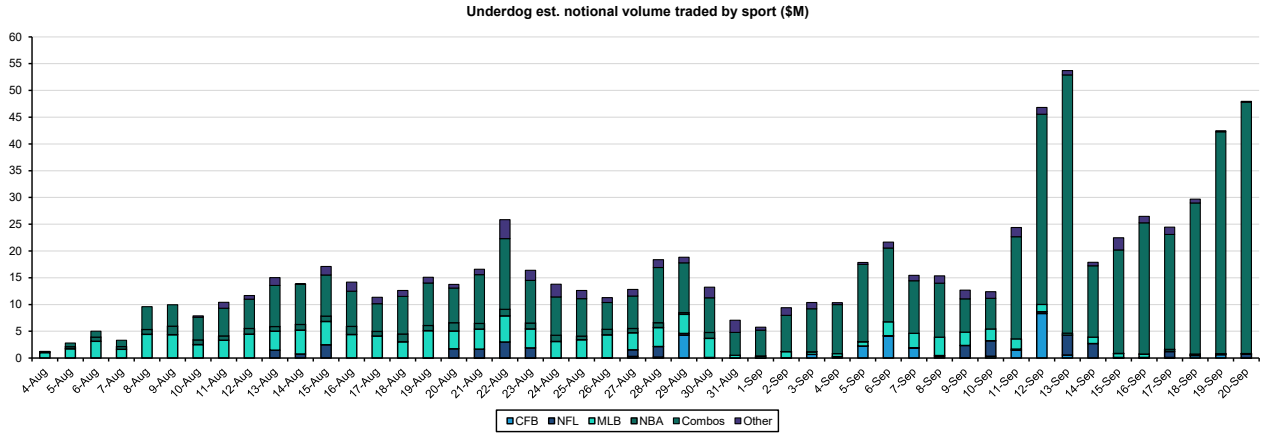
Revenue. Underdog's economics differ from those of traditional fantasy sports operators and increasingly resemble those of an exchange platform. Prior to launching its own exchange, the company primarily participated in prediction markets as a distributor and customer-acquisition channel. The transition to operating its own exchange allows a larger portion of transaction economics to remain within the platform. Long-term revenue potential is likely to depend on customer engagement, liquidity, trading activity, and the company's ability to leverage its existing sports audience across multiple product categories. The vertically integrated structure may provide economic advantages relative to intermediary models, although regulatory outcomes involving Rule 40.11(a), federal preemption, and state enforcement remain important determinants of the size and durability of the opportunity.

EXHIBIT 36: **Underdog's evolution demonstrates how vertical integration may increase the strategic value of sports prediction markets**

Category	Legacy Model	Current Model
Core Business	Fantasy sports platform and sports media ecosystem	Federally regulated prediction market operator
Customer Base	Daily fantasy sports and best-ball participants	Fantasy sports users plus prediction market participants
Prediction Market Access	Distribution through third-party exchanges (e.g., Kalshi and Crypto.com)	Proprietary exchange infrastructure owned and operated by Underdog
Regulatory Structure	Platform/distribution model	DCM + DCO infrastructure acquired through Aristotle Exchange entities
Strategic Positioning	Customer acquisition and distribution	Vertically integrated operator controlling listing, clearing, and distribution
Product Control	Reliance on third-party exchanges	Internal control over contract design, exchange operations, and customer experience
Primary Sports Offering	Fantasy sports and related gaming products	Sports event contracts alongside fantasy sports offerings
Scale	Fantasy sports–driven audience	Approximately $6.5B cumulative notional prediction market volume
Revenue Capture	Distribution and customer-acquisition economics	Exchange economics with greater participation in transaction-related revenue streams
Key Regulatory Risk	Fantasy sports and gaming regulation	Rule 40.11(a), federal preemption, sports-event contract litigation, and state enforcement actions

Source: Underdog, Action Network, Prediction Markets World, Bernstein analysis

EXHIBIT 37: **Underdog's daily notional volumes are heavily dominated by combos and peaked at just under $54M**



Source: Underdog, Bernstein estimates and analysis

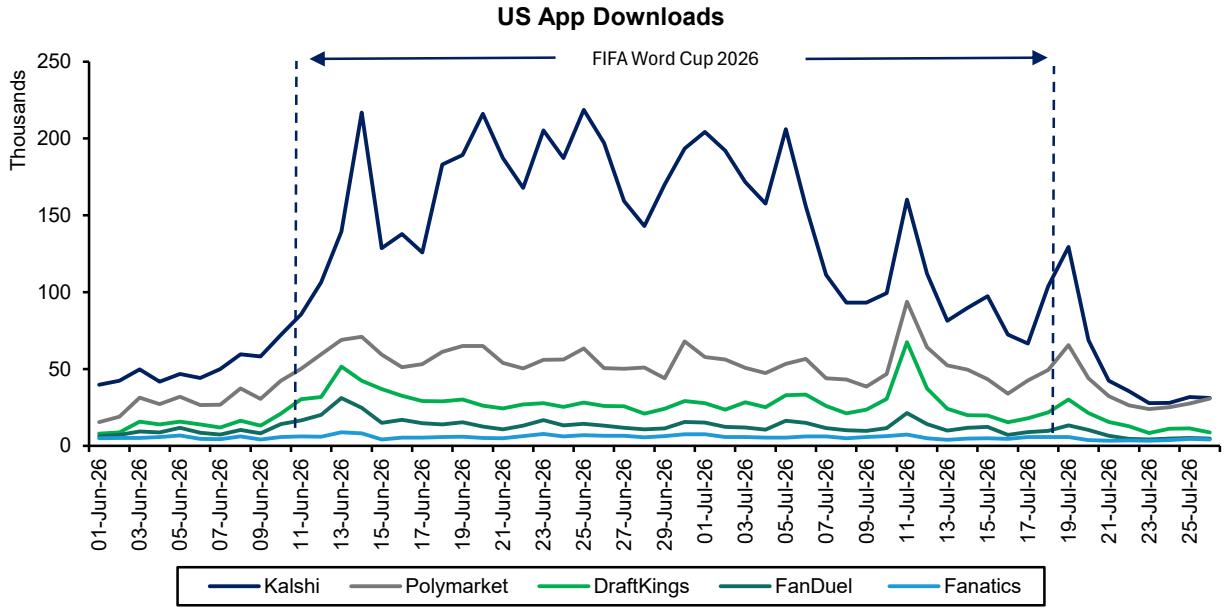
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CUSTOMER ACQUISITION & RETENTION

Retention dynamics remain consistent across OSB and prediction market platforms, regardless of acquisition timing

Major sporting events can serve as meaningful user acquisition periods for both traditional online sports betting (OSB) operators and prediction market (PM) platforms. During the 2026 FIFA World Cup, app download activity increased across both OSB and PM operators, with download volumes generally reaching their highest levels during the tournament. This trend was observed across both categories, highlighting how periods of heightened sports engagement can support app discovery and user onboarding across wagering-related platforms.

EXHIBIT 38: **FIFA World Cup-related download activity increased across OSB and prediction market apps, with Kalshi's download surge significantly outpacing all other platforms**

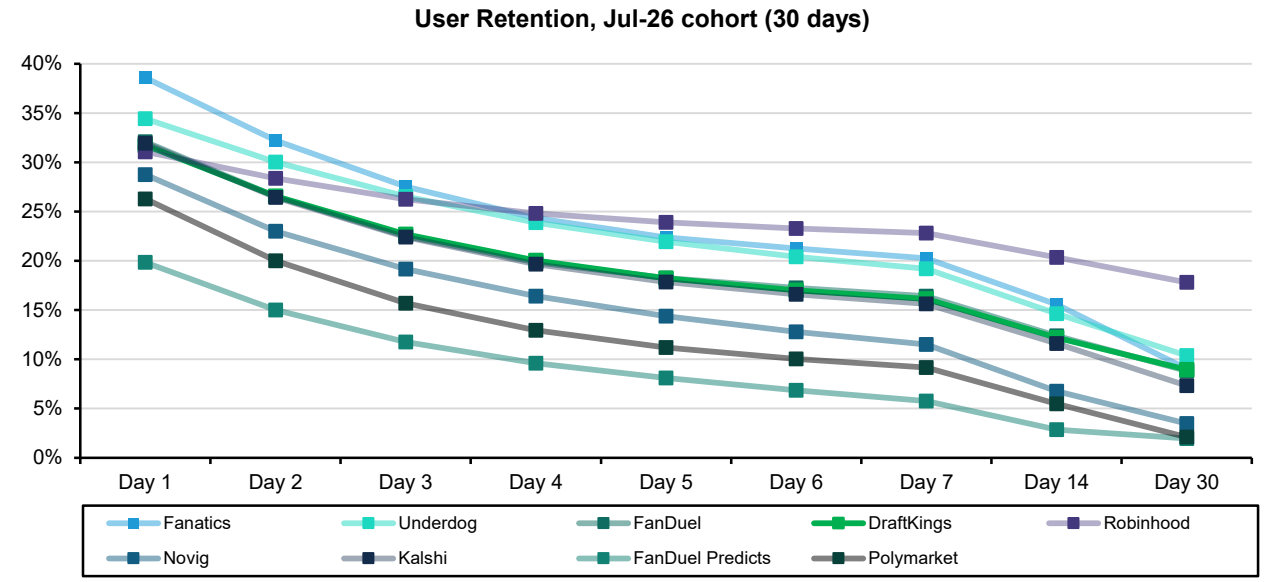


Source: SensorTower, Bernstein analysis

While Kalshi recorded a substantially larger increase in app downloads during the FIFA World Cup, retention trends among customers acquired during the period were remarkably similar across Kalshi, DraftKings, and FanDuel. Cohort retention patterns tracked closely over time, suggesting that differences in performance were largely driven by customer acquisition volumes, while post-acquisition engagement remained broadly comparable across platforms.

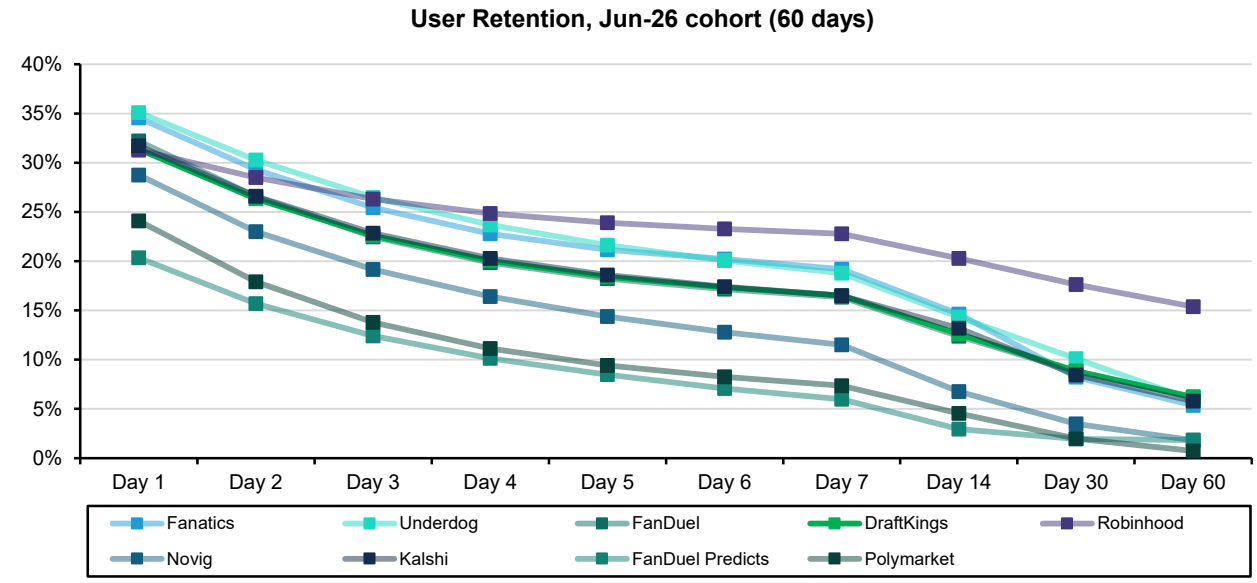
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EXHIBIT 39: **OSB and prediction market apps follow the typical digital app retention cycle, with most user attrition occurring during the first two weeks**



Source: SensorTower, Bernstein analysis

EXHIBIT 40: **Platforms that retain users during the first 7-14 days tend to maintain their advantage as cohorts mature**



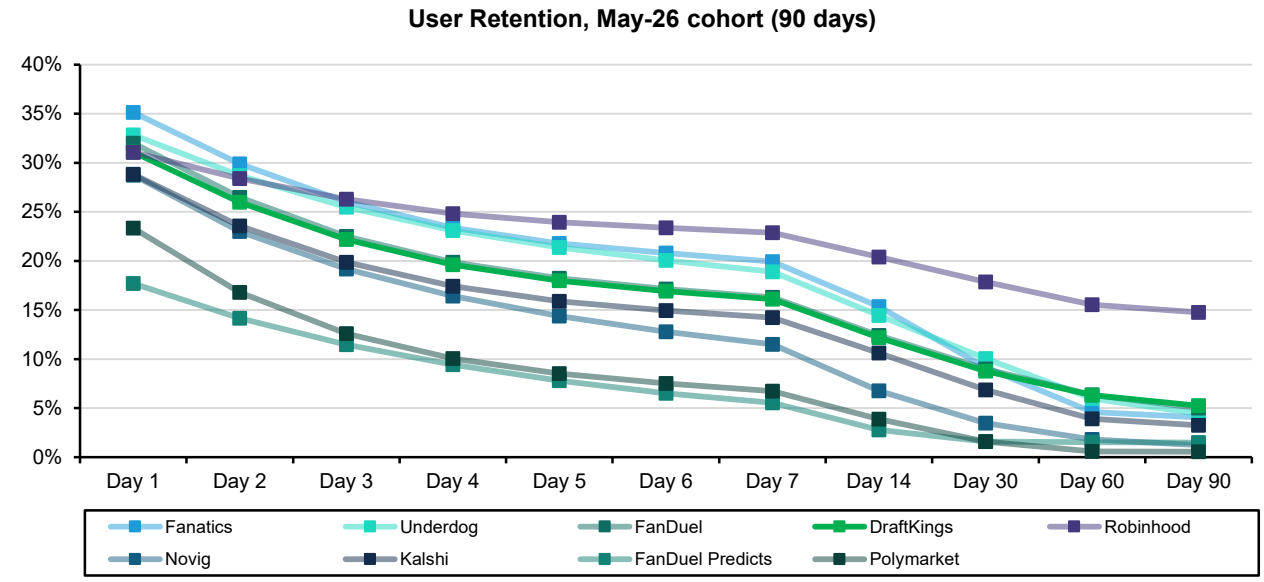
Source: SensorTower, Bernstein analysis

The similarity in retention patterns is not limited to cohorts acquired during the FIFA World Cup period. Looking a
acquired prior to the tournament, retention trends remained broadly consistent across Kalshi, DraftKings, and F
suggesting that cohort behavior is largely driven by underlying user engagement dynamics rather than event-sp
acquisition periods.

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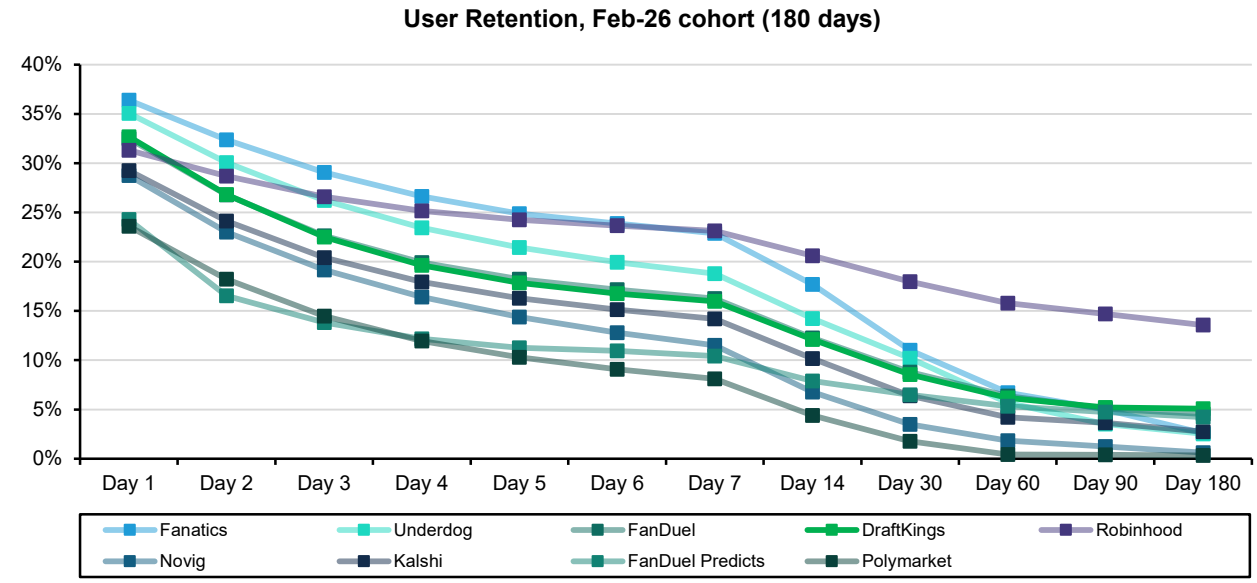
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EXHIBIT 41: **Similar retention patterns persisted across Kalshi, DraftKings, and FanDuel in pre-World Cup cohorts, suggesting limited event-driven divergence in user retention**



Source: SensorTower, Bernstein analysis

EXHIBIT 42: **Retention trends remained closely aligned across platforms even after 180 days, reinforcing the consistency of cohort behavior across acquisition periods**



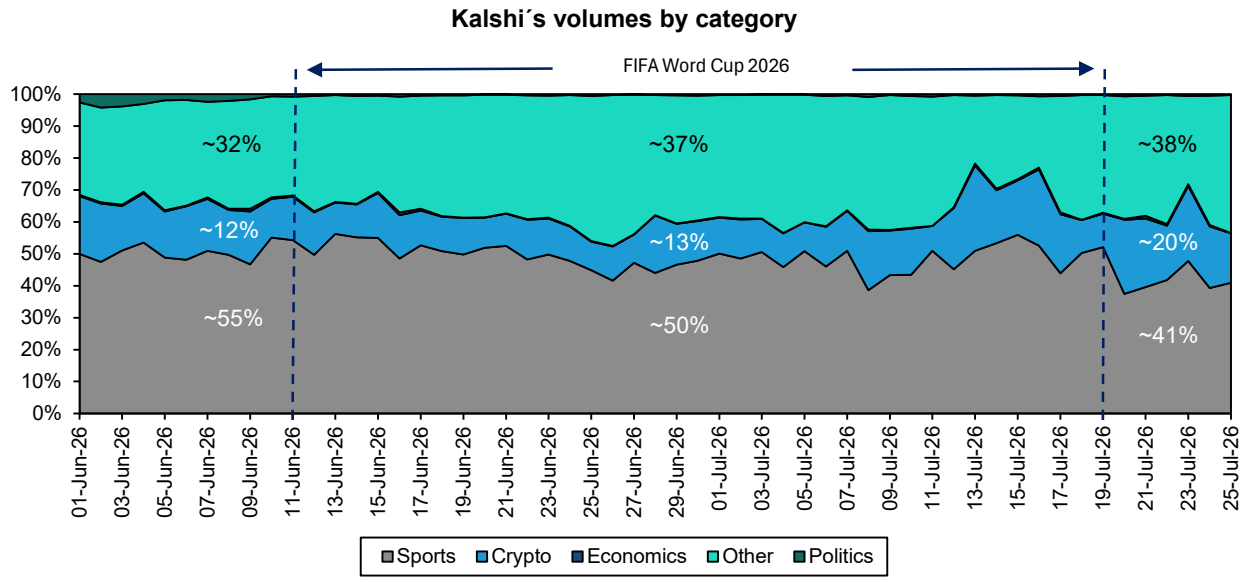
Source: SensorTower, Bernstein analysis

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Sports events drive a meaningful share of activity on prediction market platforms

While app downloads provide a useful indication of user acquisition trends, trading volumes offer additional insight into how users engage with prediction market platforms. During the 2026 FIFA World Cup, sports-related contracts accounted for approximately 50% of total trading volume on Kalshi, making sports the platform's largest category by activity. Following the conclusion of the tournament, the sports mix (excluding combos) declined to roughly 41% of total volume, suggesting that trading activity in this category is closely linked to periods of heightened sports engagement. Notably, sports-related activity was also elevated in the weeks leading up to the tournament, consistent with increased user interest surrounding a major global sporting event.

EXHIBIT 43: **Sports represented ~50% of Kalshi trading volume during the FIFA World Cup, with activity moderating after the tournament concluded**

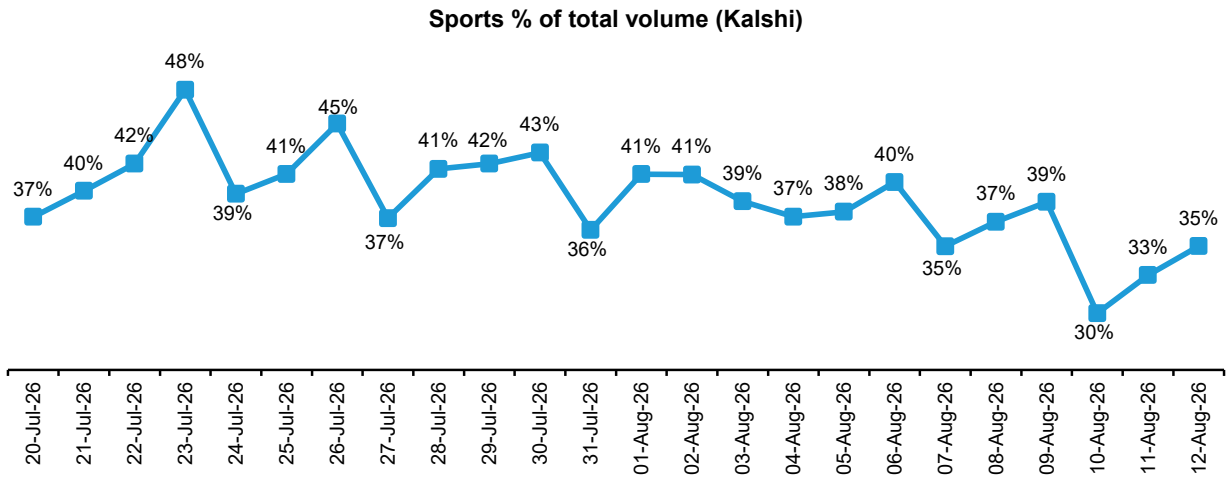


Source: Dune, Bernstein analysis

Sports-related activity moderated following the conclusion of the FIFA World Cup, though the category remained a meaningful contributor to overall platform activity. Between late July and mid-August, sports contracts consistently represented approximately 30%-48% of total Kalshi trading volume, highlighting sustained participation in sports-related markets outside of major global sporting events.

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EXHIBIT 44: **Sports remained one of Kalshi's largest categories after the FIFA World Cup, representing roughly one-third to one-half of total volume**



Source: Dune, Bernstein analysis

Major sporting events can meaningfully increase participation in sports-related prediction markets, while sports remains a large and recurring category of platform activity even outside of marquee events. The category's contribution to overall volume remained substantial both during and after the FIFA World Cup period, supporting its importance within Kalshi's broader trading ecosystem.

Same core UX, different hooks

The core user experience across prediction market platforms tends to look and feel very similar, but each platform tries to differentiate itself via branding, convenience, and standout features. For Kalshi, the standout feature is a Bloomberg style pro terminal while for Polymarket, its a leaderboard that allows users to follow high performing traders. Meanwhile, Robinhood, Crypto.com, and Gemini afford users extra convenience by allowing them to trade crypto or traditional assets in the same platform. Crypto.com also launched another platform, OG, which recently became the first prediction market to allow users to trade on margin. Of the standout features, the command center launched by Gemini is likely the most interesting. Gemini's command center is a personalized intelligence feed powered by AI. Based on user's portfolios and their watched markets, Gemini's command center promises to keep users up to date on news and signals in markets they follow.

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EXHIBIT 45: **Prediction markets compete on features, not functionality**

Predictions platform	UX philosophy	Standout feature
Kalshi	Social trading and professional terminal	Bloomberg style pro terminal
Polymarket	Social trading and news	Leaderboard to copy trades
Crypto.com	Crypto exchange and predictions in one	Margin trading
Robinhood	Brokerage add-on	One app with financials and predictions
DKeX	Super-app	Predictions, OSB, iGaming all in one
Fanatics	Blended OSB and PM style	Familiar betslip feature
Gemini	Crypto exchange and predictions in one	AI personalized feed
Webull	Clean educational gateway	Limit orders only
Underdog	Data first fantasy supplement	Fast injury and roster move udpates
Novig	Focused entirely on sports	Codified responsible trading rules

Source: Kalshi, Polymarket, Crypto.com, Robinhood, Draftkings, Fanatics, Gemini, Webull, Underdog, Novig, Bernstein analysis

Another notable difference among prediction markets is how they display odds. Kalshi and Polymarket display odds using a percentage or the cents cost of a $1 contract while DKeX and Underdog use American odds. DKeX inherits its UX from the Draftkings OSB, while Fanatics' prediction market takes inspiration from the Kalshi/Polymarket UX. Another notable difference can be observed with building combos (aka Parlays). Traditional sportsbooks tend to have an incredibly easy process for building parlays in their apps. When selecting bets, a user can select one outcome and the bet will get added to a betslip. The user can then easily click on outcomes in other markets which get added to the betslip to create a parlay. DKeX, Fanatics, Underdog, Novig all incorporate this feature in their prediction markets to build a combo. On the other hand, Kalshi has a combo builder, but the user must explicitly seek this out. The default is that when a user selects an outcome, the user is betting on just one outcome.

EXHIBIT 46: **UX across prediction markets is by and large the same, the most substantial difference is the ease of building combos on prediction markets spun out of OSBs**

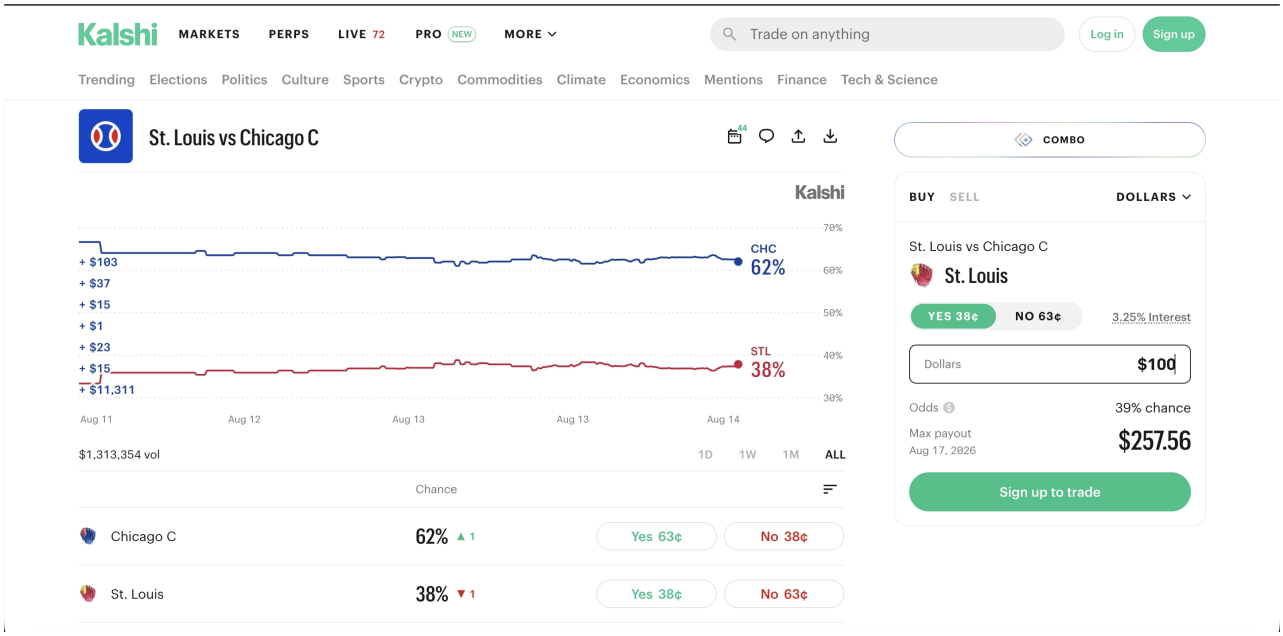
Predictions platform	Default odds display	Default purchase quantity input	Live events tab	Trending/Featured tab	Historical price chart	Automatic combo builder
Kalshi	percentage / cents purchase price	dollars	✓	✓	✓	○
Polymarket	cents purchase price	dollars	✓	✓	✓	○
Crypto.com	percentage / cents purchase price	contracts	○	○	✓	○
Robinhood	percentage / cents purchase price	contracts	○	✓	✓	○
DKeX	american	dollars	○	○	○	✓
Fanatics	percentage	dollars	✓	✓	✓	✓
Gemini	percentage	dollars	✓	○	✓	○
Webull	percentage / cents purchase price	contracts	○	✓	✓	○
Underdog	american	dollars	✓	✓	○	✓
Novig	percentage	dollars	✓	✓	○	✓

Source: Kalshi, Polymarket, Crypto.com, Robinhood, Draftkings, Fanatics, Gemini, Webull, Underdog, Novig, Bernstein analysis

It shouldn't be taken as a foregone conclusion that prediction markets always offer the best odds. Below, we can see that among Kalshi, Polymarket, DKeX, and Draftkings OSB, the traditional sportsbook actually offers the user the best odds for betting on the Cardinals. This is offset by the fact that Draftkings OSB offers slightly less favorable odds for betting on the Cubs. However, another notable observation is that Draftkings' odds are relatively tight in this particular market. Backing out the implied odds from betting on either the Cardinals or the Cubs, the summed probability adds to ~101% implying a 1% vigor, which is lower than the 4-5% to be expected. Bets in other sports had higher vigor, likely meaning that Draftkings simply offers lower vigor lines for MLB. Thus, we expect prediction markets to offer the tightest odds on average but not universally.

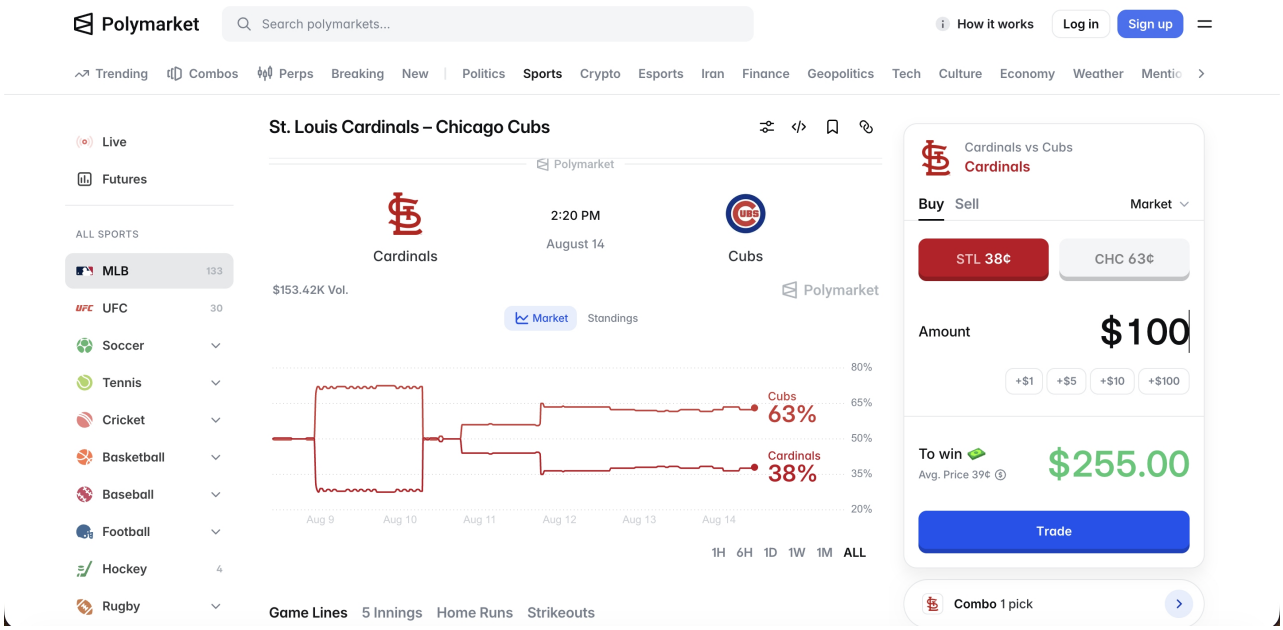
Gautam Chhugani +91 226 842 1416 gautam.chhugani@bernsteinsg.com

EXHIBIT 47: **Kalshi's live events tab makes it easy for users to find markets to bet on**



screenshot taken around 10:30AM EST, August 14 2026
Source: Kalshi, Bernstein analysis

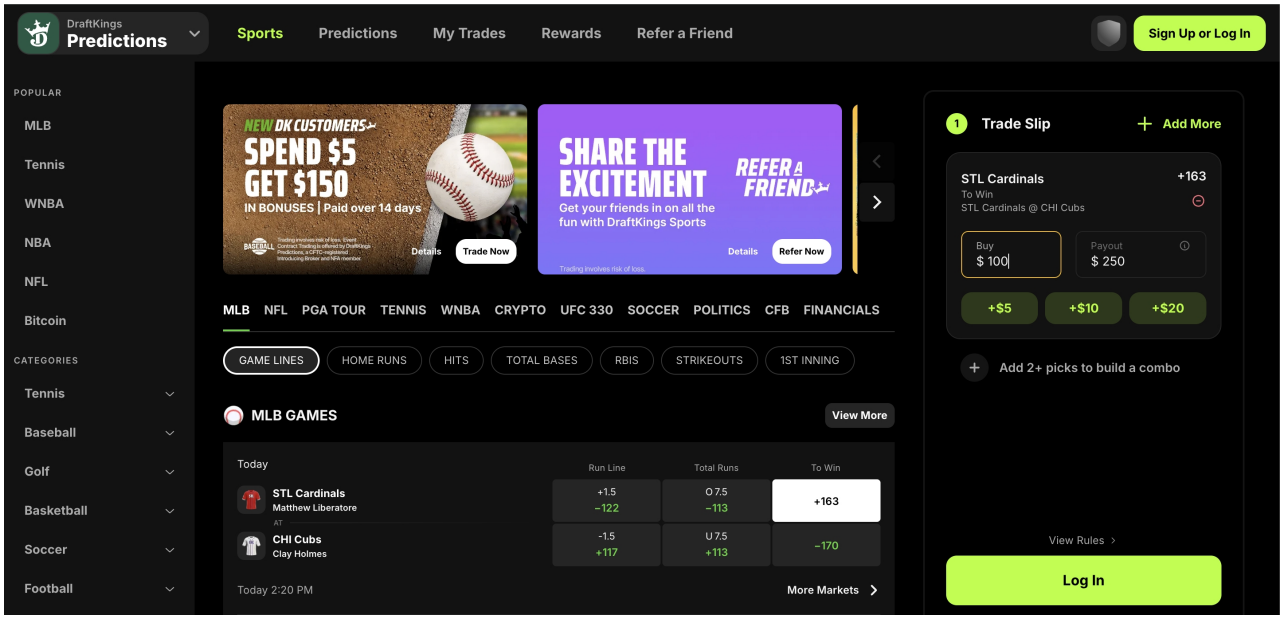
EXHIBIT 48: **Polymarket and Kalshi's UX have almost no significant differences**



screenshot taken around 10:30AM EST, August 14 2026
Source: Polymarket, Bernstein analysis

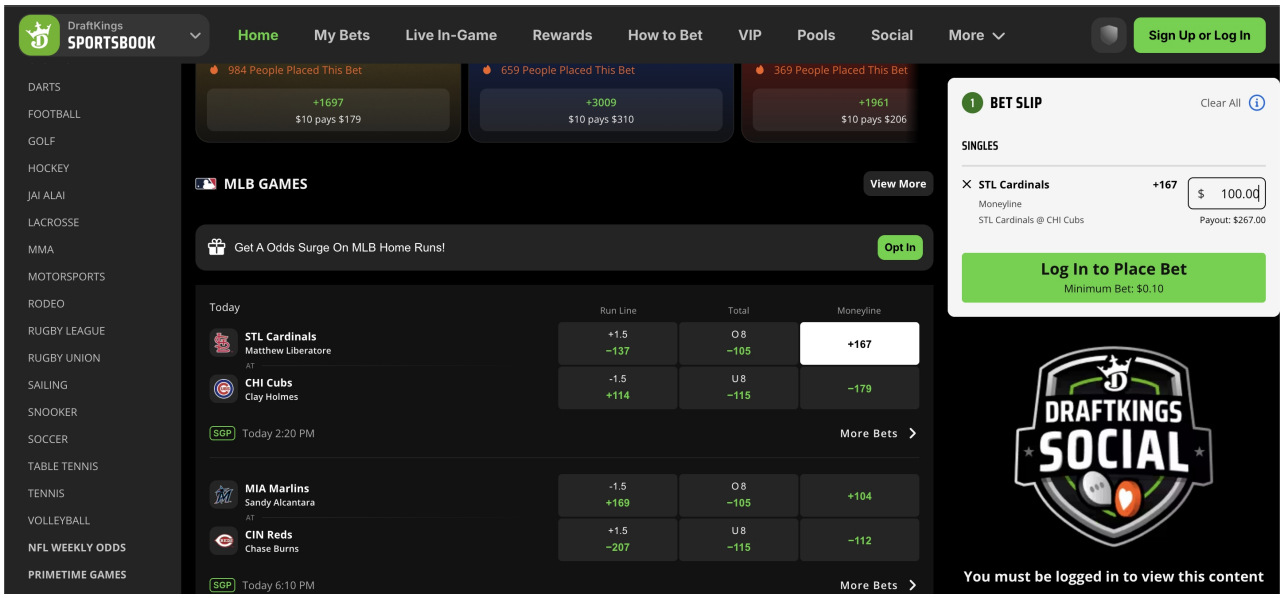
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EXHIBIT 49: **DKeX's UX draws from the traditional Draftkings sportsbook, nearly identical in appearance. However, its odds differ from the sportsbook.**



screenshot taken around 10:30AM EST, August 14 2026
Source: Draftkings, Bernstein Analysis

EXHIBIT 50: **In some instances, sportsbooks offer better odds than prediction markets. It's also notable that Draftkings is offering tight odds (only ~1% vigor) on this market**

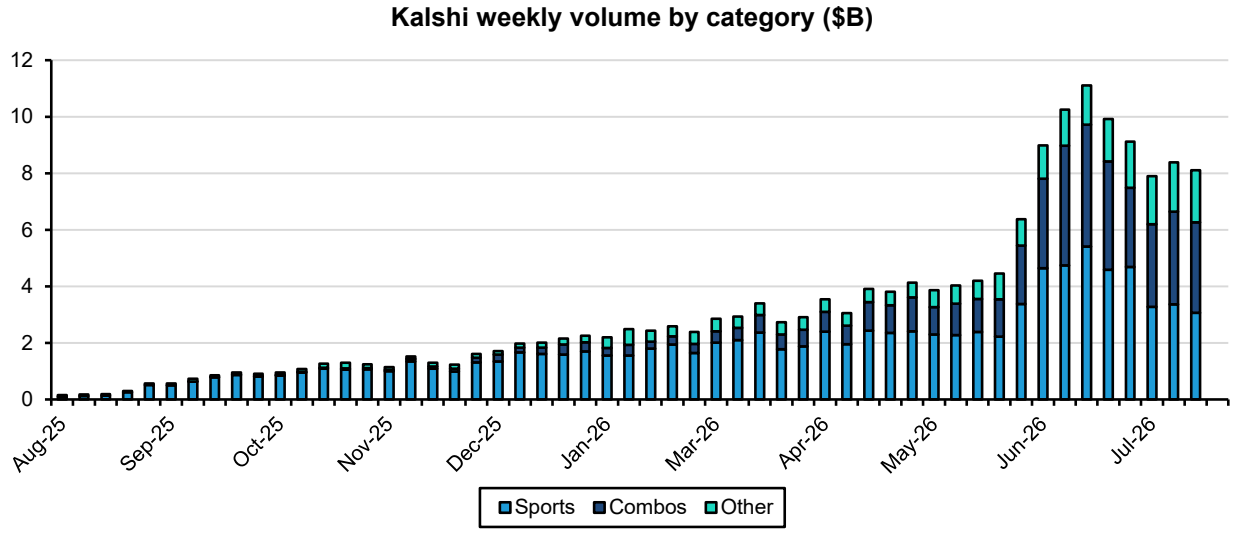


screenshot taken around 10:30AM EST, August 14 2026
Source: Draftkings, Bernstein analysis

THE ECONOMICS OF COMBOS & THE GROWING MARKET MAKING OPPORTUNITY

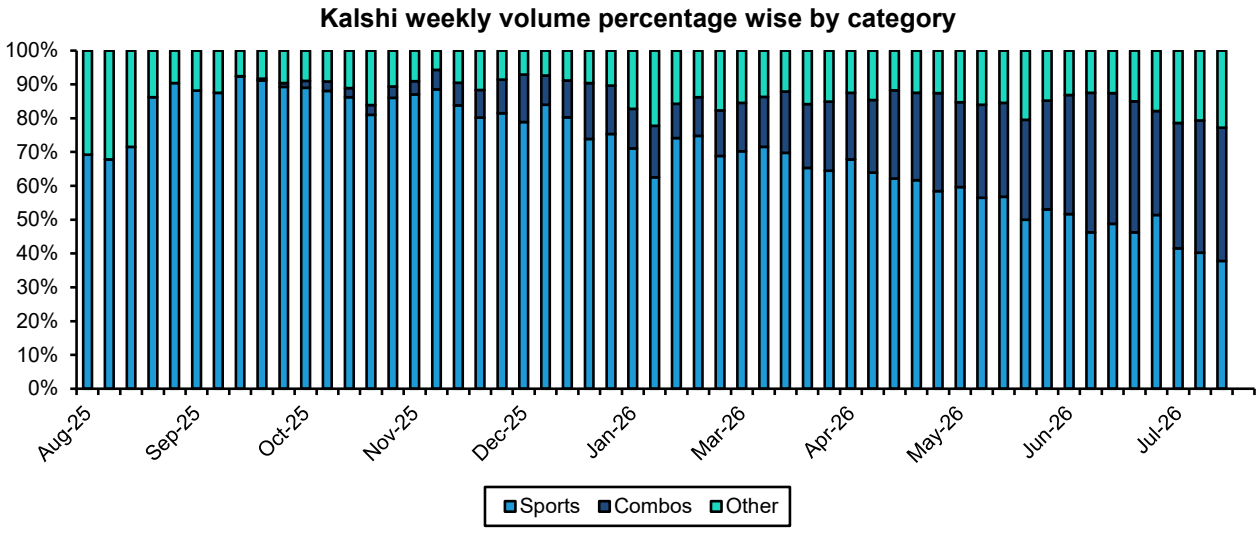
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EXHIBIT 51: **Kalshi volume is dominated by sports and combos**



Source: Dune, Bernstein analysis

EXHIBIT 52: **Since their introduction, we've gradually seen combos cannibalize sports volume indicating that they are essentially the same**



Source: Dune, Bernstein analysis

We estimate the TAM for market making in combos using a bottom-up framework based on four key variables: (1) combo volume as a share of total trading volume, (2) the average number of legs per combo, (3) average market maker pricing edge earned per leg, and (4) the share of combo volume generated by retail participants. As a starting point, we estimate current annual prediction market volume at ~$410Bn. Recent platform data indicates that ~45% of Kalshi trading volume is attributable to combos (in August 2026). We make a conservative assumption of combos making up ~35% of volume in the near future and estimate ~$130Bn in annual combo volume today.

We simplify hold by treating pricing edge as additive. 3% average edge per leg translates to a 15% gross hold on combos which we think average around five legs. For context, traditional sportsbooks often generate hold rates in the 20% to 30% range on parlays, so we think 15% is reasonable. Kalshi uses a request for quote (RFQ) system that creates competition among liquidity

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providers and leads us to believe hold will compress, thus our estimate is lower.

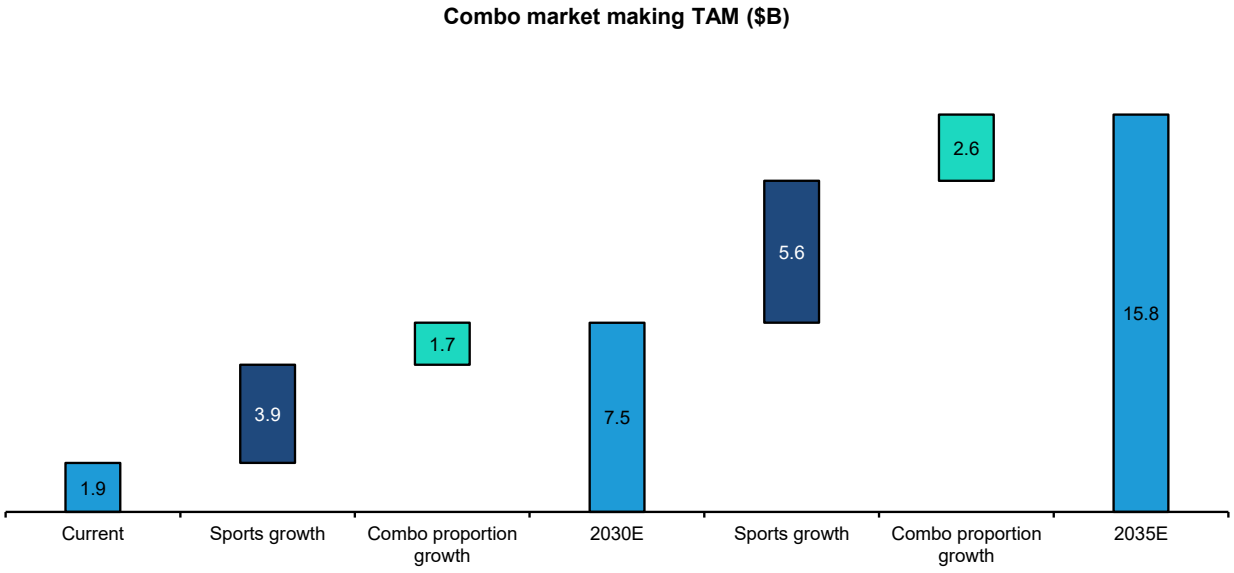
Finally, we assume that 10% of combo volume is attributable to retail participants. We think the average combo has implied odds around 10%, implying that the consumer portion of volume is also in the range of 10%. Draftkings reported that around 1/3 of DKeX volume comes from consumers, which gives us an upper bound for combos. However, combos are only 20% of DKeX volume while straight bets make up the majority. Straight bets have average odds of 50%, which means consumer volume is higher there and lower in combos. We think 10% is reasonably close to the consumer portion of combo volume.

Applying our assumptions of $130 billion in annual combo volume, 10% retail participation, and a 15% market-maker hold, we estimate a current TAM of approximately $1.94 billion.

For 2030, we apply a similar framework, assuming $2.4Tn in annual volume and combos representing ~19% of activity. This is consistent with Sports volume at $1.1T and combos making up almost half of sports volume. For 2035, we assume $10Tn in annual volume and combos representing 10% of activity.

The CFTC recently proposed a rule restricting prediction market affiliate entities, market makers under common control with an exchange. The new rule would ensure that at any given price, affiliate market makers have last priority in order matching regardless of timing. This would cede the liquidity supply to unaffiliated market makers. While this doesn't change our TAM estimate, this would clearly benefit non affiliate market makers.

EXHIBIT 53: **We estimate current TAM is ~$1.94B growing from sports volume and combos taking up a greater portion of sports volume (50% by 2030 and 60% by 2035)**

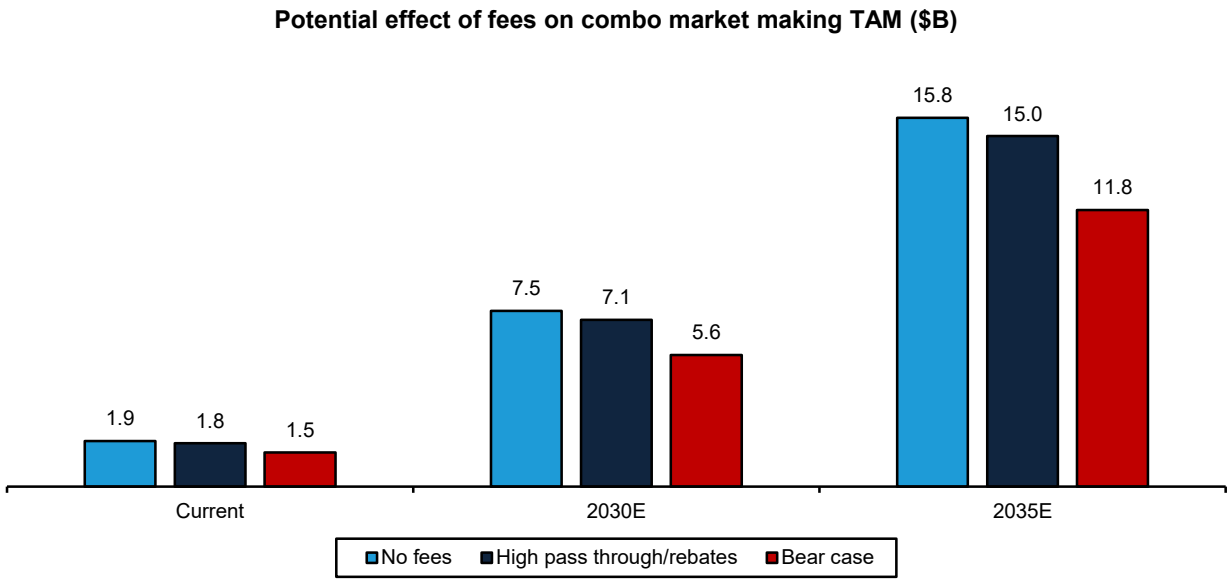


Source: Dune, Bernstein analysis and estimates

Market making is very sensitive to fees. As competition grows and quotes get closer to their fair value, fees eat up a greater portion of market maker edge. Thus, we outline two potential scenarios for how we think fees could affect combo market makers and note that there is a great degree of uncertainty due to fee structures varying across different exchanges. In a bullish scenario, market makers pass on fees to the consumer or exchanges provide generous rebates on the fees. We think this could reduce TAM by ~5%. In a bearish scenario, fees and competition work in tandem to compress hold which we think could reduce TAM by ~25%.

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EXHIBIT 54: **Fees could potentially eat 5% of market maker profits in a high pass through/rebates scenario and 25% in a bearish scenario**



Source: Dune, Bernstein analysis and estimates

We showcase how our TAM estimates vary with different assumptions. First, we vary the proportion of combo volume over total volume and hold all other assumptions constant.

EXHIBIT 55: **We think current TAM can range from $1.4B-$2.2B varying combos share of total volume from 25%-39%**

Current combo market making TAM sensitivity					
Combo vol.	25%	30%	35%	37%	39%
TAM ($B)	$ 1.4	$ 1.7	$ 1.9	$ 2.1	$ 2.2

Source: Bernstein analysis and estimates

EXHIBIT 56: **We think combos will make up ~21% of 2030E volume, consistent with $1T in sports volume and combos making up 50% of that share**

2030E combo market making TAM sensitivity					
Combo vol.	11%	16%	21%	26%	31%
TAM ($B)	$ 3.9	$ 5.7	$ 7.5	$ 9.3	$ 11.1

Source: Bernstein analysis and estimates

EXHIBIT 57: **We think 2035E TAM outpaces sports volume growth driven by combos taking additional share of sports volume.**

2035E combo market making TAM sensitivity					
Combo vol.	6%	8%	10%	15%	20%
TAM ($B)	$ 9.7	$ 12.7	$ 15.8	$ 23.3	$ 30.9

Source: Bernstein analysis and estimates

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Next, we vary showcase how TAM varies at different pricing edges per leg and consumer portion of combo volume, we hold all other assumptions constant.

EXHIBIT 58: **Current TAM is driven by both pricing edge and retail participation**

Current TAM ($B) varying edge and consumer vol share						
		Pricing edge per leg				
		1%	2%	3%	3.5%	4%
Consumer %	6%	$ 0.4	$ 0.8	$ 1.2	$ 1.4	$ 1.6
	8%	$ 0.5	$ 1.0	$ 1.6	$ 1.8	$ 2.1
	10%	$ 0.6	$ 1.3	$ 1.9	$ 2.3	$ 2.6
	12%	$ 0.8	$ 1.6	$ 2.3	$ 2.7	$ 3.1
	14%	$ 0.9	$ 1.8	$ 2.7	$ 3.2	$ 3.6

Source: Bernstein analysis and estimates

EXHIBIT 59: **Even at more competitive prices (2% pricing edge vs 3%), we could still see TAM more than doubling by 2030E.**

2030E TAM ($B) varying edge and consumer vol share						
		Pricing edge per leg				
		1%	2%	3%	3.5%	4%
Consumer %	6%	$ 1.5	$ 3.0	$ 4.5	$ 5.3	$ 6.0
	8%	$ 2.0	$ 4.0	$ 6.0	$ 7.0	$ 8.0
	10%	$ 2.5	$ 5.0	$ 7.5	$ 8.8	$ 10.0
	12%	$ 3.0	$ 6.0	$ 9.0	$ 10.5	$ 12.0
	14%	$ 3.5	$ 7.0	$ 10.5	$ 12.3	$ 14.0

EXHIBIT 60: **Our $15.8B TAM by 2035E is consistent with ~30% CAGR**

2035E TAM ($B) varying edge and consumer vol share						
		Pricing edge per leg				
		1%	2%	3%	3.5%	4%
Consumer %	6%	$ 3.2	$ 6.3	$ 9.5	$ 11.0	$ 12.6
	8%	$ 4.2	$ 8.4	$ 12.6	$ 14.7	$ 16.8
	10%	$ 5.3	$ 10.5	$ 15.8	$ 18.4	$ 21.0
	12%	$ 6.3	$ 12.6	$ 18.9	$ 22.1	$ 25.2
	14%	$ 7.4	$ 14.7	$ 22.1	$ 25.7	$ 29.4

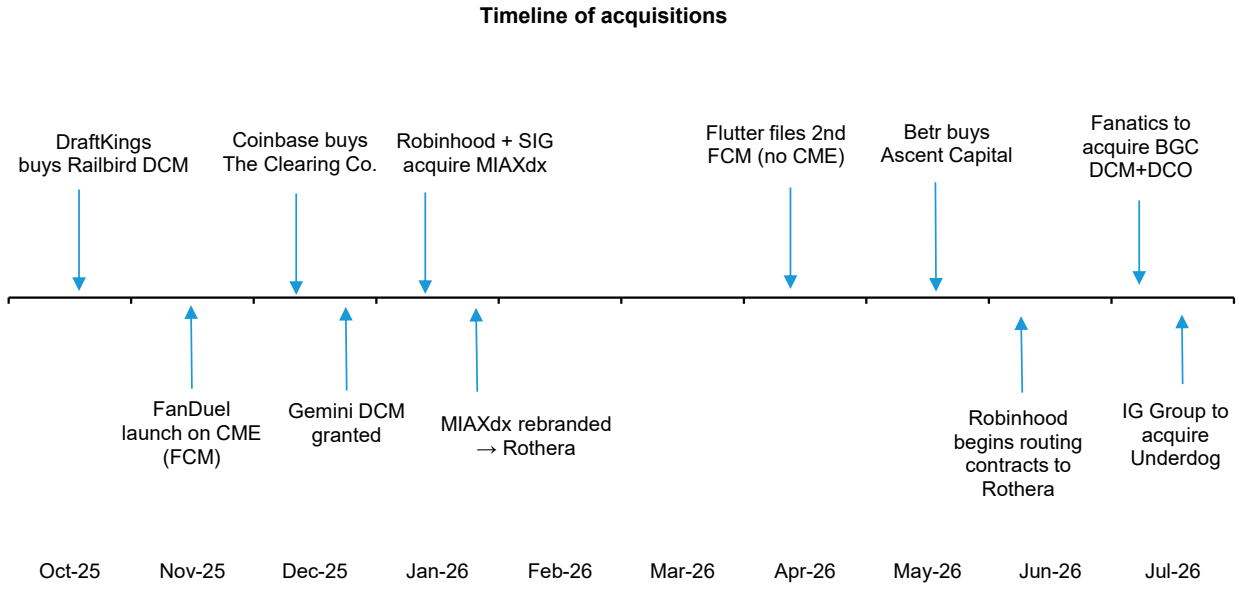
Source: Bernstein analysis and estimates

EXPANSION ROADMAP: DATA & M&A

The rapid expansion of both OSB and PM has been accompanied by increasing corporate activity across the broader ecosystem. Recent transactions involving sportsbooks, brokerages, exchanges, and market infrastructure providers reinforce the view that prediction markets have become an increasingly important growth area. Activity has included both traditional operators seeking exposure to the category and prediction market participants expanding their capabilities through strategic investments, acquisitions, and infrastructure initiatives.

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EXHIBIT 61: **Recent transactions highlight growing strategic interest across betting, brokerage, exchange, and prediction market ecosystems**



Source: Bloomberg, CDCGaming, Bernstein analysis

Acquisitions and strategic investments represent only one aspect of industry expansion. The development of prediction markets has also accelerated demand for the technology, data, and integrity infrastructure traditionally used by online sportsbooks. Sportradar and Genius Sports occupy a central position within the sports betting ecosystem through the provision of official league data, settlement infrastructure, integrity monitoring, streaming capabilities, media assets, and customer acquisition solutions. Recent agreements with Kalshi and the recent expansion of Sportradar's partnership with Polymarket, which broadened coverage to more than 20 global sports leagues and competitions, extend many of these capabilities into prediction markets, bringing the underlying infrastructure supporting both ecosystems increasingly closer together.

EXHIBIT 62: **Kalshi and Polymarket continue to adopt the data, media, streaming, and integrity infrastructure historically utilized by traditional sportsbooks**

Prediction Market	Partner	Announced	Deal Structure	Geography / Term	Sports / Rights Covered	Streaming / League IP	Current Status
Kalshi	Sportradar (SRAD)	08-Jun-26	Direct strategic partnership Official data & solutions provider	Global / multi-year	MLB, NHL, MLS, UFC, others	Not highlighted in announcement	**Active**
Polymarket	Sportradar (SRAD) / TDI	03-Aug-26	Polymarket agreement with Tennis Data Innovations (TDI) SRAD is TDI's exclusive distribution partner	U.S. / multi-year	ATP Tour + ATP Challenger Tour (~20,000 matches per season)	Exclusive streaming rights within prediction-market category	**Active**
Polymarket	Genius Sports (GENI)	04-Aug-26	Direct U.S. partnership	U.S. / effective immediately	Selected Genius official leagues / Serie A specifically highlighted	Exclusive streaming rights + league IP across selected competitions	**Expanded**
Kalshi	Genius Sports (GENI)	05-Aug-26	Direct official data, media, marketing & integrity partnership	Not disclosed	GENI soccer portfolio incl. EPL, Serie A, Liga MX, Argentine Primera División, Ligue 1 and more	Media services included	**Active**
Polymarket	Sportradar (SRAD) (Expansion)	27-Aug-26	Expansion of existing strategic partnership	U.S. / expanded scope	20+ global leagues, including ATP, MLB, NHL, MLS, UFC and Bundesliga	Expanded live streaming, official data and integrity services	**Active**

Source: Sportradar, Genius Sports, Kalshi, Polymarket, Bernstein analysis

Recent agreements with Sportradar and Genius Sports extend beyond access to official data and contract settlement. The recent expansion of Sportradar's relationship with Polymarket further illustrates how the infrastructure supporting these

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partnerships has the potential to evolve across multiple layers of the prediction market ecosystem, including pricing, content, customer acquisition, liquidity provision, and live-event trading. As prediction markets continue to mature, these capabilities could enable products and user experiences that have historically been associated with traditional online sportsbooks, further narrowing the distinction between the two ecosystems.

EXHIBIT 63: **Sports data and infrastructure partnerships could unlock sportsbook-like capabilities across prediction markets**

Monetization Layer	Current Capability	Potential Evolution	Potential Customer	Revenue Model Today	Potential Revenue Evolution	What Could Drive It	Risks
Official sports data	Powers pricing, settlement and in-play markets	More leagues and deeper in-play coverage	Exchanges	Data licensing	Higher revenue per client as rights coverage and product usage expand.	More league approvals Growth in sports PM volume More in-play products.	Rights availability, league consent and regulatory uncertainty.
Odds / pricing	Live pricing and market inputs	Ultra-low-latency products and models	Exchanges / market makers	Contracted pricing solutions	Higher-value pricing services	In-play growth	Alternative data sources
Streaming + league IP	Live video and authorized league alongside contracts.	Broader "watch & trade" experiences.	Exchanges / end users	Content licensing	Greater engagement monetization	More leagues accepting PM and platforms prioritizing embedded live content.	Expensive rights and league restrictions
Fan acquisition / marketing	Media, marketing and acquisition services	Personalization and retention tools	Exchanges	Marketing & media services	More recurring marketing spend as platforms compete for sports users.	Rising CAC competition and larger sports-event calendars.	Marketing regulation
Market makers / brokers	Data and infrastructure access	Ultra-low-latency feeds and tailored trading, liquidity, and risk tools	Market makers / brokers / liquidity providers	Direct B2B contracts possible	TAM expands as sports-rights infrastructure is monetized across multiple participants	Liquidity expansion	Market fragmentation: Participants may use alternative data

Source: Sportradar, Genius Sports, Bernstein analysis

APPENDIX - TAM METHODOLOGY

Methodology overview

We size the prediction-market opportunity across three categories - sports, financial assets (crypto, equities and commodities - binaries and perps), and others (economics, politics, etc.). Each requires a distinct TAM anchor, because the comparable pool of volume differs by category. Our thesis is that retail enters through sports given its inaccessibility in many jurisdictions, but the non-sports categories grow in prominence over time, accounting for 60%+ of total volumes by 2035E.

1. Sports - We anchor the sports TAM to the US sports-betting handle of ~$160Bn in 2025. We use the US handle (not global) because the global handle is unreliable due to inconsistent reporting and grey-market wagering outside regulated jurisdictions. This $160Bn handle in US is generated despite legal online/mobile sports betting operating in only ~32 states - California and Texas, the two largest states, remain unregulated. This gap drives retail to prediction markets. Sports prediction markets, potentially operating as federally regulated (CFTC) event-contract exchanges, can offer the same exposure in all 50 states, reaching the demand that state-by-state betting law leaves stranded. Other advantages include -

- Regulatory reach - A single federal framework preempts the state-by-state patchwork. The same contract is available nationwide, including in the largest prohibited markets, and is not gated by individual state licensing regimes.
- Exchange, not a house - Participants trade against each other on an order book rather than against a bookmaker's built-in margin.

  Removing the house edge can deliver retail better effective pricing than a traditional sportsbook.
- Continuous tradability - A position can be entered and exited at any point before the event resolves, allowing a user to lock in a gain, cut a loss, or hedge mid-event.

The same pattern holds globally. Where sports betting is unavailable, demand migrates to informal markets. Therefore, we expect sports to be prediction markets' primary retail entry point: it is the most mainstream use case and addresses demand that traditional betting operators cannot capture.

Handle vs. prediction market volume - Handle is the gross amount staked - a one-directional wager that is placed and then settled. Prediction-market volume is the notional traded on a continuous secondary market: a position can be bought and sold many times before the event resolves, and each transaction increases volume. A single dollar of conviction can generate several

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dollars of volume, which is why prediction-market volumes can exceed handle even with smaller base of traders.

On that basis, sports prediction-market volumes are already tracking at annualized volumes of ~$275Bn in 2026-YTD (as of August 2026) across Kalshi and Polymarket only, surpassing the US handle for 2025. We expect these volumes to grow at a ~61% CAGR over 10 years (2025–35E). But sports is the entry point, not the main category: we expect its share of total prediction-market volumes to fall from ~61% in 2025 to ~38% by 2035E as other categories scale.

2. Financial assets - crypto, equities, commodities - We anchor this TAM to the four pools these instruments compete with directly, sized in 2025 and grown separately: (i) Spot crypto volumes; (ii) Crypto perpetual volumes; (iii) Retail derivatives (equity, indices, commodities, etc.); and (iv) RWA (real-world asset) perpetuals. This gives a total addressable pool of ~$700Tn in 2025, rising to ~$900Tn by 2035E. We model prediction-market volumes as a percentage of this pool, rising from ~0.001% in 2025 to 0.5% by 2035E, which implies category volumes of ~$6Bn in 2025, ~$60Bn in 2026E and ~$4.7Tn by 2035E. Traditional volumes are measured on a notional basis, and the use of leverage and margin on futures and options inflates that notional, so even sub-1% penetration implies large absolute volumes. We include perpetual futures within this category rather than modeling them separately, consistent with our view that short-dated and long-dated products converge onto the same platforms.

Financial prediction markets offer retail traders a simpler, defined-risk way to express a specific, time-bound, directional view without owning the token or managing leverage, funding, or liquidation risk.

- Defined capped downside - The maximum loss is limited to the premium paid for the contract. Unlike leveraged futures or perpetuals, there are no margin calls, liquidations, or funding payments.
- A precise, time-bound view - Rather than continuous exposure to the magnitude of every price move, the user trades a single bounded question whether a defined level is reached by a defined date. The path no longer matters, only the outcome at expiry.
- No custody or infrastructure burden - No wallet, private-key management, custody-risk/ hacks, stablecoin conversion, or on-chain gas is required to express the view; cost and payoff are known at entry.
- Downside access - Shorting is largely inaccessible to retail in spot crypto. A holder can instead buy a downside contract as hedge against their spot book. For example, a user holding Bitcoin at ~$100,000 who is worried about a near-term drop can buy a "Will Bitcoin fall below $90,000 this month?" contract for. If Bitcoin falls through $90,000, the contract pays $1.00 - partly offsetting the loss on their holdings; if it does not, they lose only the premium.

On the perpetuals side, the advantages against conventional futures include no monthly roll and therefore no rollover cost, a single contract that concentrates liquidity rather than fragmenting it across expiries, and 24/7 trading that remains open when conventional exchanges are closed.

3. Others - economics, politics, etc. - We anchor this TAM to global interest rate derivatives. This is the category that generates new demand, instead of displacing existing instruments. We model category volumes at ~$14Bn in 2025, ~$50Bn in 2026E and ~$1.3Tn by 2035E, accounting for ~14% of total volumes.
Structural advantages include -

- Access to exposures that otherwise do not exist - Prediction markets allow users to trade outcomes that are otherwise difficult or impossible to access directly. This includes interest rates, inflation, economic data, recession probabilities, elections, and policy decisions. Rather than relying on indirect proxies, users can take a position on the exact event or outcome they care about.
- Elimination of basis risk - Prediction markets let users trade the specific variable they have a view on. For example, an investor expecting a carmaker to beat delivery estimates can trade the delivery outcome directly instead of the stock, whose performance may be influenced by many unrelated factors. This allows for more targeted hedging and speculation with less exposure to external variables.
- Defined risk and intuitive format - Every contract is a binary yes/no proposition tied to a clearly defined outcome and settles at either $1 or $0. The cost of the contract is also the maximum possible loss, with no margin calls, liquidations, or losses beyond the initial investment. While futures require less upfront capital through margin, prediction markets offer greater

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simplicity and certainty, making them easier to understand while still supporting meaningful hedging and price discovery.

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VALUATION METHODOLOGY

Coinbase Global Inc.

We value COIN using a 25x Price/2027E Earnings, in-line with the average of similar crypto/fintech/broker peers, to arrive at our price target of $330.

Robinhood Markets Inc

We value Robinhood at 35x one-year forward P/E multiple, underpinned by our expectation of 32% revenue CAGR, 47% EBITDA CAGR, 49% EPS CAGR between 2026-28E. EPS for 2028 stands at $4.56, leading to a price target of $160.

DraftKings Inc

We reach our price target of $29/sh in two ways. We reach a valuation for the core business of $27/sh via a two-stage discounted free cash flow model which includes detailed quarterly financial forecasts over three years, annual forecasts of key line items over the following five years, and a terminal perpetuity. We assume a weighted average cost of capital of 13% and a terminal free cash flow growth rate of 3.0%. We then reach a standalone valuation for DK Predictions of $1B (1x expected monthly consumer volume) which implies an incremental $2/sh.

Flutter Entertainment PLC

We reach our price target of $110/sh via a two-stage discounted free cash flow model which includes detailed quarterly financial forecasts over three years, annual forecasts of key line items over the following five years, and a terminal perpetuity. We assume a weighted average cost of capital of 10% and a terminal free cash flow growth rate of 2.5%.

RISKS

Coinbase Global Inc.

1. Risk of fresh competition from international exchanges (e.g., Binance) and brokers (e.g., Robinhood, Schwab) causing pricing & market share pressure in the US home market.

2. Any delay in passing key regulation to establish the Digital assets regulatory framework in the U.S including risk of regulatory volatility from political changes (e.g., mid-term US elections).

3. Digital Assets are a new asset class with limited price history and often display high-beta volatility to changes in macro including any recessionary challenges in the US.

Robinhood Markets Inc

Robinhood faces regulatory risks on its revenue model, particularly its PFOF model from SEC and other regulatory bodies. This also applies to the crypto trading business.

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SEC has historically been harsh on crypto trading businesses, with focus on token trading platforms, as some tokens maybe considered securities.

Digital assets are a new asset class, with limited price history i.e Bitcoin itself is less than 14 years old. The remaining digital assets industry reflected by smart contracts and other blockchain applications is even younger and still evolving into its utility phase.

DraftKings Inc

Key risks to the downside include unfavorable sport outcomes, slower than expected parlay penetration, unfavorable online gaming taxation & regulation, slower than expected regulation of new US state markets, and reputational damage.

Flutter Entertainment PLC

Key risks to the downside include unfavorable sport outcomes, slower than expected parlay penetration, unfavorable online gaming taxation & regulation, slower than expected regulation of new US state markets, and reputational damage.

Key risks to the upside include favorable sport outcomes, better than expected parlay penetration, and favorable online gaming taxation & regulation.

RATINGS DEFINITIONS, BENCHMARKS AND DISTRIBUTION

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The Autonomous brand rates common stocks as indicated below. As our benchmarks we use the Bloomberg Europe 600 Financials Price Return Index (E600BK) and Bloomberg Europe Dev Mkt Financials Large and Mid Cap Price Ret Index EUR (EDMFI) index for developed European banks and Payments, the Bloomberg Europe 600 Insurance Price Return Index (E600IN) for European insurers, the S&P 500 and S&P Financials for US banks and Payments coverage, S5LIFE for US Insurance, the S&P Insurance Select Industry (SPSIINS) for US Non-Life Insurers coverage, the Bloomberg Emerging Markets Financials Large, Mid and Small Cap Price Return Index (EMLSF) for emerging market banks and insurers and Payments, and the Bloomberg Japan Financials Large & Mid Cap Price Return Index (JPFILM) for Japanese Financials. Ratings are stated relative to the sector (not the market).

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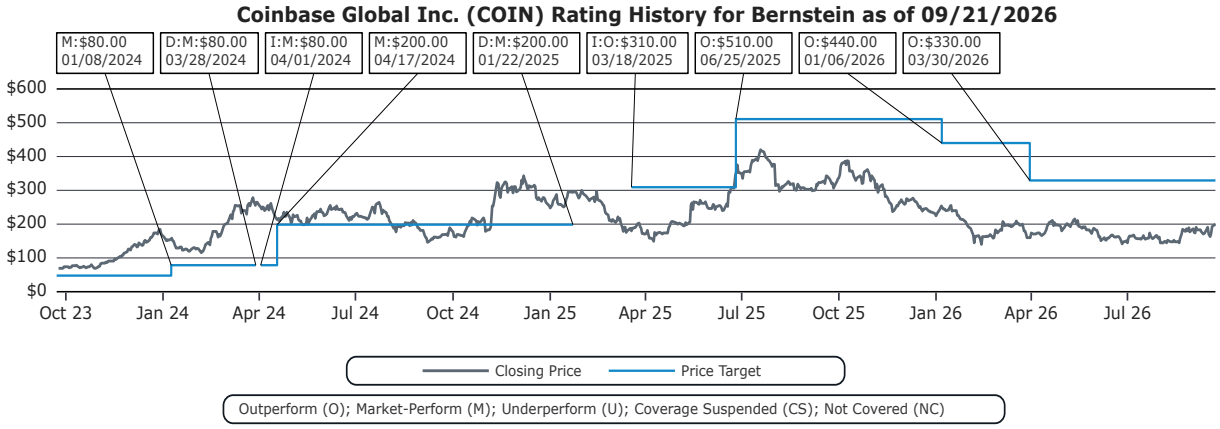
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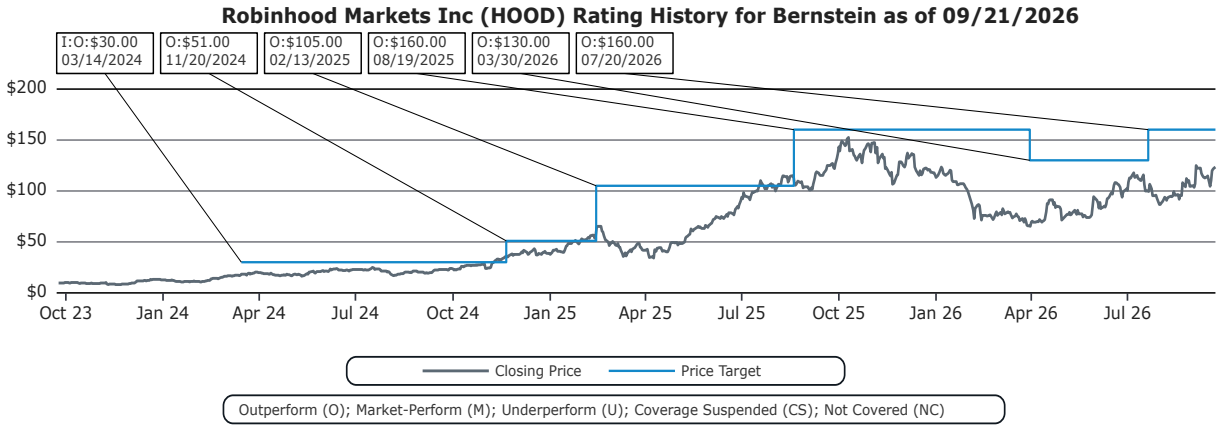
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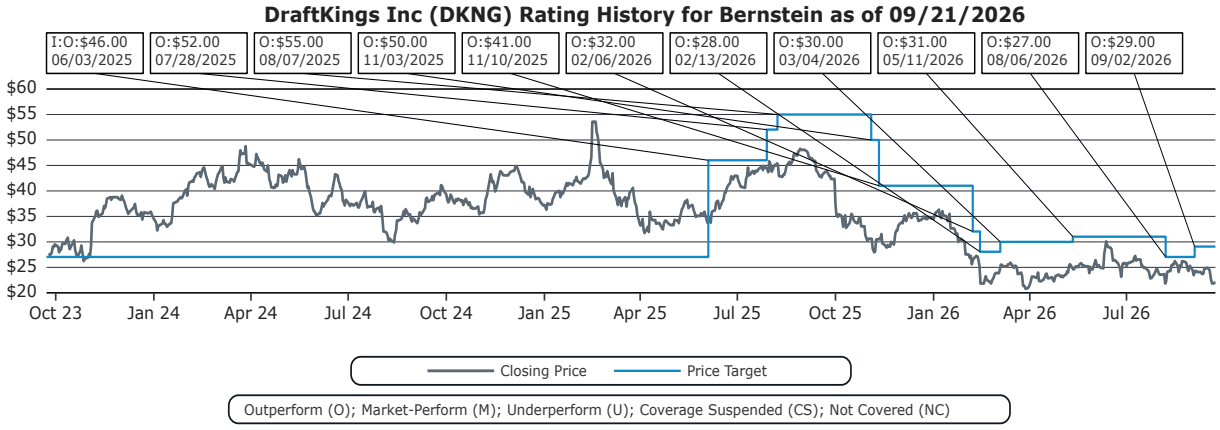
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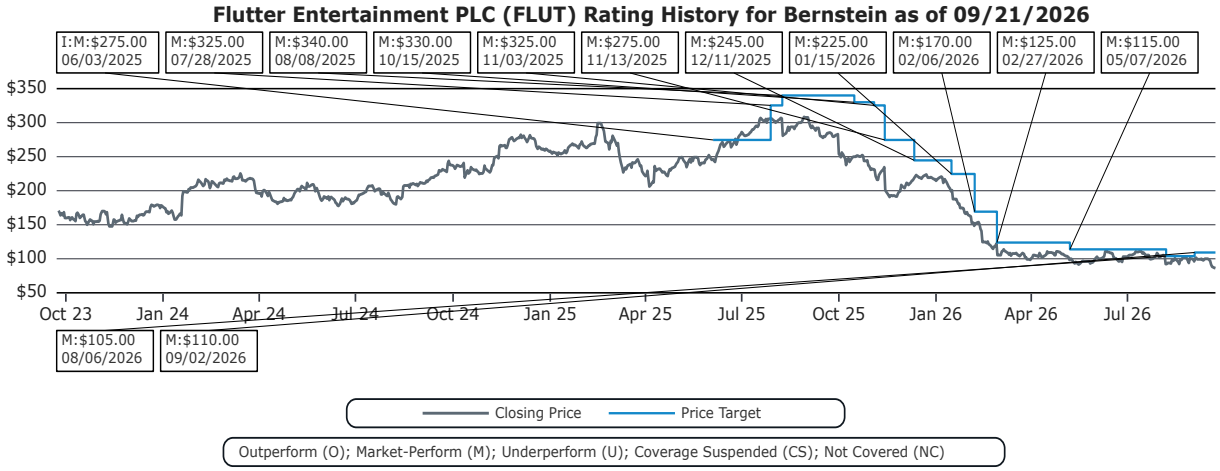
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Gautam Chhugani maintains long positions in various crypto currencies.

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