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Independent Third-Party Research Report

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SACRA

EQUITY RESEARCH

UPDATED
02/20/2026

Polymarket

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Polymarket

Visit Website

Decentralized prediction market platform for users to bet on real-world events using cryptocurrency

#prediction-markets

FUNDING

$2,074,200,000

2025

Details

HEADQUARTERS

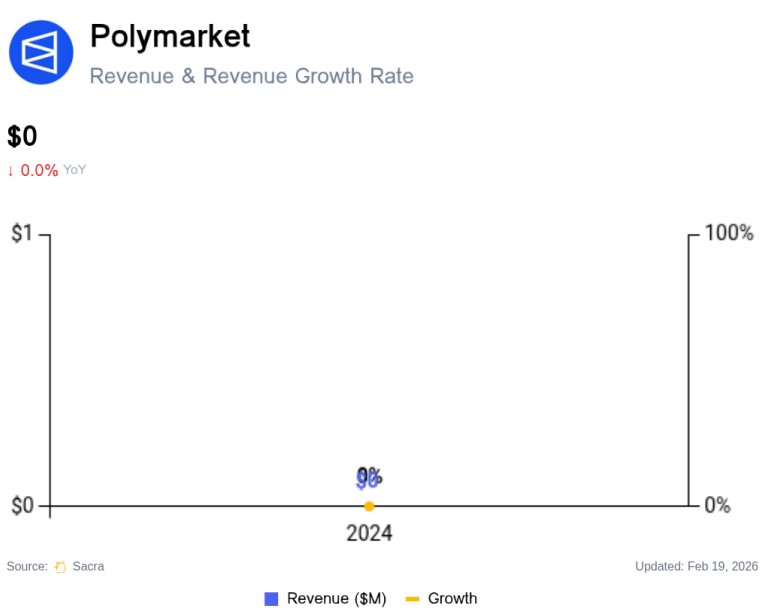
New York, NY

CEO

Shayne Coplan

SACRA

Revenue

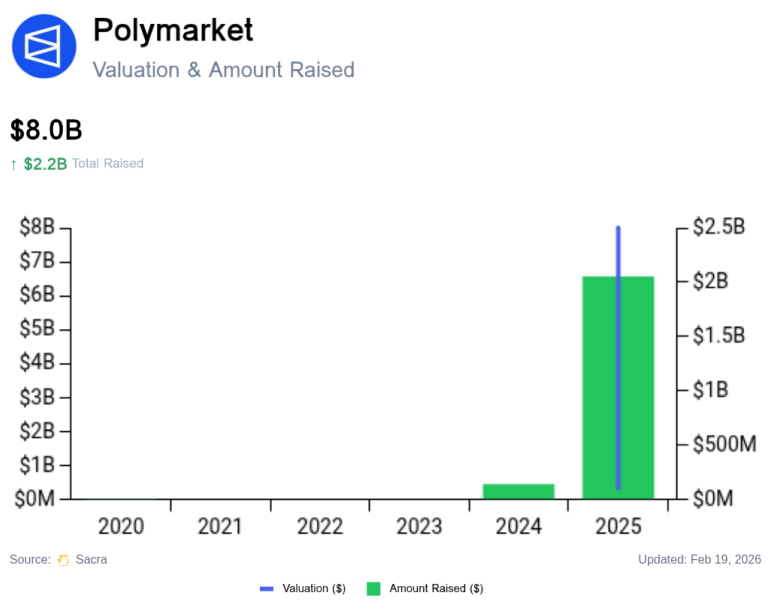


Sacra estimates that Polymarket generated $0 in revenue in 2025, as the platform operated without trading fees while scaling volume and liquidity globally.

Trading volume expanded significantly through the 2024 U.S. election cycle and into 2025, with monthly volume reaching approximately $3.02B in October 2025 and sports markets accounting for over 60% of open interest. Despite this growth, Polymarket did not charge fees on deposits, withdrawals, or trades during 2025, instead subsidizing liquidity through maker incentives and focusing on user acquisition, market depth, and data distribution.

In January 2026, Polymarket began introducing taker fees in high-frequency crypto markets, followed by a February 18, 2026 rollout of fees in select sports markets.

Valuation & Funding



In October 2025, Polymarket announced a strategic investment of $2B from NYSE owner Intercontinental Exchange, valuing the company at $9B post-money.

At the same time, Polymarket disclosed two previously unannounced rounds: $55M in 2024 at a $350M valuation and $150M in early 2025 at a $1.2B valuation.

Before that, Polymarket was valued at approximately $1B as of their May 2024 Series B round. The company raised $45M in this round led by Founders Fund, with participation from Vitalik Buterin.

Total funding now stands at approximately $2.164B.

Product

Polymarket operates a decentralized prediction market where users trade binary outcome contracts on the Polygon blockchain using USDC stablecoins, with shares priced between $0.01 and $0.99 reflecting real-time probability estimates that resolve to $1 for winning positions and $0 for losing ones.

The platform abstracts blockchain complexity through 60-second wallet-less signup via MoonPay or Stripe fiat on-ramps and social login hot wallets, while meta-transactions eliminate visible gas costs—solving the onboarding friction that killed earlier projects like Augur (2014) and Gnosis (2015) where users needed to run their own Ethereum nodes and single trades could cost $50+ in gas during network congestion.

Trading volume exploded from $73M in 2023 to ~$9B in 2024, driven by the U.S. presidential election (over $3.3B wagered on Trump vs. Harris) before pivoting aggressively into sports as monthly volume hit $3.02B in October 2025.

While Polymarket initially led the 2024 election cycle, Kalshi and Polymarket are now neck-and-neck in weekly volume, with Kalshi leading sports betting at $1.1B monthly (vs. Polymarket's ~$350M) while Polymarket dominates politics at $350M monthly (vs. Kalshi's ~$75M).

UMA's decentralized oracle writes resolution results on-chain, meaning Polymarket never touches user funds or settlement—a critical architectural choice that kept the platform operational after being forced offshore by a January 2022 CFTC cease-and-desist for operating as an unregistered derivatives exchange.

Markets span political elections, Federal Reserve decisions, sports outcomes, and entertainment awards, with viral traction driven by Twitter-native link previews showing real-time prices that helped the June 2023 Titan submersible market explode and set the stage for massive 2024 election betting.

In November 2025, Polymarket began live testing its U.S. exchange in beta, onboarding select users and matching trades on real contracts under QCX's CFTC approvals.

Business Model

Polymarket operates as a global, on-chain marketplace for trading event outcomes, where users buy and sell binary contracts denominated in USDC that settle automatically to $1 if the event occurs and $0 if it does not.

Each market consists of a pair of outcome tokens, dynamically priced between $0 and $1 to reflect the implied probability of the event. All trading, clearing, and settlement happen on the Polygon blockchain, with near-instant finality and negligible transaction costs.

Unlike traditional prediction or derivatives exchanges, Polymarket charges no trading fees—there are no fees on deposits, withdrawals, or mid-market trades.

This zero-fee structure removes friction for users and helps maximize liquidity and trading volume, making Polymarket one of the largest crypto-native exchanges by weekly active traders.

The platform earns no direct revenue from trading activity today, instead focusing on market depth, user growth, and product-driven network effects around its data layer.

Polymarket's real-time pricing data on world events has become a widely cited sentiment signal for media, investors, and institutions, expanding its role from trading venue to information infrastructure.

Liquidity on Polymarket is entirely user-provided. The platform does not take proprietary positions or warehouse risk.

Instead, it uses maker incentives—performance-based rewards paid out to accounts that post resting limit orders and keep spreads tight—to encourage continuous two-sided markets.

This model is capital-light and decentralized, with algorithmic matching ensuring that every trade executes against another user rather than the house. The use of USDC on Polygon keeps operating costs close to zero and enables instant settlement and withdrawal, avoiding the custody or credit risks associated with centralized exchanges.

In October 2025, following the acquisition of QCEX, a CFTC-licensed exchange and clearinghouse, Polymarket announced plans to re-enter the U.S. market after being restricted since its 2022 cease-and-desist.

The U.S. version of the platform will run under QCEX's regulatory umbrella with a near-zero fee model—rumored at 0.01–0.04% per trade—dramatically undercutting competitors like Kalshi (≈1%).

This expansion positions Polymarket to compete directly in the regulated prediction-market segment, leveraging its international liquidity base, brand recognition, and superior execution economics to win U.S. market share.

Competition

Polymarket faces competition from regulated exchanges with U.S. market access but higher costs (Kalshi at ~1% take rate, CME Group), traditional sportsbooks with state licenses but constrained product scope (DraftKings, FanDuel with 4-5% house edge), and crypto-native platforms struggling with liquidity and UX (Augur, Gnosis, Manifold).

Consumer fintechs

In November 2025, Robinhood said it will launch a new prediction market exchange with Susquehanna International Group, acquiring MIAXdx to obtain clearing and execution licenses.

Robinhood currently partners with Kalshi and contributes to more than half of its trading volume, and it said it plans to continue with multiple partners to support access to a diversity of market venues for customers.

Regulated event exchanges

Kalshi secured the first-ever CFTC license for an event contract exchange after ~2 years implementing KYC/AML, ongoing reporting, and market surveillance systems before launching in 2021, generating $24M in 2024 revenue on $1.97B volume.

The platform operates legally across all 50 U.S. states and signed the NHL's first-ever prediction market licensing deal in October 2025, granting access to official data, marks, and in-broadcast advertising—regulatory credibility that Polymarket lacked when hit with its 2022 cease-and-desist.

The two platforms traded places week-to-week in October 2025 for overall volume leadership, with Kalshi's sports volume approaching $1B per week and open interest in sports contracts regularly above $100M.

CME Group is evaluating sports-betting contracts by year-end 2025 after partnering with FanDuel, while DraftKings acquired CFTC-licensed exchange Railbird in October 2025 to launch its own prediction markets product—transforming Polymarket's former blue ocean into a crowded competitive landscape where traditional operators can bundle prediction markets with existing state licenses and user bases.

Decentralized prediction platforms

Polymarket commands 70%+ of decentralized prediction market volume, far exceeding competitors like Augur, Gnosis, and Polkamarkets. The platform's superior UX and liquidity depth create network effects, though the underlying smart contracts remain forkable.

Manifold operates a play-money prediction market that competes for mindshare without regulatory risk. These platforms struggle with liquidity fragmentation and technical barriers that Polymarket has largely solved.

Sports betting and crypto exchanges

Traditional sportsbooks like DraftKings and FanDuel saw stocks fall over 20% in September 2025 amid fears that prediction markets' structural advantages—lower fees (Polymarket 0%, Kalshi ~1% vs. sportsbooks' 4-5% house edge), federal CFTC oversight enabling operation in non-gambling states like California and Texas, and availability to 18+ nationwide versus state-by-state 21+ restrictions—would siphon users from the $300B global sports betting market.

State regulators pushed back aggressively: Nevada warned operators they could jeopardize gambling licenses by offering sports contracts, while multiple states sued Kalshi alleging unlicensed gambling operations.

The American Gaming Association condemned the NHL's October 2025 licensing to Kalshi and Polymarket as legitimizing "backdoor gambling schemes," though the NHL argued partnering lets leagues influence which markets are offered and positions collaboration as a safeguard for game integrity.

DraftKings and Flutter (FanDuel's parent) are racing to enter prediction markets—DraftKings through Railbird acquisition targeting "coming months" launch with sports focus, FanDuel through CME partnership on financial products like oil prices and S&P 500 contracts.

Both face warnings from state regulators and the reality that entering prediction markets could cannibalize higher-margin sportsbook revenue while attracting regulatory scrutiny that threatens existing licenses.

Centralized crypto exchanges including Binance and BitMEX have launched prediction products potentially tapping 50M+ user bases, though they lack Polymarket's social virality and specialized focus.

The fragmentation suggests the market is bifurcating between federally-regulated financial exchanges (Kalshi, CME, QCEX) and offshore crypto-native platforms (Polymarket until its U.S. reentry), with traditional sportsbooks caught in regulatory crossfire between state gambling authorities and federal commodities oversight.

TAM Expansion

Polymarket's addressable market expands along three vectors: the $300B global sports betting market accessible without traditional sportsbook licenses through federal CFTC oversight, institutional demand for prediction market data as real-time sentiment indicators, and the regulatory window for compliant U.S. reentry that could unlock the world's largest gambling market.

The platform's forced 2022 offshore exit may have created strategic advantage—three years building global scale and viral distribution while Kalshi fought regulatory battles, now returning to the U.S. with proven product-market fit and planned 100x cost advantage at 0.01% fees versus Kalshi's ~1% take rate.

Sports betting transformation

Sports markets represent over 60% of Polymarket's open interest, with $1B wagered on 2025 sports events.

This targets the $300B global sports betting market through regulatory arbitrage: prediction markets operate under federal CFTC oversight rather than state-by-state gambling regulation, enabling operation in California and Texas where traditional sportsbooks remain banned.

Kalshi surpassed $1 billion in monthly volume in mid-September 2025 with 98% sports-related, while the NHL became the first major North American league to sign prediction market licensing deals in October 2025, granting access to official data and in-broadcast advertising.

The structural advantage: crypto settlement infrastructure enables instant payouts and eliminates chargebacks while operating across borders, with Polymarket's exchange model and planned 0.01% fees positioned to disrupt traditional bookmaking's 4-5% house edge.

State regulators are fighting back with lawsuits alleging unlicensed gambling, creating uncertainty around whether federal financial licenses preempt state gambling authority—a question that may reach the Supreme Court by 2027 and determine whether prediction markets can scale sports betting nationwide or face state-by-state blocking.

Stablecoin and crypto adoption

The 48x volume growth in 2024 coincided with falling Layer 2 gas costs and expanding USDC supply on Polygon, where transaction fees dropped below $0.01 to make smaller bet sizes economically viable.

Polymarket's USDC settlement means users never see crypto price volatility—depositing $100 USDC provides exactly $100 in betting power—while the 60-second wallet-less signup using MoonPay or Stripe for fiat-to-crypto conversion enables onboarding faster than creating traditional brokerage accounts.

Stablecoin proliferation across emerging markets creates natural user bases familiar with USDC transactions, with over 50% of Polymarket traffic from the U.S. plus four close U.S. allies despite U.S. residents being restricted from trading—a dynamic where non-U.S. traders forecast outcomes for a largely U.S. audience consuming prediction market data.

Every improvement in blockchain infrastructure (faster finality, lower costs, better on-ramps) directly expands addressable markets by making UX more invisible, solving the onboarding friction that killed earlier projects like Augur where gas costs and node requirements prevented mainstream adoption.

Token economics and regulatory positioning

A rumored POLY token launch would transform liquidity provision through staking incentives and protocol-owned liquidity, potentially capturing the $3M+ in annual market-maker subsidies Polymarket currently pays from its balance sheet.

The token could serve as a governance mechanism for dispute resolution, replacing or augmenting UMA's oracle system with stakeholder voting on market outcomes.

The regulatory strategy: hire former CFTC chair J. Christopher Giancarlo in May 2022, acquire Florida-based QCEX holding CFTC licenses for both derivatives exchange and clearinghouse for $112M in July 2025 to buy compliance infrastructure and regulatory approvals lacking in 2022, and wait for DOJ and CFTC investigations to close without new charges in July 2025 following earlier settlement.

Donald Trump Jr. took an advisory role while the company targets November 2025 U.S. relaunch starting with sports markets.

A compliant U.S. venue would combine Kalshi's market access with Polymarket's product flexibility and cost structure, unlocking institutional participation currently sidelined by regulatory uncertainty.

The $2B partnership with Intercontinental Exchange positions prediction market data as Bloomberg Terminal-grade sentiment analysis, with the wedge strategy of starting with sports to capture seasonal traffic and prove the model at scale before expanding into elections, macro events, entertainment, and any outcome where information asymmetry creates betting opportunities across the broader $300B+ addressable market.Retry

Risks

Volume concentration: Trading activity shows extreme dependence on singular events, with election markets driving the bulk of 2024's growth. January 2025 volumes represent just 14% of November's peak, raising questions about sustainable engagement between major political cycles. The platform must diversify beyond headline events to maintain consistent liquidity.

Regulatory enforcement: The November 2024 FBI raid and ongoing DOJ investigation create existential uncertainty. Multi-country blocks and U.S. geo-fencing limit growth in key markets. Any adverse enforcement could force KYC implementation or operational restructuring that compromises the frictionless user experience driving adoption. In November 2025, a Columbia University study reported that wash trading accounted for an average of 25% of Polymarket’s activity over the past three years, with peaks of ~60% in December 2024, ~5% in May 2025, and ~20% in early October 2025.

Competitive moats: The platform's smart contracts and market mechanisms remain copyable by better-capitalized competitors. Centralized exchanges could replicate key markets overnight while traditional betting operators increasingly eye prediction market opportunities. Without network effects from a token or exclusive content partnerships, liquidity advantages may prove temporary.

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Published on Feb 20th, 2026