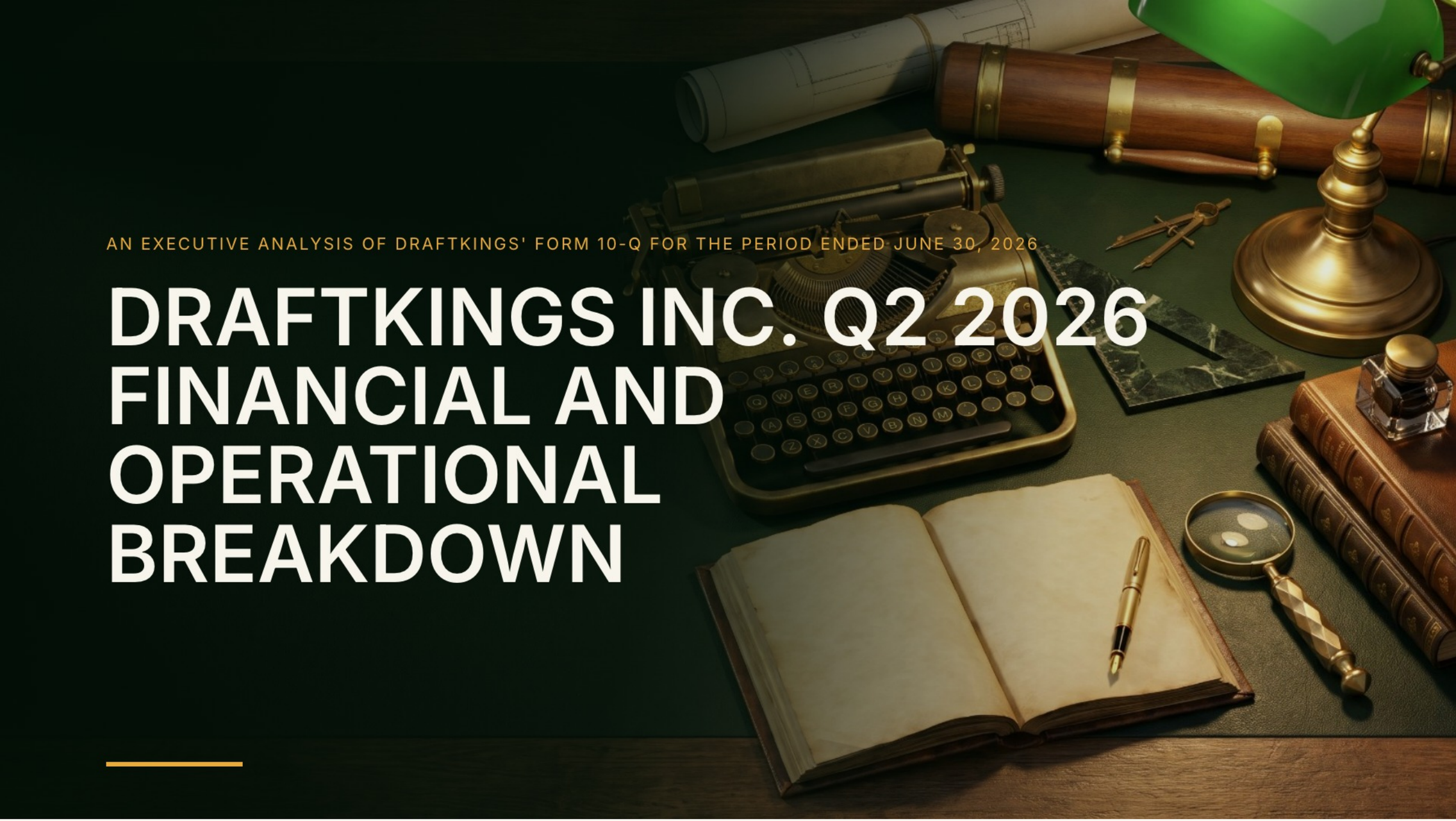


AN EXECUTIVE ANALYSIS OF DRAFTKINGS' FORM 10-Q FOR THE PERIOD ENDED JUNE 30, 2026

DRAFTKINGS INC. Q2 2026 FINANCIAL AND OPERATIONAL BREAKDOWN

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Executive Overview: Form 10-Q for Q2 2026

- Form 10-Q filed with the SEC on August 7, 2026, covering the three- and six-month periods ended June 30, 2026.
- The filing illustrates top-line contraction and margin compression in Q2 despite strong underlying customer volume growth.
- Quarterly revenue reached $1,443.2 million, representing a 4.6% year-over-year decline compared to $1,512.5 million in Q2 2025.
- Operating performance swung from an operating income of $150.6 million in Q2 2025 to an operating loss of $68.2 million in Q2 2026.
- Performance divergence was driven primarily by sport outcome volatility, intense promotional reinvestment, and heightened sales and marketing expenditures.

“The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.”

— Jason D. Robins, Chief Executive Officer and Chairman of the Board

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Q2 2026 Financial Snapshot: Top-Line and Profitability Contraction

Table comparing key consolidated financial metrics across Q2 2025, Q2 2026, 6M 2025, and 6M 2026.

- Revenue for the quarter fell by $69.3 million, or 4.6%, against the prior year period.
- Net income attributable to common stockholders shifted from positive $157.9 million in Q2 2025 to a net loss of $67.6 million in Q2 2026.
- Diluted earnings per share dropped from $0.30 in Q2 2025 to a loss of $(0.14) per share in Q2 2026.
- Year-to-date performance remains positive on top-line, with six-month revenue growing 5.8% to $3,089.3 million versus $2,921.3 million in 2025.
- Six-month net results also swung into deficit, posting a net loss of $46.5 million compared to net income of $124.1 million in 2025.

Consolidated Financial Performance Summary

METRIC ($ IN MILLIONS)	Q2 2025	Q2 2026	6M 2025	6M 2026
Revenue	$1,512.5	$1,443.2	$2,921.3	$3,089.3
Cost of Revenue	$854.6	$891.8	$1,698.4	$1,841.2
Sales & Marketing	$233.2	$322.5	$576.9	$724.3
Operating Income (Loss)	$150.6	($68.2)	$104.3	($62.3)
Net Income (Loss)	$157.9	($67.6)	$124.1	($46.5)

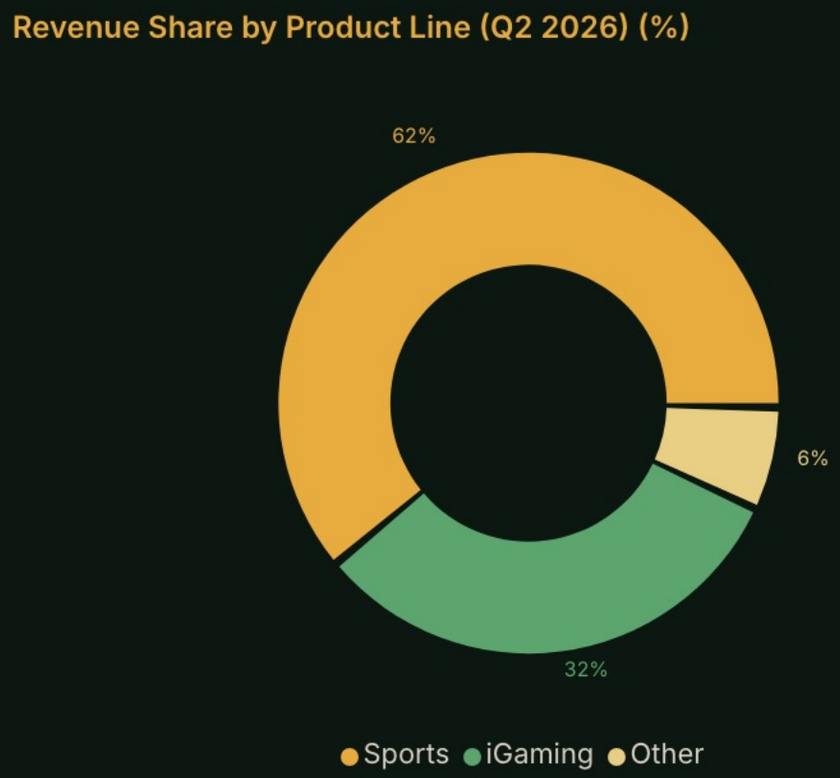
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Revenue Disaggregation: Performance by Offering

Pie/donut chart illustrating the share of total revenue by product line for the quarter ended June 30, 2026.

- DraftKings disaggregates revenue across three operational lines: Sports, iGaming, and Other offerings.
- Sports revenue (online sportsbook, retail sportsbook, and Prediction Markets) contracted 10.6% year over year to $891.9 million.
- iGaming continues to deliver stable expansion, advancing 7.5% year over year to $461.9 million from $429.7 million in Q2 2025.
- Other revenue (Daily Fantasy Sports, digital lottery courier, and user interest income) rose 5.2% to $89.4 million, aided by a new lottery Keno rollout.
- Sports represents 61.8% of quarterly consolidated top-line revenue, followed by iGaming at 32.0% and Other at 6.2%.

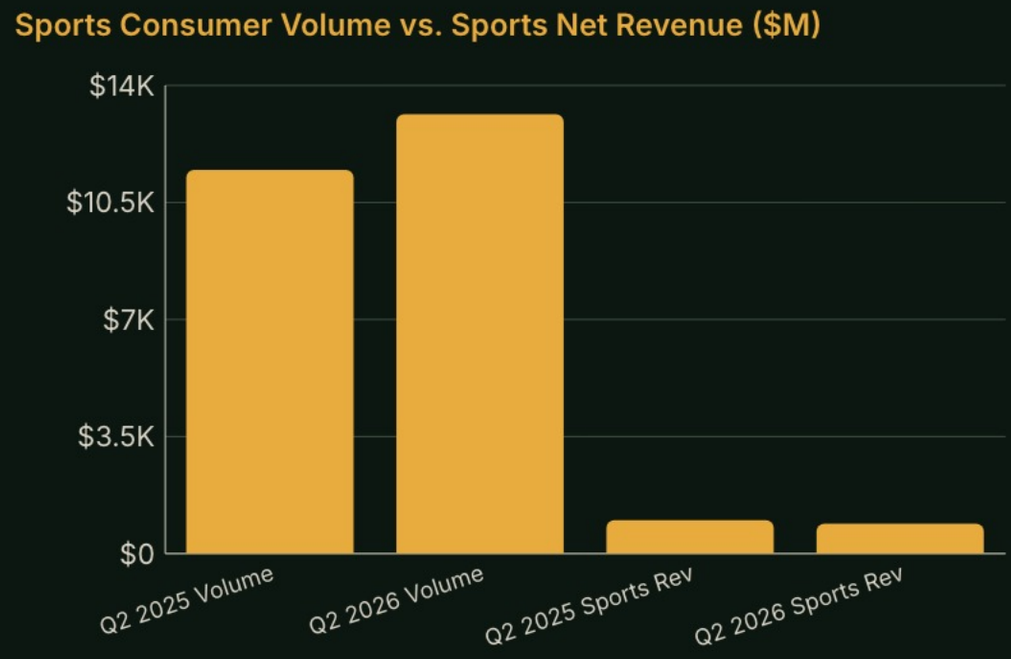


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Key Operational Metrics: Volume Expansion Versus Margin Compression

Bar chart comparing Sports Consumer Volume against realized Sports Net Revenue for Q2 2025 and Q2 2026.

- Sports Consumer Volume—measuring total settled customer wagers and trades—surged 14.5% year over year to $13.14 billion in Q2 2026.
- Monthly Unique Payers (MUPs) increased 9.1% year over year in Q2 to 3.6 million, lifted by NBA Finals, FIFA World Cup, and Prediction Markets.
- Average Revenue per MUP (ARPMUP) dropped 12.6% from $151 to $132, reflecting high promotional reinvestment and adverse hold.
- Sports Net Revenue Margin compressed by 190 basis points from 8.7% in Q2 2025 to 6.8% in Q2 2026.
- The filing attributes margin contraction to customer-friendly sport game outcomes and aggressive acquisition promotional incentives.



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Cost Structure and Operating Expense Escalation

Comparison table contrasting individual operating expense line items as a percentage of revenue between Q2 2025 and Q2 2026.

- Total operating costs increased significantly across all core operating lines, driving the consolidated operating loss.
- Cost of revenue increased 4.4% to $891.8 million, driven by $17.7 million higher state gaming taxes and $14.5 million increased amortization.
- Cost of revenue absorbed 61.8% of total revenue in Q2 2026 compared to 56.5% in Q2 2025, largely due to state tax rate increases.
- Sales and marketing surged 38.3% to $322.5 million, reflecting heavy acquisition outlays for major sporting events, Super App, and Prediction Markets.
- Product and technology rose 17.7% to $127.6 million on higher software licensing and engineering department compensation.

Operating Expense Breakdown (Three Months Ended June 30)

EXPENSE LINE	Q2 2025 ($M)	Q2 2026 ($M)	YOY CHANGE (%)
Cost of Revenue	$854.6	$891.8	+4.4%
Sales & Marketing	$233.2	$322.5	+38.3%
Product & Technology	$108.4	$127.6	+17.7%
General & Administrative	$165.7	$169.4	+2.3%
Total Operating Expenses	$1,361.9	$1,511.4	+11.0%

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Adjusted EBITDA Performance and Reconciliations

Waterfall chart mapping GAAP Net Loss to Adjusted EBITDA for Q2 2026 through the company's non-GAAP adjustments.

- Adjusted EBITDA decreased 61.9% year over year to $114.6 million in Q2 2026 from $300.6 million in Q2 2025.
- First-half Adjusted EBITDA declined 30.0% to $282.5 million compared to $403.3 million in 6M 2025.
- Stock-based compensation adjustments totaled $82.6 million for Q2 2026 and $147.8 million for the six-month period.
- Depreciation and amortization added back to operating results increased to $80.3 million for Q2 2026 from $65.3 million in Q2 2025.
- The company recognized $19.9 million in non-recurring advocacy and legal expenses in Q2 related to state legislative efforts and ballot measures.

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Liquidity Profile, Debt Facilities, and Capital Allocation

Table detailing DraftKings' contractual principal obligations and debt maturity schedule as of June 30, 2026.

- Total cash and equivalents stood at $983.9 million as of June 30, 2026, alongside $395.0 million in segregated user reserves.
- Capital structure includes $1,260.4 million net carrying value in zero-coupon convertible senior notes due March 2028.
- Senior secured Term B Loan principal stands at $592.5 million maturing March 2032, carrying a weighted-average interest rate of 5.39%.
- Undrawn $500.0 million Revolving Credit Facility maintains $488.1 million in borrowing availability, with $11.9 million in letters of credit issued.
- Board expanded the Class A common stock repurchase program to $2.0 billion; $154.2 million was deployed to repurchase shares in 6M 2026.

Debt Principal Repayment Schedule

PERIOD DUE	PRINCIPAL PAYMENT ($M)	PRIMARY DEBT INSTRUMENT
H2 2026 (July 1 - Dec 31)	$3.0	Term B Loan Quarterly Installments
2027	$5.9	Term B Loan Amortization
2028	$1,270.8	Convertible Notes Maturity & Term B
2029	$5.8	Term B Loan Amortization
2030	$5.7	Term B Loan Amortization
Thereafter	$566.4	Term B Loan Maturity (2032)

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Prediction Markets Integration: Railbird Acquisition

Framework diagram depicting the Railbird acquisition transaction structure, CFTC-regulated exchange access, and integration into the Super App ecosystem.

- Acquired Railbird Technologies Inc. and its CFTC-designated exchange subsidiary in late 2025 for $84.8 million total initial consideration.
- Transaction consideration comprised $18.3 million cash, $28.7 million Class A equity, and $37.8 million fair value in contingent consideration.
- Up to $200.0 million in maximum performance-based earnouts are tied to post-closing operational metrics.
- The deal established DraftKings' dedicated Prediction Markets offering launched in December 2025, operating via regulated event contracts.
- Purchase price allocation assigned $58.1 million to a four-year definite-lived operating license and recognized $40.2 million in goodwill.



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Jurisdictional Footprint and Market Expansion

Map of the United States displaying DraftKings' active operational footprint across mobile sports betting, retail sportsbooks, and live iGaming states.

- DraftKings operates mobile sports betting across 29 jurisdictions out of 33 authorized online sports betting states in the U.S., plus Ontario, Canada.
- Retail sportsbooks operate in 15 distinct jurisdictions, including Arizona, Illinois, New Jersey, Wisconsin, and Puerto Rico.
- Online casino (iGaming) remains active in 5 states (Connecticut, Michigan, New Jersey, Pennsylvania, West Virginia) and Ontario.
- State-level access expanded during 2026 with recent operational launches in Missouri and Arkansas.
- Heavy advocacy spending continues, with $46.2 million spent year-to-date targeting iGaming legalization and Sportsbook ballot initiatives.

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Legal Landscape: Patent Disputes and Advertising Scrutiny

Comparison table categorizing major open litigation into Intellectual Property versus Consumer Class Action proceedings with current procedural status.

- Multi-front patent litigation involves claims by Winview, Arrow Gaming, Colossus, Micro-Gaming, and Interactive Games across betting tech and latency.
- PTAB reviews largely invalidated asserted claims in Colossus and Arrow Gaming, though specific appeals remain pending in the Federal Circuit.
- Winview II continues in New Jersey federal court involving nine asserted patents, with IPR institution granted for the '883 patent.
- Consumer class actions (Scanlon in Massachusetts, Youngs in New Jersey, Beyer in Illinois) target promotional terms including "risk-free" or "$1,000 deposit match."
- Courts dismissed several deceptive ad claims with prejudice, but Massachusetts 93A and select New Jersey consumer fraud counts survived motions to dismiss.

Active Litigation Profile and Status

MATTER	FORUM	SUBJECT MATTER	CURRENT PROCEDURAL STATUS
Winview II	D.N.J.	Patent Infringement (9 Patents)	Stayed Pending PTAB IPR Decision (Due July 2021)
Scanlon	Mass. Super. Ct.	Promotional Site Credit Claims	Summary Judgment Denied on Ch. 93A Claims
Youngs	D.N.J.	'Risk-Free' / Match Ad Allegations	Motion to Dismiss Denied in Part; Proceeding to Pretrial
Macek II	E.D. Pa.	Casino & Sportsbook Promotions	Motion to Dismiss Denied; Initial Pretrial Aug 2025
NCAA	S.D. Ind.	Trademark / Lanham Act ('March Mania')	TRO Denied; Answer Filed June 2026

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Emerging Regulatory Frontiers: Prediction Markets and Compulsive Gaming

Timeline showing the progression of novel legal challenges filed throughout 2026 regarding platform design, compulsive gambling, and prediction markets.

- Beginning in March 2026, 14 state-level product liability lawsuits were filed alleging betting platforms are defectively designed and induce compulsive gaming.
- Plaintiffs argue algorithmic push notifications, data personalization, and VIP tiers constitute unfair practices under product liability frameworks.
- DraftKings Predictions faces novel class action challenges (Chan, Hughes, Gordon) asserting event contracts violate state gambling prohibitions.
- Suits rely on historical "Statute of Anne" recovery provisions across multiple states, claiming sports event contracts bypass state sports betting laws.
- In California (Zhen v. DraftKings), the court dismissed all monetary damages and civil RICO claims with prejudice, leaving only injunctive claims.

March 2026

Product Liability Filings

First of 14 suits filed alleging platform design defect

April 2026

Farley Complaint

NY federal class action targets VIP and bonus features

July 2026

Chan & Hughes Suits

Prediction market sports contracts challenged under state gaming laws

August 2026

Gordon Class Action

Multi-state claim asserting illegal sports betting in 15 states

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Strategic Summary: Long-Term Scaling Against Near-Term Volatility

Framework diagram depicting DraftKings' long-term flywheel connecting customer volume growth, multi-product monetization, cohort maturity, and margin leverage.

- The filing underscores strong underlying customer engagement, evidenced by 14.5% Sports Consumer Volume growth and 9.1% MUP expansion.
- Quarterly profitability suffered from an unfavorable 190 basis point swing in net revenue margin and elevated external acquisition expenses.
- Long-term thesis relies on state-level cohort maturation, moderating fixed cost ratios, and cross-selling users between Sportsbook, iGaming, and Prediction Markets.
- Substantial liquidity cushion remains intact, supported by $983.9 million in cash and equivalents and $488.1 million in available revolving capacity.
- Capital return initiatives persist alongside expansion, with $1.23 billion in remaining repurchase capacity under the authorized $2.0 billion share repurchase plan.

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